

FSRA

Financial Services Regulatory
Authority of Ontario



Ontario

Annual Report

2024-2025

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Executive summary

The Financial Services Regulatory Authority of Ontario (“FSRA”) is pleased to introduce its 2024-25 Annual Report. The Annual Report provides information to FSRA’s stakeholders and consumers of financial services on how FSRA has performed against its operational and financial goals and objectives, particularly regarding its 2024-27 Annual Business Plan (“ABP”).

The Annual Report also includes the following components:

- Board appointments and remuneration
- Year-end assessment scorecards and an overview of key activities
- Performance measures and targets
- Risk identification, assessment and mitigation strategies
- Analysis of financial performance
- Audited financial statements
- Statistics on FSRA’s operations

FSRA at a glance

FSRA continues to work on behalf of consumers

FSRA regulated or registered as at March 31, 2025:

- **1,803** co-operative corporations
- **5** credentialing bodies for financial planner/advisor title use
- **52** credit unions and caisses populaires
- **7,233** corporate insurance agencies
- **5,151** health service providers
- **1,869** insurance adjusters
- **72,113** insurance agents
- **49** loan and trust corporations
- **263** mortgage administrators
- **10,446** mortgage agents Level 1
- **5,091** mortgage agents Level 2
- **1,180** mortgage brokerages
- **3,056** mortgage brokers
- **282** non-Ontario-incorporated insurance companies
- **49** Ontario-incorporated insurance companies and reciprocals
- **4,150** registered pension plans

FSRA continues to work on behalf of consumers:

Enforcement actions

- Total of \$1.2 million initiated in administrative monetary penalties and 80 achieved sanctions.

Consumer protection

- Granted 23 Letters of Assurance of confidentiality through the Whistle-Blower program.

Consumer research

- Conducted the 2024 Cross-Sectoral Consumer Survey, informing FSRA’s regulatory and supervisory efforts.

Key accomplishments in 2024-25:

Consultations

- Conducted 13 public consultations, 7 of which were focused on guidance, 4 were focused on rules, and 2 were focused on other documents such as the Statement of Priorities.

Priorities

- Delivered on a total of 17 priorities, including 3 cross-sectoral and 14 sector-specific.

Key work

- Announced the inaugural recipients of FSRA’s grant funding program.
- Hosted three conferences to enhance stakeholder engagement.
- Delivered three targeted consumer education campaigns.
- Worked with the Ministry of Finance to create a new licensing framework for Life and Health Insurance Managing General Agents (MGAs).

Message from the Chair

It is my pleasure to present the 2024–25 Annual Report for FSRA. The Report provides an overview of the organization’s activities and achievements over the course of the past fiscal year. The Annual Report is a critical tool for FSRA to hold itself accountable by transparently reporting on its performance and results from the past year.

FSRA’s sixth year in operation marked a significant reset, beginning with the search for, and appointment of, our new CEO, Dexter John. Appointing a new CEO was a critical task for the Board last year, and perhaps is the single most important act in providing effective governance to a government agency. The Board identified the following priorities when conducting its search for a new CEO:

- Ability to create a more efficient organization by restructuring the management team to streamline operations and ensure an optimal allocation of resources toward FSRA’s regulatory functions.
- Ability to build stronger knowledge of the needs of regulated sectors through ongoing and constructive engagement to enable FSRA to better support these stakeholders.
- Ability to continue evolving a best-in-class regulatory governance model, aligning the efforts of the Board and management on the development and execution of a balanced regulatory strategy.
- Ability to provide sound advice to the Minister of Finance, supporting informed government decisions that will enhance the long-term viability of Ontario’s financial sector.

Over the last year, FSRA continued to advance its principles-based regulation (PBR) framework while effectively applying prescriptive rules where appropriate to achieve desired regulatory outcomes.

At the same time, FSRA continues to expand the Innovation Office to support those who are looking to innovate by bringing new products and services to the market. Given the geopolitical challenges Ontario is facing with our largest trading partner, FSRA is prepared to support government-led initiatives. In particular, we will be prioritizing initiatives to modernize the regulatory framework and removing red tape across the sectors FSRA regulates.

We extend our sincere thanks to departing Board members Kathy Bouey and Brent Zorgdrager, as well as interim CEO Stephen Power, for their dedicated service. Our gratitude also goes to the members of FSRA's Stakeholder Advisory Committees, Technical Advisory Committees and the Consumer Advisory Panel for their commitment to share their expertise and insight on a broad range of issues.

FSRA's achievements are greatly attributed to the trust and backing we receive from our Minister, the Honourable Peter Bethlenfalvy, and our colleagues at the Ministry of Finance. The diligent efforts of FSRA's dedicated management and staff are what keep the organization running smoothly. I extend my heartfelt gratitude for your commitment and hard work.

I am eager to continue collaborating with my board colleagues and the FSRA team to serve all our stakeholders effectively.

Joanne De Laurentiis

Chair

Financial Services Regulatory Authority of Ontario

Message from the CEO

I am honoured to address you as the newly appointed CEO of the Financial Services Regulatory Authority of Ontario (FSRA). Although I have only recently assumed this position, I am committed to leading FSRA through its next chapter with clarity, accountability, and purpose. I am fully aware that we have come a long way since 2019, but our next chapter requires a new kind of leadership, and that's where my focus lies.

Since FSRA's inception in 2019, the organization has made significant strides in building a strong regulatory foundation. Now we must look forward. The pace and complexity of change demand a renewed focus—one that combines bold thinking with disciplined execution. That is the leadership I intend to bring to the organization.

Over the past several weeks, I have been listening carefully to our stakeholders, engaging with staff, and assessing our current state. This work will inform a bold but disciplined 3-to-5-year vision. As part of this effort, I have identified several areas that require my immediate attention:

- We must continue to adopt modern technology to raise service standards and improve our stakeholder experience.
- We must be more transparent with the sectors we regulate about our operations, our budget, and the value for money we deliver.
- We must drive consistency in our regulatory and enforcement activities – sending the message that we are a fair, but firm, regulator that supports a thriving economy.

FSRA has been doing good work. But the pace of change around us demands that we become more agile, more accountable, and pay more attention to execution. We have already started adjusting – streamlining our internal reporting structure and re-evaluating how we are managing some significant projects. These are the first steps on a journey to becoming a high-performing, future-ready regulator. It will take time—but this transformation is not optional. It is essential to ensuring that FSRA continues to protect the public interest and foster confidence in Ontario’s financial services sector.

Dexter John

Chief Executive Officer
Financial Services Regulatory Authority of Ontario

About FSRA

FSRA is an independent Crown regulatory agency. It was established in June 2019 to enhance public confidence in non-securities financial services and pensions in Ontario.



FSRA Vision

Financial safety, fairness, and choice for Ontarians.



FSRA Mission

Public service through dynamic, principles-based, and outcomes-focused regulation.



FSRA Values

Honest, Impactful, Credible, Empathetic,
Collaborative, Empowered.

Governing legislation and mandate

The *Financial Services Regulatory Authority of Ontario Act, 2016* (“FSRA Act”) establishes FSRA’s role in regulating non-securities financial services and pensions in Ontario. It sets out powers to administer and enforce the FSRA Act and sector statutes, and outlines FSRA’s basic governance and accountability structure.

FSRA’s objects, as defined in the FSRA Act, are:

- To regulate and generally supervise the regulated sectors.
- To contribute to public confidence in the regulated sectors.
- To monitor and evaluate developments and trends in the regulated sectors.
- To cooperate and collaborate with other regulators, where appropriate.

- To promote public education and knowledge about the regulated sectors.
- To promote transparency and disclosure of information by the regulated sectors.
- To deter deceptive or fraudulent conduct, practices, and activities by the regulated sectors.
- To carry out such other objects as may be prescribed.

FSRA's objects with respect to **financial services sectors** (e.g., auto insurance, insurance conduct, credit union, mortgage brokering) are:

- To promote high standards of business conduct.
- To protect the rights and interests of consumers.
- To foster strong, sustainable, competitive, and innovative financial services.

In addition to the objects of general application, FSRA has other objects. With respect to **pension plans**, they are:

- To promote good administration of pension plans.
- To protect and safeguard the pension benefits and rights of pension plan beneficiaries.

With respect to **credit unions / caisses populaires**, the objects are:

- To provide insurance against the loss of part or all of deposits with credit unions / caisses populaires.
- To promote and otherwise contribute to the stability of the credit unions / caisses populaires sector in Ontario, with due regard to the need to allow credit unions / caisses populaires to compete effectively while taking reasonable risks.

- To pursue the above two objects for the benefit of persons having deposits with credit unions / caisses populaires, and in such a manner as will minimize the exposure of the Deposit Insurance Reserve Fund (“DIRF”) to loss.

FSRA has direct powers and duties under the *Co-operative Corporations Act* with respect to **offering statements**. This is reflected in FSRA’s additional object, as set out in a regulation under the FSRA Act:

- It is object of the Authority to carry out any functions with respect to offering statements under the *Co-operative Corporations Act* in relation to the powers and duties of the Chief Executive Officer, with respect to offering statements, that are referred to in that Act or delegated or designated under section 1.1 or 1.2 of that Act.

With respect to **financial planners and financial advisors**, FSRA has objects to administer and enforce the *Financial Professionals Title Protection Act, 2019*.

Board appointments and remuneration

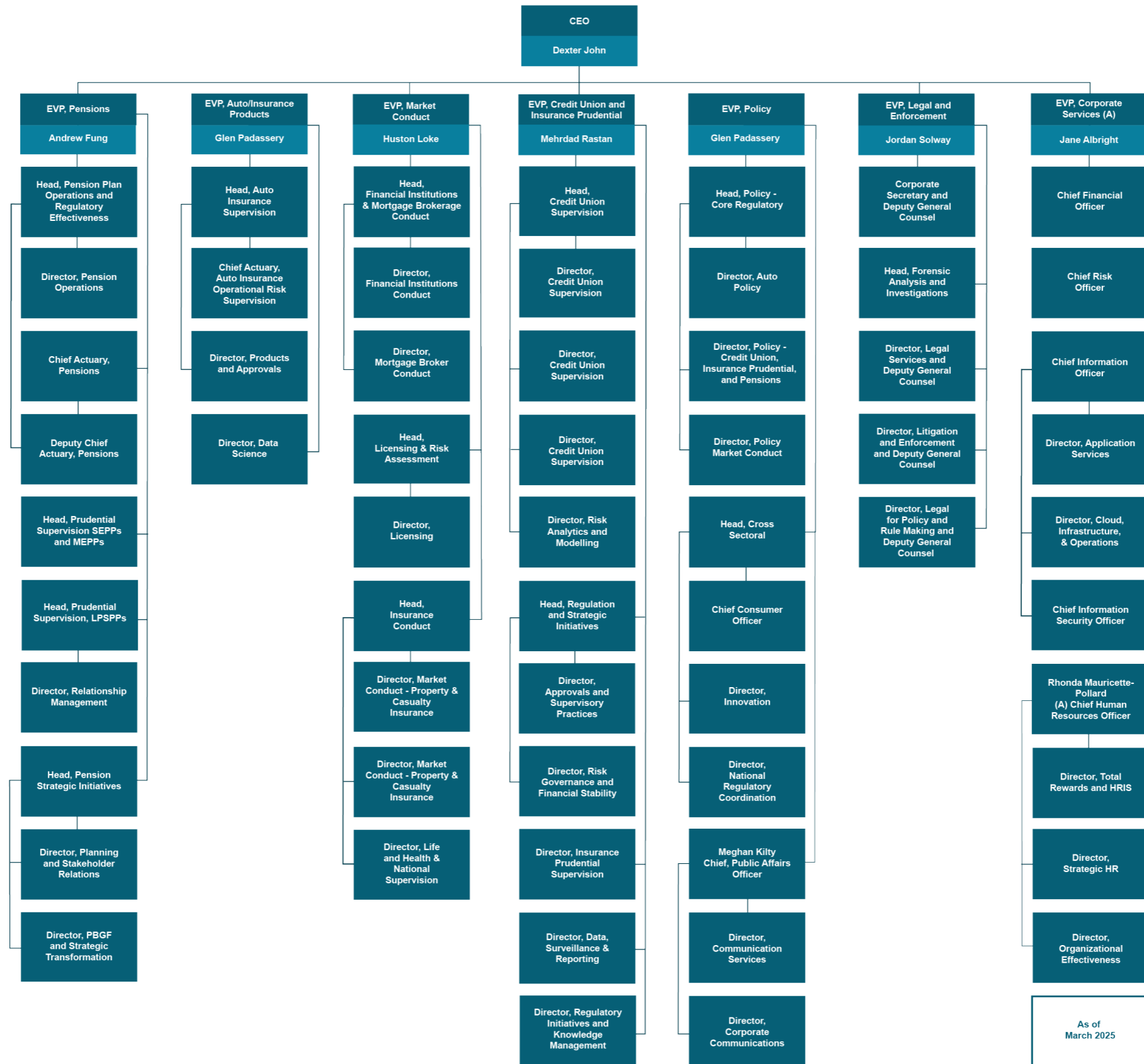
Board – Members as of March 31, 2025

Name	Date first appointed	Term expiration date	Board meeting attendance	Total annual remuneration (as of March 31, 2025)
Joanne De Laurentiis (Chair)	July 26, 2019	December 28, 2025	37	\$82,584
Kathryn Bouey	June 28, 2017	December 27, 2024	20	\$13,924
Joseph Iannicelli	April 9, 2020	April 8, 2026	32	\$40,356
Stewart Lyons	October 22, 2020	October 21, 2026	19	\$11,564
Peggy McCallum	May 18, 2023	May 17, 2025	21	\$17,936
Ali Salahuddin	January 11, 2024	January 10, 2026	37	\$29,972
Lucie Tedesco	July 13, 2023	July 12, 2028	21	\$20,296
Rob Wellstood	March 7, 2024	March 6, 2026	24	\$32,946
Brent Zorgdrager	July 26, 2019	December 31, 2024	20	\$23,222

Committees of the Board – Members as of March 31, 2025

Audit, Finance & Risk Committee	Human Resources & Government Committee	Rules & Policy Committee	Statutory Funds Advisory Committee	Business Transformation and Technology Committee
Chair: Robert Wellstood	Chair: Joseph Iannicelli	Chair: Lucie Tedesco	Chair: Ali Salahuddin	Chair: Joanne De Laurentiis
Joseph Iannicelli	Lucie Tedesco	Joanne De Laurentiis	Stewart Lyons	Stewart Lyons
Ali Salahuddin	Joanne De Laurentiis (ex officio)	Joseph Iannicelli	Peggy McCallum	Ali Salahuddin
Joanne De Laurentiis (ex officio)		Peggy McCallum	Robert Wellstood	Robert Wellstood
		Ali Salahuddin	Joanne De Laurentiis (ex officio)	

Organization structure as at March 31, 2025



FSRA's Strategic Priorities (2024-2025)



Cross-Sectoral

1. Advance the consumer interest
2. Enable innovation
3. Modernize systems and processes



4. Property & Casualty and Auto Insurance

- 4.1 Execute strategy for reforming the regulation of auto insurance rates and underwriting
- 4.2 Support reforms of the auto insurance system
- 4.3 Ensure the fair treatment of property and casualty insurance consumers
- 4.4 Increase resilience, stability, and public confidence in the Ontario-incorporated insurance companies and reciprocals sector through supervisory excellence



5. Credit Unions

- 5.1 Increase resilience, stability, and promote confidence in Ontario's credit union sector through supervisory excellence
- 5.2 Enhance FSRA's regulatory framework
- 5.3 Enhance financial stability structures



6. Life & Health Insurance

- 6.1 Strengthen Managing General Agents (MGA) regulatory framework
- 6.2 Strengthen protection for consumers who invest in segregated fund contracts



7. Mortgage Brokering

- 7.1 Promote strong conduct culture
- 7.2 Enhance professional competence of licensed individuals



8. Pensions

- 8.1 Assess systemic and high priority risks in Ontario's pension sector
- 8.2 Support the development and implementation of target benefit framework



9. Financial Planners & Advisors




- 9.1 Ensure the effectiveness of the title protection framework for financial planners/ financial advisors

Overview of key activities in FY2024-25 and year-end scorecard












The 2024-27 ABP contained 17 priorities, each with one or more key activities. At the beginning of FY2024-25, FSRA determined the “year-end achievements” to be completed for each key activity during that year. At year-end, the overall completion of each priority for FY2024-25 was determined by the completion of its respective year-end achievement(s).

8 priorities were assessed as complete, 8 as substantially complete, and 1 as partially complete.

Three self-assessment categories were used:

	<p>Complete – priority is complete compared to target.</p>
	<p>Substantially complete – minor activities remain to complete the priority compared to the target deliverable and is considered a passing assessment, or Board was notified in-year to carry-over items to next fiscal year.</p>
	<p>Partially complete – priority was not complete compared to target deliverable.</p>

Overview

FY2024-27 ABP priority	Year-end self-assessment	
Regulatory efficiency and effectiveness (Cross-Sectoral)		
1. Advance the Consumer Interest	Substantially complete	
2. Enable Innovation	Complete	
3. Modernize systems and processes	Partially complete	!
4. Property & Casualty / Auto Insurance		
4.1 Execute strategy for reforming the regulation of auto insurance rates and underwriting	Substantially complete	
4.2 Support reforms of the auto insurance system	Substantially complete	
4.3 Ensure the fair treatment of property and casualty insurance consumers	Substantially complete	
4.4 Increase resilience, stability, and public confidence in the Ontario-incorporated insurance companies and reciprocals sector	Substantially complete	
5. Credit Union		
5.1 Increase resilience, stability, and promote confidence in Ontario's credit union sector through supervisory excellence	Substantially complete	
5.2 Enhance FSRA's regulatory framework	Complete	
5.3 Enhance financial stability structures	Complete	
6. Life & Health Insurance		
6.1 Strengthen Managing General Agents (MGA) regulatory framework	Complete	
6.2 Strengthen protection for consumers who invest in segregated fund contracts	Complete	

FY2024-27 ABP priority	Year-end self-assessment	
7. Mortgage Brokering		
7.1 Promote strong conduct culture	Complete	
7.2 Enhance professional competence of licensed individuals	Complete	
8. Pensions		
8.1 Assess systemic and high priority risks in Ontario's pension sector	Substantially complete	
8.2 Support the development and implementation of target benefit framework	Substantially complete	
9. Financial Planners & Advisors		
9.1 Ensure the effectiveness of the title protection framework for financial planners/ financial advisors	Complete	



Cross-sectoral

ABP 2024-27 scorecard

Please find the Cross-Sectoral 2024-25 Priority content [here](#).

Priority 1.1 Advance the consumer interest

Completion Status of FY2024-25 Targets:
Substantially complete

Key activities (2024-27 ABP) and achievements (2024-25)

A. Key activity

Identify and act on opportunities to better protect vulnerable consumers, such as improving capacity and/or processes to help identify risks of consumer harm for vulnerable groups.

Achievements

- Finalized approach to strengthen protection of vulnerable consumers based on input gathered through public consultation.
- Initiated delivery of action items outlined in approach and monitored progress of the action items.
- Identified further opportunities for action based on dialogues with regulated entities and stakeholders.

B. Key activity

Build awareness of key consumer issues through different tools, including:

- The publication and promotion of FSRA's consumer research agenda, this includes adopting an open data approach to any survey research.

- Earned and paid media targeting vulnerable consumers on key risks.

Achievements

- Completed research studies under FY 2024-25 research agenda, including cross-sectoral survey, other sectoral studies, focus group discussions.
- Published select research to raise awareness of key consumer issues.
- Promoted key findings both internally and externally through presentation briefings, webinars, and roadshows.
- Consulted with relevant FSRA functional areas to explore avenues for the application of past research findings and to identify research needs for upcoming fiscal year research agenda.
- Developed and tested an open data approach to publishing survey research.
- Conducted Earned and Paid Campaigns on¹:
 - Pension Awareness.
 - Deposit Insurance Reserve Fund (DIRF).
 - Private Lending Mortgages.

C. Key activity

Expand the existing framework for the effective, fair and transparent use of FSRA's investigation and enforcement tools across FSRA sectors to reinforce consumer-centric supervisory processes and to deter misconduct.

¹ Auto Paid Search Engine Marketing and Auto Shop Around campaigns did not go live by FSRA Public Affairs due to the caretaker period related to the February 27 Ontario election. FSRA Public Affairs will consider how to reuse completed marketing materials in the future.

Achievements

- Enhanced public transparency for FSRA enforcement outcomes, themes, and approach.
- Interpretation and Approach Guidance:
 - Prepared for public consultation guidance for Summary Administrative Monetary Penalties (Summary AMPs).
 - Prepared for CEO approval abstracts for broad guidance outlining FSRA approach to investigation and enforcement processes and practices.
- Completed facilitated internal consultation and recommendations for the expansion of the Risk Prioritization and Governance Model (RPGM) for Credit Union & Insurance Prudential and Pensions, and updated the RPGM for Market Conduct, to better define and govern Enforcement and Investigations interactions with all core regulatory areas and the enablement enforcement activity that supports and facilitates supervision and consumer protection.
- Identified and onboarded a vendor for the Investigative Case Management System.

Priority 2.1 Enable innovation

Completion Status of FY2024-25 Targets:
Complete

A. Key activity

Continue to enhance engagement with innovative organizations and the broader stakeholder community to identify collaboration opportunities.

Achievements

- Established a stronger presence and actively engaged with various innovation partners, including commencing discussions with 27 innovation opportunities on regulatory barriers pursuant to the Innovation Framework.
- Maintained key linkages and relationships and established new connections.
- Identified collaboration opportunities (e.g., webinars and information sessions with innovation hubs).
- Continued engaging with thought leaders and experts on priority trends (e.g. Innovation Forum).

B. Key activity

Continue to promote FSRA's Innovation Framework and Test and Learn Environments (TLEs) to help build a pool of potential or actual test partners for future or current testing.

Achievements

- Continued refining and promoting the TLE.
- Engaged with 10 innovation partners to explore potential innovation opportunities using the TLE or leverage a FSRA exemption or discretionary power to overcome a regulatory barrier and had 3 public announcements of FSRA supporting innovation.
- Explored new methods of engagement (e.g., targeted promotion, academic project).

Priority 3.1 Modernize systems and processes

Completion Status of FY2024-25 Targets:
Partially Complete²

A. Key activity

Implement technology solutions to enable simplified and fully digitized operations, including a 360-degree view of regulated entities, case management, content management and data analytics tools, with enhanced client portals.

Achievements

- Procured and started work with a selected vendor for advisory services for a Market Conduct Business Solution (MCBS).
- Identified and implemented FSRA*Forward* and MCBS project governance improvements.
- Completed market research with technology solution recommendations, price and rough order of magnitude (ROM).
- Implemented Regulator Rate Ranger tool.
- Finalized tools and vendor of the Investigative and Enforcement Case Management System (“iCMS”) and created an implementation timeline.
- Implemented an enhancement to include CPIC checks, to create efficient risk management through MCBS.

² Some projects span multiple years and will remain ongoing. Items not completed in comparison to the target deliverables for FY2024-25 will carry over into FY2025-26. For details, refer to the section titled “Year-End Achievements Carried Over to FY2025–26.”

B. Key activity

Extend digital document processing and digital signature capabilities to support streamlined processing of all paper-based channels.

Achievements

- Digitalized 523 boxes of records from Ontario Archives.
- Launched the Incident Notification Portal for regulated entities as per FSRA's IT Risk Management Guidance.

C. Key activity

Enable data analytics for each of the regulated sectors to empower FSRA policy and supervisory activities. Across the sectors, enhance infrastructure, establish new data interfaces (both new sources and improved exchanges), and implement advanced analytics and reporting systems to enable more efficient decision-making.

Achievements

- Extended the use of Artificial Intelligence across all sectors.
- Enhanced the Decision Support Platform for Market Conduct teams.
- Gathered requirements on eDiscovery solutions.

Year-end achievements carried over to FY2025-26

A. Key activity

Implementing technology solutions to enable simplified and fully digitized operations, including a 360-degree view of regulated entities, case management, content management and data analytics tools, with enhanced client portals.

To be achieved

- Complete Phase I (instrument-level data) build and commence Enhanced Data Collection, first with the Pilot Credit Unions and then with the remaining credit unions.³
- Streamline EDC Phase II requirements (aggregate-level financial reports), complete build and extend adoption to Phase II.
- Initiate Market Conduct Business Solution System Integrator (SI) procurement to provide licensing and replace 19 systems, as well as other regulatory process improvements.⁴
- Continue to define and plan the technology solution for Pensions.⁵

B. Key activity

Implementing advanced online information sharing on FSRA portals.

To be achieved

- Plan the roadmap and start the execution of the initiatives underpinning the Enterprise Data Strategy.⁶

³ Focusing EDC Phase I on instrument-level data allows earlier availability of data for stress testing such as Tariff Impact Assessment and DIRF Adequacy, as well as for the Capital Rule Quantitative Impact Study.

⁴ This is a carried-over item from FY2023-24. It will be addressed through the Market Conduct Business Solution (MCBS) Phase 3. Further information will be available in FY2025-26 Annual Report.

⁵ FSRA is developing a comprehensive blueprint for the future state.

⁶ FSRA will refine its enterprise data strategy in FY2025-26

- Enable Mortgage Brokering (“MB”) and Insurance portals with the ability to upload/submit documentation (Applicant portal, Licensee portal, Business portal and Workbench (Staff Portal)).⁷

Other notable achievements

Enforcement

- **FSRA acted decisively to sanction and address misconduct** in its regulated sectors using licensing sanctions, compliance orders, and administrative monetary penalties (“AMPs”). The volume of enforcement matters rose across sectors and was most prevalent in the mortgage brokering and life and health insurance sectors. AMPs continued to be a key tool to address and deter market conduct non-compliance, consistent with the cross-sector Approach Guidance issued in March 2024 and legislative modernization in the mortgage sector. Enforcement imposed total AMPs of approximately \$1.2M this year.
- Enforcement action was taken to **sanction licensees who did not adhere to regulatory obligations** designed to protect consumers and prevent fraud, and to restrict the privilege of licensing to those who can be trusted to adhere to their regulatory obligations.
- On February 27, 2025, **FSRA laid 36 provincial offence charges against two individuals** and one corporation pursuant to the *Mortgage Brokers, Lenders and Administrators Act* and *Provincial Offences Act*. This was the culmination of a series of search warrants executed in the prior year as part of a significant investigation and contributes to general deterrence in the sectors we regulate.

⁷ This is a carried-over item from FY2023-24. It will be addressed through the MCBS Phase 3.

Cross-sectoral achievements

- FSRA announced the inaugural recipients of **FSRA's grant funding program** on October 1, 2024. FSRA committed to award more than \$350,000 in grant funding across four organizations with a focus on supporting financial literacy and awareness for vulnerable consumers. Grant recipients are chosen based on criteria set out in FSRA's Use of Proceeds from Enforcement Guidance. FSRA is authorized to use money it collects from enforcement actions for specific purposes set out in the law.
- **FSRA has operationalized the AI/ML practice** to enhance support for modern solutions within the Market Conduct, particularly to strengthen their risk management practices aligned with FSRA's risk management framework.
- **FSRA enhanced its Data Collection and Analytics practices** that enables better informed decision-making, more accurate assessments of Credit Union risk profiles and DIRF adequacy.
- **FSRA enhanced its Market Conduct solution** to streamline operational processes with new product features to enhance compliance and improve solution availability.
- **FSRA strengthened security protocols and practices** to protect sensitive information.



Property & Casualty and Auto Insurance

ABP 2024-27 scorecard

The P&C insurance sector offers financial products designed to protect consumers and businesses against financial losses arising from owning a home, vehicle or business. In 2024, Ontario's P&C insurance sector represented approximately \$40.3 billion in direct written premiums, 47% of which came from auto insurance⁸.

As at March 31, 2025, FSRA licensed and supervised (for conduct) 211 P&C insurance companies, 1,869 adjusters (both corporate and individual), 11,596 agents (both corporate and individual) that sell P&C insurance in Ontario. P&C insurance sector offers financial products designed to protect consumers and businesses against financial losses arising from owning a home, vehicle, or business.

FSRA's role in the sector

- Licensing and supervising insurance companies, adjusters and agents that sell P&C insurance in Ontario to ensure they comply with the law.
- Regulating the conduct of business of insurance companies, agents, and adjusters, including enforcement actions for non-compliance, to ensure consumers are treated fairly throughout the lifecycle of the insurance product.

⁸ Data Sources include OSFI and FSRA. Constraints: the actual total for Ontario may be lower than indicated. This discrepancy arises because the provincially regulated insurers database currently does not include a provincial data breakdown, the figures represent totals at the national level for provincially regulated insurers.

- Examining the affairs of the Registered Insurance Brokers of Ontario and the Facility Association and reporting the results to the Minister.
- Functions specific to Ontario’s auto insurance system, such as regulating auto insurance products and their underwriting, distribution, and pricing, as well as ensuring auto insurance rates are fair.

Please find the Property & Casualty and Auto Insurance 2024-25 Priority content [here](#).

Priority 4.1 Execute strategy for reforming the regulation of auto insurance rates and underwriting

Completion Status of FY2024-25 Targets:
Substantially Complete

A. Key activity

Develop, consult on, and issue fairness Guidance to better define just and reasonable (not excessive) rates and appropriate underwriting rules.

Achievement

- Published for consultation Supervision Guidance comprising of Chapter 1 – Fairness – Interpretation Guidance.

B. Key activity

Develop and implement a framework to more effectively review rates and underwriting rules, and supervise insurer governance, controls, and processes related to developing and administering rates and rules.

Achievements

- Published for consultation Supervision Guidance comprising of:
 - Chapter 2 – Operations, Governance and Controls – Interpretation Guidance.
 - Chapter 3 – Assessment – Approach Guidance.

- Chapter 4 – Filing – Approach Guidance.
- Continued development of Supervisory and Rate Filing – Tools and Processes.

C. Key activity

Improve transparency for consumers to create awareness, support informed decision-making, and make regulated entities accountable.

Achievements

- Launched a rate comparison mechanism (Minimum Viable Product).
- Revised first target insurance document in FY2024-25.
- Developed transparency outcomes as part of a broader fairness guidance package.

Year-end achievements carried over to FY2025-26

A. Key activity

Develop, consult on, and issue fairness Guidance to better define just and reasonable (not excessive) rates and appropriate underwriting rules.

To be achieved

- Issue final Supervision Guidance comprising of Chapter 1 – Fairness – Interpretation Guidance⁹.

⁹ Due to the Ontario election held on February 27, 2025, the issuance of the Auto Insurance Rating and Underwriting Supervision Guidance has been delayed. FSRA will issue the final Guidance in FY2025-26.

B. Key activity

Develop and implement a framework to more effectively review rates and underwriting rules, and supervise insurer governance, controls and processes related to developing and administering such rates and rules

To be achieved

- Issue final Supervision Guidance including:
 - Chapter 2 – Operations, Governance and Controls – Interpretation Guidance.
 - Chapter 3 – Assessment – Approach Guidance.
 - Chapter 4 – Filing – Approach Guidance.

Priority 4.2 Support reforms of the auto insurance system

Completion Status of FY2024-25 Targets:
Substantially Complete

A. Key activity

Develop and implement initiatives to reduce fraud and abuse in the system, and develop a new Fraud Reporting Service (FRS) Rule and guidance.

Achievements

- Conducted public consultation on the FRS Rule and FRS Approach and Interpretation Guidance.
- Revised the Rule and Guidance based on stakeholder feedback.
- Obtained CEO approval of final Rule and Guidance package.

B. Key activity

Support the government on the implementation of auto insurance reform initiatives.

Achievement

- Completed targeted stakeholder consultations and public consultations on the reviews of the Statutory Accident Benefits Schedule (SABS) Guidelines, Health Service Providers (HSP) Framework, and Health Claims for Auto Insurance (HCAI) System.

Year-end achievements carried over to FY2025-26

A. Key activity

Support the government on the implementation of auto insurance reform initiatives

To be achieved

- Complete recommendation reports and submit reports to the Ministry of Finance for the reviews of the Statutory Accident Benefits Schedule (SABS) Guidelines, Health Service Providers (HSP) Framework, and Health Claims for Auto Insurance (HCAI) System.¹⁰

Priority 4.3 Ensure the fair treatment of customers of property and casualty insurance

Completion Status of FY2024-25 Targets:
Substantially Complete

A. Key activity

Build on FSRA’s current supervision activities to develop and implement a market conduct framework for P&C insurance to address priority areas for supervision, including insurance distribution and claims management.

¹⁰ Due to the Ontario election held on February 27, 2025, FSRA will submit the final Auto Reform recommendations in FY2025-26.

Achievements

- Gathered data from insurers to better understand their outsourcing relationships.
- Monitored that outsourcing relationships are managed in a way that supports fair outcomes for consumers.
- Developed and finalized for publication high-level market conduct framework for P&C insurance, with a view to enhancing it based on supervision outcomes as required.
- Finalized and published P&C home insurance observations and recommendations.

Year-end achievements carried over to FY2025-26

A. Key activity

Build on FSRA’s current supervision activities to develop and implement a market conduct framework for P&C insurance to address priority areas for supervision, including insurance distribution and claims management.

To be achieved

- Publish market conduct framework for P&C insurance.¹¹

Priority 4.4 Increase resilience, stability, and public confidence in the Ontario-incorporated insurance companies and reciprocals sector through supervisory excellence

Completion Status of FY2024-25
Targets: Substantially Complete

A. Key activity

Complete and maintain accurate and consistent risk profile assessments of insurers.

¹¹ Due to the Ontario election held on February 27, 2025, the publication of the Framework has been postponed until FY2025-26 to better align with FSRA’s strategic goals.

Achievement

- Developed supervisory and training manuals for supervisors to implement the Risk Based Supervisory Framework for Insurers (RBSF-I) and completed some supervisory assessments.

B. Key activity

Develop tools and build capabilities to incorporate enhanced information collection into the supervisory approach.

Achievements

- Developed and maintained monitoring journal for all Insurers.
- Communicated and maintained up-to-date filing requirements.

C. Key activity

Develop, consult on, and issue Guidance that enables effective regulation and supervision of insurers.

Achievements

- Concluded Public Consultation for Own Risk and Solvency Assessment (ORSA) Guidance (Internal Capital Target Guidance is combined with ORSA Guidance).
- Initiated the development of Reinsurance Guidance.

D. Key activity

Enhance stakeholder awareness by continuing to improve their understanding of FSRA's supervisory approach and regulatory requirements.

Achievements

- Hosted FSRA's 2nd annual Insurers Director's Conference.
- Conducted Webinars for Corporate Governance Guidance, Operational Risk and Resilience Guidance, and ORSA Guidance.
- Conducted two Insurance Prudential Tele-Townhalls.
- Developed a strategy for future stakeholder engagement.

Year-end achievements carried over to FY2025-26

B. Key deliverable

Develop, consult on, and issue Guidance that enables effective regulation and supervision of insurers.

To be achieved

- Publish final Corporate Governance Guidance and Operational Risk and Resilience Guidance.¹²

¹² Due to the Ontario election held on February 27, 2025, the issuance of the final Corporate Governance and Operational Risk and Resilience has been delayed. FSRA will issue the final Guidance in FY2025-26.

Other notable achievements

Auto Insurance

- FSRA implemented its inaugural **2023–2025 P&C Auto Insurance Supervision Plan** which focuses on proactive supervision of insurers' practices in underwriting, sales and distribution, and policy servicing. The Plan reinforces compliance with the 'Take-All-Comers' requirement and supports fair treatment of customers throughout the auto insurance policy lifecycle. A risk assessment framework was also developed to help prioritize supervision activities in the auto insurance sector.
- November 2024, FSRA released the **revised Application for Automobile Accident Benefits (OCF 1) form**. The form was revised in collaboration with industry stakeholders and the Insurance Bureau of Canada. The new form is easier to understand and quicker for consumers to complete. To facilitate the transition, FSRA allowed a six-month transition period, for insurers to accept both versions of the form.
- As part of its Automobile Insurance Rating and Underwriting Regulation Reform Strategy, FSRA consulted on the proposed **Automobile Insurance Rating and Underwriting Supervision Guidance** in two consultations in September 2024 (Chapters 1-3) and January 2025 (Chapter 4). The Guidance outlines the new filing approach intended to transition automobile insurance product, rate and underwriting filings to outcomes-focused, principles-based and risk-based regulation. The new approach promotes greater transparency of the factors that influence auto insurance rates, helping consumers make informed choices about their insurance.
- July 2024, FSRA launched its **Regulator Rate Ranger tool**. The tool provides consumers with an estimated range of costs to insure their vehicle based on insurance recently provided to someone in their area who has a similar vehicle and driving.

Non-Auto P&C Insurance

- From July to October 2024, FSRA implemented **temporary measures to support people impacted by rainfall and flooding in southern Ontario**. The measures aimed to help ensure that consumers' claims were adjusted and processed quickly, by helping insurers in Ontario process the high volume of claims submitted in the wake of rainfall and flooding that impacted parts of southern Ontario. Five adjusting firms and/or insurers took advantage of these measures, which were subsequently extended to January 2025. The temporary measures allowed Ontario insurers to use the services of employees of affiliated insurers and allowed licensed adjusting firms to use claims adjusters with licences outside of Ontario. Insurers and adjusting firms who wished to use these temporary measures were required to contact FSRA to confirm the requirements of the temporary measures before proceeding.



Credit Unions

ABP 2024-27 scorecard

Credit unions and caisses populaires (referred to collectively as credit unions) are co-operative, deposit-taking financial institutions. Ontario's credit union sector has over 1.7 million members and employs over 8,400 Ontarians. Ontario's credit unions are diverse in size, with total assets of \$100 billion. As at March 31, 2025, there are 52 credit unions in Ontario.

FSRA's role in the sector

- Performing regulatory oversight of credit unions to minimize the risk of loss to depositors and the DIRF and contribute to the stability of the sector, while allowing credit unions to take reasonable risks.
- Supervising and regulating the conduct of credit unions to ensure fair treatment of consumers.
- Approving new business activities, investment activities, and proposed transactions such as mergers, amalgamations, and the purchase and/or sale of material assets.
- Incorporating new credit unions.
- Providing insurance against loss of deposits and managing the DIRF.

Please find the Credit Unions 2024-25 Priority content [here](#).

Priority 5.1 Increase resilience, stability, and promote confidence in Ontario's credit union sector through supervisory excellence

Completion Status of FY2024-25 Targets:
Substantially Complete

A. Key activity

Continue to incorporate risk data received through Enhanced Data Collection into the supervisory approach to assess the risk profiles of credit unions more accurately and consistently.

Achievements

- Continued to receive retail loan data and liquidity monitoring data.
- Initiated collection of commercial loan data.
- Incorporated data into inherent risk assessments and to better assess DIRF adequacy.

B. Key activity

Complete and maintain accurate and consistent risk profile assessments of credit unions.

Achievement

- Completed remaining Risk Based Supervisory Framework (RBSF) assessments and issued Interim Supervisory Letters for all credit unions.

Year-end achievements carried over to FY2025-26

A. Key deliverable

Continue to incorporate risk data received through Enhanced Data Collection into the supervisory approach to assess the risk profiles of credit unions more accurately and consistently.

To be achieved

- Complete Phase I (instrument-level data) build and commence Enhanced Data Collection, first with the Pilot Credit Unions and then with the remaining credit unions.¹³

Priority 5.2 Enhance FSRA's regulatory framework

Completion Status of FY2024-25 Targets:
Complete

A. Key activity

Review FSRA's Capital Adequacy Framework (including the Capital Adequacy Requirements Rule and related Guidance), Liquidity Adequacy Framework (including Stress Testing Guidance and Liquidity Guidance) and the Securitization Guidance to identify and make preliminary recommendations on elements to be added or amended.

Achievements

- Capital Adequacy Framework: Finalized the outline for the revised Capital Adequacy Rule and Guidance Abstract.

¹³ Focusing EDC Phase I on instrument-level data allows earlier availability of data for stress testing such as Tariff Impact Assessment and DIRF Adequacy, as well as for the Capital Rule Quantitative Impact Study.

- Liquidity Adequacy Framework: Initiated review of Liquidity Adequacy Rule and related Guidance, and finalized development of Discussion Document for FSRA's Rules and Policy Committee (Securitization Guidance is included in the review of the Liquidity Adequacy Framework).

B. Key activity

Develop and publicly consult on a new Unclaimed Deposits Rule, and subject to approval by the Minister of Finance, issue the Rule, to fully bring the *Credit Unions and Caisses Populaires Act, 2020* framework into effect.

Achievements

- Conducted second consultation on the Unclaimed Deposits Rule.
- Unclaimed Deposits Implementation Readiness: Consulted with sector on estimated cost of program as part of the Rule and Guidance public consultation.

C. Key activity

Enhance stakeholder engagement by continuing to improve understanding of FSRA's supervisory approach and expectations (i.e., Annual FSRA conference for Credit Union Board of Directors etc.).

Achievements

- Completed FSRA's 2nd annual CU Directors Conference.
- Conducted Webinars for IT Risk and Operational Risk Guidance and Unclaimed Deposits Rule and Guidance.
- Conducted Credit Union Tele-Townhalls.

- Developed a strategy for future stakeholder engagement including the potential for regional meetings.

Priority 5.3 Enhance financial stability structures

Completion Status of FY2024-25 Targets:
Complete

A. Key activity

Enhance credit unions' access to adequate emergency funding during idiosyncratic and systemic stress to reduce the likelihood of disrupted credit union operations and service to member.

Achievement

- Determined key CU elements to enable implementation of and CU readiness to access Bank of Canada (BOC) Emergency Liquidity Assistance (ELA) (including working with key partners such as BOC, the Ministry of Finance and Payments Canada).

B. Key activity

Continue to work with credit unions to develop and enhance credible recovery and provide resolution plans for materially-sized credit unions.

Achievements

- Worked with CUs to support them in the development of credible resolution plans.
- Assessed and provided feedback on updated recovery plan submissions.

C. Key activity

Enhance the modelling and analytics of the DIRF Adequacy Assessment Framework by including additional risk data received from Ontario credit unions through the Enhanced Data Collection project, and considering the introduction of stochastic modelling.

Achievements

- Developed and enhanced the model internally.
- Acquired capability of stochastic modeling.
- Completed DIRF adequacy assessment and submitted a report to the Minister on the adequacy of the DIRF.
- Continued engagement with the Ministry of Finance and sector on the determination of the appropriate DIRF funding target and the path to implementation.

Other notable achievements

- **Commercial Lending Guidance** was released in April 2024 and became effective July 2024, to ensure that CUs' commercial lending activities and practices are prudent, while allowing CUs to take reasonable risks.
- It is a globally accepted best practice for a regulatory organization to have its supervisory and deposit insurance regimes reviewed periodically (e.g., every 3-5 years) to ensure the regimes are current, adapted to the current environment, and effective. Given both these regimes were recently developed, enhanced and implemented, FSRA initiated these reviews. With the completion of initial assessments of all CUs using the Risk-Based Supervisory Framework, which was introduced in April 2022, FSRA retained a third-party expert in the fall of 2024 to benchmark its supervisory practices and procedures against **the Basel Core Principles (BCP) for Effective Banking Supervision**. The expert completed a separate assessment of FSRA's deposit insurance regime against the **International Association of Deposit Insurers (IADI) Core Principles for Effective Deposit Insurance Systems**.

- The expert concluded that Ontario's prudential framework is aligned with international best practices and there is an overall high degree of compliance with the BCP (**26 of the 29 were assessed as compliant or largely compliant**).
- The expert found that most of the elements of an effective deposit insurance system were present.
- **Three thematic reviews** were conducted in 2024 relating to CU's commercial real estate lending, investment shares and residential mortgage lending (Market Conduct practices).



Life & Health Insurance

ABP 2024-27 scorecard

The life and health insurance sector provides comprehensive financial products to help individuals protect themselves and their families from financial hardship in the case of death or illness. In 2023, Ontario's life and health insurance sector represented approximately \$36 billion in direct premium¹⁴. Products include life and health insurance, as well as wealth products such as segregated funds and annuities.

As at March 31, 2025, FSRA licenses and supervises 91 life and health insurance companies, 6,680 life insurance corporate and partnership agents, and 61,070 individual life insurance agents.

FSRA's role in the sector

- Licensing life insurance companies and agents that sell life and health insurance in Ontario to ensure they comply with the law.
- Regulating the conduct of business of insurance companies and agents to ensure the fair treatment of consumers throughout the entire product lifecycle.

Please find the Life & Health Insurance 2024-25 Priority content [here](#).

¹⁴ 2023 CEO Report on Insurance (report pending finalization).

Priority 6.1 Strengthen Managing General Agents (“MGA”) regulatory framework

Completion Status of FY2024-25 Targets:
Complete

A. Key activity

Identify remaining gaps in the regulatory framework for Life and Health Insurance MGAs, consult with relevant stakeholders on gap closure, develop a plan for gap closure (which may include a proposed rule), and start implementation of the plan.

Issue the final Life and Health Insurance Agent & MGA Licensing Suitability Guidance, and implement it through a supervisory framework.

Achievement

- Supported the Ministry of Finance with their legislative amendments for the creation of a new licensing framework for Life and Health Insurance MGAs.¹⁵

Priority 6.2 Strengthen protection for consumers who invest in segregated fund contracts

Completion Status of FY2024-25 Targets:
Complete

A. Key activity

Work with the Canadian Council of Insurance Regulators (“CCIR”) and Canadian Insurance Services Regulatory Organizations (“CISRO”) to create consolidated national Guidance relating to the design, distribution, issuance, sale, and administration of individual segregated fund contracts.

¹⁵ Identifying remaining gaps in the regulatory framework and issuing the Life and Health Insurance Agent & MGA Licensing Suitability Guidance are no longer applicable in light of the amendments to the *Insurance Act* creating a separate licensing class for Life & Health Insurance MGAs. FSRA is proposing a rule that builds on the legislative amendments.

Achievements

- Pre-consulted with the industry on Upfront Compensation Guidance.
- Pre-consulted with consumer advocates and conducted public consultation on Consolidated Segregated Funds Guidance.

B. Key activity

Complete public consultation on the proposed Total Cost Reporting Rule for individual segregated fund contracts (and supporting Guidance, if required) to be consistent with the CCIR national Guidance to address related gaps in consumer protection.

Achievements

- Completed public consultation on the proposed Total Cost Reporting (TCR) Rule, consistent with the CCIR and CISRO national guidance, to address related gaps in consumer protection.
- Through forums like the national TCR Implementation Committee and FSRA's Segregated Funds TAC, engaged with the industry on how insurers will demonstrate compliance with the draft TCR Rule, including what information insurers should submit to FSRA, once the requirements come into effect.

C. Key activity

Begin development of a rule and interpretation Guidance on other matters related to individual segregated fund contracts to be consistent with the CCIR and CISRO consolidated national Guidance to address related gaps in consumer protection.

Achievement

- Began work related to development of draft Segregated Funds Rule and Guidance.

Other notable achievements

- In December 2024, FSRA published its **2022-2024 Life and Health Insurance Agent Supervision Report**. The Report details findings and outcomes of FSRA's reviews of 319 agents through its Life Agent Misconduct Report (LAMR) and proactive supervision programs. Actions resulting from the reviews include warning letters, licence conditions, administrative monetary penalties, and revoked / suspended licences. FSRA also issued business practice letters where agents were found to have failed to follow industry best practices such as needs-based sales practices.
- In August 2024, FSRA entered into a **voluntary undertaking with an insurer following the self-reporting of unlicensed activity**, requiring implementation of corrective actions and development of preventive measures to minimize recurrence of similar issues. An industry publication is planned for Q1 2025 to encourage insurers to self-assess their controls and report any systemic issues to FSRA.
- In June 2024, FSRA published its **Compliance Report on the Cessation of Deferred Sales Charges**. FSRA performed an industry compliance check to ensure life insurance companies are following FSRA's 2023 Unfair or Deceptive Acts or Practices (UDAP) Rule amendment, which prohibits insurers from issuing new segregated fund contracts that contain a DSC option. The findings in the compliance report are based on FSRA's review of 54 information filings received from 14 insurers in 2023. FSRA found that the industry is largely in compliance with the new requirement.
- In June 2024 FSRA launched **cybersecurity and functionality improvements to its Licensing Link portal**. The changes support privacy and confidentiality and increase convenience.
- In April 2024, FSRA adopted **Canadian Insurance Services Regulatory Organizations (CISRO) exam administration policy** to modernize exam procedures for new life insurance agent candidates to improve the integrity of the examination process in Ontario and align with best practices across Canada.

- FSRA has developed and consulted on an **intelligence questionnaire aimed at gaining insight into how insurance companies work with their MGA distribution channel**, specifically in relation to product information, distribution and compliance.



Mortgage Brokering

ABP 2024-27 scorecard

The mortgage brokering sector helps facilitate home ownership for many Ontarians and also supports investors in the alternative mortgage investment space. In 2024, mortgage brokerages arranged over 268,306 mortgages in Ontario, valued at approximately \$156.9 billion. As at December 31, 2024, there were 394,792 mortgages under FSRA's supervision, valued at approximately \$214.2 billion¹⁶.

As at March 31, 2025, FSRA regulated 1,180 mortgage brokerages, 3,056 mortgage brokers, 10,446 mortgage agent Level 1, 5,091 mortgage agent Level 2 and 263 mortgage administrators in Ontario¹⁷.

FSRA's role in the sector

- Licensing mortgage brokerages, brokers, agents, and administrators to ensure they comply with the law.
- Regulating the conduct of the sector's licensees to ensure the fair treatment of consumers (borrowers and/or lenders/investors).

¹⁶ Preliminary 2024 mortgage brokerage (MB) and mortgage administrator (MA) Annual Information Return data as at April 3, 2025 (87% MB & 81% MA filing rate).

¹⁷ FSRA internal licensing data, downloaded April 1, 2025.

Please find the Mortgage Brokering 2024-25 Priority content [here](#).

Priority 7.1 Promote strong conduct culture

Completion Status of FY2024-25 Targets:
Complete

Key activities (2024-27 ABP) and achievements

A. Key activity

Develop rules and accompanying Guidance to enhance principal broker effectiveness.¹⁸

Achievements

- Published final Principal Broker (PB) Guidance.
- Commenced supervision against the final PB Guidance.

B. Key activity

Commence supervision against regulatory requirements outlined in the mortgage suitability Guidance.

Achievement

- Commenced supervision against the final Product Suitability Guidance to ensure brokerages are providing suitable mortgage recommendations and to report on results.

¹⁸ FSRA will evaluate the effectiveness of the Guidance prior to considering if a related rule is required to achieve fair outcomes for consumers and compliance with brokerage and principal broker obligations under the MBLAA.

C. Key activity

Implement a risk-based conduct intervention approach to address deficiencies in a licensed firm’s operations or misconduct in a proportional way based on impact on consumer protection.

Achievements

- Developed a risk-based intervention approach for market conduct mortgage broker supervision.
- Piloted roll-out of the risk-based intervention approach.

D. Key activity

Analyze and publish private lending data to monitor trends and to identify potential consumer protection risks in support of risk-based supervision.

Achievement

- Published private lending report.

Priority 7.2 Enhance the professional competence of licensed individuals

Completion Status of FY2024-25 Targets:
Complete

A. Key activity

Publish final Guidance that outlines FSRA’s interpretation of how it evaluates the suitability of mortgage brokers and agents to hold a licence.

Achievements

- Reviewed stakeholder comments from public consultation and revised Licensing Suitability Guidance.

- Published final Licensing Suitability Guidance.

B. Key activity

Publish final Guidance on mortgage product suitability to codify industry best practices and supervise against it.

Achievement

- Published final Mortgage Product Suitability Guidance.

C. Key activity

Develop and implement a framework to supervise against the licensing suitability Guidance that leverages the governance, controls, and processes within licensee firms to help achieve the desired outcomes.

Achievement

- Integrated supervision framework for Mortgage Suitability Guidance into an ongoing examination program focusing on private mortgages.

D. Key Activity

Implement enhanced competency and continuing education frameworks for brokers and agents.

Achievements

- Engaged a subject matter expert to review the competency profiles for mortgage agents and brokers.
- Introduced new Continue Education (CE) requirements for mortgage agents and brokers, comprised of two components: Conduct CE and Technical Knowledge/ Professional Development (Professional CE).

Other notable achievements

- FSRA hosted a **Conference for Principal Brokers (PB)** on November 19, 2024, to help PBs effectively lead their brokerage and have a better understanding of their role and responsibilities under the MBLAA.
- FSRA **finalized the following guidance** in FY 2024-2025 which are key tools to support the outcomes of suitable mortgages for consumers and an accountable mortgage brokering sector:
 - Mortgage Product Suitability Assessment.
 - Mortgage Brokerage and Principal Broker responsibilities to ensure compliance and fair consumer outcomes.



Pensions

ABP 2024-27 scorecard

Registered pension plans provide an important source of retirement income to many pension plan members in Ontario. FSRA's supervision is risk-based and premised on the view that the plan must be administered, and its assets invested, in compliance with the *Pension Benefits Act* (PBA), which includes a plan administrator's fiduciary duty. FSRA is the largest pension regulator in Canada, with approximately 4,150 plans under supervision, investing \$870 billion in assets and providing pension benefits to nearly 4.8 million members.

Most members and assets are in Defined Benefit (DB) plans, with assets of approximately \$710 billion in DB plans (including Single-Employer Pension Plans, Multi-Employer Pension Plans, and Jointly Sponsored Pension Plans), \$36 billion in Defined Contribution (DC) plans, and \$124 billion in Combo plans, which have both DB and DC components.

FSRA's role in the sector

- Proactively supervising pension plans to ensure they are being administered, invested, and funded in accordance with legal requirements and that plan administrators exercise the care, diligence and skill required in doing so.
- Fulfilling FSRA's statutory objects to ensure good administration of pension plans and ensure that the rights and benefits of plan beneficiaries are protected.
- Reviewing and registering new pension plans and pension plan amendments.
- Processing transactions, required filings, and applications from plan administrators.
- Educating plan beneficiaries and Ontarians about pension plans and raising awareness of pensions.

- Using a risk-based approach to compliance, including investigating alleged breaches of the PBA and taking enforcement action when required.
- Responding to inquiries and complaints from pension plan members, plan administrators and pension plan stakeholders.
- Supporting FSRA’s CEO in their role to administer the Pension Benefits Guarantee Fund (“PBGF”) and collecting PBGF assessments. The PBGF protects pension plan members by providing certain guarantees to Ontario beneficiaries of single employer DB pension plans when the sponsoring entity becomes insolvent.

Please find the Pensions 2024-25 Priority content [here](#).

Priority 8.1 Assess systemic and high-priority risks in Ontario’s pension sector

Completion Status of FY2024-25
Targets: Substantially complete

Key activities and achievements for 2024-2025

A. Key activity

Finalize and implement the prudential supervisory Guidance for selected large public sector pension plans (“LPSPPs”).

Achievement

- Consulted with the selected LPSPPs on a proposed supervisory approach for those plans. A decision was made to pause and reconsider the approach while proactive engagements and reviews continue as part of FSRA’s ongoing work.

B. Key activity

Develop the prudential supervision approach, tools, and capabilities to effectively implement the supervisory framework for selected LPSPPs.

Achievements

- Participated in the International Monetary Fund (IMF) Financial Sector Assessment Program meetings in Fall 2024 and Winter 2025. This was instrumental to the IMF's understanding of the role played by Ontario's pension plans in Canada's broader financial system. IMF's report is expected to be released later this calendar year.
- In Fall 2024 a thematic review of the plans' liquidity risk management practices began.
- Regular proactive touchpoints and engagements with the selected LPSPPs on top of the thematic review of liquidity risk management practices, allowing FSRA to better understand these plans.

C. Key activity

Publish the final plan amendment Guidance and initiate stakeholder engagement on an updated draft surplus Guidance.

Achievements

- Published the Pension Plan Amendment Guidance on June 4, 2024, following extensive consultation with the industry.
- Following an internal review and stakeholder engagement, the decision was made to not publish an updated Surplus Guidance, as it was determined the current material and content was adequate. FSRA will look for ways to reorganize the current materials to enhance usability and streamline navigation.

Priority 8.2 Support the development and implementation of the target benefit framework

Completion Status of FY2024-25
Targets: Substantially complete

A. Key activity

Publish for consultation the draft prudential supervisory Guidance for target benefit plans.

Achievement

- Drafted the supervisory Guidance for target benefit plans and prepared it for consultation.

B. Key activity

Develop and implement supervisory approach, tools, and resources to effectively supervise target benefit plans.

Achievement

- Refined existing supervisory framework and engagement to support the regulation of multi-employer pension plans (MEPPs) providing target benefits. FSRA's supervisory approach is aligned with the government's permanent framework for Target Benefit Plans that became effective January 1, 2025.

C. Key activity

Publishing a benchmarking report of defined benefit multi-employer pension plans against FSRA's published leading practices.

Achievement

- Completed the benchmarking of leading practices with all DB MEPPs in Ontario. This includes the publication of the FSRA Benchmarking Summary Report in August of 2024. It was well-received and serves as an additional tool for Plan Trustees to compare themselves against the sector.

Year-end achievements carried over to FY2025-26

A. Key activity

Publish for consultation the draft prudential supervisory Guidance for target benefit plans.

Achievement

- Publish Draft Guidance on Supervisory Approach for Target Benefit Plans for public consultation.¹⁹

Other notable achievements

Supporting FSRA's CEO in the administration of the PBGF

- Established clear oversight and processes for the Investment Management Corporation of Ontario ("IMCO") monitoring following the successful transition to IMCO as the investment manager of the PBGF, ensuring alignment with FSRA's governance standards, investment objectives, risk tolerance and overall objectives for the PBGF.
- Enhanced risk analytical capabilities, improving risk assessment efficiency for the PBGF. FSRA published the Pension Benefits Guarantee Fund Report (Year End March 31, 2024) in August 2024, providing transparency into the PBGF's financial status.

¹⁹ The consultation and issuance of the Target Benefit Supervisory Approach Guidance has been delayed. FSRA will issue the final Guidance in FY2025-26.

Additional PBGF achievements

- The **PBGF achieved a net rate of return of 5.48% per annum** over the 12 months ending March 31, 2025.
- Fully implemented the Strategic Asset Allocation for the PBGF effective January 1, 2025.
- Expanded risk-based monitoring for pension plans and their sponsors where there may be a heightened concern.

Principles- and risk-based supervision

- FSRA reviewed 17 retroactive adverse amendments using the principles and risk-based approach set out in the Pension Plan Amendments Guidance. A summary of these decisions and the principles used will be released in fiscal year 2025-2026.
- Published Quarterly Update on Estimated Solvency Funded Status of Defined Benefit Pension Plans in Ontario reports, showing the health of defined benefit pension plans regulated by FSRA.

Regulatory excellence in principles-based Guidance

- Finalized the risk-based Pension Plans Examination Program and provided a webinar for the sector in May 2024. The new Examination Program represents a shift in regulatory approach. The webinar is available on fsrao.ca.
- FSRA published the amended and updated Pension Plan Administrators Roles and Responsibilities Guidance in June 2024 and hosted a webinar on the guidance in July 2024. FSRA and the sector are partners in FSRA's principles-based approach, and the Guidance clearly sets out the responsibilities plan administrators have.

- FSRA collaborated with other Canadian regulators on the Canadian Association of Pension Supervisory Authorities (CAPSA) guideline releases. FSRA continues to work with CAPSA to promote the interests of Ontario while advancing harmonization of pension regulation nationally.

Stakeholder engagement and member focus

- On February 20, 2025, FSRA joined pension plan sponsors, administrators, and other pension sector stakeholders to celebrate the third annual Pension Awareness Day campaign. This important initiative helped raise awareness about the value of workplace pensions and the importance of saving for retirement.
- The Pensions Stakeholder Advisory Committee comprised of senior leadership from throughout the sector met with FSRA management and the FSRA Board during the year to discuss various regulatory issues and provide input into items like FSRA's priorities and the Pensions division budget. FSRA's regulatory team met the four Pensions Technical Advisory Committees, comprised of various pensions sector stakeholders throughout the year, providing invaluable advice to FSRA about its regulatory direction.
- FSRA initiated roadshows with actuarial firms, to discuss common issues and hear from the sector. This allowed FSRA and the sector to work together on issues of interest and have frank and open dialogue.



Financial Planners & Advisors

ABP 2024-27 scorecard

Financial Professionals Title Protection Framework (FPTPF) establishes standards for individuals that wish to use the “financial planner” (FP) and “financial advisor” (“FA”) titles in Ontario to promote confidence and professionalism in the sector. Credentialing bodies are required to oversee the professional conduct and activities of individuals holding approved credentials.

As at March 31, 2025, there were 5 credentialing bodies and 13 credentials approved by FSRA. These approved credentialing bodies reported that as of December 31, 2024 they have issued approximately 75,000 credentials to individuals to use the FP and FA titles in Ontario.

FSRA’s role in the sector

- Establishing standards for credentialing bodies and FP and FA credentials.
- Approving credentialing bodies and FP and FA credentials.
- Monitoring and supervising approved credentialing bodies to enhance consumer protection and promote high-quality financial planning and advisory services.

Please find the Financial Planners & Advisors 2024-25 Priority content [here](#).

Priority 9.1 Ensure the effectiveness of the title protection framework for financial planners/ financial advisors

Completion Status of FY2024-25 Targets:
Complete

Key activities (2024-27 ABP) and achievements

A. Key activity

Implement a supervision plan for approved credentialing bodies and individuals who use the FA title without an approved credential, including developing the necessary supervisory tools, resources, and capabilities to implement the plan.

Achievements

- Developed internal processes in FSRA for uncredentialed title use.
- Developed and published a Credentialing bodies (CB) Supervision plan for FY 2024-25.
- Performed thematic review of CBs for title use oversight.
- Communicated required improvements to processes to the CB.

B. Key activity

Continue to work with other Canadian jurisdictions to implement similar title protection frameworks.

Achievement

- Established a cross-jurisdictional working group to share information and work towards harmonization where possible.

C. Key activity

Publish a report on framework evaluation, which would explore possible future enhancements to the framework.

Achievement

- Engaged with the stakeholders to support framework evaluation and identified next step.²⁰

D. Key activity

Conduct a targeted campaign for businesses to assess and improve compliance with title usage.

Achievements

- Decided on the scope of entities where large employers are known to have a high concentration of Title users (life insurers that are FSRA-regulated entities).
- Developed a templated mailer to explain to employers the desired outcomes of assessing non-compliance, providing a time action plan to get employees into compliance with title usage.
- Followed up with entities to assess results to determine whether they are compliant with the rules, or the need for further action.

²⁰ Over the last year, FSRA engaged with stakeholders to obtain feedback on potential improvements to the title protection framework. Findings from FSRA's internal review have confirmed there are no significant gaps and that the framework is serving its intended purpose in addressing concerns relating to consumer harm. Given these findings, FSRA will not publish a report on the framework evaluation at this time. However, there are opportunities for improvement to the framework. For the next fiscal year, FSRA will focus its resources on harmonization and supervision activities.



Ontario-incorporated Insurance Companies and Reciprocals

ABP 2024-27 scorecard

Ontario-incorporated insurance companies are legally established under Ontario law and provide P&C insurance. Reciprocals are a group of subscribers exchanging reciprocal contracts of indemnity or insurance with each other through the same attorney.

As at March 31, 2025, FSRA prudentially oversees 49 Ontario-incorporated insurance companies and reciprocals, which represent over \$10 billion in assets as at Q2 2024, and annual insurance revenue totaling about \$4 billion in 2024.

FSRA's role in the sector²¹

- Providing both prudential and market conduct regulation and supervision to contribute to the stability of the sector.
- Reviewing and approving new business activities, investment activities, and proposed transactions such as mergers, amalgamations, and the purchase and/or sale of material assets.

²¹ Ontario-incorporated Insurance Companies and Reciprocals' FY2024-25 achievements are captured under the Property & Casualty and Auto Insurance section of this report.



Health Service Provider Sector

ABP 2024-27 scorecard

The health service provider sector invoices auto insurance companies for statutory accident benefit claims through the Health Claims for Auto Insurance system.

As at March 31, 2025, there are approximately 5,151 licensed health services providers in Ontario²².

FSRA's role in the sector

- Licensing health service providers, thereby allowing them to receive direct payments from auto insurers for benefits claimed under the Statutory Accident Benefits Schedule.
- Regulating the business and billing practices of licensed health service providers.
- Collecting information about licensed health service providers' business systems and practices through an Annual Information Return.

Notable achievements

- In April 2024, FSRA published the **2022-2024 Health Service Provider Market Conduct Compliance Report** which identified unacceptable levels of non-compliance by Health Service Providers (HSPs).

²² Customer Relationship Management (CRM), provided by the Business Support Services Unit (BSSU).

- FSRA continued to support the Government's efforts to **reform the auto insurance product**. A review of the health service provider guidelines and frameworks was conducted to modernize the auto insurance system, improve efficiency and ensure injured consumers receive the care they need. In Fall of 2024, as part of this review, FSRA consulted on the following consultation papers:
 - The Health Service Provider (HSP) Framework Review and The Health Claims for Auto Insurance (HCAI) System Review which set out administrative and cost-efficient options to modernize the system and make it more efficient.
 - The Statutory Accident Benefits Schedule (SABS) Guidelines Review which sets out options for the Professional Services Guideline (PSG), the Attendant Care Hourly Rate Guideline (ACHRG), and the Minor Injury Guideline (MIG).
- In January 2025, FSRA published the 2024-26 Health Service Provider Supervision Plan. FSRA's 2024-26 efforts focus on fostering greater compliance in the sector, ensuring HSPs bill automobile insurers appropriately for benefits claimed under the Statutory Accident Benefits Schedule.



Co-operative Corporations

ABP 2024-27 scorecard

A co-operative is a legally incorporated corporation that is owned by its members, who use the co-operative's services or purchase their products. FSRA aims to better protect co-operative corporation ("co-ops") members and investors who purchase shares in co-ops.

As at March 31, 2025 there are 1,803 active co-ops in Ontario²³, which operate in a variety of industries (e.g., housing, agriculture, daycare, etc.). FSRA received 14 offering statements from co-ops for the period of April 1, 2024 until March 28, 2025.

FSRA's role in the sector

FSRA does not regulate co-ops. FSRA's role in the sector is limited to carrying out the powers and duties related to offering statements issued by co-ops when raising capital from investors.

²³ Ministry of Public and Business Service Delivery and Procurement ("MPBSD").



Loan & Trust

ABP 2024-27 scorecard

Loan and trust companies fulfill an important role in Ontario's financial services sector. They accept deposits and provide loans to help purchase homes, businesses, vehicles and more.

As at March 31, 2025, there are 49 loan and trust companies that are registered to do business in Ontario.

FSRA's role in the sector

- Overseeing the registration of all federally incorporated loan and trust corporations that do business in Ontario.
- Ensuring compliance with the legislation.

Input and perspectives to inform direction

FSRA continued to expand its engagement efforts to help ensure the diverse voices of its stakeholders, including consumers, inform its direction and decision-making. In FY2024-25, FSRA consulted its various technical, stakeholder, and consumer advisory committees, hosted webinars and conferences, conducted a stakeholder survey, and attended events to increase engagement with people from all walks of life and the sectors it regulates.

FSRA Committees

To ensure engagement is consistent and meaningful at all levels of the organization, FSRA has set up multiple committees and panels for key stakeholders.

These include the following groups:

- **Seven (7) Stakeholder Advisory Committees (SACs)**, which serve as the consultation bodies to the Board on FSRA's priorities, budget, Principles-Based Regulation (PBR), and other matters as the Board or management deems appropriate.
- **A Consumer Advisory Panel (CAP)**, which provides a consumer perspective on policy and regulatory matters and changes.
- **Thirteen (13) Technical Advisory Committees (TACs)**, which tackle identified issues affecting the Pensions, Mortgage Brokering, Life and Health Insurance, Credit Unions, and P&C Insurance sectors. As these committees are issues-based, the number and composition of the members in a TAC may change if an issue is resolved.

Strengthening the consumer focus

Consumer Advisory Panel

The CAP serves multiple functions, such as offering consumer insights on policy and regulatory issues, shaping FSRA's strategy for consumer-focused research and engagement, and advising on new consumer concerns and trends.

In FY2024-25 the CAP:

- welcomed five new members;
- participated in eight topic-specific working groups related to topics such as strengthening protection of vulnerable consumers, eliminating deferred sales charges for insurance products and improving the culture and continuity of CAP itself;
- participated in four general meetings with FSRA Management as well as two Policy Lab sessions and a meeting with FSRA's Board; and
- made eight written submissions to FSRA.

The CAP's written submissions to FSRA, summaries of its general meetings and its own annual reports on its activities are available to the public through the FSRA website.

Consumer survey research

Research centered on consumers is crucial for grasping their needs and staying informed about issues and trends within the sectors FSRA oversees. FSRA employs various research methods to gain a comprehensive understanding of consumer priorities.

In FY2024-25 FSRA focused on using consumer surveys to inform future regulatory and supervisory work:

Financial Planners / Financial Advisors (FP/FA) Study:

- Consumer survey to assess the efficacy of the Financial Planners / Financial Advisors (FP/FA) title protection framework, with a focus on effect on vulnerable consumers (October 2024).
- Two Focus Group discussions to assess consumers' understanding of and experiences with financial planners / advisors.
- The findings from this research have helped inform FSRA's evaluation of the Financial Professionals Title Protection Framework (FPTPF) and helped identify possible areas for future enhancement to the framework.

2024 Cross-sectoral consumer survey:

- Broad consumer survey to analyze trends in consumers behaviours and preferences in regulated sectors using 2022 research findings as baseline.

Findings from the Cross-Sectoral Survey will inform FSRA's regulatory and supervisory efforts across the sectors it regulates.

Public consultation

Over FY2024-25, **FSRA received feedback during 13 public consultations and published the feedback on its website.** This includes feedback from stakeholders on several initiatives along with the development of its Statement of Priorities, which informs the Annual Business Plan. FSRA held webinars for many of its consultations to engage stakeholders, explain the consultation process or the Rule/Guidance being proposed, and to answer questions. FSRA has decided to hold webinars for most of its public consultations going forward.

Consultations held in FY2024-25:

Sector	Consultation title	Type	Consultation date
Life and Health Insurance	Proposed Life and Health Insurance Managing General Agents Rule	Rule	January 28, 2025 – April 30, 2025
Mortgage Brokering	Proposed Use of Team Names in the Mortgage Brokering Sector Guidance	Guidance	January 23, 2025 – April 9, 2025
Auto Insurance	Chapter four of the Proposed Automobile Insurance Rating and Underwriting Supervision Guidance	Guidance	January 10, 2025 – February 10, 2025
Credit Unions and Caisses Populaires	Proposed Unclaimed Deposits Rule and Guidance	Guidance, Rule	January 8, 2025 – February 10, 2025
Property and Casualty and General Insurance	Proposed Own Risk and Solvency Assessment (ORSA) Guidance for Ontario Insurers	Guidance	November 28, 2024 – January 28, 2025
Cross Sector	FSRA's Proposed 2025-26 Statement of Priorities	Priorities/Budget	November 14, 2024 – December 6, 2024
Auto Insurance	Proposed Auto Reforms	Guidance	September 27, 2024 – November 29, 2024
Auto Insurance	Proposed Automobile Insurance Rating and Underwriting Supervision Guidance	Guidance	September 16, 2024 – November 15, 2024

Sector	Consultation title	Type	Consultation date
Auto Insurance	Ontario Private Passenger Vehicles Annual Review	Guidance	August 26, 2024 – September 16, 2024
Auto Insurance	Proposed Fraud Reporting Service Rule and Guidance	Guidance, Rule	July 15, 2024 – October 15, 2024
Life and Health Insurance	Proposed Total Cost Reporting Rule	Rule	May 27, 2024 – July 26, 2024
Mortgage Brokering	Enhancing strong conduct and compliance culture: The role of Mortgage Brokerages and Principal Brokers	Policy	April 29, 2024 – June 28, 2024
Property and Casualty and General Insurance	Proposed Corporate Governance and Operational Risk and Resilience Guidance	Guidance	April 17, 2024 – June 17, 2024

OAGO’s Value-for-Money Audit report recommendations

In 2022, the Office of the Auditor General of Ontario (OAGO) published the **Value-for-Money Audit: Financial Services Regulatory Authority: Regulation of Private Passenger Automobile Insurance, Credit Unions and Pension Plans** report. The audit focused on FSRA’s regulatory activities in the private passenger automobile insurance, credit union, and provincially registered pension plan sectors, resulting in 18 recommendations directed to FSRA and the Ministry of Finance (MOF). Since the audit, FSRA has made substantial progress in addressing these recommendations.

In March 2024, the OAGO conducted a follow-up review of FSRA's progress on the 2022 Value-For-Money (VFM) audit recommendations. As of August 2024, **5 recommendations have been fully remediated by FSRA** and have been reviewed and validated by the OAGO for closure. In addition, OAGO reviewed the remaining thirteen recommendations that are in-progress with no further concerns raised. The results of the 2024 follow-up audit were published as part of the 2024 OAGO Annual Report²⁴ on December 3, 2024.

As of March 31, 2025, **FSRA has closed nine recommendations.**

²⁴ [Follow-Up on the 2022 Performance Audit: Financial Services Regulatory Authority: Regulation of Private Passenger Automobile Insurance, Credit Unions and Pension Plans](#)

Performance measures and targets

One key recommendation from the OAGO's VFM audit was for FSRA to develop and track informative and specific **performance measures and targets** that better align with FSRA's overall mandate, and report on progress against these targets on an annual basis.

FSRA has adopted an enhanced approach to develop **supervisory outcome-based performance measures and targets**. This new approach aims to better demonstrate FSRA's effectiveness in fulfilling its mandate, ensuring transparency and accountability to both the legislature and the public. Furthermore, this aligns with updated requirements in the Agencies and Appointments Directive.

In addition to performance measures, FSRA continues to track and report on its Service Standards, which focus on delivering FSRA's core business functions in the Property and Casualty (Auto), Prudential Insurance, Credit Union, Market Conduct, and Pension sectors. Detailed information about the Service Standards for FY2024-25 can be found in Appendix A.

Risk identification, assessments and mitigation strategies

FSRA's Enterprise Risk Management Framework (ERM Framework) is operationalized and governed using the Three Lines Model²⁵. As the First Line, business units own the risks and are responsible for risk identification, assessment, and mitigation to manage risks within acceptable tolerance levels. The Second Line is the responsibility of Risk Management which performs oversight, monitoring, and reporting of risks at the enterprise level. As the Third Line, internal audit provides independent assurance on FSRA's practices, governance, risk management, and internal controls. The ERM Policy sets out the Framework for applying the ERM process throughout the organization.

FSRA's Risk Management function is supervised at both the Executive and Board levels, through the Risk Management Committee (RMC), and the Audit, Finance and Risk Committee (AFRC) of the Board, respectively. The RMC supervises and monitors business units' risk profiles and risk mitigation strategies via active and robust discussions. The RMC held four meetings in FY2024-25. The AFRC of the Board oversees risks at the broader enterprise level and their alignment with FSRA's risk appetite, under a delegated authority from the Board of Directors. The Chief Risk Officer (CRO) regularly reports key risks to the AFRC.

FSRA has a Board-approved Risk Appetite Statement (RAS) in place to facilitate risk-based decision making. The RAS guides FSRA in delivering its mandate and fulfilling its strategic goals while taking on acceptable risks. In its operationalization, risk profiles are regularly monitored against the risk appetite and reported to the RMC and AFRC. FSRA reviews its RAS annually to ensure its appropriateness.

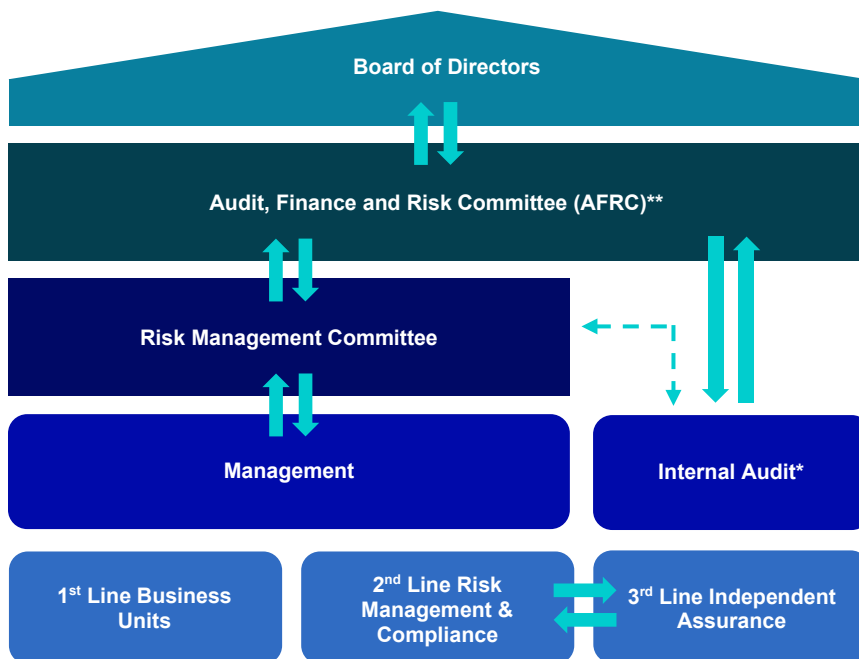
In FY2024-25, FSRA's Enterprise Compliance program was enhanced to ensure adherence to applicable legislation, regulations, directives, and policies. This was implemented through awareness and training, compliance attestations, environmental scans, and collaboration with the program/ functional areas.

²⁵ For more details, please refer to "Three Lines Model" by The Institute of Internal Auditors.

FSRA’s Privacy Risk Management was strengthened through continuous awareness / training. FSRA evaluated projects that involve handling of personal information to ensure compliance with the Freedom of Information and Protection of Privacy Act (FIPPA).

As the operationalization of the ERM Framework matures, FSRA can remain flexible and meet the demands of the changing risk landscape.

FSRA ERM Governance structure



*Internal audit reports functionally to the Board and administratively to the EVP, Corporate Services

FY2024-25 highlights

- Operationalized the enterprise RAS to ensure FSRA achieves strategic priorities while maintaining risks within the tolerance level.
- Monitored FSRA’s risk profile against the approved risk appetite with the focus on mitigating any risk appetite breach.

- Leveraged technology transformation through the implementation of a Governance, Risk and Compliance (GRC) technology solution to automate and streamline the governance for risk management, compliance, deficiencies management and enterprise policy management.
- Enhanced FSRA's compliance with the requirements of the Accessibility for Ontarians with Disabilities Act (AODA) and Payment Cards Industry Data Security Standards (PCI DSS) by conducting quarterly vulnerability scans amongst other initiatives.
- Strengthened FSRA's Compliance program e.g., Enterprise Policy Management and Certificate of Assurance (CoA) processes through onboarding GRC system and regular communication with stakeholders on compliance requirements as well as changes to applicable regulations and Directives.
- Maintained service standards and compliance with FIPPA with respect to access to information requests.
- Strengthened awareness of Freedom of Information (FOI) and Privacy by conducting tailored FOI trainings for program areas, and mandatory FSRA-wide trainings on Privacy.
- Developed and began implementation of a plan to enhance FSRA's Privacy Management program as it pertains to its legislative obligations under FIPPA.
- Cultivated robust risk culture within the organization through the implementation of educational hub focusing on emerging risk.
- Developed risk analytics through promoting effective challenges on emerging risks including Artificial Intelligence and third-party risks, prioritizing key risks at enterprise level, and integrating risk management into strategic decision-making processes.

Our people

FSRA’s Human Resources Strategic Framework

FSRA’s Human Resources Strategic Framework focuses on four pillars that encourage individual, team and organizational excellence. These activities underscore the continued implementation of the Human Capital Plan which ensures that FSRA’s policies and programs ensure that FSRA is able to attract and retain competent staff in all areas to protect consumers in accordance with its mandate.

1. Culture advancement

FY2024-25 initiatives included:

- Diversity, Equity, Inclusion and Belonging (DEIB):** In FY2024-25, FSRA started work on its three-year DEIB strategy, which included a three-part education series developed in-house for all employees, numerous learning events with external speakers, and conducting FSRA's first census. The results of the census will be available in FY2025-26 and will help FSRA make data-driven decisions on creating a safe and welcoming workplace for all employees. The cross-functional DEIB committee also continued to champion employee education initiatives and events.
- Learning and development:** FSRA continued to implement its Learning and Development plan throughout FY2024-25, offering centralized in-house development opportunities at the corporate and functional level, and supporting individual learning requests from external organizations. Corporate-level education was selected to support FSRA's core competencies.
- Wellness:** In FY2024-25, FSRA continued its Wellness@FSRA initiatives grounded in its three pillars: psychological wellbeing, personal wellbeing and social connection. The program included workshops, education sessions, monthly wellbeing challenges and online platforms for supplemental support and information. FSRA's Wellness team was recognized by Telus Health as the 2024 Canadian Wellness Champion of the Year.

- **Professional development:** FSRA launched its Leadership Development Program (LDP). The LDP is a small, cohort-based, eight-month learning and development program for high potential leaders across the organization. Comprised of two cohorts, people leaders and leaders of leaders (organizational leaders), the curriculum has been developed based on FSRA competencies and includes formal and informal learning opportunities focused on coaching, leading teams, continuous improvement, strategic thinking and political acuity. The FSRA Talks program continued, providing employees the opportunity to share the depth of their knowledge with employees in a TedTalk-style environment. The FSRA Leadership Book Club invited all employees to read books on leadership and discuss relevant themes in a casual environment.
- **Responsiveness:** Work continued to respond to employee feedback in the 2024 employee engagement survey, specifically around DEIB and recognition. The 2025 employee engagement survey scores increased slightly revealing progress has been made in those areas. FSRA ran a supplemental survey in FY2024-25, specifically to gain feedback on whether HR services were meeting internal client demands and expectations. The 2024 survey revealed significant increases in satisfaction, particularly related to information sharing and streamlined services.
- **Recognition:** In honour of FSRA's 5-year anniversary, the Long Service Awards were held as a stand-alone, in-person event to celebrate employee contributions. **FSRA recognized 111 staff across all functions celebrating milestones ranging from 5 – 35 years.** 2024 also marked the first year of the FSRA award program. This program provided an opportunity for staff to recognize their peers, colleagues, teams and leaders across 5 categories. Categories included Leadership, Innovation, Collaboration, Above and Beyond and Cross Functional Team. The program received a total of 123 nominations across the 5 categories. The second year of this program is currently underway for 2025.

2. Investment in talent

FY2024-25 initiatives included:

- Job evaluations:** Non-union job evaluations were conducted across the organization to ensure alignment with current business needs and role expectations. **A total of 161 jobs were evaluated.** As a result, 12 positions (covering 13 incumbents) were reclassified to a higher level. Ten (10) positions, which were evaluated at a lower level, were grandfathered at their current level. These roles will retain their current status until they become vacant. Operating guidelines were developed to govern the internal job evaluation process moving forward. FSRA will undertake a similar review with bargaining unit groups now the collective agreements have been implemented.
- Core competencies:** Education and training on FSRA's core competencies continued in FY 2024-25 and are being integrated into performance conversations and learning goals.
- Succession planning:** In FY2024-25, FSRA conducted a second cycle of organization-wide succession planning to identify successors and high potential talent within the organization.
- Workforce planning:** FSRA launched a workforce planning pilot program which includes: 1. Business Strategy Alignment, 2. Segmented Roles, 3. Environmental Scan, 4. Current State Analysis, 5. Scenario Planning, 6. Gap Analysis, 7. Action Planning and Monitoring and Reporting. The results of the pilot will determine whether this is rolled out across the organization.

3. Strong foundations

FY2024-25 initiatives included:

- Labour relations:** FSRA finalized its first two collective bargaining agreements (CBAs) with AMAPCEO and OPSEU. Across-the-Board and retroactive payments were calculated and paid well within the 120-day windows specified in the CBAs.

- Human Resources Information Systems:** In FY2024-25, FSRA continued to review and identify opportunities to optimize Human Capital Management (HCM) within Workday. Enhancements were implemented to improve reporting and analysis in support of: Position and Vacancy Management, HR metrics, Span of Control analysis, Organization charts, Internal and external workforce data collection, Payroll process improvements. FSRA integrated enhancements regarding Benefits reconciliation, Dental Benefits reporting on T4s, Pension Adjustments calculation, and Pay Cycle Weekly Reports.
- Disability Management:** In FY2024-25, FSRA streamlined its Long-Term Income Protection (LTIP) and short-term sickness processes to enhance the experience and ensure data is accurate.

4. Human Resources excellence

FY2024-25 initiatives included:

- Risk Management:** FSRA conducted an analysis to ensure all internal risk related to HR supports the decisions being made and reflect where FSRA is 5 years after launch.
- Vacancy Management:** In FY2024-25, FSRA implemented a new vacancy management process. The process ensures requests for vacancies and new positions receive proper review and approval in alignment to FSRA's current budgetary goals and stage of maturity.

HR Growth as at March 31, 2025

Employee Type	FY 2022-23	FY 2023-24	FY 2024-25
Permanent (active) Positions	584	646	612
Executive	9	8	8
Students	-	-	37
On leave	-	-	23
Total	593	654	680*

*Starting next year, FSRA will report on its Human Resources growth on FTE terms, in order to align with eAgency reporting with the Ministry of Finance.

Internal communications

Internal communications efforts in FY2024-25 focused on maintaining a strong and focused narrative in all communication. This was achieved through:

- Leveraging internal channels:** Using varied channels from intranet postings, in-person, hybrid and virtual events, newsletters, posters, and a new employee-only social media channel.
- Aligning timely communication efforts:** Maintaining efforts to minimize information overload, the timing and relevance of staff communications was revised to ensure appropriate levels of communication and engagement.
- Responsiveness:** The internal communications function continued to provide timely support to senior and executive levels of the organization with time-sensitive information.

- **Creating lines of sight:** Corporate internal messaging continued to create linkages between individual programs and initiatives and the larger strategic focus of the organization. This approach builds team engagement and alignment with FSRA's mission.

Communication plan

External communications

As part of FSRA's strategic framework, the Public Affairs (PA) team is committed to supporting the objectives, brand, reputation and external relations of a high performing regulator. To support this objective, PA has developed communications strategies and plans to support FSRA's mandate, and increase stakeholder and public understanding of FSRA's regulatory approaches and activities.

Over the past year, FSRA expanded its presence by hosting in-person conferences for credit unions, insurance prudential and mortgage brokers. FSRA increased the number of stakeholder webinars, added more public consultations, expanded FSRA's presence on social media, generated earned media and developed and executed targeted consumer education campaigns.

FSRA's key achievements in FY2024-25 include:

Expanded reach

1. **Conferences:** FSRA hosted three pivotal sector conferences including the Insurance Board of Directors Conference, The Credit Union Board of Directors Conference, and The Principal Broker Conference (launched 2024). These events engaged and informed more than 690 stakeholders.
2. **Continued use of webinars:** FSRA continued to connect and expand engagement and communication with the sectors it regulates through its digital strategy. **Year-over-year, FSRA more than doubled the number of webinars to twenty.** Webinars attracted between one hundred and thirteen hundred attendees on average, in an ongoing effort

to engage, educate and gather feedback from stakeholders. Webinars offer attendees an opportunity to submit questions directly to FSRA staff and contribute to the policy and decision-making process and inform content strategy.

3. **Consultations:** FSRA launched thirteen public consultations, with supporting communications tactics via e-blast, website posting, news release, and social media. This fiscal year there were two hundred and eight e-blasts sent to stakeholders.
4. **Social Media visibility:** LinkedIn posts were **17.5% more visible** - seen more than five hundred and thirty times. In total FSRA had five hundred and sixty-five social posts.
5. **Social Media engagement:** Across both LinkedIn and Facebook, FSRA's audience was more engaged on content. **Engagement** (as measured by likes, clicks, and shares) **increased by over 50%**.
6. **Earned Media:** FSRA strategically leveraged its resources to generate earned media in mainstream, trade, and multi-cultural media. **FSRA issued one hundred and twenty-five news releases**, ensuring the agency is timely and transparent. FSRA continued to increase more diverse communities including a multi-cultural media agency continues to reach new communities and audiences by repurposing consumer campaigns for multi-cultural audiences, generating more than one hundred and thirty multi-cultural media mentions. Approximately 99% of media coverage in the fiscal year was positive or neutral, thanks to efforts to successfully manage issues and reactive inquiries, as well as proactive media relations strategies.

Social media

FSRA's social media strategic plan, which was successfully executed, resulted in audience growth of more than 13% on LinkedIn and nearly 9% on Facebook.

FSRA leveraged previous materials used in past consumer education campaigns, leveraged thought leadership opportunities, and continued to generate video content to better resonate with its audience.

A direct comparison to the previous fiscal year is skewed by the Ontario election caretaker period, when social media channels were largely inactive, and campaigns and proactive media outreach prohibited. Despite that pause, FSRA increased audience engagement and reach.

From April 2024 to February 2025 posts engagement increased by 90% (measured by likes, clicks, and shares) on LinkedIn and by 35% increased on Facebook when compared to the year prior.

Consumer education

FSRA focused the strategic development of its consumer education campaigns to continue to reach Ontarians, including the following multicultural communities: Chinese, Southeast Asian and Filipino. The targeted campaigns offered information and tips to better protect those purchasing a home, to members of Ontario credit unions or caisse populaires, and to help teach people about the value of a pension. The campaigns were a mix of strategic and targeted earned media, social media, and paid media tactics. FSRA also leveraged stakeholder channels to help amplify these messages.

Campaign focus	About the campaign
Deposit Insurance Reserve Fund (January 13 to March 10, 2025)	This campaign was designed to create awareness of the Deposit Insurance Reserve Fund (DIRF) with Ontarians who are members of a credit union or caisse populaire. The campaign reassured and reminded them that their deposits are insured by the DIRF and protected in the event of unforeseen circumstances such as fraud or failure.

Campaign focus	About the campaign
<p>Pension Awareness Day (February 10 to 20, 2025)</p>	<p>This campaign was developed to provide neutral unbiased information on the value of pensions to existing workplace pension plan members, younger adults just starting out in their careers and newcomers to Canada. Together, with pension sector stakeholders in Ontario and across Canada, FSRA launched Ontario’s third annual Pension Awareness Day to raise awareness about the many benefits of a workplace pension plan, the need to develop a retirement plan as early as possible, and the value of saving now for the future.</p>
<p>Private Mortgages (January 13 to March 31, 2025)</p>	<p>Private mortgages typically have different terms from traditional mortgages, and consumers need to know what they are getting into before making a commitment. The campaign was aimed at protecting consumers by educating people about the steps to take if considering a private mortgage, the appropriate questions to ask before making a commitment, and the importance of having an exit strategy.</p>

FSRA website

The FSRA website is one of the front doors to FSRA, and foundational to organizational communication strategy. The site has a multitude of purposes and impacts the relationship between FSRA, stakeholders and consumers. For example, it serves as a key information sharing tool for important regulatory functions including the whistleblower and complaint portals, the posting of rules and guidance, and aids consumers and stakeholders in a multitude of languages using the google translate function.

This past year several enhancements were made to the FSRA website to continue to improve the user experience for consumers and stakeholders:

- Developed “Check application processing times” page that provides an overview of how licensing applications are processed, providing more insight to licensees. This page includes metrics on the number of applications completed per month (target of 75% of applications to be processed in twenty business days).
- Updated the consultation page layout and formatting to make it easier for people to submit their feedback.
- Updated mobile experience with enhanced menu that allows users to easily expand and view next level content.
- New website footer which provides a clickable overview of the site.

Campaign web pages were created to support several consumer education campaigns, including:

- Private Mortgages.
- Pensions Awareness Day.
- Credit Union and Caisse Populaire Deposit Insurance Reserve Fund.

Analysis of financial performance

Below is a comparison between FSRA's actual results for the fiscal year FY2024-25 and the previous fiscal year, as well as a comparison to the FY2024-25 budget. Additionally, there will be a discussion about FSRA's financial position as at March 31, 2025, in comparison to March 31, 2024.

This analysis provides an overview of FSRA's financial activities for the fiscal year FY2024-25 and should be read in conjunction with FSRA's audited financial statements included in FSRA's Annual Report for the years ended March 31, 2025, and 2024, and the notes contained therein.

Financial highlights

Fiscal year ended March 31

(in million of dollars)	2025	2024	Variance (%)
Revenue	\$ 118.7	\$ 113.6	4.5%
Expenses	130.1	123.6	-5.3%
Excess of revenue over expenses	\$ (11.4)	\$ (10.1)	12.9%
Total assets	\$ 101.6	\$ 109.3	-7.0%
Total liabilities	104.5	100.8	-3.7%
Total net assets	\$ (2.9)	\$ 8.5	134.1%

Total revenue for FY2024-25 was \$118.7 million and total expenses (net of recoveries) were \$130.1 million resulting in a shortfall of revenue over expenses for the fiscal year of \$11.4 million.

(in millions of dollars)	March 31, 2025	March 31, 2024	Variance		
			\$	%	
ASSETS					
Current					
Cash	\$ 30.3	\$ 87.5	(\$57.2)	-65.4%	
Investments	52.4	-	52.4	n/a	
Accounts receivable	6.6	8.4	(1.8)	21.4%	
Prepaid expenses	1.8	1.9	(0.0)	0.0%	
Total current assets	91.1	97.8	(6.7)	-6.8%	
Capital assets	10.4	11.5	(1.0)	8.7%	
Total assets	101.6	109.3	(7.7)	-7.0%	
LIABILITIES					
Current					
Accounts payable and accrued liabilities	27.5	23.4	(4.1)	-17.7%	
Unearned revenue	21.7	20.4	(1.2)	-6.0%	
Loan payable	3.7	3.7	-	0.0%	
Total current liabilities	52.9	47.5	(5.4)	-11.3%	
Deferred lease inducements	1.7	2.1	0.4	19.0%	
Unearned revenue	3.6	2.9	(0.7)	24.1%	
Loan payable	40.0	42.4	2.4	5.7%	
Employee future benefits	1.8	1.9	0.1	5.3%	
Other long-term obligations	4.6	4.0	(0.6)	15.0%	
Total liabilities	104.5	100.8	(3.7)	-3.7%	
NET ASSETS					
Internal restricted	5.0	5.0	-	0.0%	
Unrestricted	(7.9)	3.5	(11.4)	325.7%	
Total net assets	(2.9)	8.5	(11.4)	134.1%	
Total liabilities and net assets	\$ 101.6	\$ 109.3	(\$7.7)	-7.0%	

Total assets decreased \$7.7 million or 7.0% to \$101.6 million as at March 31, 2025. This decrease was attributed to the following key drivers:

- Cash decreased by \$57.2 million offset by an increase in investment of \$52.4 million as surplus cash was invested with the Ontario Financing Authority (“OFA”) in accordance with FSRA’s investment policy. Other contributions to the cash decrease included repayment of loans with OFA of \$3.7 million (the total of principal \$2.4 million and interest \$1.3 million) and the acquisition of tangible assets of \$1.1 million;

- A decrease in accounts receivables and prepaid expenses by \$1.8 million;
- A decrease of \$1.0 million in capital assets due to a \$2.0 million increase in accumulated amortization offset by a \$1.0 million increase in tangible capital asset.

Total liabilities increased by \$3.7 million to \$104.5 million or 3.7% as at March 31, 2025. This increase is attributed to the following factors:

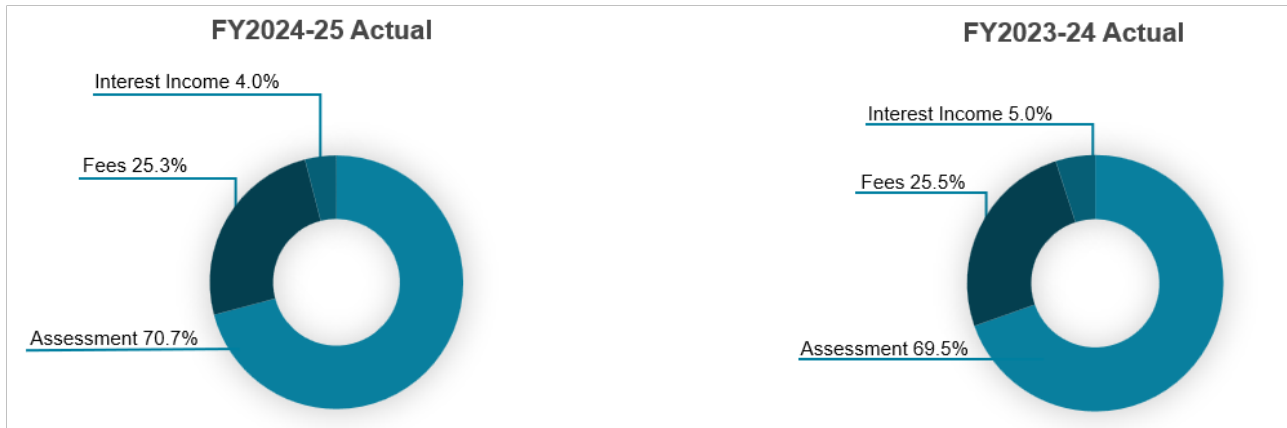
- An increase of \$4.1 million in accounts payable and accrued liabilities;
- An increase of \$1.9 million in unearned revenue; and
- Increase in other long-term obligations (other asset retirement obligation) of \$0.6 million.

These increases were partially offset by:

- A decrease of \$2.4 million in loan payable as a result of loan amortization principal repayment;
- A decrease of \$0.1 million in employee future benefits; and
- A decrease of \$0.4 million in deferred office lease inducements.

Total net assets were a deficit of \$2.9 million at March 31, 2025. This balance was primarily comprised of the \$5 million restricted operating reserve and a deficit of \$7.9 million of unrestricted net assets. The deficit was contributed from the planned supplement of \$12 million in surplus to reduce the assessment fees billed to the sectors.

Revenue compositions



FSRA recovers its budgeted costs from the sectors it regulates through a combination of variable assessments and fixed fees. FY2024-25 total revenue was \$118.7 million vs. \$113.6 million in FY2023-24.

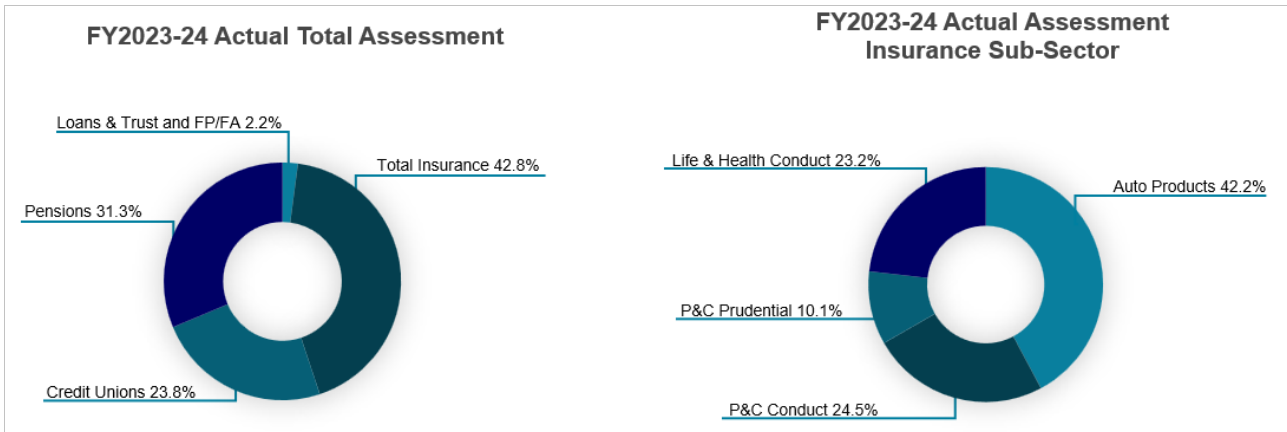
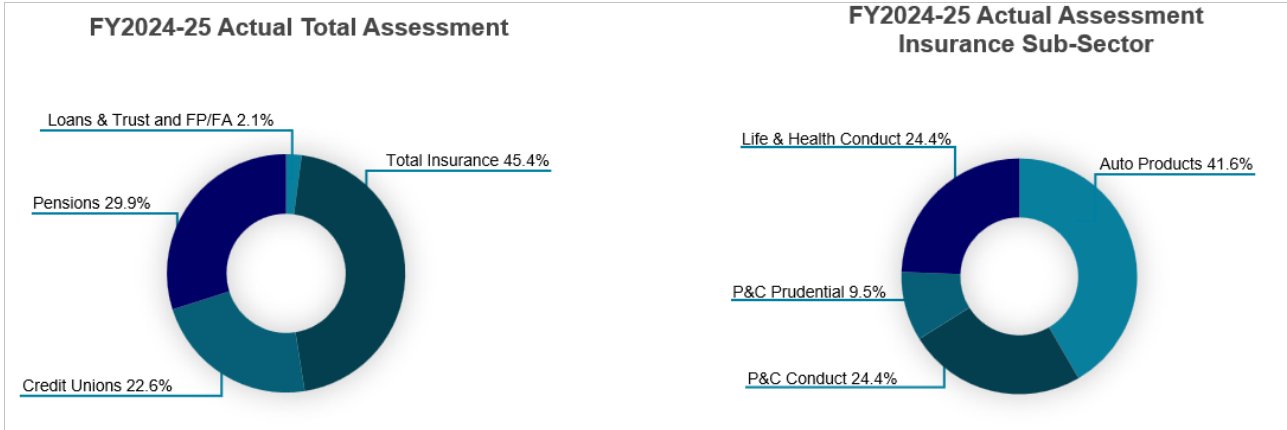
The assessment accounted for 70.7% of the total FY2024-25 income, followed by fees income representing 25.3% and 4.0% was interest income.

Assessments

Actual: March 31, 2025	\$84.0M
Budget: March 31, 2025	\$83.7M
Actual: March 31, 2024	\$78.9M

The FY2024-25 assessments were higher than the prior fiscal year by \$5.1 million or 6.5%. Compared to budget, this was \$0.3 million or 0.4% higher.

FSRA utilized \$12 million of its cumulative surplus to supplement the FY2024-25 assessment and \$7.0 million to supplement the FY2023-24 assessment.



The Insurance sector accounted for 45.4% of the total FY2024-25 assessment compared to 42.8% in FY2023-24.

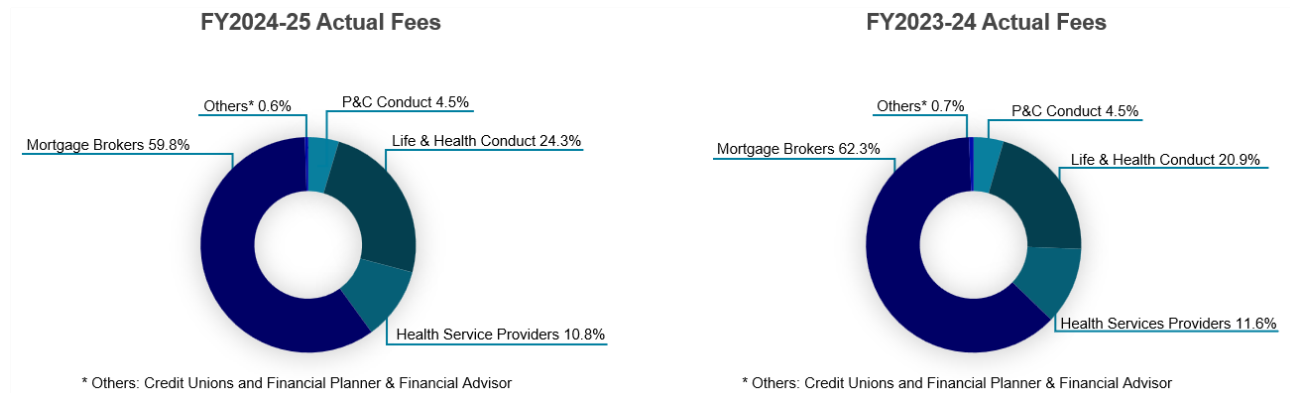
The Pensions sector has 29.9% of the FY2024-25 assessment compared to 31.3% in the prior fiscal year. The Credit Unions accounted for 22.6% in FY2024-25 vs. 23.8% in FY2023-24.

Fees

Actual: March 31, 2025	\$30.0M
Budget: March 31, 2025	\$30.4M
Actual: March 31, 2024	\$29.0M

Fees revenue consisted of licensing fees, filing fees, and application fees as defined in the Fee Rule 2022-001. The FY2024-25 fees revenue was higher than prior fiscal year by \$1.0 million or 3.4%.

The FY2024-25 fees revenue was lower than budget by \$0.4 million or 1.3%.



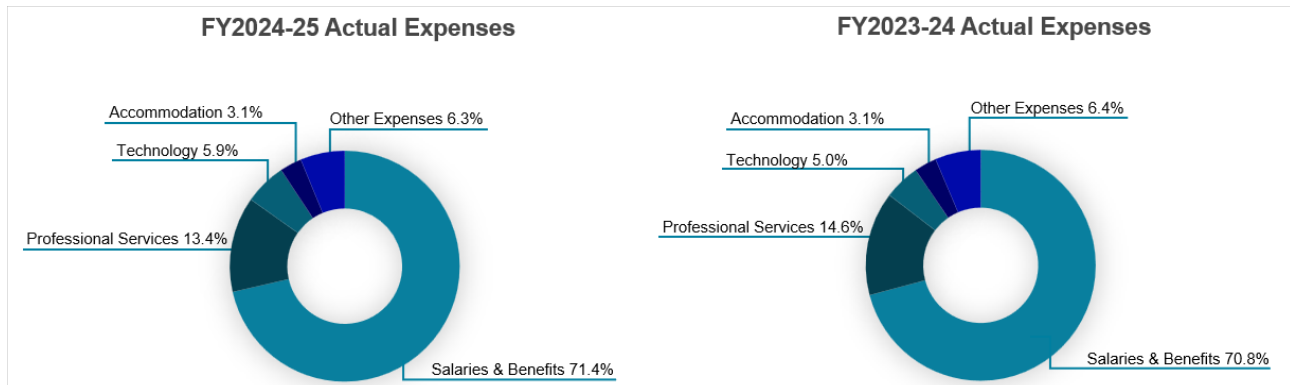
The Mortgage Brokers sector accounted for 59.8% of the total for FY2024-25 compared to 62.3% in FY2023-24.

Life & Health Conduct sector accounted for 24.3% of the FY2024-25 compared to 20.9% in the prior fiscal year.

Health Service Providers accounted for 10.8% in FY2024-25 vs. 11.6% in FY2023-24.

The remaining sectors are unchanged to prior fiscal year.

Expenses composition (before recoveries)



(in millions of dollars)

EXPENSES	March 31, 2025		March 31, 2024	Variance Fav/(Unfav)			
	Actual	Budget	Actual	Budget	Prior Fiscal year		
	\$	\$	\$	\$	%	\$	%
Salaries and benefits	\$ 96.2	\$ 94.9	\$ 90.7	(\$1.3)	-1.4%	(\$5.5)	-6.1%
Professional services	18.0	19.2	18.6	1.2	6.4%	0.6	3.3%
Technology	7.9	6.9	6.5	(1.0)	-14.4%	(1.4)	21.5%
Accommodation	4.1	4.6	4.0	0.5	10.6%	(0.1)	2.5%
Amortization	2.4	3.1	3.0	0.7	22.5%	0.6	19.9%
Interest expense	1.4	1.3	1.4	(0.1)	-7.7%	0.0	1.1%
Staff development	1.5	1.4	1.5	(0.1)	-7.1%	0.0	1.3%
Other operating expenses	3.1	3.7	2.3	0.6	16.4%	(0.8)	-34.8%
Total expenses before recoveries	\$ 134.7	\$ 135.3	\$ 128.0	\$0.6	0.4%	(\$6.7)	-5.2%
Recoveries	(4.5)	(4.8)	(4.4)	(0.2)	-4.4%	0.1	-3.2%
Total expenses net of recoveries	\$ 130.1	\$ 130.5	\$ 123.6	\$0.4	0.3%	(\$6.5)	-5.3%

The following is adjusted to the March 31, 2025, Budget. (1) Professional services cost is increased by \$6.3 million and amortization cost is reduced by \$6.2 million to align with the external reporting view.

The total expenses net of recoveries in FY2024-25 were \$130.1 million compared to the budget of \$130.5 million resulting in a favourable variance of \$0.4 million or 0.3%.

The total expenses net of recoveries in FY2024-25 were \$130.1 million compared to FY2023-24 of \$123.6 million resulting in an unfavourable variance of \$6.5 million or 5.3%.

Salaries and benefits

Actual: March 31, 2025	\$96.2M
Budget: March 31, 2025	\$94.9M
Actual: March 31, 2024	\$90.7M

Salaries and benefit costs represent FSRA’s largest expense and accounted for 71.4% in FY2024-25. The actual was \$96.2 million which was \$1.3 million higher than the budget and \$5.5 million higher than FY2023-24. The increase in salaries and benefits expenses year-over-year is due to mandatory collective bargaining agreements, and planned increases in human resources to support the delivery of FSRA’s priority initiatives. The primary factor contributing to the unfavorable variance to the budget was the Bill 124 projected liabilities.

Professional services

Actual: March 31, 2025	\$18.0M
Budget: March 31, 2025	\$19.2M
Actual: March 31, 2024	\$18.7M

Professional services costs were \$1.2 million lower than budget, this was primarily caused by lower expenditure in legal fees, contractors and other services. The contractor costs for *FSRAForward* are recovered from the sectors over five years in the budget for the purpose of calculating assessments. The professional services costs were \$0.6 million lower than FY2023-24. This was primarily due to lower legal fees.

Technology

Actual: March 31, 2025	\$7.9M
Budget: March 31, 2025	\$6.9M
Actual: March 31, 2024	\$6.5M

Technology expenditure was \$1.0 million higher than budget, this was primarily contributed by higher expenditure in software licenses & subscriptions and IT services. The technology expenditure was \$1.5 million higher than FY2023-24. This was primarily due to higher software licenses & subscriptions and IT services.

Other expenses

Actual: March 31, 2025	\$8.4M
Budget: March 31, 2025	\$9.6M
Actual: March 31, 2024	\$8.2M

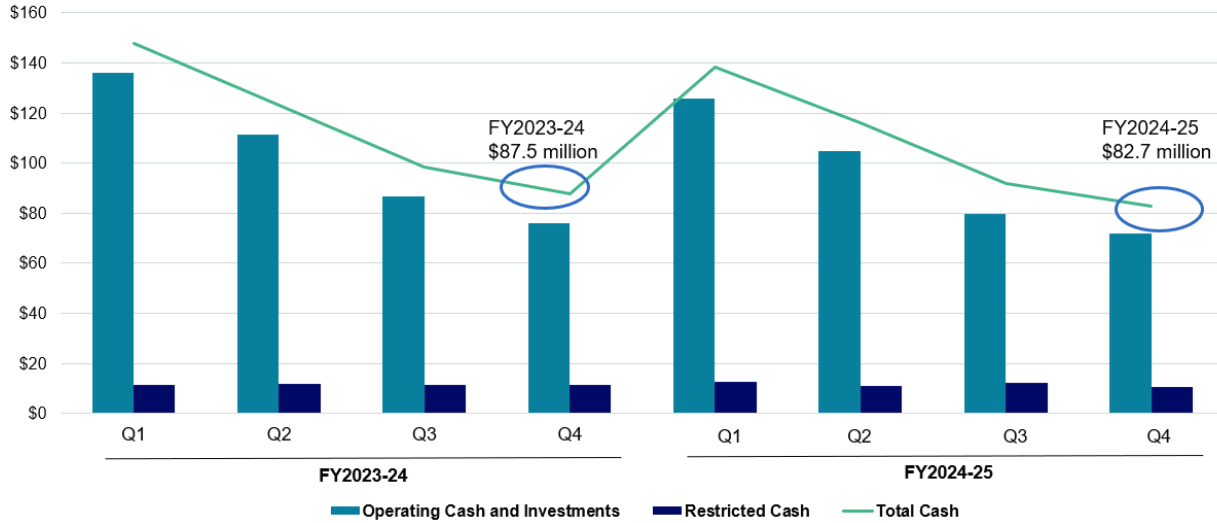
Other expenses included amortization on capital assets, staff training and development costs, other operating expenses, and interest expense on loans. The other expenses were \$1.2 million lower than the budget and this was primarily due to lower amortization cost and other operating expenses. The capital amortization was \$0.6 million lower than budget. This included investment in office furniture and equipment, software, computer hardware, and leasehold improvements. These are amortized on a straight-line basis over the useful lives of the assets ranging from three to ten years.

The other operating expenses were \$0.6 million lower than budget and this was primarily caused by lower travel, transportation, and hospitality expenses.

The other expenses were \$0.2 million higher than FY2023-24 caused by higher other operating expenses of \$0.8 million offset by lower capital amortization cost of \$0.6 million.

Liquidity and financial position

Quarterly cash flow trend, in million of dollars



The cash balance as at March 31, 2025, was \$82.7 million (this included \$30.3 million in cash and \$52.4M in high liquidity investments) compared to the March 31, 2024, cash balance of \$87.5 million. The first quarter of the FY2024-25 had the highest cash balance due to the collection of assessments revenues which accounted for 70.7% of the total revenues. Over 75.0% of the cash outflow occurred at a uniform rate which was for salaries and benefits and accommodation expenses.

In FY2024-25 FSRA began investing surplus cash with the OFA in order to achieve additional return on its surplus funds. Investments are made in accordance with FSRA’s Surplus Funds Investment Policy. The \$52.4 million investments consisted of 90.4% in money market investments which included Ontario Treasury Bills and other short-term, highly liquid instruments with original maturities less than one year. The remaining 9.6% was fixed income investments consisting of government bonds with fixed interest payments and longer maturities.

The decrease in cash was primarily due to the \$52.4 million of surplus operating cash invested in highly liquid discount notes and government bonds with OFA as the investment manager. The year over year cash balance decreased also due to FSRA utilizing \$12.0 million of its cumulative surplus to reduce the assessment revenue.

Included in the \$30.3 million cash balance at March 31, 2025, was \$10.8 million of restricted cash that included \$5.0 million held as an operating reserve as set out in the Fee Rule 2022-001. Other restricted cash included \$3.0 million in restricted funds from the collection of AMPs as well as \$2.8 million in funds held by FSRA in its role as a provider of administrative and support services for various organizations. These funds are held in separate bank accounts and are not available for general use (refer to Note 9 and Note 16 to the FSRA financial statements).

FY2025-26 financial outlook

FSRA is budgeting a deficiency of expenses over Revenue of \$6.0 million in FY2025-26. This is in accordance with FSRA's plan to draw down accumulated non-PSAS surplus from prior year operations.

The Board approved a budget of \$122.2 million in total costs for FY2025-26, representing a net decrease of \$3.9 million or 3.1% compared to the FY2024-25 budget. This budget reflects the estimated resources required to fulfill FSRA's regulatory mandate while continuing the transformation into a principles-based, independent, and transparent regulator.

Key drivers contributing to the change in budgeted costs year over year:

- FY2024-25 short-term projects totaling \$1.5 million are completed in-year and are not expected to impact FY2025-26.
- FSRA is projecting \$3.2 million in cost savings through strategic vacancy management, focusing on filling only critical roles and leveraging existing talent to maintain operational efficiency.
- Salaries and Benefits are projected to increase by \$3.6 million, primarily driven by the mandatory collective bargaining agreements and adjustment related to public sector compensation legislations.
- Anticipated savings of \$5.0 million through internal reviews of operational efficiencies, focused on optimizing resource utilization, reducing costs, and enhancing operational effectiveness without compromising core business functions.

- Overall amortization is expected to be \$9.2 million for the year, reflecting a decrease of \$1.1 million or 11.0% compared to the previous year.
- \$5.6 million in new resource requests, including \$1.3 million for IT capital investment and \$2.1 million AIP resource request that is scheduled to commence in Q4. Net impact to FY2025-26 budget is \$3.0 million. These resource investments support FSRA's strategic goals, including enhanced oversight, data capabilities, and consumer protection.

The FY2025-26 Board approved budget with total sector revenue of \$116.2 million, is \$2.1 million or 1.8% higher than the FY2024-25 budget.

- Activity and licensing fees are expected to decrease by 1.3%.
- Variable assessments are expected to increase by 2.9%.

Appendix A: Service standards

FSRA is committed to enhancing transparency and accountability in its regulatory activities. To achieve this, FSRA has established twenty-five service standards for FY2024-25, setting clear expectations and performance targets across five key areas: Auto, Credit Unions, Pensions, Market Conduct, and Public Affairs. These standards cover operational and regulatory activities, including license renewals, regulatory applications, complaint handling, and other core services provided by FSRA.

The results of these service standards are rigorously reviewed by FSRA's internal Risk team in collaboration with the regulatory divisions. FSRA continues to review the standards and targets annually, proposing changes based on its regulatory activities in the current market, resources and stakeholder needs.

Key Highlights of FSRA Service Standards for FY2024-25:

- FSRA achieved an average service standards score of 88% in FY2024-25.
- Credit Unions and Prudential Insurance introduced a new standard for supervisory assessments for Ontario-Incorporated Insurance Companies and Reciprocals in FY2024-25.
- Market Conduct introduced a new standard for Complaints and a new standard for Licensing to reflect current business processes.
- Auto consistently met or exceeded service targets for Underwriting Rules & Form Filings in FY2024-25.
- Pensions surpassed service targets across all standards in FY2024-25.

Appendix B: Legal enforcement section

1. Achieved enforcement sanctions

Sector	Achieved Sanctions 2024-25	Achieved AMPs 2024-25	Achieved Sanctions 2023-24	Achieved AMPs 2023-24
Insurance – Life	27	\$232,000	15	\$186,000
AMP	6	\$232,000	6	\$186,000
refuse licence	7	-	4	-
revocation	6	-	3	-
warning letter	3	-	-	-
compliance order	-	-	-	-
undertaking not to apply	2	-	2	-
licence condition	3	-	-	-
Mortgage	43	\$860,925	18	\$454,388
AMP	22	\$860,925	8	\$454,388
suspension	1	-	5	-
compliance order	4	-	1	-
revocation	6	-	4	-
refuse licence	5	-	-	-
licence condition	4	-	-	-
warning letter	1	-	-	-
Insurance – Auto	2	\$100,000	6	\$690,000
AMP	1	\$100,000	4	\$690,000
compliance order	1	-	2	-
Insurance – HSP	4	-	11	\$275,000
AMP	-	-	4	\$275,000
Revocation	1	-	2	-

Sector	Achieved Sanctions 2024-25	Achieved AMPs 2024-25	Achieved Sanctions 2023-24	Achieved AMPs 2023-24
Suspension	2	-	2	-
Surrender	-	-	1	-
compliance order	-	-	1	-
refuse licence	1	-	1	-
Pensions	2	-	3	-
compliance order	1	-	3	-
warning letter	1	-	-	-
Credit Unions	2	-	1	-
compliance order	2	-	1	-
Grand Total	80	\$1,192,925	54	\$1,605,388

2. Escalations (Market Conduct files escalated for investigation/litigation)

Sector	Escalations 2024-25	Subjects of Escalations 2024-25	Escalations 2023-24	Subjects of Escalations 2023-24
HSP	5	7	1	1
Insurance - Life	25	26	13	25
Insurance - Auto	3	3	2	2
Mortgage	21	24	20	28
Loan & Trust	-	-	1	3
Grand Total	54	60	37	59

3. Concluded investigations

Sector	Investigations 2024-25	Subjects of investigation 2024-25	Investigations 2023-24	Subjects of investigations 2023-24
Mortgage	21	45	19	9
Insurance - Life	5	6	8	23
Insurance - Auto	3	3	1	0
HSP	2	4	1	0
Pension	0	0	1	0
Credit Union	1	1	0	0
Grand Total	32	59	30	32

4. Whistle-blower program

Sector Applicable	Submissions	Assurances of confidentiality
Credit Unions and Caisses Populaires Act, 2020	4	3
Financial Advisors AND Insurance	1	1
Financial Professionals Title Protection Act, 2019	2	0
Insurance Act	23	9
Loan and Trust Corporations Act	1	0
Mortgage and Insurance	1	0
Mortgage Brokerages, Lenders and Administrators Act, 2006	22	8
No FSRA Jurisdiction	14	0
Pension Benefits Act	2	2
Grand Total	70	23

5. Initiated enforcement actions

Sector	Proposed Sanctions 2024-25	Proposed AMPs 2024-25	Proposed Sanctions 2023-24	Proposed AMPs 2023-24
Insurance – Life	28	\$335,000	11	\$241,000
AMP	7	\$335,000	5	\$241,000
refuse licence	12	-	4	-
revocation	9	-	1	-
licence condition	-	-	1	-
Mortgage	60	\$2,013,600	43	\$1,665,500
AMP	33	\$2,013,600	22	\$1,665,500
compliance order	5	-	1	-
refuse licence	10	-	9	-
revocation	9	-	9	-
suspension	1	-	1	-
licence condition	2	-	1	-
Insurance – Auto	3	\$200,000	2	\$600,000
AMP	2	\$200,000	2	\$600,000
compliance order	1	-	-	-
Insurance – HSP	7	\$20,000	6	\$260,000
AMP	2	\$20,000	3	\$260,000
compliance order	2	-	-	-
revocation	2	-	2	-
refuse licence	1	-	1	-
Pensions	2	-	2	-
compliance order	2	-	1	-
Credit Unions	-	-	1	-
compliance order	-	-	1	-
Grand Total	100	\$2,568,600	65	\$2,766,500

Appendix C: Credit Union & Insurance Prudential Regulatory activities

Summary of Credit Union & Insurance Prudential Regulatory activities*							
Category	2024-25	2023-24	2022-23	2021-22	2020-21	2019-20	2018
Applications**	32	24	26	25	25	16	23
Variations, exemptions & extensions***	8	2	3	1	15	11	3
Orders	7	3	0	0	0	0	2
Administrative penalties	0	0	0	0	0	0	0
Certificates and other requests****	74	110	131	157	112	140	112
Total	121	139	160	183	152	167	140

*Data for 2024-25 includes all applications through March 31, 2025.

** Includes four Insurance Prudential applications.

*** Includes two Insurance Prudential exemptions.

****Includes certificates of status, mortgage discharges, and acknowledgement of receipt of bylaws.

Appendix D: Market Conduct statistics

Market Conduct received complaints FY2024-25 against FY2023-24

Sector	2024-25		2023-24		FY over FY change	
	(#)	(%)	(#)	(%)	(#)	(%)
Insurance – Property and Casualty*	411	40.9%	353	33.2%	58	7.7%
Insurance – Life and Health	145	14.4%	170	16.0%	(25)	(1.6%)
Insurance – Investments	9	0.9%	18	1.7%	(9)	(0.8%)
Mortgage Brokering	354	35.2%	448	42.1%	(94)	(34.2%)
Credit Unions	57	5.7%	47	4.4%	10	1.3%
FP & FA	15	1.5%	3	0.3%	12	1.2%
Loan & Trust	10	1.0%	4	0.4%	6	0.6%
Other	4	0.4%	21	2.0%	(17)	(1.6%)
Total	1,005	100%	1,064	100%	(59)	(27.4%)

* Includes health service provider and auto insurance complaints.

Enforcement actions by Market Conduct to address non-compliance from April 1, 2024, to March 31, 2025

As part of its supervisory role, Market Conduct enforces filing, disclosure and administrative requirements in the insurance and mortgage sectors with various supervisory tools including warning letters, license conditions, revocations, suspensions, and administrative monetary penalties as appropriate. Where potential serious regulatory misconduct is identified, the matter is escalated to Legal & Enforcement for further investigation and enforcement sanction, if merited.

Sector	Imposed actions	
	2024-25	2023-24
Insurance*		
Warning letter	221	755
Licence revocation	1	0
Conditions on licence	54	248
Application withdrawal	0	9
Licence refusal/denials	5	1
Administrative monetary penalties orders	5	10

Summary administrative monetary penalties orders	9	31
Health Service Provider		
Warning letter	15	65
Licence suspension	0	52
Licence revocation	1	118
Mortgage Brokering		
Warning letter	136	97
Licence revocation	4	31
Conditions on licence and amending licence	18	35
Application withdrawal	0	5
Licence refusal/denials	5	0
Administrative monetary penalties orders	6	3
Summary administrative monetary penalties orders	2	16

FP & FA		
Licence Revocation	1	0
Total	483	1,476

* Includes Life & Health and Property & Casualty Companies and Agents

Administrative monetary penalties & summary administrative monetary penalties FY2024-25

Sector	Administrative monetary penalties (\$)			Summary administrative monetary penalties (\$)		
	2024-25	2023-24	\$ Change	2024-25	2023-24	\$ Change
Mortgage Brokering	\$20,000	\$5,000	\$15,000	\$1,000	\$16,000	(\$15,000)
Insurance	\$13,000	\$25,250	(\$12,250)	\$7,000	\$33,200	(\$26,200)
Total	\$33,000	\$30,250	\$2,750	\$8,000	\$49,200	(\$41,200)

Appendix E: Pensions statistics

FY2024-25

Key applications and inquiries (as at March 31, 2025)

Transactions	Total received in FY 2024-25	% (+/-)*
Applications		
Asset transfer	74	61%
Wind up (full)	153	15%
Inquiries		
General Inquiries	1,193	12%
Plan specific inquiries – Industry	1,412	4%
Plan specific inquiries – Member	571	25%

Member complaints		
Non-compliance with plan provisions	3	-70%
Non-compliance with legislation/guidance	7	-36%
Reciprocal transfer agreement	5	67%
Benefit calculation / commuted value	17	-58%

* Comparative against FY2023-24

Appendix F: Contact Centre statistics

FY2024-25

Inquiry type	Number	Percentage
Insurance licensing	53,218	58.75%
Mortgage Brokering licensing and other Mortgage inquiries	15,978	17.64%
Pension	4,731	5.22%
Insurance: Automobile and other Insurance inquiries	4,033	4.45%
Health Service Providers	1,655	1.83%
Credit Union	417	0.46%
Co-operatives	30	0.03%
Loan & Trust	88	0.10%
Other*	10,432	11.52%
Total	90,582	100.0%

*Other category consists of non-FSRA related inquiries and general FSRA inquiries.

Appendix G: Membership in regulatory associations

In accordance with FSRA's statutory objects and priorities, FSRA participates in regulatory forums which promote greater cooperation and collaboration, including:

- Canadian Association of Pension Supervisory Authorities (CAPSA)
- Canadian Council of Insurance Regulators (CCIR)
- Canadian Insurance Services Regulatory Organizations (CISRO)
- Credit Union Prudential Supervisors Association (CUPSA)
- General Insurance Statistical Agency (GISA)
- International Association of Deposit Insurers (IADI)
- International Credit Union Regulators' Network (ICURN)
- International Association of Insurance Supervisors (IAIS)
- International Financial Consumer Protection Organization (FinCoNet)
- Joint Forum of Financial Market Regulators

- Mortgage Broker Regulators' Council of Canada (MBRCC)


FSRA's participation in these forums helps enable the achievement of FSRA priorities aligned with the following regulatory outcomes:

- Improving regulatory efficiency and effectiveness;
- Developing harmonized market conduct standards;
- Developing harmonized licensing education/proficiency standards; and
- Sharing best practices and tools in coordinated regulatory design and policy development.


Appendix H: FSRA’s major risks


Key risks and mitigations


Legend:  Improving  Stable  Deteriorating

Risk type	Risk Rating	YoY Trend ²⁶	Mitigation plan
1. Sustainability of funds			
<p>Insufficient Deposit Insurance Reserve Fund (“DIRF”)</p> <ul style="list-style-type: none"> Risk that the DIRF will be insufficient to pay insured depositors if a credit union, or a number of credit unions become insolvent. 	Medium-High		<p>In 2024-25, SFAC completed its annual DIRF adequacy study using stochastic modeling and stress scenarios. The DIRF is funded through premiums paid by credit unions based on their level of insured deposits, capital levels and corporate governance scores determined through the risk-based supervisory process. FSRA has established a Statutory Funds Advisory Committee, a sub-committee of FSRA’s board of directors that is responsible for reviewing and overseeing the DIRF.</p> <p>FSRA provides the Minister of Finance with an annual report on the adequacy of the DIRF. Work is underway to supplement this report with additional analysis that will inform a view on the</p>

²⁶ Year-over-year trend


Risk type	Risk Rating	YoY Trend ²⁶	Mitigation plan
			<p>current target level of coverage of the DIRF and whether there is a need to increase DIRF premiums in order to meet a new target in a reasonable period of time.</p> <p>FSRA closely monitors liquidity ratios at all credit unions through regulatory filings, environmental scans and supervisory reviews, and intervenes to manage risk when necessary. Early intervention includes the ability to provide liquidity support to a troubled credit union where financial difficulties are deemed to be short-term, or to bear the short-term costs of liquidation in advance of the sale of credit union assets. FSRA continues to build out facilities that would allow for such support without needing to use the DIRF.</p>
<p>Financial stability structures (emergency liquidity, financial assistance and payout)</p> <ul style="list-style-type: none"> • Risk of not having established adequate emergency liquidity access for credit unions in times of crisis). 	<p>Medium-High</p>		<p>A \$2 billion line-of-credit with the Ontario Financing Authority (“OFA”) that is structured to enable FSRA to provide emergency liquidity to otherwise viable credit unions experiencing short-term liquidity stress was renewed in November 2024 (with an expiry date of December 19th, 2025). This helps to maintain stability and confidence in the sector.</p> <p>A Memorandum of Understanding (“MOU”) with the British Columbia Financial Services Authority (“BCFSA”) is in place to enable the exchange of data including Central 1 (“C1”) liquidity</p>

Risk type	Risk Rating	YoY Trend ²⁶	Mitigation plan
			<p>information which aids effective oversight. rAdditionally, efforts are underway to help the CU sector develop robust recovery and resolution frameworks, a key requirement for Emergency Lending Assistance (“ELA”) eligibility. FSRA has issued Recovery and Resolution Planning Guidance and is actively working with credit unions to align with these guidelines, increasing their resilience and reducing the risk of failure. ELA would not be a replacement for existing financial stability structures, but rather an additional tool that exists to support the credit union sector in a crisis.</p>
<p>Insufficient Pension Benefits Guarantee Fund (“PBGF”)</p> <ul style="list-style-type: none"> • Risk of an insufficient PBGF to cover claims arising from a Single-Employer Defined Benefit Pension Plan (“SEPP”) funding deficit and insolvency of Plan Sponsor(s), at the same time. 	<p>Low</p>		<p>The CEO of FSRA is responsible for the administration of the PBGF. The Statutory Funds Advisory Committee provides advice to the CEO of FSRA on PBGF-related matters.</p> <p>FSRA continues to focus on supervising SEPPs for early risk identification, monitoring, and intervention, which may minimize potential claims to the PBGF.</p> <p>FSRA promotes good risk management and governance of the PBGF, including stress testing, use of conservative margins, appropriate investment strategy, and administrator’s considerations of the plan’s ability to absorb fluctuations in</p>


Risk type	Risk Rating	YoY Trend ²⁶	Mitigation plan
			<p>funding costs and the adoption of the Risk Appetite Statement (“RAS”) for PBGF.</p> <p>As part of its investment strategy, FSRA has selected the Investment Management Corporation of Ontario (“IMCO”) to manage portfolio assets for the PBGF.</p>
<p>2. Organizational maturity challenges</p>			
<p>Legacy: Unsupported software & technology stack and legacy domains</p> <ul style="list-style-type: none"> • Risk that key business applications are using outdated and unsupported technology stack, security patches are unavailable, and applications run into issues that cannot be 	<p>High</p>	<p> ²⁷</p>	<p>FSRA continues with its transformational FSRA<i>Forward</i> Program, which aligns processes, data, technology, and stakeholder interactions with FSRA’s vision and priorities.</p> <p>FSRA<i>Forward</i> has experienced delays and will extend beyond the original completion date until end of FY2027-28.</p> <p>FSRA is following a multi-year roadmap for its technology and information systems to support its core regulatory activities and procedures. The roadmap incorporates both sector-specific business priorities and enterprise-wide technology requirements.</p> <p>It aims to create a flexible and adaptable business operating model, supported by streamlined workflows and operational</p>

²⁷ The risk has deteriorated due to the delays in FSRA*Forward* implementation.

Risk type	Risk Rating	YoY Trend ²⁶	Mitigation plan
resolved in a timely manner			<p>processes and system improvements.</p> <p>IT Service Management, Vulnerability Management Program, Disaster Recovery Plan, and regular data backup are in place, serving as compensating controls.</p> <p>FSRA IT is working to upgrade legacy systems to supported versions where feasible.</p> <p>A critical deliverable of FSRA’s digital transformation is the Market Conduct Business Solution Project (“MCBS Project”). The solution will include functionality for Mortgage Brokering, HSP, Insurance, Financial Planners and Financial Advisors, Loan and Trust companies, and Co-operatives offering statements. The <i>FSRAForward</i> program's MCBS Project is planning to decommission in scope Market Conduct legacy applications.</p>

<ul style="list-style-type: none"> • Cybersecurity Risk that FSRA’s systems are breached or compromised, which may lead to the theft of information and/or impairment of FSRA’s ability to sustain IT operations. 	<p>Medium-High</p>	<p style="text-align: center;">  28 </p>	<p>FSRA has established a Cybersecurity program including a service delivery model, and a roadmap to improve and maintain its adequate cybersecurity posture. The cybersecurity program is integrated with IT operations and initiatives to ensure that cybersecurity risks with potential to impact FSRA are detected, assessed, prioritized, and addressed in a timely manner. FSRA leverages independent third parties to perform security assessments to inform its cybersecurity roadmap and to prioritize investments to minimize cybersecurity risks.</p> <p>In line with the roadmap, cybersecurity controls have been implemented to protect FSRA’s assets, including but not limited to Security Incident and Event Management (“SIEM”) solution, Data Leakage Prevention (“DLP”) solution, Privilege Access Management (“PAM”), and Endpoint Detection & Response (“EDR”) solution.</p> <p>While external cybersecurity threats continue to evolve and target public services, FSRA’s cybersecurity program continuous to improve and adapt to ensure the integrity of FSRA’s IT infrastructure.</p>
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²⁸ The risk has deteriorated because of an increase in external cybersecurity threat landscape.

<p>Regulatory & Cultural Transformation</p> <ul style="list-style-type: none"> • Risk that FSRA needs to transform the regulatory frameworks and organizational culture it inherited, through an aggressive set of transformative priorities, while continuing to provide effective and efficient day-to-day regulation with limited resources. 	<p>Medium</p>		<p>As part of its regulatory and cultural transformation, FSRA has embraced a principles-based and outcomes-focused approach to regulation. This enables FSRA to respond quickly to innovation and disruption, focus on regulatory outcomes, and reduce regulatory burden by providing flexibility to regulated entities and individuals.</p> <p>To facilitate its cultural transformation, FSRA continues to implement its strategic initiatives that reinforce culture of strong engagement and inclusiveness with focus on belonging as part of the diversity, equity, inclusion, and belonging (“DEIB”) strategy. FSRA utilizes FSRA Voices as a key tool to monitor engagement and culture. FSRA implemented Mentoring Program, Succession Planning and Leadership Development, and has invested in learning and development.</p> <p>In addition to setting and monitoring progress against transformational priorities, FSRA is also regularly measuring and publishing the results of the service standards. The standards are set in line with FSRA’s key priorities and existing resources, enabling FSRA to deliver its committed regulatory services while continuing to transform.</p>
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3. Emerging risks

Macroeconomic & Systemic


- Risk that the economic downturn brought about by a crisis (e.g., geopolitical tensions, global recession, unemployment, high inflation, interest rate risk, climate change) may threaten the financial soundness and stability of regulated entities in FSRA's regulated sectors.

Medium-High



FSRA continues to progress on risk-based supervision, promoting effective governance, and risk management in the regulated sectors. In October 2024, FSRA completed the initial comprehensive assessments and determined risk ratings for all Ontario credit unions.

FSRA is closely monitoring the impact of internal and external factors on the financial soundness and stability of entities in its regulated sectors through its supervisory efforts.

<p>Operational Resilience & Privacy Risk</p> <ul style="list-style-type: none"> • Risk of service disruption due to events such as cybersecurity, physical disaster, and systemic risk events. It would pose significant challenges to FSRA in delivering its regulatory services and mandates on a timely basis. 	<p>Medium</p>		<p>FSRA continues to proactively enhance its operational resilience. The Business Continuity Management Policy (“BCMP”) is in place to manage operational disruption risks.</p> <p>To operationalize the BCMP, FSRA has developed the Crisis Management Guideline, which includes five playbooks to provide guidelines in disruptive situations:</p> <ul style="list-style-type: none"> • Pandemic Plan Playbook • Cyber Security Incident Response Plan • Systemic Risk Playbook • Physical Disaster Playbook • Individual Cyber Security Playbooks • FSRA’s privacy team operates within the Risk Management Office that ensures compliance with FIPPA and oversees privacy practices at FSRA. • FSRA has multiple policies that support FSRA's privacy program, including Corporate Policy on the Protection of Personal Information, Privacy Breach Response Policy. • FSRA’s privacy team conducts Privacy Impact Assessments (“PIAs”) for new and updated initiatives that involve the handling of personal information.
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			<ul style="list-style-type: none">• Periodic awareness on privacy best practices is communicated to staff.
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Appendix I: Strategic Framework



In FY2021-22, FSRA launched its Strategic Framework which consists of four Pillars that articulate high-level strategic objectives of the organization. The Framework reflects FSRA's legislative objects and encompasses the organization's Vision, Mission, and Values. FSRA's FY2024-25 priorities supported the Pillars.

Operate effectively to be a high-performing regulator

- We will consistently delivery on our core business functions.
- We will apply continuous improvement methodologies to review operations.
- We will modernize tools and processes with a continued focus on digitalization and automation.
- We will create an improved experience for stakeholders interacting with FSRA.
- We will communicate our expectations clearly to increase understanding among stakeholders on the regulatory approaches and activities taken by FSRA.
- We will continue to work with government partners to maintain an alignment on priorities.

Protect the public interest to enhance trust and confidence in the sectors we regulate

- We will embed a consumer lens in our guidance and rules.
- We will thoughtfully engage with regulated sectors, consumers, credit union members, and pension plan beneficiaries to understand their current and future needs.
- We will enable innovation and greater choice for consumers.
- We will conduct research to better understand risks to and opportunities for consumers, credit union members and pension plan beneficiaries.
- We will support efforts to enhance consumer, credit union member, and pension plan beneficiary education and knowledge.

Transform our regulatory processes to make evidence-based and risk-based decisions

- We will apply a consistent and transparent approach to regulatory oversight and decision making.
- We will collect more data and increase our internal capabilities to make evidenced- and risk-based decisions.

- We will be responsive to the regulatory environment and adapt our approach to regulation, as needed.
- We will continue transitioning to principles-based regulation by focusing our efforts on desired outcomes.
- We will build stronger relationships with other regulators through cooperation, collaboration and sharing of leading practices.

Attract talent and evolve our culture to achieve the mission and vision of the organization

- We will retain and develop top talent with deep expertise and invest accordingly.
- We will foster a culture that is inclusive and exemplifies our values.
- We will organize and support our talent to effectively deliver on FSRA's strategic priorities and regulatory operational requirements.
- We will promote a culture where staff are actively empowered to lead, held accountable, and recognized for outcomes.

Appendix J: Audited financial statements

Financial Services Regulatory Authority of Ontario

Financial statements for the year
Ending March 31, 2025

Financial Services Regulatory Authority of Ontario

25 Sheppard Avenue West
Suite 100
Toronto, ON
M2N 6S6

Telephone: 416-250-7250
Toll Free: 1-800-668-0128
Email: contactcentre@fsrao.ca
fsrao.ca

**FINANCIAL SERVICES REGULATORY
AUTHORITY OF ONTARIO**

FINANCIAL STATEMENTS FOR THE YEAR ENDING MARCH 31, 2025

**Financial Services Regulatory
Authority of Ontario**

25 Sheppard Avenue West
Suite 100
Toronto (Ontario) M2N 6S6
Tel.: 416-250-7250
www.fsrao.ca

**Office ontarienne de réglementation
des services financiers**

25, avenue Sheppard Ouest
Bureau 100
Toronto (Ontario) M2N 6S6
Téléphone : 416-590-7030
www.fsrao.ca/fr



Management's Responsibility for Financial Information

Management is responsible for the integrity, consistency, objectivity and reliability of the financial statements. These financial statements were prepared in accordance with Canadian public sector accounting standards, Management has exercised its judgement and made best estimates where appropriate, particularly when the transactions affecting the current accounting period cannot be finalized with certainty until future periods. Estimates and assumptions are based on historical experience, current conditions and various other assumptions believed to be reasonable in the circumstances.

Management is responsible for establishing and maintaining a system of internal controls designed to provide reasonable assurance that the financial records are relevant, reliable and accurate, and that assets are properly accounted for and safeguarded. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Financial Services Regulatory Authority of Ontario's Board of Directors (the "Board") oversees Management's responsibilities for financial reporting through and Audit, Finance, and Risk Committee (the "AFRC"), which is composed entirely of independent directors. This Committee reviews our financial statements and recommends them to the Board for approval. The AFRC is responsible for reviewing FSRA's internal controls and advising the Board on auditing matters and financial reporting.

The Office of the Auditor General of Ontario (the "OAGO"), appointed by our Board on recommendations of the AFRC has audited the financial statements in accordance with Canadian generally accepted auditing standards, as stated in their Independent Auditor's Report. The Office of the OAGO has full and unrestricted access to the AFRC to discuss their audit and related findings.

A handwritten signature in blue ink, appearing to read 'Dexter John', positioned above a horizontal line.

Dexter John
Chief Executive Officer

A handwritten signature in blue ink, appearing to read 'Andrew Fung', positioned above a horizontal line.

Andrew Fung
Interim Executive Vice President - Corporate Services

Toronto, Ontario
June 24, 2025

INDEPENDENT AUDITOR'S REPORT

To the Financial Services Regulatory Authority of Ontario

Opinion

I have audited the financial statements of the Financial Services Regulatory Authority of Ontario (the "Authority"), which comprise the statement of financial position as at March 31, 2025, and the statements of operations, changes in net assets, remeasurement gains and losses and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2025, and the results of its operations, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Authority in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. I am responsible for the direction, supervision and performance of the group audit and I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Toronto, Ontario
June 24, 2025

Shelley Spence, FCPA, FCA, LPA
Auditor General

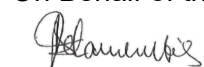
FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Statement of Financial Position As at March 31, 2025

(Thousands of dollars)	Note(s)	March 31, 2025	March 31, 2024
Assets			
Current assets			
Cash	3	\$30,284	\$87,532
Investments	4	52,370	-
Accounts receivable	5	6,638	8,435
Prepaid expenses		1,840	1,865
Total current assets		91,132	97,832
Capital assets	6	10,447	11,451
Total assets		\$101,579	\$109,283
 Liabilities and Net Assets			
Current liabilities			
Accounts payable and accrued liabilities	7	\$27,534	\$23,392
Unearned revenue	9	21,666	20,447
Loan payable	10	3,678	3,678
Total current liabilities		52,878	47,517
Deferred lease inducements	8	1,728	2,105
Unearned revenue	9	3,560	2,892
Loan payable	10	39,973	42,392
Employee future benefits	12	1,796	1,897
Other long-term obligations	6	4,560	3,986
Total liabilities		104,495	100,789
Net Assets			
Internally restricted	13	5,000	5,000
Unrestricted		(7,928)	3,494
Accumulated remeasurement gain	4	12	-
Total net assets		(2,916)	8,494
Total liabilities and net assets		\$101,579	\$109,283

The accompanying notes are an integral part of these financial statements.

On Behalf of the Board:



Joanne De Laurentiis
Board Chair



Rob Wellstood
Chair, Audit, Finance & Risk Committee

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Statement of Operations For the year ended March 31, 2025

(Thousands of dollars)	Note(s)	March 31, 2025	March 31, 2024
Revenues			
Assessments		\$83,956	\$78,859
Licence fees		30,035	28,999
Interest and investment income		4,562	5,700
Fines, penalties		164	-
		<u>118,717</u>	<u>113,558</u>
Expenses			
Salaries and benefits	12, 15	96,191	90,691
Professional services		18,023	18,647
Technology		7,925	6,456
Accommodation		4,131	4,014
Amortization of capital assets	6	2,439	3,046
Interest expense	6, 10	1,392	1,408
Staff development		1,477	1,496
Other expenses		3,110	2,288
Total expenses		<u>134,688</u>	<u>128,046</u>
Less: Recoveries	16	<u>(4,548)</u>	<u>(4,405)</u>
		<u>130,140</u>	<u>123,641</u>
Excess (deficiency) of revenues over expenses		<u><u>(\$11,423)</u></u>	<u><u>(\$10,083)</u></u>

The accompanying notes are an integral part of these financial statements.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

**Statement of Changes in Net Assets
For the year ended March 31, 2025**

	Note(s)	Internally restricted	Unrestricted	March 31, 2025 Total	March 31, 2024 Total
<i>(Thousands of dollars)</i>					
Net assets, beginning of the year		\$5,000	\$3,494	\$8,494	\$18,577
Excess (deficiency) of revenues over expenses	13	-	(11,423)	(11,423)	(10,083)
Net assets, end of year (before remeasurement)		5,000	(7,928)	(2,928)	8,494
Accumulated Remeasurement Gain	4			12	-
Net assets, end of year		\$5,000	(\$7,928)	(\$2,916)	\$8,494

The accompanying notes are an integral part of these financial statements.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Statement of Cash Flows For the year ended March 31, 2025

(Thousands of dollars)	Note(s)	March 31, 2025	March 31, 2024
Cash flows from operating activities:			
(Deficiency)/Excess of revenues over expenses		(\$11,423)	(10,083)
Adjustments for non-cash items:			
Amortization of capital assets		2,439	3,046
Interest expense		1,258	1,332
Amortization of lease inducements	8	(377)	(377)
Accretion of asset retirement obligation		133	67
Bad debt expense		55	(140)
		<u>(7,915)</u>	<u>(6,155)</u>
Changes in non-cash working capital:			
(Increase) decrease in accounts receivables		1,742	1,004
(Increase) decrease in prepaid expenses		25	1,044
(Increase) decrease in accounts payable and accrued liabilities		4,142	5,514
(Increase) decrease in unearned revenue		1,887	899
Employee future benefits obligation	12	<u>(101)</u>	<u>(437)</u>
Net cash flows from (used in) operating activities		<u>(220)</u>	<u>1,869</u>
Cash flows from capital activities:			
Acquisition of tangible capital assets		<u>(994)</u>	<u>(869)</u>
Net cash flows (used in) capital activities		<u>(994)</u>	<u>(869)</u>
Cash flows from investing activities:			
Proceeds from sales and maturities of investments		-	-
Purchase of Investments		<u>(52,357)</u>	-
Net cash flows (used in) investing activities		<u>(52,357)</u>	-
Cash flows from financing activities:			
Repayment of loan principal and interest	10	<u>(3,678)</u>	<u>(3,678)</u>
Net cash flows (used in) financing activities		<u>(3,678)</u>	<u>(3,678)</u>
Net increase (decrease) in cash position		(57,248)	(2,678)
Cash, beginning of year		<u>87,532</u>	<u>90,210</u>
Cash, end of year	3	<u><u>30,284</u></u>	<u><u>87,532</u></u>

The accompanying notes are an integral part of these financial statements.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

**Statement of Remeasurement Gains and Losses
For the year ended March 31, 2025**

(Thousands of dollars)	Note	March 31 2025	March 31 2024
Accumulated remeasurement gains and losses, beginning of year		\$-	\$-
Unrealized gains attributable to:			
Investments designated to fair value category	4	12	-
Accumulated remeasurement gains, end of year		\$12	\$-

The accompanying notes are an integral part of these financial statements.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements

For the Year ended March 31, 2025

(Thousands of dollars)

1. Nature of operations

The Financial Services Regulatory Authority of Ontario (“FSRA” or the “Authority”) was established under the Financial Services Regulatory Authority of Ontario Act, 2016 (the “FSRA Act”) as a corporation without share capital. The Authority is a Crown agency within the meaning of the Crown Agency Act.

FSRA was created to achieve specified statutory objectives, which include improving consumer and pension plan beneficiary protections in Ontario and replaced the Financial Services Commission of Ontario (“FSCO”) and the Deposit Insurance Corporation of Ontario (“DICO”) as the regulator under various financial services regulated sector statutes previously administered by these organizations.

With the proclamation of certain provisions of the FSRA Act, and provisions of the regulated sector statutes, the Authority assumed substantially all the regulatory authorities and responsibilities of FSCO and DICO, effective June 8, 2019. The transition involved the transfer of certain assets, liabilities, and contractual obligations from FSCO to FSRA pursuant to a Minister’s Transfer Order, the amalgamation of FSRA and DICO, and the transfer of FSCO employees to FSRA.

FSRA regulates sectors subject to the following statutes:

- *Insurance Act, R.S.O. 1990, Chapter I.8;*
- *Co-operative Corporations Act;*
- *Credit Unions and Caisses Populaires Act, 2020 (Credit Unions and Caisses Populaires Act, 2020 came into force on March 1, 2022, replacing the Credit Unions and Caisses Populaires Act, 1994);*
- *Loan and Trust Corporations Act;*
- *Mortgage Brokerages, Lenders and Administrators Act, 2006;*
- *Pension Benefits Act; and*
- *Financial Professionals Title Protection Act, 2019.*

In addition to the Deposit Insurance Reserve Fund (the “DIRF”) being maintained by FSRA, FSRA is also responsible for the administration of the DIRF pursuant to the *Credit Unions and Caisses Populaires Act, 2020* (“CUCPA”). The DIRF can only be used to pay credit union deposit insurance claims or for other authorized purposes specified in the CUCPA. Under section 224(4) of the CUCPA, the total liability of FSRA to insure credit union deposits through the DIRF or to fund other authorized purposes of the DIRF at any particular time is limited to the assets of the DIRF at that time.

In addition to the Pension Benefit Guarantee Fund (the “PBGF”) being maintained by FSRA, the Chief Executive Officer of FSRA is responsible for the administration of PBGF pursuant to the *Pension Benefits Act*. The purpose of the PBGF is to guarantee the payment of pension benefits of certain defined benefit pension plans that are wound-up under conditions specified in the *Pension Benefits Act* and regulations thereto. The total liability of the PBGF to guarantee pension benefits at any particular time is limited to the assets of the PBGF at that time, including any loans or grants received from the Province of Ontario.

As a listed regulatory crown agency of the Province of Ontario, FSRA is exempt from income taxes.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2025 (Thousands of dollars)

2. Significant accounting policies

These financial statements are prepared in accordance with the CPA Canada Public Sector Handbook which sets out generally accepted accounting principles for government not-for-profit organizations in Canada. The Authority has chosen to use the standards for not-for-profit organizations that include Sections PS 4200 to PS 4270. The significant accounting policies are summarized below.

(a) Basis of presentation

These financial statements include the assets, liabilities and results of operations of the Authority for its activities. They do not include the assets, liabilities and results of operations of the DIRF and PBGF for which the Authority has chosen to disclose summarized information in notes 20 and 21.

(b) Measurement uncertainty

The preparation of financial statements requires Management to make estimates and assumptions that affect the reported amount of assets, liabilities, and the disclosure of contingent liabilities at the date of the financial statements as well as the reported amounts of revenue and expenses during the period.

Significant areas requiring the use of estimates include the allowance for doubtful debts, useful lives of capital assets, asset retirement obligations, accrued liabilities, pension and other employee future benefits, allocation of costs between industry sectors, revenue and unearned revenue recognition.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect on new information as it becomes available. By their nature, estimates are subject to measurement uncertainty. Therefore, actual results may differ materially from the estimates.

(c) Revenue recognition

- (i) Revenue from transactions with no performance obligations

Assessments

The Authority has the legislative authority to levy an annual assessment fee on entities prescribed in Ontario Regulation 11/1 of the FSRA Act. Assessment revenues from the insurance, pension, credit union, and caisses populaires, financial planners and financial advisors, and the loan and trust sectors are based on FSRA's approved operating budget for the fiscal period and are allocated to prescribed sectors based on an internal policy or framework.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2025 (Thousands of dollars)

The Authority has determined that annual assessment fees do not contain any performance obligations, as there is no direct transfer of goods or services to payors. As a result, the Authority recognizes revenue from assessment fees upon approval of the budget and at the start of the related fiscal year and in an amount equal to the cash (or equivalents) that it expects to realize in the due course of operations.

Administrative monetary penalties

Funds received pursuant to administrative monetary penalties and settlements may only be used for purposes specified by Regulation 554/21 (effective August 3, 2021), under the FSRA Act, which includes funding research or educational initiatives that enhance the knowledge of persons or entities carrying on business in the sectors FSRA regulates and have the goals of protecting consumers or pension plan beneficiaries, promoting the good administration of pension plans or improving compliance by persons carrying on business in the regulated sectors. Upon issuance of a final decision/order or settlement, FSRA generates an invoice and considers these funds to be restricted assets, which are initially recorded as unearned revenue when received or receivable and subsequently recognized as revenue when FSRA uses the funds for the aforementioned purposes. Invoiced amounts that are deemed uncollectible are removed from unearned revenue and adjusted directly against the allowance for doubtful debts.

- (ii) Revenue from transactions with performance obligations

Licence Fees

The Authority issues various licences, including those for insurance agents, insurance adjusters, mortgage brokers, mortgage brokerages, mortgage administrators, and mortgage agents. Revenue from licences is recognized upon issuance, which is the point-in-time when the payor obtains control and has full discretion to use the licence. Revenue from the issuance of a licence is recognized at the transaction price, which is the amount of cash consideration that the Authority receives in exchange for providing the licence.

- (iii) Interest and investment income

Interest income includes earnings from demand deposits held with chartered financial institutions and from interest-bearing investments, recognized using the effective interest rate method.

(d) Expenses

Expenses are recorded on an accrual basis. Expenses are recognized in the fiscal year when the events give rise to the expenses incurred and the resources are consumed.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2025 (Thousands of dollars)

(e) Financial Instruments

Financial assets and liabilities are recognized on the Authority's statement of financial position when the Agency becomes a party to the contractual provisions of the instrument.

All financial instruments should be assigned to one of the two measurement categories at initial recognition: fair value, or cost/amortized cost.

Financial assets	Measurement basis
Cash	Amortized cost
Investments	Fair value (Note 4)
Accounts receivable	Amortized cost

Financial liabilities	Measurement basis
Accounts payable and accrued liabilities	Amortized cost
Loan Payable	Amortized cost

(i) Financial instruments measured at cost or amortized cost

Financial assets and liabilities measured at cost or amortized cost are initially recognized at acquisition cost, including transaction costs that are directly attributable to the acquisition or issuance.

Financial assets measured at amortized cost are assessed for collectability at each reporting date. A valuation allowance is used to reflect financial assets at their net realizable value. Any gains or losses from changes in these allowances are recognized in the Statement of Operations.

Financial assets at amortized cost are subject to impairment. At each financial statement date, FSRA assesses financial assets to determine whether there is any objective evidence of impairment. When a decline is determined to be other than temporary, the carrying amount of the financial assets is reduced and the amount of impairment is recognized as a loss in the statement of operations and changes in net assets.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2025 (Thousands of dollars)

(ii) Financial instruments measured at fair value

When a financial instrument is in the fair value category, transaction costs are expensed upon initial recognition. Financial assets and liabilities at fair value are remeasured at their fair value at the end of each reporting period. Any unrealized gain or loss on investments is adjusted through the statement of remeasurement gains and losses. When an asset is sold, unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations and changes in net assets.

FSRA has designated its investments to the fair value category as it evaluates performance on a fair value basis, consistent with its investment strategy and risk management objectives.

Fair value measurements are classified using a fair value hierarchy based on the market observability of the valuation inputs used to measure fair value:

- o□ Level 1 – unadjusted quoted market prices in active markets for identical assets or liabilities;
- o□ Level 2 – observable or corroborated inputs, other than Level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- o□ Level 3 – unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

(iii) Derecognition of financial instruments

FSRA derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the benefits and risks of ownership of the asset to another organization. FSRA derecognizes a financial liability or part of a financial liability when the obligation specified in the contract is discharged or cancelled or expires. On derecognition, the difference between the financial instrument's carrying amount and the sum of the consideration received and receivable is recognized in the statement of operations and changes in net assets.

(iv) Transaction costs

Transaction costs are incremental costs directly attributable to the acquisition or issuance of a financial instrument. These include brokerage fees, legal fees, and transfer taxes. They are capitalized for instruments measured at cost/amortized cost and expensed immediately for those measured at fair value.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2025 (Thousands of dollars)

(f) Capital assets

Capital assets are recorded at cost less accumulated amortization and accumulated impairment losses, if any. The historical costs of assets include the cost directly related to the acquisition, design, construction, development, improvement or betterment, as well as the estimated cost to settle liabilities for asset retirement obligations.

Amortization begins when capital assets are available for use (i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management). Assets are amortized on a straight-line basis based on the estimated useful lives of the assets as follows:

Office furniture and equipment	5 years
Leasehold improvements	10 years
Software	3 to 10 years
Computer hardware	3 to 6 years

(g) Asset retirement obligations

Asset retirement obligations are initially measured as of the date the legal obligation was incurred, based on Management's best estimate of the amount required to retire tangible capital assets. When the cash flows required to settle the asset retirement obligation are expected to occur over extended future periods, a present value technique is used to estimate the liability. The best estimate of the liability includes all costs directly attributable to asset retirement activities based on information available at year end.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset. The asset retirement cost is amortized over the useful life of the related asset.

At each financial reporting date, the Agency reviews the carrying amount of the liability and recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to timing, amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. The Agency continues to recognize the liability until settled or otherwise extinguished.

(h) Leases

FSRA entered into a lease agreement for office spaces which commenced on November 1, 2020, for an initial term of 10 years, with two five-year renewal options. The Authority does not receive substantially all of the benefits of ownership, and therefore the office spaces meet the classification of an operating lease. The Authority recognizes the lease expenses straight-lined over the lease term.

Lease inducements, such as tenant allowances and rent-free periods, are amortized over the initial term of the lease, 10 years, and are recorded as a reduction to accommodations expense in the statement of operations.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2025 (Thousands of dollars)

(i) Employee benefits

Pension Plans

FSRA participates in the Public Service Pension Fund (“PSPF”) and the Ontario Public Service Employees Union Pension Fund (“OPSEU-PF”), which are defined benefit pension plans for employees of the Province of Ontario. The Province of Ontario, which is the sole sponsor of the PSPF and a joint sponsor of the OPSEU-PF, determines FSRA’s annual payments to the funds.

When benefits are provided to employees through a multi-employer defined benefit plan, each entity participating in the plan, other than the sponsoring entity, is required to follow the standards for defined contribution plans. As a result, the Authority recognizes an expense equal to the amount of required contributions provided for employees’ services rendered during the period. Any outstanding contributions are recognized as a liability in the statement of financial position

The plan sponsors are responsible for ensuring the pension funds are financially viable and that any surpluses or unfunded liabilities arising from the statutory actuarial funding valuations are not assets or obligations of FSRA.

FSRA Non-pension post-employment benefits

The cost of non-pension post-employment benefits for eligible pensioners is paid by the Province of Ontario and is not included in these financial statements.

DICO Non-pension post-employment benefits

FSRA provides future post-employment benefits, other than pension plans, to provide extended health, dental, and life benefits to former employees and retirees of DICO who meet eligibility requirements. The cost of these future benefits is actuarially determined using the projected benefit method pro-rated on service and expensed as employment services are rendered.

Adjustments to these costs arising from changes in estimates and actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service life of the related employees beginning in the fiscal year following the related actuarial valuation.

3. Cash

Cash includes \$2,978 (2024 - \$2,040) in restricted funds from the collection of Penalties and Settlements (see Note 9) and \$2,770 (2024 - \$3,034) in funds held in the Authority’s role as a provider of administrative and support services for various organizations (see Note 15).

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2025 (Thousands of dollars)

4. Investments

The FSRA investments consist of discount notes and government bonds.

	Fair value hierarchy	March 31 2025		March 31 2024	
		Fair value	Cost	Fair value	Cost
Discount notes	Level 1	\$47,363	\$47,363	\$-	\$-
Government bonds	Level 2	5,007	4,994	-	-
Total investments		\$52,370	\$52,357	\$-	\$-

No investments moved between hierarchy levels during the fiscal year.

Investment income of \$64 is reported on the Statement of Operations. As of March 31, 2025, unrealized gains of \$12 are reported on the Statement of Remeasurement Gains and Losses.

The discount notes had yields in the range of 2.64% to 2.67%. The government bonds had yields in the range of 2.61% to 2.69%.

5. Accounts receivable

	Note(s)	March 31 2025	March 31 2024
Harmonized Sales Tax recoverable		\$1,243	\$2,123
Accounts receivable		4,705	5,319
Due from Ministries of the Province of Ontario	17(a)	180	181
Administrative monetary penalties receivable	9	3,219	2,849
Accounts receivable, before allowance for doubtful accounts		9,347	\$10,471
Less: allowance for doubtful accounts		(2,709)	(2,036)
Accounts receivable		\$6,638	\$8,435

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2025 (Thousands of dollars)

6. Capital assets

Capital assets consist of the following:

			March 31 2025	March 31 2024
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Leasehold improvements	\$11,882	\$4,953	\$6,929	\$8,170
Asset retirement obligation	2,810	853	1,957	1,787
Software	4,649	4,649	0	130
Computer hardware	5,538	4,260	1,278	976
Office furniture and equipment	523	240	283	388
Capital assets	\$25,402	\$14,955	\$10,447	\$11,451

Leasehold improvements

FSRA entered into a lease agreement for office space at 25 Sheppard Avenue West, which commenced on November 1, 2020, and expires on October 31, 2030, with an option for two extension terms of 5 years each. Leasehold improvements for FSRA's office space are amortized over the lease initial term of 10 years.

Asset retirement obligation (ARO)

Pursuant to the lease agreement, FSRA is obligated to remove non-standard leasehold improvements, non-standard equipment, trade fixtures, and cabling. Initially on April 1, 2021, FSRA recognized an ARO of \$2,500.

On March 31, 2025, the ARO liability was revised; the total undiscounted expenditure increased to \$4,073 (2024 - \$ 3,620), calculated based on a new estimated cost per square foot from a third-party contractor for similar decommissioning activities. The estimate reflects an average cost of \$39.38 per square foot. An updated discount rate was used 4.43% (2024 - 4.99%) reflecting FSRA's borrowing rate as of March 31, 2025.

The capital asset is depreciated on a straight-line basis over the lease term, and the ARO liability is accreted over the term of the lease with corresponding credits recorded as ARO liabilities. The following table describes the changes to the FSRA's ARO liability:

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements
For the Year ended March 31, 2025
(Thousands of dollars)

	March 31 2025	March 31 2024
Asset retirement obligation, beginning of year	\$2,608	\$1,869
Increase due to change in discount rate and amount of cash flows	441	666
Increase due to accretion expense	133	73
Asset retirement obligation, end of year	<u>\$3,182</u>	<u>\$2,608</u>

7. Accounts payable and accrued liabilities

	Note(s)	March 31 2025	March 31 2024
Accounts payable and accruals		\$26,782	\$22,663
Current portion of deferred lease inducements	8	377	377
Current portion of employee benefits	12(b)	366	319
Due to Ministries of the Province of Ontario	17(a)	9	27
Due to Deposit Insurance Reserve Fund	17(b)	-	6
		<u>\$27,534</u>	<u>\$23,392</u>

8. Deferred lease inducements

FSRA's office lease included a \$3,099 allowance for renovations and a four-month rent-free period valued at \$671. These amounts were recognized as deferred lease inducements in the statement of financial position.

	March 31 2025	March 31 2024
Deferred lease inducement, beginning of year	\$2,482	\$2,859
Amortization to accommodation expense	(377)	(377)
Deferred lease inducement, end of year	2,105	2,482
Less: Current portion	(377)	(377)
	<u>\$1,728</u>	<u>\$2,105</u>

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2025 (Thousands of dollars)

9. Unearned revenue

Unearned revenue represents unsatisfied performance relating to licence and fees, and amounts related to administrative monetary penalties and related settlements.

Changes in the unearned revenue balances during the current year are summarized as follows:

	Balance, as at April 1 2024	Received during year	Recognized during year	Uncollectible	Balance, end of March 31 2025
Licence fees:					
Mortgage brokers	\$14,300	\$19,910	(\$19,004)	-	\$15,206
Insurance agents, adjusters, and corporations	830	9,257	(9,295)	-	791
Health service providers	2,600	3,564	(3,311)	-	2,852
Other	2,717	1,160	(1,062)	-	2,816
	20,447	33,891	(32,673)		21,666
Penalties and Settlements:					
Insurance sector	1,602	447	(621)	(8)	1,421
Mortgage broker sector	762	936	(181)	(19)	1,497
Pension sector	528	200	(86)	-	641
	2,892	1,583	(888)	(27)	3,560
Total unearned revenue	\$23,339	\$35,474	(\$33,561)	(\$27)	\$25,226

Unearned revenue has been separated into a current portion of \$21,666 (2024 - \$20,447 after restatement) and a long-term portion of \$3,560 (2024 - \$2,892) totaling \$25,226 (2024 - \$23,339 after restatement).

Administrative monetary penalties

During the fiscal year, FSRA allocated funds received from administrative monetary penalties and settlements to four initiatives aligned with the purposes set out in Ontario Regulation 554/21. These programs focused on enhancing financial literacy and consumer protection, particularly for vulnerable or underserved populations. Funded initiatives included education and outreach efforts aimed at marginalized communities, vulnerable Canadians, and individuals with cognitive impairments.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2025 (Thousands of dollars)

Allocation of used funds received from administrative monetary penalties and settlements:

Sector	Opening Balance	Collected	Used	Unused
Mortgage Brokers	\$692	\$436	\$56	\$1,072
Pension	423	147	32	538
Health Care Service Provider	15	-	1	14
Insurance – Auto Rates	600	50	41	609
Insurance – Life Conduct	230	360	33	557
Insurance – P&C Conduct	23	-	2	21
	\$1,983	\$993	\$164	\$2,812

Organizations that received Grants this fiscal year and their projects:

Name of Organization	Reason for grants approval/Projects
Vision of Hope Resource Center	Literacy program for marginalized community
Brain Injury Association of Waterloo-Wellington	CENTsable outreach and education initiative
Prosper Canada	Financial education for vulnerable Canadians
Brain Injury Society of Toronto	Financial vulnerability of individuals with cognitive impairments

10. Loan agreement

In August 2019 FSRA entered into an Amended and Restated Loan Agreement (the “Agreement”) with His Majesty the King for a maximum principal amount of \$60.0 million.

The Agreement includes four short-term non-revolving facilities (Facilities 1, 2, 3, and 4) and four long-term loans (Term Loans 1, 2, 3, and 4). The term loans are advanced as the non-revolving facilities come due and are equal to the principal and accrued interest balance of the non-revolving loans at their repayment dates. The maximum principal amount available for Facility 1 is \$40.0 million, for Facility 2 is \$12.5 million, for Facility 3 is \$4.5 million, and for Facility 4 is \$3.0 million.

Facilities 1, 2, 3, and 4 were drawn and replaced with their respective term loans in prior fiscal years. All four term loans are repayable in equal quarterly installments. Term Loan 1 matures on August 29, 2039, and Term Loans 2, 3, and 4 mature on April 1, 2039. The loan payable is classified and measured at amortized cost in accordance with the Financial Instruments Standard (PS 3450). All four term loans bear fixed interest rates established at the inception of each loan and do not vary over the life of the loan.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2025 (Thousands of dollars)

The loan balances as at year-end are summarized in the table below:

	Interest Rate	Opening balance	Interest expense	Principal and Interest repayments	Ending balance
Term loan 1	2.71%	\$33,468	\$883	(\$2,646)	\$31,706
Term loan 2	2.81%	5,814	157	(467)	5,504
Term loan 3	2.99%	3,988	115	(324)	3,779
Term loan 4	3.85%	2,800	103	(241)	2,662
		\$46,070	\$1,258	(\$3,678)	\$43,651

The loan has been separated into a current portion of \$3,678 (2024 - \$3,678) and a long-term portion of \$39,973 (2024 - \$42,392).

11. Credit facility agreement and letter of credit

On December 19, 2023, FSRA entered into a one-year credit facility agreement (the "Credit Facility") with the Ontario Financing Authority, with an option to extend twice for one year each. In the 2025 fiscal year the Credit Facility was extended to December 18, 2025. The Credit Facility was established for the purpose of mitigating any potential future liquidity risk in the Ontario credit union sector, including situations where one or more credit unions may require financial support beyond the support available from the DIRF. The Credit Facility includes a revolving loan with a maximum principal amount of \$2.0 billion.

Any undrawn balance at the end of the term will expire. Interest on the Credit Facility accrues daily on the outstanding amount at a rate equal to the three-month Ontario Treasury Bill rate plus 0.788 percentage points, compounded quarterly.

No amounts were drawn under the Credit Facility during this fiscal period.

FSRA also issued an irrevocable standby letter of credit for \$1,740 (2024 - \$1,740) in respect of the pension obligations described in Note 12(a). No amounts were drawn under this letter of credit.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2025 (Thousands of dollars)

12. Employee benefits

(a) Pension plan

FSRA's contribution to the PSPF and OPSEU-PF for the year was \$7,215 (2024 - \$5,676), which is included in salaries and benefits in the Statement of Operations.

(b) Employee future benefits

	Notes	March 31 2025	March 31 2024
DICO non-pension post-employment benefits		\$1,116	\$1,082
Legislated severance entitlements		616	638
DICO supplemental pension benefits		318	410
Other employee future benefits		112	86
Total employee future benefit liability		2,162	2,216
Less: current portion	7	(366)	(319)
Non-current portion		\$1,796	\$1,897

(i) Non-pension post-employment benefits – former DICO employees

On June 8, 2019, FSRA became the sponsor of retiree benefits other than pensions for former employees of DICO. The plan provides extended health and dental as well as life insurance to eligible employees.

Total benefit payments to retirees during the year were \$147 (2024 - \$244). The plan is unfunded and requires no contributions from employees.

The retirement benefit liability as at March 31 includes the following components:

	March 31 2025	March 31 2024
Accrued benefit obligation	\$1,326	\$1,204
Unamortized actuarial gains/(loss)	(210)	(122)
Retirement benefit liability	\$1,116	\$1,082

The most recent actuarial report was prepared as at March 31, 2025. Unamortized actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service life of the related employee group. All employees eligible for benefits under this arrangement have now retired and there is therefore no remaining service life of the employee. Actuarial gains and losses will be fully amortized in the fiscal year following the related actuarial valuation.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2025 (Thousands of dollars)

The actuarial valuation is based on several assumptions about future events, such as inflation rates, interest rates, medical inflation rates, salary increases, and employee turnover and mortality. The assumptions used reflect management's best estimates. The discount rate used to determine the accrued benefit obligation is 4.431% (2024 – 4.99%).

The retirement benefit expense includes the following components:

	March 31 2025	March 31 2024
Current period benefit cost	\$17	\$25
Amortization of actuarial gains	122	(136)
Interest expense	60	65
Retirement benefit expense	\$199	\$46

These amounts have been included in salaries and benefits in the Statement of Operations.

(ii) *Legislated severance*

Legislative severance portion of the employee's future benefits obligation was calculated using a discount rate of 4.43% (2024 – 4.99%) and estimated average years to retirement of 7.97 years (2024 – 8.6 years). These assumptions are management's best estimates. The legislative severance is an entitlement under the *Public Service Act of Ontario*. Due to the curtailment of the benefits in fiscal 2018, the benefits are no longer available and the vetted amounts as at fiscal 2018 are carried over.

A credit to expenses of \$23 (2024 – a credit to expenses of \$36) was recognized in relation to legislated severance and is included in salaries and benefits in the Statement of Operations.

(iii) *DICO Supplemental Pension Benefits*

On June 8, 2019, FSRA assumed an obligation for a supplemental defined contribution pension plan ("SERP") that was established to provide pension benefits to certain former DICO employees for income in excess of registered pension limits. The SERP is closed and no longer available to current or future employees.

Interest expense of \$17 (2024 - \$25) was recorded in respect of this obligation and is included in salaries and benefits in the Statement of Operations.

As the SERP is a defined contribution plan, FSRA assumes no actuarial or investment risk.

(iv) *Other Employee Future Benefits*

Other employee future benefits include other future compensation entitlements earned. A debit to expenses of \$25 (2024 – a credit to expenses of \$44) was recognized in relation to other employees future benefits and is included in salaries and benefits in the Statement of Operations.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2025 (Thousands of dollars)

13. Internally restricted net assets

In accordance with FSRA *Rule 2019-001 Assessments and Fees*, FSRA has established a \$5,000 (2024 - \$5,000) operating reserve. The primary purpose of the reserve is to fund FSRA's operations in the event of revenue shortfalls and unanticipated expenditures or to cover the discrepancy between the timing of revenue and expenses.

14. Other long-term obligations

As at March 31, 2025, FSRA's long-term obligations totaled \$4,560 (2024 - \$3,986). The increase is primarily due to changes in the Asset Retirement Obligation (ARO), which rose to \$3,182 following updated cost estimates.

Other balances include Unclaimed Deposits, Shares & Dividends of \$1,239 and Final Liquidation Cost Accrual of \$0.1, both unchanged from the prior year. These two balances originated from the former Deposit Insurance Corporation of Ontario (DICO) and were carried forward upon FSRA's assumption of responsibilities.

These obligations are non-current and recognized in accordance with PSAS.

15. Director's remuneration

The Board consists of part-time appointees and the amounts paid to the Directors are authorized in an Order in Council and in accordance with the requirements of the Agencies and Appointments Directive. Salaries and benefits expenses include \$281,000 (2024 - \$367,000) for the remuneration of members of the Board.

16. Recoveries

FSRA provides administrative and other support services to several governmental and non-governmental organizations and recovers the costs from these organizations in accordance with the memorandum of understanding or agreement signed with the respective organizations. Recoveries are recognized as reductions of expenses in the period in which the related reimbursable expenses are incurred.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2025 (Thousands of dollars)

Details of recoveries are as follows:

	Note(s)	March 31 2025	March 31 2024
Recoveries from unrelated parties:			
General Insurance Statistical Agency		\$1,252	\$1,108
Canadian Council of Insurance Regulators		629	875
Canadian Association of Pension Supervisory Authorities		494	366
Canadian Insurance Services Regulatory Organization		340	282
Mortgage Broker Regulators' Council of Canada		300	270
		<u>3,015</u>	<u>2,901</u>
Recoveries from related parties:			
Pension Benefits Guarantee Fund	16(b)	1,353	1,238
Province of Ontario Co-operative offering statements program	16(a)	180	181
Financial Services Tribunal	16(a)	-	85
		<u>1,533</u>	<u>1,504</u>
		<u>\$4,548</u>	<u>\$4,405</u>

17. Related party transactions

Related parties of FSRA include the Government of Ontario ministries, agencies, funds administered by FSRA and all other entities subject to common control of the Province of Ontario, and the OFA. FSRA enters into transactions with these entities in the normal course of business. All related party transactions were measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties.

Transactions with related parties are outlined below.

(a) Ministries of the Province of Ontario

FSRA entered into the following transactions with the various Ministries of the Province of Ontario:

- (i) FSRA received a \$32 (2024 - \$148) assessment invoice from the Ministry of Finance for expenditures that it made in respect of the regulated sectors for the operation of Dispute Resolution Services and the Financial Services Tribunal. FSRA will recover this amount from the regulated sectors through the fiscal 2025-2026 assessments. The amount has been included in accounts receivable in the Statement of Financial Position as at March 31, 2025.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2025 (Thousands of dollars)

- (ii) Co-location, connectivity, and related charges in support of information technology services at the Guelph Data Centre and IT (Information Technology) user per seat costs. Expenses for these services of \$123 (2024 - \$111) have been included in technology costs in the Statement of Operations. Accounts payable and accrued liabilities include \$9 (2024 – \$27) in respect of these expenses.
- (iii) FSRA provided administrative and other support services for the Province of Ontario's co-operating offering statements program and the Financial Services Tribunal (see note 15). Accounts receivable include \$180 (2024 - \$181) in respect of these services.
- (iv) FSRA incurred interest expenses for borrowing in the amount of \$1,258 (2024 - \$1,325) under the Agreement with the Ministry of Finance (see Note 10).

(b) Funds administered by FSRA

The Chief Executive Officer of FSRA is responsible for the administration of the PBGF and FSRA is responsible for the administration of the DIRF.

(i) Pension Benefit Guarantee Fund

During the year ended March 31, 2025, FSRA recognized a recovery of \$1,353 (2024 - \$1,238) for administrative and other support services to the PBGF as described in note 15. In addition, the FSRA paid certain expenses on behalf of PBGF. As at March 31, 2025, Accounts receivable include a net receivable of \$105 (2024 – Accounts receivable of \$789) in respect of these expenses.

(ii) Deposit Insurance Reserve Fund

During the year ended March 31, 2025, the FSRA paid certain expenses on behalf of DIRF. As at March 31, 2025, accounts payable and accrued include a net payable of nil (2024 – accounts payable and accrued of nil) in respect of these expenses.

(c) Ontario Financial Authority (OFA)

The OFA is a related party in its capacity as the FSRA investment manager. FSRA's surplus funds were invested starting March 26, 2025. Therefore the amount of investment management fees paid to the OFA for fiscal 2025 is minimal (less than one thousand dollars).

18. Financial instruments risk management

FSRA's financial instruments are exposed to certain financial risks including credit risk, market risk, liquidity risk, and fair value sensitivity. In late fiscal 2024 - 2025, FSRA began using the OFA as its investment fund manager. While this change introduced a new structure for managing investment activities, there have been no significant changes to FSRA's overall risk

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2025 (Thousands of dollars)

exposures or its risk mitigation policies. FSRA continues to manage financial risks in accordance with its established investment policies and oversight processes.

The investment policies emphasize capital preservation, prudent risk-taking, and maintaining sufficient liquidity to meet operational and capital expenditure needs. Investments are limited to Canadian dollar-denominated debt instruments, primarily government bonds and money market securities, within specified credit quality and duration limits. Risk oversight is provided by the Board through the Audit, Finance and Risk Committee, with regular monitoring and reporting by Management.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Authority is exposed to credit risk on its cash, accounts receivable, and fixed-income securities. The credit risk associated with cash is low as the FSRA holds cash with chartered financial institutions in Canada. FSRA manages its credit risk by closely monitoring its receivable balances and maintains reserves for potential credit losses on accounts receivable. Investments are restricted to high-credit-quality, Canadian dollar-denominated debt instruments, in accordance with FSRA's Surplus Funds Investment Policy. There have been no significant changes from the previous year in the exposure to credit risk or the policies, procedures and methods used to measure the risk. FSRA's maximum exposure to credit risk is equal to the carrying amounts of cash, accounts receivable, and investments in the statement of financial position. The following table is an analysis of the age of receivables that are past due as at March 31, 2025, but not impaired:

	Number of days over due				Total	Total
	March 31 2025					
	0-30	31-60	61-90	> 90		
HST recoverable	\$397	\$846	\$-	\$-	\$1,243	\$2,123
Accounts receivable	2,498	-	-	2,135	4,633	5,283
Due from Ministries of the Province of Ontario	180	-	-	-	180	181
Administrative monetary penalties	282	2	124	174	582	848
Accounts receivable	\$3,357	\$848	\$124	\$2,309	\$6,638	\$8,435

The amounts presented are net of allowance for doubtful accounts for potential credit losses. As at March 31, 2025 and 2024 there were no financial assets that were individually determined to be impaired included in the carrying amount of accounts receivable.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2025 (Thousands of dollars)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risk: price risk, interest rate risk and currency risk.

FSRA's exposure to market risk is limited to interest rate risk. FSRA does not hold equity instruments and all investments are in Canadian dollar-denominated fixed-income securities, so it is not subject to significant price or currency risk.

Interest rate risk is the risk that the fair value of an investment or liability will fluctuate due to changes in market interest rates. FSRA is subject to interest rate risk in two areas:

Investments: FSRA's fixed-income investments are exposed to interest rate fluctuations. To manage this, FSRA follows a conservative investment strategy through the Ontario Financing Authority (OFA), using a mix of short-duration money market instruments and a laddered government bond portfolio, as outlined in the Surplus Funds Investment Policy (see Note 4).

Loan Payable: FSRA is also subject to interest rate risk on its loan facilities. The interest rate on the non-revolving loan is based on the 90-day Ontario Treasury Bill rate, while the term loans have fixed rates for their full terms. As a result, FSRA is currently exposed to limited interest rate risk (see Notes 10 and 11).

Liquidity risk

Liquidity risk is the risk that FSRA will encounter difficulties in meeting obligations associated with financial liabilities that are to be settled by delivering cash or another financial asset. The Authority is primarily exposed in respect of accounts payable and accrued and loans payable. The Authority mitigates liquidity risk by establishing and holding an operating reserve (see Note 13) and by monitoring cash activities and expected outflow to ensure that it has sufficient resources readily available to meet its liabilities when due.

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

	2025			
	Carrying amount	Less than 1 year	1-5 years	Thereafter
Accounts payable and accrued liabilities	\$27,534	\$27,534	\$-	\$-
Loan payable	43,651	3,678	14,711	34,681
Total	\$71,185	\$31,212	\$14,711	\$34,681

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2025 (Thousands of dollars)

	2024			
	Carrying amount	Less than 1 year	1-5 years	Thereafter
Accounts payable and accrued liabilities	\$23,392	\$23,392	\$-	\$-
Loan payable	46,070	3,678	14,711	38,359
Total	\$69,462	\$27,070	\$14,711	\$38,359

Fair value sensitivity

As at March 31, 2025, the fair value sensitivity of discount notes is \$237 for a 1.00% change in rates, and the fair value sensitivity of government bonds is \$105 for a 1.00% change in rates.

19. Commitments and Contingent Liabilities

(a) Lease agreement for office space

The minimum annual payments for the office lease space are as follows:

2026	\$4,925
2027	5,128
2028	5,245
2029	5,368
2030	5,496
Total	\$26,161
Thereafter	\$3,250

(b) PACE Purchase and Assumption Transaction with Alterna Savings & Credit Union Limited

Pursuant to section 294 of the *CUCPA 1994*, PACE Savings & Credit Union Limited (“PACE”) was placed under Administration in September 2018 by FSRA’s predecessor, DICO, to protect members from failed board governance and misconduct by certain former executives. FSRA assumed the responsibility to administer PACE since its amalgamation with DICO in June 2019.

On April 20, 2022, PACE (acting through FSRA as its administrator), Alterna Savings and Credit Union Limited (“Alterna”), and FSRA as administrator of the DIRF, entered into a purchase and assumption transaction (the “P&A Transaction”) for Alterna to acquire most of the assets and liabilities of PACE to enable Alterna to continue to operate PACE’s core business. The P&A transaction closed on June 30, 2022.

Under the terms of the agreement for the P&A Transaction, certain assets and liabilities were excluded from the P&A transaction (the “Excluded Items”) and remained with the PACE legal entity, including PACE’s investment shares, profit shares, membership shares, prepaid card business, and the claims and legal proceedings relating to the matters which caused the PACE administration (the “Recovery Litigation Claims”).

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2025 (Thousands of dollars)

As part of the P&A transaction, FSRA in its capacity as administrator of the DIRF, provided a limited guarantee (the “Guarantee”) to Alterna in which it guarantees certain payment obligations of PACE under the P&A Transaction and other related agreements up to a maximum amount of \$155 million.

The Guarantee includes PACE’s payment obligations under a Loss Sharing Agreement (the “Loss Sharing Agreement”) executed when the P&A Transaction closed. Under this agreement PACE is required to make deficiency payments to Alterna for losses Alterna incurs on the retail and commercial loans it acquired from PACE as part of the transaction. The deficiency payments will be equal to 50% of Alterna’s losses on retail loans and 100% of its losses on commercial loans, such losses being calculated after taking into account the loss provisions accrued by PACE and included in the calculation of the purchase price of such portfolio assets.

Deficiency payments for commercial loans will cover a period of up to five (5) years after the closing date of the P&A transaction. For retail loans with a fixed maturity date, deficiencies will cover a period of up to twelve (12) months after the maturity date of the loan period. For all other retail loans, the coverage period will be up to three (3) years after the closing date of the P&A transaction. The Guarantee also extends to any payments arising from PACE’s representations and warranties under the P&A Transaction.

In the 2025 fiscal year, \$67 was paid by the DIRF under the Guarantee (2024 – \$252).

(c) Liquidation of PACE Legal Entity

On August 24, 2022, pursuant to an order of the Ontario Superior Court of Justice (the “Court”), the PACE legal entity was ordered to be wound up pursuant to section 240 of the *CUCPA 2020* and KPMG was appointed as liquidator to wind up the PACE legal entity, including realizing its assets and distributing the proceeds therefrom to its creditors and capital providers in accordance with applicable law governing priorities.

On September 22, 2023, the Court approved the PACE liquidation Claims Process Order, and KPMG, in its capacity as court-appointed liquidator of PACE, was authorized to conduct a claims process for the purpose of identifying and determining claims against PACE. FSRA filed its claims on November 22, 2023, for the financial assistance advances made from the DIRF to PACE and the DIRF payment under the P&A limited guarantee over fiscal years from 2022 to 2024 in the amount of \$31.1 million.

PACE’s investment shares, profit shares, and membership shares are part of the Excluded Items and remain an obligation of PACE if it has sufficient assets after paying higher-ranking claims, including FSRA’s claims of \$31.1 million. These shares provided risk-bearing capital to PACE and are not insured by the DIRF and are not obligations of FSRA – as such, any losses to PACE members arising from owning these shares do not impact the DIRF or FSRA.

Due to the ongoing PACE liquidation claims process which has yet to be finalized, the recoverable amount of the net assets that will be available in the PACE liquidation to repay the DIRF is undeterminable at this time.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2025 (Thousands of dollars)

(d) PACE Class Action Claim

During fiscal 2024, a former PACE member (the “member”) holding Class A Profit Shares and Class B Special Shares filed a motion in the Ontario Superior Court of Justice seeking leave to issue a class action against FSRA and its CEO (the “Action”). The motion contained a draft statement of claim (the “Action”) which alleged that between October 25, 2018, and November 29, 2019, the member purchased a number of securities (“investment shares”) in the authorized capital of PACE while it was under the administration of FSRA, and the member did not receive an offering statement prior to the purchases. The member further alleged that other members also purchased investment shares of PACE between September 28, 2018, and August 24, 2022 (the “Class Period”), and were also not provided offering statements.

The motion was heard on July 2, 2024, and the Reasons for Decision were released on August 15, 2024 by the Court. The Court refused to grant leave to bring the Action as against the FSRA CEO but granted leave for the action to continue as against FSRA. The member subsequently issued a statement of claim as a class action on behalf of himself and other members who purchased investment shares during the Class Period.

FSRA filed a Statement of Defence to the Action on April 30, 2025. The Court has proposed a schedule for the member’s motion to certify the Action as a class proceeding and for FSRA’s motion for summary judgment seeking dismissal of the Action. These motions are anticipated to be heard sometime in late 2025.

(e) General contingency

In the normal course of operations, the Authority is subject to various claims and potential claims. Management has recorded its best estimate of the potential liability related to these claims where potential liability is likely and able to be estimated. In other cases, the ultimate outcome of the claims cannot be determined at this time.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2025 (Thousands of dollars)

20. Deposit Insurance Reserve Fund (DIRF)

As defined by Public Sector Accounting Standards for Government Not-For-Profit Organizations, FSRA controls the DIRF, as it administers, manages, and disburses its funds under the authority of the CUCPA 2020. FSRA has elected to not consolidate controlled entities. Therefore, the DIRF's financial statements have not been consolidated with FSRA's financial statements on a line-by-line basis. The DIRF may only be used to pay credit union deposit insurance claims or for other authorized purposes specified in the *CUCPA 2020*. Under section 224(4) of the *CUCPA 2020*, the total liability of FSRA to insure credit union deposits through the DIRF or to fund other authorized purposes of the DIRF at any particular time is limited to the assets of the DIRF at that time.

The financial summaries of the DIRF as at March 31, 2025, and March 31, 2024, and for the years then ended are as follows:

	March 31, 2025	March 31, 2024
Total assets	\$578,000	\$510,681
Total liabilities	(43)	(77)
Net assets	<u>577,957</u>	<u>510,604</u>
Revenue	65,676	61,669
Expenses	(67)	(252)
Excess of revenue over expenses	<u>65,609</u>	<u>61,417</u>
Fund surplus from operations, beginning of year	<u>511,298</u>	<u>449,881</u>
Fund surplus from operations, end of year	<u>576,907</u>	<u>511,298</u>
Cash flow from operating activities	62,821	58,573
Cash flow used in investing activities	(62,949)	(59,989)
Net cash (outflow) inflow	<u>(\$128)</u>	<u>(\$1,416)</u>

For the year ended March 31, 2025, there were no accounting policy differences used by FSRA that would have resulted in an adjustment to disclosures in these financial statements. Separate audited financial statements of the DIRF are available.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2025 (Thousands of dollars)

21. Pension Benefits Guarantee Fund (PBGF)

FSRA controls the assets of the PBGF by virtue of its legislated authority to appoint, direct, and supervise the CEO of FRSA, who is responsible for the administration of the PBGF and investment of its assets. FSRA has elected to not consolidate controlled entities. Therefore, PBGF's financial statements have not been consolidated with FSRA's financial statements on a line-by-line basis.

The purpose of the PBGF is to guarantee the payment of pension benefits of certain defined benefit pension plans that are wound up under conditions specified in the *Pension Benefits Act* and regulations thereto. The total liability of the PBGF to guarantee pension benefits at any particular time is limited to the assets of the PBGF at that time, including any loans or grants received from the Province of Ontario.

The financial summaries of the PBGF as at March 31, 2025, and March 31, 2024, and for the years then ended are as follows:

	March 31, 2025	March 31, 2024
Total assets	\$1,402,783	\$1,321,863
Total liabilities	(108,636)	(122,172)
Net assets	<u>1,294,147</u>	<u>1,199,691</u>
Revenue	70,374	81,955
Expenses	(3,305)	(3,753)
Excess of revenue over expenses	67,069	78,202
Fund surplus from operations, beginning of year	1,209,987	1,131,785
Fund surplus from operations, end of year	<u>1,277,056</u>	<u>1,209,987</u>
Cash flow from operating activities	21,873	48,523
Cash flow used in investing activities	(10,407)	(37,116)
Cash flow used in financing activities	(11,000)	(11,000)
Net cash (outflow) inflow	<u>\$466</u>	<u>\$407</u>

For the year ended March 31, 2025, there were no accounting policy differences used by FSRA that would have resulted in an adjustment to disclosures in these financial statements. Separate audited financial statements of the PBGF are available.

PENSION BENEFITS GUARANTEE FUND

Financial Highlights

The Pension Benefits Guarantee Fund (the “Fund” or “PBGF”) is established under the Pension Benefits Act (“PBA”) and, under the PBA, the Chief Executive Officer of FSRA is responsible for the administration of the PBGF. The PBGF protects Ontario defined benefit pension beneficiaries of participating single-employer pension plans should such plan have a deficit on winding-up due to the insolvency of the plan sponsor. As defined by Public Sector Accounting Standards for Government Not-For-Profit Organizations (PSAS-GNFPO), FSRA controls the PBGF.

As at March 31, 2025, the total net assets was at \$1,294.15 million, an increase of \$94.46 million or 7.87% from \$1,199.69 million the previous year.

Fund assets consisted of investments of \$1,373.14 million and accounts receivable of \$28.7 million. Fund liabilities were comprised of loan payable of \$78.06 million, claims payable of \$28.20 million, and accounts payable of \$2.38 million.

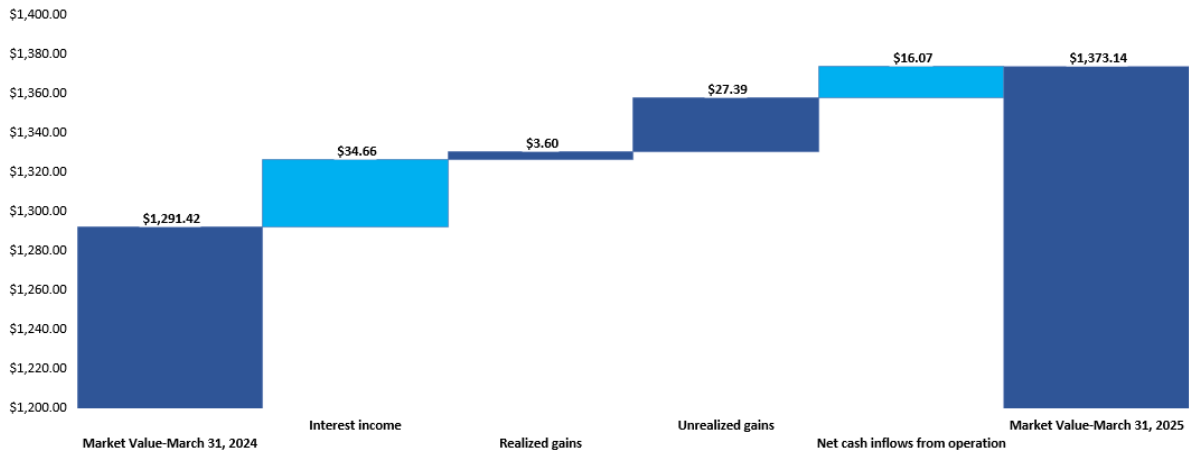
The increase of \$94.46 million in Fund surplus for the fiscal year was attributed to several factors, including assessment revenue of \$25.50 million, pension plan recoveries of \$0.33 million, investment income of \$44.54 million, net re-measurement gain of \$27.34 million, a recovery of claims provision of \$4.19 million, and was offset by interest expense of \$4.27 million, professional service fees of \$0.03 million, an administration fee of \$1.93 million, and investment management fees of \$1.27 million.

Investments

Investment of the PBGF assets during the F24-25 fiscal year was managed by the Investment Management Corporation of Ontario¹. As at March 31, 2025, the market value of the total investments was \$1,373.14 million, comprised of discount notes of \$79.37 million (5.78%), government bonds of \$945.02 million (68.82%), global public equity pooled fund of \$209.60 million (15.26%), global credit pooled fund of \$140.00 million (10.20%), and derivative liabilities of \$(0.86) million (-0.06%). The total market value increased by \$81.71 million from \$1,291.42 million as at the prior year-end.

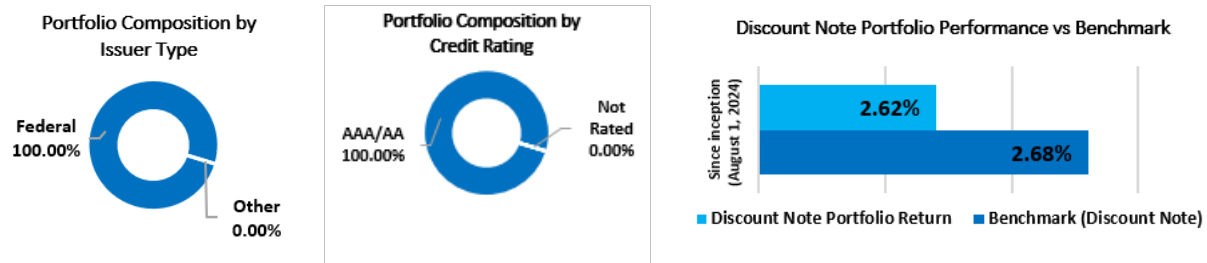
¹ Management of PBGF investments is transitioned to the Investment Management Corporation of Ontario during the first half of F24-25 fiscal year from the Ontario Financing Authority.

PORTFOLIO MARKET VALUE MOVEMENT APRIL 1, 2024 - MARCH 31, 2025



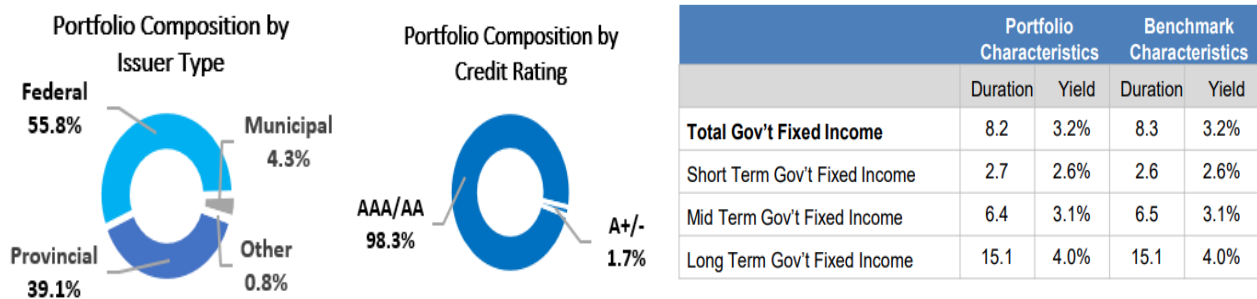
Discount Notes

As at March 31, 2025, the market value of the PBGF’s discount notes was \$79.37 million with 2.91% yield to maturity. The net return of the portfolio was 2.62% since inception (August 1, 2024) which underperformed the benchmark by 6 basis points.



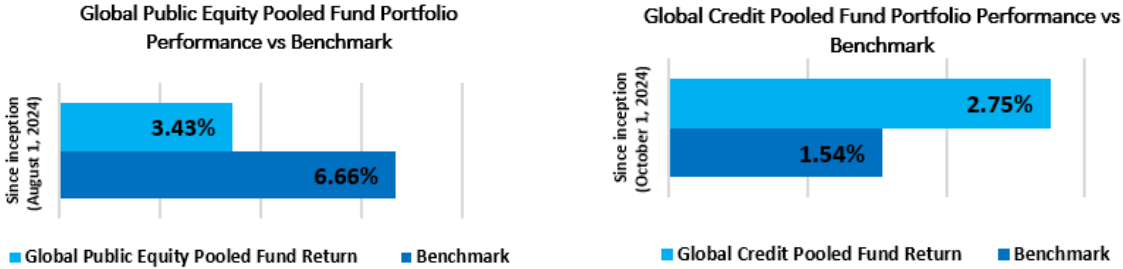
Government Bonds

The market value of the PBGF’s government bonds was \$945.02 million as at March 31, 2025, with 3.20% yield to maturity. The net return of the portfolio for the government short term bonds was 3.98% since inception (August 1, 2024), outperforming the benchmark by 3 basis points. The net return of the portfolio for the government mid-term bonds was 4.71% since inception (August 1, 2024), outperforming the benchmark by 17 basis points. The net return of the portfolio for the government long term bonds was 2.94% since inception (August 1, 2024), outperforming the benchmark by 6 basis points.



Pooled Funds

The market value of the PBGF’s global public equity pooled fund of IMCO was \$209.60 million as at March 31, 2025. The net return of the portfolio was 3.43% since inception (August 1, 2024), underperforming the benchmark by 323 basis points. The market value of the PBGF’s global credit pooled fund of IMCO was \$140.00 million as at March 31, 2025. The net return of the portfolio was 2.75% since inception (October 1, 2024), outperforming the benchmark by 121 basis points.



Claims Payable

As at March 31, 2025, the total claims payable by the PBGF was \$28.20 million and was separated into a current portion of \$28.20 million and a long-term portion of nil. This represents a \$6.30 million decrease from the prior year’s total claims payable amount of \$34.50 million. The decrease is due to claims payments and adjustments to prior year claims.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

**PENSION BENEFITS GUARANTEE FUND
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED MARCH 31, 2025**

**Financial Services Regulatory
Authority of Ontario**

25 Sheppard Avenue West Suite 100
Toronto, Ontario M2N 6S6 Tel: 416-
250-7250
www.fsrao.ca

**Autorité ontarienne de réglementation des services
financiers**

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Toronto (Ontario) M2N 6S6 Téléphone: 416-
250-7250
www.fsrao.ca/fr



Pension Benefits Guarantee Fund

Management's Responsibility for Financial Information

The Pension Benefits Guarantee Fund (the "Fund" or "PBGF") is continued under the *Pension Benefits Act, R.S.O. 1990, c. P.8* (the "Act"). The Chief Executive Officer ("CEO") of the Financial Services Regulatory Authority of Ontario ("FSRA") is responsible for the administration of the Fund including the investment of the assets of the Fund. FSRA acts as an agent of the PBGF Administrator in accordance with the Agency Agreement between the PBGF's Administrator and FSRA.

FSRA management ("Management") is responsible for the integrity, consistency, objectivity and reliability of financial statements. These financial statements were prepared in accordance with Canadian public sector accounting standards, and FSRA management has exercised its judgement and made best estimates where appropriate, particularly when the transactions affecting the current accounting period cannot be finalized with certainty until future periods. Estimates and assumptions are based on historical experience, current conditions and various other assumptions believed to be reasonable in the circumstances.

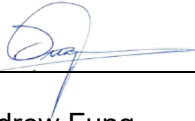
Management is responsible for establishing and maintaining a system of internal controls designed to provide reasonable assurance that the financial records are relevant, reliable and accurate, and that assets are properly accounted for and safeguarded. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors of FSRA oversees management's responsibilities for financial reporting through an Audit, Finance and Risk Committee, which is composed entirely of independent directors. This Committee reviews the financial statements and recommends them to the Board for approval. The Audit, Finance and Risk Committee is also responsible for reviewing FSRA's internal controls and advising the directors on auditing matters and financial reporting issues.

The Office of the Auditor General, appointed by our Board on recommendations of the Audit, Finance and Risk Committee has audited the financial statements for the Fund in accordance with Canadian generally accepted auditing standards, as stated in their Independent Auditor's Report. The Office of the Auditor General has full and unrestricted access to the Audit, Finance and Risk Committee to discuss their audit and related findings.



Dexter John
Chief Executive Officer



Andrew Fung
Interim Executive Vice President - Corporate
Services

Toronto, Ontario
June 24, 2025

INDEPENDENT AUDITOR'S REPORT

To the Financial Services Regulatory Authority of Ontario

Opinion

I have audited the consolidated financial statements of the Pension Benefits Guarantee Fund and its subsidiaries (the "Fund"), which comprise the consolidated statement of financial position as at March 31, 2025, and the consolidated statements of operations and changes in net assets, remeasurement gains and losses and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Fund as at March 31, 2025, and consolidated results of its operations, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of my report. I am independent of the Fund in accordance with the ethical requirements that are relevant to my audit of the consolidated financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Fund either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

My objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit and I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Toronto, Ontario
June 24, 2025

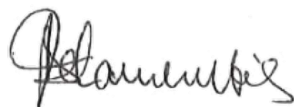
Shelley Spence, FCPA, FCA, LPA
Auditor General

Pension Benefits Guarantee Fund
Consolidated Statement of Financial Position
As at March 31, 2025

(Thousands of dollars)	Note(s)	March 31, 2025	March 31, 2024
ASSETS			
Current assets			
Cash	9	901	435
Accounts receivable	10	28,746	30,006
Investments	3	1,373,136	1,291,422
Total assets		1,402,783	1,321,863
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable and accrued liabilities		2,377	2,885
Current portion of long-term debt	4	11,000	11,000
Claims payable	11	28,201	34,500
Total current liabilities		41,578	48,385
Long-term debt	4	67,058	73,787
Total liabilities		108,636	122,172
Net Assets			
Accumulated operating surplus		1,277,056	1,209,987
Accumulated rereasurement gains/ (losses)		17,091	(10,296)
Total net assets		1,294,147	1,199,691
Total liabilities and net assets		1,402,783	1,321,863

The accompanying notes are an integral part of these financial statements.

On Behalf of the Board of the Financial Services Regulatory Authority of Ontario:



Joanne De Laurentiis
Board Chair



Rob Wellstood
Chair, Audit, Finance & Risk Committee

Pension Benefits Guarantee Fund
Consolidated Statement of Operations and Changes in Net Assets
For the year ended March 31, 2025

(Thousands of dollars)	Note(s)	March 31, 2025	March 31, 2024
Revenues			
Assessments		25,502	16,641
Investment income	3	44,539	45,298
Pension plan recoveries	6	333	20,016
Total revenues		70,374	81,955
Expenses			
(Recovery of claims provision)/Claims	6	(4,190)	(3,400)
Interest expense	4	4,271	4,593
Administration fee	7	1,931	1,706
Investment management fees	7	1,267	489
Professional services	8	26	365
Total expenses		3,305	3,753
Excess of revenues over expenses		67,069	78,202
Net assets, beginning of year		1,209,987	1,131,785
Net assets, end of year		1,277,056	1,209,987

The accompanying notes are an integral part of these financial statements.

Pension Benefits Guarantee Fund
Consolidated Statement of Remeasurement Gains and Losses
For the year ended March 31, 2025

(Thousands of dollars)	Note(s)	March 31 2025	March 31 2024
Accumulated remeasurement gains (losses), beginning of year		(10,296)	(14,224)
Unrealized gains (loss) attributable to:			
Investments designated to fair value	3	31,837	2,267
Derivatives		(859)	-
Total unrealized gains (losses)		30,978	2,267
Amounts reclassified to the statement of operations and change in net assets:			
Investments designated to fair value	3	(6,794)	1,661
Derivatives		3,203	-
Total amounts reclassified to the statement of operations and change in net assets		(3,591)	1,661
Net remeasurement gains for the year		27,387	3,928
Accumulated remeasurement gains (losses), end of year		17,091	(10,296)

The accompanying notes are an integral part of these financial statements.

**Pension Benefits Guarantee Fund
Consolidated Statement of Cash Flows
For the year ended March 31, 2025**

(Thousands of dollars)	Note(s)	March 31 2025	March 31 2024
Cash flows from operating activities:			
Excess of revenues over expenses		67,069	78,202
Adjustments for non-cash items:			
Interest expense on loan payable	4	4,271	4,593
Interest income	3	(40,943)	(46,957)
Realized losses on disposal of investments	3	(3,592)	1,661
		<u>26,805</u>	<u>37,499</u>
Changes in working capital items:			
(Increase) decrease in accounts receivable	10	1,876	14,622
Increase (decrease) in claims payable	11	(6,299)	(3,400)
Increase (decrease) in accounts payable		(509)	(198)
Net cash flows from operating activities		<u>21,873</u>	<u>48,523</u>
Cash flows from investing activities:			
Purchases of investments		(3,806,877)	(6,725,936)
Proceeds from sales and maturities of investments		3,768,909	6,649,297
Interest received		27,561	39,523
Net cash flows used in investing activities		<u>(10,407)</u>	<u>(37,116)</u>
Cash flows from financing activities:			
Repayment of long-term debt	4	(11,000)	(11,000)
Net cash flows used in financing activities		<u>(11,000)</u>	<u>(11,000)</u>
Net increase (decrease) in cash position		466	407
Cash, beginning of year		<u>435</u>	<u>28</u>
Cash, end of year		<u>901</u>	<u>435</u>

The accompanying notes are an integral part of these financial statements.

Pension Benefits Guarantee Fund
Notes to the consolidated financial statements
For the year ended March 31, 2025
(Thousands of dollars)

1. Statutory authority and fund operations

The Pension Benefits Guarantee Fund (the “Fund” or “PBGF”) is continued under the *Pension Benefits Act, R.S.O. 1990, c. P.8* (the “Act”).

The purpose of the Fund is to guarantee the payment of pension benefits of certain defined benefit pension plans that are wound up under conditions specified in the Act and regulations thereto. The regulations also prescribe an assessment payable into the Fund by employers required to make contributions to defined benefit pension plans.

The Act provides that if the assets of the Fund are insufficient to meet payments for claims, the Lieutenant Governor in Council may authorize the Minister of Finance of Ontario to make loans or grants on such terms and conditions as the Lieutenant Governor in Council directs. The total liability of the Fund to guarantee pension benefits is limited to the assets of the Fund including any loans or grants received from the Province of Ontario.

Pursuant to the *Financial Services Regulatory Authority of Ontario Act, 2016* and subsection 82(2) of the Act, the Chief Executive Officer (“CEO”) of the Financial Services Regulatory Authority (“FSRA”) is responsible for the administration of the Fund including the investment of the assets of the Fund. The CEO may charge the Fund for reasonable expenses incurred in the administration of the Fund.

2. Significant accounting policies

(a) Basis of preparation

These financial statements are prepared in accordance with the CPA Public Sector Accounting Handbook which sets out generally accepted accounting principles for government not-for-profit organizations in Canada. The Fund has chosen to use the standards for not-for-profit organizations that include Sections PS 4200 to PS 4270. The significant accounting policies are summarized below.

(b) Measurement uncertainty

The preparation of financial statements requires that Management make estimates and assumptions that affect the amount of assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period.

Significant areas requiring the use of estimates include assessment revenue, accounts receivable and claims payable. Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. By their nature, estimates are subject to measurement uncertainty. Therefore, actual results may differ materially from the estimates.

(c) Basis of consolidation

The Fund’s consolidated financial statements include the financial statements of all its

Pension Benefits Guarantee Fund
Notes to the consolidated financial statements
For the year ended March 31, 2025
(Thousands of dollars)

subsidiaries. The subsidiaries are entities that are controlled by the Fund. Where necessary, adjustments are made to the financial statements of subsidiaries to reflect accounting policies consistent with those of the Fund. All inter-company transactions and balances are eliminated.

(d) Revenue recognition

Assessment revenue is based on an assessment formula set out in *section 37 of Regulation 909* of the Act. An estimate of the assessment revenue due from defined benefit pension plans at rates prescribed by the Act is recorded when earned. The annual assessment certificate is due nine months after the Fund's fiscal year end.

Differences in assessment revenue, if any, between the estimated amounts recognized and the actual revenues due, are charged or credited to assessment revenue in the year.

(\$000)	March 31, 2025	March 31, 2024
Estimated revenue	\$ 25,300	\$ 28,300
Actual revenue related to current and prior years received in current year	28,502	29,341
Less: prior year's estimated revenue	(28,300)	(41,000)
Total Assessment Revenue	<u>\$ 25,502</u>	<u>\$ 16,641</u>

(e) Financial instruments

Financial assets and liabilities are recognized on the Fund's statement of financial position when the Fund becomes a party to the contractual provisions of the instrument.

All financial instruments should be assigned to one of the two measurement categories at initial recognition: fair value, or cost/amortized cost.

<u>Financial assets</u>	<u>Measurement basis</u>
Cash	Amortized cost
Investments	Fair value (Note 4)
Accounts receivable	Amortized cost
<u>Financial liabilities</u>	<u>Measurement basis</u>
Accounts payable and accrued liabilities	Amortized cost
Loan Payable	Amortized cost

Pension Benefits Guarantee Fund
Notes to the consolidated financial statements
For the year ended March 31, 2025
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(i) Financial instruments measured at cost or amortized cost

Financial assets and liabilities measured at cost or amortized cost are initially recognized at acquisition cost, including transaction costs that are directly attributable to the acquisition or issuance.

Financial assets measured at amortized cost are assessed for collectability at each financial statement date. A valuation allowance is used to reflect financial assets measured at amortized cost at their net realizable value. Losses (gains) arising from changes in valuation allowances are recognized as expenses (revenues from recoveries of previously recognized allowances) in the statement of operations and changes in net assets in the period in which they arise.

Financial assets at amortized cost are subject to impairment. At each financial statement date, the Fund assesses financial assets to determine whether there is any objective evidence of impairment. When a decline is determined to be other than temporary, the carrying amount of the financial asset is reduced and the amount of the impairment is recognized as a loss in the statement of operations and changes in net assets.

(ii) Financial instruments measured at fair value

When a financial instrument is in the fair value category, transaction costs are expensed upon initial recognition. Financial assets and liabilities at fair value are remeasured at their fair value at the end of each reporting period. Any unrealized gain or loss on investments is adjusted through the statement of remeasurement gains and losses. When an asset is sold, unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations and changes in net assets. The Fund has defined and implemented an investment and risk management strategy to manage and evaluate the performance of its investments on a fair value basis. As a result, the Fund has elected to designate its investments to the fair value category.

Fair value measurements are classified using a fair value hierarchy based on the market observability of the valuation inputs used to measure fair value:

- Level 1 – unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 – observable or corroborated inputs, other than Level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 – unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

(iii) Derecognition of a financial instrument

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the benefits and risks of ownership of the asset to another organization. The Fund derecognizes a financial liability or part of a financial liability when the obligation specified in the contract is discharged or cancelled or expires. On derecognition, the difference between the financial instrument's carrying amount

Pension Benefits Guarantee Fund
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and the sum of the consideration received and receivable is recognized in the statement of operations and changes in net assets.

(iv) Transaction costs

Transaction costs are incremental costs directly attributable to the acquisition or issue of a financial asset or financial liability. Transaction costs include fees and commissions paid to agents, advisors, brokers, and transfer taxes and duties.

(f) Claims payable

Claims payable are estimates of the liabilities in respect of those defined benefit pension plans prescribed by the *Act* that are wound up, or in the process of being ordered wound up under conditions specified in the *Act*, where the claim amounts can be reasonably estimated. Claims payable liabilities are also recognized when there is a high probability that a company will not emerge from creditor protection and the pension plan will be wound up on a specified date and the claim can be reasonably estimated. Claims payable are based on information provided by appointed pension plan administrators. These estimates represent the present value of future payments to settle claims for benefits and expenses by pension plans.

Differences in the liabilities, if any, between the amounts recognized based on estimates and the actual claims made, will be charged or credited to claims expense in the year when the actual amounts are determined.

(g) Pension plan recoveries

Recoveries of actual claims paid are considered revenues in the year when recovery notices are received from appointed pension plan administrators.

(h) Current assets

Assets not subject to external restrictions limiting their use to beyond one year from the date of the statement of financial position are classified as current assets.

3. Cash

Cash is a balance with chartered financial institutions in Canada.

4. Accounts Receivable

Pension Benefits Guarantee Fund
Notes to the consolidated financial statements
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Accounts receivable consist of:

(\$000)	March 31, 2025	March 31, 2024
PBGF Assessment receivable	22,462	24,218
Investment income receivable	6,284	5,668
HST rebate receivable	-	120
Total	<u>28,746</u>	<u>30,006</u>

5. Investments

As required by legislation, the FSRA Board established a Statutory Funds Advisory Committee (the "Committee") to advise the CEO on the administration and investment of the Fund. The Committee reviewed the PBGF Investment Policy Statement developed by Management. This Policy is reviewed regularly and provides operational objectives, investment principles, policies and guidelines for the management of the Fund's investments.

Investments consist of the following:

(\$000)	Fair Value Hierarchy	March 31, 2025 Fair Value	March 31, 2024 Fair Value
Discount notes	Level 1	79,374	427,464
Government bonds	Level 2	945,024	863,959
Global public equity pooled fund	Level 2	209,600	-
Global credit pooled fund	Level 3	139,997	-
Derivative liabilities	Level 2	(859)	-
Total		<u>1,373,136</u>	<u>1,291,423</u>

During the years ended, March 31, 2025, and 2024, there were no transfers of assets between Level 1, Level 2 and Level 3.

Derivatives are forward currency contracts to exchange currencies at a pre-determined rate on a future date as hedging tool used to protect against future fluctuations in exchange rates, allowing PBGF to lock in a specific rate for a future receipt related to investments in the Global Credit pooled fund.

Pension Benefits Guarantee Fund
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The fair values of these derivatives were determined using pricing models, with market observable inputs which take into account current market and contractual prices of the underlying instruments, as well as the time value and yield curve underlying the positions. The determination of the fair value of derivatives includes consideration of credit risk and ongoing direct costs over the life of the instruments.

Investment income includes interest earned from interest-bearing securities and realized gains and losses from the sale of securities. Changes in the fair value of investments are recognized as unrealized gains and losses in the Statement of Remeasurement Gains and Losses.

Investment income consists of:

(\$000)	March 31, 2025	March 31, 2024
Interest income	\$ 40,943	\$ 46,957
Net realized gain(losses) from the sale of securities	3,595	(1,659)
Total	\$ 44,539	\$ 45,298

Discount notes have yield to maturity of 2.91% (2024 – had yields in the range of 4.946% to 5.170%). The government bonds have yield to maturity of 3.2% (2024 – had yields in the range of 1.370% to 4.638%).

During fiscal 2025, IMCO established the following subsidiaries wholly owned by the Fund to hold units of IMCO Global Equity and Global Credit Pools: PBGF GC Pool LTD. and PBGF Pool Holdings LTD. The Fund's consolidated financial statements include the financial statements of all its subsidiaries.

6. Claims Payable

As at March 31, 2025, the PBGF estimated two claims with total value of \$26,447.

The PBGF Estimated Claims as at March 31, 2025 are expected to be paid in the 2025-2026 fiscal year.

The PBGF Estimated Claims are prepared by the FSRA, based on information provided by appointed plan administrators and/or the plan sponsors' actuaries. The administrators' and/or plan sponsors' actuaries calculate the estimated claims based on regulatory requirements for determining the PBGF liability and in accordance with accepted actuarial practice.

These estimated claims represent the present value of future payments to settle claims for benefits and expenses by pension plans.

7. Long-term debt

Non-interest-bearing loan

Pension Benefits Guarantee Fund
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On March 31, 2004, the Fund obtained a \$330 million loan from the Province of Ontario (the "Province"), a related party. At that time, the Fund used the proceeds from the loan to facilitate the restructuring of the pension obligations of Algoma Steel Inc. The loan is non-interest bearing and repayable to the Province in thirty equal annual installments of \$11 million. The loan agreement provides for the Minister of Finance to advance any installment payment date depending on the cash position of the Fund. Repayments over the next five years total \$55 million.

The face value of this non-interest-bearing loan has been discounted at an effective interest rate of 5.0368% to reflect its amortized cost outstanding as of March 31, 2025 as follows:

(\$000)	March 31, 2025	March 31, 2024
Face value	\$ 99,000	\$ 110,000
Less: Discount	(20,942)	(25,213)
Amortized cost	<u>\$ 78,058</u>	<u>\$ 84,787</u>
Classified as:		
Current portion	\$ 11,000	\$ 11,000
Long-term portion	67,058	73,787
Balance	<u>\$ 78,058</u>	<u>\$ 84,787</u>

The unamortized discount of \$20.9 million (2024 – \$25.2 million) is recorded as interest expense in the Statement of Operations and Changes in Net Assets over the remaining term of the loan, based on the effective interest rate method. The amortization schedule for the subsequent five fiscal years is as follows:

Fiscal Year	(\$000)
2026	3,932
2027	3,576
2028	3,202
2029	2,809
2030	2,396

Pension Benefits Guarantee Fund
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8. Financial instrument risks

The Fund's financial instruments are subject to financial risks as a result of its investing activities that could impact its cash flows, income and assets available to meet the Fund's obligations. These risks include market risk (including interest rate risk, currency risk and other price risk), credit risk, liquidity risk, and other risks as applicable. The Fund manages these risks in accordance with the Fund Risk Appetite Statement (RAS) and the Investment Policy Statement (IPS), which prescribes the Strategic Asset Allocation (SAA), performance measurement, permitted investments, shareholder rights and environmental, social and governance issues, conflicts of interest and related party transactions, and valuation of infrequently traded assets. The Fund has delegated the investment of substantially all of the Fund's assets to Investment Management Corporation of Ontario (IMCO), which may further sub-delegate to other investment managers and service providers. IMCO must act in accordance with any written directions of the Fund, as well as all applicable IMCO policies. In investing the assets of the Fund, IMCO must comply with the IPS, IMCO's internal policies and all relevant laws and regulations.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of an investment will fluctuate because of changes in market factors.

The following Table 1 provides a market value sensitivity of the Fund's investments which are based on one standard deviation in the return of each fund investment as at March 31, 2025.

– Market Risk Sensitivity on Investment Portfolio

	One Standard deviation	Impact on investments	
		%	(\$000)
Interest rate	Interest rate up 110bps	-4.6%	(63,457)
	Interest rate down 110bps	5.2%	71,734
United States dollar	USD +9.84%	1.1%	15,175
	USD -9.84%	-1.1%	(15,175)
Credit spread	Spread up 70 bps	-2.5%	(34,488)
	Spread down 70 bps	2.8%	38,626
Global public equity price	Price up 22.85%	3.7%	51,042
	Price down 22.85%	-3.7%	(51,042)

Pension Benefits Guarantee Fund
Notes to the consolidated financial statements
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Market risk comprises the following:

1. Interest rate risk

Interest rate risk refers to the effect on the fair value of the Fund's assets and potential future claims (PFC) due to fluctuations in market interest rates. The value of the Fund's investments is affected by changes in nominal and real interest rates. The Fund's PFC are exposed to fluctuations in long-term interest rates and inflation.

Management

The Fund has established an asset mix policy that balances interest-rate-sensitive investments with other investments as well as partially offsetting the interest rate risk with the Fund's PFC. The Fund's fixed income investments have exposure to interest rate risk. Duration and weighting for the fixed income portfolio are managed in accordance with the respective fixed income segregated fund's IPS.

Measurement

Effective duration is a measure of the sensitivity of the price of a financial instrument to a change in interest rates. As illustrated in Table 1 parallel shift in the interest rate curve of -110/+110bps would result in an effective duration of 4.4 years with all other variables held constant. In practice, actual results may differ materially from this sensitivity analysis.

2. Currency risk

Currency exposure arises from the Fund holding foreign currency denominated investments and entering in contracts that provide exposure to currencies other than the Canadian dollar. Fluctuations in the value of the Canadian dollar against these foreign currencies can have an impact on the fair value of investments.

Management

Currency risk is managed by IMCO through currency hedging. Implementation of any currency hedging strategy is accomplished through the use of instruments such as forwards, futures, options, and swaps.

Measurement

As illustrated in Table 1, the impact to the Fund of a +/-9.84% absolute change in US dollar to the Canadian dollar exchange rate would impact the investment portfolio by +/- \$15.2 million.

3. Other Price Risk

Other price risk is the risk that the fair value of an investment will fluctuate because of changes in market prices other than those arising from foreign currency or interest rate risk, whether those changes are caused by factors specific to the individual investment or factors affecting all

Pension Benefits Guarantee Fund
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securities traded in the market.

Management

IMCO manages other price risk through diversification and regular monitoring of the performance of the Fund against approved benchmarks.

Measurement

An absolute change in the fair value of portfolio investments that are exposed to other price risk will have a direct proportional impact on the fair value of the investments. The Fund's investments in the Global Equity pooled fund holding public equities have the most significant exposure to other price risk. As illustrated in Table 1, the impact of a +/-22.85% absolute change in the price of the Global Equity pooled fund, holding all other variables constant, would have a +/- \$51.0 million impact to the investment portfolio.

(b) Credit risk

Credit risk is the risk of loss resulting from a borrower's failure to repay or meet contractual obligations. The Fund is exposed to credit risk through investments in fixed income instruments as there is a risk of default.

Management

In accordance with the SAA, 5% and 65% the portfolio investments are investment grade money market and government fixed-income securities respectively with low credit risk, while 10% of the portfolio investments are invested in IMCO Global Credit pooled fund which invests in a globally diversified portfolio of public and private credit securities.

IMCO manages credit risk by creating a diversified portfolio of investments and employing a multi-sector strategy. In creating a diversified portfolio, IMCO will invest according to a risk strategy outlining specified target allocation ranges by risk strategy (i.e., investment grade), geographical focus and investment vehicle. The risks of net investment losses and not receiving investment income are considered minimal.

The risk of not collecting assessment receivables is considered low due to the importance of pensions benefits guarantees to Pensions, Management's effective collection measures and that payment is an obligation under the Act. The assessment revenue receivable recorded is based on an assessment formula set out in section 37 of Regulation 909 of the Act. In the event that a pension plan would become insolvent within a year, there are legal options the Fund can exercise to collect the assessment revenue receivable. Historically, the Fund has been able to collect the amounts estimated as assessment revenue receivable.

Measurement

The use of credit ratings allows the Fund to assess the creditworthiness of counterparties using an independent source. As illustrated in Table 1, the credit risk exposure by +/-70bps in credit

Pension Benefits Guarantee Fund
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spreads would impact the investment portfolio by $-\$34.4/+\38.6 million.

The Fund's accounts receivable consists of assessment revenue receivable of \$22.5 million with Retail Sales Tax (RST), and investment income receivable of \$6.3 million.

(c) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities that are to be settled by delivering cash or another financial asset.

Management

The Fund's exposure to liquidity risk is minimal as the Fund has sufficient funds in the investment portfolio to settle all current liabilities. The Fund's exposure is limited to the assets in the Fund including any loans or grants received from the Province.

When the administrator of a single employer pension plan has properly made a claim against the PBGF, the CEO may decide to pay such claim over a period of time such as 10 years and is not obligated to make the payment to the administrator when the claim is established. The CEO can manage the PBGF's liquidity risk by delaying payment and liquidating investments in an orderly manner.

Measurement

As at March 31, 2025, the Fund has an investment balance of \$1,373 million (2024 – \$1,291 million) to settle current liabilities of \$41.6 million (2024 – \$48.4 million).

In accordance with the SAA, the Fund has 5% and 31.5% of its investment portfolio in highly liquid discount notes and short-term government bonds totaling \$511 million as at March 31, 2025 that can be easily liquidated to cash without delay or significant transaction costs to meet any unexpected claims or obligations.

9. Pension plan recoveries

Any funds remaining from a wound-up pension plan are recovered by the Fund after the settlement of all benefits, payment of expenses and the submission of the final wind up report for such pension plan that had received payments from the Fund.

During fiscal 2025, the Fund had \$0.3 million (2024 – \$20 million) in recoveries from such pension plans.

10. Related party transactions

FSRA is a related party due to its obligation to administer the PBGF, in addition to the PBGF being controlled by FSRA. FSRA collects assessments on behalf of the PBGF, and the two entities pay certain expenses on behalf of each other. Any unsettled receivable and payable balances as at the year-end are netted and reported on the Statement of Financial Position as accounts receivable or accounts payable. For fiscal 2025, \$1.4 million out of \$1.9 million are administration fees (2024 – \$1.2 million) charged by FSRA for management salaries and

Pension Benefits Guarantee Fund
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benefits, accounting, information technology, legal, pension and other services.

IMCO and OFA are related parties in their capacity as the PBGF investment manager. Investment Management fees of \$0.1 million were paid to the OFA in fiscal 2025 (2024 – \$0.5 million) and \$1.1 million to the IMCO (2024 – nil). Other related party transactions during the year have been disclosed in note 4.

As defined by Public Sector Accounting Standards for Government Not-For-Profit Organizations (“PSAS-GNFPO”), FSRA controls the PBGF. FSRA has elected to not consolidate controlled entities. Therefore, the PBGF’s financial statements have not been consolidated with FSRA’s financial statements. A summary of PBGF’s financial information has been disclosed in the FSRA notes to the financial statements.

The investments of the Fund are managed by the Investment Management Corporation of Ontario (“IMCO”) on a fee for service basis, such fees being paid by the Fund. PBGF changed its investment manager from the Ontario Financing Authority (“OFA”) to IMCO effective June 2024.

11. Professional services

The CEO periodically engages the services of external experts to represent the Fund’s interests in, or in anticipation of, insolvency proceedings respecting employers who are unable to meet their funding obligations under the *Pension Benefits Act*. For fiscal 2025, \$0.03 million was incurred to such external experts (2024 – \$0.4 million).

12. Subsequent events

Subsequent to year end, PBGF paid out the claims in April 2025 and June 2025 for a total value of \$26.4 million.

DEPOSIT INSURANCE RESERVE FUND

Financial Highlights

The Deposit Insurance Reserve Fund (“DIRF”) is a fund established under the *Credit Unions and Caisses Populaires Act, 2020* (‘CUCPA’) and managed by the Financial Services Regulatory Authority of Ontario (“FSRA”) pursuant to the CUCPA. The DIRF is dedicated to protecting the insured deposits of credit union members through deposit insurance and other financial support for the credit union sector as set forth in the CUCPA. According to the CPA Public Sector Accounting Standards for Government Not-For-Profit Organizations, FSRA controls the DIRF.

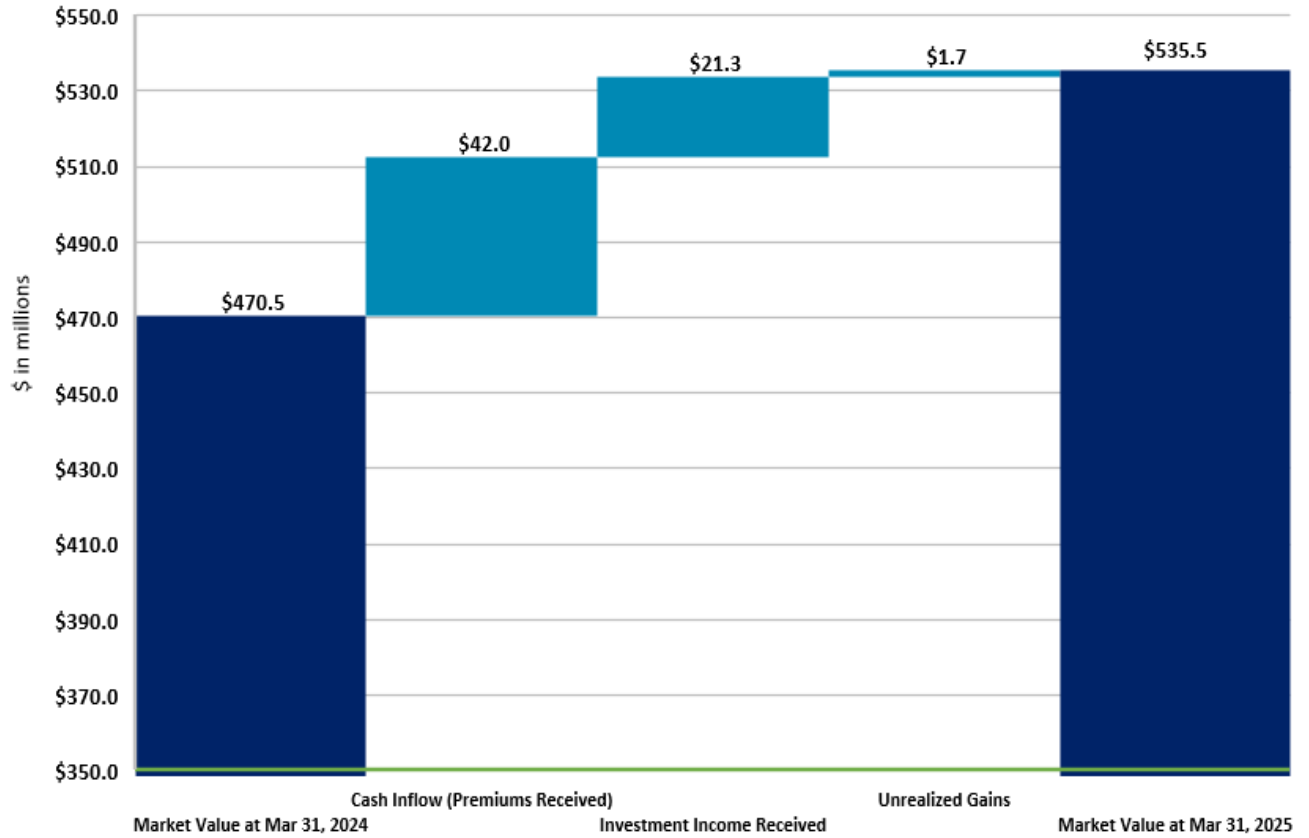
As of March 31, 2025, the DIRF total net asset balance was at \$578.0 million. This balance comprised the assets in the DIRF net of liabilities. Total net assets increased by \$67.4 million (13.2%) year-over-year. The DIRF assets consisted of investments of \$535.5 million, premium receivable of \$39.8 million, investment income receivable of \$2.4 million, and cash of 0.3 million. The DIRF liabilities comprised accounts payable and accrued liabilities of \$0.04 million.

The increase of \$67.4 million in the fiscal year resulted from premium revenue of \$43.1 million, investment income of \$22.4 million, recoveries of \$0.2 million, and unrealized gains on investments of \$1.7 million, offset by provision for deposit insurance loss of \$0.07 million.

Investments

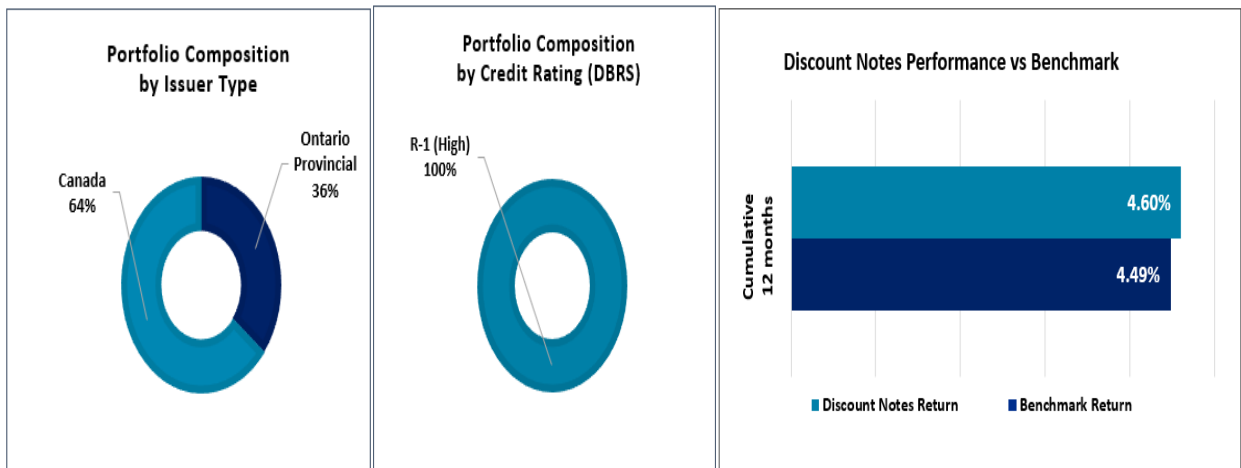
Investments of the DIRF are managed by the Ontario Financing Authority. As at March 31, 2025, the market value of the total investments was \$535.5 million, comprised of discount notes totaling \$467.5 million (87.3%) and government bonds totaling \$68.0 million (12.7%). The total market value increased by \$65.0 million from \$470.5 million at the end of last fiscal year.

PORTFOLIO MARKET VALUE MOVEMENT APRIL 1, 2024 - MARCH 31, 2025



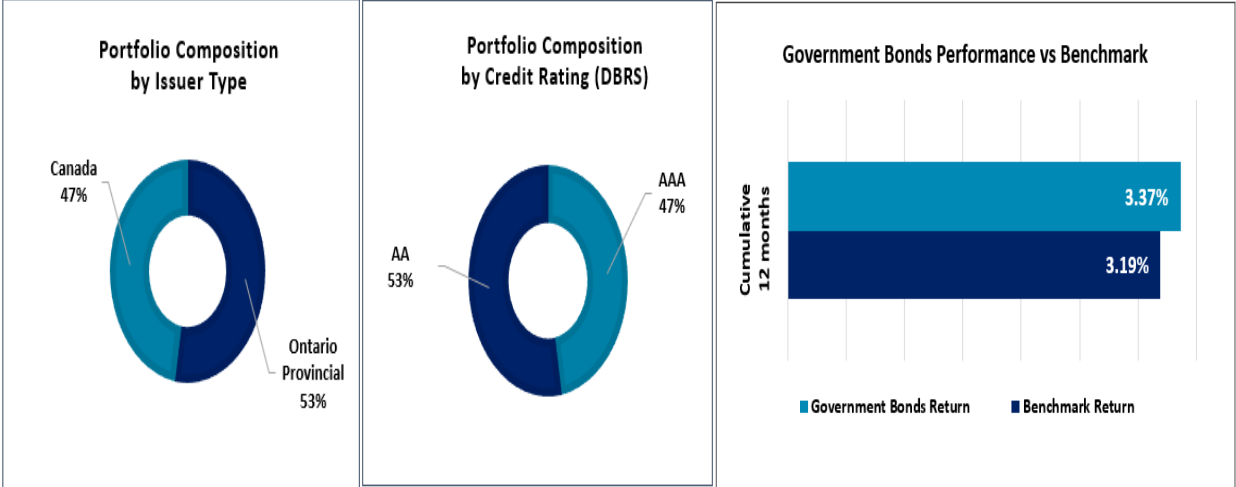
Discount Notes

As at March 31, 2025, the market value of the DIRF's discount notes was \$467.5 million with an average term of 134.1 days. The gross return of the portfolio was 4.60% for the cumulative 12 months period which outperformed the benchmark by 11 basis points.



Government Bonds

The market value of the DIRF's government bonds was \$68.0 million as at March 31, 2025, with an average term to maturity of 1.5 years. The gross return of the portfolio was 3.37% for the cumulative 12 months period, outperforming the benchmark by 18 basis points.



FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

**DEPOSIT INSURANCE RESERVE FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2025**



Deposit Insurance Reserve Fund

Management's Responsibility for Financial Reporting

Pursuant to section 2 (1) of the *Financial Services Regulatory Authority of Ontario Act, 2016* (the “*FSRA Act*”) and section 224 (1) of the *Credit Unions and Caisses Populaires Act, 2020* (the “*CUCPA 2020*”), the Financial Services Regulatory Authority of Ontario (“*FSRA*”) is responsible for the administration of the Deposit Insurance Reserve Fund (the “*DIRF*” or the “*Fund*”).

FSRA Management (“*Management*”) is responsible for the integrity, consistency, objectivity and reliability of financial statements. These financial statements were prepared in accordance with Canadian public sector accounting standards, and Management has exercised its judgement and made best estimates where appropriate, particularly when the transactions affecting the current accounting period cannot be finalized with certainty until future periods. Estimates and assumptions are based on historical experience, current conditions and various other assumptions believed to be reasonable in the circumstances.

Management is responsible for establishing and maintaining a system of internal controls designed to provide reasonable assurance that the financial records are relevant, reliable and accurate, and that assets are properly accounted for and safeguarded. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors of FSRA (the “*Board*”) oversees management’s responsibilities for financial reporting through an Audit, Finance and Risk Committee (the “*AFRC*”), which is composed entirely of independent directors. This Committee reviews the financial statements and recommends them to the Board for approval. The AFRC is also responsible for reviewing FSRA’s internal controls and advising the Board on auditing matters and financial reporting issues.

The Office of the Auditor General of Ontario (the “*OAGO*”), appointed by the Board on recommendations of the AFRC, has audited the financial statements in accordance with Canadian generally accepted auditing standards, as stated in their Independent Auditor’s Report. The OAGO has full and unrestricted access to the AFRC to discuss their audit and related findings.

A blue ink signature of Dexter John, consisting of a stylized 'D' and 'J'.

Dexter John
Chief Executive Officer

A blue ink signature of Andrew Fung, consisting of a stylized 'A' and 'F'.

Andrew Fung
Interim Executive Vice President –
Corporate Services

INDEPENDENT AUDITOR'S REPORT

To the Financial Services Regulatory Authority of Ontario

Opinion

I have audited the financial statements of the Deposit Insurance Reserve Fund (the "Fund"), which comprise the statement of financial position as at March 31, 2025, and the statements of operations and changes in net assets, remeasurement gains and losses and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2025, and the results of its operations, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Fund either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Toronto, Ontario
June 24, 2025

Shelley Spence, FCPA, FCA, LPA
Auditor General

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

**Deposit Insurance Reserve Fund
Statement of Financial Position
As at March 31, 2025**

(Thousands of dollars)	Note(s)	March 31 2025	March 31 2024
Assets			
Current assets			
Cash		286	414
Investments	3	535,536	470,501
Premium receivable	4	39,778	38,539
Investment income receivable		2,400	1,227
Total assets		<u>578,000</u>	<u>510,681</u>
Liabilities and net assets			
Current liabilities			
Accounts payable and accrued liabilities		43	77
Total liabilities		<u>43</u>	<u>77</u>
Net assets			
Accumulated operating surplus		576,907	511,298
Accumulated remeasurement gains (losses)		1,050	(694)
Total net assets		<u>577,957</u>	<u>510,604</u>
Total liabilities and net assets		<u>578,000</u>	<u>510,681</u>

The accompanying notes are an integral part of these financial statements.

On Behalf of the Board:



Joanne De Laurentiis
Board Chair



Rob Wellstood
Chair, Audit, Finance and Risk
Committee

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO**Deposit Insurance Reserve Fund
Statement of Operations and Changes in Net Assets
For the year ended March 31, 2025**

(Thousands of dollars)	Note(s)	March 31 2025	March 31 2024
Revenues			
Premiums	4	43,067	41,085
Investment income	3, 5	22,443	20,403
Recoveries	8	166	181
Total revenues		65,676	61,669
Expenses			
Provision for deposit insurance loss	6,7	67	252
Total expenses		67	252
Excess of revenue over expenses		65,609	61,417
Net assets, beginning of year		511,298	449,881
Net assets, end of year		576,907	511,298

The accompanying notes are an integral part of these financial statements.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Deposit Insurance Reserve Fund Statement of Remeasurement Gains and Losses For the year ended March 31, 2025

(Thousands of dollars)	Note(s)	March 31 2025	March 31 2024
Accumulated remeasurement losses, beginning of year		(694)	(1,411)
Unrealized gains attributable to:			
Investments designated to fair value category	3	<u>1,744</u>	<u>717</u>
Total remeasurement gains for the year		<u>1,744</u>	<u>717</u>
Accumulated remeasurement gains (losses), end of year		<u>1,050</u>	<u>(694)</u>

The accompanying notes are an integral part of these financial statements.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

**Deposit Insurance Reserve Fund
Statement of Cash Flows
For the year ended March 31, 2025**

(Thousands of dollars)	Note(s)	March 31 2025	March 31 2024
Cash flows from operating activities:			
Excess of revenue over expenses		65,609	61,417
Adjustments for non-cash items:			
Amortization of bond (discounts) premiums		<u>(341)</u>	<u>56</u>
		65,268	61,473
Changes in working capital items:			
(Increase) in premium receivable		(1,240)	(1,552)
(Increase) in investment income receivable		(1,173)	(454)
Decrease in other receivables	6	-	116
(Decrease) in accounts payable and accrued liabilities		<u>(34)</u>	<u>(1,010)</u>
Net cash flows from operating activities		<u>62,821</u>	<u>58,573</u>
Cash flows used in investing activities:			
Purchases of investments		(7,383,267)	(7,946,663)
Proceeds from sales and maturities of investments		<u>7,320,318</u>	<u>7,886,674</u>
Net cash flows used in investing activities		<u>(62,949)</u>	<u>(59,989)</u>
Net decrease in cash		(128)	(1,416)
Cash, beginning of year		<u>414</u>	<u>1,830</u>
Cash, end of year		<u>286</u>	<u>414</u>

The accompanying notes are an integral part of these financial statements.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Deposit Insurance Reserve Fund Notes to the Financial Statements For the year ended March 31, 2025 (Thousands of dollars)

1. REPORTING ENTITY

Statutory authorities

FSRA was established under the *FSRA Act* without share capital. Pursuant to the provisions of the *FSRA Act*, on June 8, 2019, the Deposit Insurance Corporation of Ontario (“DICO”) amalgamated into FSRA. On this date, FSRA became responsible for providing deposit insurance and prudential and market conduct regulation of Ontario’s credit unions and caisses populaires (“Credit Unions”). By virtue of its amalgamation with DICO, FSRA assumed the responsibility to administer the DIRF.

In accordance with sections 224 (1) and 224 (3) of the *CUCPA 2020*, FSRA administers the DIRF with the power to manage and invest the money in the DIRF and may disburse the money from the Fund according to section 224 (2) of the *CUCPA 2020*.

Purpose and operation

Pursuant to section 224 (2) of the *CUCPA 2020*, the DIRF may be used to pay the following:

- Deposit insurance claims;
- Costs associated with the orderly winding up of Credit Unions in financial difficulty;
- Financial assistance to a Credit Union under administration in its continued operation, or to assist with the orderly winding up of Credit Unions in financial difficulty;
- An advance or grant for the purpose of paying lawful claims against a Credit Union in respect of any claims of its members for withdrawal of deposits;
- Assets acquired or liabilities assumed from Credit Unions under the above circumstances; and
- Fees in respect of credit agreements entered into by FSRA to provide financial assistance to the Credit Union sector.

FSRA is responsible for the operation and prudent management of the DIRF. Pursuant to section 10.2 of the *FSRA Act*, the Board has established a Statutory Funds Advisory Committee (the “SFAC”) to advise the Board on matters related to the oversight of FSRA’s administration of the DIRF.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These financial statements are prepared in accordance with the CPA Public Sector Accounting Handbook which sets out generally accepted accounting principles for government not-for-profit organizations in Canada. The Fund has chosen to use the standards for not-for-profit organizations that include Sections PS 4200 to PS 4270. The

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Deposit Insurance Reserve Fund Notes to the Financial Statements For the year ended March 31, 2025 (Thousands of dollars)

significant accounting policies are summarized below.

(b) Measurement uncertainty

The preparation of financial statements requires Management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the period. Significant areas requiring the use of estimates include deposit insurance advance receivable, provision for deposit insurance loss, and disclosure of contingencies.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. By their nature, estimates are subject to measurement uncertainty. Accordingly, actual results may differ materially from the estimates.

(c) Revenue recognition

Premiums are determined in accordance with section 110 of Ontario Regulation 105/22 made under the *CUCPA 2020* and the rules set out in the Differential Premium Score Determination (“DPSD”) document published by FSRA on its website. The annual premium payable by a Credit Union is calculated by using the Credit Union’s differential premium score calculated according to the DPSD rules to determine a premium rate and applying the rate to its insured deposits.

Premiums are invoiced annually within ninety (90) days of the Credit Unions’ fiscal year-ends. Premium revenue is recognized upon issuance of the annual premium invoice to a Credit Union. Outstanding premiums as at year-end are recognized as premium receivable in the statement of financial position.

Investment income is measured using the effective interest rate method and recognized when earned.

(d) Provision for deposit insurance loss

A provision for deposit insurance loss is recognized when the DIRF has a present obligation arising from a past event for a purpose under section 224 (2) of the *CUCPA 2020*, it is likely that the DIRF is required to settle the obligation, and a reasonable estimation of the payment amount can be made.

(e) Financial instruments

Financial assets and financial liabilities are recognized in the Fund’s statement of financial position when the Fund becomes a party to the contractual provisions of the instrument.

All financial instruments should be assigned to one of the two measurement categories at initial recognition: fair value, or cost/amortized costs.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Deposit Insurance Reserve Fund Notes to the Financial Statements For the year ended March 31, 2025 (Thousands of dollars)

Financial assets	Measurement basis
Cash	Amortized cost
Investments	Fair value (Note 3)
Accounts receivable	Amortized cost
Deposit insurance advance receivable	Amortized cost

Financial liabilities	Measurement basis
Accounts payable and accrued liabilities	Amortized cost

(i) Financial instruments measured at cost or amortized cost

Financial assets and liabilities measured at cost or amortized cost are initially recognized at acquisition cost, including transaction costs that are directly attributable to the acquisition or issuance.

Financial assets measured at amortized cost are assessed for collectability at each financial statement date. A valuation allowance is used to reflect financial assets measured at amortized cost at their net realizable value. Losses (gains) arising from changes in valuation allowances are recognized as expenses (revenues from recoveries of previously recognized allowances) in the statement of operations and changes in net assets in the period in which they arise.

When the DIRF is used to make an advance to a Credit Union for the purposes permitted by section 224 (2) of the *CUCPA 2020*, a deposit insurance advance receivable is initially recorded at cost. Valuation allowances are used to reflect the advance receivable at the lower of cost and net realizable value. These valuation allowances are recognized as provision for deposit insurance loss expenses. Any recoveries of the valuation allowances are recognized as revenue from recovery of provision for deposit insurance loss at the time when payment is received from the Credit Union, or when the recoverable amount can be reasonably determined and ultimate collection of payment is reasonably assured.

Financial assets at amortized cost are subject to impairment. At each financial statement date, the Fund assesses financial assets to determine whether there is any objective evidence of impairment. When a decline is determined to be other than temporary, the carrying amount of the financial asset is reduced and the amount of the impairment is recognized as a loss in the statement of operations and changes in net assets.

(ii) Financial instruments measured at fair value

When a financial instrument is in the fair value category, transaction costs are expensed upon initial recognition. Financial assets and liabilities at fair value are remeasured at their fair value at the end of each reporting period. Any unrealized gain or loss on investments is adjusted through the statement of remeasurement gains and losses. When an asset is sold, unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations and changes in net assets.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Deposit Insurance Reserve Fund Notes to the Financial Statements For the year ended March 31, 2025 (Thousands of dollars)

The Fund has defined and implemented an investment and risk management strategy to manage and evaluate the performance of its investments on a fair value basis. As a result, the Fund has elected to designate its investments to the fair value category.

Fair value measurements are classified using a fair value hierarchy based on the market observability of the valuation inputs used to measure fair value:

- Level 1 – unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 – observable or corroborated inputs, other than Level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 – unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

(iii) Derecognition of a financial instrument

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the benefits and risks of ownership of the asset to another organization. The Fund derecognizes a financial liability or part of a financial liability when the obligation specified in the contract is discharged or cancelled or expires. On derecognition, the difference between the financial instrument's carrying amount and the sum of the consideration received and receivable is recognized in the statement of operations and changes in net assets.

(iv) Transaction costs

Transaction costs are incremental costs directly attributable to the acquisition or issue of a financial asset or financial liability. Transaction costs include fees and commissions paid to agents, advisors, brokers, and transfer taxes and duties.

3. INVESTMENTS

A DIRF Investment Policy has been established and approved by the Board to ensure that the investments are managed in compliance with applicable regulations and that an appropriate balance between capital preservation, liquidity, and reasonable yield is maintained.

FSRA and the Ontario Financing Authority (the "OFA") have entered into an Investment Management Agreement for the OFA to manage the DIRF investments. The SFAC has the oversight responsibility to oversee Management in its monitoring of the performance of the OFA.

The DIRF investments consist of discount notes and government bonds.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Deposit Insurance Reserve Fund Notes to the Financial Statements For the year ended March 31, 2025 (Thousands of dollars)

		March 31, 2025		March 31, 2024	
	Fair value hierarchy	Fair value	Cost	Fair value	Cost
Discount notes	Level 1	467,511	467,511	405,607	405,607
Government bonds	Level 2	68,025	66,975	64,894	65,588
Total investments		535,536	534,486	470,501	471,195

During the years ended March 31, 2025 and 2024, there were no transfers of assets between Level 1 and Level 2.

Investment income of \$22,443 is reported on the statement of operations and changes in net assets (2024 - \$20,403). As of March 31, 2025, unrealized gains of \$1,050 are reported on the statement of remeasurement gains and losses (2024 – unrealized losses of \$694).

The discount notes had yields in the range of 2.644% to 3.440% (2024 – 4.960% to 5.120%). The government bonds had yields in the range of 2.719% to 4.558% (2024 – 0.738% to 4.558%).

4. PREMIUM RECEIVABLE AND PREMIUM REVENUE

As prescribed in section 110 of *O. Reg 105/22*, the premium rates payable by Credit Unions range from \$0.75 to \$2.25 per one thousand dollars of insured deposits.

Premium receivable of \$39,778 represents the annual premiums invoiced as of March 31, 2025, to Credit Unions with a December 31 fiscal year-end for the year from January 1 to December 31, 2025 (2024 - \$38,539).

5. RELATED PARTY TRANSACTIONS

FSRA is a related party due to its obligation to administer the DIRF, in addition to the DIRF being controlled by FSRA. FSRA collects deposit insurance premiums and files HST returns on behalf of the DIRF, and the two entities pay certain expenses on behalf of each other. Any unsettled receivable and payable balances as at the year-end are netted and reported on the statement of financial position as other receivables or other payables. There were no unsettled receivable and payable balances as at March 31, 2025 (2024 – Nil).

The OFA is a related party in its capacity as the DIRF investment manager. The OFA manages the investments on a fee-for-service basis. The investment management fees are paid by the DIRF from its investment income. Investment management fees of \$163 were paid to the OFA in fiscal 2025 (2024 - \$143). These fees are netted from investment income on the statement of operations and changes in net assets.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Deposit Insurance Reserve Fund Notes to the Financial Statements For the year ended March 31, 2025 (Thousands of dollars)

6. OTHER RECEIVABLES

Other receivables consist of a deposit insurance advance receivable.

In fiscal 2025, \$67 was paid from the DIRF to fulfill the DIRF's payment obligations under the Limited Guarantee as part of the Purchase and Assumption ("P&A") Transaction Agreement between Pace Savings & Credit Union Limited ("PACE"), Alterna Savings & Credit Union Limited ("Alterna"), and FSRA as the administrator of the DIRF (Note 11(a). 2024 - \$252). The disbursements for both years are intended to be recovered from the PACE liquidation (Note 11(b)), and the amounts were initially recorded as deposit insurance advance receivables. Due to the collectability of the respective receivable being undeterminable as at March 31, 2025, and 2024, a valuation allowance for the entire receivable amount was established at each year-end to write off the receivables. The valuation allowance was recognized as provision for deposit insurance loss expense and reported on the statement of operations and changes in net assets.

	March 31, 2025	March 31, 2024
Deposit insurance advance receivable		
Cost	67	252
Valuation allowance	(67)	(252)
Net realizable value	-	-
Total other receivables	-	-

7. PROVISION FOR DEPOSIT INSURANCE LOSS

FSRA is permitted by the *CUCPA 2020* to use the DIRF to provide financial assistance to a Credit Union under administration to thereby assist in its continued operation or to assist with the orderly winding up of a Credit Union (Note 1), if FSRA determines that its statutory objects under the *FSRA Act*, including minimizing losses to depositors and to the DIRF and supporting the stability of the Credit Union sector, can be furthered by providing such assistance.

As at March 31, 2025, a provision for deposit insurance loss expense of \$67 was recognized, representing the valuation allowance provided for deposit insurance advance receivable with respect to PACE P&A transaction and liquidation (Notes 6. 2024 - \$252).

8. RECOVERIES

Revenue from recoveries consists of amounts collected from members of liquidated Credit Unions relating to loans previously written off at DICO as deposit insurance losses, in the amount of \$166 (2024 - \$181).

9. RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Fund's assets consist primarily of its investment securities. The Fund's investment strategy

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Deposit Insurance Reserve Fund Notes to the Financial Statements For the year ended March 31, 2025 (Thousands of dollars)

is based on objectives of preserving capital, providing liquidity and obtaining a return within risk tolerances established in its Investment Policy. Risk exposures related to investments include credit risk, liquidity risk and market risk.

(a) Credit risk

Credit risk is the risk of financial loss to the DIRF if a counterparty to a financial instrument fails to meet its contractual obligations. The DIRF is exposed to credit risk relating to its cash, investments, premium receivable, and deposit insurance advance receivable.

The DIRF's cash is held at chartered financial institutions in Canada with least possible exposure to credit risk. Management minimizes DIRF investment credit risk by investing in high-quality financial instruments permitted by legislation and by limiting the amount invested in any one counterparty. The risks of net investment losses and not receiving investment income are considered minimal. The risk of not collecting premium receivables is considered low due to the importance of deposit insurance to Credit Unions, Management's effective collection measures and that payment is an obligation under the *CUCPA 2020*. As of March 31, 2025, there were no significant premium receivables that were past due or impaired. An allowance of \$67 (2024 - \$252) on the DIRF's deposit insurance advance receivable from PACE liquidation has been established (Note 6).

(b) Liquidity risk

Liquidity risk is the risk that the DIRF will not be able to meet its cash flow obligations as they fall due. As at March 31, 2025, the DIRF had an investment balance of \$535.5 million (2024 - \$470.5 million). The Fund has the ability to meet sudden and unexpected claims by converting the investment holdings to cash without delay or significant transaction costs. On December 19, 2023, FSRA entered into a one-year credit facility (the "Facility") with the OFA for \$2.0 billion, with an option to extend twice for one year each, to be able to provide financial assistance to Credit Unions that could require financial support. The Facility is revolving to allow for flexible drawdowns and repayments over its term. The Facility was renewed on December 18, 2024, for a one-year extension, making the new expiry date December 18, 2025. No amounts were drawn on the Facility during fiscal 2025 (2024 – Nil).

(c) Market risk

Market risk arises from the possibility that changes in market prices (interest rates, foreign exchange rates, and other applicable market prices) will affect the value of the financial instruments of the DIRF that are measured at fair value. The DIRF's investments are subject to market risk. With capital preservation being the primary investment objective, all investments are low-risk debt instruments denominated in Canadian Dollars. The investments' main exposure to market risk is through interest risk. Interest risk is managed with the objective of enhancing interest income within established risk tolerances.

The fair value sensitivity of discount notes as at March 31, 2025, is \$1,703 for a 1.00% change in interest rates (2024 - \$840). The fair value sensitivity of government bonds as at March 31, 2025 is \$954 for a 1.00% change in interest rates (2024 - \$913).

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Deposit Insurance Reserve Fund Notes to the Financial Statements For the year ended March 31, 2025 (Thousands of dollars)

There have been no changes in risks and policies to mitigate the risks.

10. DEPOSIT INSURANCE CONTINGENCIES

The Fund may be exposed to deposit insurance claims and other obligations mandated by the *CUCPA 2020* as a result of existing conditions or situations involving uncertainty. In its capacity as the prudential regulator, FSRA performs regular risk assessments to review the risk profiles of the Credit Unions through a Risk Based Supervision Framework, including the adequacy of capital and liquidity levels, effectiveness of governance, and potential impact of market, economic, and other applicable conditions. An Early Warning System is in place to monitor, and intervene in where necessary, any situations and conditions for potential insurance losses for high-risk and moderate-high-risk Credit Unions.

Other than the Alterna claims under the P&A Limited Guarantee of \$67 disclosed in Note 6 (2024 - \$252), there were no claims against the DIRF in fiscal years 2025 and 2024. As at March 31, 2025, no existing conditions or situations were identified that would likely result in losses to the DIRF.

11. PACE SAVINGS & CREDIT UNION LIMITED

(a) PACE Purchase and Assumption Transaction with Alterna Savings & Credit Union Limited

Pursuant to section 294 of the *CUCPA 1994*, PACE was placed under administration in September 2018 by FSRA's predecessor, DICO, to protect members from failed board governance and misconduct by certain former executives. FSRA assumed the responsibility to administer PACE since its amalgamation with DICO in June 2019.

During fiscal years 2022 and 2023, FSRA, as the administrator of PACE, worked toward implementing a purchase & assumption transaction (the "P&A Transaction") resolution strategy in accordance with the provisions of the *CUCPA* and FSRA's statutory objects under the *FSRA Act*. On April 20, 2022, PACE (acting through FSRA as its administrator) as the vendor, Alterna as the purchaser, and FSRA, in its capacity as administrator of the DIRF, entered into a P&A Transaction Agreement documenting Alterna's agreement to acquire most of the assets and liabilities of PACE to enable Alterna to continue to operate PACE's core business.

The P&A Transaction closed on June 30, 2022. Alterna assumed PACE's employees, members, certain deposit accounts, certain loan portfolios, and PACE's head office and branches. As a critical part of the P&A Transaction, PACE members continued to be served by PACE's employees and branches.

Under the P&A Transaction, certain assets and liabilities were excluded (the "Excluded Items") and remained with the PACE legal entity. The Excluded Items primarily comprised PACE's investment shares, profit shares, membership shares, prepaid card business, and PACE's

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Deposit Insurance Reserve Fund Notes to the Financial Statements For the year ended March 31, 2025 (Thousands of dollars)

claims and litigation against the officers, directors, and their insurers related to the matters that resulted in the administration of PACE (the "Recovery Litigation Claims"). The PACE legal entity remained under administration by FSRA until August 24, 2022, on which date it was placed in liquidation (Note 11 (b)).

As part of the P&A Transaction, FSRA provided a Limited Guarantee to Alterna in which it guarantees certain payment obligations of PACE under the P&A Transaction Agreement and other related agreements including a Loss Sharing Agreement (the "LSA").

The LSA was executed when the P&A Transaction closed. Under this LSA, PACE is required to make deficiency payments to Alterna for losses Alterna incurs on the retail and commercial loans it acquired from PACE as part of the transaction. The deficiency payments are equal to 50% of Alterna's losses on retail loans and 100% of its losses on commercial loans, with such losses being calculated after taking into account the loss provisions accrued by PACE and included in the calculation of the purchase price of such portfolio assets. The Limited Guarantee also extends to any payments arising from PACE's representations and warranties under the P&A Transaction Agreement.

Deficiency payments for commercial loans will cover a period of up to five (5) years after the closing date of the P&A Transaction. For retail loans with a fixed maturity date, deficiencies will cover a period of up to twelve (12) months after the maturity date of the loan period. For all other retail loans, the coverage period will be up to three (3) years after the closing date of the P&A Transaction.

FSRA's liability, solely as the administrator of the DIRF, to Alterna under the Limited Guarantee is limited to the assets of the DIRF. Under the Limited Guarantee, the DIRF's total exposure to losses from deficiency payments and representations and warranties, and other obligations is limited to \$155 million.

The Limited Guarantee will remain in effect until six (6) months after PACE's payment obligations under the P&A Transaction Agreement and other related agreements are, as discussed above, terminated.

In fiscal 2025, \$67 was claimed by Alterna under the LSA (Note 6), with no other claims under the Limited Guarantee. In fiscal 2024, \$252 was claimed under the Limited Guarantee (\$224 under LSA, and \$28 under paragraph 15.3(k) of the P&A Agreement for costs required to remediate pre-closing non-compliance with Anti-Money Laundering laws).

(b) Liquidation of PACE Legal Entity

The Excluded Items, including the Recovery Litigation Claims, the prepaid card business, and certain excluded liabilities, remained in the PACE legal entity after the closing of the P&A Transaction.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Deposit Insurance Reserve Fund Notes to the Financial Statements For the year ended March 31, 2025 (Thousands of dollars)

On August 24, 2022, pursuant to an order of the Ontario Superior Court of Justice (the “Court”), the PACE legal entity was ordered to be wound up pursuant to section 240 of the *CUCPA 2020*. KPMG was appointed as liquidator (the “Liquidator”) to wind up the PACE legal entity, including realizing its assets and distributing the proceeds therefrom to its creditors and capital providers in accordance with applicable law governing priorities. Costs associated with the PACE wind-up may, to the extent PACE has insufficient resources to pay its senior creditors and such costs, be borne by the DIRF if FSRA determines that such assistance is required for the orderly wind-up of PACE. No costs associated with PACE liquidation were paid by the DIRF in fiscal 2025 (2024 – Nil).

PACE’s investment shares, profit shares, and membership shares are part of the Excluded Items and remain an obligation of PACE if it has sufficient assets after paying higher ranking claims, including FSRA’s claims against PACE filed with KPMG in the liquidation claims process described below. The investment, profit, and membership shares provided risk-bearing capital to PACE that are not insured by the DIRF, and as such, any losses to PACE members arising from owning these shares do not impact the DIRF.

On September 22, 2023, the Court approved the PACE liquidation Claims Process Order, and KPMG, in its capacity as court-appointed liquidator of PACE, was authorized to conduct a claims process for the purpose of identifying and determining claims against PACE. FSRA filed its claims on November 22, 2023. The claims impacting the DIRF are in the following five categories:

- (i) \$25,000 PACE’s contribution to an investor litigation settlement, funded by the DIRF in fiscal 2022.

On June 24, 2021, PACE, acting through FSRA as its administrator, entered into a confidential settlement of certain claims by investors in preferred shares that were distributed by PACE’s subsidiary, PACE Securities Corporation, and issued by another subsidiary, PACE Financial Limited, and by an unaffiliated entity (First Hamilton Holdings). This settlement agreement received court approval in October 2021. PACE’s contribution to the settlement was determined to be \$25,000. FSRA used the DIRF to provide financial assistance to PACE by funding the settlement amount under an unsecured non-interest-bearing promissory note based on the provisions of the *CUCPA 2020* and the *FSRA Act*.

- (ii) \$5,892 professional fees incurred by PACE for advisory services with respect to the P&A Transaction in fiscal years 2022 (\$4,120) and 2023 (\$1,772), funded by the DIRF as a form of financial assistance advance to PACE.
- (iii) \$28 Alterna claims under s. 15.3(k) of the P&A Transaction Agreement, paid by the DIRF in fiscal 2024.
- (iv) \$184 Alterna claims under the LSA for the period from January to September 2023, paid by the DIRF in fiscal 2024.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Deposit Insurance Reserve Fund Notes to the Financial Statements For the year ended March 31, 2025 (Thousands of dollars)

- (v) Potential future Alterna claims under the Limited Guarantee submitted by Alterna after November 22, 2023.

The DIRF disbursements under categories (i) to (iv) were expensed to the DIRF in the respective fiscal years as provision for deposit insurance loss. From November 22, 2023, to March 31, 2025, an aggregate amount of \$106 of LSA claims under category (v) was submitted by Alterna, of which \$39 was paid by the DIRF in fiscal 2024 and \$67 was paid in fiscal 2025, as provision for deposit insurance loss expense. Any amounts recovered from PACE liquidation will be recoveries of provision for deposit insurance loss.

During fiscal 2025, the liquidation proceedings of PACE remained ongoing. The Liquidator continues to work through claims received as part of the claims process approved by the Court. Until there is a resolution or determination of all claims, the recoverable amount of provision for deposit insurance loss cannot be determined.

(c) PACE Class Action Claim

During fiscal 2024, a former PACE member (the “Member”) holding Class A Profit Shares and Class B Special Shares filed a motion in the Ontario Superior Court of Justice seeking leave to issue a class action against FSRA and its CEO (the “Action”). The motion contained a draft statement of claim which alleged that between October 25, 2018, and November 29, 2019, the Member purchased a number of securities (“investment shares”) in the authorized capital of PACE while it was under the administration of FSRA, and the Member did not receive an offering statement prior to the purchases. The Member further alleged that other members also purchased investment shares of PACE between September 28, 2018, and August 24, 2022 (the “Class Period”), and were also not provided offering statements.

The motion was heard on July 2, 2024, and the Reasons for Decision were released on August 15, 2024 by the Court. The Court refused to grant leave to bring the Action as against the FSRA CEO but agreed to grant leave for the action to continue as against FSRA. The Member subsequently issued a statement of claim on behalf of himself and other members who purchased investment shares during the Class Period.

FSRA filed a Statement of Defence to the Action on April 30, 2025. The Court proposed a schedule for the Member’s motion to certify the Action as a class proceeding and for FSRA’s motion for summary judgment seeking dismissal of the Action. These motions are anticipated to be heard sometime in late 2025.