

Ready. Set. Launch!



MARK WHITE
CEO, Financial Services Regulatory
Authority of Ontario

Thanks to the support of the Government of Ontario and our stakeholders, the Financial Services Regulatory Authority (FSRA) assumed responsibility for the regulation of non-securities financial services in Ontario on June 8, 2019. We are pleased to provide you with our inaugural update on how FSRA is working towards becoming a principles-based, self-funded regulator capable of responding to the rapid pace of change in financial services.

Our plan is driven by our priorities. Our intent is to regulate dynamically by using enhanced expertise, rule-making and other regulatory tools and improved processes to achieve regulatory outcomes that further our statutory objects. We aim to reduce burden and increase regulatory effectiveness, while keeping costs as low as reasonably possible.

Today, change is everywhere. Technology has become pervasive in our personal and professional lives. Constant change is the new normal. Few industries know this better than financial services.

FSRA's broad statutory objects require us to balance competing interests to achieve specified outcomes for industry and the public. As a regulator, we help to manage the province's ecosystem of financial services; we want the public to be treated fairly and transparently while we help to strengthen our economy and consumer choice.

We focus on correcting market imbalances that matter and expect registrants to deliver financial safety, fairness and choice. Our regulatory approach employs "principles-based regulation". This permits registrants to determine their own path, provided they achieve the desired regulatory outcomes, including markets that function well and risks that are well managed. **continued →**



CONTENTS

SECTOR ARTICLES

Ready. Set. Launch!	1
Burden Reduction	2
Streamlining Auto Rate Regulation	3
Protecting Consumers & Syndicated Mortgage Investments (SMIs)	3
Pension Priorities	4
Credit Union Update	4

→ We encourage appropriate behaviour through outcomes-focused regulation, as successful registrants will self-govern to maintain high standards, and less successful ones will be guided to improve or refocus. Our approach and structure, complete with checks and balances, is intended to assist businesses in offering reliable and innovative financial products and services that meet the needs of Ontarians.

FSRA will regulate with respect, transparency and collaboration and will focus its efforts based on the risks to stakeholders.

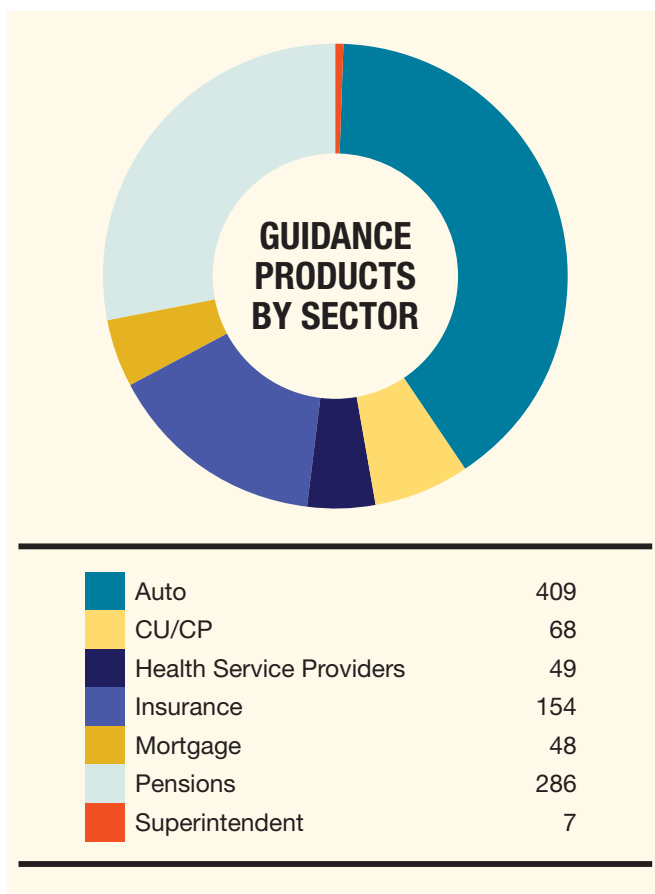


Burden Reduction



GLEN PADASSERY
Executive Vice President,
Policy and Chief Consumer Officer

In our first year, in addition to continued effective supervision, we have two over-arching priorities across all regulated sectors: burden reduction and regulatory effectiveness.



To reduce burden, FSRA will, in conjunction with our stakeholders, conduct a thorough examination of existing guidance documents, data and filing requirements, and service standards to ensure that they are relevant, provide value, and support our mandate. Our goal is to communicate in plain language and with clear expectations.

BOOKMARK
www.fsrao.ca

The FSCO and DICO websites will continue to be accessible online but they will no longer be updated.

Going forward you will be accessing the FSRA website for all news, consultation and regulatory information.

Regulatory effectiveness is about ensuring that we achieve our legislative objectives and protect the public interest. We will do this through enhanced consumer, industry and regulatory expertise, collaboration and transparency, efficient processes, the use of technology and by enabling innovation.

In addition to cross-sector priorities, in each sector we have, with the help of our stakeholders, identified sector-specific opportunities for FSRA to reduce burden and improve regulatory effectiveness.

FSRA has initiated a review of all 1,100 pieces of guidance that we have inherited. We are committed to reducing regulatory burden by streamlining and/or removing unnecessary guidance.

In addition to eliminating, combining and refreshing guidance, where paper filing was the norm, electronic streamlining of forms and technologically enabled processes will be the future expectation.

We have already started sector-specific discussions on burden reduction and will be launching additional stakeholder consultations in the coming weeks.



Streamlining Auto Rate Regulation



TIM BZOWEY
Executive Vice President,
Auto/Insurance Products

We started to work on streamlining auto insurance rate regulation by defining the principles we will apply. Those principles respond to fundamental questions such as: Why do we regulate auto insurance rates? Where should the regulator step in, and where are consumers better off by allowing the market to work? With input from top professionals, we started to develop principles, which we will test through public consultation.

With these draft principles providing guidance, we are close to introducing a new standard rate filing

process that will operate on a 'file and use' basis. This means insurers can, when acting within FSRA defined boundaries, implement rates in a matter of days. Not only does this act as a service standard for FSRA, it should save weeks and, in some cases, months, of time between seeking and implementing new rates. As such, consumers will receive rates that are more responsive to market conditions and more competitive.

More timely approvals incent insurers to rate more accurately and compete more vigorously when responding to changing market conditions. This is a starting point to complement the ambitious and regime-changing auto insurance reforms announced by the Government in its spring 2019 budget.

Protecting Consumers & Syndicated Mortgage Investments (SMIs)



HUSTON LOKE
Executive Vice President,
Market Conduct

FSRA is conducting a review of the syndicated mortgage investment (SMI) regulatory framework it inherited. This includes considering whether the July 2018 SMI disclosure requirements are ensuring risks are well-disclosed so investors are able to make well-informed decisions. It also includes ensuring that SMI transactions that expose retail investors to unacceptable risk are identified and removed from the Ontario market.

We have completed our initial review of SMIs. Our approach has been to learn from the experience with failed or failing transactions. We have collected data and evidence and spoken

REGULATORY CONTINUITY

Until FSRA issues new regulatory direction, all existing guidance remains in effect. All forms, guidance, FAQs will remain on the FSCO/DICO websites for regulator continuity.

And as the burden reduction exercised is underway, new and updated guidance will be found on the FSRA website.

with market participants to define the indicia of unacceptable transactions. We plan to consult on a revised SMI supervision framework, and enhance and simplify disclosures for high risk transactions.

Subject to consultation with stakeholders, FSRA intends that, by identifying and focusing on syndicated mortgage transactions that are at higher risk of being unfair to retail investors, it will be possible to target unacceptable transactions and identify where regulatory burden can be reduced.

Shortly after launch, we expect to consult on our proposed approach to target high risk SMI transactions.



Pension Priorities



CAROLINE BLOUIN
Executive Vice President,
Pensions

In early consultation with the pension sector, we heard about the need for a proactive, adaptable, practical regulator. We have also heard about the importance of supporting plan flexibility and innovation in the pension sector.

With that in mind, we will be establishing advisory groups in support of key priorities:

reconnecting members with their pensions (missing members); asset transfers and family law matters. We will also have broader public consultation on these matters.

Finally we will also be looking at the preventative tools we can use as a proactive prudential regulator to improve outcomes for plan members of underfunded plans with sponsors that are facing difficulties. We continue to engage with the sector to help develop an identification process and supervisory approach.

Credit Union Update



GUY HUBERT
Executive Vice President,
Credit Union and Prudential

It is an exciting time within the credit union sector.

The Deposit Insurance Corporation of Ontario (DICO) has amalgamated into FSRA. This brings together conduct and prudential regulation for credit unions, providing more efficient and effective regulation.

FSRA will be actively reviewing all FSCO and DICO credit union guidance, including forms, guidelines

FSRA BUSINESS PLAN

The Minister of Finance has approved FSRA's 2019 -2022 **business plan** with a focus on burden reduction and regulatory efficiency.

and FAQs. An early initiative, after stakeholder consultation and following the statutory rule-making process, will be to replace the DICO by-law governing credit union disclosure of deposit insurance with a new FSRA rule.

FSRA looks forward to supporting the Ministry of Finance on modernizing the *Credit Union and Caisses Populaires Act, 1994*.

FSRA FEE RULE

FSRA Rule 2019-001: Assessments and Fees is intended to ensure that FSRA is a self-funded agency that operates on a cost recovery basis to enable FSRA to carry out its legislated mandate. **The Fee Rule** was approved by the Minister on May 24, 2019 and came into force on June 8, 2019.