FSRA

Financial Services Regulatory Authority of Ontario

Ontario

Annual Report

2023-24

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Executive summary

The Financial Services Regulatory Authority of Ontario ("FSRA") is pleased to introduce its 2023-24 Annual Report. The Annual Report provides relevant information to FSRA's stakeholders and consumers of financial services on how FSRA met its operational and financial goals and objectives, particularly regarding its 2023-26 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[1]

FSRA continues to work on behalf of consumers

FSRA regulated or registered as of March 31, 2024:

- **1,740** co-operative corporations
- **5** credentialing bodies for financial planner/advisor title use
- **57** credit unions and caisses populaires
- **4,996** health service providers
- **7,154** corporate insurance agencies
- **1,804** insurance adjusters
- **69,268** insurance agents
- **51** Ontario-incorporated insurance companies and reciprocals
- **238** non-Ontario-incorporated insurance companies
- **52** loan and trust corporations
- **2,654** mortgage administrators
- **8,881** mortgage agents Level 1
- **4,207** mortgage agents Level 2
- **1,256** mortgage brokerages
- **2,531** mortgage brokers
- **4,306** registered pension plans
    - **2,780** defined contribution pension plans
    - **995** defined benefit pension plans
    - **531** combo pension plans

[1] Data derived from FSRA's internal licensing and registration systems.

FSRA continues to work on behalf of consumers:

Enforcement actions

- Total of $1.6 million initiated in administrative monetary penalties

Service standards

- All targets around inquiry response and complaints met

Consumer research

- Undertook research focused on consumer vulnerability as part of FSRA's Consumer Research Agenda

Key accomplishments in 2023-24:

Consultations

- Conducted 17 public consultations, 11 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 4 cross-sectoral and 13 sector-specific

Key work

- Published final IT Risk Management guidance
- Received Minister of Finance approval of FSRA's revised Fee Rule
- Established new Technical Advisory Committee on non-auto property & casualty insurance issues
- Approved FSRA's first Test and Learn application
- Published final General Administrative Monetary Penalties Guidance

Message from the Chair

I am pleased to introduce FSRA's 2023-24 Annual Report. This report highlights FSRA's activities and achievements over the period. The annual reporting process is a cornerstone of FSRA's accountability to both the people of Ontario and the Minister of Finance to whom we report.

Over the last year FSRA has made great progress in fulfilling its legislative mandate. That mandate is to transition FSRA into a principles-based regulator but also maintain prescriptive rules and guidance for specific regulated activities. As a Board we appreciate that this is an innovative and bold regulatory model. One that drives outcomes, giving consumers choice, fairness, and safety in the products and services available to them, and allows the financial services entities we regulate, greater capacity to innovate.

The success of FSRA's innovative model will heavily depend on ensuring that it develops a deep understanding of the business of its regulated entities. This includes the competitive challenges and opportunities they face as well as the quality of the services and products they deliver to the market. FSRA must also understand the needs of consumers and strengthen consumer protection. To fully build that understanding and deliver consumer protection, FSRA has enhanced several of its activities including increasing the collection and analysis of sector and consumer data, and consulting more broadly to collect input and advice from its stakeholders. To that end, we are very thankful 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.

The entities regulated by FSRA comprise a wide range of sectors. As a rule-making Board it is critical that the knowledge, experience and expertise in those sectors is present around the board table so that we can provide considered guidance and direction to the management team. It is gratifying to work with fellow professionals who bring the depth of knowledge and dedication needed for the task. In the last year we said goodbye to our long-serving colleague Lawrence Ritchie, one of the architects of the FSRA model and the first Chair of the Board's Rules and Policy Committee. We also welcomed four new dynamic and experienced members to the Board: Peggy McCallum, Lucie Tedesco, Ali Salahuddin and Rob Wellstood.

As we look ahead to the next year we will be recruiting a new CEO. Mark White, who has led FSRA since its inception, is stepping down to take on the role of Chair of the Ontario Energy Board. FSRA's position today as a regulator that continually delivers on its mandate through a dynamic, principles-based and outcomes-focused approach, benefitted from Mark's vision and leadership.

FSRA's success also owes much to the confidence we enjoy, and the support we receive, from our Minister, the Honourable, Peter Bethlenfalvy and our colleagues at the Ministry of

Finance.

The heavy lifting to keep FSRA working well is done by FSRA's strong management and staff. Thank you for your commitment and dedication.

I look forward to continuing to work with my board colleagues and the FSRA team in serving all of our stakeholders.

Joanne De Laurentiis

Chair

Financial Services Regulatory Authority of Ontario

Message from the CEO

It is my pleasure to review some of FSRA's key accomplishments from FY2023-24 as highlighted in this 2023-24 Annual Report. Over the past year, we maintained our focus on the broader objectives of regulatory efficiency and effectiveness, and protecting consumers, while also focusing on priorities that continue to support our regulatory and cultural transformation.

This Annual Report speaks to FSRA's performance in FY2023-24, most notably as it relates to the priorities and deliverables outlined in the 2023-26 ABP. Driving FSRA's responsiveness to emerging trends in the regulatory environment, these are some of the key initiatives FSRA undertook this year:

- Approving FSRA's first Test and Learn Environment ("TLE") application in August 2023, which involved an insurance company testing a novel way to distribute commercial insurance products to improve market access and convenience for consumers.
- Launching a new geographic territory TLE for auto insurance in January 2024, which enables auto insurers to discontinue standardized postal code-based territories and to establish new rating territories which more accurately reflect risks and costs and result in rates that are more equitable. FSRA has already approved new territory regimes in the Greater Toronto Area for 10 auto insurers representing over 40% of private passenger auto insurance premiums in Ontario.
- Hosting an Innovation Forum, which convened a group of innovation experts and thought leaders to share their insights and expertise on key technological trends in the financial services sectors.
- Finalizing and publishing Information Technology ("IT") Risk Management Guidance, which protects consumer interests in FSRA's regulated sectors by outlining effective practices for IT risk management.

- Continuing to strengthen outreach to, and engagement with, the public interest community, including sponsoring a consumer advocate meeting hosted by FSRA's Consumer Advisory Panel in November 2023.

- Launching FSRA's Grant Funding Program, using proceeds of enforcement for educational, research, and knowledge or information-enhacement initiatives. FSRA has now conditionally approved 4 funding applications involving a total of $354,000 for cross-sectoral education purposes.

- Transforming the way FSRA regulates, both by investing in new technologies like machine learning to enhance efficiency and by investigating issues, and developing supervisory responses to thereby better protect consumers in all of our regulated sectors (see Scorecard section on pages 20-82 for more details).

This year, FSRA held 17 public consultations on various rules and pieces of guidance. FSRA has 7 Stakeholder Advisory Committees ("SACs") and 16 Technical Advisory Committees ("TACs") across its regulated sectors, as well as a Consumer Advisory Panel ("CAP") with multiple subject-specific working groups. These groups supplement our general public consultations and allow FSRA's stakeholders to engage actively in FSRA's regulatory processes and support our goal of being a high-performing regulator.

As of March 31, 2024, FSRA's financial position remained strong, with a net working capital of $50.3 million and a surplus of assets over liabilities of $8.5 million. As a self-funded agency, this gives FSRA much needed flexibility to effectively regulate and supervise its regulated sectors. In FY2023-24, FSRA used a planned $7.0 million of its surplus to reduce fee assessments. Expenses were $4.5 million above budget, primarily due to accruals for projected liabilities relating to Bill 124 and investment in unplanned initiatives to support FSRA's priority initiatives. This resulted in a net revenue over expenses for the fiscal year a deficit of $10.0 million.

Finally, I acknowledge that 2023-24 was my final year as FSRA's CEO, as I will be stepping down to become the Chair of the Ontario Energy Board. FSRA has come a long way from its inception in 2019. Although there is still more work to be done, I believe that

in these last five years we have built a financial services regulator that has the people, culture, processes and supervisory approaches to deal with whatever the future may bring.

As I move on from FSRA, I would like to thank the Minister, Ministry of Finance staff, FSRA's Board, FSRA's employees, and the consumer advocates and industry stakeholders FSRA works with every day, for their commitment to public service, contributions to FSRA, and their focus on protecting Ontario consumers. I am very grateful for the opportunity to work with such great people and honoured to have served the people of Ontario.

Mark E. White
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.

Vision	Financial safety, fairness, and choice for Ontarians.
Mission	Public service through dynamic, principles-based, and outcomes-focused regulation.
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 an 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, 2024

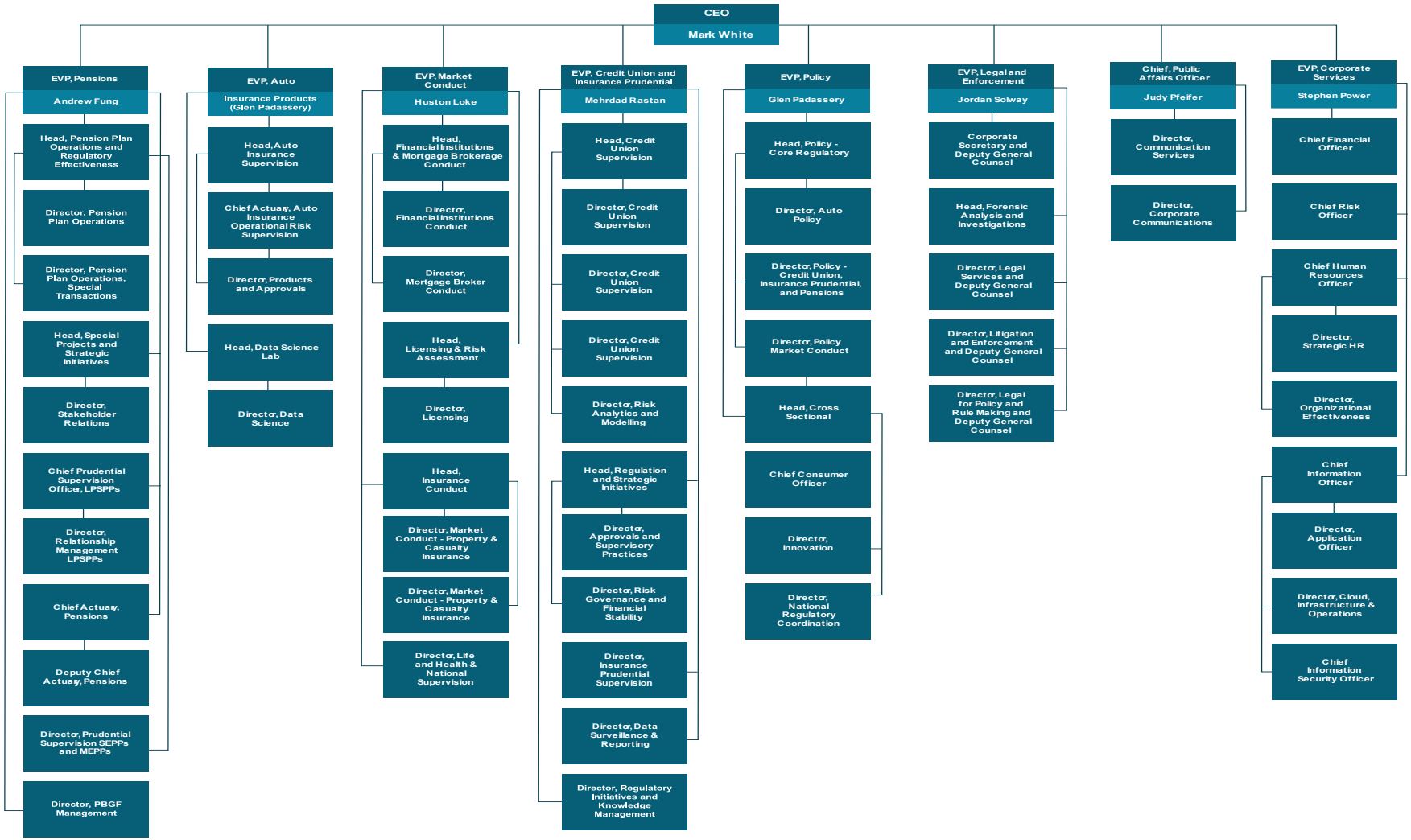
Name	Date first appointed	Most recent appointment team	Remuneration (as of March 31, 2024)
Joanne De Laurentiis (Chair)	July 26, 2019	June 28, 2021 – June 27, 2024	$79,236.00
Kathryn Bouey	June 28, 2017	June 28, 2021 – June 28, 2024	$25,016.00
Joseph Iannicelli	April 9, 2020	April 9, 2023 – April 8, 2026	$39,648.00
Dexter John	January 7, 2021	January 8, 2024 – January 8, 2025	$12,508.00
Stewart Lyons	October 22, 2020	October 22, 2023 – October 21, 2026	$11,092.00
Peggy McCallum	May 18, 2023	May 18, 2023 – May 17,2025	$25,488.00
Lawrence Ritchie	March 12, 2018	March 12, 2022 – December 31, 2023*	$19,588.00
Ali Salahuddin	January 11, 2024	January 11, 2024 – January 10, 2026	$8,024.00
Lucie Tedesco	July 13, 2023	July 13, 2023 – July 12, 2025	$13,216.00
Rob Wellstood	March 7, 2024	March 7, 2024 – March 6, 2026	$944.00
Brent Zorgdrager	July 26, 2019	July 26, 2021 – July 25, 2024	$32,572.40

*Retired

Committees of the Board – Members as of March 31, 2024

Audit, Finance & Risk Committee	Technology Transform-ation Committee	Rules & Policy Committee	Human Resources & Governance Committee	Statutory Funds Committee
Chair: Brent Zorgdrager	**Chair:** Kathryn Bouey	**Chair:** Lucie Tedesco	**Chair:** Joseph Iannicelli	**Chair:** Stewart Lyons
Kathryn Bouey	Stewart Lyons	Joseph Iannicelli	Kathryn Bouey	Dexter John
Joseph Iannicelli	Brent Zorgdrager	Joanne De Laurentiis	Dexter John	Brent Zorgdrager
Joanne De Laurentiis (ex officio)	Joanne De Laurentiis (ex officio)	Peggy McCallum	Lucie Tedesco	Peggy McCallum
			Joanne De Laurentiis (ex officio)	Joanne De Laurentiis (ex officio)

Organization structure as at March 31, 2024



FSRA's strategic priorities (2023-2024)

Cross-sectoral priorities

Regulatory effectiveness

1. Strengthen the consumer focus.
2. Modernize systems and processes.
3. Enable innovation.
4. Enhance FSRA's talent management framework and strategy.

Sector-specific: Target high-impact priorities		
Property & Casualty (Auto) Insurance	**Credit Unions**	**Life & Health Insurance**
5.1 Execute strategy for reforming the regulation of auto insurance rates and underwriting. **5.2** Develop recommendations and act on reforms of the auto insurance system. **5.3** Ensure the fair treatment of property and casualty consumers. **5.4** Achieve supervisory excellence for the Ontario-Incorporated insurance companies and reciprocals sector.	**6.1** Achieve supervisory excellence for Ontario's credit union sector. **6.2** Enhance FSRA's Regulatory Framework. **6.3** Enhance financial stability structures.	**7.1** Enhance market conduct oversight to protect consumers.
Mortgage Brokering	**Pensions**	**Financial Planners & Advisors**
8.1 Promote high standards of governance and business conduct. **8.2** Enhance professional competence of licensed individuals.	**9.1** Assess systemic and high priority risks in Ontario's pension sector. **9.2** Support the development of target benefit regulation.	**10.1** Ensure the effectiveness of the title protection framework for financial planners/ financial advisors.

Overview of key activities in FY2023-24 and year-end scorecard

The 2023-26 ABP contained 17 priorities, each with one or more key deliverables. At the beginning of FY2023-24, FSRA determined the “year-end achievements” for each key deliverable. The overall completion of each priority was determine by the completion of each key deliverable and its respective year-end achievement(s). **14 priorities were assessed as complete, 3 as substantially complete, and 0 as partially complete.**

Three self-assessment categories were used:

	**Complete –** priority is complete compared to target.
	**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.
	**Partially complete –** priority was not complete compared to target deliverable.

Overview

FY2023-26 ABP priority	Year-end self-assessment	
Regulatory efficiency and effectiveness (cross-sectoral)		
1. Strengthen consumer focus	Complete	✓
2. Modernize systems and processes	Substantially complete with 2 key deliverables carried into FY2024-25	→
3. Enable innovation	Complete	✓
4. Enhance FSRA's talent management framework and strategy	Complete	✓
5. Property & Casualty / Auto Insurance		
5.1 Execute strategy for reforming and regulation of auto insurance rates and underwriting	Complete	✓
5.2 Develop recommendations and act on reforms of the auto insurance system	Substantially complete with 1 key deliverable carried into FY2024-25	→
5.3 Ensure the fair treatment of property and casualty consumers	Substantially complete with 1 key deliverable carried into FY2024-25	→
5.4 Achieve supervisory excellence for Ontario-Incorporated insurance companies and reciprocals sector	Complete	✓

FY2023-26 ABP priority	Year-end self-assessment	
6. Credit Union		
6.1 Achieve supervisory excellence for Ontario's credit union sector	Complete	✓
6.2 Enhance FSRA's Regulatory Framework	Complete	✓
6.3 Enhance financial stability structures	Complete	✓
7. Life & Health Insurance		
7.1 Enhance market conduct oversight to protect consumers	Complete	✓
8. Mortgage Brokering		
8.1 Promote high standards of governance and business conduct Mortgage Brokerages, Lenders and Administrators Act, 2006	Complete	✓
8.2 Enhance professional competence of licensed individuals	Complete	✓

FY2023-26 ABP priority	Year-end self-assessment	
9. Pensions		
9.1 Assess systemic and high priority risks in Ontario's pensions sector	Complete	✓
9.2 Support the development of target benefit regulation	Complete	✓
10. Financial Planners & Advisors		
10.1 Ensure the effectiveness of the title protection framework for financial planners/financial advisors	Complete	✓

Cross-sectoral

ABP 2023-26 scorecard

Priority 1.1 Strengthen the consumer focus

Priority status: Complete

Key deliverables (2023-26 ABP) and achievements (2023-24)

A. Key deliverable

Deliver and promote research, data insights and analysis into trends, processes, and issues that impact consumers in FSRA's regulated sectors and identify opportunities for practical application of findings in policy and oversight.

For example:

- Publish research related to outcomes for vulnerable consumers in sectors regulated by FSRA, and act on opportunities to improve those outcomes through targeted policy initiatives or supervisory action.
- Work with insurance regulators across Canada to evaluate the sector's external dispute resolution framework.
- Create a policy initiative using FSRA's consumer disclosure framework to generate greater awareness of effective consumer disclosure practices.

Achievements

Vulnerable Consumers

- Undertook research focused on consumer vulnerability as part of the next iteration of FSRA's consumer research agenda.

- Facilitated dialogue with stakeholders and the public interest community on strengthening protection for vulnerable consumers, developed a proposed approach based on input received and completed a public consultation on that approach while also continuing to take specific action to address immediate gaps in protection.

- Promoted key findings on vulnerability from FSRA's 2022-23 consumer research agenda (for e.g., through publications, webinars, etc.) to raise awareness of key issues.

External Dispute Resolution

- Developed and executed a plan for supporting evaluation of the oversight of the insurance sector's external dispute resolution framework through the Canadian Council of Insurance Regulators ("CCIR").

- Created pathways and opportunities for consultation with consumer advocates in relation to planned changes made the oversight of the external dispute resolution framework.

Disclosure Framework

- Applied the disclosure framework in processes to design or update regulations or forms by providing information on disclosure leading practices, theory, and related resources.

B. Key deliverable

Implement existing FSRA guidance by building processes to use revenues retained outside of the Consolidated Revenue Fund under the *Financial Services Regulatory Authority of Ontario Act, 2016* for educational, research and knowledge or information-enhancement initiatives.

Achievements

- Implemented existing FSRA guidance by building processes to use proceeds of enforcement for educational, research, and knowledge or information-enhancement initiatives, and launched a call for applications for grant funding from proceeds of enforcement.
- Evaluated applications received for grant funding using proceeds of enforcement and put forward recommendations for internal decision making in early 2024-25.
- Reported on findings from implementation and operation of grant program, including an assessment of any applications received.
- Finalized Operational, Governance and Legal foundational documents and related approvals for use of retained revenues, based on a new model for the grant program.

C. Key deliverable

Enhance FSRA's ability to access the broader community, including community Diversity, Equity and Inclusion ("DEI") perspectives, to increase consumer sector engagement in public policy and to better enable collaboration.

Achievements

- Developed an internal guide for FSRA use of Outreach and Partnership services.

- Produced a report on FSRA's outreach on results and partnership efforts and circulated it internally to parties who have expressed interest and other appropriate parties..
- Supported the International Association of Insurance Supervisors ("IAIS") assessment of Diversity, Equity and Inclusion ("DEI") from a customer perspective, including the development of an application paper for supervisors, insurers and intermediaries.
- Built on phase 1 outreach to expand community connections in a more targeted way.
- Built external stakeholder (e.g., trade associations, non-profits, researchers and experts) database for use by Consumer Office and other internal partners (e.g., Public Affairs).
- Completed outreach and engagement with the public interest community (ten organizations, advisory panels, and individuals) for consumer advocate meetup hosted by FSRA's Consumer Advisory Panel in November 2023.

D. Key deliverable

Stay at the forefront of relevant developments in leading consumer protection practices of other regulators and examine areas for potential application.

Achievements

- Engaged the University of Toronto Future of Law Lab / Investor Protection Clinic to undertake research projects on consumer vulnerability and financial inclusion to support FSRA's efforts to strengthen the protection of vulnerable consumers.
- Participated in national and international forums for regulatory cooperation, including the International Association of Insurance Supervisors, FinCoNet and the OECD Task Force on Financial Consumer Protection, and reviewed leading practices for opportunities to protect consumers effectively.

Priority 2.1 Modernize systems and processes	**Priority status:** Substantially complete 
This Priority is complete except for the items that are carried over into FY2024-25, as shown at the end of this section.	

A. Key deliverable

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

Achievements

- Enhanced the Decision Support Portal (“DSP”), a tool that, using Machine Learning capabilities, reduces the time spent on repetitive, manual searches and expands the breadth and depth of suitability assessments, to:
    - Include insurance sectors.
    - Provide the ability to upload ad hoc documents for analysis without an applicant name.
    - Connect internal and external sources of data and complete transfer of excel data, complete Verification of Automatic Renewals, and enable Google Search Optimization.
- Developed and launched the AI Innovation & Governance guideline for FSRA internal use.
- Expanded Machine Learning applications supporting Licensing and Supervision activities.

- Documented procurement requirements for an external advisor for the Market Conduct Business Solution.

- Change Management Support[2]

    - As part of FSRA*Forward* program (formerly known as the Digital Transformation program) informed sectors/teams impacted by changes, and supported managing changes through training and communications.

    - FSRA EVPs determined timing and drove development of their individual Change Management Support.

B. Key deliverable

Implement advanced online/web-based information sharing on FSRA portals.

Achievements

- Implemented enhancements to the Transparency for Enforcement Actions and Orders ("TEAO") Website, including enabling additional reporting, implementing enhanced notifications, enabling Google Search Optimization, and incorporating multi-selection in search filtering.

- Developed and launched the "Check Credentials Tool" which is a consumer-focused registry of individuals who hold approved Financial Planner (FP)/ Financial Advisor (FA) credentials.

- Implemented the Governance Risk Compliance ("GRC") Technology Cloud Solution, a solution that provides Enterprise Risk Management, Enterprise

[2] The 2022-23 carried-over year-end achievement "Target Operating Model (TOM)" was amended to "Change Management Support" in FY2023-24.

Compliance Management, Policies, Deficiencies, and Model Inventory Management supporting FSRA's internal risk management practices.

C. Key deliverable

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

Achievements

- Procured Documents Digitalization Conversion Service ("DDCS").
- Began digitization of archived documents in Q4 FY2023-24.

D. Key deliverable

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

Achievements

- FSRA's Data Science Lab, and enterprise-wide function that has introduced, enhanced and broadened analytical capabilities throughout the organization, developed reusable Machine Learning Operations capabilities to support the Risk Based Supervisory Frameworks ("RBSF").

- Finalized vendor selection and implementation planning for Enhanced Data Collection solution, and made considerable progress on data mapping activities with credit unions in preparation for implementation, including completing data modeling.

Year-end achievements carried over to FY2024-25[3]

A. Key deliverable

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

To be achieved

- Initiate Market Conduct Business Solution procurement to provide licensing and registration as well as other regulatory process improvements.
- Finalize tools and vendor of the Investigative and Enforcement Case Management System ("CMS") and create an implementation timeline.

B. Key deliverable

Implement advanced online/web-based information sharing on FSRA portals.

To be achieved

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

[3] The carrried-over deliverables and achievements are multi-year and their completion will extend beyond FY2024-25.

Priority 3.1 Enable innovation | **Priority status:** Complete

A. Key deliverable

Use data and knowledge gained from the pilot TLE to refine FSRA's future usage. FSRA will scale the Test and Learn Environment ("TLE") model to include more such initiatives across FSRA's regulated sectors.

Achievements

- Explored potential for broader exemptive authority to scale the TLE.
- Implemented feasible TLE scaling opportunities, including the first successful TLE, the Direct Access Model, and the Territories TLE.
    - The Direct Access Model is a novel way to distribute commercial insurance products across Ontario to improve market access and convenience for consumers.
    - The Territories TLE allows for new and more innovative methods for designing territories and determining rates. It provides an opportunity for auto insurers to propose and test territory rating changes within the Greater Toronto Area for Private Passenger Vehicles over a minimum two-year period.

B. Key deliverable

Build the Innovation Office into a centre of expertise and a champion of innovation. FSRA will continue to convene industry leaders for knowledge-sharing on key issues. FSRA will also advocate for consumer-centered 'responsible innovation' in regulated sectors.

Achievements

- Developed external engagement plan. FSRA's Innovation Office engaged with counterparts in numerous innovation hubs, incubators, accelerators (e.g., MaRS, YSpace, etc.,) and start-ups across the innovation ecosystem to explore different innovation opportunities.

- Conducted external stakeholder engagement, including the Innovation Forum, a collaborative discussion with financial services leaders and experts on key innovation trends and opportunities to support the development of new and creative ideas.

- Prioritized and shared identified innovation opportunities with relevant sectors.

- Published a document on FSRA's regulatory tools to support innovation in financial services sectors.

C. Key deliverable

Improve FSRA's use of its regulatory toolkit. FSRA will use the toolkit to implement concepts outlined in prior discretionary powers projects for the *Mortgage Brokerages, Lenders and Administrators Act*, 2006 ("MBLAA") and the Insurance Act. FSRA will conduct similar analysis of discretionary powers across remaining FSRA-regulated sectors.

Achievements

- Continued to support the exploration of any remaining recommendations from the Insurance and Mortgage Broker opportunity reports, feasible within the fiscal year.

- Published a Credit Union opportunity report discussing barriers to and opportunities for innovation in the credit union sector.

- Explored potential for additional opportunity reports.

D. Key deliverable

Develop stronger ties with peer regulators and key stakeholders. FSRA will help create an innovation ‘community of practice’ to compare regulatory approaches and address mutual challenges.

Achievements

- Identified stakeholder groups for innovation community outreach. FSRA’s Innovation Office actively engaged with several innovation organizations to strengthen awareness and promote the TLE and initiate an innovation-focused ideas exchange.

- Connected with identified groups through outreach to and engagement with peer regulators and other key stakeholder groups (e.g., innovation hubs, accelerators/incubators).

- Established open communication to build relationships and discuss approaches to innovation within a regulatory environment.

Priority 4.1 Enhance FSRA’s talent management framework and strategy	**Priority status:** Complete

A. Key deliverable

A review of FSRA’s non-union employees and management compensation structure and staff recruitment strategy to ensure market competitiveness.

Achievements

- Completed review of FSRA’s non-union employees and management compensation.

- Revised FSRA's recruitment and compensation policies based on compensation review and other inputs and had the policy approved by the Board in July 2023.

- Updated the compensation policy to ensure that retention and attraction issues are addressed within the confines of public sector salary ranges and market conditions with respect for the sectors as well as staff.

B. Key deliverable

Core and leadership capabilities that are articulated and embedded into leadership development, recognition, succession planning and high potential development programs and plans.

Achievements

- Developed competencies that are the foundation that underpins learning and development Return on Investment ("ROI"), better articulated performance goals, and facilitate better conversations between management and staff to achieve performance and career objectives.

- Competencies and their associated behaviours have been rolled to all staff for inclusion in performance plans for FY2024-25.

- Competencies were used to conduct the talent assessments of potential successors and inform their individual development plans and corporate leadership development focus areas.

- Developed tools and process to build in succession plan that includes gap analysis and learning and development goals.

- Developed additional policies, programs, and initiatives based on competencies (e.g., leadership development, recognition, and performance management) as well as improved learning and development opportunities by creating secondment and temporary assignment policies for all staff.

C. Key deliverable

Monitoring and reviewing changes associated with FSRA's transformation journey to modernize its digital tools and to become a more principles-based regulator – ensuring the right processes, people and systems are in place to thrive and achieve FSRA's vision.

Achievements

- Provided change management support, including communication, training, and monitoring progress for the Principles-based Regulation ("PBR") activities for FY2023-24.

- Initiated FSRA-wide employee-led learning series (FSRATalks) to promote cross-functional discussions that foster innovation and change management.

- Internal staff maintained an open dialogue to ensure efficiency, innovation, and value-for-money are embedded in culture.

- Sought new ways to optimize the internal Human Resources system, Workday, for greater responsiveness and reporting.

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, with increased numbers of achieved sanctions, escalations and actions initiated. AMPs continued to be a key tool to address and deter market conduct non-compliance. Enforcement imposed total AMPs of approximately $1.6M this year, about three times the amount imposed in FY2022-23 due to an increase in vigilance and legislative changes which increased the maximum AMPs under some of the legislation which FSRA administers.

- Enforcement action was taken to address instances in both the auto insurance and credit union sectors where regulated entities did not effectively address regulatory requirements, or demonstrate effective governance proactively, or after being provided with an opportunity to do so voluntarily.

- **In March 2024, FSRA released cross-sector guidance on AMPs** to ensure their use is measured, proportionate and protect Ontario consumers. The guidance explains how FSRA interprets and applies the law when general AMPs are imposed and how the appropriate penalty amounts are determined.

Cross-sectoral achievements

- **FSRA finalized and published IT Risk Management Guidance** to protect consumer interests across its regulated sectors by outlining effective practices for IT risk management and establishing a process for regulated entities to notify FSRA in case of an IT risk incident.

- **FSRA strengthened the Consumer Advisory Panel** by supporting its members in fulfilling their mandate to provide consumer perspectives to FSRA. This included developing a new engagement model, establishing more topic-specific working groups and delivering foundational briefings on sectors and concepts identified as high priorities by Panel members. Further information about the Panel's activities is available in its 2023-24 annual report.

- **FSRA approved its first TLE application in August 2023**. An insurance company proposed testing a novel way to distribute non-auto commercial insurance products to improve market access and convenience for consumers. This will enable opportunities to facilitate and foster innovation in the sector.

Property and Casualty (P&C)/Auto Insurance

ABP 2023-26 scorecard

The P&C/Auto insurance sector offers financial products designed to protect consumers and businesses against financial losses arising from owning a home, vehicle or business. In 2022, Ontario's P&C insurance sector represented approximately $32.1 billion in direct written premiums, 46.4% of which came from auto insurance. As at September 30, 2023, FSRA licensed and supervised (for conduct) 215 P&C insurance companies, 1,734 adjusters (both corporate and individual), 10,730 agents that sell P&C insurance in Ontario. In addition, FSRA prudentially supervised 51 Ontario-incorporated insurance companies and reciprocals.

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.
- Examining the affairs of the Registered Insurance Brokers of Ontario and the Facility Association and reporting the results to the Minister of Finance.
- Prudentially regulating and supervising Ontario-incorporated insurance companies and reciprocals, including providing regulatory approvals of certain transactions and investments.

- 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.

Priority 5.1 Execute strategy for reforming the regulation of auto insurance rates and underwriting	**Priority status:** Complete

Key deliverables (2023-26 ABP) and achievements (2023-24)

A. Key deliverable

Develop legal framework changes based on consultation feedback to define fairness in rates and underwriting.

Achievements

- Initiated development of Supervision Guidance.

B. Key deliverable

Act on consultation feedback to implement a new supervisory framework that evaluates and monitors adherence to rates and underwriting requirements.

Achievements

Supervision Guidance

- Initiated development of Rating and Underwriting Supervision Approach Guidance.
- Initiated development of Supervisory Tools and Processes.

C. Key deliverable

Act on consultation feedback to promote informed decision-making and increase transparency throughout the sector to create more accountability.

Achievements

- Developed transparency outcomes as part of broader Supervision Guidance.
- Developed a plan to redesign key insurance documents to be simple, clear and consumer-friendly.
- Continued to define opportunities to make the benefits of the new regime even more apparent to consumers.

D. Key deliverable

Provide data analytics support for the regulatory reform of rates and underwriting, assisted by the development of an evidence-based risk assessment methodology.

Achievements

- Included additional monitoring metrics from new/existing data sources in FSRA's internal reporting suite to improve evidence-based analytical decision making and Ontario insurance industry monitoring processes.
- Reviewed and assessed General Insurance Statistical Agency (“GISA”) Analytical toolbox to support Risk-based Supervisory Activities.

E. Key deliverable

Explore the development of consumer experience benchmarking in support of informed decision-making and increased transparency.

Achievements

- Evaluated consumer experience benchmarking as a research tool and, after deciding to proceed with a pilot project, developed requirements and procured a vendor to conduct benchmarking, analyze data, provide data, and report on findings.

Carried-over items from 2022-23

A. Key deliverable

Complete the Take All Comers Thematic Review and apply lessons learned.

Achievements

- Published final report on Take All Comers Thematic Review, including lessons learned and actions/recommendations to apply lessons learned where appropriate.

Priority 5.2 Develop recommendations and act on reforms of the auto insurance system	**Priority status:** Substantially complete 
This Priority is complete except for the items that are carried over into FY2024-25, as shown at the end of this section.	

A. Key deliverable

Work with the Ministry of Finance to develop and implement initiatives to reduce fraud and abuse in the system.

Achievements

- Obtained internal approval of the public consultation materials for the Fraud Reporting Service (“FRS”) Rule and Guidance.

B. Key deliverable

Complete the implementation of legislative amendments that will allow consumers to opt-out of Direct Compensation-Property Damage coverage and work with insurers on any related innovative consumer offerings.

Achievements

- In FY2022-23, FSRA approved an endorsement that can be tailored to consumer needs without requiring to file with FSRA in order to make it easier for insurers to implement. FSRA remains interested in engaging with insurers to introduce new and innovative products and business models that offer clear and measurable benefits to consumers.

C. Key deliverable

Consult with public stakeholders, including consumer advocates, insurers, service providers, medical professionals, and legal representatives, to identify opportunities to improve consumer outcomes.

Achievements

- FSRA supported the Ministry of Finance with their targeted consultations on proposed auto reforms in July/August 2023 and was instrumental in the work that

led to the recently announced Auto Reforms as part of the 2024 Spring Budget announcement.

Carried-over items from FY2022-23

A. Key deliverable

Collaborate with stakeholders on opportunities to improve consumer outcomes and evaluate trends.

Achievements

- Incorporated feedback from targeted stakeholder consultations regarding the Application for Accident Benefits Form ("OCF-1") and finalized recommendations for next steps.

Year-end achievements carried over to FY2024-25

B. Key deliverable

Work with health providers and auto insurers to improve the Health Claims for Auto Insurance system ("HCAI"), including the efficiency of billing and data practices to enhance consumer outcomes.[4]

[4] In early FY2023-24, FSRA decided to put this Priority on hold in anticipation of the Auto Reform related announcements from the Government. Since the Auto Reform announcements have been made in the 2024 Spring Budget, work on this Priority will commence in FY2024-25 and will be reported under the FY2024-25 Priority 4.2.B.

To be achieved

- As requested by Government in the March 2024 Spring Budget, conduct a review of the Health Claims for Auto Insurance system ("HCAI") to find administrative and cost efficiencies to make it more modern and efficient.

Priority 5.3 Ensure the fair treatment of property and casualty consumers	**Priority status:** Substantially complete 
This Priority is complete except for the items that are carried over into FY2024-25, as shown at the end of this section.	

A. Key deliverable

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

Achievements

- Initiated design and held consultation to determine Property & Casualty (P&C) Supervisory Framework.
- Initiated P&C Homeowners Thematic Review (Phase 1).

Year-end achievements carried over to FY 2024-25

A. Key deliverable

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

To be achieved

- Finalize and publish P&C home insurance observations and recommendations.[5]

Priority 5.4 Achieve supervisory excellence for the Ontario-Incorporated insurance companies and reciprocals sector	**Priority status:** Complete

A. Key deliverable

Enhance relationship management for each insurer.

Achievements

- Finalized roles and responsibilities for the relationship managers.
- Assigned portfolios of Insurers to each relationship manager.
- Relationship managers met with their assigned Insurer Board chairs and CEOs.

B. Key deliverable

Continue to build prudential and market conduct supervisory capacity and capability.

Achievements

- Developed the integration approach for joint supervision of Insurers (Provincially Incorporated Companies and Reciprocals).

[5] The completion of observations and recommendations for Property & Casualty (P&C) home insurance has been carried into FY2024-25 allowing further stakeholder engagement.

- Onboarded dedicated staff on the Prudential and Market Conduct teams to perform integrated assessments of the Insurers.

- Developed and implemented a market conduct supervisory framework within the Risk Based Supervisory Framework for Ontario-Incorporated Insurance Companies ("RBSF-I").

- Initiated a joint Pilot assessment.

C. Key deliverable

Strive for supervisory excellence by assessing and proactively addressing inherent business risks and issues (e.g., solvency and governance). FSRA will work with stakeholders, including the Ontario Mutual Insurers Association, to implement the RBSF-I, tailored proportionately to the characteristics of the various segments of the insurance sector, including farm mutuals and reciprocals.

Achievements

- Completed supervisory assessments and issued Interim Supervisory letters for planned number of Insurers (3).

- Developed Knowledge of Business ("KOB") for Insurers.

- Developed operational manuals for Supervisory practices.

- Developed and delivered training for supervisors.

D. Key deliverable

Enhance data collection and transform FSRA's supervisory processes to make evidence- and risk-based decisions.

Achievements

- Developed automated reports in the new technology solution for Insurers' data.
- Identified, collected and analyzed additional information to contribute to the assessment of insurers.

E. Key deliverable

Issue guidance that enables effective regulation and supervision of insurers, as outlined in the work plan FSRA developed in collaboration with key sector stakeholders in FY2022-23.

Achievements

- Initiated public consultation on Operational Risk and Resilience Guidance for Insurers.
- Initiated public consultation on Corporate Governance Guidance.
- Initiated development of Internal Capital Target Guidance.
- Initiated development of Own Risk and Solvency Assessment ("ORSA") Guidance.

Other notable achievements

Auto Insurance

- In November 2023, **FSRA released its 2022 Consumer Research: Auto Insurance report**. The study helps FSRA to better understand consumers' behaviors, knowledge, and preferences when it comes to purchasing or renewing auto insurance and making an auto insurance claim or complaint. The results from this study will inform FSRA's supervisory work, policy-decision making and regulatory efforts in the auto insurance sector.

- In December 2023, FSRA released its first **Auto Insurance Supervision Plan 2023-2025** to help ensure consumers who own and lease vehicles in Ontario are treated fairly. The plan sets out three key areas of supervision for auto insurers over a 15-month period beginning January 2024: Sales and Distribution, Underwriting and Policy Servicing. The implementation of the 2023-2025 Auto Supervision Plan builds on the progress FSRA has made with its multi-year Take-All-Comers Thematic Review to ensure all consumers have fair and timely access to auto insurance.

- In January 2024, **FSRA launched a TLE** to look at various ways to apply territory ratings. This approach fosters innovation and modernizes the outdated territory rating system currently being used. The Territories TLE follows FSRA's review of territory rating in response to the Ministers' request. FSRA's review of territory rating concluded that the territory requirements were outdated and inconsistent with FSRA's principles based regulatory framework. FSRA is proactively monitoring the impact of territory rating changes within the Territories TLE to ensure the intended regulatory outcomes, such as consumer fairness, are achieved.

Insurance Prudential

- Supervisory Assessments were conducted in accordance with FSRA's **RBSF-I** for Ontario-incorporated Insurance Companies and Reciprocals, which became effective in April 2023 (released in February 2023). The RBSF-I sets out the approach and practices for integrated market conduct and prudential supervision. It also incorporates enhanced information collection into the supervisory approach to assess risk profiles of insurers accurately and consistently.

- In May 2023, FSRA finalized the new **4-Year Work Plan** in collaboration with key insurance prudential stakeholders. Following the finalization of the 4-year work Plan, FSRA hosted a virtual Town Hall in May 2023 with the sector to further FSRA's supervisory approach and practices under the RBSF-I and continue fostering relationships with the sector.

- In September 2023, FSRA held a **Conference for Directors of Ontario-**

incorporated Insurers and Reciprocals to further clarify corporate governance common practices, intended outcomes, and FSRA's approach to assessing Board effectiveness under principles-based regulation and risk-based supervision.



Health Service Providers

The health service providers sector consists of approximately 4,935 licensed health services providers that invoice auto insurance companies for statutory accident benefit claims through the Health Claims for Auto Insurance system.

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 December 2023, **a new criminal record check process was introduced**. The new process requires directors, officers, or partners ("DOPs)" to complete a criminal record check when they apply for a licence, are added to an existing health service provide licence and/or submit a name change request. Criminal record checks are part of FSRA's rigorous licence qualification process. It protects consumers by

ensuring only suitable individuals deal in financial products and services in Ontario.

- FSRA continued to concentrate on the supervision initiatives outlined in the **2022-24 Health Service Provider Supervision Plan**. FSRA's supervision initiatives include the following:
    - Insurer-Initiated Examination ("IE") Reviews.
    - Focused Compliance Reviews.
    - Sanctioned Practitioner Reviews.
- As part of the 2024 Ontario Budget, the government requested that FSRA review the Professional Services Guideline and the Attendant Care Hourly Rate Guideline and consider updating them based on findings. In addition, the government requested that FSRA review the Health Service Provider Framework and the Health Claims for Auto Insurance (HCAI) system to find administrative and cost efficiencies to make it a more modern and efficient system. FSRA plans to engage key stakeholders as this work progresses.

Credit Unions and Caisses Populaires

ABP 2023-26 scorecard

Credit unions are co-operative, deposit-taking financial institutions that are member-owned and member-controlled; these members are also credit union customers. As of March 2024, there are 57 credit unions and caisses populaires in Ontario. Ontario's credit union sector has over 1.76 million members, 8,595 staff and $94.4 billion in assets (unconsolidated). Ontario's credit unions are diverse in size, with total assets averaging $1.6 billion, reflecting both organic growth in the sector and consolidations (up $293 million year-over-year).

FSRA's role in the sector

- Incorporating credit unions, and reviewing and approving new business activities, investment activities, and proposed transactions such as mergers, amalgamations, and the purchase and/or sale of material assets.

- Providing insurance against loss of deposits and maintaining and using the DIRF as required and permitted under the *Credit Unions and Caisses Populaires Act, 2020* ("CUCPA"). In accordance with FSRA's statutory responsibilities, it maintains the DIRF which is used to pay credit union deposit insurance claims as well as for other authorized purposes specified in the CUCPA.

- Providing prudential oversight of credit unions to minimize the risk of loss to depositors and the DIRF and to contribute to the stability of the sector, while allowing credit unions to take reasonable risks. This helps to foster a strong, stable sector by ensuring that credit unions meet the capital, liquidity, and other requirements in the CUCPA 2020, related regulations, and FSRA rules and guidelines.

- Regulating the conduct of credit unions (e.g., by ensuring that they are aligned with sound business and financial practices and adhere to their market conduct codes as required under the CUCPA 2020) to ensure fair treatment of members.

Priority 6.1 Achieve supervisory excellence for Ontario's credit union sector	**Priority status:** Complete 

Key deliverables (2023-26 ABP) and achievements (2023-24)

A. Key deliverable

Striving for supervisory excellence, FSRA will continue to enhance its supervisory approach to be able to complete and maintain accurate risk profile assessments for each credit union every year.

Achievements

- Developed the Risk Based Supervisory Framework ("RBSF") Operational Manuals.
- Completed RBSF assessments and issued Interim Supervisory Letters for planned number of credit unions (16).
- Completed third party risk management, recovery planning, residential mortgage lending, and deposit taking thematic reviews.
- Completed initial set of supervisory practice manuals.
- Developed and delivered training for Supervisors.
- Aligned supervisory practices between credit unions and insurance prudential.

B. Key deliverable

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

Achievements

- Used risk data collected through the enhanced data collection initiatives to conduct risk assessments of individual credit unions, as well as system-wide analysis including liquidity monitoring and thematic reviews.
- Selected Vendor for Enhanced Data Collection ("EDC") system.
- Collected risk data via Enhanced Liquidity Reporting and Enhanced Loan Data Collection initiatives, applying the risk data structure specified in the Regulatory & Risk Data Standard ("RRDS").
- Developed the Regulatory and Risk Data Standard and conducted majority of RRDS data mapping activities for credit unions greater than $1 billion in assets.
- Designed and implemented two prototype analytics tools linking RRDS data to Early Warning System ("EWS"), RBSF, and Deposit Insurance Reserve Fund ("DIRF") Adequacy assessments.

Priority 6.2 Enhance FSRA's Regulatory framework	**Priority status:** Complete

A. Key deliverable

Initiate a review of FSRA's Capital Adequacy Requirements Rule to examine and propose updates to areas that require better risk alignment.

Achievements

- Developed discussion document and presented it to the Rules and Policy Committee (“RPC”) of the FSRA Board.

B. Key deliverable

Complete consultations and, subject to approval by the Minister of Finance, issue a new Unclaimed Deposits Rule to fully bring the CUCPA 2020 framework into effect. This will improve the process by which members can search for and claim deposits in accounts with credit unions that have been dormant for more than 10 years.

Achievements

- Developed consultation draft of Rule and presented it to RPC and Board for approval to consult.
- Initiated public consultation for Unclaimed Deposits Rule.

C. Key deliverable

Issue guidance that enables effective regulation and supervision of credit unions, as outlined in the work plan FSRA developed in collaboration with key sector stakeholders in FY2022-23.

Achievements

- Issued Operational Risk and Resilience Guidance.
- Issued IT Risk Management Guidance.
- Consulted on, finalized, and issued Commercial Lending Guidance.

- Consulted on, finalized, and issued Quality Assurance and Reconsideration Process (Appendix to RBSF CU Guidance).

Priority 6.3 Enhance financial stability structures	**Priority status:** Complete[6]

A. Key deliverable

Work with the Bank of Canada ("BoC") and other partners to facilitate access to emergency liquidity for credit unions.

Achievements

- Continued to work with stakeholders - Ministry of Finance ("MOF"), BoC, Ontario Financing Authority ("OFA"), Payments Canada ("PC"), Credit Union Prudential Supervisors Association ("CUPSA") - to propose possible solutions for emergency liquidity for Ontario credit unions, and agree on a preferred solution and determine the path to implementation.

- Worked with MOF, OFA, BoC to support their development of operational processes, controls and agreements required for credit unions to qualify for Short Term Liquidity Fund ("STLF") and Emergency Liquidity Assistance ("ELA").

B. Key deliverable

[6] Key deliverable for 2023-24 is complete, and FSRA continues to support key partners as their work to enable CUs to access ELA continues.

Work with credit unions to complete and enhance their credible recovery plans. Work with credit unions with greater than $1 billion in total assets to complete their interim Resolution Plans during the fiscal year.

Achievements

- Collected and assessed the updated versions of submitted Recovery Plans from all CUs with “non-credible” plans and provided feedback as part of the Risk Based Supervisory Framework (“RBSF”) assessment process.

- Collected and assessed the interim versions of the Resolution Plans. Interim plans from the 2 largest credit unions (“CUs”) were due in September 2023 with the remaining CUs with total assets greater than $1 billion submitted by March 31, 2024 (currently 13 CUs).

C. Key deliverable

Update and complete the Differential Premium System (“DPS”) methodology to better reflect individual credit unions’ risk profiles and publish a revised Differential Premium Score Determination document.

Achievements

- Finalized the new differential premium methodology.

- Created the Differential Premium Score (DPS) Document and published it on the FSRA website in order to bring the new deposit insurance premium methodology into force.

D. Key deliverable

Determine the adequacy of DIRF target funding levels and existing deposit insurance premiums.

Achievements

- Completed the annual Deposit Insurance Reserve Fund ("DIRF") adequacy assessment work.
- Completed and submitted a report to the Minister of Finance on overview of the sector and adequacy of the DIRF.

E. Key deliverable

Continue to enhance the DIRF Adequacy Assessment Framework through the inclusion of additional risk data from Ontario credit unions through the Enhanced Data Collection project.

Achievements

- Worked with credit unions to receive a more comprehensive and higher-integrity data set to support this year's Report to the Minister on the Adequacy of the DIRF and model for use in RBSF assessment work.
- Worked with top 15 credit unions by asset size to provide daily reporting on liquidity, investments, borrowings, deposits, and derivatives.
- Worked with all credit unions to provide granular real estate secured lending data.
- Enhanced model through implementation of additional risk data from credit unions to support this year's Report to the Minister on the Adequacy of the DIRF.

Other notable achievements

Supervision

- In July 2023, FSRA shared with the sector a **thematic review on third-party risk management** after receiving results from the CUs on the third-party risk

management questionnaire. The results highlighted the importance of addressing operational risks at CUs including those introduced by engaging third parties, in alignment with the principles as outlined in FSRA's Operational Risk and Resilience Guidance effective March 1, 2024.

- In September 2023, FSRA held a **Directors Conference** for Board Directors of Ontario Credit Unions to further clarify corporate governance best practices, expected outcomes, FSRA's approach to regulation ("PBR") and supervision ("RBS"), and the assessment of Board effectiveness.

- In December 2023, FSRA completed **thematic reviews of residential mortgage lending and deposit taking** activities, evaluating the risks, controls and oversight in the two most important activities (retail lending and deposit taking) for Ontario CUs. The results have been shared with the sector and have informed policy decisions required during the review of the Residential Mortgage Lending Guidance. Based on data from the thematic reviews, FSRA concluded that further restrictions were not necessary at this time.

- In February 2024, FSRA introduced a questionnaire on **Consumer-Driven (Open) Banking and Artificial Intelligence** to gain a better understanding of the CU sector's intentions and participations around innovations. The questionnaire will inform FSRA in the development of provincial requirements for CUs following the introduction of federal legislation and governance framework on consumer-driven (open) banking expected in 2025.

- In March 2024, FSRA organized a **Credit Union sector-wide Town Hall** to provide clarification around the different use cases for data being submitted to FSRA, most notably how credit union data informs the determination of institutions' risk profiles. FSRA emphasized the importance of data quality and its linkage to good corporate governance.

- In FY2023-24, FSRA completed 22 comprehensive assessments of CUs using the **RBSF"**. FSRA focused on re-launching on-site assessments to inspire open

dialogue, interactivity, and positive Credit Union experience.

Regulation

- In May 2023, FSRA finalized a **5-Year Work Plan** in collaboration with key credit union stakeholders, which prioritizes the development of new and the review of existing credit union rules and guidance over the next five fiscal years (focus on addressing areas of emerging risk to ensure legislative/regulatory framework remains effective).

Resilience

- In November 2023, FSRA published the new Differential Premium Score Determination document that outlines the updated **Differential Premium Score** ("DPS") Methodology for Credit Unions (effective date December 2023). The DPS will improve the way FSRA calculates annual deposit insurance premiums for credit unions to be more equitable, by better aligning the level of premiums with the risks at individual credit unions.

- In December 2023, the Minister of Finance approved **amendments to FSRA's By-Law No. 2**, which authorizes FSRA to enter into a revolving credit agreement with the OFA. Following that, FSRA entered a one-year, revolving credit agreement with the OFA (to a maximum of $2 billion to support credit unions who may face financial difficulty).

- FSRA continued to work with CUs to improve the completeness and quality of their **Recovery Plans** by sharing the results of a sector thematic review, offering bilateral discussions and feedback.

- In FY 2022-23, FSRA held information sessions, to support CUs in the preparation of their Resolution Plans pursuant to the **Resolution Planning Guidance**. FSRA received interim plans from the 2 largest credit unions in

Ontario in September 2023 with the remaining CUs with total assets greater than $1 billion which were submitted by March 31, 2024 (13 CUs).



Life and Health Insurance

ABP 2023-26 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 2022, Ontario's life and health insurance sector represented approximately $33.6 billion in direct written premiums. Products include life insurance, health insurance, and wealth products like segregated funds and annuities.

In FY2023-24, FSRA licensed approximately 93 life and health insurance companies, over 6,000 life insurance corporate and partnership agents, and over 57,000 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 business conduct of insurance companies and agents to ensure the fair treatment of consumers throughout the entire product lifecycle.

Key deliverables (2023-26 ABP) and achievements

Priority 7.1 Enhance market conduct oversight to protect consumers	**Priority status:** Complete

A. Key deliverable

Publish for consultation proposed changes to the framework for Life & Health Managing General Agencies with a contractual responsibility to screen, train, and/or monitor individuals under their supervision who sell life and health insurance products.

Achievements

- Published proposed Life Insurance Agent & MGA Licensing Suitability Guidance for consultation.

B. Key deliverable

Implement a FSRA Rule that would ban deferred sales charges for new segregated fund contracts, prevent insurers from amending existing contracts to make such charges more onerous for customers, and require disclosure regarding further deferred sales charge deposits to existing contracts.

Achievements

- Implemented first amendment to Unfair or Deceptive Acts or Practices (“UDAP”) (Rule 1).
- Implemented second amendment to UDAP (Rule 2).

C. Key deliverable

Work with regulators across Canada to enhance standards related to segregated

funds, in particular:

- Finalizing national guidance on total cost reporting disclosure requirements for segregated fund contracts.
- Consulting on national guidance about the design, distribution, issuance, sale, and administration of individual variable insurance contracts ("IVICs").
- Consulting on national guidance relating to upfront compensation paid for the sale of segregated funds.

Achievements

National Guidance

- Published final national Guidance on total cost reporting disclosure requirements for segregated fund contracts.
- Presented draft national segregated funds consolidated guidance, expected to be available in February/March 2024, to executives for approval to pre-consult with industry and consumer stakeholders (pre-consultation expected in Spring 2024).

Upfront Commissions

- Submitted request for approval from CCIR and Canadian Insurance Services Regulatory Organizations ("CISRO") to fold Upfront Commission Guidance into the draft Market Conduct Guidance.
- Included guidance on upfront commissions, with a focus on the advisor chargeback sales charge option, in draft national segregated funds consolidated guidance.

FSRA Segregated Funds Rule and Guidance

- Tabled the Total Cost Reporting Rule Outline to RPC for discussion.

- Obtained input from EVPs and CEO on national guidance pre-consultation materials (pre-consultation expected in Q1 FY2024-25).

- Identified resource requirement which was approved and secured as part of the FY2024-25 business plan.

Year-end achievements carried-over item from FY2022-23:

Key deliverable

Working with insurance regulators across Canada, finalize CCIR/CISRO guidance on Fair Treatment of Customers incentives.

Achievements

- Confirmed FSRA's policy approach to implementing guidance on incentives[7].

Other notable achievements

Rules and Guidance

- FSRA began development of the **FSRA Segregated Funds Rule** to implement the joint CCIR/CSA Total Cost Reporting expectations into Ontario law.

- In January 2024, FSRA published the **Uninsured Decumulation Guidance** to help educate and protect consumers who are retired or planning for retirement, explaining the distinctions between decumulation products and pension or

[7] FSRA worked with CCIR and CISRO to develop draft national guidance relating to the distribution of segregated funds, including expectations around controls insurers and intermediaries should maintain to ensure conflicts of interest associated with certain forms of compensation can be managed. FSRA plans to implement the national guidance through a rule.

insurance products.

Other Life and Health achievements

- In March 2023, the Life Agent Unit launched the **Life Agent Misconduct Report** ("LAMR") portal to allow insurance companies and managing general agencies to report suitability concerns online via FSRA's Online Service Portal ("OSP"). The LAMR portal significantly reduces administrative burden for both industry and FSRA, allowing more "up front" information to be provided (141 data points), including secure upload of investigation reports and supporting evidence. The LAMR portal enables more robust risk analytics and publications in support of FSRA's Market Conduct and Policy initiatives. In late 2023, FSRA operationalized the LAMR Investigation Report, a comprehensive and secure case management tool, featuring dynamic timeline and note functionality, secure upload of documentation, and FSRA's Decision Support Portal (DSP), which utilizes artificial intelligence-driven data scraping.

- Operationalized in early 2023, the **Life Agent Unit Intelligence Program** follows proven law enforcement methodology of "direction and planning; collection; collation; analysis; reporting and dissemination" utilizing Open-source Intelligence (e.g., reports from other regulatory agencies, media reports, social media, etc.). Unlike responsive data analytics, this program proactively seeks and detects unidentified risk in the sector to focus limited resources to where the risk is greatest, which will reduce less impactful randomized thematic agent examinations.

- In October 2023, FSRA published the **Observed Practices in the Distribution and Sale of Universal Life Insurance report**. This report was a first-of-its-kind, highlighting concerning practices in the sale of Universal Life policies and poor consumer outcomes, especially where agents are not being properly training and supervised.

- In 2022, FSRA CEO Mark White was appointed **Chair of IAIS's Market Conduct Working Group**. In 2023, the group started a project on fair treatment of diverse customers. FSRA is leading the project to explore how applying a diversity, equity

and inclusion (“DEI”) paradigm to the Insurance Core Principles-19 (“ICP 19”) requirement of fair treatment can result in better outcomes for diverse customers. The team is developing an Application Paper that does not include new requirements but rather aims to provide further advice, recommendations, or examples of good practice to supervisors on how ICP 19 can be implemented with consideration towards DEI. The project has generated interest both within and outside FSRA and is designed to lead to positive outcomes for diverse customers.

Mortgage Brokering

ABP 2023-26 scorecard

The mortgage brokering sector helps to facilitate home ownership for many Ontarians. In 2022, mortgage brokerages arranged over 341,000 mortgages in Ontario, valued at approximately $190 billion.[8] In Ontario, all individuals and businesses that carry on mortgage brokering and administration activities are required to be licensed with FSRA, unless they are explicitly exempted from licensing under the *Mortgage Brokerages, Lenders and Administrators Act, 2006* (MBLAA).

As at December 31, 2023, FSRA regulated 1,255 mortgage brokerages, 3,189 mortgage brokers, 6,850 mortgage agent Level 1, 9,557 mortgage agent Level 2 and 265 mortgage administrators in Ontario.

FSRA's role in the sector

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

Priority 8.1 Promote high standards of governance and business conduct	**Priority status:** Complete

Key deliverables (2023-26 ABP) and achievements

[8] FSRA 2022 Annual Information Return.

A. Key deliverable

Consult on best practices to improve the effectiveness of the principal broker's role in contributing to a strong business conduct culture and ensuring the fair treatment of consumers.

Achievements

- Finalized the consultation draft of the Guidance and obtained CEO approval.

B. Key deliverable

Develop a supervisory engagement model for mortgage brokerages and administrators whose conduct has the most impact on consumers and the industry's reputation, enabling more effective allocation of supervision resources.

Achievements

- Implemented supervisory engagement model to identify and meet with top brokerages and administrators to discuss business trends and consumer protection issues.

Priority 8.2 Enhance professional competence of licensed individuals	**Priority status:** Complete

A. Key deliverable

Continue work to update the broker and agent licensing education courses.

Achievements

- Completed draft learning objectives for Agent and Broker pre-licensing education/ competencies to increase emphasis on consumer protection risks.

B. Key deliverable

Execute the multi-year plan to enhance continuous education requirements, as consulted on with the industry, along with the introduction of the new licensing classes.

Achievements

- Defined topics and learning objectives for 2024-26 Continuing Education cycle.

C. Key deliverable

Consult on best practices to ensure the suitability of mortgage recommendations for consumers.

Achievements:

- Published, for public comment, Mortgage Suitability Guidance to adopt MBRCC mortgage suitability assessment principles and clarify FSRA's interpretation of suitability obligations.

Other notable achievements

Licensing and Supervision

- On April 1, 2023, **a new licensing regime came into effect** which includes a requirement for mortgage agents and brokers to have additional education, knowledge, and experience regarding private mortgages. An additional mortgage agent licence class was introduced to differentiate between agents that are authorized to transact in private mortgages and those that cannot.

- In January 2024, **FSRA launched the 2023 Annual Information Return ("AIR")** for mortgage brokerages and mortgage administrators. FSRA uses information collected in the AIR to help identify, assess, and monitor risk in the mortgage brokering sector. To help reduce costs, regulatory burden, and industry planning for completing the AIR, FSRA has committed to a three-year moratorium on changes to the AIR questions. This also helps ensure continuity of the data series.

- In July 2023, **FSRA published and executed on its 2023-24 supervision plan for the sector**. The plan focused on three areas for supervision:

    - Brokerages' practices to ensure private mortgages are suitable for consumers and consumers understand the product features and costs, including consideration of an exit strategy;

    - The conduct culture, compliance structure and principal broker's supervision in large brokerages to ensure all brokers and agents are conducting their activities with integrity and competence; and

    - Practices of licensed administrators, brokerages and/or their related parties who provide services to investors during the life cycle of a mortgage investment.

Guidance

- In September 2023, **FSRA released its final Detecting and Preventing Mortgage Fraud Guidance**. This guidance provides FSRA's interpretation of certain MBLAA provisions requiring the sector to conduct business in a way that does not facilitate dishonesty, fraud, crime, or illegal conduct.

- In November 2023, **FSRA released its final Mortgage Administrators' Financial Filing Requirements Guidance**. This guidance aims to reduce the risk of funds and investments being misplaced, stolen, or otherwise treated improperly by explaining to mortgage administrators how they must comply with financial reporting requirements.

- In December 2023, **FSRA released for public consultation the Mortgage Product Suitability Assessment Guidance**. This guidance is intended to help regulated persons and entities meet their obligation to provide only mortgage option(s) that are suitable for their clients (borrowers and/or lenders/investors) based on the client's needs and circumstances.

- In January 2024, held a **webinar relating to the proposed Mortgage Product Suitability Assessment Guidance** and in March 2024, held a **webinar on the final Detecting and Preventing Mortgage Fraud Guidance.** These webinars aimed to help stakeholders better understand the purpose and intended outcomes of each guidance.



Pensions

ABP 2023-26 scorecard

Registered pension plans provide an important source of retirement income to many employees and retirees in Ontario. FSRA's prudential supervision is risk-based and premised on the view that the plan must be administered, and its assets invested, in line with a plan administrator's fiduciary duty. FSRA regulates pension plans registered in Ontario and is the largest pension regulator in Canada, with approximately 4,350 plans under supervision, investing $834 billion in assets and providing pension benefits to nearly 4.6 million members. Most members and assets are in Defined Benefit ("DB") plans, with assets of approximately $801 billion in DB plans (including Single-Employer Pension Plans, Multi-Employer Pension Plans, and Jointly Sponsored Pension Plans) and $33 billion in Defined Contribution ("DC") plans.

FSRA's role in the sector

- Supervising pension plans and pension funds to ensure they are being administered, invested, and funded in accordance with legal requirements and that plan fiduciaries are fulfilling their obligations.
- Ensuring good administration of pension plans and ensuring that the rights and benefits of plan beneficiaries are protected.
- Reviewing and registering new pension plans and pension plan amendments.
- Processing special transactions, required filings, and applications from plan administrators.
- Investigating alleged breaches of the *Pensions Benefits Act* ("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.

Priority 9.1 Assess systemic and high priority risks in Ontario's pension sector	**Priority status:** Complete

Key deliverable and achievements for 2023-2024

A. Key deliverable

Build on work to-date and to respond to systemic importance of large public sector plans and the International Monetary Fund's Financial Sector Assessment Program, FSRA will continue to engage with large public sector plans on risk management and investment risk governance practices. FSRA will identify leading practices on risk management processes that allow plans to evaluate risk management controls and better protect assets. Risk management assists plan administrators in keeping plan assets safe, protecting the plan from adverse risks, and supporting the plan in meeting its objectives.

Achievements

- Implemented the Liquidity Coverage Ratio ("LCR") framework for seven identified large public sector pension plans ("LPSPPs"). Monitoring liquidity provides an understanding of the amount and sources of liquidity risk and its potential implications and facilitates better-informed, risk-based supervision.

The LCR framework was developed in collaboration with the LPSPPs starting in 2021.

- Regular bilateral engagement meetings with the LPSPPs to discuss plan-specific matters and/or the impact of changes and incidences in the macro environment to further understand plans' risk management practices.

B. Key deliverable

Work with colleague regulators at the Canadian Association of Pension Supervisory Authorities ("CAPSA") to develop guidelines that highlight leading practices in risk management, giving due consideration to proportionality.

Achievements

- Led the collaboration with CAPSA to publish a new integrated Risk Management Guideline for public consultation. In connection with the consultation, FSRA supported CAPSA in hosting a webinar on the draft Guideline. The consultation period ended in October 2023, and CAPSA is currently updating the Guideline based on the submissions. The Guideline is expected to be published by the end of 2024.

C. Key deliverable

Develop and publish a new FSRA Performance Report, built on FSRA's 2021 and 2022 annual reports, showing activities in key transactions, including changes in backlogs.

Achievements

- Published the 2023 Pension Sector Overview and Activities Report.

Priority 9.2 Support the development of target benefit regulation	**Priority status:** Complete 

A. Key deliverable

Assist the government with its target benefit framework for Multi-Employer Pension Plans (“MEPPs”), as needed.

Achievements

- Provided input and support to, and contributed to stakeholder engagements of, the Ontario government’s second public consultation of the proposed implementation of a permanent Target Benefit (“TB”) framework.

B. Key deliverable

Complete the Benchmarking of DB MEPP Leading Practices.

Achievements

- Completed the benchmarking of leading practices for all DB MEPPs.
- A report summarizing the benchmarking results has been drafted for publication in June of 2024. This report will form a baseline for FSRA’s future supervisory activities with respect to DB MEPPs.

C. Key deliverable

Initiate the implementation of a supervisory framework for TB Multi-Employer Pension Plans (MEPPs).

Achievements

- Concurrent with the completion of the leading practices benchmarking exercise, sector summary report and the permanent TB framework proposed by the Ministry of Finance, developing the draft supervisory framework to guide the future prudential supervision of DB MEPPs for consultation later in 2024.

Other notable achievements

Prudential Supervision and Government Priorities

- In October 2023, FSRA initiated and hosted engagement meetings directly with the LPSPPs on the development of FSRA's supervisory framework to strengthen the prudential supervision of LPSPPs. The framework will be set out in FSRA Guidance that is targeted for public consultation in 2024-25.

- **FSRA piloted its new approach to pension plan examinations**. Intended to be fully implemented in 2024, the new framework builds on FSRA's risk-based, outcomes-focused supervisory approach to protect pension benefits and ensure good plan administration.

- FSRA provided staff with change management support and training to implement and adopt principles-based regulation in pension operational areas.

Regulatory Excellence

- FSRA advanced Guidance and other initiatives to support the sector, including:

    - Conducted a second public consultation on guidance to assist plan administrators in following provisions of the PBA relating to **Pension Plan Amendments**.

    - **Consulted on the updated Pension Plan Administrator Roles and Responsibilities Guidance,** which includes new sections on managing and retaining records, responding to complaints and inquiries, and communicating information to plan members accurately and in a timely manner.

    - **Consulted on potential changes relating to areas of family law and the potential benefits of developing a FSRA Rule**.

- Contributed to **consumer information Guidance on Decumulation Products** to raise awareness and explain distinctions between decumulation products and pensions or insurance products. In April 2023, FSRA provided over 3,100 DC plan sponsors with information about their filing requirements to ensure that DC plans are supported and understand their obligations under the PBA. To support this work, FSRA developed and implemented instructional videos to assist plan sponsors in navigating the pension online portal.

Member-Focused Experience

- In May 2023, **FSRA issued a member Guide on Bankruptcy** with information for plan members, including advice on how to stay engaged with the pension plan if their employer is insolvent, the bankruptcy process by pension plan type, and information on the PBGF.

- In November 2023, **FSRA developed a member Guide about Commuted Values** to provide DB pension plan members with information about commuted values.

- On February 15, 2024, **FSRA launched Ontario's second annual Pension Awareness Day**. FSRA published website content and released video messages, social media, and multicultural digital media to provide information to educate and enable plan beneficiaries. With pensions stakeholder and public support, FSRA's engagement (via publications and social media posts) surpassed its target benchmark by approximately 130%. In total, 17 interviews were conducted, amplifying the message of the value of a pension, and reaching millions of individuals. FSRA looks forward to continuing this initiative with pension stakeholders and having an even greater impact for Ontarians in the future.

Supporting FSRA's CEO in the administration of the Pension Benefits Guarantee Fund

- In August 2023, **FSRA published a report setting out key information relating to the PBGF** as at March, 2023, to provide transparency into PBGF's financial

status. FSRA advanced its predictive analysis and is monitoring the sustainability of the PBGF quarterly. The Pension Protection Act (PPA) received Royal Assent on April 27, 2023 and becomes effective in 4 years hence, i.e. April 2027. The PPA changes insolvency priorities relating to DB plans by giving a super-priority to all pension related financial liabilities. For the PBGF, this has the real potential to reduce possible future claims related to the deficiencies of PBGF-eligible single employer DB Plans and to change the role of the PBGF in insolvency proceedings.



Financial Planners / Financial Advisors

ABP 2023-26 scorecard

The Financial Professionals Title Protection Framework (“FPTPF”) was implemented on March 28, 2022. The FPTPF limits the use of the “financial planner” (“FP”) and “financial advisor” (“FA”) titles in Ontario to those who have an approved credential from a FSRA-approved credentialing body.

The FPTPF promotes confidence and professionalism in the sector by ensuring that individuals using the FP and FA titles are appropriately qualified through meeting minimum standards. It also reduces confusion regarding the wide array of titles and credentials in the financial services marketplace.

In accordance with published criteria, FSRA continues to approve new credentialing bodies and credentials and engage with entities interested in participating under the FPTPF. As of March 31, 2024, FSRA has approved five credentialing bodies and 14 credentials. There are approximately 73,000 FP/FA credential holders in Ontario.

FSRA’s role in the sector

- Establishing minimum standards for credentialing bodies and FP and FA credentials as prescribed in the Financial Professionals Title Protection (“FPTP”)

Rule.

- Approving credentialing bodies and FP and FA credentials.
- Monitoring and supervising approved credentialing bodies.
- Investigating complaints against:
    - Approved credentialing bodies.
    - Organizations carrying on business as an approved credentialing body or claiming to offer an approved credential without FSRA's approval.
    - Individuals who use the FP or FA title, or a title that could be confused with Financial Planner or Financial Advisor, without an approved credential.
- Taking enforcement action for breaches of the *Financial Professionals Title Protection Act, 2019* ("FPTPA").

Priority 10.1 Ensure the effectiveness of the title protection framework for financial planners / financial advisors	**Priority status:** Complete

Key deliverables (2023-26 ABP) and achievements

A. Key deliverable

Assess credentialing bodies to ensure that they meet FSRA's minimum standards, appropriately share information, consistently communicate requirements with credential holders, and have the necessary policies and procedures in place to protect consumers.

Achievements

- Conducted examinations of all credentialing bodies approved as of March 31, 2023, and published a summary of findings.

- Completed the Annual Information Return ("AIR") Analysis and published summary on the FSRA website.

- Implemented the "Check Credentials Tool" which is a consumer-focused registry of individuals who hold approved Financial Planner (FP) / Financial Advisor (FA) credentials.

B. Key deliverable

Conduct a review of the framework to evaluate its effectiveness in achieving expected outcomes, and assess opportunities for improvement, including consultation with key stakeholders, where applicable.

Achievements

- Collected and analyzed quantitative and qualitative data per the first credentialing body supervisory review to support framework evaluation.
- Reported back on preliminary findings to senior leadership.

C. Key deliverable

Work with the Ministry of Finance (MOF) and other stakeholders to identify and implement any required changes to rules, legislation and/or regulations to enhance national harmonization of the FP/FA framework.

Achievements

- Engaged in dialogue with key partners on potential changes to the framework which could further support the effective implementation of the Financial Professionals Title Protection Framework ("FPTPF").

- Collected additional feedback from key stakeholders, through the framework evaluation process, on an approach to title use in the event a credentialing body's approval is revoked and/or a credentialing body ceases to operate.

Other notable achievements

- FSRA approved the Canadian Investment Regulatory Organization ("CIRO") as a credentialing body under the FPTPA. CIRO now has the authority to grant credentials that permit individuals to use the Financial Advisor title in Ontario. This brings the total number of approved credentialing bodies to five.



Co-operative Corporations

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-op members and investors who purchase shares in co-ops. FSRA does not regulate co-ops, as its role in the sector is limited to carrying out powers and duties under the Co-operative Corporations Act related to offering statements issued by co-ops when raising capital from investors. As of March 20, 2023, there are 2,416 co-operative corporations ("co-ops") in Ontario, which operate in a variety of industries (e.g., housing, agriculture, daycare, etc.).

Notable achievements

- FSRA received 12 offering statements from co-ops for the period April 1, 2023, to February 29, 2024. Of the 12 offering statements received, 10 were receipted by FSRA's CEO by February 29, 2024, and 2 were still under review. FSRA also completed 4 offering statements which were filed in the previous financial year (FY2022-23), of which 3 were receipted and 1 was closed without a receipt.

Loan & Trust

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.

FSRA is responsible for the registration of all federally incorporated loan and trust corporations that do business in Ontario, under the Loan and Trust Corporations Act. This includes enforcing compliance with the legislation and may also include taking enforcement action against unregistered activity. As at March 31, 2024, there are 52 loan and trust companies that are registered to do business in Ontario. FSRA approved one new loan and trust company registration in the 2023/24 fiscal year. There was also one name change as a result of a business acquisition and amalgamation.

FSRA initiated the development of guidance to address circumstances when trust corporations, including crypto custodians, would need to register with FSRA under the Loan and Trust Corporations Act, and is reconsidering its interpretation after receiving preliminary stakeholder feedback.

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 FY2023-24, 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:

- **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.

- **16 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.

Stakeholder feedback

In June 2023, FSRA conducted an online stakeholder survey to gather valuable and insightful feedback from industry partners and consumers. The goal was to determine whether FSRA had delivered on its brand promises and mission, and to track its progress and identify any emerging trends. A total of 3,544 responses were received, and the results helped inform FSRA's priorities and decision making.

Key insights on where FSRA is doing well:

- Bringing awareness of the change from FSCO and DICO to FSRA (95% favourable)
- Positive perception of FSRA since 2019 (72% favourable)
- Promoting high standards of business conduct (70% favourable)
- Prioritizing consumer protection (66% favourable)

- Operating as a principles-based regulator (63% favourable)
- Increasing regulatory effectiveness (60% favourable)

Key insights on where FSRA could improve:

- Reducing the regulatory burden (46% favourable)
- Encouraging innovation (51% favourable)
- Responding to market changes quickly (53% favourable)
- Fostering a sustainable, competitive financial services sector (55% favourable)

The results also showed that FSRA's communications tactics, especially emails, are well received, and there is a desire for more online initiatives, such as webinars. FSRA has committed to conducting stakeholder surveys every two years with the next survey scheduled for 2025.

Strengthening the consumer focus

Consumer Advisory Panel

In FY2023-24, FSRA continued incorporating feedback from the public in its development of rules, guidance, and other regulatory initiatives. In addition to public consultations detailed below, FSRA's Consumer Office continued collaborating with the CAP.

The CAP has a number of purposes, including providing consumer perspectives on policy and regulatory matters, helping inform FSRA's strategic approach to consumer-focused research and engagement, and advising on emerging consumer issues and trends.

The CAP provided FSRA with the following valuable feedback in FY2023-24:

- **February 28, 2024:** Consultation on Interpretation Guidance: Mortgage Product Suitability Assessments.

- **January 16, 2024:** Consultation for Proposed Guidance on Life Insurance Agent

and MGA Licensing Suitability.

- **August 21, 2023:** Proposed Guidance on Public Warning Notices.
- **June 23, 2023:** Consultation on updated proposed amendments to the Unfair or Deceptive Acts or Practices Rule.
- **June 1, 2023:** Second Consultation: Proposed 2022 Fee Rule.
- **April 26, 2023:** Consultation on Proposed Guidance: Detecting and Preventing Mortgage Fraud.

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

In addition to providing FSRA with advice from a consumer perspective, the CAP also hosted a meetup of consumer protection subject matter experts for an in-person discussion in November 2023. The meeting aimed to commence a dialogue on consumer protection challenges and opportunities, and investigate opportunities for collaboration among different organizations. 22 representatives from 13 different consumer advocacy groups and regulators attended the meetup.

Consumer survey research

Consumer-focused research is important to understanding consumers' needs and to be aware of issues and trends in the sectors FSRA regulates. FSRA conducts research in different ways to get an in-depth understanding of what matters to consumers.

In 2023-24 FSRA published the results of three sector-specific surveys designed to better understand consumer behaviours, knowledge and preferences related to auto insurance, financial advice and mortgage brokering. When publishing the results, FSRA included a "highlights report" for each survey identifying key takeaways and how FSRA would put the research to work in its approach to protecting consumers.

All of FSRA's published consumer-focused research is available through FSRA's website.

Public consultation

Over FY2023-24, FSRA received feedback during 17 public consultations and published the feedback on its website. This includes feedback from stakeholders on the development of its 2024-25 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 FY2023-24:

Sector	Consultation title	Type	Consultation date
Credit Unions and Caisses Populaires	Proposed Unclaimed Deposits Rule and accompanying Guidance	Guidance, Rules	March 18, 2024, to May 16, 2024
Mortgage Brokering	Proposed Mortgage Agent and Mortgage Broker Licensing Suitability Guidance	Guidance	March 6, 2024, to May 6, 2024
Cross Sector	Proposed Approach to Strengthening Protection of Vulnerable Consumers	Policy	January 8, 2024, to March 8, 2024
Credit Unions and Caisses Populaires	Proposed Commercial lending Guidance	Guidance	January 3, 2024, to March 1, 2024
Credit Unions and Caisses Populaires	Proposed Appendix E: Quality Assurance and	Policy	December 11, 2023, to February 8, 2024

	Reconsideration Process		
Mortgage Brokering	Proposed Mortgage Product Suitability Assessment Guidance	Guidance	December 6, 2023, to February 28, 2024
Life and Health Insurance	Proposed Guidance on Life Insurance Agent & MGA Licensing Suitability	Guidance	November 21, 2023, to February 9, 2024
Pensions	Proposed Family Law Rule	Rules	November 14, 2023, to January 19, 2024
Pensions	Revised Pension Plan Amendments Guidance	Guidance	November 14, 2023, to January 19, 2024
Cross Sector	Proposed 2024-2025 Statement of Priorities	Priorities/Budget	October 10, 2023, to November 16, 2023
Pensions	Proposed Guidance for Pension Plan Administrator Roles and Responsibilities	Guidance	August 15, 2023, to September 28, 2023
Loan and Trust	Proposed Guidance for Trust Corporations, including Crypto Custodians	Guidance	August 10, 2023, to October 10, 2023
Auto Insurance	Ontario Private Passenger Vehicles Annual Review	Guidance	August 4, 2023, to August 25, 2023
Cross Sector	Proposed Guidance on Public Warning Notices	Guidance	July 31, 2023, to August 25, 2023
Life and Health Insurance	Proposed amendments to the Unfair or Deceptive	Rules	June 1, 2023, to June 30, 2023

	Acts or Practices Rule		
Mortgage Brokering	Proposed Guidance on Mortgage Administrators' Financial Filing Requirements	Guidance	May 16, 2023, to June 16, 2023
Cross Sector	Proposed amendment to the 2022 Fee Rule	Rules	May 4, 2023, to June 2, 2023

OAGO's Value-for-Money Audit Report Recommendations

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 in 2022. The report contains 18 recommendations to enhance FSRA's ability to fulfill its mandate effectively and to increase public confidence in the regulated sectors.

FSRA is working with the Ministry of Finance in addressing all recommendations. As of March 31, 2024, three of the recommendations have been satisfactorily addressed. The remaining recommendations are progressing as scheduled.

On September 25th, 2023, FSRA CEO, Mark White, and the Deputy Minister of Finance, Greg Orencsak, attended a hearing held by the Standing Committee on Public Accounts (SCOPA) of the Legislative Assembly of Ontario. The hearing focused on the Value-for-Money report issued by the OAGO in December 2022 captioned above. During the hearing, FSRA and MOF provided an update on steps taken to address these recommendations.

The Auditor General is conducting a follow-up audit to evaluate the progress made in implementing these 18 recommendations.

Performance measures and targets

Output and Outcome Based Performance Measurement

In 2022-23, FSRA participated in a value-for-money ("VFM") audit, the first since its launch in June 2019.

The results of the audit were published on November 30, 2022, by the Office of the Auditor General of Ontario ("OAGO"), titled 'Value-for-Money Audit: Financial Services Regulatory Authority: Regulation of Private Passenger Automobile Insurance, Credit Unions and Pension Plans'. The audit report included 18 recommendations and 60 action items for FSRA and the Ministry of Finance, many of which were intended to help FSRA accelerate its efforts to protect consumers and contribute to public confidence.

The VFM Audit also recommended that FSRA develop and track informative and specific performance measures and targets that better align with FSRA's annual mandate, and report on progress against these targets on an annual basis. In response to the OAGO's recommendation, FSRA adopted a new approach to develop both output and outcome-based performance measures and targets. New draft performance measures have been developed using the FSRA Strategic Framework as the foundation.

FSRA developed 29 draft performance measures. Over the course of FY2024-25, FSRA will be consulting with its stakeholders to learn if they find the draft measures and targets meaningful and appropriately calibrated, and to gather feedback that will reinforce its credibility and commitment to transparency, accountability, and fairness. The draft performance measures and targets will be finalized considering stakeholder comments and then included in the FY2025-28 ABP.

Pensions

Performance Measure (s)	FY2020-2021 Baseline[9] *	FY2021-2022 Actual	FY2022-2023 Target	FY2022-2023 Actual	FY2023-2024 Target	FY2023-2024 Actual
Review[10] pensions related inquiries within 45 business days	86%	96%	90%	95%	90%	95%
Defined Benefit Asset Transfers applications will be reviewed, and a decision made within 120 business days*	N/A	N/A	N/A	N/A	N/A	N/A
Defined Contribution asset transfers applications will be reviewed, and a decision made within 90 business days*	N/A	N/A	N/A	N/A	N/A	N/A

[9] Starting April 1, 2023, the asset transfer applications have separate performance measures for Defined Contribution (DC) plans (90 business days) and Defined Benefit (DB) plans (120 business days).
[10] This wording was updated from last year's Annual Report to more accurately reflect the internal process.

Asset Transfers applicactions will be reviewed, and a decision made within 120 business days*	65%	87%	80%	84%	N/A	N/A

Discussion of Outcomes

FSRA is committed to providing pension plan beneficiaries and other industry stakeholders with helpful and timely information on pension-related matters. Recognizing the importance of employment-based pension plans to helping provide plan members with a financially secure retirement, FSRA has consistently met and exceeded its performance target for reviewing pension related inquiries within 45 business days.

FSRA's service standard metric for reviewing and approving both defined-benefit and defined-contribution asset transfer applications exceeded our performance target this fiscal year. As of April 1, 2023, FSRA separated the performance measures for defined benefit plans and defined contribution plans. For applications that did not meet the service standard this fiscal year, the applications were filed incomplete or with compliance issues. Applicants also did not respond to these issues in a timely manner and/or the application had significant compliance issues that required a revised application to be filed.

Auto Insurance and Rates

Performance Measure (s)	FY2020-2021 Baseline*	FY2021-2022 Actual	FY2022-2023 Target	FY2022-2023 Actual	FY2023-2024 Target	FY2023-2024 Actual
Review and decision made for major rate filings within 45 business days	71%	95.8%	90%	91.1%	90%	71.4%

Standards and Minor filings reviewed and decision made within 25 business days a) Private Passenger Auto ("PPA") standard filings	100%	97.5%	100%	85%	90%	94%
b) Non-PPA minor filings	100%	95%	85%	97.1%	85%	70.8%
Review and decision made for Underwriting rules, Enforsement and Form filings within 30 business days	100%	95.7%	80%	94.6%	80%	88.8%

Discussion of Outcomes

FSRA's service standards for auto insurance are aimed at improving market health with more efficient regulation that enables market entry, responsiveness and innovation that delivers value for money for consumers.

FSRA met service levels in all areas but two. For FY2023-24 YTD scores for Major Filings of 71.4% falls short of the 90% target and scores for Minor Filings of 70.8% falls short of the 85% target. This is because in Q2-Q4, eighteen insurer Major submissions and in Q3-Q4, twelve insurer Minor submissions did not adhere to FSRA's rate regulation principles, requiring in-depth and longer review. FSRA was able to meet or exceed service levels for insurers who demonstrated accountability for oversight of their pricing and business

practices and for readiness for regulatory review. FSRA's rate and underwriting strategy is to streamline a risk-based approach to filings with clear expectations to insurers.

FSRA's current service standard metrics indicate improved regulatory efficiency by focusing regulatory resources based on risk, collaborating with insurers to communicate expectations for principles-based regulation and enabling insurers who demonstrate internal governance for fair and accurate rates to respond more quickly to market conditions.

Market Conduct

Complaints

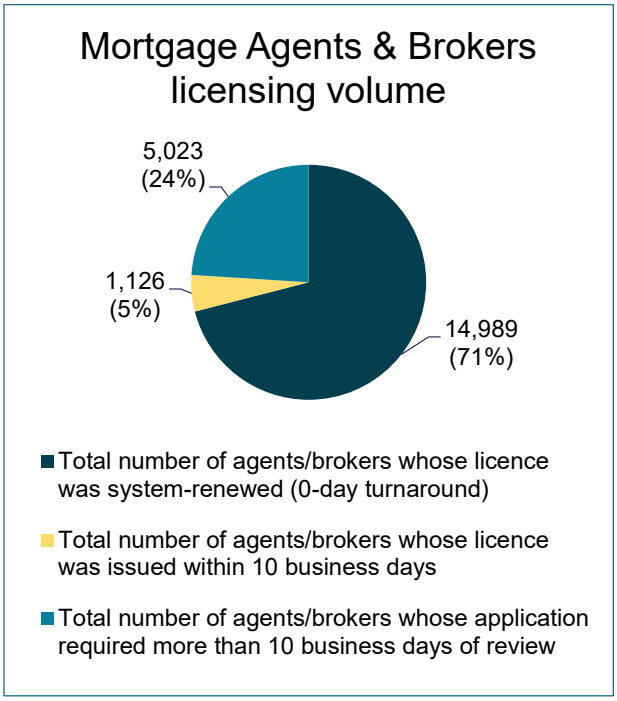
Sector	FY2020-2021 Baseline*	FY2021-2022 Actual	FY2022-2023 Target	FY2022-2023 Actual	FY2023-2024 Target	FY2023-2024 Actual
Resolve complaint files in 120 days	86%	92%	80%	94%	80%	88%
Resolve complaint files in 270 days	97%	98%	95%	99%	95%	98%

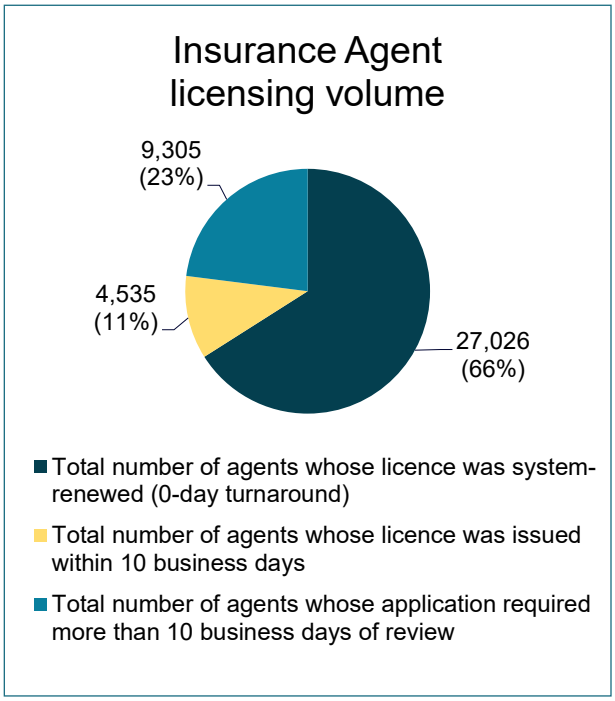
* Baseline measures have been established based on FSRA 2022-2025 Business Plan.

FSRA strives to respond to complaints in a fair and timely manner, and is committed to reviewing complaints in a thorough and impartial manner while ensuring that FSRA's process is fair to both the complainant and the licensee who is the subject of the review. FSRA has established service standards to ensure all complaints are assessed for action or escalation within 120 or 270 days depending on the complexity of the complaint. Additional time may be required when all necessary evidence is not available for review.

For FY2023-24, FSRA exceeded its target and baseline measures by completing its review on 88% of complaint files within 120 days and 98% of complaint files within 270 days.

Licensing volume





FSRA performs an important gatekeeping role by assessing whether individuals and organizations are suitable to hold a licence in FSRA's regulated sectors. Screening applicants and licensees for suitability helps protect consumers. It ensures that an individual's integrity, independence, and competence are considered in addition to educational and technical qualifications. FSRA strives to review licence applications in a timely fashion. The reviews may lead to various outcomes that aim to mitigate potential risks posed by applicants or licensees to the industry or public. In some cases, an identified issue or deficiency will require review by a FSRA staff. These reviews may lead to a licence being issued with certain conditions or restrictions, or the application may be subject to other action such as being refused.

For FY2023-24, FSRA reported on volume of licences issued. The charts below demonstrate that most licences were automatically issued or issued within 10 business days of receipt. In approximately one quarter of applications, FSRA identified an issue or deficiency which required additional review by FSRA staff, resulting in a review time of more than 10 business days.

Credit Union

Performance measure(s)	FY2020-2021 Baseline[1]	FY2021-2022 Actual	FY2022-2023 Target	FY2022-2023 Actual	FY2023-2024 Target	FY2023-2024 Actual
Issue supervisory letter (interim supervisory letter) to the Credit Union within 90 days after completed assessment	N/A	N/A	90%	91%	90%	100%
Process application within 30 business days of receiving all required information	N/A	100%	90%	100%	90%	100%

Discussion of outcomes

FSRA's performance measures for credit unions are aimed at protecting member deposits, promoting confidence in the sector, minimizing exposure of the Deposit Insurance Reserve Fund (DIRF) to loss, and enhancing sector stability. FSRA met or exceeded all credit union performance measures for 2023-2024.

This year FSRA continued to implement its integrated Risk Based Supervisory Framework (RBSF) for credit unions (Priority 6.1 – Achieve supervisory excellence for Ontario's credit union sector). Risk-based supervision (RBS) is outcomes-focused, forward-looking, and seeks to assess the most important prudential and conduct risks posed by Credit Unions' business activities and the extent to which Credit Unions can manage and mitigate these risks.

Ontario-incorporated Insurance Companies and Reciprocals (Insurers)

Performance measure(s)	FY2023-2024 Target	FY2023-2024 Actual
Process application within 45 business days of receiving all required information	90%	100%

Discussion of outcomes

FSRA's performance measures for Insurers are aimed at protecting the rights and interests of consumers and policyholders and enhancing sector resilience and stability.

FSRA's current performance measures for both Credit Unions and Insurers indicate improved regulatory efficiency through improved resource allocation and processes to the areas of greatest risk, increased supervisory effectiveness, and timely approvals.

Risk identification, assessments and mitigation strategies

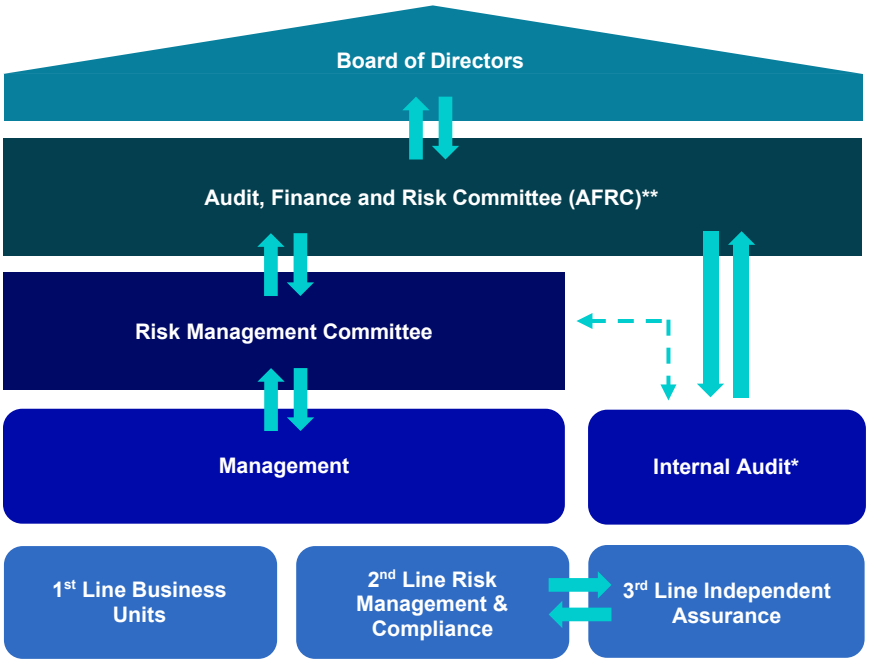
Risk Management plays an integral part in FSRA's governance structure. Risk-based decision-making and strategy development help FSRA to achieve its business objectives and priorities. By evolving the maturity of our Enterprise Risk Management ("ERM") Framework, FSRA continues to strengthen its risk governance and promotes a strong risk culture among business units.

FSRA's ERM Framework is well operationalized and supervised at both the Executive and Board levels. The Executive-level Risk Management Committee (RMC) supervises and monitors business units' risk profiles and risk mitigation strategies via active and robust discussions. The RMC held four meetings in 2023-2024. Under a delegated authority, the Audit, Risk and Finance Committee ("ARFC") of the Board oversees risks at the broader

enterprise level and their alignment with FSRA's risk appetite. The Chief Risk Officer ("CRO") regularly reports key risks to the ARFC.

FSRA adopted the Three-Lines Model in its governance structure in 2020. Business units own the risks and act as the first line of defense, performing risk identification, assessment, and mitigation. The Risk Management and Compliance functions act as the second line of defense to support, monitor and challenge the risk management of the first line. FSRA's outsourced Internal Audit ("IA") function provides independent assurance as the third line of defense.

FSRA ERM Governance structure



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

FY2023-24 highlights

- Operationalized the enterprise Risk Appetite Statement ("RAS") to ensure FSRA achieves the strategic priorities while maintaining the 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 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 Governance, Risk, and Compliance system and regular communication with stakeholders.

- Maintained service standards and compliance with the Freedom of Information and Protection of Privacy Act ("FIPPA") with respect to access to information requests.

- Strengthened awareness of FOI and Privacy by conducting tailored FOI trainings to the Program Areas and mandatory FSRA-wide trainings on Privacy.

- Developed a plan to enhance FSRA's Privacy Management program as it pertains to its legislative obligations under the Freedom of Information and Protection of Privacy Act ("FIPPA"). The plan is underway for implementation from FY2024-25.

- Cultivated robust risk culture within the organization through the implementation of educational hub focusing on emerging risk in FY2023-2024.

- Developed risk analytics through promoting effective challenges on emerging risks, prioritizing key risks at enterprise level, and integrating risk management into strategic decision-making processes.

Key risks and mitigations

Legend: ↑ Improving ↔ Stable ↓ Deteriorating

Risk type	Risk rating	YoY Trend[11]	Mitigation plan
1. Sustainability of funds			
Insufficient Deposit Insurance Reserve Fund ("DIRF") • 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	↓ [12]	The DIRF is managed as a segregated fund. The Statutory Funds Advisory Committee has oversight of the funds. The latest DIRF adequacy assessment was conducted using more granular liquidity data collected from credit unions following issues experienced by US regional banks in 2023, and it indicated that there is a significant gap between the DIRF and funds required to pay depositors in a severe crisis. FSRA engaged with the Ministry of Finance ("MOF") on strategies to increase the size of the DIRF and establish new DIRF targets

[11] Year-over-year trend
[12] There is an observed deteriorating YoY trend in the DIRF risk. This trend is primarily attributed to the challenging macroeconomic environment and an increased DIRF requirement.

Risk type	Risk rating	YoY Trend[11]	Mitigation plan
			that accurately reflect the needs of the sector. Consultation with the credit union sector will follow those discussions and will include discussions with the DIRF Technical Advisory Committee, which was established to advise FSRA on initiatives such as the DIRF Adequacy Assessment Framework and DIRF premiums. FSRA closely monitors risks, liquidity, and capital ratios at all credit unions, through the regulatory filings, environmental scans, and supervisory reviews, and provides early intervention when necessary. The Enhanced Data Collection initiative will: provide more granular data for all credit unions, enhance FSRA's ability to supervise effectively, and intervene proactively as needed to reduce the risk of a payout through the DIRF. The data will also enable precise assessments of DIRF adequacy.

Risk type	Risk rating	YoY Trend[11]	Mitigation plan
Financial stability structures (emergency liquidity, financial assistance and payout) • Risk of not having established adequate emergency liquidity access for credit unions in times of crisis).	Medium-High	↔	A $2 billion line of credit with the Ontario Financing Authority (“OFA”) was renewed and is now better structured to enable FSRA to provide emergency liquidity to otherwise viable credit unions experiencing short-term liquidity stress, thus maintaining stability and confidence in the sector. 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 information which aids effective oversight. FSRA published Recovery and Resolution Planning Guidance and is working with credit unions to align with that guidance to increase their resiliency and reduce the likelihood of their failure. The federal Minister of Finance recently committed to changes to the *Canadian Payments Act*

Risk type	Risk rating	YoY Trend[11]	Mitigation plan
			that would allow certain Ontario credit unions to access the Bank of Canada's emergency liquidity facilities. While this removes a major barrier to accessing additional liquidity, there continues to be uncertainty around the timing of access and the proportion of the sector that will be covered. FSRA will be working with the Bank of Canada, Payments Canada, MOF, and the credit union sector to provide clarity on timing and coverage and develop a plan for implementation.
Insufficient Pension Benefits Guarantee Fund ("PBGF") • Risk of an insufficient PBGF to cover claims arising from a Single-Employer Defined Benefit Pension Plan ("SEPP")	Low	↑ [13]	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.

[13] There is an improving YoY trend in the PBGF risk. This trend is due to the transfer of investment management and PBGF Risk Appetite Statement.

Risk type	Risk rating	YoY Trend[11]	Mitigation plan
funding deficit and insolvency of Plan Sponsor(s), at the same time.			FSRA continues to focus on prudentially supervising SEPPs for early risk identification, monitoring, and intervention, to ensure an effective funding of pension plans to minimize potential claims to the PBGF. To support the CEO of FSRA, FSRA promotes good risk management and governance of assets in the PBGF, including stress testing, use of conservative margins, and more effective investment strategy. As part of its investment strategy, PBGF has moved its investment management to the Investment Management Corporation of Ontario ("IMCO"). In addition, FSRA is building in-house predictive analytic capabilities to better assess the potential PBGF risk exposures.
2. Organizational maturity challenges			

Risk type	Risk rating	YoY Trend[11]	Mitigation plan
Legacy: Unsupported software & technology stack and legacy domains • Risk that key business applications are using outdated and unsupported technology stack, security patches are unavailable, and applications run into issues that cannot be resolved in a timely manner	Medium-High	↓ [14]	FSRA continues with its transformational FSRA*Forward* Program, which aligns processes, data, technology, and stakeholder interactions with FSRA's vision and priorities. This blueprint proposes a phased approach to IT Capital investment, ensuring appropriate oversight and risk mitigation. The FSRA*Forward* program that replaces the legacy applications has experienced delays and will extend beyond the original completion date. New delivery date is currently being evaluated. IT Service Management, Vulnerability Management Program, Disaster Recovery Plan, and regular data backup are in place, serving as compensating controls. Modernization efforts to reduce operational and security risks,

[14] The risk has deteriorated due to the delay of FSRAForward implementation.

Risk type	Risk rating	YoY Trend[11]	Mitigation plan
			improve productivity, and reduce technical debt continue.
Cybersecurity & Privacy Protection • 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.	Medium	↔	FSRA has well-established a multi-year cybersecurity program including governance, service delivery model, and a roadmap with detailed steps to mitigate significant and emerging cybersecurity exposures. As part of the cybersecurity program, FSRA has developed the Cybersecurity Incident Response Plan and related playbooks, supplemented by table-top exercises to evaluate effectiveness. FSRA's cyber posture is periodically assessed based on the National Institute of Standards and Technology framework.
Regulatory & Cultural Transformation	Medium	↔	As part of its regulatory and cultural transformation, FSRA has embraced a principles-based and outcomes-focused

Risk type	Risk rating	YoY Trend[11]	Mitigation plan
• 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.			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. To facilitate its cultural transformation, FSRA continues to implement its strategic initiatives that reinforce a strong culture of engagement and inclusiveness and invest in learning and development. FSRA utilizes FSRA Voices as a key tool to monitor engagement and culture. 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

Risk type	Risk rating	YoY Trend[11]	Mitigation plan
			deliver its committed regulatory services while continuing to transform.
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. FSRA is closely monitoring the financial soundness and stability of entities in its regulated sectors through its supervisory efforts.
Operational Resilience • Risk of service disruption due to events such as cybersecurity, physical disaster, and	Low	↔	FSRA continues to proactively enhance its operational resilience. The Business Continuity Management Policy ("BCMP") is in place to manage operational disruption risks. To operationalize the BCMP,

Risk type	Risk rating	YoY Trend[11]	Mitigation plan
systemic risk events. It would pose significant challenges to FSRA in delivering its regulatory services and mandates on a timely basis.			FSRA has developed the Crisis Management Guideline, which includes five playbooks to provide guidelines in disruptive situations: • Pandemic Plan Playbook • Cyber Security Incident Response Plan • Systemic Risk Playbook • Physical Disaster Playbook • Individual Cyber Security Playbooks

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	FSRA's Vision, Mission, Values and Behaviours, completed early in 2019-2020, informed its approaches, policies, process, and norms. FSRA is committed to building a positive, inclusive workplace culture. Initiatives included:

- **Diversity, Equity, Inclusion and Belonging ("DEIB"):** In FY2023-24, FSRA created a Diversity, Equity, Inclusion, and Belonging Lead position to support a strategic focus on DEIB. FSRA initiated San'yas Cultural Training, and began to roll out to all levels of the organization. The cross-functional committee also continued to champion employee education initiatives and events.

- **Learning and development:** FSRA continued to implement its Learning and Development plan throughout FY2023-24, offering centralized in-house development opportunities at the corporate and functional level, and supporting individual learning requests from external organizations.

- **Recognition:** Supporting a culture of recognition, two recognition programs were launched in FY2023-24. The first was a manager's toolkit for informal, local-level recognition. The other was a formal corporate recognition program focused on teamwork, innovation, leadership, cross-functional collaboration, and exemplary work.

- **Wellness:** In FY2023-24, FSRA refreshed its Wellness@FSRA program with a focus on education and self-serve resources. The program includes workshops, education sessions, monthly wellbeing challenges and online platforms for supplemental support and information.

- **Professional development:** FSRA focused on providing greater opportunities for employees to gain knowledge and experience from one another with the development and launch of a formal cross-functional mentorship program. The FSRATalks programs provide employees the opportunity to share the depth of their knowledge with employees in a TedTalk-style environment. The FSRA Leadership Book club invites all employees to read books on leadership and discuss relevant themes in a casual environment.

- **Responsiveness:** Work continued throughout FY2023-24 to respond to employee feedback in the 2023 employee engagement survey. The 2024 employee engagement survey scores increased and revealed progress has been made in those areas. HR ran a supplemental survey in FY2023-24 specifically to gain feedback on whether HR services were meeting internal client demands and expectations. This survey will run annually to ensure HR responds effectively to FSRA's continued evolution.

In September 2023, FSRA required employees to return to the office for three days a week in accordance with the Treasury Board Secretariat mandate. FSRA maintained a hybrid work environment while encouraging employees to take advantage of the benefits of in-person collaboration. FSRA continued to support effective and efficient delivery of business operations in a hybrid work environment.

2. Investment in talent	There was a strong focus in FY2023-24 on supporting internal talent and recruiting top talent. Initiatives included:

- **Job evaluations: N**on-union job descriptions were reviewed across the organization to ensure accuracy and relevance to current business needs. A job evaluation continues to align job descriptions with appropriate compensation. FSRA will undertake a similar review with bargaining unit groups following collective agreements.

- **Core competencies:** A framework was developed in FY2023-24 outlining the core competencies required for FSRA employees. Education and training on the core competencies continued and are planned to be folded into performance conversations and learning goals.

- **Human capital policies:** In FY2023-24 FSRA developed an assignment and a secondment policy to further support employee growth and development.

- **Succession planning:** In FY2023-24 FSRA started work on an organization-wide succession planning exercise (including developing plans for CEO succession) to identify successors and high potential talent within the organization.

- **Employee value proposition:** Following consultation with employees and in-house data, FSRA developed an Employee Value Proposition to help promote the organization as an employer of choice.

- **Total rewards:** Benefits for all employees were increased in FY2023-24 to reflect the areas of most need according to usage data. FSRA's performance management and pay-for-performance systems are also aligned.

FY2023-24 saw the lowest rate of vacancies since FSRA's inception in 2019.

3. Strong foundations	With the foundation built, FSRA continued to identify and prioritize Workday change/improvement requirements to ensure optimization of Human Capital Management (HCM).
4. Human Resources excellence	FSRA established policies and processes to identify, manage and control HR risks, and ensure alignment with legislative and directive requirements. The HR Business Model gives leaders knowledge to effectively access HR business services and support.

As at March 31, 2024, FSRA had 654 employees: 566 permanent full-time/part-time and 88 fixed term. The budgeted FTE for fiscal year FY2023-2024 was 623.

FSRA developed a detailed Business Continuity Plan (“BCP”) to ensure critical regulatory sector work would continue. The initial stages were successfully tested during COVID-19. In 2024, FSRA recalibrated the BCP to meet the needs of the current operating environment.

The parties made good progress and agreed to language for most of the collective agreement. The parties have been relatively successful in paring down the collective agreement, given FSRA’s size, and addressing some FSRA-specific issues.

Internal communications

Internal communications efforts in FY2023-24 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. This included adjusting the frequency and timing of large-scale events and newsletters.

- **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

FSRA continued its mission to enhance awareness among Ontarians through a number of communication strategies targeted to the industry and its robust consumer education campaigns. FSRA also bolstered stakeholder engagement through an expanded roster of webinars, increased participation in external speaking engagements, and the successful hosting of its third annual FSRA Exchange conference.

FSRA's key achievements in FY2023-24 include:

Expanded reach

1. **FSRA Exchange:** FSRA's annual thought leadership event was held on March 4, 2024. It continues to grow year over year through targeted reach and effective stakeholder engagement. This year, it set a new attendance record with over 1,236 participants (both in-person and virtual), up 37% from last year. The feedback from the post-even survey found that 94% of attendees "Liked Very Much" or "Liked" the

overall experience, and 90% found the topics relevant to them.

The theme was 'Regulating in a Rapidly Changing Environment'. The morning sessions featured a wide-ranging fireside chat with FSRA CEO, Mark White, along with panel discussions on Climate Change and AI. In the afternoon, there were a series of breakout sessions for the following sectors: Auto Insurance, Credit Unions, Pensions, Mortgage Brokering, Life & Health Insurance, Insurance (non-auto), and Financial Planners and Financial Advisors.

2. **Expanded webinars:** FSRA expanded its engagement and communication with the sectors it regulates through the launch of a new webinar strategy. FSRA held seven webinars in an ongoing effort to engage, educate and gather feedback from stakeholders. The audience ranged from 300 to 2,000 people, offering everyone an opportunity to submit questions directly to FSRA staff and contribute to the policy and decision-making process.

3. **Consultations:** FSRA launched 17 public consultations, with supporting communications tactics via e-blast, news release, and social media.

4. **Proactive media relations:** FSRA's media mentions increased by more than 20 per cent in 2023.

    - Staff participated in 54 interviews, promoting consumer protection.

5. **Multicultural outreach:** As a result of direct engagement with multicultural media, FSRA witnessed an increase in coverage, particularly in the GTA, which increased its presence in the Chinese, South Asian and Filipino communities. Multicultural media mentions increased by more than 150% between FY 2022-23 and FY2023-24.

    - Expanded social media strategy: FSRA's first ever social media strategic plan, including LinkedIn and Facebook strategies, was developed, and executed which led to increased followers, reach and engagement on our social media platforms.

- Post impressions overall: 651,523 (up 26% from the year prior).
- Post reach: 56,571 (up 26% from the year prior).
- Video reach: 16,177 (up 46% from the year prior).
- Total followers: 36,703 (up 15% from the year prior).

6. Over the course of the fiscal year, FSRA continued to create broader awareness and build brand equity through various communications tactics, including 1,234 social postings, 101 news releases issued, 195 e-blasts sent to stakeholders, and 18 videos posted.

Consumer education

FSRA continued to expand its consumer education campaigns to broaden its reach, especially into multicultural communities, and offer information and tips to better protect those in the market for auto insurance, those purchasing a home or those looking to secure life and health insurance for themselves and their families, or 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	How the campaign supports consumer education / protection	About the campaign
Pensions (February 1 – 23, 2024)	Support awareness of and provide neutral unbiased information on the value of pensions to plan members, employers, and society.	Together with its pension stakeholders, FSRA launched Ontario's second annual Pension Awareness Day on February 15, 2024, to create greater awareness among targeted audiences about

		pensions generally, and the value of a workplace pension plan. It also focused on the importance of starting to save early for retirement.
Private Mortgages (December 14, 2023 – March 31, 2024)	Private mortgages typically have different terms from traditional mortgages, and consumers need to know what questions to ask before making a commitment.	The private mortgage campaign was designed to inform and protect consumers who are considering a private mortgage. The campaign encouraged consumers to seek advice, know their options, and get a mortgage product that is right for them and their family.
Life and Health Insurance (December 4, 2023 – March 31, 2024)	Many consumers are at risk of experiencing financial vulnerability due to certain factors or characteristics, like language barriers, a lack of knowledge about Ontario's financial system, poor health, or cognitive impairment. They may end up buying life insurance products that do not suit them, leading to financial stress.	This life and health insurance campaign was designed to protect vulnerable consumers and their families when purchasing life and health insurance. FSRA empowered consumers to ask the right questions, understand the products they are being offered, and make informed decisions. This would help ensure that the products they buy are suitable for their individual needs.
Financial Planners / Financial Advisors	Developed a campaign encouraging consumers to use	Through this campaign, we launched a new online tool –

(March 2024)	FSRA's new online tool to check the credentials of the person they are getting financial advice from.	check credentials – to help individuals verify whether their financial professional holds the necessary credentials to use the Financial Planner or Financial Advisor (or similar) title in Ontario. These titles indicate that the professional has met minimum education standards, is supervised, and adheres to a code of conduct.
Auto Insurance (January – March 2024)	Educated consumers on different aspects of auto insurance and ways to protect themselves and their families.	A Search Engine Marketing campaign from January – March 2024 was launched to lead consumers to the FSRA website for information about auto insurance. The campaign educated consumers on ways to get auto insurance coverage that is best suited for them and their budgets. It focused on four key themes: shopping around for car insurance, understanding your auto insurance policy, what to do after an accident and fraud prevention and reporting.

FSRA website

This past year, several changes were made to the FSRA website to continue to improve the user experience for consumers and stakeholders using easy-to-find, easy-to-understand, and easy-to-apply principles. FSRA developed:

- A new Enforcement Action and Warnings database with enhanced search features and related files feature.
- User interface and applied plain language for the new Financial Planner and Financial Advisor Check Credentials tool.
- User interface and applied plain language for the new Report Sector IT Risk Incident tool.

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

- Pensions Awareness Day
- Auto Insurance Fraud
- Life and Health Insurance
- Private Mortgages
- Financial Planner and Financial Advisor credentials

Areas of the website were reviewed and re-designed to be more intuitive. Iniatives included:

- Implementing a user-friendly check license application status page. This change significantly reduced calls to the Contact Centre.

- Implementing multiple versions tracking for guidance.
- Redesigning the Events module layout and implemented a new post-event resource feature.
- Redesigning the Rules landing page by sector.
- Improving user experience this past year due to implementing the Google translate tool in 2023-2024. Consumers can read content in their preferred language.

Analysis of financial performance

Below is a comparison between FSRA's actual results for the fiscal year FY2023-24 and the previous year, as well as a comparison to the FY2023-24 budget. Additionally, there will be a discussion about FSRA's financial position as of March 31, 2024, in comparison to March 31, 2023.

This analysis provides an overview of FSRA’s financial activities for the fiscal year FY2023-24 and should be read in conjunction with FSRA’s audited financial statements included in FSRA’s Annual Report for the years ended March 31, 2024, and 2023, and the notes contained therein.

Financial Highlights

The key financial metrics for the current fiscal year and the prior fiscal year are summarized below:

(in millions of dollars)	12 Months Ended March 31, 2024	12 Months Ended March 31, 2023	Variance ($)	Variance (%)
Revenue	$ 113.6	$ 109.8	$ 3.8	3.5%
Expenses, net of recoveries	(123.6)	(105.7)	(17.9)	-16.9%
Excess/(Shortfall) revenue over expenses	$ (10.0)	$ 4.1	$ (14.1)	-344.9%

(in millions of dollars)	As At March 31, 2024	As At March 31, 2023 (Restated)	Variance ($)	Variance (%)
Total assets	$ 109.3	$ 115.4	$ (6.1)	-5.3%
Total liabilities	(100.8)	(96.8)	(4.0)	4.1%
Net assets	$ 8.5	$ 18.6	$ (10.1)	-54.3%

- Total revenue for FY2023-24 was $113.6 million and total expenses (net of recoveries) were $123.6 million resulting in a shortfall of revenue over expenses for the fiscal year of $10.0 million.

- Total assets decreased $6.1 million or 5.3% to $109.3 million as at March 31, 2024. This decrease was attributed to the following key drivers:
    - A decrease of $2.7 million in cash owing to a $4.2 million decrease in cash & cash equivalents and a $0.2 million decreased in restricted cash offset by a $1.7 million increase in restricted funds from the collection of Administrative Monetary Penalties and settlements
    - A decrease in trade and other receivables and prepaid expenses by $1.9 million; and
    - A decrease of $1.5 million in capital assets due to a $2.9 million increase in accumulated amortization offset by a $0.7 million increase in asset retirement obligations and $0.7M increase in capital asset.

- Total liabilities increased by $4.0 million to $100.8 million or 4.1% as at March 31, 2024. This increase is attributed to the following factors:
    - An increase of $5.5 million in Trade and other payables; and
    - An increase of $1.2 million in Deferred revenue.

- Adoption of PS 3400 required a negative adjustment of $6.9 million to the 2023 total liability balance.

These increases were partially offset by:

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

- Total Net Assets were $8.5 million at March 31, 2024. This balance was comprised of the $5 million restricted operating reserve and $3.5 million of unrestricted net assets. Adoption of PS 3400 required a positive adjustment of $6.9 million to restate the 2023 Unrestricted Net Asset balance.

Revenue

(in millions of dollars)	2024 Actual	2024 Budget	2023 Actual	2024 Actual vs Budget ($)	2024 Actual vs Budget (%)	2024 Actual vs 2023 Actual ($)	2024 Actual vs 2023 Actual (%)
Assessments	$ 78.9	$ 78.7	$ 77.3	$ 0.2	0.3%	$ 1.6	2.1%
Fees	29.0	30.6	29.1	(1.6)	-5.1%	(0.1)	-0.3%
Interest income	5.7	2.8	3.4	2.9	103.6%	2.3	67.6%
Total revenue	$ 113.6	$ 112.1	$ 109.8	$ 1.5	1.3%	$ 3.8	3.5%

FSRA recovers its budgeted costs from the sectors it regulates through a combination of variable assessments and fixed fees. In FY2023-24, the total revenue was $1.5 million, or 1.3% higher than the budget, and $3.8 million, or 3.5% higher than the FY2022-23 revenue.

Assessment revenue remained close to budget. The sector assessments increased $1.6 million or 2.1% year-over-year due to an increase in budgeted costs.

Revenue generated from fixed fees was $1.6 million (5.1%) lower than the budget, this was primarily due to lower new and renewal license volume in Life Conduct and Life Health Sector. The revenue was $0.1 million (0.3%) lower than the prior fiscal year. The $0.1 million decrease is primarily from lower Mortgage Brokers license new and renewals.

Interest income represents interest earned on FSRA's operating cash balances. In FY2023-24, interest income was $5.7 million, compared to a budgeted amount of $2.8 million, a $2.9 million higher than budget variance, and $2.3 million higher than in the prior fiscal year. This increase is attributed primarily to increases in the bank interest rate on cash deposits.

Expenses

(in millions of dollars)	2024 Actual	2024 Budget	2023 Actual	2024 Actual vs Budget ($)	2024 Actual vs Budget (%)	2024 Actual vs 2023 Actual ($)	2024 Actual vs 2023 Actual (%)
Salaries and benefits	$ 90.7	$ 85.0	$ 73.0	$ (5.7)	-6.7%	$ (17.7)	-24.2%
Professional services	18.6	16.2	18.1	(2.4)	-14.8%	(0.5)	-2.8%
Technology	6.5	6.6	5.3	0.1	1.5%	(1.2)	-22.6%
Accommodation	4.0	4.6	4.4	0.6	13.0%	0.4	9.1%
Other operating expenses	8.2	11.2	8.7	3.0	26.8%	0.5	5.7%
Total expenses	128.0	123.6	109.5	(4.4)	-3.6%	(18.5)	-16.9%
Less recoveries	(4.4)	(4.5)	(3.8)	(0.1)	-2.2%	0.6	15.8%
Expenses, net of recoveries	$ 123.6	$ 119.1	$ 105.7	$ (4.5)	-3.8%	$ (17.9)	-16.9%

Salaries and benefit costs represent FSRA's largest expense and were $5.7 million higher than the budget and $17.7 million higher than the prior year. The increase in salaries and benefits expenses year-over-year is due to planned increases in head count to support the delivery of FSRA's priority initiatives and to a lower vacancy rate. The primary factor contributing to the unfavorable variance to the budget is primarily accruals for the Bill 124 projected liabilities. The unfavourable variance to the prior fiscal year is due to planned increases in human resources to support the delivery of FSRA's priority initiatives.

Professional services costs were $2.4 million higher than the budget and $0.5 million higher than the prior fiscal year primarily due to the investment in the FSRA*Forward* initiative. FSRA*Forward* costs are spread over five years in the budget for the purpose of calculating assessments for the sectors but are expensed as incurred in accordance with Public Sector Accounting Standards in FSRA's actual results. The budgeted FY2023-24 professional service costs for FSRA*Forward* were $6.0 million and actual costs were $7.4 million resulting in a $1.4 million unfavourable variance mainly due to timing differences.

Technology costs were on budget while lower spend on travel, equipment and supplies, and lower capital amortization expenses lead to a positive budget variance in other operating expenses.

Accommodation costs were $0.6 million lower than the budget and $0.4 million lower than the prior fiscal year primarily due to the landlord reconciliation of historical common area maintenance costs.

Liquidity and Financial Position

(in millions of dollars)	2024 Actual	2024 Budget	2023 Actual	2024 Actual vs Budget ($)	2024 Actual vs Budget (%)	2024 Actual vs 2023 Actual ($)	2024 Actual vs 2023 Actual (%)
Cash balance at March 31st	$ 87.5	$ 83.6	$ 90.2	$ 3.9	5%	$ (2.7)	-3%
Capital asset additions	$ 0.9	$ 1.1	$ 1.0	$ (0.2)	-18%	$ (0.1)	-10%

As at March 31, 2024, FSRA's cash balance remains stable compared to budget with an increase of $3.9 million. This positive variance is attributed to favorable differences in other working capital balances. There was a cash decrease of $2.7 million compared to the previous fiscal year.

Cash at March 31, 2024, also includes $2.0 million in restricted funds from the collection of AMPs and $3.0 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 8 and Note 14 to the FSRA financial statements).

FSRA’s financial position continues to remain strong. FSRA ended FY2023-24 with net working capital (current assets minus current liabilities) of $50.3 million. A portion of this net working capital balance is being held to finance certain long-term employee future benefits and other long-term obligations.

The organization will continue to monitor its financial situation closely and will adjust operations as needed to prudently manage costs and expenditures in the next fiscal period.

Appendix A: Service standards

FSRA is dedicated to enhancing transparency and accountability in its regulatory activities. To fulfill this commitment, FSRA has established 24 service standards that define 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 undergo rigorous review by FSRA's internal Risk team in collaboration with the regulatory divisions. FSRA continues to review the standards and targets on an annual basis and propose changes based on its regulatory activities in the current market, resources and stakeholder needs.

Key Highlights of FSRA Service Standards for FY2023-24:

- FSRA achieved a commendable annual service standards score of 90.8% in FY2023-24.
- Credit Unions and Prudential Insurance introduced three new standards for regulatory approval services and initiated reporting of these new standards in Q1 FY2023-24.
- Pensions introduced two new standards for Defined Benefit and Contribution Asset Transfer Applications and commenced reporting of these new standards in Q1 FY2023-24.
- Auto consistently met or exceeded service targets for Underwriting Rules & Form Filings in FY2023-24.
- Public Affairs surpasses service targets for all of its standard in FY2023-24.

- FSRA is currently updating its internal and external licensing systems through the FSRA*Forward* Digital Transformation initiative. As this process continues, FSRA will report on the volume of licenses issued for the mortgage and insurance sector. Information on application processing dates will remain accessible on our website during this transition.

For more detailed information on FSRA Service Standards, refer to the Service Standards Scorecards.

Appendix B: Legal enforcement section

1. Achieved enforcement sanctions

Sector	Achieved sanctions 2023-24	Achieved AMPs 2023-24	Achieved sanctions 2022-23	Achieved AMPs 2022-23
Mortgage	**18**	**$454,388**	**18**	**$81,000**
AMP	8	$454,388	7	-
Suspension	5	-	4	-
Compliance order	1	-	4	-
Revocation	4	-	2	-
Refuse licence	-	-	1	-
Insurance - Life	**15**	**$186,000**	**21**	**385,500***
AMP	6	$186,000	9	$375,500
Refuse licence	4	-	3	-
Revocation	3	-	3	-

Warning letter	-	-	2	-
Compliance order	-	-	2	-
Costs	-	-	1	$10,000
UT not to apply	2	-	1	-
Insurance - Auto	**6**	**$690,000**	**7**	**$120,000**
AMP	4	$690,000	4	$120,000
Compliance order	2	-	3	-
Insurance – HSP	**11**	**$275,000**	**-**	**-**
AMP	4	$275,000	-	-
Revocation	2	-	-	-
Suspension	2	-	-	-
Surrender	1	-	-	-
Compliance order	1	-	-	-
Refuse license	1	-	-	-

Loan & Trust	-	-	**1**	-
Compliance order	-	-	1	-
Pension	3	$0	-	-
Compliance order	3	-	-	-
Credit Union	1	$0	-	-
Order	1	-	-	-
Grand total	**54**	**$1,605,388**	**47**	**$586,500**

*Including $10,000 costs.

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

Sector	Escalations 2023-24	Subjects of escalations 2023-24	Escalations 2022-23	Subjects of escalations 2022-23
Mortgage	20	28	17	28
Insurance – Life	13	25	7	9
Insurance – Auto	2	2	1	2

HSP	1	1	6	12
Loan & Trust	1	3	-	-
Refuse licence	-	-	1	-
Grand total	**38**	**60**	**31**	**51**

3. Concluded investigations

Sector	Escalations 2023-24	Subjects of escalations 2023-24	Escalations 2022-23	Subjects of escalations 2022-23
Mortgage	19	34	5	9
Insurance – Life	8	14	10	23
Insurance – Auto	1	1	-	-
HSP	1	3	-	-
Pension	1	2	-	-
Mortgage	19	34	5	9
Grand total	**30**	**54**	**17**	**38**

4. Whistle-blower program

Sector	Submissions 2023-24	Assurances of confidentiality 2023-24
Mortgage	34	3
Insurance	34	10
Loan & Trust	3	1
Pension	3	-
Credit Union	1	-
Financial Professionals	5	-
No Sector	7	-
Grand total	**87**	**14**

5. Initiated enforcement actions

Sector	Proposed sanctions 2023-24	Proposed AMPs 2023-24	Proposed sanctions 2022-23	Proposed AMPs 2022-23
Mortgage	**43**	**$1,665,500**	**18**	**$148,000**
AMP	22	$1,665,500	10	$148,000
Compliance order	1	-	2	-
Refuse licence	9	-	1	-
Revocation	9	-	5	-
Condition	1	-	-	-
Suspension	1	-	-	-
Insurance - Life	**11**	**$241,000**	**26**	**$994,000**
AMP	5	$241,000	16	$994,000
Refuse licence	4	-	1	-
Revocation	1	-	7	-
Condition	1	-	-	-

Compliance order	-	-	2	-
AMP	2	$600,000	9	$125,000
Insurance - HSP	**6**	**$260,000**	**1**	**-**
AMP	3	$260,000	-	-
Refuse licence	1	-	-	-
Revocation	2	-	1	-
Pension	**2**	**-**	**-**	**-**
Compliance order	1	-	-	-
Credit Union	**1**	**-**	**-**	**-**
Order	1	-	-	-
Grand total	**65**	**$2,766,500**	**54**	**$1,267,000**

Appendix C: Credit Union & Insurance Prudential Regulatory activities

Summary of Credit Union & Prudential Insurance Regulatory activities*							
Category	**2023-24**	**2022-23**	**2021-22**	**2020-21**	**2019-20**	**2018**	**2017**
Applications**	24	26	25	25	16	23	7
Variations, exemptions & extensions	2	3	1	15	11	3	0
Orders	3	0	0	0	0	2	3
Administrative penalties	0	0	0	0	0	0	0
Certificates and other requests***	110	131	157	112	140	112	n/a
Total	**139**	**160**	**183**	**152**	**167**	**140**	**10**

*Data for 2023-24 includes all applications through March 31, 2024.
** Includes two Insurance Prudential applications.
***Includes certificates of status, mortgage discharges, and acknowledgement of receipt of bylaws.

Appendix D: Market Conduct statistics

Market Conduct received complaints comparison of fiscal 2023-2024 against fiscal 2022-2023

Sector	2023-24		2022-23		FY over FY Change	
	(#)	(%)*	(#)	(%)*	(#)	(%)
Insurance – Property and Casualty**	353	33.2%	331	35.7%	22	-2.5%
Insurance – Life and Health	170	16.0%	162	17.5%	8	-1.5%
Insurance – Investments	18	1.7%	8	0.9%	10	0.8%
Mortgage Brokering	448	42.1%	375	40.5%	73	1.6%
Credit Unions	47	4.4%	31	3.3%	16	1.1%
FP & FA	3	0.3%	2	0.2%	1	0.1%
Loan & Trust	4	0.4%	2	0.2%	2	0.2%
Other	21	2.0%	15	1.6%	6	0.4%
Total	**1,064**	**100%**	**926**	**100%**	**138**	

* Percentages may not add to 100 due to rounding.
** Includes health service provider and auto insurance complaints.

Enforcement actions by Market Conduct to address non-compliance from April 1, 2023, to March 31, 2024

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	
	2023-24	2022-23
Insurance*		
Warning letter	755	759
Licence suspension	0	1
Conditions on licence	248	361
Application withdrawal	9	1
Licence refusal/denials	1	2

Administrative monetary penalties orders	10	4
Summary administrative monetary penalties orders	31	23
Health Service Provider		
Warning letter	65	758
Licence suspension	52	106
Licence revocation	118	1
Mortgage Brokering		
Warning letter	97	128
Licence revocation	31	1
Conditions on licence	35	18
Application withdrawal	5	0
Licence refusal/denials	0	1

Administrative monetary penalties orders	3	6
Summary administrative monetary penalties orders	16	19
Total	**1,476**	**2,189**

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

Administrative monetary penalties & summary administrative monetary penalties FY2023-24*

Sector	Administrative monetary penalties ($)			Summary administrative monetary penalties ($)		
	2023-24	2022-23	$ Change	2023-24	2022-23	$ Change
Mortgage Brokering	$5,000	$13,500	-$8,500	$16,000	$19,000	-$3,000
Insurance	$25,250	$23,000	$2,250	$33,200	$30,000	$3,200
Total	**$30,250**	**$36,500**		**$49,200**	**$49,000**	

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

Appendix E: Pensions statistics

FY2023-24

Key applications and inquiries (as at March 31, 2024)

Transactions	Total received in FY 2023-24	% (+/-)*
Applications		
Asset transfer	46	-38%
Wind up (full)	133	14%
Inquiries		
General Inquiries	1,069	-28%
Plan specific inquiries – Industry	1,356	-30%
Plan specific inquiries – Member	458	-12%

Member complaints		
Non-compliance with plan provisions	10	-9%
Non-compliance with legislation/policy	11	-8%
Non-compliance with FSRA policy	1	-
Reciprocal transfer agreement	3	0%
Benefit calculation / commuted value	40	11%

* Comparative against FY 2022-23

Appendix F: Contact Centre statistics

FY2023-24

Inquiry type	Number	Percentage
Insurance licensing	33,962	54.6%
Mortgage Brokering licensing and other Mortgage inquiries	7,222	11.6%
Pension	5,651	9.1%
Insurance: Automobile and other Insurance inquiries	6,505	10.4%
Health Service Providers	1,838	3.0%
Credit Union	817	1.3%
Co-operatives	38	0.1%
Loan & Trust	171	0.3%
Other*	6,048	9.7%
Total	**62,252**	**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)
- Sustainable Insurance Forum (SIF)

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: Strategic Framework

In 2021-2022, 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 2023-24 priorities support the Pillars.

Operate effectively to be a high-performing regulator

- We will consistently deliver 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 digitization 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 I: Audited financial statements

Financial Services Regulatory Authority of Ontario

Financial statements for the year ending March 31, 2024

FSRA
Financial Services Regulatory Authority of Ontario

Ontario

Financial Services Regulatory Authority of Ontario

25 Sheppard Avenue West
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FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

FINANCIAL STATEMENTS FOR THE YEAR ENDING MARCH 31, 2024

Financial Services Regulatory Authority of Ontario

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Office ontarienne de réglementation des services financiers

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Téléphone : 416-590-7030
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Ontario

Management's Responsibility for Financial Information

Management is responsible for the integrity and fair presentation of the accompanying financial statements and notes. The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards for Government Not-For-Profit ("PSAS-GNFPO"). The preparation of the financial statements involves the use of management's judgement and best estimates where appropriate.

Management is also responsible for developing and maintaining financial controls, information systems and practices to provide reasonable assurances on the reliability of financial information and the safeguarding of its assets.

The Financial Services Regulatory Authority of Ontario's Board of Directors is responsible for ensuring that management fulfils its responsibilities. The Board has appointed an Audit, Finance, and Risk Committee from among its own members (the "AFRC"). The AFRC meets periodically with senior management and the Office of the Auditor General of Ontario to discuss audit, internal control, accounting policy, and financial reporting matters. The financial statements have been reviewed by the AFRC and approved by the Board of Directors.

The financial statements have been audited by the Office of the Auditor General of Ontario. The auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with PSAS-GNFPO. The auditor's report follows.

Mark White
Chief Executive Officer

Stephen Power
Executive Vice President - Corporate Services

Toronto, Ontario
July 16, 2024

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

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, 2024, and the statements of operations, changes in net assets 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, 2024, and the results of its operations 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.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and my auditor's report thereon, in the Authority's 2023-2024 Annual Report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

I obtained the Financial Services Regulatory Authority of Ontario's 2023-2024 Annual Report prior to the date of this auditor's report. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact in this auditor's report. I have nothing to report in this regard.

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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
July 16, 2024

Shelley Spence, CPA, CA, LPA
Auditor General

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Statement of Financial Position
As at March 31, 2024

($000)	Note(s)	March 31, 2024	Note 2(a) March 31, 2023
ASSETS			
Current			
Cash	3	$87,532	$90,210
Trade and other receivables	4	8,435	9,299
Prepaid expenses		1,865	2,909
Total current assets		97,832	102,418
Capital assets	5	11,451	12,962
Total assets		**$109,283**	**$115,380**
LIABILITIES			
Current			
Trade and other payables	6	$23,392	$17,878
Deferred revenue	8	20,447	19,270
Loan payable	9	3,678	3,683
Total current liabilities		47,517	40,831
Loan payable	9	42,392	44,740
Employee future benefits	11	1,897	2,334
Deferred lease inducements	7	2,105	2,482
Deferred revenue	8	2,892	3,170
Other long-term obligations	5	3,986	3,246
Total liabilities		100,789	96,803
NET ASSETS			
Internally restricted net assets	12	5,000	5,000
Unrestricted net assets		3,494	13,577
Total net assets		8,494	18,577
Total liabilities and net assets		**$109,283**	**$115,380**

See accompanying notes to the financial statements.

Commitments, Contracts, and Contingencies (Note 17)

On Behalf of the Board:



Joanne De Laurentiis
Board Chair



Brent Zorgdrager
Chair, Audit, Finance & Risk Committee

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Statement of Operations
For the year ended March 31, 2024

($000)	Note(s)	March 31, 2024	Note 2(a) March 31, 2023
Revenue			
Assessments		$78,859	$77,315
Fees		28,999	29,053
Interest income		5,700	3,391
	20	**113,558**	**109,759**
Expenses			
Salaries and benefits	11, 13	90,691	72,988
Professional services		18,647	18,060
Technology		6,456	5,324
Accommodation		4,014	4,370
Amortization	5	3,046	3,373
Interest expense	5, 9	1,408	1,460
Staff development		1,496	1,475
Other operating expenses		2,288	2,367
		128,046	109,417
Less: Recoveries	14	(4,405)	(3,755)
		123,641	**105,662**
(Deficiency)/Excess of revenue over expenses		**($10,083)**	**$4,097**

See accompanying notes to the financial statements.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Statement of Changes in Net Assets
For the year ended March 31, 2024

($000)	Note (s)	Internally Restricted Net Assets	Unrestricted Net Assets	March 31, 2024 Total	March 31, 2023 Total
Net assets, the beginning of the year		$5,000	$13,577	$18,577	$7,554
Adjustment to opening accumulated surplus related to PS 3400 Revenue	2(a), 8	-	-	-	6,926
(Deficiency)/Excess of revenues over expenses	12	-	(10,083)	(10,083)	4,097
Net assets, end of year		**$5,000**	**$3,494**	**$8,494**	**$18,577**

See accompanying notes to the financial statements.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Statement of Cash Flows
For the year ended March 31, 2024

($000)	Note(s)	March 31, 2024	March 31, 2023
Cash flows (used in) received from operating activities:			
(Deficiency)/Excess of revenue over expenses		($10,083)	$4,097
Adjustments for non-cash expense items:			
Amortization of capital assets		3,046	3,373
Interest expense		1,399	1,460
Bad debt expense		(140)	68
		(5,778)	8,998
Changes in non-cash working capital:			
Trade and other receivables		1,004	6,113
Prepaid expenses		1,044	(430)
Trade and other payables		5,514	3,783
Deferred revenue		899	1,643
Employee future benefits	11	(437)	(985)
Deferred lease inducements	7	(377)	(377)
Other long-term obligations		-	(48)
		1,869	18,697
Cash flows used in capital activities:			
Purchase of capital assets		(869)	(1,884)
		(869)	(1,884)
Cash flows used in financing activities:			
Repayment of loan principal and interest	9	(3,678)	(3,618)
		(3,678)	(3,618)
Net (decrease) increase in cash position		**(2,678)**	**13,195**
Cash, beginning of year		90,210	77,015
Cash, end of year	3	**87,532**	**$90,210**
Supplemental cash flow information			
Capital assets funded by Trade and other payables		**$0**	**$(922)**

See accompanying notes to the financial statements.

1. DESCRIPTION OF THE ORGANIZATION

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.

FSRA was created to achieve specified statutory objectives, which include improving consumer and pension plan beneficiary protections in Ontario and was established to replace 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 those predecessors.

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 DIRF being controlled by FSRA, FSRA is also responsible for the administration of the Deposit Insurance Reserve Fund (the "DIRF") through the Credit Unions and Caisses Populaires Act, 2020 (CUCPA). The DIRF may only be used to pay credit union deposit insurance claims or for other authorized purposes specified in the CUCPA. Under the CUCPA section 224(4), 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 PBGF being controlled by FSRA, the Chief Executive Officer of FSRA is responsible for the administration of the Pension Benefit Guarantee Fund (the "PBGF") through 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.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Public Sector Accounting Standards for Government Not-For-Profit Organizations ("PSAS-GNFPO") as issued by the Public Sector Accounting Board (the "PSAB"). FSRA has elected to not consolidate controlled entities. Therefore, neither the DIRF's nor the PBGF's financial statements have been consolidated with FSRA's financial statements (see notes 18 and 19). The significant accounting policies used to prepare these statements and notes are summarized below.

(a) Adoption of Section PS 3400 *Revenue*

On April 1, 2023, FSRA implemented PS 3400, *Revenues,* in accordance with the transitional provisions set out in PS 3400 and the requirements for changes in accounting policies in PS 2120, *Accounting Changes*. The impacts of implementing PS 3400 are described below.

In October 2018, the Public Sector Accounting Board ("PSAB") issued PS 3400, *Revenues* in the Public Sector Accounting Standards ("PSAS") Handbook. PS 3400 establishes standards on how to account for and report common types of revenues in the public sector that are not addressed in an individual standard in the PSAS Handbook. Specifically, PS 3400 differentiates between revenue arising from transactions that include performance obligations ("Exchange Transactions"), and transactions that do not have performance obligations ("Non-Exchange Transactions").

FSRA applied the requirements retroactively. An adjustment was made to the opening balance of Net assets as of April 1, 2022, to reflect the impact of the change in accounting policy.

Transactions with performance obligations

Under PS 3400, FSRA recognizes revenue from exchange transactions when it satisfies a performance obligation by providing the promised goods or services to a payor. FSRA satisfies a performance obligation when control of the benefits associated with the good or service has transferred to the payor. Revenue is measured at the amount of consideration to which FSRA expected to be entitled to in exchange for the promised services.

The implementation of PS 3400 had a significant impact on FSRA's accounting for license fees. Previously, FSRA deferred and amortized license fees over the license term. As per PS 3400 FSRA recognizes revenue when the licenses are issued with transactions recorded at their transaction price.

Transactions without performance obligations

Under PS 3400, FSRA recognizes revenue from non-exchange transactions when it has the legislative authority to claim or retain an inflow of economic resources and identifies a past transaction or event that gives rise to an asset. Revenue is measured at the amount of cash or cash equivalents received or receivable.

The implementation of PS 3400 impacted FSRA's accounting for fee assessments. Previously, FSRA deferred and amortized fee assessment revenue evenly over the fiscal year as operating costs were incurred. As per PS 3400 FSRA recognizes revenue upon budget approval and the start of the fiscal year, with transactions recorded at their realizable value.

The adoption of the Standard has been applied retroactively, with an adjustment made to the opening balance of net assets (deficit)/surplus as at April 1, 2022, to reflect the impact of the change in accounting policy. The comparative financial statements for the year ended March 31, 2023, have been restated to reflect the application of PS 3400.

The amount of adjustment for each financial statement line item affected by the adoption of PS 3400 for the prior years is illustrated in the table below.

Impact on liabilities, and accumulated surplus or deficit

As at April 1, 2022	As previously reported	PS 3400 Adjustments	As Restated
Deferred revenue	27,723	(6,565)	21,158
Accumulated surplus / deficit	7,554	6,565	14,119

As at March 31, 2023	As previously reported	PS 3400 Adjustments	As Restated
Deferred revenue	22,801	(361)	22,440
Accumulated surplus / deficit	18,216	361	18,577

(b) Revenue recognition

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. Assessment revenues are recognized upon approval of the budget and at the start of the related fiscal year.

Revenues from license fees are recognized when the licenses are issued.

Revenues from administrative monetary penalties ("Penalties") and the settlement of enforcement proceedings ("Settlements") are deferred and recognized in revenue when used for the purposes specified (see Note 8). Penalties and Settlements are set up as deferred revenue when they are invoiced. If the invoiced amounts are deemed uncollectible, they are removed from deferred revenue and adjusted directly against the allowance for doubtful debts.

Interest income is recognized as earned.

(c) Capital assets

Capital assets are recorded at cost less accumulated amortization and accumulated impairment losses, if any.

Amortization is provided on a straight-line basis based on the estimated useful lives of the assets as follows:

Office furniture and equipment	5 years
Leasehold improvements	over the term of the lease
Software	3 to 10 years
Computer hardware	3 to 6 years

Asset retirement obligations

FSRA recognizes an asset retirement obligation (ARO) when the following criteria are met:
a) there is a legal obligation to incur retirement costs in relation to a tangible capital asset;
b) the past transaction or event giving rise to the liability has occurred;
c) it is expected that future economic benefits will be given up; and
d) a reasonable estimate of the amount can be made.

ARO is measured as at the date the legal obligation was incurred and must be re-evaluated annually.

(d) Financial instruments

All financial instruments are included in the Statement of Financial Position and are measured either at fair value or cost.

Cash, trade and other receivables, trade and other payables, loans payable, and other long-term obligations are recorded at cost in the financial statements.

(e) Employee benefits

Pension Costs

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 and many provincial agencies. 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.

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.

Payments made to the plans are recognized as an expense when employees have rendered the service entitling them to the contributions.

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 non-pension post-employment benefits to provide extended health, dental, and life benefits to former employees and retirees of DICO who meet eligibility requirements. The cost of these 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.

(f) Use of estimates

In preparing the financial statements, management is required to make judgments, estimates, and assumptions that affect the reported amount of assets, liabilities, revenue, expenses, and disclosure of contingent liabilities at the date of the financial statements. Actual amounts could differ from these estimates.

Items subject to such estimates include the allowance for doubtful debts, useful lives of capital assets, asset retirement obligations, accrued liabilities, employees' future benefits, and allocation of costs between industry sectors, revenue and deferred revenue recognition.

3. CASH

Cash includes $2,040 (2023 - $387) in restricted funds from the collection of Penalties and Settlements (see Note 8) and $3,034 (2023 - $3,174) in funds held in the Authority's role as a provider of administrative and support services for various organizations (see Note 14).

4. TRADE AND OTHER RECEIVABLES

	Note(s)	March 31, 2024	March 31, 2023
HST (Harmonized Sales Tax) recoverable		$ 2,123	$ 4,457
Trade and accrued receivables, net of allowance for doubtful debts		5,283	3,994
Due from Ministries of the Province of Ontario	15(a)	181	168
Administrative monetary penalties receivable, net of allowance for doubtful debts	8	848	680
		$ 8, 435	**$ 9,299**

5. CAPITAL ASSETS

Capital assets consist of the following:

	March 31, 2024			March 31, 2023
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Leasehold improvements	$ 11,882	$ 3,712	$ 8,170	$ 9,411
Asset retirement obligation	2,369	582	1,787	1,292
Software	4,649	4,519	130	1,010
Computer hardware	4,687	3,711	976	1,031
Office furniture and equipment	523	135	388	218
	$ 24,110	**$ 12,659**	**$ 11,451**	**$ 12,962**

Leasehold improvements

Leasehold improvements for FSRA's premises at 25 Sheppard Avenue West are amortized over an initial term of 10 years, the term of the lease.

Asset retirement obligation (ARO)

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. 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 undiscounted expenditure of $2,500.

On March 31, 2024, the ARO liability was revised; the total undiscounted expenditure has increased to $3,620, calculated based on new estimated cost per square foot. The new discount rate was used 4.99% as per FSRA's borrowing rate as of March 31, 2024.

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:

	March 31, 2024	March 31, 2023
Asset retirement obligation at beginning of year	$ 1,869	$ 1,798
Change in Liability- revision of estimate	666	-
Accretion expense	73	70
Asset retirement obligation at end of year	$ 2,608	$ 1,869

6. TRADE AND OTHER PAYABLES

	Note(s)	March 31, 2024	March 31, 2023
Accounts payable and accruals		$22,663	$16,940
Current portion of deferred lease inducements	7	377	377
Current portion of employee benefits	11(b)	319	358
Due to Ministries of the Province of Ontario	15(a)	27	87
Due to Deposit Insurance Reserve Fund	15(b)	6	116
		$23,392	**$17,878**

7. DEFERRED LEASE INDUCEMENTS

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. The lease included a $3,099 allowance for renovations and a four-month rent-free period valued at $671. Both amounts have been set up as deferred lease inducements and are amortized over the term of the lease. Total amortized lease inducements of $377 (2023 - $377) were recorded as a reduction of accommodation expenses during the year.

	Note(s)	March 31, 2024	March 31, 2023
Balance, beginning of year		$ 2.859	$ 3.236
Amortization to expense		(377)	(377)
Balance, end of year		2,482	2,859
Less: Current portion	6	(377)	(377)
		$ 2,105	**$ 2,482**

8. DEFERRED REVENUE

Deferred revenue represents payments received for fees that relate to the next fiscal year. The deferred portion is recognized as revenue in the fiscal year to which it relates.

Deferred revenue also includes amounts related to administrative monetary penalties and related settlements. Revenue from 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. These penalties are set up as deferred revenue when they are invoiced. If the invoiced amounts are deemed uncollectible, they are removed from deferred revenue and adjusted directly against the allowance for doubtful debts.

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

	Balance, beginning of April 1, 2023 before restatement	Restatement for PS 3400 Revenue	Received during year	Recognized during year	Reversal of uncollectible amounts	Balance, end of March 31, 2024
Fees:						
Mortgage Brokers	$ 14,839	$ -	$18,114	$ (18,652)	$ -	$14,300
Insurance agents, adjusters, and corporations	7,982	(6,926)	7,860	(8,086)	-	830
Health service providers	2,778	-	3,073	(3,251)	-	2,600
Other	2,700	-	1,171	(1,154)	-	2,717
	28,299	**(6,926)**	**30,218**	**(31,143)**	**-**	**20,447**
Penalties and Settlements:						
Insurance sector	451	-	1,508	(261)	(96)	1,602
Mortgage broker sector	466	-	638	(200)	(142)	762
Pension sector	150	-	529	(151)	-	528
	1,067	**-**	**2,675**	**(612)**	**(238)**	**2,892**
Total deferred revenue	**$ 29,366**	**$ (6,926)**	**$32,892**	**$ (31,755)**	**$ (238)**	**$23,339**

Deferred Revenue has been separated into a current portion of $20,447 (2023 - $19,270 after restatement) and a long-term portion of $2,892 (2023 - $3,170) totaling $23,339 (2023 - $22,440 after restatement).

9. LOAN AGREEMENT

In August 2019 FSRA entered into an Amended and Restated Loan Agreement (the “Agreement”) with Her Majesty the Queen 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 balances as at year-end are summarized in the table below:

	Opening balance	Interest expense	Principal and Interest repayments	Ending balance
Term loan 1 (interest rate 2.71%)	$ 35,183	$ 931	$ (2,646)	$ 33,468
Term loan 2 (interest rate 2.81%)	6,115	165	(467)	5,814
Term loan 3 (interest rate 2.99%)	4,192	121	(324)	3,988
Term loan 4 (interest rate 3.845%)	2,933	108	(241)	2,800
	$ 48,423	**$ 1,325**	**$ (3,678)**	**$ 46,070**

The loan has been separated into a current portion of $3,678 (2023 - $3,683) and a long-term portion of $42,392 (2023 - $44,740).

10. CREDIT FACILITY AGREEMENT AND LETTER OF CREDIT

On December 19, 2023, FSRA entered into a one-year credit facility agreement with the Ontario Financing Authority, with an option to extend twice for one year each. The 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 Deposit Insurance Reserve Fund (the DIRF). The agreement includes a revolving facility with a maximum principal amount of $2.0 billion.

Any undrawn balance at the end of the term will expire. Interest on the revolving facility will accrue 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 have been drawn under this Facility during the fiscal period.

FSRA has also issued an irrevocable standby letter of credit for $1,740 (2023 - $1,740) in respect of the pension obligations described in Note 11(a). No amounts have been drawn under this letter of credit.

11. EMPLOYEE BENEFITS

(a) Pension plan

FSRA's contribution to the PSPF and OPSEU-PF for the year was $5,676 (2023 - $5,124), which is included in salaries and benefits in the Statement of Operations.

(b) Employee future benefits

	Note(s)	March 31, 2024	March31, 2023
DICO non-pension post-employment benefits		$ 1,082	$ 1,398
Legislated severance entitlements		638	674
DICO supplemental pension benefits		410	489
Other employee future benefits		86	131
Total employee future benefit liability		2,216	2,692
Less: Due within one year	6	(319)	(358)
		$ 1 ,897	**$ 2,334**

(i) DICO Non-Pension Post-Employment Benefits

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 $244 (2023 - $196). The plan is unfunded and requires no contributions from employees.

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

	March 31, 2024	March 31, 2023
Accrued benefit obligation	$ 1,204	$ 1,262
Unamortized actuarial gains/(loss)	(122)	136
Retirement benefit liability	**$ 1,082**	**$ 1,398**

The most recent actuarial report was prepared as at March 31, 2024. 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 and actuarial gains and losses will be fully amortized in the fiscal year following the related actuarial valuation.

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 4.99% (2023 – 5.33%).

The retirement benefit gain includes the following components:

	March 31, 2024	March 31, 2023
Current period benefit cost	$ 25	$ 7
Amortization of actuarial gains	(136)	(426)
Interest expense	65	57
Retirement benefit loss/(gain)	**$ 46**	**$ (362)**

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

(ii) Legislated severance

The legislative severance portion of the employee's future benefits obligation was calculated using a discount rate of 4.99% (2023 – 5.33%) and estimated average years to retirement of 8.6 years (2023 – 9.7 years). These assumptions are management's best estimates.

A credit to expenses of $36 (2023 – a credit to expenses of $160) 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 that was established to provide pension benefits to certain former DICO employees for income in excess of registered pension limits.

Interest expense of $25 (2023 - $7) was recorded in respect of this obligation and is included in salaries and benefits in the Statement of Operations.

As the plan 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 credit to expenses of $44 (2023 – a credit to expenses of $15.9) was recognized in relation to other employees future benefits and is included in salaries and benefits in the Statement of Operations.

12. INTERNALLY RESTRICTED NET ASSETS

In accordance with FSRA *Rule 2019-001 Assessments and Fees*, FSRA has established a $5,000 (2023 - $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.

13. DIRECTOR'S REMUNERATION

The Board of Directors are part-time appointees and the amounts paid to the Directors are established in an Order in Council. Salaries and benefits expenses include $367 (2023 - $299) for the remuneration of members of the Board of Directors.

14. 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.

The recovery details are as follows:

	Note(s)	March 31, 2024	March 31, 2023
Recoveries from unrelated parties:			
General Insurance Statistical Agency		$ 1108	$ 1,054
Canadian Council of Insurance Regulators		875	588
Canadian Association of Pension Supervisory Authorities		366	341
Canadian Insurance Services Regulatory Organization		282	287
Mortgage Broker Regulators' Council of Canada		270	197
		2,901	**2,467**
Recoveries from related parties:			
Pension Benefits Guarantee Fund	15(b)	1,238	1,037
Province of Ontario Co-operative offering statements program	15(a)	181	168
Financial Services Tribunal	15(a)	85	83
		1,504	**1,288**
		$ 4,405	**$ 3,755**

15. RELATED PARTY TRANSACTIONS

FSRA is wholly owned by the Province of Ontario through the Ministry of Finance and is, therefore, a related party to other organizations that are controlled or subject to significant influence by the Province of Ontario. Transactions with related parties are outlined below.

All related party transactions were measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties.

(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 $148 (2023 - $661) 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 2024-2025 assessments. The amount has been included in trade and other receivables in the Statement of Financial Position as at March 31, 2024.

(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 $111 (2023 - $376) have been included in technology costs in the Statement of Operations. Trade and other payables include $27 (2023 – $73) in respect of these expenses.

(iii) Provided administrative and other support services for the Province's co-operating offering statements program and the Financial Services Tribunal as described in Note 14. Trade and other receivables include $181 (2023 - $168) in respect of these services.

(iv) Under the Loan Agreement with the Ministry of Finance described in Note 9, the total interest expense for borrowings under this agreement was $1,325 (2023 - $1,390).

(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 FSRA recognized a recovery of $1,238 (2023 - $1,037) for administrative and other support services to the PBGF as described in Note 14. In addition, the FSRA paid certain expenses on behalf of PBGF. As at March 31, 2024, trade and other receivables include a net receivable of $789 (2023 – trade and other receivable of $ nil) in respect of these expenses.

(ii) Deposit Insurance Reserve Fund

During the year, the FSRA paid certain expenses on behalf of DIRF. As at March 31, 2024, trade and other payables include a net payable of nil (2023 – trade and other payable of $116) in respect of these expenses.

16. FINANCIAL INSTRUMENTS

FSRA's financial instruments are exposed to certain financial risks including credit risk, interest risk, and liquidity risk. There have been no significant changes in FSRA's risk exposures or FSRA's policies to mitigate risk.

Credit risk

Credit risk is the risk that FSRA will suffer financial loss due to a third party failing to meet its financial or contractual obligations to FSRA. The Authority is exposed to credit risk on its trade and other receivables balances. FSRA manages its credit risk by closely monitoring its receivable balances and maintains reserves for potential credit losses on trade receivables. FSRA's maximum exposure to credit risk related to trade and other receivables as at March 31, 2024, is as follows:

	0-30 days overdue	31-60 days overdue	61-90 days overdue	> 91days overdue	Total
HST recoverable	$ 381	$ 1742	-	-	$ 2,123
Trade and accrued receivables	3,185	-	-	2,098	5,283
Due from Ministries of the Province of Ontario	181	-	-	-	181
Administrative monetary penalties	328	122	200	198	848
	$ 4,075	**$ 1,864**	**$ 200**	**$ 2,296**	**$ 8,435**

The amounts presented are net of reserves for potential credit losses.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market interest rates. FSRA is subject to interest rate risk on its loan payable. The interest rates on the non-revolving loan facilities are based on the 90-day Ontario Treasury Bill rate and the term loans have fixed interest rates for their entire terms. FSRA is currently subject to limited interest rate risk (see Notes 9 and 10).

Liquidity risk

Liquidity risk is the risk that FSRA will not be able to meet its cash flow obligations. The Authority mitigates liquidity risk by establishing and holding an operating reserve (see Note 12) and by monitoring cash activities and expected outflow to ensure that it has sufficient resources readily available to meet its liabilities when due.

Trade and other payables as at March 31, 2024, mature within six months (2023 - six months).

17. COMMITMENTS CONTRACTS AND CONTINGENCIES

(a) Lease agreement

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 minimum annual payments for the office lease space are as follows for the years ending March 31:

2025	$ 4,752
2026	$ 4,925
2027	$ 5,128
2028	$ 5,245
2029	$ 5,368
Total	$ 25,417
Thereafter	$ 8,746

(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").

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.

As at March 31, 2024, $252 was paid by the DIRF under the Guarantee (2023 – no claims).

(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. 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 pursuant to the provisions of the CUCPA 2020.

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.

(d) Potential 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 (Commercial List) seeking leave to issue a class action against FSRA and its CEO. The motion alleges 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 alleges that others also purchased investment shares of PACE between September 28, 2018, and August 24, 2022, and were also not provided offering statements. The member requires leave of the Court to bring the action. Both the Liquidator and FSRA will be opposing the motion which is scheduled to be heard on July 2, 2024.

(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.

18. Deposit Insurance Reserve Fund (DIRF)

As defined by Public Sector Accounting Standards for Government Not-For-Profit Organizations, FSRA controls the DIRF. 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. Under the CUCPA section 224(4), 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, 2024, and March 31, 2023, and for the years then ended are as follows:

	March 31, 2024	March 31, 2023
Total assets	$ 510,681	$ 449,557
Total liabilities	(77)	(1,087)
Net assets	510,604	448,470
Revenue	61,669	50,391
Expenses	(252)	(1,772)
Excess of revenue over expenses	61,417	48,619
Fund surplus from operations, beginning of year	449,881	401,262
Fund surplus from operations, end of year	511,298	449,881
Cash flow from operating activities	58,573	46,353
Cash flow used in investing activities	(59,989)	(46,749)
Net cash (outflow) inflow	$ (1,416)	$ (396)

For the year ended March 31, 2024, 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.

19. 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 FSRA, 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, 2024, and March 31, 2023, and for the years then ended are as follows:

	March 31, 2024	March 31, 2023
Total assets	$1,321,863	$1,249,738
Total liabilities	(122,172)	(132,177)
Net assets	1,199,691	1,117,561
Revenue	81,955	44,696
Expenses	(3,753)	(7,690)
Excess of revenue over expenses	78,202	37,006
Fund surplus from operations, beginning of year	1,131,785	1,094,779
Fund surplus from operations, end of year	1,209,987	1,131,785
Cash flow from operating activities	88,046	49,414
Cash flow used in investing activities	(76,639)	(38,574)
Cash flow used in financing activities	(11,000)	(11,000)
Net cash inflow (outflow)	$ 407	$ (160)

For the year ended March 31, 2024, 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.

20. OTHER INFORMATION

FSRA regulates six distinct sectors: insurance, pensions, credit unions and caisses populaires, mortgage brokers, loan and trust, and financial planners and financial advisors. The six sectors are governed by different statutes and regulations.

The following table summarizes revenue for each sector during the year ended March 31, 2024:

Sector ($000)	Insurance						Pensions (Fixed and Variable)	Credit Unions (Variable)	Mortgage Brokers (Fixed)	Loans & Trusts (Variable)	Financial Planner & Financial Advisor	Corporate	Total
Subsector	**Auto Products**	**P&C Conduct**	**P&C Prudential Regulation**	**Life Conduct & Life Health**	**Health Service Providers (Fixed)**	**Total Insurance**							
Actual Revenue													
Assessment	14,242	8,257	3,405	7,819	-	33,723	24,665	18,741	-	534	1,196	-	78,859
Fees	-	1,204	-	6,343	3,354	10,901	11	65	17,890	6	125	-	28,999
Other Income	-	-	-	-	-	-	-	1	-	-	-	5,700	5,700
Total Revenue	**14,242**	**9,461**	**3,405**	**14,162**	**3,354**	**44,624**	**24,676**	**18,807**	**17,890**	**540**	**1,321**	**5,700**	**113,558**

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.

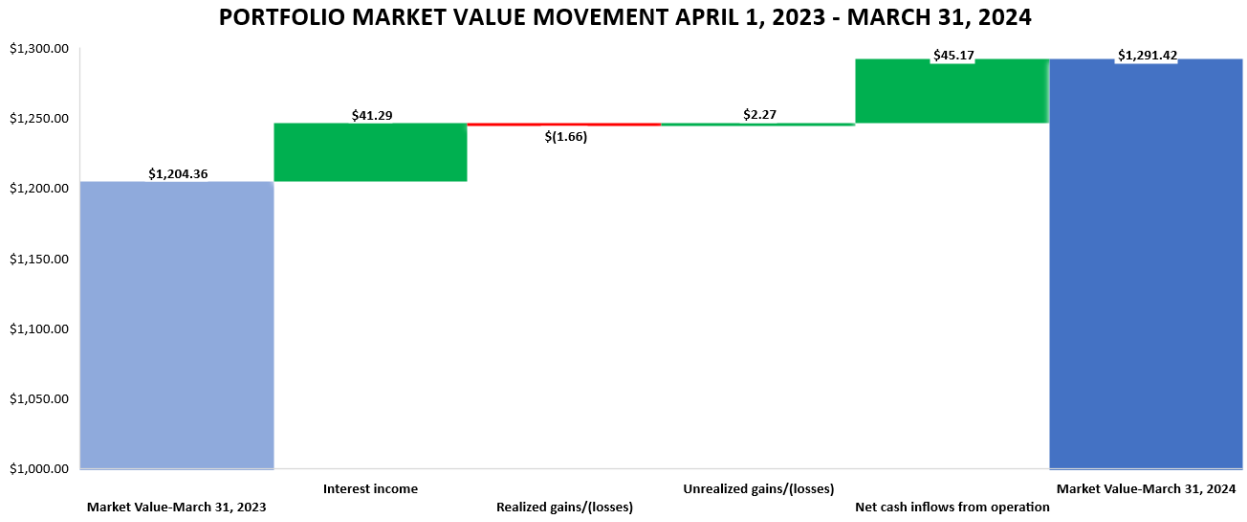
As at March 31, 2024, the total Fund surplus was at $1,199.69 million, an increase of $82.13 million or 7.35% from $1,117.56 million the previous year.

Fund assets consisted of investments of $1,291.42 million and accounts receivable of $30.01 million. Fund liabilities were comprised of loan payable of $84.79 million, claims payable of $34.50 million, and accounts payable of $2.89 million.

The increase of $82.13 million in Fund surplus for the fiscal year was attributed to several factors, including assessment revenue of $16.64 million, pension plan recoveries of $20.02 million, investment income of $45.30 million, a decrease of accumulated re-measurement losses of $3.93 million, a recovery of claims provision of $3.40 million, and offset by amortization of loan discount of $4.59 million, pension consulting service fees of $0.37 million, an administration fee of $1.71 million, and investment management fees of $0.49 million.

Investments

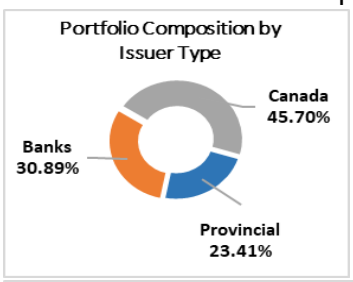
Investment of the PBGF assets during the FY2023-24 fiscal year was managed by the Ontario Financing Authority[1]. As at March 31, 2024, the market value of the total investments was $1,291.42 million, comprised of discount notes of $427.46 million (33.10%) and government bonds of $863.96 million (66.90%). The total market value increased by $87.06 million from $1,204.36 million as at the prior year-end.

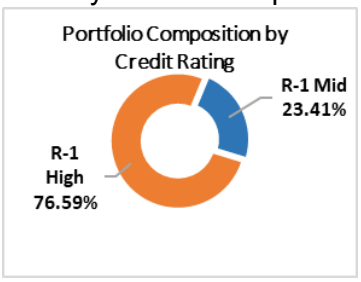


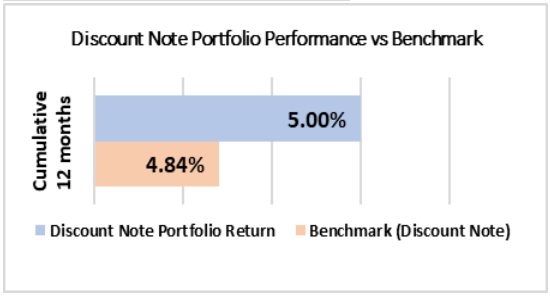
[1] Management of PBGF investments is being transition to the Investment Management Corporation of Ontario during the first half of F24-25 fiscal year.

Discount Notes

As at March 31, 2024, the market value of the PBGF's discount notes was $427.46 million with an average term to maturity of 0.18 year. The gross return of the portfolio was 5.00% for the cumulative 12 months period which outperformed the benchmark by 16 basis points.

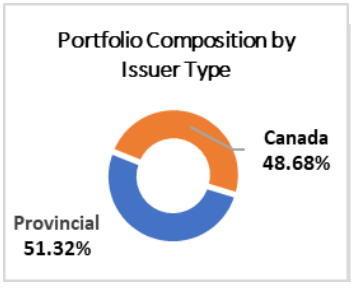


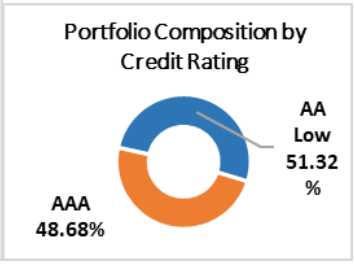


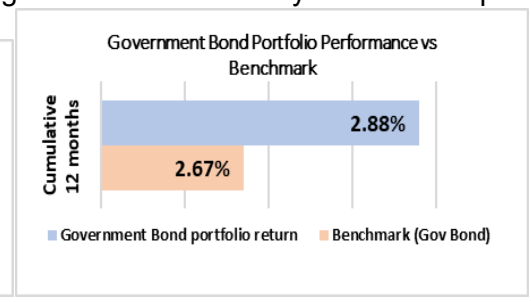


Government Bonds

The market value of the PBGF's government bonds was $863.96 million as at March 31, 2024, with an average term to maturity of 1.50 years. The gross return of the portfolio was 2.88% for the cumulative 12 months period, outperforming the benchmark by 21 basis points.







Claims Payable

As at March 31, 2024, the total claims payable by the PBGF was $34.50 million and was separated into a current portion of $34.50 million and a long-term portion of nil. This represents a $3.40 million decrease from the prior year's total claims payable amount of $37.90 million. The decrease is mainly due to adjustments to prior year claims.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

PENSION BENEFITS GUARANTEE FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024

Financial Services Regulatory Authority of Ontario

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Ontario

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 management ("Management") is responsible for the integrity and fair presentation of the accompanying financial statements and notes. The financial statements have been prepared by Management in accordance with Canadian Public Sector Accounting Standards for Government Not-For-Profit Organizations ("PSA-GNFPO"). The reporting year is from April 1, 2023 to March 31, 2024. The preparation of the financial statements involves the use of Management's judgement and best estimates, where appropriate.

Management is also responsible for developing and maintaining financial controls, information systems and practices to provide reasonable assurances on the reliability of financial information and safeguarding of its assets.

As required by the *Financial Services Regulatory Authority of Ontario Act, 2016*, S.O. 2016, c. 37, Sched. 8, FSRA's Board of Directors has established a committee (the "Statutory Funds Advisory Committee") to advise the CEO on matters related to the Fund. The Audit, Finance and Risk Committee of the Board of Directors reviews the financial statements before they are approved by the Board of Directors.

The financial statements have been audited by the Office of the Auditor General of Ontario. The auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian PSA-GNFPO. The auditor's report follows.

Mark White
Chief Executive Officer

Stephen Power
Executive Vice President - Corporate Services

Toronto, Ontario
July 16, 2024

INDEPENDENT AUDITOR'S REPORT

To the Financial Services Regulatory Authority of Ontario

Opinion

I have audited the financial statements of the Pension Benefits Guarantee Fund (the Fund), which comprise the statement of financial position as at March 31, 2024, and the statements of operations and fund surplus, 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, 2024 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.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and my auditor's report thereon, in the Financial Services Regulatory Authority of Ontario 2023-2024 Annual Report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

I obtained the Financial Services Regulatory Authority of Ontario 2023-2024 Annual report prior to the date of this auditor's report. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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.

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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
July 16, 2024

Shelley Spence, CPA, CA, LPA
Auditor General

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Pension Benefits Guarantee Fund
Statement of Financial Position
As at March 31, 2024

($000)	Note(s)	March 31, 2024	March 31, 2023
ASSETS			
Current			
Cash		$ 435	$ 28
Accounts receivable		30,006	45,346
Investments	2, 3	1,291,422	1,204,364
Total assets		**$ 1,321,863**	**$ 1,249,738**
LIABILITIES AND FUND SURPLUS			
Current			
Accounts payable and accrued liabilities		$ 2,885	$ 3,083
Current portion of loan payable	4	11,000	11,000
Claims payable		34,500	37,900
Total current liabilities		48,385	51,983
Loan payable	4	73,787	80,194
Total liabilities		122,172	132,177
FUND SURPLUS			
Fund surplus from operations		1,209,987	1,131,785
Accumulated re-measurement losses		(10,296)	(14,224)
Total fund surplus		1,199,691	1,117,561
Total liabilities and fund surplus		**$ 1,321,863**	**$ 1,249,738**

See accompanying notes to the financial statements.

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

Joanne De Laurentiis
Board Chair

Brent Zorgdrager
Chair, Audit, Finance & Risk Committee

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Pension Benefits Guarantee Fund
Statement of Operations and Fund Surplus
For the year ended March 31, 2024

($000)	Note(s)	March 31, 2024	March 31, 2023
Revenue			
PBGF assessment revenue	2	$ 16,641	$ 21,680
Pension plan recoveries	6	20,016	182
Investment income	3	45,298	22,834
		81,955	**44,696**
Expenses			
(Recovery of claims provision)/Claims	2	(3,400)	1,032
Amortization of loan discount	4	4,593	4,901
Pension consulting services	7	365	264
Administration fee	8	1,706	1,047
Investment management fees	8	489	446
		3,753	**7,690**
Excess of revenue over expenses		**78,202**	**37,006**
Fund surplus from operations, beginning of year		1,131,785	1,094,779
Fund surplus from operations, end of year		**$ 1,209,987**	**$ 1,131,785**

See accompanying notes to the financial statements.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Pension Benefits Guarantee Fund
Statement of Re-measurement Gains and Losses
For the year ended March 31, 2024

($000)	Note(s)	March 31, 2024	March 31, 2023
Accumulated re-measurement losses, beginning of year		**$ (14,224)**	**$ (15,029)**
Unrealized gains/(loss) attributed to portfolio investments	3	2,267	(1,759)
Realized losses reclassified to the statement of operations and fund surplus	3	1,661	2,564
Accumulated re-measurement losses, end of year		**$ (10,296)**	**$ (14,224)**

See accompanying notes to the financial statements.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Pension Benefits Guarantee Fund
Statement of Cash Flows
For the year ended March 31, 2024

($000)	Note(s)	March 31, 2024	March 31, 2023
Cash flows from operating activities:			
Excess of revenue over expenses		$ 78,202	$ 37,006
Adjustments for non-cash expense items:			
Amortization of loan discount	4	4,593	4,901
Amortization of bond (discount) / premium		(8,152)	4,853
Realized losses on disposal of investments	3	1,661	2,564
		76,304	49,324
Changes in non-cash working capital:			
Accounts receivable		15,340	17,300
Claims payable		(3,400)	(15,352)
Accounts payable and accrued liabilities		(198)	(1,858)
Net cash flows from operating activities		88,046	49,414
Cash flows used in investing activities:			
Purchases of investments		(6,725,936)	(6,455,674)
Proceeds from sale of investments		6,649,297	6,417,100
		(76,639)	(38,574)
Cash flows used in financing activities:			
Loan repayments	4	(11,000)	(11,000)
		(11,000)	(11,000)
Net increase/(decrease) in cash position		**407**	**(160)**
Cash, beginning of year		28	188
Cash, end of year		**$ 435**	**$ 28**

See accompanying notes to the financial statements.

Pension Benefits Guarantee Fund
Notes to the Financial Statements
For the year ended March 31, 2024
($000)

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.

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 Ontario Financing Authority ("OFA") on a fee for service basis, such fees being paid by the Fund. Please see note 9 subsequent events.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in accordance with PSAS-GNFPO as issued by the Public Sector Accounting Board ("PSAB"). Management has used the following significant accounting policies in the financial statements and notes preparation.

(a) Adoption of section PS 3400 *Revenue* (the Standard)

Effective April 1, 2023, the Fund adopted the Standard on a retroactive basis. Key aspects of the Standard include differentiating revenue arising from exchange transactions and non-exchange transactions. The Fund's PBGF assessment revenue and pension plan recoveries are non-exchange transactions and are recognized when the Fund has the authority to claim and a past event that gives rise to an asset has occurred. Applying the Standard had no impact on the Fund's financial statements.

(b) Financial instruments

The Fund follows PSAS-GNFPO accounting standards relating to financial instruments. Under these standards, all financial instruments are included on the statement of financial position and are measured either at fair value, at cost or amortized cost as follows:

- Cash and investments are recorded at fair value, with changes in fair value during the period recognized in the Statement of Re-measurement Gains and Losses until realized. When realized they are recorded in the Statement of Operations and Funds Surplus. Fair value is determined based on the investment level in the fair value hierarchy.
- Accounts receivable, accounts payable and accrued liabilities are valued at cost which approximates fair value given their short-term maturities.
- The non-interest bearing, loan payable is reflected at amortized cost using the effective interest rate method, due to the concessionary nature of the loan. The initial valuation was determined by discounting future cash flows using the provincial cost of borrowing. The resulting benefit (the difference between the face value of the loan and the net present value) was accounted for as a grant in the year received and is amortized to loan discount expense over the term of the loan.
- Fair value measurements are classified using a fair value hierarchy, which includes three levels of information that may be 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.

(c) 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. Recoveries of actual claims paid are considered Revenues in the year received.

(d) PBGF assessment revenue

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 plan'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, 2024**	**March 31, 2023**
Estimated revenue	$ 28,300	$ 41,000
Actual revenue related to current and prior years received in current year	29,341	43,680
Less: prior year's estimated revenue	(41,000)	(63,000)
Total	**$ 16,641**	**$ 21,680**

(e) Use of estimates

The preparation of financial statements in accordance with PSAS-GNFPO accounting standards requires that FSRA's management make estimates and assumptions that affect the financial statements for the period. Estimates and assumptions may change over time as new information is obtained or subsequent developments occur. Actual results could differ from these estimates and the differences could be material. Areas where significant estimates must be made include premium revenue, accounts receivable and claims payable.

3. 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 FSRA management. This policy is reviewed regularly and provides operational objectives, investment principles, policies and guidelines for the management of the Fund's investments.

Pension Benefits Guarantee Fund
Notes to the Financial Statements
For the year ended March 31, 2024
($000)

Investments consist of:

($000)	March 31, 2024		March 31, 2023	
	Fair Value	Cost	Fair Value	Cost
Discount notes	$ 427,464	$ 427,464	$ 414,647	$ 414,647
Government bonds	863,959	868,170	789,717	813,072
Total investments	**$ 1,291,423**	**$ 1,295,634**	**$ 1,204,364**	**$ 1,227,719**

($000)	Fair Value Hierarchy	March 31, 2024 Fair Value	March 31, 2023 Fair Value
Discount notes	Level 1	$ 427,464	$ 414,647
Government bonds	Level 2	863,959	789,717
Total		**$ 1,291,423**	**$ 1,204,364**

No investments have moved between hierarchy levels during the fiscal period.

Investment income includes interest earned from interest bearing securities and realized gains and losses from the sale of securities. Unrealized gains and losses are reported on the Statement of Re-measurement Gains and Losses.

Investment income consists of:

($000)	March 31, 2024	March 31, 2023
Interest income	$ 46,957	$ 25,398
Realized losses from the sale of securities	(1,659)	(2,564)
Total	**$ 45,298**	**$ 22,834**

The investment risk of the Fund's investment portfolio is considered low due to the types of investments held.

Discount notes had yields in the range of 4.946% to 5.170% (2023 – had yields in the range of 3.310% to 4.800%). The government bonds had yields in the range of 1.370% to 4.638% (2023 – had yields in the range of 0.485% to 3.867%).

4. LOAN PAYABLE TO THE PROVINCE

Non-interest bearing loan

On March 31, 2004, the Fund obtained a $330 million loan from 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, 2024 as follows:

($000)		**March 31, 2024**		**March 31, 2023**
Face Value	$	110,000	$	121,000
Less: Discount		(25,213)		(29,806)
Amortized Cost	**$**	**84,787**	**$**	**91,194**
Classified as:				
Current Portion	$	11,000	$	11,000
Long-Term Portion		73,787		80,194
Balance	**$**	**84,787**	**$**	**91,194**

The unamortized discount of $25.2 million is amortized to loan discount expense 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)
2025	4,271
2026	3,932
2027	3,576
2028	3,202
2029	2,809

5. RISKS ARISING FROM FINANCIAL INSTRUMENTS

The main risks that the Fund's financial instruments, including its portfolio investments, are exposed to are credit risk, liquidity risk and market risk. There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

(a) Credit risk

Credit risk is the risk that the counterparty to a financial instrument may fail to discharge an obligation or commitment that it has entered into. The Fund is exposed to credit risk relating to the collection of receivables and the repayment of portfolio investments. The Fund considers this risk to be low.

The portfolio investments are all investment grade debt securities with low credit risk.

The Fund's accounts receivable consists of assessment revenue receivable of $24.3 million with Retail Sales Tax (RST), and investment income receivable of $5.7 million.

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.

The risk of not collecting the investment income receivable is considered to be minimal.

(b) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its cash flow obligations as they fall due. The Fund's exposure to liquidity risk is minimal as the Fund has sufficient funds in its investment portfolio to settle all current liabilities and the Fund's exposure is limited to the assets

in the Fund including any loans or grants received from the Province.

As at March 31, 2024, the Fund has an investment balance of $1,291 million (2023 – $1,204 million) to settle current liabilities of $48.4 million (2023 – $52.0 million). In addition, subject to realizing losses due to market declines, the Fund has the ability to meet sudden and unexpected claims by converting the investment holdings to cash without delay or significant transaction costs.

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.

(c) Market risk

Market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of the Fund. Short-term financial instruments (receivables, accounts payable) are not subject to significant market risk. The Fund manages its market risk by investing in low-risk and liquid securities. The Fund's market risk is considered to be low.

The market value sensitivity of the discount notes as at March 31, 2024 was $0.79 million (2023 – $0.83 million) for a 1.00% change in rates. The market value sensitivity of the government bonds as at March 31, 2024 was $12.39 million (2023 – $12.64 million) for a 1.00% change in rates.

6. 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 2024, the Fund had $20 million (2023 – $0.2 million) in recoveries from such pension plans.

7. PENSION CONSULTING 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 2024, $0.4 million was incurred to such external experts (2023 – $0.3 million).

8. 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 Account Receivable or Account Payable. For fiscal 2024, $1.2 million out of $1.7 million are administration fees (2023 – $1.0 million) charged by FSRA for management salaries and benefits, accounting, information technology, legal, pension and other services.

OFA is a related party in its capacity as the PBGF investment manager. Investment Management fees of $0.5 million were paid to the OFA in fiscal 2024 (2023 – $0.4 million). Other related party transactions during the year have been disclosed in note 4.

9. SUBSEQUENT EVENTS

Subsequent to year end, PBGF changed its investment manager from OFA to the Investment Management Corporation of Ontario effective June 2024.

DEPOSIT INSURANCE RESERVE FUND

Financial Highlights

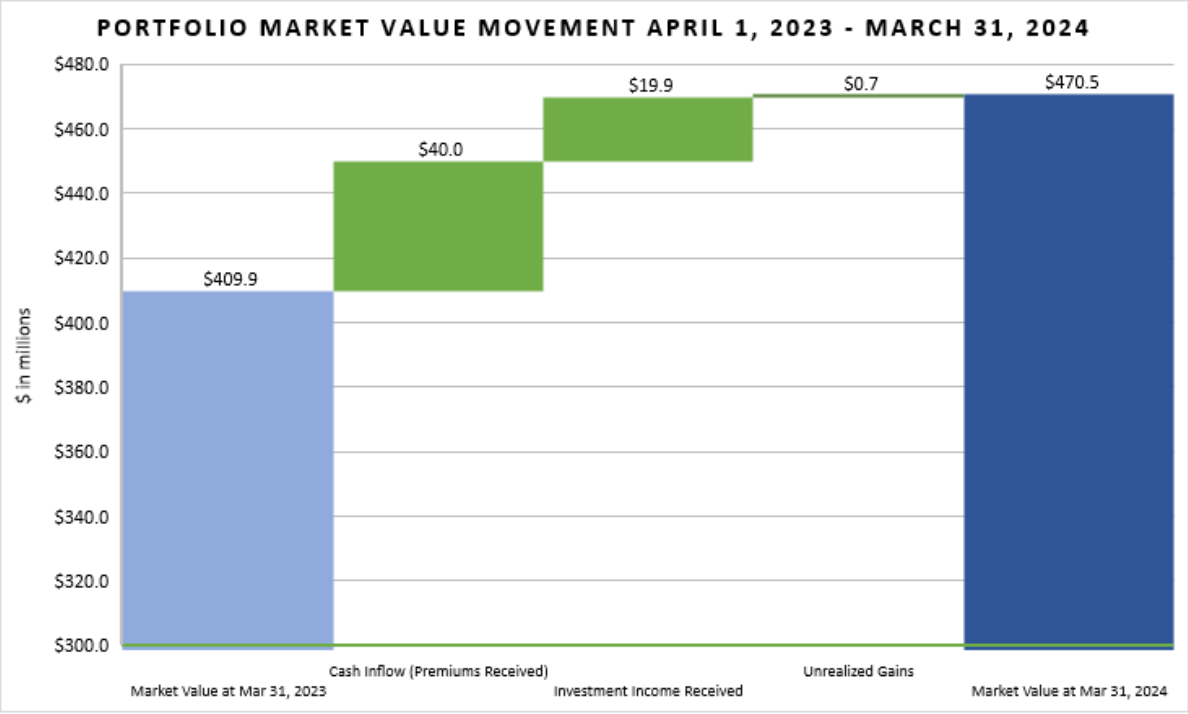
The Deposit Insurance Reserve Fund ("DIRF") is a fund established under the *Credit Unions and Caisses Populaires Act, 2020 ("CUCPA") and* managed by FSRA pursuant to the CUCPA. The DIRF is dedicated to protecting the insured deposits of credit union members through deposit insurance and other financial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

As of March 31, 2024, the DIRF surplus was at $510.6 million. This surplus comprised the assets in the DIRF net of liabilities. The surplus increased by $62.1 million (13.8%) year-over-year. The DIRF assets consisted of investments of $470.5 million, premium receivable of $38.5 million, investment income receivable of $1.2 million, and cash of 0.4 million. The DIRF liabilities comprised accounts payable and accrued liabilities of $0.1 million.

The increase of $62.1 million in the fiscal year resulted from premium revenue of $41.1 million, investment income of $20.4 million, other revenue of $0.2 million, and unrealized gains on investments of $0.7 million, offset by provision for deposit insurance loss of $0.3 million.

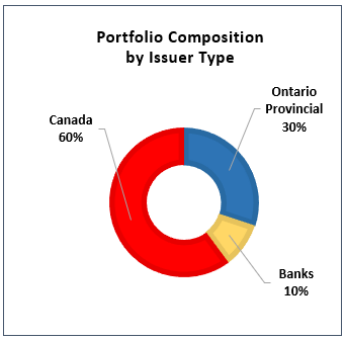
Investments

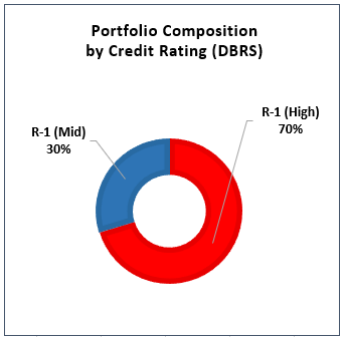
Investments of the DIRF are managed by the Ontario Financing Authority. As at March 31, 2024, the market value of the total investments was $470.5 million, comprised of discount notes totaling $405.6 million (86.2%) and government bonds totaling $64.9 million (13.8%). The total market value increased by $60.6 million from $409.9 million at the end of last fiscal year.

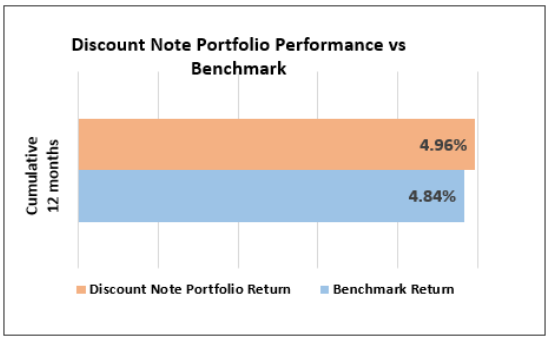


Discount Notes

As at March 31, 2024, the market value of the DIRF's discount notes was $405.6 million with an average term of 73.4 days. The gross return of the portfolio was 4.96% for the cumulative 12 months period which outperformed the benchmark by 12 basis points.

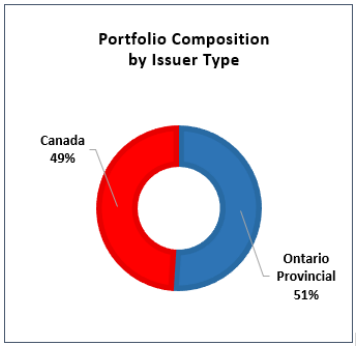


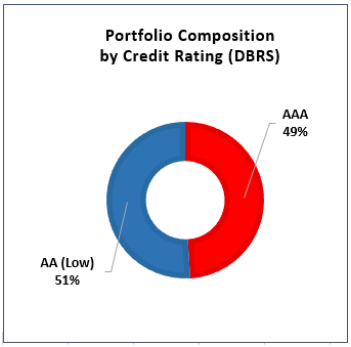


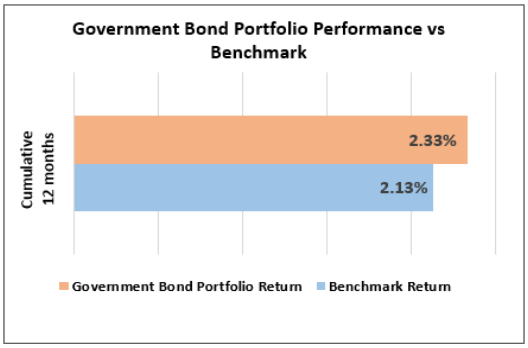


Government Bonds

The market value of the DIRF's government bonds was $64.9 million as at March 31, 2024, with an average term to maturity of 1.5 years. The gross return of the portfolio was 2.33% for the cumulative 12 months period, outperforming the benchmark by 20 basis points.







FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

DEPOSIT INSURANCE RESERVE FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024

Financial Services Regulatory Authority of Ontario

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Ontario

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* and section 224 (1) of the *Credit Unions and Caisses Populaires Act, 2020*, the Financial Services Regulatory Authority of Ontario ("FSRA") is responsible for the administration of the Deposit Insurance Reserve Fund ("DIRF").

FSRA management ("Management") is responsible for the integrity and fair presentation of the accompanying financial statements and notes. The financial statements have been prepared by Management in accordance with Canadian Public Sector Accounting Standards for Government Not-For-Profit Organizations ("PSAS-GNFPO"). The preparation of the financial statements involves the use of Management's judgement and best estimates, where appropriate.

Management is also responsible for developing and maintaining financial controls, information systems, and practices to provide reasonable assurances on the reliability of financial information and the safeguarding of its assets.

As required by section 10.2 of the *Financial Services Regulatory Authority of Ontario Act, 2016*, FSRA's Board of Directors established a Statutory Funds Advisory Committee to advise the Board on matters related to the DIRF. The Audit, Finance and Risk Committee of the Board of Directors assists the Statutory Funds Advisory Committee with these responsibilities by reviewing the financial statements before they are approved by the Board of Directors.

The financial statements for the DIRF have been audited by the Office of the Auditor General of Ontario. The Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian PSAS-GNFPO. The Auditor's report follows.



Mark White
Chief Executive Officer



Stephen Power
Executive Vice President - Corporate Services

Toronto, Ontario
July 16, 2024

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

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, 2024, and the statements of operations and fund surplus, 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, 2024 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.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and my auditor's report thereon, in the Financial Services Regulatory Authority of Ontario 2023-2024 Annual Report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

I obtained the Financial Services Regulatory Authority of Ontario 2023-2024 Annual Report prior to the date of this auditor's report. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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.

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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
July 16, 2024

Shelley Spence, CPA, CA, LPA
Auditor General

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

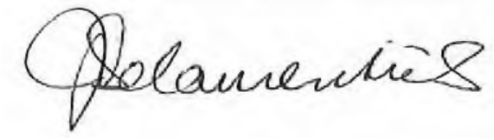
Deposit Insurance Reserve Fund
Statement of Financial Position
As at March 31, 2024

($000)	Note(s)	March 31, 2024	Restated March 31, 2023 (Note 2)
ASSETS			
Current			
Cash		414	1,830
Investments	3	470,501	409,851
Premium receivable	4	38,539	36,987
Investment income receivable		1,227	773
Other receivables	5	-	116
Total assets		**510,681**	**449,557**
LIABILITIES AND FUND SURPLUS			
Current			
Accounts payable and accrued liabilities		77	1,087
Total liabilities		77	1,087
Fund surplus from operations		511,298	449,881
Accumulated remeasurement losses		(694)	(1,411)
Fund surplus		510,604	448,470
Total liabilities and fund surplus		**510,681**	**449,557**

See accompanying notes to the financial statements

Contingencies (Notes 9 &10)

On Behalf of the Board:



Joanne De Laurentiis
Board Chair



Brent Zorgdrager
Chair, Audit, Finance and Risk Committee

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Deposit Insurance Reserve Fund
Statement of Operations and Fund Surplus
For the year ended March 31, 2024

($000)	Note(s)	March 31, 2024	Restated March 31, 2023 (Note 2)
Revenue			
Premium revenue	2, 4	41,085	39,665
Investment income	2, 3, 5	20,403	10,524
Other revenue	2, 7	181	202
		61,669	**50,391**
Expenses			
Provision for deposit insurance loss	6	252	1,772
		252	**1,772**
Excess of revenue over expenses		**61,417**	**48,619**
Fund surplus from operations, beginning of year		449,881	401,262
Fund surplus from operations, end of year		**511,298**	**449,881**

See accompanying notes to the financial statements

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Deposit Insurance Reserve Fund
Statement of Remeasurement Gains and Losses
For the year ended March 31, 2024

($000)	**March 31, 2024**	**March 31, 2023**
Accumulated remeasurement losses, beginning of year	**(1,411)**	**(1,387)**
Unrealized gains (losses) attributed to portfolio investments	717	(52)
Realized losses reclassified to the statement of operations and fund surplus	-	28
Accumulated remeasurement losses, end of year	**(694)**	**(1,411)**

See accompanying notes to the financial statements

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Deposit Insurance Reserve Fund
Statement of Cash Flows
For the year ended March 31, 2024

($000)	Note(s)	March 31, 2024	Restated March 31, 2023 (Note 2)
Cash flows from operating activities:			
Excess of revenue over expenses		61,417	48,619
Adjustments for non-cash expense items:			
Amortization of bond premiums		56	730
Realized losses on disposal of investments		-	28
		61,473	49,377
Changes in non-cash working capital:			
Premium receivable		(1,552)	(1,748)
Investment income receivable		(454)	(164)
Other receivables	5	116	(116)
Account payables and accrued liabilities		(1,010)	(853)
Other payables	5	-	(143)
		(2,900)	(3,024)
		58,573	46,353
Cash flows used in investing activities:			
Purchases of investments		(7,946,663)	(6,299,241)
Proceeds from sale of investments		7,886,674	6,252,492
		(59,989)	(46,749)
Net (decrease) increase in cash		**(1,416)**	**(396)**
Cash position, beginning of year		1,830	2,226
Cash position, end of year		**414**	**1,830**

See accompanying notes to the financial statements

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Deposit Insurance Reserve Fund
Notes to the Financial Statements
For the year ended March 31, 2024
(In thousands of dollars)

1. REPORTING ENTITY

Statutory authorities

The Financial Services Regulatory Authority of Ontario ("FSRA") was established under the *Financial Services Regulatory Authority of Ontario Act, 2016* (the "FSRA Act") without share capital. On December 6, 2018, the *Restoring Trust, Transparency and Accountability Act, 2018* received Royal Assent and provided for the amalgamation of the Deposit Insurance Corporation of Ontario ("DICO") with FSRA.

On June 8, 2019, the amalgamation was completed pursuant to the provisions of the FSRA Act. 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 Deposit Insurance Reserve Fund (the "DIRF" or the "Fund").

In accordance with sections 224 (1) and 224 (3) of the *Credit Unions and Caisses Populaires Act, 2020* (the "CUCPA"), FSRA administers the DIRF with the power to manage, invest and disburse the money in the DIRF in accordance with the CUCPA.

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

Purpose and operation

In accordance with the CUCPA, 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 of Directors of FSRA has established a Statutory Funds Advisory Committee (the "SFAC") to advise the Board on matters related to the

oversight of FSRA's management of the DIRF.

The investments of the DIRF are managed by the Ontario Financing Authority (the "OFA"), on a fee-for- service basis which is paid by the Fund from investment income.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with PSAS-GNFPO as issued by the Public Sector Accounting Board ("PSAB"). Management has used the following significant accounting policies in the financial statements and notes preparation.

(a) Adoption of Section PS 3400 Revenue ("PS 3400")

Effective April 1, 2023, the DIRF adopted PS 3400 on a retroactive basis with restatement of the prior period. Key aspects of PS 3400 include differentiating revenue arising from exchange transactions that include performance obligations and non-exchange transactions that do not have performance obligations.

PS 3400 applies to the DIRF's premium revenue and other revenue. These revenues arise from non-exchange transactions, and are recognized when the DIRF has the authority to claim or retain an inflow of economic resources and identifies a past transaction or event that gives rise to an asset. Revenue is measured at the amount of cash received or receivable.

Other revenue is not impacted by PS 3400 adoption.

PS 3400 adoption has a significant impact on the DIRF's premium revenue. Previously, premium revenue was recognized by amortizing a Credit Union's annual premium over its fiscal year. The unamortized portion as at the DIRF's fiscal year-end was reported as deferred premium revenue on the Statement of Financial Position. PS 3400 requires the DIRF to recognize premium revenue upon issuance of the annual premium invoice to the Credit Union.

The comparative financial statements for fiscal 2023 have been restated to reflect accounting policy changes under PS 3400 with respect to premium revenue recognition. The amount of adjustment for each financial statement line item affected by the adoption of PS 3400 is illustrated in the table below.

Impact on liabilities and accumulated fund surplus:

As at April 1, 2022	As previously reported	PS 3400 Adjustments	Restated
Deferred premium revenue	26,993	(26,993)	-
Fund surplus from operations	374,269	26,993	401,262

For the year ended March 31, 2023	As previously reported	PS 3400 Adjustments	Restated
Deferred premium revenue during year	1,329	(1,329)	-
Premium revenue	38,336	1,329	39,665

As at March 31, 2023	As previously reported	PS 3400 Adjustments	Restated
Deferred premium revenue	28,322	(28,322)	-
Fund surplus from operations	421,559	28,322	449,881

(b) Financial instruments

All financial instruments are included on the Statement of Financial Position and are measured either at fair value or at cost as follows:

- Cash and investments are recorded at fair value, with changes in fair value during the period recognized in the Statement of Remeasurement Gains and Losses until realized. Fair value is determined by using the appropriate classification in the fair value hierarchy.

- Accounts receivable, accounts payable and accrued liabilities are valued at costs that approximate their fair value given their short-term maturities. Deposit insurance advance receivable is valued at the lower of cost and net recoverable value (Note 2 (c)).

- Fair value measurements are classified using a fair value hierarchy, which includes three levels of information that may be 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.

(c) Revenue recognition

Premium revenue is determined in accordance with section 110 of *Ontario Regulation 105/22* made under the CUCPA 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 90 days of the Credit Unions' fiscal year ends. Premium revenue is recognized upon issuance of the annual premium invoice to a Credit Union.

Investment income is measured using the effective interest rate method and recognized when earned.

When the DIRF is used to make an advance to a Credit Union for the purposes permitted by the CUCPA, 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 recoverable value. Any recoveries of the valuation allowances are reported as recovery of provision for deposit insurance loss revenue. Recovery of provision for deposit insurance loss is recognized 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.

(d) Use of estimates and assumptions

In preparing the financial statements, Management is required to make judgements, estimates, and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and disclosures. Estimates and assumptions may change over time as new information becomes available. Accordingly, actual results may differ from the estimates and assumptions.

Areas where estimates and assumptions are made include deposit insurance advance receivable, accounts payables and accrued liabilities, provision for deposit insurance loss, and disclosure of contingencies.

3. INVESTMENTS

A DIRF Investment Policy has been maintained 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 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.

($000)	**March 31, 2024**		**March 31, 2023**	
	Fair Value	**Cost**	**Fair Value**	**Cost**
Discount notes	405,607	405,607	346,939	346,939

Government bonds	64,894	65,588	62,912	64,323
Total investments	**470,501**	**471,195**	**409,851**	**411,262**

($000)	**Fair Value Hierarchy**	**March 31, 2024 Fair Value**	**March 31, 2023 Fair Value**
Discount notes	Level 1	405,607	346,939
Government bonds	Level 2	64,894	62,912
Total		**470,501**	**409,851**

No investments moved between hierarchy levels during the fiscal year.

Investment income of $20,403 is reported on the Statement of Operations and Fund Surplus (2023 - $10,524). As of March 31, 2024, unrealized losses of $694 are reported on the Statement of Remeasurement Gains and Losses (2023 – $1,411).

The discount notes had yields in the range of 4.960% to 5.120% (2023 - 4.417% to 4.802%). The government bonds had yields in the range of 0.738% to 4.558% (2023 - 0.438% to 3.867%).

4. PREMIUM RECEIVABLE AND PREMIUM REVENUE

As prescribed in section 110 *of O. Reg 105/22*, the premium rates range from $0.75 to $2.25 per one thousand dollars of insured deposits.

Premium receivable of $38,539 represents primarily the annual premiums invoiced as of March 31, 2024, to Credit Unions with a December 31 fiscal year-end, for the year from January 1 to December 31, 2024 (2023 - $36,987).

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 return 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 are no unsettled receivable and payable balances as at March 31, 2024 (2023 – other receivables of $116).

The OFA is a related party in its capacity as the DIRF investment manager. Investment management fees of $143 were paid to the OFA in fiscal 2024 (2023 - $126). The fees are netted from investment income on the Statement of Operations and Fund Surplus.

6. PROVISION FOR DEPOSIT INSURANCE LOSS

FSRA is permitted by the CUCPA (Note 1) 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, if FSRA determines that its FSRA Act objects, 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.

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. 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 1994 and FSRA's statutory objects.

On April 20, 2022, PACE (acting through FSRA as its administrator) as the vendor, Alterna Savings and Credit Union Limited ("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 (Note 10 (a)).

The P&A Transaction closed on June 30, 2022. The PACE legal entity remained under administration by FSRA until August 24, 2022, on which date it was placed in liquidation (Note 10 (b)).

In fiscal 2024, $252 was incurred for the DIRF to reimburse Alterna to fulfill the DIRF's payment obligations under the P&A Transaction Agreement and the Limited Guarantee (Note 10 (a)). This amount comprises Alterna's claims of $28 under paragraph 15.3 (k) of the P&A Transaction Agreement for costs required to remediate pre-closing non-compliance with anti-money laundering laws, and $224 for loan deficiency claims under the Loss Sharing Agreement (Note 10 (a)) for the period from January 2023 to March 2024.

These DIRF disbursements are intended to be recovered from PACE liquidation and the amount was initially recorded at cost as deposit insurance advance receivable. Since the collectability of the receivable was undeterminable as at March 31, 2024, a valuation allowance for the entire amount has been established to write off the receivable. The valuation allowance of $252 is reported on the Statement of Operations and Fund Surplus as provision for deposit insurance loss.

In fiscal 2023, $1,772 was paid from the DIRF to fund PACE for professional fees for advisory services with respect to the P&A Transaction and the orderly winding up of the

PACE legal entity. The professional fees were expenses of PACE, however, the DIRF paid for these fees as a form of financial assistance to PACE under administration, as well as to assist with the orderly winding up of the PACE legal entity.

These fees were initially recorded as deposit insurance advance receivable, which FSRA anticipated to recover from PACE liquidation. A valuation allowance as provision for deposit insurance loss for the entire amount was established to write off the receivable as at March 31, 2023, due to collectability of the receivable being undeterminable.

7. OTHER REVENUE

Other revenue consists of recoveries from loans collected from liquidated Credit Unions in the amount of $181 (2023 - $202). These loans were previously written off.

8. RISKS ARISING FROM FINANCIAL INSTRUMENTS

(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 the investments, deposit insurance advance receivable, and premium receivables.

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. An allowance of $252 (2023 - $1,772) on the DIRF's deposit insurance advance receivable from PACE has been established (Note 6). 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. As of March 31, 2024, there were no significant premium receivables that were past due or impaired.

(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, 2024, the DIRF had an investment balance of $470.5 million (2023 - $409.9 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 of $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. No amounts were drawn on the Facility during the fiscal period.

(c) Market risk

Market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of the DIRF. Short-term financial instruments (accounts receivable and

payable) are not subject to significant market risk. Capital preservation is the primary investment objective of the DIRF, and all assets are invested in low-risk securities. Market risk to the DIRF is considered low.

(d) Fair value sensitivity

The fair value sensitivity of discount notes as at March 31, 2024 is $840 for a 1.00% change in rates (2023 - $825). The fair value sensitivity of government bonds as at March 31, 2024 is $913 for a 1.00% change in rates (2023 - $909).

There have been no changes in risks and policies to mitigate the risks.

9. GENERAL DEPOSIT INSURANCE CONTINGENCIES

The Fund may be exposed to deposit insurance claims and other obligations required by the CUCPA 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, including the adequacy of capital and liquidity levels, effectiveness of governance, and potential impact of market, economic, and other applicable conditions. Situations and conditions for potential insurance losses for high-risk and moderate-high-risk Credit Unions are assessed.

It is undeterminable at this time if any deposit insurance obligations, other than those described in Note 6, exist that will likely result in losses to the DIRF. A specific provision can only be established when conditions exist that will likely result in DIRF losses attributable to an individual Credit Union and the amount can be reasonably estimated.

10. PACE SAVINGS & CREDIT UNION LIMITED

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

As described in Note 6, on April 20, 2022, a P&A Transaction Agreement was entered into by PACE as the vendor, Alterna as the purchaser, and FSRA in its capacity as administrator of the DIRF. Under this agreement, 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. The P&A Transaction closed on June 30, 2022.

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 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").

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 the Loss Sharing Agreement.

The Loss Sharing Agreement ("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 will be 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.

As at March 31, 2024, $252 was claimed by Alterna under the Limited Guarantee (Note 6. 2023 – Nil).

(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.

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 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. 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 2024 (2023 – 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 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 (Note 6).

(iv) $184 Alterna claims under the LSA for the period from January to September 2023.

(v) Potential future Alterna claims under the Limited Guarantee submitted by Alterna after November 22, 2023.

Categories (i) to (iii) have been expensed to the DIRF in the respective fiscal years as provision for deposit insurance loss. Category (iv), and $40 under category (v) representing the LSA claims that Alterna submitted to FSRA after November 22, 2023 for loan deficiencies for the period from October 2023 to March 2024, have been expensed to the DIRF in fiscal 2024 as provision for deposit insurance loss (Note 6). Any amounts recovered under these categories will be recoveries of provision for deposit insurance loss. Due to the ongoing claims process which has yet to be finalized, the recoverable amount of provision for deposit insurance loss is undeterminable at this time.

(c) Potential 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 (“Commercial List”) seeking leave to issue a class action against FSRA and its CEO.

The motion alleges 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 alleges that others also purchased investment shares of PACE between September 28, 2018, and August 24, 2022, and were also not provided offering statements.

The member requires leave of the Court to bring the action. Both the Liquidator and FSRA will be opposing the motion which is scheduled to be heard on July 2, 2024.