

Dear Sir/Madame.

I am writing in response to the Request for Comment with regard to proposed FSRA Rule 2019-001.

My comments are as follows.

General comments

The contingency fund

It is stated on page 4 of the Notice that "FSRA should build and maintain a reasonable contingency reserve amount" and Section 2.3 of the proposed Rule provides that the contingency reserve in respect of an assessment period will be capped at \$4 million. Perhaps it would be appropriate to either state what factors would be considered in determining what size of the reasonable contingency reserve amount or state a maximum size in the Rule or provide some sort of non-binding statement to the regulated parties as to amount envisioned.

Penalties from Enforcement Actions and Administrative Penalties

The proposed Rule does not take into account penalties imposed and collected with regard to enforcement actions or administrative penalties that may be imposed (i.e. late filing fees). While it may be too late at this stage to amend the proposed Rule to address this point, it may be appropriate to make a statement as how these amounts are to be applied. Assuming that the no cross-subsidization principle is to be honoured, it would simple to state how penalties will be applied in the budgeting process. Further, if penalties were applied on a sector basis for budgeting purposes, this may prompt more reporting of malfeasance by members of a particular sector who often have better knowledge of misconduct, knowing that the sector will benefit from any penalties that are imposed in addition to penalizing those in the sector who are non-compliant.

Drafting Comments

The third line in Section 1.2(1) contains the phrase "is appropriate in **its** (*emphasis added*) final budget". As drafted, the word "its" related to the Board, not to the Authority. It is clear that the budget is that of the Authority (see the last line in Section 7.1(1) The word "its" should be replaced with "the" or "Authority's".

In a number of instances the Rule speaks of applications being submitted to the Chief Executive Officer (See section 4.3 (3) for an example). Will these applications in fact be submitted to the CEO, or will they be submitted to the Authority, as the Authority is the party issuing the licenses?

Regards,

Richard E. Austin