

CONSUMER ADVISORY PANEL

November 2, 2023

Delivered electronically

Financial Services Regulatory Authority of Ontario
25 Sheppard Ave W, Suite 100
Toronto, ON
M2N 6S6

Re: consultation on the Proposed 2024-2025 Statement of Priorities

The Consumer Advisory Panel (CAP) welcomes the opportunity to respond to the consultation on FSRA's Proposed 2024-2025 Statement of Priorities (Proposed SOP). The CAP was established to offer advice and provide input to FSRA from a consumer perspective regarding its strategic planning, rulemaking, guidance development, research, supervisory and consumer education activities.

The CAP is making the following recommendations to FSRA in response to the Proposed SOP:

1. Distinguish long-term goals from fiscal priorities;
2. Ensure that the environmental scan gives appropriate prominence to the factors that are most immediately impacting consumers;
3. Prioritize investigative activities and enhance enforcement efforts;
4. Incorporate and emphasize consumer education and awareness initiatives in sector and cross-sector priorities;
5. Present a more detailed, informative, and more transparent breakdown of FSRA's financial plan.

1. Distinguish long-term goals from fiscal priorities

The CAP notes that the Proposed SOP includes 17 priorities, one more than the 16 that were included in last year's statement of priorities. Also, there is considerable overlap in the two sets of priorities. For both years the priorities are very broadly articulated, lacking both specific outcomes and explicit timelines. Based on these observations, the CAP recommends that FSRA re-think how it identifies and describes its priorities, going forward. For one thing, we recommend that FSRA become more deliberate in designating initiatives as priorities. Given the resource and policy bandwidth limitations

under which FSRA must operate, 17 priorities are a recipe for losing focus and under achieving - “when everything is a priority, nothing is a priority¹”.

Also, an initiative that lacks both a specific outcome and an explicit timeline reads more like a long-term goal than a near term priority. While many of the initiatives identified are fundamental to the successful operation of FSRA, it is important that they are appropriately characterized to avoid overshadowing or crowding out more immediate priorities. Techniques FSRA could employ to become more selective in identifying and ranking priorities, include:

1. **Risk Assessment:** Prioritize tasks based on the level of risk they pose to the financial system and financial service consumers. Those with higher potential impact should be given precedence.
2. **Early and Broad Stakeholder Engagement:** Before drafting the next statement of priorities engage with a broader range of stakeholders to understand their views on what should be prioritized.
3. **Resource Allocation:** Consider the resources required for each task and balance this against the potential benefits. Some tasks may require significant resources but offer little in terms of risk mitigation.
4. **Annual Review:** When setting annual priorities, begin with a blank sheet of paper to ensure that they reflect current risks, the prevailing environment and actual resource availability.
5. **Transparency:** Be as transparent as possible about the decision-making process for setting priorities and limitations. This will help manage expectations build trust with stakeholders and promote greater accountability.

Remember, the goal should not be to try to do everything at once, but instead to focus on achieving what is most impactful within the context of possible initiatives and available resources.

Beyond this recommendation that FSRA become more disciplined and deliberate in setting its priorities going forward, the CAP has more specific comments on the Proposed SOP.

2. Ensure that the environmental scan gives appropriate prominence to the factors that are most immediately impacting consumers

The environmental scan does not, in our view, adequately describe the range of challenges and risks that many financial service consumers in Ontario currently face. Recent economic developments have negatively impacted consumers across various aspects of their lives, but most particularly in terms of their finances. These stressful

¹ Karen Martin, The Outstanding Organization: Generate Business Results by Eliminating Chaos and Building the Foundation for Everyday Excellence

developments, including rapid rise in interest rates, housing affordability anxieties, high inflation rates, and post pandemic job market adjustments. Together, these developments have adversely impacted consumers in ways not witnessed for decades. Based on the Proposed SOP, it is not immediately clear to the CAP that FSRA has adequately recognized the extent to which these developments have increased the vulnerability of financial service consumers in Ontario. Despite the assertion that delivering “financial safety, fairness, and choice for Ontarians” is a fundamental pillar of FSRA’s mandate, the Proposed SOP does not identify any new initiatives or allocate incremental resources to address the more pressing challenges that consumers are now having to navigate.

3. Prioritize investigative activities and enhance enforcement efforts

Given the current financial context, the CAP recommends that FSRA prioritize efforts to enhance both the scope and effectiveness of investigations and enforcement initiatives, especially in relation to mortgage brokers, auto insurers, financial advisors and life insurance agents. Recent sanctions imposed by FSRA in the insurance sector demonstrate the adverse life-changing impact that inappropriate conduct can have on consumers and their families. Additional focus on improving investigative actions and creating opportunities for proactive supervisory oversight will further protect consumers. These efforts would be more effective if FSRA had broader authority, especially regarding enforcement actions that would allow FSRA to respond to inappropriate conduct more effectively while sending a strong message of deterrence to potential wrong doers. Providing broader enforcement authority to FSRA has the full support of the CAP and we encourage the Ministry of Finance to initiate the legislative process necessary to make it happen.

4. Incorporate and emphasize consumer education and awareness initiatives in sector and cross-sector priorities

The CAP is concerned that the Proposed SOP is not sufficiently forward looking. The federal government's ambitious immigration plan, which encourages high levels of immigration, juxtaposed with the aging of the baby boomer generation, pose two large and imminent demographic challenges for Ontario’s financial service providers and consumers. The CAP believes that it is important that the implications of these demographic inevitabilities inform FSRA’s priority setting. We are disappointed, therefore, that the Proposed SOP is silent on specific efforts designed to anticipate and address these impending demographic shifts. The CAP would like to see more targeted outreach to vulnerable communities to increase awareness about the services available to them, as well as the potential risks they may encounter.

Along with this, a request for a definition of the 3 levels of funding for pension plans i.e. Going concern funding, Solvency funding, and wind up funding, as well as an explanation of the requirements of oversight of Solvency funding for regulated pension plans.

5. Present a more detailed, informative, and more transparent breakdown of FSRA's financial plan.

The financial plan set out in the Proposed SOP is very abbreviated and provides limited ability to assess the appropriateness of FSRA's fiscal plan. The CAP would like FSRA to provide more detail and transparency on its spending and revenues. We understand that the current sectoral presentation of the financial plan is necessary to calculate appropriate fee levels for each of its regulated sectors. However, it would be helpful if alternative representations of the fiscal plan that would be both more meaningful and relevant to consumers were available. Specifically, we recommend that FSRA include a matrix-based presentation of its financial plan like the approach used by the Consumer Financial Protection Bureau (CFPB) in the US². This type of presentation would provide consumers with a clearer understanding of FSRA's financial plan across both industries and activities. In addition, by presenting expenditures by activity, it will be easier to identify opportunities for collaborative initiatives and potential cost efficiencies across sectors.

Collaborative cross-sector efforts might include promoting awareness of FSRA and creating more meaningful brand recognition among consumers. Research³ suggests that a general lack of awareness exists about FSRA and what it can do to support and protect consumers. A fiscal plan that highlights expenditures by activity will help identify how much and how well resources are being deployed to increase the profile and appreciation of FSRA among consumers. FSRA has opportunities to require regulated entities to include in all mandated communications with consumers clear identification of FSRA that entity's regulator together with information on how to contact FSRA in the event of an unresolved dispute. As an example, FSRA can require that this information be incorporated in the annual information that pension plan sponsors are currently required to distribute.

Thank you again for this opportunity to provide the CAP's comments on the Proposed SOP. In developing the recommendations in this letter we have tried to stay true to our mandate "to offer advice and provide input to FSRA from a consumer perspective". We are aware, however, that FSRA's Statement of Priorities must balance the interests of

² CFPB's strategic plan https://files.consumerfinance.gov/f/documents/cfpb_strategic-plan_fy2022-fy2026.pdf

³ FSRA Consumer research | Financial Services Regulatory Authority of Ontario (fsrao.ca)

many stakeholders. Nevertheless, we do hope that our comments will help inform your thinking both for the Proposed SOP and all future priority statements.

Sincerely,

Consumer Advisory Panel