

FSRA

Financial Services Regulatory
Authority of Ontario

Financial Services Regulatory Authority of Ontario (FSRA)

Business Plan 2019-2022



Ontario

Table of Contents

Executive Summary.....	2
Mandate	4
Governance	5
Environmental Scan	7
Strategic Framework.....	13
Overview of Current and Future Programs and Activities	15
Implementation Priorities.....	21
Performance Measures and Targets	47
Risk Identification, Assessment and Mitigation Strategies.....	54
Resources Required to Meet Goals and Objectives.....	57
Financials	59
Initiatives Involving Third Parties	68
Communication Plan.....	69
Response to Expectations Set Out in the Agency Mandate Letter	71

Executive Summary

The 2019-2022 Business Plan outlines FSRA's transformation to a forward-looking, flexible, self-funded, principles-based regulator capable of responding to the dynamic pace of change in marketplace, industry and consumer¹ expectations.

FSRA operates within a clear legislative framework. We will have powers and accountabilities under the regulated sector statutes and the *Financial Services Regulatory Authority of Ontario Act, 2016* (FSRA Act), including the authority to make rules governing fees, assessments and other matters; to issue guidance; and to supervise the regulated sectors. We will use our expertise and authorities to respond to market and product changes and to serve the public interest.

FSRA continues to work with the MOF, FSCO and DICO to ensure a smooth transition of regulatory authorities to FSRA, as well as to initiate transformation.

Key achievements

Over the last year, FSRA has successfully recruited a new leadership team with deep sector and regulatory experience; implemented an organizational design focused on integration, expertise, accountability and collaboration; started to put in place necessary systems, processes and oversight for well-governed, effective and efficient operations; extensively consulted with internal and external stakeholders; and laid the foundations for regulatory transformation.

Plan highlights

This plan demonstrates FSRA's intent to regulate differently by using broader expertise, rule-making and other regulatory tools and improved processes to reduce burden and increase regulatory effectiveness while keeping costs as low as reasonably possible.

In our first year as regulator, in addition to ensuring continued effective ongoing supervision of the regulated sectors, we have two priorities across all sectors: *burden reduction* and *regulatory effectiveness*.

- To *reduce burden* FSRA will conduct, in conjunction with our stakeholders, a thorough examination of existing guidance documents, data and filing requirements, and service standards to ensure that they are relevant, provide value, and support our mandate.

¹ Note: for the balance of this document, the term "consumers" refers to those who purchase, or benefit from, products and services delivered by the regulated sectors that FSRA will regulate, including pension plan beneficiaries and credit union members.

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

In addition to cross-sector priorities, in each sector we have, based on discussions with stakeholders, identified sector-specific opportunities for FSRA to reduce burden and improve regulatory effectiveness. These priorities will be achieved by working with industry, consumer representatives and other stakeholders.

Financial overview

To support FSRA as an independent transformed regulator with clear priorities, FSRA intends to charge fees and assessments of \$80.6M in FY 2019-20 to cover \$79.6M in operating expenses and to commence recovery of its start-up costs. This is a \$3.3M increase in operating expenses (4.4 %), for the 10 months we plan to supervise the regulated sectors in F2019-2020, compared to the combined FY 2019 FSCO and DICO budgets covering the same regulated sectors and equivalent 10-month period. Setting aside increased depreciation, interest expense and deficit recovery, all related to FSRA's foundation building, FSRA's first year operating expenses will be essentially flat to those of its legacy agencies.

The proposed budget provides resources necessary for FSRA to provide regulatory continuity and to execute on its proposed priorities. It uses a staffing model that adds more sector expertise and positions in key regulatory and support functions. Cost reductions were also identified, but these have been partially offset by investments in expertise and in new financial and information technology foundations to facilitate independent operations. Industry and public consultations on the proposed budget and fee rule for regulated sector assessments and fees have informed both costs and deliverables, including the direct costs planned in each sector and each sector's share of common costs.

Mandate

The *Financial Services Regulatory Authority of Ontario Act, 2016 (FSRA Act)* establishes FSRA's role in regulating key sectors, sets out powers in administration and enforcement of the Act and Sector Statutes, and outlines FSRA's basic governance and accountability structure.

FSRA's objects, as defined in the FSRA Act, are to:

General

- regulate and generally supervise the regulated sectors
- contribute to public confidence in the regulated sectors
- monitor and evaluate developments and trends in the regulated sectors
- cooperate and collaborate with other regulators where appropriate
- promote public education and knowledge about the regulated sectors
- promote transparency and disclosure of information by the regulated sectors
- deter deceptive or fraudulent conduct, practices and activities by the regulated sectors
- carry out such other objects as may be prescribed

Financial Services

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

Pension Plans

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

Credit Unions

- provide insurance against the loss of part or all of deposits with credit unions
- promote and otherwise contribute to the stability of the credit union sector in Ontario with due regard to the need to allow credit unions to compete effectively while taking reasonable risks
- pursue the above objects for the benefit of persons having deposits with credit unions and in such manner as will minimize the exposure of the Deposit Insurance Reserve Fund to loss

We have carefully considered these objects in developing this plan and FSRA's priorities.

Governance

Governance framework

FSRA is a regulatory agency established under the FSRA Act, which came into force on June 29, 2017. FSRA is a self-funded corporation with a Board of Directors consisting of directors appointed by the Lieutenant Governor in Council on the recommendation of the Minister of Finance (the “Minister”). FSRA is accountable to the Minister and, through the Minister, to the Ontario Legislature.

The Act provides that FSRA is governed by at least three, and not more than eleven, Directors. Appointments are made in accordance with the Agencies and Appointments Directive, any Memorandum of Understanding (MOU) in place between the Minister and FSRA, and the procedures of the Public Appointments Secretariat of the Government of Ontario. One Director is designated as Chair by the Lieutenant Governor in Council on the recommendation of the Minister.

The Board appoints the Chief Executive Officer (CEO) who is responsible for the management and administration of the affairs of FSRA and for exercising FSRA’s powers and duties under legislation governing FSRA and the regulated sectors. The CEO may delegate to his senior management team. The Board supervises the CEO and his team in the management of FSRA’s affairs. The Board also has specified powers under such legislation to make rules which, after mandatory consultation process and obtaining Ministerial approval, have the force of law.

In accordance with the Agencies and Appointments Directive, FSRA and the Minister are to enter into an MOU which sets out the accountability relationship between the FSRA Board, Chair and the Minister.

Board members

- Bryan Davies, Chair
 - Kathryn Bouey
 - Blair Cowper-Smith
 - Brigid Murphy
 - Richard Nesbitt
 - Larry Ritchie
 - Judith Robertson
-

Committees²

Governance

- Blair Cowper-Smith, Chair
- Larry Ritchie
- Judith Robertson

Human Resources

- Judith Robertson, Chair
- Kathryn Bouey
- Brigid Murphy

Audit and Finance

- Richard Nesbitt, Chair
- Kathryn Bouey
- Brigid Murphy

Technology Committee

- Kathryn Bouey, Chair
- Brigid Murphy
- Richard Nesbitt

Rules and Policy Committee

- Larry Ritchie, Chair
 - Blair Cowper-Smith
 - Judith Robertson
-

² The Chair of the FSRA Board is an ex-officio non-voting member of all committees.

Environmental Scan

The case for change

Over the last five years, Ontario's financial services regulatory environment has been reviewed by the International Monetary Fund (IMF), Auditor General of Ontario, and the Expert Panel Review of the Mandates of the Financial Services Commission of Ontario, Financial Services Tribunal, and the Deposit Insurance Corporation of Ontario (Expert Panel). The resulting reports reflected extensive research and consultation, including written submissions by organizations and individuals, sector-specific roundtable discussions, and open dialogue during informal meetings with regulators, financial services stakeholders, and investor advocates. A number of key challenges were identified.

International Monetary Fund

In early 2014, the IMF issued a Report on Canada's Financial Sector Stability Assessment. It noted that current regulatory systems in Ontario lack the resources to proactively, consistently and effectively administer necessary oversight:

*"Constrained by limited resources, FSCO has adopted both a reactive and industry-wide targeted approach to supervising the FRIs (federally-regulated insurers) based in Ontario (the vast majority of the total) and the large numbers of insurance intermediaries...FSCO's supervisory approach is more reactive, mainly in response to self-declarations of non-compliance or complaints / information received."*³

A subsequent IMF report recommended that the Ontario government remove FSCO from its fiscal controls and administrative guidance to strengthen its autonomy, similar to the Autorité des marchés financiers (AMF) in Québec, which, according to the IMF, operates in line with international best practice standards:

*"It is essential that FSCO be equipped with adequate resources and financial capacity to deal with the size and diversity of the Ontario marketplace."*⁴

Auditor General of Ontario

Following an extensive audit of FSCO's activities, the 2014 Annual Report of the Office of the Auditor General of Ontario identified gaps and risks in FSCO's regulatory functioning and suggested that, given

³ Report on Canada's Financial Sector Stability Assessment, International Monetary Fund, February 2014.

⁴ Report on Canada's Financial Sector Stability Assessment, International Monetary Fund, March 2014.

the wide scope of responsibility, FSCO consider ways to transfer responsibility to self-governing industry associations and other regulatory bodies.

Expert Panel

The Expert Panel, appointed by the Minister of Finance in 2015, conducted a mandate review of three agencies important to the financial well-being of Ontarians: FSCO, the Financial Services Tribunal (FST), and DICO. Its work was informed by a government mandate to modernize financial regulation and improve consumer protection by wide-ranging stakeholder consultations and by best practices in other jurisdictions. Its findings highlighted key shortcomings in the rapidly changing regulatory environment and called for the creation of a new, independent and integrated regulator called the Financial Services Regulatory Authority (FSRA):

“With financial services and pensions sectors changing at a rapid pace...Ontario needs a regulatory authority that is flexible, innovative, and in possession of expertise appropriate to match the consistently evolving financial environment. We call not for amendments, revisions or improvements to the existing regulatory framework and apparatus, but for the replacement of the current regulatory structure and approach with a nimbler and more accountable one.”⁵

The panel acknowledged that FSCO staff have been hampered by a lack of critical regulatory tools, resources, and mechanisms, noting:

“Throughout our consultations we heard consistent messages. Many with whom we consulted pointed to material shortcomings in the mandates, regulatory approach, operational resources, tools and capacity of the agencies. We would emphasize, however, that most criticisms were directed at the regulatory framework, approaches and limitations of the agencies, and not at their personnel.”⁶

⁵ Review of the Mandates of the Financial Services Commission of Ontario, Financial Services Tribunal, and the Deposit Insurance Corporation of Ontario, March 2016.

⁶ Review of the Mandates of the Financial Services Commission of Ontario, Financial Services Tribunal, and the Deposit Insurance Corporation of Ontario, March 2016.

Jurisdictional scan

FSRA initiated a jurisdictional scan in 2017 using a mix of interviews with current and former employees of related regulators, as well as online research.⁷ It identified a number of trends that are impacting regulated sectors, each with specific implications for financial services regulators:

- **Non-traditional market entrants** will continue to disrupt regulated sectors. The nature of competition will change and the degree of competitiveness will accelerate, compelling regulators to balance a level playing field with fostering continued innovation.
- **Innovative new technologies** (e.g., artificial intelligence) will emerge and the overall pace of change will increase. The transformation of business models, customer experiences, operations, and regulatory compliance will require regulators to be forward-looking, proactive, and collaborative.
- The traditional lines that distinguish “**vertical**” sectors will blur as new partnerships will enable organizations to bypass traditional value chains. Regulating and establishing consistent standards for “horizontal” activities and characteristics common across all industry sectors will be critical.
- There will be increased domestic and global **regulatory integration**. A “regulator of the future” in Ontario must thoughtfully consider its scope, capabilities, and interaction model with other regulatory bodies; it cannot operate in a vacuum.
- **Customers will have rising expectations** for products, services, and experiences. As regulated sectors innovate to meet high expectations, a robust and agile regulator is needed to adequately protect customers and investors.

In reaction to these trends, regulatory authorities need to consider the following principles:

- establish clear mandates; minimize regulatory overlap and foster collaboration
- engage stakeholders early and often; be a participant in the ecosystem
- ensure a level playing field – or at least a common duty of care
- streamline and make regulatory compliance efficient and straightforward
- advocate for innovative RegTech solutions to compliance
- collaborate with regulators across sectors and geographies

As well, an additional jurisdictional scan on regulatory funding models was conducted in 2018 to inform the development of FSRA’s proposed new fee rule.

⁷ Ontario Securities Commission; Capital Markets Regulatory Authority; Office of the Superintendent of Financial Institutions; Autorité des marchés financiers, Québec; Australian Securities and Investment Commission; Financial Conduct Authority, United Kingdom.

Industry and consumer dialogue and consultation

FSRA is committed to an open, transparent and collaborative approach that involves stakeholders and ensures broad input and perspectives to inform its direction.

As described in the implementation plan section, FSRA is considering longer-term mechanisms to ensure improved and more effective stakeholder input and engagement. In the interim, FSRA has been actively meeting and consulting with stakeholders.

Industry and Consumer Dialogue

Seven ad hoc Industry Advisory Groups (IAGs) were established in July 2018 to provide regulated sector industry insight and views to FSRA management and the Board of Directors. To date, the IAGs have been engaged on two key FSRA initiatives: a proposed rule on fees and assessment for the sectors FSRA regulates, and FSRA's draft 2019-20 Priorities and Budget. Each IAG met twice with FSRA on each initiative - once with management and once directly with the Board - for a total of 28 meetings involving over 85 stakeholders.

A consumer and public interest round-table was also held on February 7, 2019 involving individuals and organizations who represent consumer perspectives in the regulated sectors. A total of 82 participants representing individuals and 39 organizations, attended and provided consumer and stakeholder insight and views on FSRA's draft 2019-2020 Priorities and Budget to FSRA management and the Board of Directors.

In addition, the FSRA Board, CEO and FSRA executive leaders have met with a wide range of industry and consumer stakeholders in scheduled meetings, and have actively participated in industry events, conferences and public outreach.

Fee Rule Consultations

In addition to the IAG meetings on the proposed fee rule, written public consultations took place from October 5, 2018 to January 4, 2019. As per the provisions of the FSRA Act, the proposed fee rule was posted on the FSRA website for a 90-day consultation, during which 84 submissions were received. Based on input received, FSRA revised the fee rule and conducted an additional 21-day consultation. The Notice and Request for Further Comment on Proposed Fee Rule 2019-001, including comments received and FSRA's response, is posted on the FSRA website at <https://www.fsrao.ca/en/consultations/assessment-and-fees>. Results from the consultations will be provided to the Minister when the fee rule is submitted to the Minister for approval.

Priorities and Budget Consultations

Consultations on FSRA's draft 2019-20 Priorities and Budget included the IAGs, consumer round-table, and public consultation via the FSRA website from January 21 to February 14, 2019. The Proposed FY 2019-20 FSRA Priorities and Budget and comments received are posted on the FSRA website at: <https://www.fsrao.ca/en/consultations/draft-2019-20-priorities-budget>. The learnings from the consultation on the priorities and budget have been incorporated into this plan.

Internal dialogue and consultation

FSRA has worked closely with FSCO and DICO to ensure employee input and participation in key initiatives, as well as overall engagement to inform planning and future directions.

In Fall 2018, all FSCO and DICO employees were invited to join employee consultations to get their perspective on “how can FSRA do better going forward?” particularly in the areas of regulatory/oversight objectives, frameworks, tools/systems and processes. The sessions were intended to

- Inform multi-year regulatory change, process redesign and human resources strategies designed to direct and empower FSRA people, and create the culture required for FSRA to be successful;
- Demonstrate and reinforce FSRA’s intent to build a collaborative, open culture; and
- Share some initial thoughts and hear employee perspectives regarding the desired future work place culture and environment.

Participation was very high, as noted below:

2 Executive Sessions	11 Participants
5 Director/Manager Sessions	43 Participants
28 Functional and 10 Cultural Sessions	About 300 Participants
<i>Total 45 Sessions</i>	<i>About 350 Participants</i>

Summary Findings

What’s Working Well Today

- Commitment to public service and significant pride in protecting consumers
- Risk-based approach to regulation
- Strong, cohesive community spirit and generosity
- On-site IT support to resolve problems quickly
- The opportunity to participate in these consultations

Functional Session Feedback

Organized by functional areas, employees discussed how FSRA can improve on functional regulatory/oversight objectives, tools, systems and processes. Improvement areas identified included:

- Transparency, communication and collaboration within the organization, with other regulators, with the sectors we regulate, and with the public we serve;
- Information technologies, such as a consolidated regulated sector database, case management and call-centre systems, automation of manual processes, easier log-in and access to core regulatory systems;
- Clearer roles and responsibilities within and across departments;
- Analytical tools and data for improved market intelligence on early risk indicators and trends;
- Stronger enforcement with consistently applied consequences significant enough to deter bad actors;

- Proactive engagement and dialogue with sectors, MOF, and other regulators to anticipate and respond faster to industry changes; and
- Process enhancements to streamline interactions with sectors, and speed up reviews, approvals and actions.

Culture Session Feedback

In sessions with employees from across FSCO and DICO, participants were asked to define what “great culture” means to them:

- A clear vision for FSRA that we can all understand and support
- Less formality and hierarchy, more open communication
- Open and transparent leadership
- Role clarity and empowerment, so approvals and decisions can move quickly
- Responsibilities that are clear, with everyone accountable for their work
- Personal and career growth opportunities
- Human Resources policies applied fairly and consistently
- Flexible work schedules
- Strong collaboration, both internally and externally
- Feeling trusted, respected and recognized for the work we do and the value we provide.

Strategic Framework

FSRA aims to be a **forward-looking**, flexible, self-funded regulator capable of responding to the **dynamic pace of change** in marketplace, industry and consumer expectations. Our strategic framework is composed of three key elements: overall strategic directions, key enablers and standards for excellence.

Strategic Directions	<ul style="list-style-type: none"> • Support business investment • Respond to changes in industry, consumer and market • Protect consumers 	<ul style="list-style-type: none"> • Improve market effectiveness and integrity • Foster effective and consistent regulation across Canada
Key Enablers	<ul style="list-style-type: none"> • A legislative framework with enabled rule-making capacity and other guidance tools to adapt quickly and effectively • Organizational leadership and a collaborative, forward-thinking culture • Strong, able, robust, integrated systems for data and analysis 	<ul style="list-style-type: none"> • A simple, consistent and fair funding model • Effective and efficient corporate services systems and processes • Mechanisms to support collaboration and implementation of innovations
Standards to Deliver Excellence	<ul style="list-style-type: none"> • Good governance practices and expert leadership • Empowered, high-performing people and technologies • Continuous consultation with stakeholders • Transparent, principles- and evidence-based approaches to regulation • Effective stewardship of resources 	<ul style="list-style-type: none"> • Experimentation, proactivity and adaptability • Operational independence from, and continuous collaboration with, government • Nimble and efficient regulatory processes that support Ontario as a good place to do business • Coordination with other regulators

Strategic directions

When operational, FSRA will be a **principles-based regulator** that will:

- support regulated sector strength and stability through competition and innovation;
- **proactively respond to changes** in industry, consumer and member expectations;
- **better protect consumers** who: buy or receive benefits from insurance (property and casualty including auto; life and health including annuities and life insurance investment products); are members of credit unions; do business with credit unions or loan and trust companies; use mortgage brokers; or rely on pension plans for income security;
- **improve market effectiveness** and enhance market integrity; and
- **foster effective and consistent regulation** across Canada through leadership and advocacy.

Key enablers

Key enablers represent the capabilities FSRA requires to be agile, future-focused, responsive and positioned for the emergence of new technologies, business models, products and services. FSRA’s ambitious vision for modernization and transformation is anchored in these capabilities.

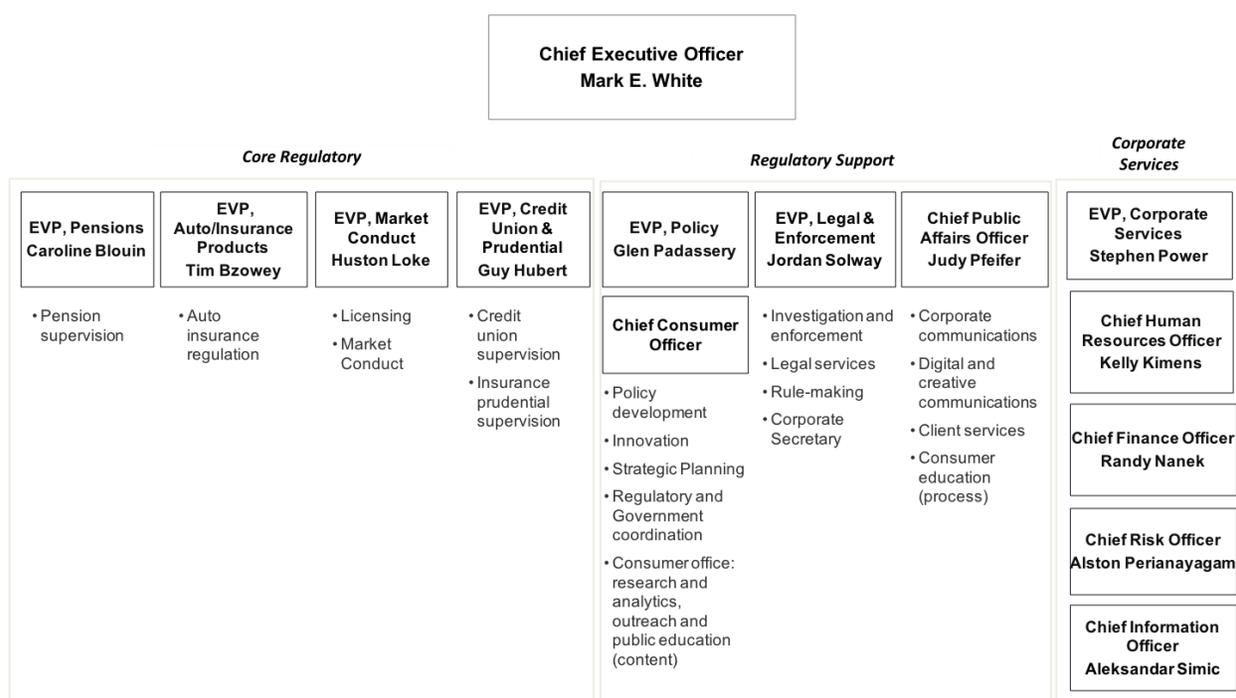
Key Enabler	Description
A legislative framework with enabled rule-making capacity and other guidance tools to adapt quickly and effectively	Rule-making authority (reflecting meaningful collaboration with the MOF and other key stakeholders), combined with new and enhanced functions and capabilities and other guidance and supervisory tools, will enable FSRA to be responsive, data-driven, and dynamic in its regulatory approach
Organizational leadership and a collaborative, forward-thinking culture	To drive transformation across the organization, changed ways of working are required to support the regulatory function to become more agile, innovative, and forward-looking and will be reinforced through an aligned organizational culture
Mechanisms to support collaboration and implementation of innovations	FSRA will work with market participants on innovative, technology-enabled initiatives and will provide the flexibility to test out new ideas and gather data to better inform ways to meet regulatory requirements
Strong, able, robust, integrated systems for data and analysis	Data and analytics capabilities will improve regulatory efficiency, support more effective consumer protections, drive positive business outcomes, and enable fact-driven decision making
Effective and efficient corporate services systems and processes	To operate independently and support transformation, FSRA will build essential corporate services and operational capabilities
A simple, consistent and fair funding model	A principles-based funding model developed in consultation with the regulated sectors

Overview of Current and Future Programs and Activities

Organizational overview

While providing regulatory continuity, FSRA will be a new organization with a different approach. This is evidenced by our new leadership team, which has extensive industry experience and regulatory expertise. These executives will be responsible for supporting innovation in the regulated sectors, driving continuous improvements across FSRA and championing a culture that is:

- forward-looking, with the expertise to monitor, understand and address changes in markets, sectors and consumer wants and needs;
- empowered and decisive, to act quickly in a fast-paced environment;
- principles-based and flexible to appropriately respond to the dynamic nature of the financial services sector; and
- transparent and relationship-based, to ensure accountability and responsiveness.



FSRA will create a culture that encourages a cross-functional, integrated approach. Given that financial services are complex and evolving, modern regulators need both focused supervisory teams overseeing regulated sectors, and specialist teams. These specialists will support the achievement of regulatory objectives through excellence in policy development, understanding of consumer perspectives, effective two-way communications and effective enforcement.

Core regulatory functions are the active link to the regulated sectors; in supervising regulated sectors, they execute on processes designed to achieve outcomes that support our regulatory objectives and, in doing so, identify legal, enforcement and policy issues, and drive technology improvement. The

regulatory support, legal and enforcement and corporate services functions support Core Regulatory by providing substantive technical expertise and centralized common resources. This helps FSRA to be efficient and consistent, and helps to maintain appropriate governance and rigour around important activities and decisions supporting the supervision of regulated sectors.

For example, the policy function will work closely with the core regulatory functions to ensure there is a coordinated and informed approach to policy development and implementation; it will provide policy expertise and enable innovation, as well as drive strategy and ensure stakeholder coordination. The Consumer Office will be part of the policy function so the voice of the consumer is embedded across the organization and is considered in all of FSRA's strategy and policy development and assessment activities. The Consumer Office will focus on consumer-based research and policy support to shape policies and regulatory approaches; it will also conduct consumer outreach and work with Public Affairs to effect consumer education.

FSRA will review processes and technologies to ensure that we are able to identify opportunities for cost savings and efficiencies as well as invest in the right projects to drive future efficiencies. FSRA is currently implementing a comprehensive back-office system to deliver efficient and effective finance, human resources and other administrative functions. As these critical business functions are currently provided to FSCO by the Ontario Public Service (OPS), this is a key step in ensuring continuity and a smooth transition. Finally, as FSRA prepares for the transfer of staff and functions from FSCO and DICO, we are committed to attracting, retaining and training key talent with the expertise needed to implement our new regulatory vision and drive our culture.

FSRA is assuming many varied and complex legacy systems and processes from FSCO and DICO. Certain FSCO technologies are at the end of their life and at risk of failure, requiring immediate and significant investment to maintain and improve the function of the regulator. For example, a secure, stable data centre infrastructure is being established to ensure safe, recoverable and resilient data, and to strengthen cybersecurity and data protection.

Work has begun, and will continue during FSRA's first year, to develop a comprehensive blueprint for information technology renewal to support a more digital approach to regulation and services.

Primary regulatory programs and activities

In its first year, FSRA will focus on *burden reduction* and *regulatory effectiveness* through cross-sector and sector-specific priorities that can be achieved, or substantially advanced, in FY 2019-20. These measurable activities formed the basis of our consultation on our proposed priorities, and after incorporating the feedback received, form the backbone of this plan.

FSRA's overall cross-sector priorities will reset the regulatory foundation, make regulation more effective and efficient and further our legislative objectives. In our priorities consultation, stakeholders brought forward a number of consumer and sector-specific suggestions. Our proposed priorities will deliver a positive impact in reducing burden, improving regulatory effectiveness and improving stakeholders' regulatory experience. These priorities will drive internal accountability for executives and serve as the basis for operational planning and performance measurement.

Overall Priorities				
Burden Reduction		Regulatory Effectiveness		
<ul style="list-style-type: none"> Review inherited guidance Review data collection and filing requirements Establish meaningful service standards 		<ul style="list-style-type: none"> Protect the public interest Increase sectoral expertise Enable innovation Enhance stakeholder collaboration Modernize systems and processes 		
Sector-specific: Targeted High-impact Priorities				
Auto Insurance	Credit Unions	Insurance Conduct	Mortgage Brokering	Pensions
<ul style="list-style-type: none"> Streamline Rate Regulation Process Support Auto Reform Strategy Review Health Service Provider (HSP) Regulation Develop Fraud and Abuse Reduction Strategy 	<ul style="list-style-type: none"> Integrate Conduct and Prudential Supervision Support Modernization of Regulatory Framework Adopt Industry Code of Conduct Ensure Appropriate Resolution and Deposit Insurance Reserve Fund (DIRF) Framework 	<ul style="list-style-type: none"> Adopt Effective Conduct Standards Improve Licensing Effectiveness and Efficiency Harmonize Treating Consumers Fairly Guidance 	<ul style="list-style-type: none"> Provide Effective Syndicated Mortgage Investment (SMI) Oversight Improve Licensing Effectiveness and Efficiency Adopt Industry Code of Conduct 	<ul style="list-style-type: none"> Support Plan Flexibility Review Prudential Framework Focus on Burden Reduction

Please see the Implementation Plan for detailed information on the approach to the overall and sector-specific priorities.

Human resources (HR)

Over the next few years FSRA will work to establish the foundations and HR programs to build and support its transformative people strategy. The focus will be on creating HR policies, practices, processes and programs that support the organization’s strategic objective and values. The 2019-2022 priorities include:

- Developing a people strategy for the organization that is aligned with business strategy. The focus will be on creating organizational values that support the cultural aspirations of the new organization. Key to this will be designing approaches and strategies that ensure the transfer provides a positive start for those employees joining FSRA from existing organizations and creates a culture of collaboration, innovation and responsiveness. The following table outlines the HR principles that have been established to support this approach.
- Developing and implementing a detailed transition plan to ensure a smooth and successful transfer and to begin building new capabilities in support of the business transformation required to achieve the vision. As FSRA works through the workforce transition plan it will work in close partnership with key Ministries to ensure a smooth transition and ensure that all key obligations to the government are met. FSRA will also focus on building strong and positive relationships with our bargaining agent partners.
- Developing a newly created HR team focused on strategic advice, support and services through the creation of efficient processes.
- Developing a substantive leadership development program focused on coaching, teamwork and performance development to ensure the new FSRA leadership team is motivating staff to deliver the highest quality services.
- Developing and implementing a solid back office to support the day-to-day critical requirements of the organization.
- Developing and implementing FSRA Values that will be the foundation for building the FSRA culture to align with how we will successfully work towards delivering on our statutory objects and enumerated priorities.
- Developing solid HR strategies and programs aligned with the broader public sector and related industries in the areas of compensation, talent management, organization development and employee engagement.

Principle	Description
Focus on people and culture	Build a purposeful strategy for people and culture and work to ensure a consistently positive employee experience
Plan workforce to align with organizational needs	Create a well thought through workforce plan that addresses key dependencies, linkages and contingencies, building on current strengths while maintaining alignment with FSRA future state goals

Principle	Description
Develop HR policies and practices that support the cultural aspirations of the organization	HR policies and practices will be designed to support a modern and flexible work environment, aimed at attracting and retaining talent, fully engaging the workforce and promoting/rewarding performance excellence
Be open, transparent and realistic	Proactively manage expectations ensuring transparency and clear messaging around workforce plans and decisions impacting the different teams with the focus on building trust
Balance immediate needs with modernization agenda	Find the right balance between day-to-day and building for the future, dedicating sufficient resources with the right skill sets to sustain existing core capabilities, while supporting the development of new activities
Collaborate to manage interim changes	Establish a process in partnership with FSCO and DICO to anticipate and manage interim organizational change (e.g., structural changes, vacancies, etc.) and to effectively transition to a single entity in FSRA.
Retain and attract key talent	Retain and attract the best talent to meet the current and future needs of the regulator
Create a positive labour relations climate	Work collaboratively and respectfully with bargaining agent partners to ensure alignment with legislative and collective agreement requirements in support of positive employee experiences
Understand the existing workforce	Inform transition and ongoing operational decisions with a detailed understanding of the current workforce

Information technology (IT)

Certain FSCO information management/information technologies (IM/IT) are at end of life and at risk of failure, requiring immediate and significant investments to maintain and improve FSRA's ability to function. Others are outdated, inefficient, costly and unable to support modern, flexible regulation. Modernization of these IM/IT systems and the processes they support are expected to be multi-year, multi-million dollar investments.

We have already begun to replace and rebuild the IT infrastructure and establish a secure, stable data centre. In addition to building efficient, effective back-office systems, we are integrating our IT workforce and improving cybersecurity. Over the coming months, in consultation with industry, we will develop strategies and systems to better support core regulatory activities.

FSRA will target and prioritize areas for process redesign and IM/IT improvement and investment to deliver effective, efficient and timely services that are fully aligned with FSRA's strategy and priorities. This will allow us to establish fully business aligned, flexible and efficient cross-sector strategies, tactics and enabling foundations for technologies and data, and to develop and complement sector-specific processes and IM/IT strategies and enhancements. Systems development is intended to provide flexibility to respond to changing regulatory needs. In the future we will look to use the technologies changing the face of financial services (e.g., AI, big data) to change how we regulate.

Implementation Priorities

As mentioned in the previous section, seven ad hoc Fee Rule Industry Advisory Groups (IAGs) were established in July 2018 to provide regulated sector industry insight and views to the FSRA management and Board of Directors. To date, the IAGs have been engaged on two key FSRA initiatives: a proposed rule on fees and assessment for the sectors FSRA regulates, and FSRA's draft 2019-20 Priorities and Budget. A consumer roundtable was also held in February 2019 to discuss FSRA's proposed priorities. The priorities implementation plan described below was developed in consultation with these and other stakeholders.

Cross-Sector Priorities

1. Burden reduction

In all aspects of FSRA's operations, we will seek to reduce the regulatory burden for our regulated sectors, and to drive effective, efficient regulation and supervision by ensuring that the benefits justify the internal and external costs of regulation. As a foundational step, FSRA will propose and seek input on guiding principles for its approach.

A regulatory framework that imposes unnecessary costs (e.g., by not being risk-based), or has unclear or unnecessary guidance and requirements, can negatively impact Ontario's economy, regulated businesses and individual consumers. For that reason, FSRA has made reducing regulatory burden a cross-sector priority, with a specific focus on three key initiatives:

1. Review Inherited Guidance
2. Review Data Collection and Filing Requirements
3. Establish Meaningful Service Standards

1.1 Burden Reduction: Review Inherited Guidance

The current FSCO and DICO guidance framework varies significantly by sector, and can be inconsistent, confusing and/or ambiguous within sectors.

FSRA will examine all inherited guidance to ensure clarity and consistency, to eliminate overlapping and potentially inconsistent requirements, and to ensure that its intended impact is clear (e.g., is it a legal interpretation; advice on supervisory expectations; overarching principles; examples to guide best practices or activities; or information or other advice?). Regulated entities and the public are best served when guidance is necessary (e.g., provides necessary consumer protection; produces more benefit than the costs it imposes), consistent, accessible and actionable, and when its intended effect is well-understood. FSRA will develop and apply a cohesive, principles-based regulatory guidance framework to streamline, clarify and update current guidance for greater regulatory effectiveness, transparency, accountability, and burden reduction. FSRA's regulatory model will be informed by other principles-based regulatory models, including OSFI and AMF.

FSRA will seek to use cost-benefit analysis to evaluate whether guidance is necessary or could be improved, enhanced (e.g., streamlined), or eliminated, consulting with industry to prioritize for greatest impact.

Approach

- Pre-launch
 - Conduct an inventory and, where practicable, an initial assessment of the current guidance by sector;
 - With input from the MOF, stakeholders and other regulators, identify priority areas for review (e.g., see “Sector-specific priorities”); and
 - Develop plan by sector for guidance review and restatement.
- Year 1
 - Initiate review of all existing guidance;
 - Establish a principles-based framework for guidance;
 - If appropriate, revise, consolidate and streamline high priority guidance; and
 - Begin work to remove low-benefit guidance.
 -
- Year 2 and ongoing
 - Revise guidance on an ongoing basis based on the FSRA guidance framework and defined controls and processes, including the use of prioritization and cost/benefit assessments.

Dependencies

- Coordination with the MOF where guidance is referenced in, or dependent on, regulation or legislation; and
- Coordination with national organizations and other regulators where guidance is consistent across jurisdictions.

Year 1 Target

- Establish a principles-based framework for guidance (e.g., hierarchy; purpose; process);
- Initiate review of all inherited guidance;
- If appropriate, re-issue and/or revise all high-priority guidance; and
- Develop plan to, and commence execution of plan to, remove/simplify all low-impact/low-priority/unnecessary guidance.

1.2 Burden Reduction: Review Data Collection and Filing Requirements

Regulated entities have expressed concerns about duplicative reporting requirements, unnecessary data collection and burdensome filings requirements. There is also a perceived lack of timely analysis of and reporting back using the data collected. FSRA will review current data and filing requirements to identify ways to streamline data reporting requirements to reduce the burden on regulated sectors, increase transparency and information sharing, and enhance industry benchmarking and analytics.

Approach

- Pre-launch
 - Consult with stakeholders on data/filing principles and begin to establish a framework for data/filing requirements, including a cost-benefit framework for analysis; and

- Consider and confirm an initial focus on requirements for consumer/member disclosure.
- Year 1
 - Initiate review of data and filing requirements and conduct stakeholder consultation on such requirements;
 - Conduct a review of FSRA data/filing needs and information sources to identify potential ways to minimize burden while leveraging data to improve regulatory outcomes; and
 - After consultation with stakeholders, develop a plan and commence implementation of a plan to, reduce/refine data and filing requirements; and
 - Increase transparency by clarifying how collected data/filing information is used and consulting on desired information and analytics and how they could provide more useful information to stakeholders.

Dependencies

- Potential implications of changes to inter-jurisdictional agreements and legislation; and
- IM/IT system limitations and need for IT renewal.

Year 1 Target

- Initiate review of data and filing requirements, develop principles to guide data and filing requirements, and conduct stakeholder consultations on such requirements and principles; and
- After consultation with stakeholders, develop a plan to, and commence an implementation of plan to, reduce/refine data and filing requirements.

1.3 Regulatory Effectiveness: Establish Meaningful Service Standards

There is a perceived lack of accountability and responsiveness in the current regulatory framework. Stakeholders are adversely affected if timely, reasonable, predictable and well-understood delivery of regulatory activities does not consistently occur. Service standards are a key tool to ensure unnecessary regulatory burden is minimized.

FSRA will increase transparency and accountability for our delivery of regulatory activities by working with stakeholders to develop and implement service standards that effectively measure our effectiveness in meeting our objectives, and that meet the needs of our stakeholders. This includes timely and responsive processing of regulatory matters in a timeframe that facilitates the cost-effective provision of financial services.

Approach

- Pre-launch
 - Initiate discussion to understand stakeholder expectations and processes in each regulated sector and any current services standards and their effectiveness.
- Year 1
 - Initiate and complete development of service standard principles and a review of service standards (including review of best practices in other jurisdictions) for each key regulatory objective/process in each sector;

- Implement new service standards, where practicable, in existing processes; and
- Reflect service standards in employee performance targets.

Dependencies

- Collaboration and agreement with stakeholders regarding expectations for FSRA; and
- Data collection and systems limitations.

Year 1 Target

- Complete service standards principles framework; and
- Implement updated and new service standards which are measurable.

2. Regulatory effectiveness

2.1 Regulatory Effectiveness: Protecting the Public Interest

The financial services sector is undergoing significant change and this heightens the need for regulators to understand and protect the public interest. Consumer expectations for choices and services are high, driving new technologies, business models, products and services. FSRA is committed to supporting industry innovation, investment and growth, and to ensuring competition and continued new product availability. Across the organization there will be an enhanced focus to embrace the consumer perspective to support innovation, and efficiencies that will benefit consumers while ensuring their interests are properly addressed. This is illustrated in the pension sector where member protection needs to be balanced with the financial sustainability, viability and growth of the sector, recognizing that the nature and type of plan may require a differentiated approach.

Approach

- Pre-launch
 - Consult to gain further insights on consumer perspectives and priorities, including engaging consumer stakeholders in the regulated sectors;
 - Identify current channels and sources of consumer information and knowledge (e.g., industry, other regulators, consumer-focused organizations); and
 - Assess information portals for consumers (e.g., websites and call centres) to identify areas for improvement in how FSRA conveys and collects information.
- Year 1
 - Review FSRA’s supervision, monitoring and enforcement (i.e., core regulatory activities) to ensure we are protecting and responding to consumers’ needs, including evolving trends;
 - Clearly identify and track consumer issues to inform and help prioritize regulatory reform;
 - Conduct consumer experience mapping to ensure that our information and processes are “user-friendly” to consumers, and move toward enabling members to make well-informed decisions;
 - Launch a Consumer Office, under the policy function, to provide a ‘consumer lens’ to enterprise-wide decision making so that FSRA strategies, policies and supervisory practices incorporate effective ways to protect, support and inform consumers;

- Formally engage stakeholders and build relationships across all material groups of consumer stakeholders and members;
- Identify and leverage existing sources of research and analysis on behavioural economics and effective consumer outreach;
- Increase internal awareness and understanding of consumer perspectives to inform how FSRA applies current guidance and develops new approaches;
- Launch a new FSRA website with clear, easily accessible, user-friendly consumer information and resources on the regulated sectors; and
- Identify and improve avenues for consumers and businesses to report information about fraud and bad actors.

Year 1 Target

- Launch new website with clear and easily accessible consumer information;
- Consumer Office in place and operating under principles-based framework and defined operational processes; and
- Complete stakeholder engagement on approach, principles and research needed to support consumer protection.

2.2 Regulatory Effectiveness: Sectoral Expertise

The financial services sector is increasingly complex, requiring sector and regulatory expertise to anticipate trends and respond to opportunities and issues. A lack of expertise can result in misunderstanding, unclear direction and frustration. FSRA will retain, recruit and empower individuals with regulated sector and professional expertise, build high-performing policy and supervisory functions that emphasize sectoral knowledge, and ensure staff are appropriately trained. This will enable more effective collaboration with regulated sectors, promote innovation and new business models, and enable more efficient and responsive regulatory activities.

In FSRA’s policy function and its conduct and other core regulatory supervisory functions, FSRA will identify the need for industry expertise, experience and knowledge – and will staff accordingly.

Approach

- Pre-launch
 - Establish enterprise-level policy, conduct and other supervisory functions with sufficient scope for industry expertise;
 - Retain and recruit executive vice presidents and key staff with appropriate expertise; and
 - Identify key relationship managers for targeted regulated sector entities.
- Year 1
 - Train key relationship managers to be effective in dealing with targeted entities;
 - Conduct ongoing work to renew and enhance expertise including in-house training; and
 - Develop metrics for sectoral expertise and credibility of the regulator with regulated sectors.

Dependencies

- Availability of talent with industry experience, expertise and knowledge, given government, collective agreement and other constraints.

Year 1 Target

- Complete hiring of management team and non-management vacancies to enhance industry expertise; and
- Complete development of targets for sectoral expertise.

2.3 Regulatory Effectiveness: Enable Innovation

Older, inflexible regulatory frameworks hold back innovators and limit consumer choice and the economic benefits of industry competition and innovation. Stakeholders are concerned about future disruption and falling behind in a rapidly changing business environment, and whether Ontario will support technological advances that enable new business models and products. FSRA will create an Innovation Office to:

- Support an “open for business” approach across FSRA and focus on identifying and supporting opportunities to foster innovation and business transformation;
- Promote collaboration with stakeholders to facilitate the process for regulated entities seeking to bring innovative products and services to market (i.e., help navigate regulatory requirements; where FSRA has authority, develop and implement customized trials and new product/service offerings using available FSRA powers to grant waivers and exemptions); and
- Work with stakeholders and the MOF to identify legal and regulatory barriers to innovation, and develop and promote ways to adapt the regulatory regime to foster innovation.

Approach

- Pre-launch
 - Set up and hire lead for Innovation Office;
 - Identify high priority initiatives that the office of innovation can support; and
 - Consult with stakeholders on additional tools and resources required to support innovation.
- Year 1
 - Launch Innovation Office with full staff complement;
 - Develop, implement and communicate principles and process/framework to support innovation; and
 - Reach out to stakeholders to understand needs and accordingly target/focus FSRA support.

Dependencies

- Collaboration with stakeholders and the MOF to resolve any identified barriers and ensure appropriate regulatory framework.

Year 1 Target

- Complete development of principles and process/framework to support innovation;
- Innovation Office in place and operating under principles-based framework and operational processes; and
- Complete stakeholder engagement on innovation requirements, principles and processes.

2.4 Regulatory Effectiveness: Enhancing Stakeholder Collaboration

Dialogue, collaboration and consultation are at the core of FSRA's approach to our ambitious regulatory transformation and modernization plan. We are pleased with the positive stakeholder feedback on the IAGs process to date and on our early engagement. Working with stakeholders, FSRA will identify opportunities for ongoing and longer-term consultation mechanisms.

We will continue to build on current FSRA, FSCO and DICO engagement with industry to work together to shape our regulatory framework, improve service standards and modernize our systems and processes.

Building on a strong commitment to collaboration, FSRA will define and implement mechanisms for stakeholder collaboration at different levels of the organization, seek opportunities to improve stakeholder relationships, and use technology to reach more stakeholders effectively and efficiently.

Approach

- Pre-launch
 - Develop initial objectives and principles for direct consultation mechanisms with key sector participants for FSRA Board and for FSRA management and staff;
 - Conduct stakeholder mapping to ensure that we have identified all stakeholders (both consumer and industry), their preferred engagement approach and topics; and
 - Evaluate the current mechanism for the Board's consultation with stakeholders.
- Year 1
 - Where consultation is insufficient, establish or expand stakeholder engagement mechanisms to result in more effective dialogue (e.g., establish direct stakeholder consultation mechanisms to support the Board in rule-making);
 - Develop stakeholder consultation plans on specific initiatives and priorities, such as a comprehensive guidance review to reduce the burden on regulated sectors;
 - Evaluate current FSCO and DICO advisory committees and working groups to ensure effective, ongoing technical expertise and advice from industry experts and leaders, and reflecting, in the pension sector, the diverse needs of different plan types and member categories to support a principles-based and more flexible approach;
 - Initiate focused relationship engagement by FSRA sectoral experts with regulated sectors, including bilateral meetings with industry, to improve understanding of industry needs, promote innovation, support industry investment and growth, and encourage new products and business models;
 - Employ additional channels such as webinars, social media and online chats to reach stakeholders across Ontario more effectively; and
 - Establish service standards for stakeholder engagement.

Year 1 Target

- Complete review and refresh of existing stakeholder/management consultation avenues (e.g., updated mandates; participants; processes);
- Develop sector specific engagement plans after consultation with stakeholders;
- Establish board consultation mechanisms with sector representatives (industry and consumer); and
- Launch online and digital engagement tools including an improved website.

2.5 Regulatory Effectiveness: Modernize Systems and Processes

Certain FSCO IM/IT systems are at end of life and at risk of failure, requiring immediate and significant investment to maintain and improve FSRA's ability to function. Others are outdated, inefficient, costly and unable to support modern, flexible regulation. Modernization of these IM/IT systems and the processes they support is expected to be a multi-year, multi-million dollar investment. FSRA will target and prioritize areas for process redesign and IM/IT improvement and investment to deliver effective, efficient and timely services that are fully aligned with FSRA strategy and priorities. This will allow us to establish fully business aligned, flexible and efficient cross-sector strategies, tactics and enabling foundations for technologies and data, and to develop and complement sector-specific processes and IM/IT strategies and enhancements. Systems development is intended to provide flexibility to respond to changing regulatory needs.

Approach

- Pre-launch
 - Install and operate back-office operations and data centre; and
 - Ensure smooth transition of IT services to FSRA upon launch.
- Year 1
 - Launch new initial FSRA website;
 - Initiate and complete review of IM/IT systems and key regulatory processes, with stakeholder input and consultation;
 - Redesign regulatory processes where practicable, and plan to redesign where work will continue;
 - Implement low-cost or high priority initial IM/IT improvements where practicable in alignment with FSRA priorities;
 - Develop strategy, plan and roadmap for FSRA IM/IT architecture and for process/sector-specific IM/IT transformation in alignment with FSRA priorities; and
 - Based on assessment and recommendations from our external advisers, develop strategy, plan and roadmap for implementing FSRA's Cyber Security practice.
- Year 2 and ongoing
 - Complete targeted process redesign;
 - Begin implementation of IM/IT strategy for FSRA and key regulatory processes; and
 - Implement prioritized high benefit projects where practicable.

Dependencies

- Effective engagement of stakeholders to ensure process and IM/IT redesign is responsive to current and potential future needs.

Year 1 Target

- Complete review of regulatory processes and existing IM/IT tools in consultation with stakeholders;
- Develop plan for, and commence, redesign of regulatory processes;
- Develop IM/IT strategy, roadmap and design for FSRA after consultation with stakeholders (i.e., foundation) and commence implementation of high priority items; and
- Develop IM/IT strategy for key regulatory processes and sectors and develop implementation roadmap and plan.

Sector-Specific Priorities

The cross-sector priorities described above outline FSRA's plan to reduce burden and increase the effectiveness of regulation. In addition, FSRA has identified a number of opportunities within each sector that support these overarching priorities and will create a dedicated focus within FSRA and accountability to specific stakeholders. These sector-specific priorities are described in the following section (listed in alphabetical order by sector).

1. Auto Insurance sector

Auto insurance is mandatory in Ontario and represents over \$12B in direct written premiums. It represents protection for individuals in the event of an accident, a cost of owning a vehicle for the province's ten million licensed drivers, and a major source of premiums and claims costs for the insurance industry. The auto insurance system is highly regulated, and FSRA will work closely with the MOF; other regulators and agencies; the public (including consumer and claimant representatives); the insurance industry (including companies and intermediaries); and service providers to claimants (including health care practitioners and legal representatives); on improving the system with a focus on the following four key auto sector priorities:

1. Streamline Rate Regulation
2. Support Auto Reform Strategy
3. Review Health Service Provider Regulation
4. Develop Fraud Reduction Strategy

1.1 Auto Insurance: Streamline Rate Regulation Process

Insurance companies see the existing processes for reviewing and approving auto insurance rate filings, particularly processes related to rates for personal vehicles, as inflexible, lengthy and overly complex. These issues create barriers to innovation and prevent insurance companies from responding quickly to changes. FSRA will improve the rate regulation process to reduce regulatory costs and burden on auto insurance companies, and to create better outcomes for consumers, through timelier rate approvals.

Approach

- Pre-launch
 - Review existing processes to identify early opportunities to reduce burden and shorten timelines;
 - Establish rate approval process improvement target; and
 - Consult with industry on proposed approach.
- Year 1
 - Complete consultation with stakeholders on rate regulation process improvements
 - Implement process improvements, including revised guidance

Dependencies

- Process improvements may need to be adjusted/changed to support Priority 1.2.

Year 1 Target

- Complete consultation with stakeholders on auto rate regulation process improvements; and
- Implement process improvements, including revised guidance.

1.2 Auto Insurance: Support Auto Reform Strategy

Upward pressure on auto insurance rates continues, reflecting underlying cost increases. Consumers are interested in getting the best possible policy for the lowest price while auto insurers indicate they do not earn a profit sufficient to sustain widespread industry viability and product availability. The combination of increasing rates, consumer expectations and concerns that the current auto insurance regulatory system creates barriers to effective pricing, cost control, good underwriting and innovation could make the market less attractive and result in less choice, competition and product availability for consumers. In the 2018 Fall Economic Statement the government made a number of commitments aimed at improving the auto insurance system, and FSRA will support the MOF in delivering on those commitments.

Approach

- Pre-launch
 - Collaborate with the MOF and FSCO on work related to the government’s auto insurance commitments, such as a joint review of auto insurance rate regulation.
- Year 1
 - Support the government’s review of auto insurance, including providing leadership as requested; and
 - Participate in stakeholder consultation and review of auto insurance as required by the MOF, and develop an implementation plan for FSRA to support any reforms identified in Year 1
- Year 2 and ongoing
 - Continue implementation of changes at FSRA that support reforms.

Dependencies

- Significant reforms may require legislative changes for implementation.

Year 1 Target

- Participate in stakeholder consultation and review of auto insurance as required by MOF; and
- Develop implementation plan for FSRA to support any reforms identified in Year 1.

1.3. Auto Insurance: Review Health Service Provider Regulation

The current licensing regime for health service providers in Ontario’s auto insurance system is seen by some as ineffective in achieving the intended objectives of controlling costs and ensuring effective provision of benefits by reducing fraud. We will review how health service providers are regulated by FSRA with an emphasis on burden reduction and on access to treatment for claimants. The review will consider the objectives and outcomes of the current framework, with a particular emphasis on:

- how such health service providers should be regulated by FSRA or another entity and how those regulatory activities benefit our auto insurance system;
- streamlining the licensing process and revising the approach to supervision of health service providers, including examinations, to achieve the desired regulatory objectives;
- identifying the appropriate role for auto insurers in fraud cost control and health service provision, and what FSRA and other regulators can do to support insurers (e.g., provision of data); and
- reviewing the role of information and technology in fraud reduction.

Approach

- Pre-launch
 - Work with the MOF and industry to define the specific terms of and process for the review.
- Year 1
 - Initiate and complete the review;
 - Ensure alignment with actions supporting the government’s auto insurance rate reform initiative and FSRA’s Fraud and Abuse Reduction priority 1.4; and
- Year 2+
 - Initiate implementation of any regulatory process improvements identified through the review.

Dependencies

- Collaboration and cooperation with stakeholders and other regulatory and government bodies, such as colleges and IM/IT technological changes.

Year 1 Target

- Complete review in consultation with stakeholders, including identifying core goals and developing an implementation plan for recommended changes.

1.4 Auto Insurance: Develop Fraud and Abuse Reduction Strategy

Stakeholders in Ontario’s auto insurance system are looking to FSRA to enhance public confidence and contain costs by taking an active role in reducing fraud and abuse, both in health and vehicle repair claims. Many different parties have roles to play in controlling and deterring auto insurance fraud and abuse, and consensus on the appropriate approach is required. FSRA will take a leadership role in bringing together government, regulators and stakeholders to drive the development of an improved strategy related to auto insurance that focuses on:

- clarifying the appropriate roles and expectations of the various parties;
- working with stakeholders to review and improve the effectiveness of information and technology systems and tools to control and deter auto insurance fraud and abuse;
- identifying opportunities for improved use of data and analytics; and
- considering the need for improved public communications about the costs of fraud and abuse for Ontario consumers, and the potential benefits of increased public awareness in reducing fraud and abuse.

Approach

- Pre-launch
 - Identify parties and define mechanisms for collaboration and cooperation.
- Year 1
 - Consultation on, and establishment of, forum/process for government, regulators and other stakeholders to evaluate and improve control of fraud and abuse
 - Report to the MOF on recommendations to reduce fraud and abuse
- Year 2 and ongoing
 - Work with stakeholders to complete implementation of agreed strategy.

Dependencies

- Collaboration and cooperation with many different parties that are accountable for controlling fraud and abuse; may require legislative change or technology improvements.

Year 1 Target

- Consult on, and establish, forum/process for government, regulators and other stakeholders to evaluate and improve control of fraud and claims abuse; and
- Report to MOF on recommendations to reduce fraud and claims abuse.

2. Credit Union sector

Ontario's 79 credit unions play an important role with 1.6 million members, over 7,300 staff and total assets of over \$63.5B. These credit unions are diverse in size; the five largest credit unions account for more than half of these assets. The sector has been in a period of rapid consolidation, with the number of credit unions declining from 343 in 2000. The sector is currently overseen by two regulators – DICO for capital and lending/investment requirements (prudential oversight) and deposit insurance; and FSCO for market conduct. The government has passed legislation that will, upon FSRA's launch, merge FSRA and DICO, combining these two functions. Following consultations with stakeholders, FSRA has identified the following priorities for oversight of the sector:

1. Integrate Credit Union Prudential and Conduct Supervision
2. Support Modernization of Credit Union Regulatory Framework
3. Adopt Industry Code of Conduct
4. Ensure Appropriate Resolution and Deposit Insurance Reserve Fund (DIRF) Framework

2.1 Credit Union: Integrate Credit Union Prudential and Conduct Supervision

The current separation between the prudential and market conduct regulators results in duplication of efforts and inefficiency for credit unions in dealing with two regulators. The amalgamation of DICO and FSRA will create efficiencies and better align oversight of credit unions while ensuring continuity of the regulator's expertise.

Approach

- Pre-launch
 - Build integrated credit union team with relationship management focus to cover prudential, transactional and conduct matters and to leverage specialist regulators (e.g., conduct); and
 - Put amalgamation plan and organizational design in place at launch to improve efficiency and effectiveness.
- Year 1
 - Modernize methodology, tools and credit union regulatory approach so senior, transactional and event managers cover prudential, conduct and transactional matters on an integrated basis; and
 - Develop enhanced supervision approach reflecting integration and any required improvements.

Dependencies

- Proclamation of amendments to the CUCPA and the FSRA Act is necessary for amalgamation and integration.

Year 1 Target

- Put integration plan in place and implement; and
- Develop enhanced, integrated supervision approach.

2.2 Credit Union: Support Modernization of Credit Union Regulatory Framework

Credit unions expect regulatory flexibility to support transforming business models, enhance competitiveness and respond to new product offerings and innovations in the sector. A revised/updated regulatory framework consisting of legislation, regulations, rules and guidelines would set the foundation for future regulatory effectiveness in the credit union sector.

FSRA will actively work with the MOF and the credit union sector to support any government initiatives aimed at modernization of the legislation and regulations, including the capital rules. FSRA intends to develop an enhanced supervision approach supported by guidance and, where applicable, rules tailored to the nature, size, complexity and risk profile of individual credit unions.

Approach

- Pre-launch
 - Participate in MOF-led work aimed at modernizing the credit union legislative and regulatory framework, such as any potential changes to the capital adequacy framework.
- Year 1
 - Continue to support any MOF initiatives aimed at modernizing the credit union legislative and regulatory framework;
 - Develop and consult on any rules within purview of FSRA, including rule-making to replace DICO external-focused by-laws, as needed;
 - Review existing DICO guidance for modernization; and

- Collaborate with the MOF and other regulators to define best practices for the sector that would inform guidance development.

Dependencies

- Modernizing the credit union framework likely requires new legislation and regulations by MOF.

Year 1 Target

- Participate in MOF-led work to modernize the credit union legislative and regulatory framework; develop and implement plan for FSRA to complete any delegated work;
- Review DICO guidance; identify and make progress on revision of priority rules and guidance; and
- Show substantial progress on rule-making to replace DICO external-focused by-laws.

2.3 Credit Union: Adopt Industry Code of Conduct

International best practices and consumer expectations related to conduct and regulation continue to evolve across the financial services sector. Sector participants have, through their industry association, the Canadian Credit Union Association (CCUA), agreed to develop and have the credit union industry adopt a national code of conduct against which credit unions would self-assess and FSRA could supervise. Collaboration with the MOF will be required to review options for adopting the industry code of conduct to ensure alignment with consumer protection measures in credit union legislation.

Approach

- Pre-launch
 - Support industry associations by commenting on the proposed national industry code of conduct for credit unions; a draft is expected for regulatory review in spring 2019.
- Year 1
 - Review the national industry code and, after discussions with stakeholders, consider whether and how to use it as part of the FSRA supervisory framework;
 - Discuss harmonization with other credit union regulators; and
 - To the extent it forms part of the FSRA supervisory framework, develop a plan for including code of conduct in examinations/supervision.
 -
- Year 2 and ongoing
 - Further implement a plan for conduct examinations on any code used by the supervisory framework.

Dependencies

- Coordination of views on the proposed code with other stakeholders reviewing the code of conduct to determine if the code is ultimately acceptable to FSRA for use in its supervisory framework; and
- National harmonization would require the agreement of other credit union regulators.

Year 1 Target

- Consult with industry and other regulators on proposed code;

- Accept industry’s code of conduct or articulate reasons why the code cannot be used by FSRA; and
- If appropriate, develop and commence associated supervisory plan and organizational readiness to implement ongoing supervision against the code.

2.4 Credit Union: Ensure Appropriate Resolution and DIRF Framework

FSRA will continue to enhance and refine the Readiness Strategy inherited from DICO, which will include an enhanced resolution strategy and a requirement for large institutions to have a recovery plan, and to ensure effective and appropriate resolution strategies and capabilities to thereby mitigate the risk of loss to the DIRF.

FSRA will administer the DIRF, which is intended to pay deposit insurance claims and costs associated with the continuance, or orderly winding up of credit unions/caisses populaires in financial difficulty. DIRF preservation and governance is important as a dedicated protection for depositors in credit unions, confidence in the sector. With the amalgamation of DICO and FSRA and the implementation of FSRA’s proposed fee rule, FSRA’s operating costs (e.g., the costs associated with regulatory activities) will be funded by an assessment which will be separate from future DIRF premium assessments. A proposal will be developed to amend the deposit insurance premium calculation, so that premiums are calculated to be at the level necessary only to fund the DIRF.

Approach

- Pre-launch
 - Develop governance processes to oversee the DIRF by a Board committee (e.g., when and how the DIRF can be accessed by FSRA and used to pay deposit insurance claims and costs associated with the continuance or orderly winding up of credit unions/caisses populaires in financial difficulty) and ensure that it remains separate from other FSRA assets; and
 - Support the MOF in the development of proposed amendments to the deposit insurance premium calculation set out in O.Reg 237/09.
- Year 1
 - Develop enhanced resolution strategy and recovery plan requirements in consultation with stakeholders and establish framework/guidance for implementation and supervision
 - Update framework for assessing DIRF adequacy after stakeholder consultation and apply for fiscal year 2020-21
 - Monitor the governance of DIRF to ensure processes are effective and ensure appropriate modifications to reflect the change to FSRA – this work is expected to include an assessment of liquidity needs and investment strategies; and
 - Complete, in 2019-20, an actuarial report on DIRF adequacy to be provided to the Minister of Finance in 2020-21.
- Year 2
 - Put recovery plan requirements into effect; and
 - Assess and report to Minister on DIRF adequacy.

Dependencies

- Legislative proclamation of DICO and FSRA amalgamation and related legislation; and

- Potential IT requirements.

Year 1 Target

- Develop enhanced resolution strategy and recovery plan requirements in consultation with stakeholders and establish framework/guidance for implementation and supervision;
- Update DIRF governance framework including establishment of a FSRA Board committee to oversee DIRF;
- Update framework for assessing DIRF adequacy after stakeholder consultation and apply for FY 2020-21; and
- Complete, in FY 2019-20, an actuarial report on DIRF adequacy (to be provided to the Minister of Finance in FY 2020-21).

3. Insurance Conduct sector

The insurance sector provides property and casualty insurance (P&C), and life, accident and health insurance and related investment products (LAH), to help individuals protect the current and future values of key aspects of their lives against risk of loss. With over \$48B of premium (combined life and health, and property and casualty), the sector drives a significant component of the economy. The sector includes over 250 insurers, over 50,000 agents and approximately 12,000 brokers. Insurance is a well-established and regulated sector; however, concerns regarding effective conduct standards, a need for improvement in licensing effectiveness, a desire for uniform and increased oversight of intermediaries, and overall national harmonization are present. Within this context, and through extensive consultation with industry and government stakeholders, FSRA has proposed the following priorities for conduct regulation in the P&C and LAH sectors:

1. Adopt Effective Conduct Standards
2. Improve Licensing Effectiveness and Efficiency
3. Harmonize Treating Financial Services Consumers Fairly Guidance

3.1 Insurance Conduct: Adopt Effective Conduct Standards

Concerns have been expressed by the IMF and by leading insurers and industry associations that FSCO does not have adequate resources to monitor conduct across so many individual agents. The Canadian Council of Insurance Regulators (CCIR) and Canadian Insurance Services Regulatory Organizations (CISRO) have jointly issued conduct guidance that is relevant across both the P&C and LAH sectors, including those relating to treatment of claims, complaints, product suitability, disclosure requirements, conflict of interest, advertising, etc. In the LAH sector, stakeholders have raised the lack of regulation of intermediaries between insurers and agents (licensed corporate agents or managing general agents) who perform oversight/management functions and should have corresponding conduct requirements. In the P&C sector, stakeholders have raised concerns over compliance with Ontario's "take all comers" auto insurance requirement. Strengthened conduct standards will eliminate oversight gaps in the industry, ensure a level playing field for all industry participants, and help increase fairness to consumers.

Approach

- Pre-launch
 - Engage with stakeholders and other regulators, including the Registered Insurance Brokers of Ontario (RIBO), to better understand positions and opportunities for consensus.
- Year 1
 - Separate consultation processes to evaluate and, if necessary, improve conduct requirements in each of the LAH and P&C segments;
 - Develop resourcing and implementation plan to support appropriate oversight and enforcement of new conduct guidelines in LAH and P&C; and
 - If stakeholders in a particular subsector (P&C or LAH) adopt a code of conduct, FSRA will review it (comment if a proposed code) and consider adopting it for use in its supervision of such sector.

Dependencies

- Significant coordination and collaboration with stakeholder groups across the insurance spectrum and the MOF in the event that any barriers to effective oversight are identified.

Year 1 Target

- Complete consultation process to recommend improvements for both LAH and P&C sectors; and
- Review relevant codes of conduct and either adopt for use in supervisory framework or articulate why they are not adopted.

3.2 Insurance Conduct: Improve Licensing Effectiveness and Efficiency

Stakeholders in P&C and LAH have raised concerns regarding perceived lack of coordination and information sharing to identify and remove “bad actor” (non-compliant) registrants, and weak standards for continuing education and professional insurance to support good practices. There is interest in ensuring that non-compliant registrants or those individuals who have been excluded from participating in one industry (e.g., the securities industry), or in another jurisdiction, are also excluded from activities in the insurance sector. FSCO operates numerous licensing systems, some of which are paper-based, which are not integrated and do not have the capacity to analyze data to ensure a strong entry gate. As well, licensing systems have also been criticised for a lack of ease of use and lack of alignment across jurisdictions which creates unnecessary burden. For example, many direct agents in the P&C sector hold licences in each province in which the company operates, and are subject to different requirements and systems that aren’t integrated across jurisdictions.

Approach

- Pre-launch
 - Consult with stakeholders (MOF, regulated sectors) in each of P&C and LAH sectors to identify required improvements in licensing systems and requirements to ensure appropriate continuing education, insurance requirements and to restrict entry/require exit of “bad actors”.

-
- Year 1
 - Develop an implementation plan to integrate licensing and tracking systems to ensure appropriate alignment of systems and reduce burden while providing industry and FSRA with appropriate functionality; and
 - In consultation with industry and stakeholders in each of the P&C and LAH sectors, develop new licensing requirements to ensure appropriate continuing education, insurance requirements and to restrict entry/require exit of non-compliant registrants.
 -
- Year 2 and future
 - Put system build and requirements in place; and
 - Improve and integrate licensing and/or conduct rules to achieve regulatory objectives.

Dependencies

- Significant coordination with industry associations and other regulators and government in the event that any barriers to improved licensing effectiveness are identified;
- Consideration of privacy legislation (e.g., to share and/or consider other financial services licensing information) and the need for consumers and other regulators to be aware of non-compliant registrants; and
- IM/IT system limitations and needs; timelines for IT renewal.

Year 1 Target

- Streamline licensing approvals and improve the service levels being provided

3.3 Insurance Conduct: Harmonize Treating Financial Services Consumers Fairly Guidance

Insurance industry stakeholders in both P&C and LAH are concerned that there are overlapping and potentially inconsistent Fair Treatment of Consumers (FTC) guidance documents issued by different regulatory bodies; FTC guidance jointly issued by CCIR and CISRO applies to insurance, whereas the Treating Financial Services Consumers Fairly guidance issued by FSCO applies to all regulated financial services sectors. These different guidance documents create uncertainty and potential inconsistency between jurisdictions in Canada. FSRA will work with stakeholders and other regulators to seek harmonized conduct expectations and provide clarity about how this guidance is to be interpreted and applied in day-to-day business through the product life cycle.

Approach

- Pre-launch
 - Consult with stakeholders and other regulators to determine harmonized conduct expectations so FSRA can provide clarity about how this guidance is to be interpreted and applied in day-to-day business throughout the P&C and LAH product life cycle in Ontario.

- Year 1
 - Based on pre-launch review and stakeholder engagement, develop any proposed changes/clarifications necessary; and
 - Communicate to and consult on approach with stakeholders.
- Year 2
 - Work with other regulators to seek consistent application of FTC guidance across Canada including with respect to examples of fair or unfair treatment.

Dependencies

- Coordination with CCIR/CISRO and other regulators to develop national consensus on applying FTC guidance.

Year 1 Target

- Provide clarity on Fair Treatment of Consumers (FTC) guidance in Ontario, how it is consistent with CCIR/CISRO guidance; and
- Develop, in consultation with stakeholders, examples of acceptable and unacceptable consumer treatment.

4. Mortgage brokering sector

The Ontario Mortgage Brokering sector enables the financing of a home purchase for many; with over 318,000 mortgages valued at approximately \$126B arranged by mortgage brokerages annually. The sector represents approximately 12,500 agents, and 2,700 brokers employed by 1,200 brokerages. Since its introduction in 2008, the sector has grown in size. At the same time, the distribution of Syndicated Mortgage Investments (SMIs) has, in some cases, failed to comply with the regulatory framework and failed to meet expectations of its stakeholders. Within this context, and through extensive consultation with industry and government stakeholders, FSRA has proposed the following priorities for the sector:

1. Provide Effective SMI Oversight
2. Improve Licensing Effectiveness and Efficiency
3. Adopt Industry Code of Conduct

4.1 Mortgage Brokering: Provide Effective SMI Oversight

The legacy SMI regulatory framework and the new SMI disclosure requirements may not be fully successful in ensuring that risks are disclosed in an effective way to allow investors to make fully informed decisions. To strengthen investor protection, mortgage brokers and administrators must provide adequate disclosure of SMI risks that investors can easily comprehend.

A transfer of responsibility for the regulation of non-qualified SMI offerings and related disclosures from FSCO/FSRA is contemplated for early 2020, but FSRA will continue to be the regulator for mortgage

brokers and administrators that participate in SMIs, and will have responsibility for regulation of legacy SMI transactions.

Approach

- Pre-launch
 - Develop plan to evaluate the effectiveness of SMI disclosures and the mortgage broker/administrator supervision FSRA inherits from FSCO.
- Year 1
 - Implement plan to evaluate, and if necessary, improve the effectiveness of SMI disclosures and FSRA supervision of mortgage brokers/administrators and SMI transactions;
 - Work with stakeholders (MOF, regulated sectors, other regulators) to ensure smooth transfer of oversight of the regulation of non-qualified SMI offerings to the Ontario Securities Commission (OSC), including effective delivery of any oversight by FSRA of mortgage broker registrants and legacy transactions; and
 - Work with the MOF to implement any required revisions to the SMI disclosure requirements or other agreed changes.

Dependencies

- Collaboration with the MOF in the event that any legal barriers exist to effective SMI disclosure and oversight (e.g., to create a new category of SMI registrant); and
- IM/IT system limitations and needs; timelines for IT renewal.

Year 1 Target

- Assess and improve SMI supervisory processes, as required;
- Complete stakeholder consultation on SMI disclosures, supervision and transfer to OSC;
- Review and enhance SMI oversight and disclosure framework, or (if outside FSRA powers) proposals made to enhance, as required; and
- Support OSC preparation for transfer of the regulation of non-qualified SMI offerings.

4.2 Mortgage Brokering: Improve Licensing Effectiveness and Efficiency

Industry and consumer feedback indicate that the licensing framework may not sufficiently cover the requirements of more complex products (SMIs) or set a high enough bar to restrict non-compliant registrants from entry into the sector, or to allow them to be effectively removed from the sector. The current licensing platform is not in line with available technological capabilities, nor with the national scope of many in the industry, and is increasing the burden on industry participants. FSCO operates numerous licensing systems, some of which are paper-based, not integrated and do not have the capacity to analyze data to ensure a strong entry gate, or analytics to support identification of those who should exit or be more closely supervised.

Licensing is a key control that should act as a strong barrier to entry for those unprepared or unable (e.g., due to other financial services licensing issues) to meet acceptable standards, or for those who are currently licensed but no longer meet required standards.

Approach

- Pre-launch
 - Consult with stakeholders (government, regulated sectors and consumer advocates) to identify required improvements in licensing systems and requirements.
- Year 1
 - Develop plan to integrate licensing and tracking system and increase FSRA’s capacity to manage/analyze data to support regulatory objectives;
 - In consultation with industry, the MOF and consumer advocates, develop new licensing requirements, implement where practicable and otherwise develop a plan to implement; and
 - Identify how licensing can help control entry into sectors and help remove non-compliant registrants from the sector, and where other tools will be required to restrict entry or continued registrations.
- Year 2 and future
 - System build and requirements in place; and
 - Licensing and/or conduct rules improved and integrated to achieve regulatory objectives.

Dependencies

- Significant coordination with industry associations, other regulators and the MOF in the event that any barriers are identified;
- Consideration of privacy legislation (e.g., to share and/or consider other financial services licensing information) and the need for consumers and other regulators to be aware of non-compliant registrants; and
- IM/IT system limitations and need; timelines for IT renewal.

Year 1 Target

- Streamline licensing approvals and improve the service levels being provided

4.3 Mortgage Brokering: Adopt Industry Code of Conduct

Mortgage products and brokerage services have grown in sophistication and complexity but conduct requirements have not kept pace. The sector is developing appropriate standards of conduct and behaviour through the work of its industry and professional associations, and through the practices of its established and leading members. The reputational and professional objectives of the sector, and the interests of consumers and investors dealing with registrants, will be furthered by industry registrants’ adoption of a FSRA-supported Industry Code of Conduct that will enhance industry professionalism.

Approach

- Pre-launch
 - Support industry associations in initiating the development of a national industry code of conduct for mortgage brokering participants.
- Year 1
 - Work with stakeholders to review any proposed industry code of conduct for appropriateness; and
 - Communicate FSRA's expectations related to the code of conduct and how FSRA proposes to incorporate such a code in its supervisory practices.

Dependencies

- Industry development of an appropriate code of conduct; and
- Significant coordination and collaboration with stakeholder groups across the mortgage spectrum and MOF if any barriers to regulatory effectiveness are identified.

Year 1 Target

- Consult with the stakeholders regarding an industry developed code of conduct; and
- If agreed, establish supervisory practices to implement ongoing supervision against the code (or if not agreed upon by FSRA, articulate reasons for disagreement).

5. Pension sector

Pension plan coverage in Ontario has remained steady at about a third of the labour force. Given the changing labour force and economy, some plan sponsors are looking at new and innovative ways to provide pensions. FSRA will work to ensure appropriate implementation of the regulatory framework to facilitate asset transfers, consolidation and other sector evolutions which will support the pension sector and retirement options for current and future plan members.

Pensions represent a significant financial asset for many; there are 2.2 million active and 1.8 million retired members in plans that vary by size and type. While defined contribution plans have increased in popularity, the majority of members and assets remain in defined benefit plans (with assets of approximately \$618B in Defined Benefit (DB) plans and \$22B in Defined Contribution (DC) plans). FSRA will work with the MOF to ensure appropriate oversight of the pension sector that will balance protecting members' rights while ensuring the viability, growth and sustainability of pension plans in Ontario, and has identified the following priorities:

1. Support Plan Evolution
2. Review Prudential Supervision Framework
3. Refocus Pension Regulation on Burden Reduction

5.1 Pension: Support Plan Evolution

Approach

- Pre-launch
 - Support MOF in its policy-making and ongoing legislative change related to the evolution of the pension sector.
 - Develop and solicit input on the principles that will guide changes to the process and structures to enable increased plan flexibility
- Year 1
 - Develop and implement changes to organizational structure to attract appropriate resources and deploy them optimally, including instituting a relationship model for larger plans/Jointly Sponsored Pension Plans (JSPPs);
 - Create and implement a framework for improved relationships with larger and evolving plans to thereby further the interests of their members and beneficiaries;
 - Use available discretion and powers (e.g., through articulation of principles, and guidance/rulings) and dedicated resources, to better support complex transactions including plan mergers, and evolution of more robust plans; and
 - Initiate consultation on key (inherited) FSRA pension policies and guidance.

Dependencies

- Collaboration with MOF in the event that barriers to appropriate regulation are identified.

Year 1 Target

- Complete consultation and make concrete changes to processes and structures and to the manner in which large and evolving plans are supervised and supported; and
- Complete review of guidance that will be of greatest impact to the pension sector; update high priority guidance; develop plan in consultation with stakeholders to update/refresh remaining guidance, including timelines, and commence implementation of plan.

5.2 Pension: Review Prudential Supervision Framework

FSRA will review our oversight of prudential pension matters to ensure appropriate assessment of risks and targeting of supervision. This will include consideration of appropriate governance of plans; how regulatory oversight manages and identifies potential risks to the Pension Benefit Guarantee Fund (PBGF); approaches to distressed plans; evaluating risks to the benefits/entitlements of plan members; and sector reputation.

Approach

- Pre-launch
 - Assess FSRA's expertise and risk-orientation of legacy prudential risk management (e.g., understanding of governance over asset and liability issues) in PBGF-eligible and other pension plans; and review of FSCO practices and other regulator best prudential/supervisory practices; and

- Consider resource, program and IT/data requirements to provide more effective oversight of plans and more effective management of distressed pension plans.
- Year 1
 - Initiate data/systems requirements improvements to ensure risks can properly be assessed;
 - Develop and consult on prudential framework for evaluating and supervising plan governance, risk management, controls and effective challenge processes. The framework should consider the unique nature and characteristics of the plan under supervision; and
 - Evaluate how FSRA can identify and communicate best practices regarding various topics related to prudential risk including: large and complex plan strategies, investments, assets and transactions governance, control, and risk management; start such evaluation and communication.
- Year 2
 - Continue to implement and execute on prudential risk evaluation and communication; and
 - Work with the MOF to consider developing additional appropriate additional tools over time, including support for distressed pension plans.

Dependencies

- Significant coordination and collaboration with stakeholders; and
- IM/IT system limitations and needs; timelines for IT renewal.

Year 1 Target

- Develop prudential supervision framework in consultation with stakeholders (e.g., principles, processes, policies and practices required to develop and implement the framework);
- Implement tools to enable risk assessment in pension sector, and consider unique nature and characteristics of plan types; and
- Develop and implement processes to protect the rights of pension plan beneficiaries and the Pension Benefit Guarantee Fund (PBGF), including Board advice with respect to the PBGF.

5.3 Pension: Refocus Pension Regulation on Burden Reduction

We propose to focus FSRA's resources on high-value regulatory activity and to reduce unnecessary regulatory burdens and low-return regulatory activities. The allocation of resources to areas of low regulatory value limits attention available for higher risk or more significant benefit regulatory activity. FSRA will continue to assess the effectiveness and efficiency of our regulatory framework and other practices for all plan types, to ensure they are principles-based and risk-based and to identify opportunities to reduce burden and improve regulatory effectiveness.

Approach

- Pre-launch
 - Plan for continued shift of FSRA's focus with emphasis on risk-based regulatory priorities; develop general principles-based approach to pension regulation.

- Year 1
 - Consult with stakeholders on how to tailor regulatory processes to ensure appropriate focus of limited pension regulation resources on higher-value regulatory and supervisory objectives
 - Develop and solicit input on a principles-based framework to guide changes to processes, structures, policies and guidance
 - Develop and commence a plan to implement improved principles-based processes to use discretion and issue guidance to provide clarity/simplicity and reduce burden

Dependencies

- Collaboration with the MOF if barriers to appropriate regulation are identified.

Year 1 Target

- Consult with stakeholders on how to tailor regulatory processes to ensure appropriate focus of limited pension regulation resources on higher-value regulatory and supervisory objectives;
- Develop and solicit input on a principles-based framework to guide changes to processes, structures, policies and guidance; and
- Develop and commence a plan to implement improved principles-based processes to use discretion and issue guidance to provide clarity/simplicity and reduce burden.

Performance Measures and Targets

Current planning cycle: Year One targets

FSRA's inaugural business planning activities are primarily focused on successfully launching the agency in spring 2019 and delivering on its Year One priorities by the end of FY 2019-20. The implementation of the priorities will serve as a starting point in this planning cycle as FSRA develops new service standards and a comprehensive approach to performance measurement. We have assumed that with Ministry support, FSRA will have full access to FSCO and DICO resources to commence working on FSRA's Year One priorities (e.g., secondment into FSCO; direct access to personnel and information for work on priorities; FSCO/DICO personnel working on priorities before joining FSRA) at the start of FSRA's FY 2019-20.

Each of FSRA's Year One priorities supports achievement of multiple objects that FSRA must pursue under the FSRA Act, and FSRA has defined specific targets over the first year that will allow it to track and evaluate its progress on these priorities. Both the priorities and the targets were subject to extensive stakeholder consultation through the *Proposed FY 2019-20 FSRA Priorities and Budget* document released on January 21, 2019. This business plan includes the targets FSRA has defined and an overview of how each priority is linked to the legislative objects, with a view to reporting back to stakeholders and government on results achieved at the end of Year One.

Performance measures for future planning cycles

By the end of FY 2019-20 FSRA will have developed service standard guiding principles, and implemented updated and new service standards based on the principles, after completing a review of existing standards at DICO and FSCO. The updated and new service standards will help FSRA address the perceived lack of accountability and responsiveness in the current regulatory framework.

In addition, FSRA will continue to work with government and other stakeholders to further develop performance measures that build on the service standards and facilitate meaningful tracking of how FSRA is carrying out its mandate. FSRA will seek to develop outcome-based, quantitative measures that are linked to its strategic direction and legislative objects, such as measures of reductions in regulatory requirements (e.g., number of guidance documents reduced by a certain percentage) and measures of regulatory effectiveness (e.g. number of non-compliant registrants reduced by a certain percentage) to track future success. It will do so in collaboration with government and other stakeholders, with a focus on:

- Reviewing approaches taken in the current regulatory agencies, other organizations in Ontario and other jurisdictions to understand best practices;
- Defining short term, medium term and long term outcomes that FSRA should be seeking to achieve based on its strategic direction and legislative objects;
- Selecting performance measures that provide valid, reliable and quantifiable results on progress towards achieving short term, medium term and long term outcomes;
- Ensuring measures are easy to understand;
- Identifying data requirements and, consistent with FSRA's Year One priorities, ensuring the gathering of the required data does not impose an unnecessary burden on stakeholders;
- Putting plans in place for regular monitoring and review of results achieved against the measures to enable the development of feedback loops and support continuous improvement; and
- Refining performance measures as necessary.

Year One targets by priority

FSRA will report on the results achieved against the Year One targets outlined in this business plan in its 2019-20 Annual Report. In addition, stakeholders and the government will be meaningfully engaged in FSRA's work to achieve a number of the Year One priorities, creating opportunities for informal interim progress updates and fostering a culture of transparency and accountability.

Priority	Year One Target (including Measures)
Cross-Sector: Burden Reduction	
1.1: Review Inherited Guidance	<ul style="list-style-type: none"> Establish a principles-based framework for guidance (e.g., hierarchy; purpose; process) Initiate review of all inherited guidance If appropriate, re-issue and/or revise all high-priority guidance Develop plan to, and commence execution of plan to, remove/simplify all low-impact/low-priority/unnecessary guidance
1.2: Review Data Collection and Filing Requirements	<ul style="list-style-type: none"> Initiate review of data and filing requirements, develop principles to guide data and filing requirements, and conduct stakeholder consultations on such requirements and principles; and After consultation with stakeholders, develop a plan to, and commence an implementation of plan to, reduce/refine data and filing requirements.
1.3: Establish Meaningful Service Standards	<ul style="list-style-type: none"> Complete service standards principles framework Implement updated and new service standards which are measurable
Cross-Sector: Regulatory Effectiveness	
2.1: Protecting the Public Interest	<ul style="list-style-type: none"> Launch new website with clear and easily accessible consumer information Consumer Office in place and operating under principles-based framework and defined operational processes Complete stakeholder engagement on approach, principles and research needed to support consumer protection
2.2: Sectoral Expertise	<ul style="list-style-type: none"> Complete hiring of management team and non-management vacancies to enhance industry expertise Complete development of targets for sectoral expertise
2.3: Enable Innovation	<ul style="list-style-type: none"> Complete development of principles and process/framework to support innovation Innovation Office in place and operating under principles-based framework and operational processes Complete stakeholder engagement on innovation requirements, principles and processes

Priority	Year One Target (including Measures)
2.4: Enhancing Stakeholder Collaboration	<ul style="list-style-type: none"> • Complete review and refresh of existing stakeholder/management consultation avenues (e.g., updated mandates; participants; processes) • Develop sector specific engagement plans after consultation with stakeholders • Establish board consultation mechanisms with sector representatives (industry and consumer) • Launch online and digital engagement tools including an improved website
2.5: Modernize Systems and Processes	<ul style="list-style-type: none"> • Complete review of regulatory processes and existing IM/IT tools in consultation with stakeholders • Develop plan for, and commence, redesign of regulatory processes • Develop IM/IT strategy, roadmap and design for FSRA after consultation with stakeholders (i.e., foundation) and commence implementation of high priority items • Develop IM/IT strategy for key regulatory processes and sectors and develop implementation roadmap and plan
Auto Insurance Sector	
1.1: Streamline Rate Regulation Process	<ul style="list-style-type: none"> • Complete consultation with stakeholders on auto rate regulation process improvements • Implement process improvements, including revised guidance
1.2: Support Auto Reform Strategy	<ul style="list-style-type: none"> • Participate in stakeholder consultation and review of auto insurance as required by MOF • Develop implementation plan for FSRA to support any reforms identified in Year 1
1.3: Review Health Service Provider Regulation	<ul style="list-style-type: none"> • Complete review in consultation with stakeholders, including identifying core goals and developing an implementation plan for recommended changes
1.4: Develop Fraud and Abuse Reduction Strategy	<ul style="list-style-type: none"> • Consult on, and establish, forum/process for government, regulators and other stakeholders to evaluate and improve control of fraud and claims abuse • Report to MOF on recommendations to reduce fraud and claims abuse
Credit Union Sector	
2.1: Integrate Credit Union Prudential and Conduct Supervision	<ul style="list-style-type: none"> • Put integration plan in place and implement • Develop enhanced, integrated supervision approach

Priority	Year One Target (including Measures)
<p>2.2: Support Modernization of Credit Union Regulatory Framework</p>	<ul style="list-style-type: none"> • Participate in MOF-led work to modernize the credit union legislative and regulatory framework; develop and implement plan for FSRA to complete any delegated work • Review DICO guidance; identify of and make progress on revision of priority rules and guidance • Show substantial progress on rule-making to replace DICO external-focused by-laws
<p>2.3: Adopt Industry Code of Conduct</p>	<ul style="list-style-type: none"> • Consult with industry and other regulators on proposed code • Accept industry’s code of conduct or articulate reasons why the code cannot be used by FSRA • If appropriate, develop and commence associated supervisory plan and organizational readiness to implement ongoing supervision against the code
<p>2.4: Ensure Appropriate Resolution and DIRF Framework</p>	<ul style="list-style-type: none"> • Develop enhanced resolution strategy and recovery plan requirements in consultation with stakeholders and establish framework/guidance for implementation and supervision • Update DIRF governance framework including establishment of a FSRA Board committee to oversee DIRF • Update framework for assessing DIRF adequacy after stakeholder consultation and apply for FY 2020-21 • Complete, in FY 2019-20, an actuarial report on DIRF adequacy (to be provided to the Minister of Finance in FY 2020-21)
<p>Insurance Conduct Sector</p>	
<p>3.1: Adopt Effective Conduct Standards</p>	<ul style="list-style-type: none"> • Complete consultation process to recommend improvements for both LAH and P&C sectors • Review relevant codes of conduct and either adopt for use in supervisory framework or articulate why they are not adopted
<p>3.2: Improve Licensing Effectiveness and Efficiency</p>	<ul style="list-style-type: none"> • Streamline licensing approvals and improve the service levels being provided
<p>3.3: Harmonize Treating Financial Services Consumers Fairly Guidance</p>	<ul style="list-style-type: none"> • Provide clarity on Fair Treatment of Consumers (FTC) guidance in Ontario, how it is consistent with CCIR/CISRO guidance • Develop, in consultation with stakeholders, examples of acceptable and unacceptable consumer treatment
<p>Mortgage Brokering Sector</p>	

Priority	Year One Target (including Measures)
4.1: Provide Effective SMI Oversight	<ul style="list-style-type: none"> • Assess and improve SMI supervisory processes, as required • Complete stakeholder consultation on SMI disclosures, supervision and transfer to OSC • Review and enhance SMI oversight and disclosure framework, or (if outside FSRA powers) proposals made to enhance, as required • Support OSC preparation for transfer of the regulation of non-qualified SMI offerings
4.2: Improve Licensing Effectiveness and Efficiency	<ul style="list-style-type: none"> • Streamline licensing approvals and improve the service levels being provided
4.3: Adopt Industry Code of Conduct	<ul style="list-style-type: none"> • Consult with stakeholders regarding an industry developed code of conduct • If agreed, establish supervisory practices to implement ongoing supervision against the code (or if not agreed upon by FSRA, articulate reasons for disagreement)
Pension Sector	
5.1: Support Plan Evolution	<ul style="list-style-type: none"> • Complete consultation and make concrete changes to processes and structures and to the manner in which large and evolving plans are supervised and supported • Complete review of guidance that will be of greatest impact to the pension sector; update high priority guidance; develop plan in consultation with stakeholders to update/refresh remaining guidance, including timelines, and commence implementation of plan
5.2: Review Prudential Supervision Framework	<ul style="list-style-type: none"> • Develop prudential supervision framework in consultation with stakeholders (e.g., principles, processes, policies and practices required to develop and implement the framework) • Implement tools to enable risk assessment in pension sector, and consider unique nature and characteristics of plan types • Develop and implement processes to protect the rights of pension plan beneficiaries and the Pension Benefit Guarantee Fund (PBGF), including Board advice with respect to the PBGF
5.3: Refocus Pension Regulation on Burden Reduction	<ul style="list-style-type: none"> • Consult with stakeholders on how to tailor regulatory processes to ensure appropriate focus of limited pension regulation resources on higher-value regulatory and supervisory objectives • Develop and solicit input on a principles-based framework to guide changes to processes, structures, policies and guidance • Develop and commence a plan to implement improved principles-based processes to use discretion and issue guidance to provide clarity/simplicity and reduce burden

Year One priorities and legislative objects

FSRA's Year One priorities are closely linked to the legislative objects defined in the FSRA Act. The following tables demonstrate how the priorities align with and support the legislative objects and enable FSRA to deliver on its mandate.

Legislative Objects

Cross Sector	1	To regulate and generally supervise the regulated sectors
	2	To contribute to public confidence in the regulated sectors
	3	To monitor and evaluate developments and trends in the regulated sectors
	4	To cooperate and collaborate with other regulators where appropriate
	5	To promote public education and knowledge about the regulated sectors
	6	To promote transparency and disclosure of information by the regulated sectors
	7	To deter deceptive or fraudulent conduct, practices and activities by the regulated sectors
	8	To carry out such other objects as may be prescribed
Financial Services	9	To promote high standards of business conduct
	10	To protect the rights and interests of consumers
	11	To foster strong, sustainable, competitive and innovative financial services sectors
Pens.	12	To promote good administration of pension plans
	13	To protect and safeguard the pension benefits and rights of pension plan beneficiaries
Credit Union	14	To provide insurance against the loss of part or all of deposits with credit unions
	15	To promote and otherwise contribute to the stability of the credit union sector in Ontario with due regard to the need to allow credit unions to compete effectively while taking reasonable risks
	16	To pursue the objects set out in clauses [14 and 15] for the benefit of persons having deposits with credit unions and in such manner as will minimize the exposure of the Deposit Insurance Reserve Fund to loss

Alignment of Priorities to Legislative Objects

		Cross Sector							Auto Insurance	Credit Unions	Insurance Conduct	Mortgage Brokering	Pensions															
Legislative Object		7.1.1: Review Inherited Guidance	7.1.2: Review Data Collection and Filing Requirements	7.1.3: Establish Meaningful Service Standards	7.2.1: Protecting the Public Interest	7.2.2: Sectoral Expertise	7.2.3: Enable Innovation	7.2.4: Enhancing Stakeholder Collaboration	7.2.5: Modernize Systems and Processes	8.1.1: Streamline Rate Regulation Process	8.1.2: Support Auto Reform Strategy	8.1.3: Review Health Service Provider Regulation	8.1.4: Develop Fraud and Abuse Reduction Strategy	8.2.1: Integrate Credit Union Prudential and Conduct Supervision	8.2.2: Support Modernization of Credit Union Regulatory Framework	8.2.3: Adopt Industry Code of Conduct	8.2.4: Ensure Appropriate Resolution and DIRF Framework	8.3.1: Adopt Effective Conduct Standards	8.3.2: Improve Licensing Effectiveness and Efficiency	8.3.3: Harmonize Treating Financial Services Consumers Fairly	8.4.1: Provide Effective SMI Oversight	8.4.2: Improve Licensing Effectiveness and Efficiency	8.4.3: Adopt Industry Code of Conduct	8.5.1: Support Plan Evolution	8.5.2: Review Prudential Supervision Framework	8.5.3: Refocus Pension Regulation on Burden Reduction		
Cross Sector	1	✓	✓	✓		✓			✓		✓		✓	✓	✓		✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	
	2	✓	✓	✓	✓	✓		✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
	3		✓			✓		✓	✓		✓		✓	✓								✓	✓	✓	✓	✓	✓	✓
	4	✓			✓	✓		✓	✓		✓	✓	✓	✓		✓		✓	✓	✓	✓	✓	✓					
	5				✓				✓		✓																	
	6		✓			✓		✓	✓				✓				✓	✓	✓	✓	✓	✓	✓					
	7					✓			✓			✓	✓			✓						✓	✓					
	8					✓			✓																			
Financial Services	9	✓			✓	✓			✓	✓							✓	✓	✓	✓								
	10	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓					
	11	✓				✓	✓	✓	✓	✓				✓				✓	✓	✓			✓					
Pension	12	✓	✓	✓	✓	✓	✓	✓																✓	✓	✓	✓	
	13	✓	✓	✓	✓	✓	✓	✓															✓	✓	✓	✓	✓	
Credit Union	14							✓						✓		✓												
	15					✓	✓	✓						✓	✓	✓												
	16					✓								✓	✓	✓												

Risk Identification, Assessment and Mitigation Strategies

Risk management is dynamic and continuously evolving. The rapid advancement of technology gives rise to emerging risks, such as data governance risk and cyber security risk. Industry and the regulators are required to continuously monitor the wide variety of risks, such as market, credit, operational, cyber security, fraud, technology, conduct and legal/reputational risks.

The FSRA risk management function was established in January 2019 and we are currently growing the team in key roles as we combine with FSCO/DICO and move towards the launch of FSRA. The risk management team will help shape FSRA as it establishes its organization, develops its policy framework, regulatory and consultative processes, and prepares to assume regulatory functions from other agencies.

Mandate

The Chief Risk Officer is accountable for the strategic direction and overall leadership and effectiveness of the planning, development, documentation, resourcing, execution and management of the enterprise risk management framework, which is implemented through governance, infrastructure, insurance, systems, policies, processes and controls. This framework will be used to identify, evaluate, manage, oversee, mitigate and control risks at FSRA. The risk function will work to ensure that FSRA cost-effectively and efficiently fulfills its statutory, directive and enterprise policy-mandated responsibilities and discharges its regulatory and supervisory duties. The risk management team is accountable for FSRA's Freedom of Information (FOI), records management and in-house library systems, policies, and services. The risk management team will oversee FSRA's implementation of Compliance Attestation in accordance with the Agencies and Appointments Directive (AAD).

The Process

The merger between FSRA, FSCO and DICO gives rise to various integration tasks. Over the past three quarters, the FSRA Management Team has developed metrics to identify key concerns and risks arising from these tasks.

The risk management team oversees these risks, which are managed through various work streams. Management will continue to work with enterprise-wide partners and key Ministry partners to manage concerns identified in our current metrics and will continue to assess any emerging risks as the merger is fully integrated.

The Management Team will report overall progress directly to the Board. Our intention is to prudently manage the risks arising from integration. The team will also oversee the management of risk arising from integration. This should include identification and management of risks while, at the same time, allowing for the simplification of processes.

Summary of Transition Risks and Proposed Mitigation Strategies

A number of transition risks and proposed mitigation strategies have been identified to help ensure that key milestones are met for FSRA. These are outlined in detail below.

Risk	Proposed Mitigation
Strategic and Governance	
Risk that FSRA will be unable to establish and manage relationships with key external stakeholders (e.g., ministry, regulated entities, general public, etc.)	<ul style="list-style-type: none"> • FSRA has been very successful communicating and meeting with stakeholders since the board members and CEO were appointed • FSRA has retained communications staff to support its effective communications planning and implementation • FSRA will continue to refine its stakeholder engagement and communications plans, which includes defining stakeholders, determining preferred engagement methods, key messaging and mitigation strategies to key issues
Risk that FSRA's business processes (excluding IT) are inadequate and/or ineffective in meeting the needs of the business	<ul style="list-style-type: none"> • FSRA will continue to develop appropriate business processes • FSRA will comply with the Agency Accountability Directive and its reporting obligations including the development of a business plan and quarterly risk assessment tracking
Risk that FSRA has inadequate governance practices in overseeing the transition period	<ul style="list-style-type: none"> • FSRA will conduct ongoing meetings with FSCO and DICO management and work to develop protocols regarding hiring, communications, capital expenditures, etc. • FSRA will ensure alignment with FSCO and DICO while engaging in government discussions (e.g., policy and legislation) • FSRA will consider and develop appropriate governance protocols
Human Resources	
Risk that FSRA is unable to attract, hire and retain sufficient key persons with the appropriate skills, experience and potential.	<ul style="list-style-type: none"> • Development of HR function • Approval of recruitment policy and tools • New executives to support activity by approving job descriptions and leading recruitment in their functional areas
Risk that FSRA does not maintain stable operations through the recruitment and transition period	<ul style="list-style-type: none"> • Make appealing offers to build resources for recruitment for priority positions • Terms and conditions as similar as possible to retain staff • Make judgment calls where required on certain staff identified • Gap between acceptance and launch allows look at risks based on no acceptance and provides time to mitigate risks

Risk	Proposed Mitigation
Information Technology	
<p>Risk that FSRA will be unable to meet its targeted June 2019 launch date due to IT issues</p>	<ul style="list-style-type: none"> • FSRA will continue to engage the Ministry of Finance, DICO, and other stakeholders, as appropriate, to resolve outstanding dependencies, risks and/or issues that may impede an June 2019 • On track for Jun 1 launch; schedule aggressive but manageable
<p>Risk that FSRA is unable to sustain momentum on the long term and value adding IT Business Transformation changes required as it focuses on the implementation of IT Agency Enablement capabilities required for 'Day 1'</p>	<ul style="list-style-type: none"> • Establish Executive Steering Committee with relevant work streams / stakeholders / leadership to ensure that FSRA is able to sustain momentum on both IT Business Transformation and Day One Launch activities • Hiring expertise where required
<p>Risk that FSRA's current processes and technology in place do not appropriately protect physical assets, data assets, information access and privacy from deliberate and/or accidental intervention</p>	<ul style="list-style-type: none"> • Data centre improvements are on track for end of June, 2019 • FSRA is monitoring cyber security progress against recommendations
<p>Risks associated with an out of support and out of life application portfolio at FSCO that limits the ability of the internal teams to provide proper maintenance and support and increases risk of failure</p>	<ul style="list-style-type: none"> • The plan to migrate the data center environment will provide better scalability and support to the application portfolio for Day 1. • A phased approach to transformation will enable the move to a modern regulatory platform over the next 2-3 years
Financial Sustainability	
<p>Risk that FSRA/FSCO Finance staff will be occupied closing FSCO books with less resources available to initiate FSRA books on workplace/back office software</p>	<ul style="list-style-type: none"> • FSRA/FSCO financial leadership reviewing close books options/scenarios • Maintain group within FSRA finance to focus on FSCO close out activities • Hiring of temporary staff if required
<p>Risk that FSRA's funding model does not meet the funding model guiding principles</p>	<ul style="list-style-type: none"> • Principle for fee rule rigorously applied in rule development and consultations • FSRA has established timelines to ensure an appropriate review and approvals process to meet the June 1, 2019 launch date • In the event that the funding model requires further development, FSRA would seek additional loan/financing from the Province

Resources Required to Meet Goals and Objectives

During the start-up and agency enablement and transition phases, FSRA relied on interim resources in targeted areas as needed and focused on hiring critical roles to build new organizational capabilities. The detailed organizational design and structure was finalized in consultation with FSRA's CEO. Currently, the newly hired executive team and supporting resources will focus on the following as we move towards FSRA's first year as regulator and transforming the cultures, behaviours, processes and activities of the legacy agencies being subsumed within FSRA:

Commitment to our people

FSRA is committed to building a consistently positive employee experience and fostering a positive, strong culture. Comprehensive human resources policies, approaches and supports will enable a smooth transition and help FSRA attract and retain talented, engaged and energized staff aligned with the organization's vision.

Transformation leadership and oversight

FSRA, over time, will build and implement high-impact, effective capabilities, systems and business processes. New systems, tools and processes, once implemented, will enable more advanced data gathering and analytics, streamline electronic filings and improve compliance monitoring and risk management. Dedicated resources will ensure strategic, enterprise-level leadership and oversight as we develop and implement our plan to achieve a transformed regulator.

Corporate services capabilities

New capabilities are required to deliver and enhance corporate services currently being provided by the OPS. Implementation of effective, efficient and robust internal corporate services functions (e.g., human resources, finance, information technology, project management) will position FSRA for success, support transition and transformation, and provide enterprise-wide stewardship and oversight on essential organizational, technology and business process initiatives.

Regulatory continuity and change management

FSRA will establish a solid organizational foundation to support ongoing regulatory continuity while embarking on an ambitious transformation. Many aspects of the transformation effort will be complex and phased in over time. During the transition, FSRA has focused on addressing the needs of all stakeholders and supporting organizational change management by putting in place the necessary leadership, structure, functions, resources, and communication channels.

Information technology and business process strategies

The challenges and limitations in the current IT environment within FSCO are well-documented, and it is clear that significant investments in technologies and business processes are required for FSRA to become an agile, flexible and proactive regulator capable of delivering on its mandate using principle-

based, evidence-based and risk-based approaches. To achieve more advanced enforcement capabilities, FSRA will, over time implement new systems, tools, and processes for data gathering and analytics, compliance monitoring, and risk management. To drive change in the regulatory arena, FSRA will focus on building and integrating new technologies, processes, and capabilities to provide a foundation for the transformation of core regulatory processes. The implementation of a robust digital transformation strategy will be a multi-year process to allow time to thoughtfully design and implement processes and systems to facilitate sustained improvements in regulation.

Financials

Operations

The proposed FY 2019-20 FSRA budget was developed to support FSRA's mandate to be an independent, self-funding and effective regulator, and to enable FSRA to provide regulatory continuity and to address its key priorities in its first year of operations.

The budget below presents the financial activities for the 10 month period, June 1, 2019 to March 31, 2020, reflecting the assumption of regulatory responsibilities arising from the targeted spring launch date of FSRA. The budget reflects a 2 month period, April 1, 2019 to May 31, 2019, when FSRA will be preparing to assume regulatory responsibility and the estimated resources required for FSRA to fulfill its regulatory requirements and to transform itself into a principles-based, expert, independent, transparent, decisive and modern regulator. Projections for 2020-21 and 2021-22 are 12-month periods reflecting complete fiscal years of operation.

(in millions)	2017-18 Actual	2018-19 Forecast	2019-20 Budget April & May	2019-20 Budget June to March	2019-20 Annual Budget	2020-21 Projection	2021-22 Projection
Total Revenues	\$0.023	\$4.062	\$0.877	\$80.562	\$81.439	\$101.075	\$103.812
Total Expenses	\$2.809	\$21.948	\$7.265	\$79.608	\$86.873	\$99.894	\$102.590
Surplus/(Deficit)	(\$2.786)	(\$17.886)	(\$6.388)	\$0.954	(\$5.434)	\$1.181	\$1.222
Opening Deficit		(\$2.786)	(\$20.672)	(\$27.060)	(\$20.672)	(\$26.106)	(\$24.925)
Accumulated Deficit	(\$2.786)	(\$20.672)	(\$27.060)	(\$26.106)	(\$26.106)	(\$24.925)	(\$23.703)

2019-20 Budget (April 1 and May 31 2020)

The April and May 2019 budget assumes the continuation of existing start – up staffing, filling open, non-union FSRA staffing and related expenses and a prorated share of annual capital. FSRA will continue to pay for and invoice FSCO for the 5160 Yonge Street lease.

For each week that the launch is delayed from the June 1, 2019 date, FSRA will incur approximately \$0.7M in additional start-up costs that will impact the assumed cash flow.

2019-20 Budget (June 1 to March 31, 2020)

To achieve its objectives and deliver on its priorities, FSRA will increase its staff costs to improve its capabilities by investing in sectoral and functional expertise and in hiring highly skilled and experienced leaders and other key regulatory and support positions. Also, additional staff are required to enable FSRA to operate independently of government. This includes staff costs for activities that were not part of FSCO as they received certain back office activities through other government services.

FSRA has targeted reductions in Investment and Direct Operating Costs. These include no longer paying for services where FSRA has built internal capability, and efficiencies gained by combining and reducing FSCO and DICO costs such as accommodations, board of director costs, and administration costs such as consulting fees and legal services. These cost reductions have been partly offset by additional expertise and by investments in FSRA's financial systems and information technology foundations to facilitate independent operations. These foundations will also support the building and implementation of future digital and innovative IT solutions to enable leading edge regulatory practices.

FSRA is self-funded and must account to government for interest costs incurred by FSRA when financing a deficit until FSRA could assess the regulated sectors for its costs— such interest costs were not incurred when FSCO was part of the consolidate revenue fund. FSRA will borrow up to \$40M and incur interest charges in support of its start -up operations and will commence loan repayment in June 2019. FSRA will commence the recovery of the \$40M over 20 years from the sectors through its fees and assessments.

Interest charges of \$1.991 million (April 1, 2019 to March 31, 2020) on the drawn portion of FSRA's \$40 million startup loan and working capital financing are included in this budget and \$.954M is recovered as interest during FSRA's 10 month period in F19-20 when FSRA is the regulator.

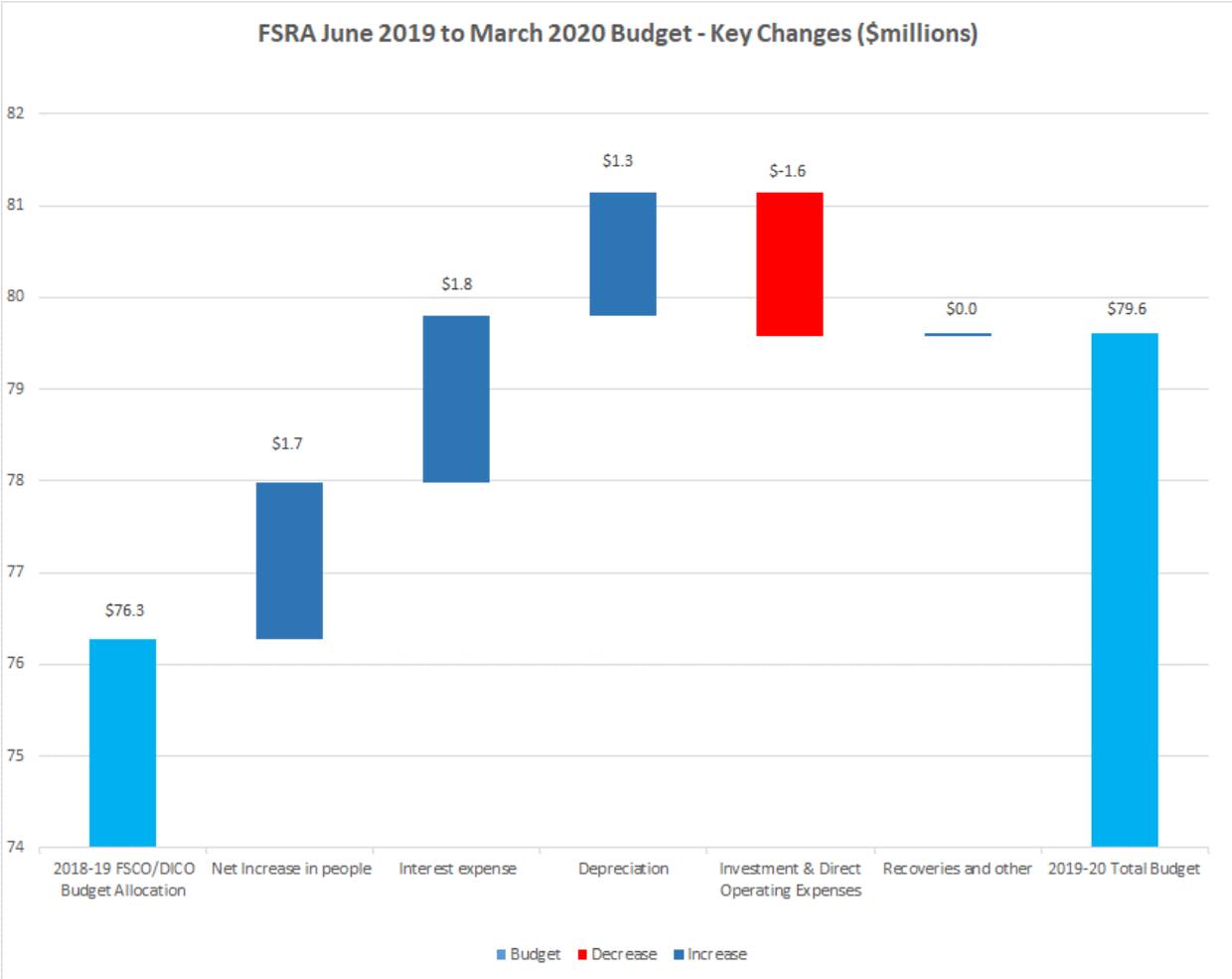
Further, certain costs related to the establishment of FSRA's IT infrastructure and back office capabilities have been debt-funded by the government and capitalized. FSRA's first year budget contains, commencing at June 1, 2019 (the assumed FSRA launch date), the scheduled amortization of those capitalized costs as depreciation charges, and the repayment of this debt financing as cash generated, by charging fees and assessments to the regulated sectors to repay debt. This results in a depreciation charges of \$2.245 million for the 10 month F19-20 period when FSRA is the regulator. FSRA must recover, over 20 years, an accumulated deficit incurred during start-up, which was funded through government loans until such time as FSRA could assess the regulated sectors for its costs. In FSRA's first year, the budget includes cash expenditures to make principal repayment, and revenues to offset the accumulated deficit, of \$20.672 million. To offset the accumulated deficit and fund start-up loan repayment to Government, FSRA will charge the regulated sectors the accumulated costs of launching FSRA and preparing it to be operational.

2019-20 Annual Budget

The combination of FSRA's April and May 2019 start –up and June 1 to March 31, 2020 launch budgets results in total revenue of \$81.439M, expenses of \$86.873M resulting in a deficit of \$5.434M. The deficit is comprised of \$6.388M deficit related to start up activities in April and May 2019 and \$0.954M related to the recovery of start-up costs once FSRA commences operations on June 1, 2019.

FSRA budget relative to its predecessor organization budgets

The chart below illustrates the budget impact to the sectors relative to its predecessor organizations.



There is a \$3.3M increase in operating expenses (4.4 %) compared to the combined FY 2019 FSCO and DICO budgets (\$76.3M) covering the same regulated sectors for the same 10 month period. Setting aside increased depreciation and interest expense, all related to FSRA’s foundation building, FSRA’s operating expenses for its first 10 months of regulation will be essentially flat to those of its legacy agencies.

Capital

The FSRA capital program is presented below and is aligned with its strategy of reducing regulatory burden and improving the effectiveness of regulation. Consistent with FSRA's priorities, significant investments in technology and processes are included. As FSRA's F19-20 priorities include reviewing legacy guidelines, processes and technology FSRA has inherited, we expect the capital program to evolve significantly as we determine more detailed strategies and plans for a technology enabled regulatory transformation.

in 000's	Forecast 2018-19	Budget 2019-20 April to May	Budget 2019-20 June to March	Projection 2020-21	Projection 2021-22
Core Regulatory	\$ 750	\$ 173	\$ 827	\$ 5,000	\$ 4,500
Back Office and Infrastructure	5,675	485	2,315	-	-
New location facilities		260	1,140	7,387	
Other IT Initiatives		342	1,634	1,393	734
Purchase of FSCO Assets			4,157		
Total Capital Asset Purchases	<u>\$ 6,425</u>	<u>\$ 1,259</u>	<u>\$ 10,074</u>	<u>\$ 13,780</u>	<u>\$ 5,234</u>

Notes:

Purchase of FSCO Assets is recorded at NBV. It is assumed that FSRA will pay this amount for the assets. Any reduction in asset value will decrease FSRA's cash flow requirements & associated asset amortization.

FSCO assets are being amortized over 5 years, straight line.

Generally, all other assets are being amortized over 5 years, with 50% of the annual amortization being charged in the year of acquisition.

Facilities assets are being amortized over the lease term

FSRA recovers its capital asset expenditures from the sectors through capital asset amortization.

Financial Position and Cash Flow

The following charts illustrate FSRA’s financial position and cash flow through 2021-22 and include the operating position and capital expenditure assumptions noted above.

The cash flow statements reflect the funding provided through the MoF/OFA for start- up (incorporating the extended start-up period to June 2019) and other identified requirements, including capital funding and is illustrated below.

Current Loan Draw	\$ 27 M
Additional Draw by March 31, 2019	<u>13 M</u>
Sub – Total (value of loan agreement)	\$ 40 M amortized over 20 years
2019-20 Draw	
o \$6.5M in June 2019	
o \$6.0M in September 2019	\$ 12.5 M amortized over 20 years
2020-21 Draw (amortized over 19 years)	\$ 4.5 M amortized over 19 years
2021-22 Draw (amortized over 18 years)	\$ <u>3.0 M</u> amortized over 18 years
Total	\$ 60 M

Debt repayment is amortized over 18 to 20 years with the objective that all loans mature in approximately 20 years from June 2019 at an interest rate of 3.4%. FSRA’s accumulated operating deficit, estimated to be \$20.672M at the assumed June 1, 2019 launch, and capital investments of \$36.772M over the next few years, will be wholly funded by these government loans. Cash flows arising from the depreciation on capital assets (generally amortized over 5 to 10 years) and from charging fees to recover the start – up deficit (targeted to be recovered over 20 years) will be used to fund debt repayment and, to the extent there is a temporary cash accumulation, may be invested in high quality fixed income investments or used to cover investments in capital assets or unexpected operating expenses, all as approved by the FSRA Board.

Financial Position in 000's	Forecast 2018-19	Budget 2019-20 April to May	Budget 2019-20 June to March	Projection 2020-21	Projection 2021-22
Assets					
Cash/(Overdraft Loan Draw)	\$ 12,765	\$ 5,428	\$ 9,689	\$ 3,979	\$ 6,745
Prepaid expenses	781	781	649	521	412
Capital assets	6,425	7,684	17,758	31,538	36,772
Accumulated Amortization	(643)	(953)	(3,198)	(7,548)	(13,500)
Net Capital assets	5,783	6,731	14,560	23,990	23,272
Total Assets	\$ 19,328	\$ 12,940	\$ 24,897	\$ 28,490	\$ 30,428
Liabilities & Retained Earnings					
Loan	\$ 40,000	\$ 40,000	51,004	53,415	54,131
Accumulated Deficit	(20,672)	(27,060)	(26,106)	(24,925)	(23,703)
Total Liabilities & Accumulated Deficit	\$ 19,328	\$ 12,940	\$ 24,897	\$ 28,490	\$ 30,428

Note Capital Assets excludes \$3.3M in FSCO stranded assets.

Cash Flow in 000's	FCST 2018-19	Budget 2019-20 April to May	Budget 2019-20 June to March	Projection 2020-21	Projection 2021-22
Increase/(decrease) in Retained Earnings	\$ (17,886)	\$ (6,388)	\$ 954	\$ 1,181	\$ 1,222
Change in current assets	(558)	0	132	128	109
Change in current liabilities	(662)	0	0	0	0
Capital asset amortization	643	310	2,245	4,350	5,952
	(18,463)	(6,078)	3,331	5,659	7,283
Investment in Capital assets	(6,425)	(1,259)	(10,074)	(13,780)	(5,234)
Loan Draw	22,612	0	12,500	4,500	3,000
Loan Repayment	0	0	(1,496)	(2,089)	(2,284)
Change in cash	(2,276)	(7,337)	4,261	(5,709)	2,766
Cash on hand, beginning of year	15,041	12,765	5,428	9,689	3,979
Cash	\$ 12,765	\$ 5,428	\$ 9,689	\$ 3,979	\$ 6,745

Staffing

Full time equivalent (FTE) employees at FSRA increase at launch as the staff of FSCO and DICO join the employees of FSRA. Staff levels stay consistent until 2021-22 when efficiencies from IT investments begin to be realized.

	2019-20	2020-21	2021-22
Forecasted FTEs	550	550	550

Fee Rule

To establish FSRA as a self-funded, independent regulator, we proposed a fee rule to obtain funding from the financial services sectors that we will regulate. The proposed fee rule will, along with the priorities and budget described herein, enable FSRA to maintain continuity of FSCO and DICO operations and begin the transformation of our regulatory processes through a new organizational design, with enhanced capacity and staff expertise. This will allow FSRA to efficiently and effectively anticipate and respond to changes in marketplace, industry and consumer expectations.

The proposed fee rule is based on key principles: simple, consistent, fair, transparent, future-focused, efficient and effective. It was developed with extensive input from industry and through public consultation.

FSRA's FY 2019-20 priorities set forth in this plan will, using the resources provided by FSRA's FY 2019-20 fees and assessments, direct FSRA to go beyond regulatory continuity to achieve regulatory transformation and deliver on FSRA's mandate.

As the fee rule is implemented in F19-20, initial invoicing for FSRA assessments will be deferred until late summer/early fall 2019 to avoid sectors from having multiple invoices from FSCO, DICO and FSRA. As a result, FSRA has arranged for an operating loan not to exceed \$40 million, to fund Authority from June 1 until cash is collected from its late summer/early fall invoicing.

Sector Allocation

Sector allocations are determined through identification of direct costs (costs directly attributable to a sector such as FTE costs, related IT and space/accommodation costs based on direct FTE's and any other costs clearly and directly attributed to a particular sector) and an allocation of remaining common costs (costs such as corporate support services and interest expense) based on the sectors share of direct costs.

Sector fee assessments are calculated as total sector costs less any direct activity or licensing fees.

The charts below illustrate the total impact of fees and assessments compared to the FSCO/DICO combined fiscal 2019 budgets and the budgeted sector allocation as at the June 1, 2019 launch date.

Fee Rule Consultations

Fee rule consultations commenced in Fall 2018, with the fee rules being posted for 90 days starting October 5, 2018. The fee rules were posted following a series of management and Board meetings with sector specific Industry Advisory Groups (IAGs).

FSRA received a total of 91 comments and questions on the original consultation and responded to each. A broad range of responses reflecting all sectors was received ranging from positive support for the principles-based fee rule and FSRA's approach to transparency, to concerns about increased fees or assessments. Feedback was received from each of the sectors (other than loan and trusts) relating to specific issues, but only credit union and HSP comments resulted in sector-specific changes.

The implementation of the fee rule to use RWA-based assessments (instead of deposit-based assessments) for credit unions was deferred for one year to allow for each credit union to be billed on the same basis. This removed the need to bill and re-bill credit unions based on their year ends.

The fee rule relating to HSP exemptions for providers servicing less than 6 clients was revised to eliminate the exemption.

Given these revisions, FSRA assessed the changes and decided to resubmit the fee rule for a further consultation of 21 days starting February 4, 2019. An additional 9 responses were received on the resubmitted fee rule with no significant issues identified. Responses tended to restate previous comments and concerns as seen in the original consultation or to deal with matters which were part of the priorities and budget consultation or other non-fee rule matters. All comments received during the consultations will be included in the fee rule submission to the Minister.

Overall, the specific concerns noted above have been addressed and the fee rule has received broad support.

	FSRA 2019-2020 Budget (\$000's)	FSCO & DICO Combined Fiscal 2019 Budgets (\$000's)	Variance (\$000's)	Variance (%)
Revenue				
Activity Fees	5,227			
Fee Assessment	61,869	76,280		
Licensing Fees	12,512			
Deficit Recovery	954			
Total Revenue	80,562	76,280	4,282	5.6%
Direct Costs				
	57,314	54,597	2,717	5.0%
Common Costs				
	22,294	21,684	610	2.8%
Total Costs	79,608	76,280	3,328	4.4%
Increase/(decrease) in Retained Earnings	954	0	954	

Notes:

The FSCO/DICO combined fiscal budgets represents their prorated budgets equivalent to the June 1, 2019 to March 31, 2020 FSRA budget.

The prorated FSCO/DICO budget is a combination of the 2018 FSCO budget allocation and the 2019 DICO budget.

Sector	Insurance (Variable except for Activity, Agents' & Adjusters' Fees)					Pensions (Variable)	Credit Unions (Variable)	Mortgage Brokers (Fixed)	Health Service Providers (Fixed)	Loans & Trusts (Variable)	Secretariats	Total
	Auto Rates (Note 2)	P&C Conduct	P&C Prudential Regulation	Life Conduct	Total Insurance							
Revenue												
Activity Fees	13,333	155,833	833	4,732,581	4,902,581	48,333	153,333	-	122,500	-	-	5,226,748
Fee Assessment	10,429,704	16,240,543	394,964	1,502,434	28,567,646	22,672,715	11,061,962	-	-	224,356	296,087	62,822,766
Licensing Fees	-	-	-	-	-	-	-	7,971,397	2,996,259	-	-	10,967,656
Fee Shortages/Overages (Note 1)	-	-	-	-	-	-	-	1,229,740	315,093	-	-	1,544,832
HSP Fixed Fee Shortfall recovered from Auto Rates	320,318	-	-	-	320,318	-	-	-	(320,318)	-	-	-
Total Revenue	10,763,355	16,396,377	395,797	6,235,015	33,790,544	22,721,048	11,215,296	9,201,137	3,113,534	224,356	296,087	80,562,002
Total Direct Expenditures												
	7,450,861	11,698,427	282,392	4,448,536	23,880,216	16,210,931	8,102,093	6,564,794	2,449,972	160,073	(53,914)	57,314,164
Percentage Allocation, excluding secretariats												
	13.0%	20.4%	0.5%	7.8%	41.6%	28.3%	14.1%	11.4%	4.3%	0.3%	0.0%	100%
Total Common Expenditures												
	2,992,177	4,697,949	113,405	1,786,479	9,590,011	6,510,117	3,113,203	2,636,343	983,880	64,283	350,001	23,247,838
Total 2019-20 Expenditures (10 months)												
	10,443,038	16,396,377	395,797	6,235,015	33,470,226	22,721,048	11,215,296	9,201,137	3,433,852	224,356	296,087	80,562,002
% of Total (10 months)												
	13.0%	20.4%	0.5%	7.8%	41.7%	28.3%	14.0%	11.5%	4.3%	0.3%	0.0%	100.0%

Notes

Note 1: \$1.2M Mortgage Broker (MB) fixed fee shortfall (caused by FSCO billing MB's in 2018 for 2 years of fees which are now considered inadequate) will be covered by borrowing in 2019-20 and will be charged to MB in next years budgeting/billing cycle.

Note 2: HSP fixed fee shortfall (\$320K) is a cost to be recovered from the Auto Rates sector as FSCO will already be in receipt of 2019-20 HSP fees when FSRA is launched.

Initiatives Involving Third Parties

The regulatory system continues to evolve as businesses respond to the changing economic and innovation landscapes. Regulators across Canada and globally are already struggling to keep up with the changing market conditions as businesses continue to exert pressure for increased regulatory effectiveness and the economic needs to reduce burden.

In this context, we require a strategic regulatory approach to ensure more efficient and effective oversight. Greater collaboration amongst regulatory bodies – including coordination and alignment of regulatory approaches—would clearly benefit all stakeholders.

As noted in FSRA’s statutory objects and priorities, greater “cooperation & collaboration with other regulators” will lead to opportunities for regulatory coordination, harmonization and convergence. FSRA will leverage the existing relationships currently managed by FSCO (through the Regulatory Coordination Branch) to promote a national dialogue on a harmonized approach to regulatory issues in the areas we regulate.

The Regulatory Coordination Branch (RCB) provides secretariat services to associations of financial services regulators who are responsible for promoting a national approach to regulatory issues - the Canadian Council of Insurance Regulators (CCIR), the Canadian Association of Supervisory Pension Authorities (CAPSA), the Mortgage Broker Regulators’ Council of Canada (MBRCC), the Canadian Insurance Services Regulatory Organization (CISRO) and the General Insurance Statistical Agency (GISA). RCB also works closely with the secretariat of the Canadian Securities Administrators to plan and deliver the annual meeting of the Joint Forum of Financial Market Regulators.

Going forward, FSRA will build upon the current work across regulators to also focus on the development of policies and rules that can lead to better outcomes: a) support industry strength and stability across participating jurisdictions; b) enhance regulatory cooperation and reduce redundancies; and c) develop rules that are integrated and more effective in achieving consumer protection public policy outcomes.

Communication Plan

Organization transition and change management

The establishment of FSRA represents a significant change with impacts for both internal and external stakeholders. To ensure a successful transition and lay the foundation for future transformation, FSRA is committed to providing clear, consistent, and timely information at key milestones and throughout the transition.

Communications will be ongoing throughout the transition and will remain a continued priority for FSRA post-launch. FSRA will provide simple, clear and consistent messaging across multiple channels to ensure organizational and regulatory continuity.

Stakeholder engagement

Dialogue, collaboration and consultation are at the core of FSRA's approach to our ambitious regulatory transformation and modernization plan. Throughout our priorities is a commitment to enhanced stakeholder collaboration. Working with stakeholders, FSRA will identify opportunities for ongoing and longer-term two-way consultation mechanisms at all levels of the organization (e.g., consumer roundtables, joint working groups, industry-facing forums).

We will continue to build on current FSRA, FSCO and DICO engagement and will be undertaking a review of all stakeholder engagement to ensure that we continue to build our engagement with consumers and industry to work together to shape our regulatory framework, improve service standards and modernize our systems and processes.

As set out in this plan, we have committed to an initial review of stakeholder engagement to ensure we have clear objectives and principles for direct consultation mechanisms with key stakeholder participants for FSRA Board and for FSRA management and staff. Building on a strong commitment to collaboration and communication, FSRA will define and implement mechanisms for stakeholder collaboration at different levels of the organization, seek opportunities to improve stakeholder relationships, and use technology to reach more stakeholders effectively and efficiently.

Internal communications

For transferring employees, our objective is to build a positive employee experience and foster a strong, positive FSRA culture. Throughout the transition, FSRA is committed to driving transparency and engagement, clearly articulating a case for change, providing consistent and timely information and maintaining a dialogue with employees, and supporting ongoing business continuity and service delivery.

Key elements of the internal communications plan include:

- A new FSRA intranet to provide comprehensive information to staff;
- Departmental and all staff town hall meetings;
- "Update from FSRA" newsletter;
- Speaker series to educate and inform staff on key trends, issues and opportunities in the regulated sectors; and
- Ongoing employee consultation and dialogue.

External communications

For external stakeholders, FSRA's mandate to drive transformation in the regulation of financial services will result in different impacts at different points in time. From transition-related operational communications to support business continuity, to ongoing and future dialogue on elements such as fee rule and priorities/budgets, FSRA will provide clear and consistent communications. Effective information-sharing and consultation with other regulators is essential to support coordination and build momentum for change across and between jurisdictions and sectors.

Key elements of the external communications plan include:

- The launch of FSRA website with clear, easily accessible, user-friendly consumer information and resources on the regulated sectors;
- Clear channels for consumers and businesses to report information about fraud/abuse and bad actors;
- Building awareness of all consultation mechanisms to ensure stakeholder input, including channels such as webinars, social media and online chats to reach stakeholders across Ontario more effectively;
- Leveraging the existing and establishing new stakeholder engagement mechanisms and relationships such as advisory committees and working groups;
- Ongoing dialogue with other regulators and key stakeholders; and
- Continuous provision of key transition-related information to ensure business continuity and a smooth transfer of operations.

Response to Expectations Set Out in the Agency Mandate Letter

FSRA is committed to working closely with the Ministry of Finance on the planning and implementation of the transition of regulatory functions from current agencies, and to establishing and nurturing a high-performing, effective organization to deliver on our ambitious transformation plans. When a mandate letter is provided, FSRA will coordinate as appropriate with MOF and other relevant stakeholders to deliver on expectations.