



Montreal, November 10<sup>th</sup>, 2023

Mr. Mark White  
Chief Executive Officer  
Financial Services Regulatory Authority of Ontario  
25 Sheppard Avenue West, Suite 100  
Toronto, ON M2N 6S6

**Re: Consultation: Public consultation on proposed 2024-25 Statement of Priorities and Budget**

Dear Mr. White,

On behalf of the Desjardins Group, I am pleased to respond to your request for comments on the Financial Services Regulatory Authority of Ontario's (FSRA) public consultation on the proposed 2024-25 Statement of Priorities and Budget.

Desjardins Group is the leading cooperative financial group in Canada serving over 7.5 million members and clients across the country. For over 120 years, Desjardins has listened and responded to its members' needs and adapted to change. We provide Canadians with banking, wealth management, life & health insurance, property & casualty insurance, and personal, business, and institutional financial services. In Ontario, the Desjardins Ontario Credit Union (DOCU) is the second largest credit union with over 132,000 members, 48 branches, and over 10 billion in assets.

Desjardins Group and DOCU support the priorities set out by FSRA. However, we would like to highlight a few key points related to the proposed 2024-25 FSRA priorities and budget.

**Overall priorities**

We share FSRA's assessment of the current financial ecosystem, in which inflationary pressures persist and exacerbate the challenges inherent in the rising cost of living. In the tumultuous year 2023, marked by the financial industry crisis, the various players have had to review their strategies to cope with market disruption. At the same time, the technological push continues to reshape the contours of the industry, requiring rapid adaptation to seize emerging opportunities while mitigating growing threats.

In that context, we welcome FSRA's to maintain stability in the current situation given the economic situation and the risks and vulnerabilities hovering over the financial sector. We appreciate that the 2024-2025 Credit Union priorities are targeted on completing the transformation of the sector's regulation that is currently underway. We believe that this approach brings stability and gives to the credit unions the capacity to better adjust their activities to new regulatory measures. In terms of pension priorities, we also welcome the priorities set out by FSRA for the creation and implementation of a new target benefit framework for multi-employer defined benefit pension plans (MEPPs).

Also, we believe that the harmonization of federal and provincial regulatory frameworks ensures a level playing field with industry peers. Therefore, we certainly welcome the initiatives put forward by FSRA to harmonize practices between different jurisdictions such as FSRA's will to work with Canadian Council of Insurance Regulators (CCIR) and the Canadian Insurance Services Regulatory Organizations (CISRO) to create a guideline for segregated funds, from design to management. We welcome this link, given that CCIR already has a guideline in place on the fair treatment of insurance clients, which covers the entire product life cycle. This strategic approach makes a significant

contribution to easing the compliance burden on regulated entities. Such measures promote operational consistency, which is essential to reducing compliance costs. This effort is thus proving to be an important catalyst for boosting global competitiveness and promoting a more transparent and resilient financial environment, which ultimately has a favourable impact for the customer.

### **Strategic priorities**

#### ***Advance the consumer interest***

##### ***1 c) Expanding the existing framework for the effective, fair and transparent use of FSRA's investigation and enforcement tools across FSRA sectors to reinforce consumer centric supervisory processes and to deter misconduct.***

We understand from this statement that FSRA plans to broaden its powers and we fully support this objective. However, it is worth emphasizing the crucial importance of transparency in this process. Proactive and detailed communication from regulators about potential changes to the regulatory framework enables regulated entities to anticipate and adequately prepare for future developments. Clarity and predictability of FSRA's intentions would thus encourage better adaptation to new requirements, while reinforcing confidence and stability within the financial ecosystem.

#### ***4. Property & Casualty and Auto Insurance priorities***

We welcome FSRA's insurance outlook and would like to share some constructive comments and suggestions. Earlier this year, FSRA established a Technical Advisory Committee on Rate and Underwriting Regulatory Reform, with the goal of achieving fair rates and underwriting, promoting market health through effective regulation, and helping consumers make informed decisions about improvements. We understand that it may take another two years for this work to be fully implemented. Given the current challenges of auto insurance affordability and FSRA's growing budgetary needs, we strongly encourage the commission to intensify its efforts and accelerate its work to quickly achieve more effective regulation, a necessary conclusion in the best interests of all concerned.

#### **4.2 Support reforms of the Auto Insurance system**

(...)

##### **Key activities to achieve outcomes**

- a) **Developing and implementing initiatives to reduce fraud and abuse in the system, including the development of a new Fraud Reporting Service Rule and guidance.**

(...)

We unequivocally support FSRA's efforts to combat fraud in the auto insurance industry. We recommend that FSRA explores the opportunity for close collaboration with existing associations or bodies, such as the *Équité Association*, which already collects information on fraud prevention in the sector. This collaborative and efficiency-oriented approach would optimize the use of existing resources, strengthening the ability to detect and prevent fraudulent activity, while bringing consistency between requirements and easing the regulatory burden. In the same vein, FSRA could consider the possibility of integrating potential new fraud requirements into existing guidelines, to ensure greater consistency and clarity within the existing regulatory framework.

#### **Financial outlook**

##### **Sector view summary: proposed FY2024-2025 plan of \$125.9 M**

We believe the proposed fee increases of 0,9% (for Credit Unions and Caisses Populaires) in the current economic environment is appropriate and in the public interest given the inflationary context. However, we encourage FSRA to consider that the operating cost for the surveillance of the credit union sector is still growing at a faster pace than the inflation. From fiscal year 2020-2021 to fiscal year 2024-2025, operating costs will have increased of 7,7 M\$ on an annual basis or 56%. Over the same period, the consumer price index will have been raised by 23,5% (including 2024 forecast)<sup>1</sup>. A reflection on the sustainability and the impact of this trend on the sector should be considered when setting fees for the coming years. In the interests of transparency and fairness, we suggest that FSRA provides more visibility on the reason supporting the fee increase, for example if its due to an increase in supervisory work or policy setting. This would bring a better understanding of the regulatory environment and the correlation with the work being done by the regulator.

Sincerely,



Giuseppina Marra, CPA, IAS.I  
Regulatory Affairs  
Desjardins Group

CC: Mr. William Boucher, Chief Executive Officer, Desjardins Ontario Credit Union

---

<sup>1</sup> Bank of Canada and Desjardins Economic studies