2016 Statement of Priorities

Message from the Chair and Chief Executive Officer

The financial services sector and workplace private pension plans are of significant importance to Ontarians and to the health and well-being of both provincial and national economies.

One of the fastest-growing sectors in the province, the financial services sector is rapidly evolving. Product innovation and greater consolidation has resulted in new risks and complexities. Financial services firms and intermediaries are becoming increasingly active in multiple product lines, blurring the lines that once delineated the various financial services industries.

Ontario needs an effective and integrated regulator that can keep pace – one that not only adapts to the environment around it, but that can also embrace modernization and have the flexibility and foresight to anticipate and address changing circumstances. Leadership, innovation and transformation are key themes in this year's Statement of Priorities, alongside a critical focus on strengthening the protection of consumers and pension plan beneficiaries.

In 2015, the Minister of Finance appointed a panel to review the role, structure and efficacy of several financial services agencies, including the Financial Services Commission of Ontario (FSCO) and the Financial Services Tribunal. Decisions made by the government following the release of the report may have a substantial impact on the future of financial services and pension regulation in Ontario. FSCO has endeavoured to adopt strategic priorities that strengthen the regulatory capabilities of the organization as it stands today, while also being flexible enough to support any potential outcomes of the agency review.

FSCO thrives on its dialogues with stakeholders – from the financial services industry participants and pension plan sponsors, to the consumers and pension plan beneficiaries who rely on us. This is why we actively sought comment on the Statement of Priorities, which outlines the key strategic priorities for both FSCO and the Financial Services Tribunal. We received positive feedback from across our regulated sectors and a general confirmation of our direction for the coming year. We look forward to actively engaging with our stakeholders as we explore their ideas and insights about how we can more effectively and efficiently achieve our goals.

Brian Mills
Chief Executive Officer &
Superintendent of Financial Services (Interim)

Florence A. Holden
Chair (Acting)
Financial Services Commission of Ontario
Financial Services Tribunal

About the Financial Services Commission of Ontario

The Financial Services Commission of Ontario's (FSCO) legislative mandate is to provide regulatory services that protect the public interest and enhance public confidence in the sectors it regulates.

Using a risk-based approach, FSCO regulates the insurance sector, including service providers who invoice auto insurers for statutory accident benefit claims; pension plans; credit unions and caisses populaires; the mortgage brokering sector; co-operative corporations; and loan and trust companies.

FSCO's approach to fulfilling its legislated regulatory responsibilities is outlined in greater detail in its Regulatory Framework. Accountable to the Minister of Finance, FSCO also seeks approval for its projects and direction through the Agency Business Plan and reports back on its core activities through its Annual Report.

FSCO Priorities

Section 11 of the Financial Services Commission of Ontario Act, 1997, requires that FSCO deliver to the Minister of Finance and publish in the Ontario Gazette a statement each year setting out its proposed priorities and the reasons for adopting these priorities.

FSCO recognizes the current climate of change not only within the organization, but also in the sectors it regulates. As such, the 2016 Statement of Priorities provides a snapshot of FSCO objectives over the coming year. In addition to this year's priorities, FSCO will also be prepared to address emerging regulatory needs as they arise, as well as any outcomes from the government's mandate review of the agency.

In 2016-17, FSCO will focus its efforts on core activities and initiatives in eight priority areas:

1. Ensure financial services industry compliance with laws and regulations
2. Create common and integrated processes enabled by integrated technology solutions
3. Be an agile and adaptable organization
4. Meet or exceed internal performance standards
5. Influence the development of provincial, national, and international regulatory policy
6. Enhance the collection, use, and sharing of market intelligence
7. Raise awareness of FSCO's actions in the financial services marketplace
8. Provide adequate disclosure of information to enable informed decisions by consumers and pension plan members

The first four priorities are inherent to the work FSCO does and essential to becoming a modern, effective and responsive regulator. These priorities speak to our ongoing efforts to provide excellent service to our stakeholders and the public – be it through our education and enforcement efforts to increase compliance and protect the public; through our work to ensure timeliness on registrations, applications, filings and licensing; or through the development of a new information management platform that will provide for better integration, more comprehensive and centralized information, and easier-to-access services for stakeholders.

FSCO recognizes that to be effective in an era of change and innovation, it must become flexible enough to adjust to rapid modernization and continual change in the marketplace. Embracing new technologies and ensuring our staff is well positioned to adapt to changes will make FSCO a stronger regulator for the benefit of consumers, pension plan beneficiaries and other industry stakeholders.

The remaining four strategic priorities are explored in greater detail below.

Influence the development of provincial, national and international regulatory policy

Promoting regulatory coordination and greater consistency among interjurisdictional partners fosters a healthy environment for financial services and workplace pension plans by providing similar levels of consumer and pension plan beneficiary protection across Canada, increasing compliance and reducing the regulatory burden on those who operate in multiple jurisdictions.

By strengthening relationships with other provincial and federal regulatory bodies, FSCO can support and influence interjurisdictional efforts that improve the quality of regulatory oversight across Canada. It also allows greater opportunities for information sharing, joint initiatives, and the development of innovative and consistent approaches to address issues and trends.

FSCO will continue to be a key player at many national tables, including the Canadian Council of Insurance Regulators (CCIR), Canadian Insurance Services Regulatory Organizations, Mortgage Broker Regulators' Council of Canada, Canadian Association of Pension Supervisory Authorities (CAPSA), Canadian Automobile Insurance Rate Regulators, and the General Insurance Statistical Agency. We have already seen great success and opportunity come from these partnerships, resulting in greater consistency in approaches and regulatory outcomes and the adoption of national standards.

On the international front, FSCO (through CCIR and CAPSA) has access to, and participates in, the research and development of international regulatory principles and policies that emanate from both the International Association of Insurance Supervisors and the International Organisation of Pension Supervisors. This allows FSCO to remain abreast of evolving trends and practices thereby enhancing its ability to continually improve and adapt its supervisory activities to changing conditions.

Enhance the collection, use, and sharing of market intelligence

To evolve into a more responsive regulator, FSCO must have access to a broader array of information that can identify changes, trends and risks in the marketplace that require greater regulatory focus. From experience, FSCO knows that information-sharing agreements with other regulators and industry organizations can strengthen enforcement efforts resulting in increased consumer and pension plan beneficiary protection and improved administration of justice, and can also support government decisions on new regulatory approaches. FSCO will work to put in place data-sharing agreements with industry organizations and other regulators, and to leverage the appropriate forums for information collection and sharing that will support regulatory decision making as well as the identification and monitoring of trends and risks in the marketplace.

Raise awareness of FSCO's actions in the financial services marketplace

Greater awareness of FSCO's activities, from licensing deadlines and enforcement actions, to new regulatory procedures, among regulated entities supports greater compliance. FSCO currently has a number of electronic communications channels that help disseminate important information to stakeholders, including email, web, and social media, in addition to stakeholder meetings. Regular communication and collaboration with stakeholders will be key to helping FSCO reduce risks to consumers and improve oversight of financial services and pension plans.

Provide adequate disclosure of information to enable informed decisions by consumers and pension plan members

The sectors FSCO regulates are sophisticated, and increasingly we are seeing the blurring of lines between once clearly defined products. While there are laws in place to protect against fraud and unfair business practices, one of the best defenses against scams and misunderstandings is to educate consumers. Currently, FSCO has a responsibility to disclose information to the public about our enforcement actions to better protect them against fraud and unlawful business practices.

We also recognize the importance of providing Ontarians with a clear understanding and explanation of their rights and responsibilities when interacting with financial services representatives, and of providing pension plan beneficiaries with timely and accurate information so they can make important decisions about their future. But ensuring this happens is a shared responsibility, which is why FSCO will continue to engage with stakeholders and offer guidance on how regulated entities provide information to consumers and pension plan members.

With major changes coming to auto insurance this year, the economic environment continuing to have a significant impact on pensions, and growing risks in areas such as syndicated mortgages, FSCO will be looking for new and more effective ways to reach out to the public to better protect them from fraud, to increase financial literacy, and provide enhanced information to pension plan beneficiaries about their plans and plan performance.

About the Financial Services Tribunal

The Financial Services Tribunal (Tribunal) is an expert adjudicative tribunal established under the FSCO Act. It is comprised of members appointed to the Tribunal on a part-time basis. The

Tribunal is charged with hearing applications and appeals from certain decisions made or proposed by the Superintendent, or other authorized persons or entities, under a range of Ontario statutes governing financial services matters including the:

- Credit Unions and Caisses Populaires Act, 1994
- Insurance Act
- Loan and Trust Corporations Act
- Mortgage Brokerages, Lenders and Administrators Act, 2006
- Pension Benefits Act

The Tribunal has exclusive jurisdiction to determine all questions of fact or law that arise in any proceeding before it, and the authority to create rules for the practices and procedures to be observed. The Tribunal aims to administer all cases before it in an efficient, fair, accessible and effective manner. In order to ensure that it is equipped to do so, the Tribunal is focused on maintaining an expert pool of members, consulting with stakeholders on improvements to its practices and procedures, and updating the practices and procedures as needed. The Tribunal's 2016 priorities are as follows.

FST Priorities

Maintain a pool of qualified members to adjudicate hearings

The Tribunal will continue to work with the Ministry of Finance and the Public Appointments Secretariat towards the appointment of additional qualified members. It will continue to provide training on new processes and emerging legal issues in order to ensure that Tribunal members have the appropriate expertise to hear Tribunal matters.

Expand dialogue with members of the legal profession

The Tribunal will continue its dialogue with members of the legal profession through its Legal Advisory Committee to address matters related to its hearing practices and procedures. It will continue to receive an annual report from the Committee chair.

Update Tribunal practices and procedures

The Tribunal will review rules, practices and procedures that require revisions as a result of the mandate review and/or legislative changes, and will review and revise performance standards as needed.

For more information about FSCO

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