Legislative Assembly of Ontario

Assemblée législative de l'Ontario

Legislative Research
Information and Technology Services Division
Room 2520, Whitney Block
Queen's Park
Toronto, Ontario M7A 1A9
Telephone: (416) 325-3675
Facsimile: (416) 325-3696

Recherche législative
Division des services de l'information et de la technologie
Bureau 2520, Edifice Whitney
Queen's Park
Toronto (Ontario) M7A 1A9
Téléphone: (416) 325-3675
Télécopieur: (416) 325-3696

200255

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO ORDER-IN-COUNCIL APPOINTMENT OF STEWART LYONS*

Prepared for:

Standing Committee on
Government Agencies

Prepared by:

Jason Apostolopoulos
Research Officer
Legislative Research

October 15, 2020

* Projects prepared by Legislative Research are designed in accordance with the requirements and instructions of the Committee making the request. The views expressed should not be regarded as those of Legislative Research or of the individual preparing the project.

CONTENTS

INTRODUCTION

This paper has been prepared for Members participating in the Committee's review of the Order-in-Council appointment of Stewart Lyons as a part-time member of the Financial Services Regulatory Authority of Ontario (FSRA). It describes the mandate and operations of FSRA, presents information about the appointee, and identifies possible lines of questioning.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO (FSRA)

Enabling Statutes	**Responsible Ministry**
Financial Services Regulatory Authority of Ontario Act, 2016	Finance
Agency Type	**Most Recent Annual Report**
Regulatory agency (board-governed)	2018-2019
Activities of the Agency	
The Financial Services Regulatory Authority (FSRA) regulates and supervises various financial services (non-securities) and pension sectors, including credit unions and caisses populaires, insurance companies, mortgage brokering, pension plans, and loan and trust companies, among others.	
Board Membership	
Statutory No. of Members: Minimum of three, maximum of 11. **Appointed by Cabinet**: All members	**Remuneration**: Members who are not Chair receive $472 per diem. **Term of Office**: No limitation in legislation. The terms of current members range from 1-3 years.
Position Requirements	
A person who is an officer or other employee of FSRA is ineligible to be a director.	

ROLE OF FSRA

The Financial Services Regulatory Authority of Ontario (FSRA) came into operation on June 8, 2019, replacing the Financial Services Commission of Ontario (FSCO) and the Deposit Insurance Corporation of Ontario (DICO). Appeals and reviews of proposals or decisions made by FSRA continue to be heard by the Financial Services Tribunal (FST).

FSRA's legislative mandate includes "fostering strong, sustainable, competitive, and innovative financial services sectors" in addition to "promoting stability, high standards of business conduct, and protecting the rights and interests of consumers and pension plan beneficiaries."[1] The specific sectors it regulates include:

- property and casualty insurance (e.g., auto insurance)
- life and health insurance
- credit unions and caisses populaires
- loan and trust companies
- mortgage brokers
- health services providers (related to auto insurance claims)
- pension plan administrators
- financial planners and advisors[2]

Separately, the Ontario Securities Commission is a regulatory agency which administers and enforces securities (i.e., capital markets) legislation in Ontario.

Precursory institutions and the need for reform

The legislative framework establishing FSRA was based on the recommendations of an expert panel review completed in 2016. The panel noted that financial services and pension sectors in Ontario were transforming at a rapid rate, and the existing regulatory agencies (including FSCO and DICO) had not evolved quickly enough to keep up. Among other things, the panel recommended rolling regulatory functions into a flexible, independent, and integrated regulator.[3]

Issues were also identified by the International Monetary Fund (IMF) and the Auditor General. A 2014 report by the IMF stated that FSCO was a "reactive" regulator "constrained by limited resources."[4] In the same year, the Auditor General noted FSCO's oversight of several financial services sectors was too weak and recommended that certain oversight functions be transferred to self-governing industry associations.[5]

---

[1] Hon. Rod Phillips (Minister of Finance), Letter to the Chair of the Financial Services Regulatory Authority of Ontario, October 3, 2019.

[2] FSRA will be responsible for administering and enforcing the *Financial Professionals Title Protection Act, 2019*, which governs financial planners and advisors, once proclaimed.

[3] George Cooke, James Daw, and Lawrence Ritchie, "Review of the Mandates of the Financial Services Commission of Ontario, the Financial Services Tribunal, and the Deposit Insurance Corporation of Ontario," (*Report of the Expert Panel*), March 2016, p. 1.

[4] International Monetary Fund, Canada: Financial Sector Stability Assessment (February 2014), p. 22.

[5] Auditor General of Ontario, "Section 3.03 Financial Services Commission of Ontario— Pension Plan and Financial Service Regulatory Oversight" 2014 Annual Report, pg. 128.

CURRENT PRIORITIES

The Minister of Finance's expectations for FSRA in 2020-21 include the following:

- Contribute to government-wide burden reduction goals, including identifying innovative, principals-based approaches to regulation.
- Improve regulatory effectiveness, including implementing service standards and performance measures.
- Support current and future government reform initiatives for Ontario's financial services and pension sectors, including implementation of Ontario's Blueprint for Putting Drivers First (auto insurance).[6]

Specific deliverables, goals, and milestones are laid out in FSRA's 2020-2023 Annual Business Plan.

Update on progress

A June 2020 newsletter from FSRA noted that, in its first year of operation, FSRA was successful in eliminating 51% of the regulatory guidance it inherited from its predecessor agencies, as part of its burden reduction goals. It also noted that virtually all of its first-year priorities were complete or substantially complete.[7]

An article in *Investment Executive* magazine notes that while FSRA's burden reduction achievements are commendable, some experts caution that burden reduction must "be led with [FSRA's] mandate to protect the consumer" and that "[b]urden reduction just for the sake of having fewer rules is bound to be harmful."[8]

PROPOSED PRIORITIES FOR 2021-22

On October 13, 2020, FSRA released a proposed statement of priorities for 2021-22. The proposal will be submitted to the Minister of Finance by December 31, 2020, following public and stakeholder consultations. Proposed priorities include:

- Continue to focus on regulatory efficiency and regulatory effectiveness, including shifting from a prescriptive method to a principles-based approach to regulation.
- Improve stakeholders' regulatory experience.

[6] Hon. Rod Phillips (Minister of Finance), Letter to the Chair of the Financial Services Regulatory Authority of Ontario.
[7] Financial Services Regulatory Authority of Ontario (FSRA), Celebrating Our First Year, June 2020, p. 1.
[8] Greg Dalgetty, "Ontario regulator explains cuts to red tape," *Investment Executive*, June 11, 2020.

- Improve safety, fairness and choice for consumers of financial services, and members pensions.[9]

The proposed plan also includes specific priorities for each of the regulated sectors, including supporting and implementing the government's auto insurance priorities, supporting modernization of the credit union framework, enacting life and health insurance market conduct oversight (for consumer protection), and implementing the title protection framework for Financial Planners and Financial Advisors.[10]

RECENT DEVELOPMENTS

In response to COVID-19, FSRA has undertaken or supported various initiatives, including allowing deferrals of contributions to certain defined benefit (DB) pension plans, refreshing pension plan guidance, and permitting deferral of certain loan payments for credit unions.[11] FSRA notes that although COVID-19 poses a challenge to the progress of its various cross-sector priorities, the Authority can adapt to deliver on its established plans.

FINANCIAL INFORMATION

FSRA is self-funded. The proposed budget for 2021-22 is $104.1 million, representing a $4.7 million annual increase from 2020-21. This would include increases in sector fees.[12]

THE WITNESS

The witness, of Toronto, is Chief Executive Officer for Bird Canada (a micro mobility technology company), and former senior Vice-President of Emerging Business for SiriusXM. His community involvement includes serving as a board member for ProAction Cops and Kids (a charity bringing police and youth together in skill-building and mentoring programs).

POSSIBLE QUESTIONS

What has motivated the witness to seek this appointment?

Can the witness describe how her/his expertise and background reflects FSRA priorities for 2020-21 and proposed priorities for 2021-22?

---

[9] Financial Services Regulatory Authority of Ontario (FSRA), [Proposed FY2021-2022 Statement of Priorities](), October 13, 2020, p. 9.
[10] Ibid.
[11] Ibid.
[12] Ibid, p. 4.

Has the witness been given any indication about the time commitment required by this appointment?