

FSRA

Financial Services Regulatory
Authority of Ontario

2021-2022 ANNUAL REPORT

Contents

Executive Summary	4
Message from the Chair	6
Message from the CEO	8
About the Financial Services Regulatory Authority of Ontario	10
Board Appointments and Remuneration	12
Overview of Key Activities in 2021-2022	14
Cross-sectoral	14
Property and Casualty (P&C)/Auto Insurance	15
Health Service Providers	17
Credit Unions and Caisses Populaires	17
Life and Health Insurance	19
Mortgage Brokering	21
Pensions	22
Co-operative Corporations	24
Financial Planners/Financial Advisors	24
Gaining Valuable Input and Perspectives to Inform FSRA's Direction	26
Strategic Priorities	30
Performance Measures and Targets	48
Service Standards	48
Outcome-Based Measures	48
Output-Based Performance Measures	48
Risk Identification, Assessments and Mitigation Strategies	49
Our People	52
Communication Plan	54
Analysis of Financial Performance	56
Initiatives Involving Third Parties	60
Response to Expectations Set Out in Agency Mandate	63
Information Technology and Electronic Service Delivery Plan	65
Appendix A: Organization Structure	66
Appendix B: Service Standards	67
Appendix C: Credit Union Regulatory Activities	74
Appendix D: Market Conduct Statistics	75
Appendix E: Pensions Statistics	77
Appendix F: Contact Centre Statistics	79
Appendix G: Financial Statements	80



Executive Summary

This year marks the end of the Financial Services Regulatory Authority's (FSRA or "the Authority") second full year of operations. FSRA once again had an ambitious agenda. We continued to advance the objectives we identified as an organization – regulatory efficiency and effectiveness – as well as implement forward-looking and transformative priorities.

In the current pandemic environment, which has been challenging for all stakeholders, FSRA focused on monitoring the impacts closely, particularly where they have affected the entities and individuals that we regulate, and the financial services offered to consumers. FSRA continues to work with all sector stakeholders to manage the uncertainty and maintain focus on driving FSRA's stated priorities. Each of the priorities focused on improving supervision capability, enhancing/implementing regulatory framework components, protecting consumers, and gaining a better understanding of consumer financial service needs.

The 2021-2024 Annual Business Plan (ABP) formed the basis of this year's "business-as-usual" objectives and activities. The ABP included 4 cross-sectoral and 12 sector-specific priorities. These focused on regulatory efficiency (including burden reduction) and effectiveness, while protecting the interests of consumers. The priorities were aligned with FSRA's mandate, Vision, Mission, and strategic directions, particularly our commitment to stakeholder engagement and continued transformation into a dynamic, principles-based and outcomes-focused regulator.

Despite the challenges posed by the ongoing pandemic, FSRA achieved significant success during the year. The Authority delivered against all its planned priorities. Notable achievements for the year included:

- In August 2021, FSRA released its final guidance for the adoption of the Mortgage Broker Regulators' Council of Canada's (MBRCC) National Code of Conduct into FSRA's regulatory framework. The Code of Conduct makes it easy for consumers to understand what is expected of the sector to provide better service.
- In November 2021, as part of a larger thematic review, FSRA issued "Take-All-Comers" guidance to reiterate that auto insurance providers are required by law to provide all Ontario consumers with access to timely auto insurance quotes and the lowest rates available to them.
- FSRA issued new Guidance in November 2021 on marriage breakdown pension requirements, accompanied by a new easy-to-read member-focused guide to help spouses navigating these issues.
- In January 2022, FSRA published its Innovation Framework to describe how it will identify, manage, and deliver opportunities to enable innovation in the regulated sectors.
- In February 2022, FSRA received approval from the Minister of Finance for its proposed Unfair or Deceptive Acts or Practices Rule (UDAP) to strengthen the supervision of insurance industry conduct by clearly defining the outcomes that are unfair or otherwise harmful to consumers.

- In March 2022, FSRA published for consultation guidance on Principles-Based Regulation (PBR) which explains how PBR is reflected in its approach to regulation and supervision.
- The *Financial Professionals Title Protection Act, 2019* and related amendments to the *Financial Services Regulatory Authority of Ontario Act, 2016* were proclaimed into force on March 28, 2022, allowing FSRA to formally accept applications from prospective Credentialing Bodies.
- Developing, consulting on, and issuing (finalizing or getting approved) three priority rules under the *Credit Unions and Caisses Populaires Act, 2020*: Sound Business and Financial Practices, Capital Adequacy Requirements, and Liquidity Adequacy Requirements.
- FSRA published reporting requirements for Life and Health Insurance Agents. These standards will help ensure agents comply with legislation and sell products that consumers need and can afford.
- FSRA launched its first two consumer education campaigns - they were centered around Mortgage Brokers and Auto Insurance. The campaigns were composed of earned media, paid media and social media. Overall results of the paid advertising were positive with our program exceeding most industry benchmarks across all media.
- Over the year FSRA continued to update its website with a particular focus on plain language, user-friendly navigation, and design. This included creating new consumer and industry content, new complaint and licensing modules, and the creation of new guidance and forms tables to simplify locating content.

FSRA continued to engage publicly and collaborate with its stakeholders to achieve its objectives including delivery of its priorities and handling of emerging issues, including the engagement with the established Stakeholder Advisory Committees (SACs), Technical Advisory Committees (TACs) and Consumer Advisory Panel (CAP).

FSRA's 2021-2022 revenues increased by \$7.8 million to \$105.5 million primarily due to higher license fees while expenses remained in line with the prior year at \$95.1 million. The resulting surplus for the fiscal year was a \$10.4 million. The Authority ended 2021-2022 with \$77.0 million in cash, against current liabilities of \$43.9 million.

Message from the Chair

It is my pleasure to present the 2021-2022 Annual Report for the Financial Services Regulatory Authority of Ontario. The report provides an overview of the organization's activities and accomplishments over the course of the past fiscal year.

Despite the ongoing global pandemic, FSRA maintained its work to transition operations from its legacy regulators, while initiating new policies and processes. FSRA also continued to monitor the impacts of the COVID-19 pandemic closely, particularly where they have affected the entities and individuals that it regulates, and the financial products and services offered to consumers. Throughout the pandemic, FSRA worked collaboratively with other regulators and regulated entities to identify solutions to emerging issues. Over the past year, the Board worked closely with the FSRA management team to maintain our focus on the 16 priorities set out in the 2021-2024 ABP.

FSRA maintains its commitment to respond rapidly to an evolving commercial and consumer environment. Through the work of the Consumer Office, FSRA has found the role of the CAP to be critical in fulfilling its mandate to protect the public interest. The CAP has provided FSRA with valuable advice on all strategic priorities and has participated in public consultations. In November 2021, the Board conducted targeted consultations with the SACs and the CAP on the proposed Statement of Priorities and the Budget for 2022-2023.

FSRA continued to deliver on its mandate through the development of 6 Rules as noted in the Executive Summary of this report:

- In February 2022, FSRA received approval from the Minister of Finance for its proposed UDAP Rule. The Rule will strengthen the supervision of insurance industry conduct by clearly defining the outcomes that are unfair or otherwise harmful to consumers. The Rule came into force in April 2022 and replaced the existing UDAP Regulation 7/00 under the Insurance Act.
- FSRA developed, consulted on, finalized and issued three priority rules under the *Credit Unions and Caisses Populaires Act, 2020*: Sound Business and Financial Practices, Capital Adequacy Requirements, and Liquidity Adequacy Requirements. These rules, which came into force on March 1, 2022, form a critical component of the new credit union framework and closely align with international best practices.
- FSRA's Financial Professionals Title Protection Rule (FPTP Rule) and a related amendment to the FSRA Fee Rule came into force on March 28, 2022, at the same time that the *Financial Professionals Title Protection Act, 2019* came into force. The FPTP Rule implements the title protection framework for individuals using the Financial Planner and Financial Advisor titles in Ontario, giving consumers greater confidence that the financial professional they are dealing with has a minimum standard of education, is being actively supervised by an approved credentialing body, and is subject to a complaints and discipline process.

On behalf of the Board, I thank our Minister and the Government for the continued

confidence they have placed in the Authority.

During the course of the year, it was my pleasure to assume the Chair of FSRA's Board. I thank Bryan Davies, the inaugural Chair of the FSRA Board, for his services. Appointed in 2017, he played a leadership role in the launch of FSRA, setting a new direction for the regulation of financial services in Ontario. The FSRA Board was pleased to welcome Barbara Bellissimo. She brings to FSRA's Board governance over 30 years of experience in the financial services industry in Canada and the USA. She is also dedicated to the advancement of women in business and was a member and global board member of the International Women's Forum.

In closing, I want to thank members of the public, particularly members of our CAP, SACs, and TACs for your contributions to our work. With a deep appreciation for FSRA staff – which is by far the most important asset of our organization – we are poised for significant growth and impact in the years ahead.

Joanne De Laurentiis

Chair

Financial Services Regulatory Authority of Ontario Board of Directors

Message from the CEO

I am pleased to share a summary of the Financial Services Regulatory Authority of Ontario's accomplishments for the fiscal year 2021-2022. Over the past year, we maintained our focus on the broader objectives of regulatory efficiency and effectiveness, and protecting consumers, while also focusing on priorities that continue to support our regulatory and cultural transformation.

The COVID-19 pandemic continued to present challenges for FSRA and its regulated entities. At its height, the pandemic caused significant disruption in nearly every sector of the Canadian economy. The immediate impact of the pandemic not only represented an unprecedented global health crisis but caused widespread financial hardship for business owners and individuals, contributed to a spike in unemployment, and challenged how consumers accessed goods and services. I thank all FSRA employees for their significant efforts towards achieving our objectives, despite disruptions to our operations.

As indicated in our 2021-2024 ABP, FSRA had a comprehensive list of priorities for the year. FSRA developed a revised Strategic Framework in fiscal year 2021-2022, forming the foundation for our strategic planning through 2025. The Framework reflects FSRA's legislative objects, as well as its Vision and Mission.

It remains our stated objective to continue transforming FSRA into a dynamic, principles-based and outcomes-focused regulator, focused on delivering financial safety, fairness and choice to Ontarians. In alignment with that, we launched our consultation on the proposed guidance that sets out FSRA's approach to PBR, which will enhance consumer protection, facilitate innovation, and ultimately lead to more efficient and effective regulation.

In further support of the 16 priorities, FSRA issued 6 Rules and 21 Guidance documents. FSRA is also continuing its goal of digital transformation by strengthening its core information technology capabilities and building modern, secure, and flexible technology platforms. This will allow FSRA to be more responsive and more adaptable to changing regulatory needs.

FSRA is developing a Whistle-blower program to allow individuals and entities to confidentially provide FSRA with information related to perceived misconduct in the regulated sectors. This program includes developing a portal through which individuals and entities can submit information, and corresponding guidance that details the protections and recourses available to Whistle-blowers.

FSRA is also developing two pieces of Administrative Monetary Penalty (AMP) guidance. AMP Enforcement approach guidance will improve transparency, consistency and certainty whether an AMP is appropriate and provide background on calculating its quantum. The Retained Revenue approach guidance outlines FSRA's approach and governance structure when using collected AMP funds. These increase transparency, consistency, and certainty in determining whether an AMP and its use is appropriate.

Enhancing innovation within the sectors we regulate has also continued to be a priority. Over the last year, we have held consultations with industry stakeholders, government, other regulatory bodies, consumers, innovation centers and financial services sector innovators themselves. These consultations have happened in tandem with our efforts to develop and launch our innovation toolkit.

The Innovation Framework was published in January 2022 following public consultation last Fall, and we thank everyone who provided feedback. The Framework sets clear expectations and guiding principles to help bring innovative products to market in a sustainable, responsible, and accessible way. The Framework is in place to make it easier for industry stakeholders to propose new ideas, products and services while maintaining consumer confidence in financial services.

Our commitment to stakeholder engagement has continued to drive our regulatory activities. FSRA has created new opportunities to dialogue with other consumer stakeholders. Through FSRA's Consumer Office, and with the support of the external members of the independent CAP, FSRA has benefited from consumer stakeholder participation in FSRA consultations. FSRA also established a Consumer Engagement Framework to help consumers understand the financial products and services that FSRA regulates.

Despite the ongoing COVID-19 pandemic, FSRA continues to focus on forward-looking objectives to establish the Authority as an efficient and effective financial services regulator. The achievements outlined in this report reflect our strong commitment to fulfilling our mandate through realizing our mission, vision, and values.

Our cash position remains strong, with \$77.0 million in cash, against current liabilities of \$43.9 million. Revenue growth occurred, with expenses resulting in a surplus of \$10.4 million for the year. This surplus will be available to hold flat, reduce future variable fee assessments and fund future sector initiatives that will improve regulatory efficiency and effectiveness without increasing fees and assessments.

FSRA continues to have a strong working relationship with our colleagues at the Ministry of Finance (MOF), who we appreciate and thank for the excellent feedback, support, collaboration and insight they continue to provide our organization. Many thanks to our dedicated team, the FSRA Board, and our many stakeholders and partners for their hard work and dedication.

Mark E. White
Chief Executive Officer
Financial Services Regulatory Authority of Ontario

About the Financial Services Regulatory Authority of Ontario

FSRA is an independent regulatory agency. It was established in June 2019 to enhance public confidence in non-securities financial services and pensions in Ontario.

Vision

Financial safety, fairness, and choice for Ontarians

Mission

Public service through dynamic, principles-based, and outcomes-focused regulation

Values

Honest, Impactful, Credible, Empathetic, Collaborative, Empowered

Governing Legislation and Mandate

The [Financial Services Regulatory Authority of Ontario Act, 2016 \(FSRA Act\)](#) establishes FSRA's role in regulating non-securities financial services and pensions in Ontario. It sets out powers to administer and enforce the FSRA Act and sector statutes, and outlines FSRA's basic governance and accountability structure.

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

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

FSRA's objects with respect to financial services sectors (e.g., auto insurance, insurance conduct, credit union, mortgage brokering) are:

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

In addition to the objects of general application, FSRA has other objects. With respect to pension plans, they are:

- To promote good administration of pension plans.

- To protect and safeguard the pension benefits and rights of pension plan beneficiaries.

With respect to credit unions/caisses populaires, the objects are:

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

As a result of amendments to the *Co-operative Corporations Act*, which took effect on April 1, 2020, FSRA has direct powers and duties with respect to offering statements. This is reflected in FSRA's additional object, as set out in a regulation under the FSRA Act:

It is an object of the Authority to carry out any functions with respect to offering statements under the *Co-operative Corporations Act* in relation to the powers and duties of the Chief Executive Officer, with respect to offering statements, that are referred to in that Act or delegated or designated under section 1.1 or 1.2 of that Act.

In addition, FSRA has regulatory oversight and enforcement objects with respect to financial planners and advisors, which took effect when the *Financial Professionals Title Protection Act, 2019* and related amendments to the FSRA Act were proclaimed into force on March 28, 2022.

Board Appointments and Remuneration

Name	Date First Appointed	Most Recent Appointment Term	Remuneration (as of April 1, 2022)
Joanne De Laurentiis-Chair	July 26, 2019	June 28, 2021 – June 27, 2024	78,552.00
Kathryn Bouey	June 28, 2017	June 28, 2021 – June 28, 2024	33,512.00
Blair Cowper-Smith	February 28, 2018	February 28, 2020 – February 27, 2023	45,312.00
Lawrence Ritchie	March 12, 2018	March 12, 2022 – March 11, 2025	59,000.00
Brent Zorgdrager	July 26, 2019	July 26, 2021 – July 25, 2024	60,888.00
Joseph Iannicelli	April 9, 2020	April 9, 2020 – April 8, 2023	43,424.00
Stewart Lyons	October 22, 2020	October 22, 2020 – October 21, 2023	24,072.00
Dexter John	January 7, 2021	January 7, 2021 – January 6, 2024	35,638.00
Barbara Bellissimo	August 12, 2021	August 12, 2021 – August 12, 2024	15,104.00
Bryan Davies	June 28, 2017	June 28, 202 – June 27, 2021**	26,040.00
Total			421,540.00

Committees of the Board - Members as of April 1, 2022

*Committees where FSRA Chair is *ex-officio* member

**Retired

Technology Transformation Committee

Kathryn Bouey – Chair
Barbara Bellissimo
Joanne De Laurentiis*
Joseph Iannicelli
Stewart Lyons

Human Resources Committee

Joseph Iannicelli – Chair
Dexter John
Joanne De Laurentiis*
Kathryn Bouey

Audit and Finance Committee

Brent Zorgdrager – Chair
Joanne De Laurentiis*
Joseph Iannicelli
Kathryn Bouey
Stewart Lyons

Governance Committee

Blair Cowper-Smith – Chair
Brent Zorgdrager
Dexter John
Joanne De Laurentiis*
Lawrence Ritchie

Rules and Policy Committee

Lawrence Ritchie – Chair
Barbara Bellissimo
Blair Cowper-Smith
Joanne De Laurentiis*

PBGF Committee

Dexter John – Chair
Blair Cowper-Smith
Brent Zorgdrager
Joanne De Laurentiis*
Lawrence Ritchie

DIRF Committee

Stewart Lyons – Chair
Brent Zorgdrager
Joanne De Laurentiis*
Kathryn Bouey

Designated Committee***

Lawrence Ritchie - Chair
Brent Zorgdrager
Dexter John
Joanne De Laurentiis*
Joseph Iannicelli

***Special Committee of the Board formed to assist the Board in the oversight of the administration and resolution of PACE Credit Union.

Overview of Key Activities in 2021-2022

FSRA's 2021-2024 ABP was approved by the Minister of Finance on April 23, 2021. The ABP identified 16 priorities, which formed the basis of our key activities in 2021-2022. This section highlights them by sector.

Cross-sectoral

Regulatory Efficiency & Effectiveness

FSRA's cross-sector priorities continued to enhance regulatory efficiency and effectiveness, further FSRA's innovation objectives, and improve financial safety, fairness, and choice for consumers.

2021-2022 Highlights

- In fiscal 2021-2022 under the inherited guidance project, FSRA transitioned 387 of the remaining 597 inherited guidance pieces (over 64%) to inactive status. 355 of these guidance pieces were labeled expired or not applicable with 20 items transitioning to the FSRA website and 12 pieces being replaced by new FSRA guidance. The remaining 210 inherited guidance pieces were assigned a review date and their content and status will be assessed again within the next five years in accordance with the FSRA guidance framework.
- FSRA completed one full year of tracking and reporting on its service standards. FSRA met or is exceeding its service standard targets for 81% of its standards.
- Enabled meaningful consumer participation in the policy process through the leadership of the Consumer Office and CAP.
 - During its 2021-2022 term, the CAP participated in six official meetings as well as targeted ad hoc meetings. The CAP also met with FSRA's Board of Directors to discuss the 2022-2023 Statement of Priorities and FSRA's consumer protection initiatives more broadly.
 - The CAP made four independent submissions to FSRA's public consultations on specific and multi-sector items.
 - In November 2021, FSRA sought new members for the CAP and feedback on the CAP's Terms of Reference (TOR). In response and in consideration of public feedback, FSRA made amendments to the TOR, including incorporating a new position, the CAP Chair, to provide leadership to the CAP and ensure it performs its mandate and maintains effective relationships. FSRA also formalized working groups under the CAP to focus expertise.
- The Consumer Office also developed a policy framework and principles for complaint handling to guide future work on complaints. It also supported pilot projects using an internal framework on effective consumer disclosures.
- FSRA implemented collaboration and productivity technologies (including Microsoft 365, Contact Centre, and Telephony), digitized, or archived all the paper-based documents, and initiated activities to modernize core regulatory processes and systems.

- FSRA published an Innovation Framework that sets the groundwork for how it will identify, manage, and deliver opportunities to enable innovation in the regulated sectors.
- FSRA developed guidance (in consultation) on PBR. The guidance outlines how PBR is reflected in FSRA’s approach to regulation and supervision. It also introduces FSRA’s “Framework Principles” that FSRA will use to guide its regulatory approach.
- FSRA is developing two pieces of guidance related to Administrative Monetary Penalties (AMPs):
 - The “Enforcement Interpretation and Approach: Administrative Penalties” guidance outlines the purposes for which AMPs can be imposed under FSRA’s primary sector statutes. The guidance will apply to all sectors where the Chief Executive Officer of FSRA has the authority to impose AMPs and will create a uniform approach to the interpretation and application of the statutory purposes and principles for increased transparency, consistency, and certainty in determining whether an AMP is appropriate and calculating its quantum.
 - Use of Retained Revenues under Regulation “Money Retained Outside the Consolidated Revenue Fund” Guidance will be released April 2022. This approach guidance will outline the governance structure surrounding how FSRA will use the AMPs collected.

Property and Casualty (P&C)/Auto Insurance

The P&C/Auto insurance sector provides insurance products designed to protect people who own a home, vehicle, business or have associated liabilities against financial loss related to many different risks. Ontario’s P&C insurance sector represents nearly \$31 billion in direct written premiums, 50 per cent of which are derived from auto insurance. FSRA’s role includes:

- Licensing P&C insurance companies, independent adjusters and agents that sell P&C insurance in Ontario to ensure they comply with the law.
- Regulating the business conduct of insurance companies, agents, and adjusters to ensure the fair treatment of consumers throughout the product lifecycle.
- Conducting prudential regulation of Ontario-incorporated insurance companies.
- Examining the affairs of the Registered Insurance Brokers of Ontario and Facility Association including reporting results to the Minister.

FSRA also carries out additional functions specific to Ontario’s auto insurance system including regulating auto insurance products, rating, and underwriting.

2021-2022 Highlights

FSRA has continued to advance work on transformational priorities in the P&C/auto insurance sector while supporting the public interest in relation to the COVID-19 pandemic.

- In February 2022, FSRA received approval from the Minister of Finance for its proposed UDAP Rule. The Rule will strengthen the supervision of insurance industry conduct by clearly defining the outcomes that are unfair or otherwise harmful to consumers. The Rule is now in force, as of April 2022, and replaces the UDAP Regulation 7/00 under the Insurance Act.
- In November 2021, as part of a larger thematic review, FSRA issued “Take-All-Comers” guidance to reiterate and build on the Financial Services Commission of Ontario’s (FSCO) previous Guidance that auto insurance providers are required by law to provide all Ontario consumers with access to timely auto insurance quotes and the lowest rates available to them. The “Take All Comers” guidance will lead to strengthened conduct standards and fairer treatment of consumers.
- In December 2021, FSRA consulted on three proposed Guidance documents. Together, they aim to further strengthen consumer protection by making auto insurance processes more transparent, effective, and efficient.
 - Operational Risk Management guidance aims to ensure that consumers are being charged just, reasonable, and accurate rates, and being treated fairly in the underwriting process.
 - Reporting and Resolution of Automobile Insurance Rating and Underwriting Errors guidance clarifies FSRA’s requirements of auto insurers when rating and underwriting errors occur.
 - Forms and Endorsements Approval Filing Process guidance introduces a streamlined process that reduces regulatory burden and improves approval timelines for non-standard forms and endorsements. The process will also shorten the time to market for insurers introducing new and innovative products for consumers.
- In December 2021, FSRA updated auto policy forms to align with changes made to the delivery of termination notices. They now include electronic communication and pre-paid courier as valid notices of termination of auto insurance contracts.
- In January 2022, FSRA released Guidance on Test and Learn Environments (TLEs) for Financial Services Innovation, which is being piloted in the automobile insurance sector. The Auto Insurance TLE enables participants to test innovative, consumer-focused solutions while protecting consumers against undesirable outcomes.
- In November 2021, FSRA announced members of a new TAC for Insurance Prudential Regulation and Supervision. This committee will play an important role in enhancing FSRA’s regulatory effectiveness and promoting a safe and sound provincially regulated insurance sector.
- FSRA has initiated the development of a new Insurance Prudential Supervisory Framework for Ontario-incorporated insurance companies and has met twice with the Insurance Prudential Regulation and Supervision TAC for key input.
- Between mid-February and the end of March 2022, FSRA conducted a Consumer Education Campaign which encouraged drivers to shop around to get the best auto insurance rate and coverage for them. The campaign consisted of paid advertising, media coverage and social media on various platforms.
- The second Consumer Online Reference Panel for Auto Insurance was established, providing advice to FSRA on how it can improve auto insurance regulation to enhance consumer choice and experience.

Health Service Providers

The Health Service Provider (HSP) sector consists of over 5,750 licensed health service providers who receive direct payment from auto insurance companies for statutory accident benefits claims through the Health Claims for Auto Insurance system. FSRA's role includes:

- Licensing health service providers to use a centralized billing system.
- Regulating the business and billing practices of licensed service providers.
- Collecting information about licensed health service providers' business systems and practices through an Annual Information Return.

2021-2022 Highlights

FSRA's HSP Supervision activities focused on protecting consumers by promoting high standards of business conduct and transparency within the HSP Sector. FSRA reviews activities of licenced HSPs who directly bill auto insurers, including:

- Supervising business systems and practices related to the Health Claims for Auto Insurance billing system used by health service providers receiving direct payment from insurers in relation to Statutory Accident Benefits Schedules.
- Collecting information about HSP licensees through the Annual Information Return.
- Enhancing risk-based supervision of HSPs to reduce fraud by fostering compliance and awareness in the sector so that auto insurance rates aren't increased unnecessarily.

Credit Unions and Caisses Populaires¹

Credit unions are co-operative, deposit-taking financial institutions. They are owned by their members, who are also their primary customers. Ontario's credit union sector includes over 1.72 million members, over 7,300 staff and over \$83 billion in assets.² Credit unions range in size from \$8 million to \$22 billion in total assets. FSRA's role in the sector includes:

- Incorporating credit unions and reviewing the related documentation.
- Reviewing and approving new business activities, investment activities, and proposed transactions involving credit unions, such as mergers, amalgamations and the purchase or sale of material assets.
- Prudential oversight of credit unions to minimize the risk of loss to depositors and the DIRF. This helps to foster a strong, stable sector by ensuring that credit unions comply with the capital and liquidity requirements in the *Credit Unions and Caisses Populaires Act, 2020* (CUCPA 2020), as well as related rules and regulations.

¹ In this section, the term "credit unions" will be used to refer to both credit unions and caisses populaires. [In other sections, both terms are used – see p. 7, for example.]

² Total assets for the credit union sector are an unconsolidated number

- Regulating the conduct of credit unions (e.g., by ensuring that they comply with sound business and financial practices and adhere to their market conduct codes as required under the CUCPA 2020). This will help make sure members are treated fairly and their complaints are handled in an appropriate manner.

2021-2022 Highlights

FSRA contributed to the modernization of Ontario's credit union framework, including promoting enhanced risk management practices and promoting sector stability, through the development of rules and guidance in accordance with a multi-year work plan that was developed by FSRA and key participants in the credit union sector. Some key accomplishments include:

- Supporting the MOF in developing the regulations under the CUCPA 2020, so that it was able to be proclaimed into force by the government on March 1, 2022. The CUCPA 2020, which replaced the CUCPA 1994 on that date, creates a more modern and flexible legislative framework for credit unions.
- Developing, consulting on, finalizing and issuing three priority rules under the CUCPA 2020: Sound Business and Financial Practices, Capital Adequacy Requirements, and Liquidity Adequacy Requirements. These rules, which came into force on March 1, 2022, form a critical component of the new credit union framework and closely align with international best practices. They enhance requirements for credit unions with respect to corporate governance, risk management practices, and capital and liquidity adequacy.
- Issuing the following guidance after consulting with the credit union sector and the public:
 - Recovery Planning guidance to enhance credit unions' crisis preparedness and increase their resiliency by developing credible recovery plans that consider adverse scenarios and develop strategies to recover from adversity.
 - Market Conduct Framework (MCF) guidance to promote high standards of business conduct and protect members and customers. The MCF guidance interprets the requirement in the CUCPA 2020 for credit unions to adopt and adhere to a code of market conduct and sets out FSRA's approach to supervision and enforcement against such codes.
 - Risk Based Supervisory Framework (RBSF) guidance sets out FSRA's approach to supervision and its practices and processes for determining a credit union's overall risk profile.
- Initiating consultations with the sector with respect to the following proposed guidance:
 - Proposed Resolution Planning guidance which sets out the principles of effective resolution planning and provides an interpretation of requirements for large credit unions to have resolution plans in place. Key aspects include resolution strategies, feasibility of operational continuity and mitigation plans, and the roles and responsibilities of a credit union's management and board.
 - Proposed Approval or Authorization of Business and Investment Activities guidance which sets out FSRA's approach to reviewing and considering

applications by credit unions for new business and investment activities, variations, and extensions under the CUCPA 2020. Its intention is to provide clarity and transparency with respect to the approvals process and promote alignment between proposed activities and the credit union's business and governance models.

- Creating and working with three TACs to strengthen the credit union sector and FSRA's processes and oversight:
 - Establishing a new TAC for Credit Union Data Strategy and Digital Transformation. This Committee plays an important role in enhancing FSRA's credit union regulatory efficiency and effectiveness through data and analytics. FSRA's future data and analytics capability is important in supporting major FSRA priorities such as the Risk Based Supervisory Framework, DIRF Adequacy, sound risk management, and innovation.
 - Establishing a new TAC for Credit Union Supervisory and Regulatory Initiatives. The Committee plays an important role in providing input to improve FSRA's regulatory efficiency and promote safety and soundness of the credit union sector by providing expert insight and advice on new guidance, rules, and other initiatives.
 - Establishing a new TAC for the DIRF. The adequacy of the DIRF is essential to the safety and soundness of the credit union sector. The Committee will provide expert insight as FSRA seeks to evolve its approach, tools and processes related to the DIRF. The Committee will advise on initiatives such as the DIRF Adequacy Assessment Framework, deposit insurance Differential Premium Score determination framework, and other key projects.
- Enhancing financial stability structures by ensuring that Ontario's credit unions have access to a source of reliable emergency liquidity in the event of an extreme liquidity stress event. The Government of Ontario has extended FSRA's existing temporary line of credit of \$2 billion to December 17, 2022, which may be used to provide emergency liquidity to Ontario credit unions. FSRA is working with national and provincial entities to identify and operationalize a permanent source of emergency liquidity for Ontario's credit unions.

Life and Health Insurance

Ontario's life and health (L&H) insurance industry represents over \$31.0 billion in direct premiums annually. The sector provides comprehensive insurance and related investment products to help individuals protect key aspects of their lives against risk of loss. The L&H insurance sector includes over 98 insurers, 56,540 agents and 6,115 corporate agencies.

FSRA's role in the L&H sector includes:

- Licensing life insurance companies and agents that sell life and health insurance in Ontario, to ensure they comply with the law.
- Regulating the conduct of insurance companies and agents, to ensure the fair treatment of consumers throughout the entire product lifecycle.

2021-2022 Highlights

Ensuring consumer protection and public confidence in the L&H insurance industry is critical. FSRA took the following steps to enhance the oversight of market conduct in 2021-2022:

- In May 2021, FSRA published an update on the need for insurance agents to treat consumers fairly and in accordance with the *Insurance Act* and its regulations. The publication also reminded insurance companies to monitor agent conduct and report unsuitable agents to FSRA. They may do so using a Life Agent Reporting Form (LARF). From April 1, 2020, to March 31, 2021, FSRA received and reviewed 57 LARFs. In 78% of cases, FSRA escalated for further investigation, issued a letter of warning, or required a license to be surrendered.
- In July 2021, FSRA published a report on its review of life insurers' compliance frameworks for supervising Managing General Agencies (MGAs). FSRA is using the observations and findings from the review to develop a proposed regulatory framework and supervisory approach for distribution channels that rely on MGAs. This work was also discussed and considered by the MGA TAC during the year.
- In October 2021, the Canadian Council of Insurance Regulators (CCIR), of which FSRA is a member, published key observations on life and health insurers' adoption of Fair Treatment of Customers principles. The report included observations and recommendations relating to corporate governance and culture, agent training and the disclosure of consumer information.
- In February 2022, FSRA published reporting requirements for Life and Health Insurance Agents. These standards will help ensure agents comply with legislation and sell products that consumers need and can afford. The new guidance outlined three reporting requirements for life agents relating to errors and omissions insurance, continuing education credits, and agents' contracted insurers.
- In February 2022, CCIR and the Canadian Insurance Services Regulatory Organizations (CISRO) published for comment the proposed Incentives Management Guidance. The proposed guidance sets out expectations for insurers and intermediaries that pay compensation and/or design incentive arrangements related to the sale and servicing of insurance products. It is intended to ensure incentive arrangements align with the principles set out in the CCIR/CISRO Fair Treatment of Customers guidance.
- In February 2022, CCIR and CISRO issued a press release urging insurers to refrain from new sales involving deferred sales charges (DSCs) in segregated fund contracts, in line with the June 1, 2022, ban on new DSCs for investment funds. CCIR and CISRO announced that they expect new DSC sales in segregated fund contracts to cease by June 1, 2023. FSRA and insurance regulators across Canada believe this type of sales charge is not consistent with treating customers fairly. CCIR and CISRO also announced that a joint public consultation about other upfront commissions paid on individual segregated fund sales will be launched later in 2022. CCIR and CISRO will issue new guidance based on this consultation.
- In March 2022, FSRA released a report on the implementation of its first Life and Health Agent Supervisory Framework. The framework helps ensure Life agents in

Ontario are subject to proactive supervision, which will promote transparency and disclosure of information, while deterring deceptive or fraudulent conduct, practices, and activities.

- In 2021-2022, CISRO, of which FSRA is a member, consulted on proposed Principles of Conduct for Intermediaries (CISRO Principles) for insurance intermediaries. The CISRO Principles reflect minimum conduct standards that are common across Canada regarding the fair treatment of customers. They are intended to supplement the CCIR and CISRO Fair Treatment of Customers guidance.

Mortgage Brokering

In 2020, mortgage brokers arranged over 377,000 mortgages, valued at approximately \$172 billion³. Mortgage administrators administer over 814,000 mortgages valued at approximately \$307 billion⁴. The sector currently represents 240 mortgage administrators and 1,260 mortgage brokerages (employing 13,260 mortgage agents and 2,699 mortgage brokers).

FSRA's role in the mortgage brokering industry includes:

- Licensing mortgage brokerages, agents, brokers, and administrators.
- Regulating the conduct of licensees through monitoring and enforcing compliance with the *Mortgage Brokerages, Lenders and Administrators Act, 2006* (MBLAA).

2021-2022 Highlights

In 2021-2022, FSRA continued to enhance market conduct oversight in the mortgage brokering sector to protect consumers and investors.

- In July 2021, FSRA launched its inaugural *Mortgage Brokering – News You Need* newsletter. The second volume was released in February 2022. The newsletter will continue to be released twice annually to strengthen the conduct and reputation of the industry by helping those in the mortgage brokering and administration sector stay informed about FSRA's views and expectations.
- Effective July 1, 2021, in collaboration with the MOF and the Ontario Securities Commission, FSRA implemented a new regulatory regime for the sale of non-qualifying syndicated mortgage investments (SMIs) to less sophisticated (e.g., retail) investors to ensure consistent investor protection similar to securities. FSRA also posted final guidance on its supervision approach for SMIs that remain under FSRA oversight.
- In August 2021, FSRA released its final guidance for the adoption of the MBRCC National Code of Conduct into FSRA's regulatory framework. The Code of Conduct makes it easy for consumers to understand what is expected of the sector to

³ Business volume reported is based on 2020 Annual Information Return filed by mortgage brokerages during the 2021 calendar year.

⁴ Business volume reported is based on 2020 Annual Information Return filed by mortgage administrators during the 2021 the calendar year.

provide better service. In support of this initiative, in November 2021, FSRA launched a “Your Mortgage Matters” education campaign to help consumers understand what they should expect when working with a FSRA-licensed mortgage professional. This included paid advertising, media coverage, social media and a consumer checklist with key questions to ask a licensee to ensure they are following the Code of Conduct.

Through 2020 and 2021, the number of new mortgage agent licence applications increased by more than 30% compared to prior years. The number of mortgage broker and mortgage brokerage applications also increased. As a result, FSRA took steps to reduce turnaround times. In the third quarter, FSRA issued 93% of complete licence applications within 10 days of receipt and contacted 79% of applicants with an identified suitability issue within 10 days of assignment to a specialist. This compares to 24% and 49% respectively in the first quarter.

FSRA supported the MOF with the implementation of the recommendations from the legislative review of the MBLAA. This included publicly consulting on and finalizing guidance that supports the following changes:

- In November 2021, FSRA adopted the MBRCC’s Education and Accreditation Standards. FSRA uses the standards for the approval of licensing courses and supporting enhanced education for the sector.
- In January 2022, FSRA signed a contract with Teranet Inc. to obtain access to land registry data. The data will provide insights on private mortgage lenders’ participation in Ontario’s housing market, to support effective evidence-based regulatory decision making.
- In February 2022, the government introduced a new licensing exemption for Permitted Clients that are not individuals. This change enables FSRA to focus its resources on protecting consumers.
- In February 2022, FSRA launched a public consultation on guidance that proposed new licensing requirements based on a new license category for mortgage agents transacting in private mortgages. The consultation was concurrent with the government’s proposed regulatory amendments to introduce the new license category. This consultation followed multiple stakeholder roundtable consultations late in 2021.

Pensions

Pensions represent a significant financial asset for many Ontarians. There are 2.2 million active and 1.8 million retired members in plans that vary by size and type. Most members and assets remain in defined benefit plans (with assets of approximately \$641B in Defined Benefit (DB) plans, \$128 billion in target benefit plans, and \$29 billion in Defined Contribution (DC) plans). FSRA engages the MOF and other external stakeholders to ensure appropriate oversight of the pension sector to protect members’ rights and support the viability, growth, and sustainability of pension plans in Ontario through supervising plans to ensure good administration.

2021-2022 Highlights

Throughout 2021-2022, FSRA made significant progress on its priorities of supporting plan flexibility, evolution, and principles-based applications within the existing regulatory and legislative regime, develop and consult on prudential supervision framework and to refocus pension regulation to improve regulatory efficiency and effectiveness.

FSRA has continued to engage with a variety of stakeholders. Through the work of special purpose and Standing Technical Advisory Committees (STACs), FSRA:

- Issued new guidance in June of 2021 advising how plan actuaries should address a specific Bank of Canada retroactive revision to real return bond data.
- Issued new Guidance in July 2021 on Plan administrator Roles and Responsibilities.
- Issued new Guidance in November of 2021 on Auto Enrollment Features in DC pension plans.
- Issued new Guidance in November 2021 on marriage breakdown pension requirements, accompanied by a new easy-to-read member-focused guide to help spouses navigating these issues.
- Made our data collection exercise mandatory to, among other things, identify the numbers of missing beneficiaries and value of their pensions.
- Completed the mandate of our committee established jointly with the Office of the Superintendent for Financial Institutions (OSFI), focused on the regulation of defined contribution pension plans.
- Continued leadership through Canadian Association of Pension Supervisory Authorities (CAPSA) to harmonize regulatory effectiveness, across the pension landscape in Canada.
- Completed the mandate of our committee established to identify ways, within the regulatory framework, to foster a vibrant employment-based pension pillar in Ontario.

In 2020, as part of the Ontario Government's commitment to reduce regulatory burden, Bill 213 amended the *Pensions Benefit Act* (PBA) to permit certain individual pension plans (IPPs) and designated plans (DPs) that had connected members the ability to opt out of the PBA and regulation by FSRA. FSRA received over 2,000 applications from pension plans requesting to opt out of the PBA. All applications received in 2021 have been processed and the related plans deregistered.

FSRA launched several new Pension Services Portal (PSP) enhancements to improve our regulatory efficiency and effectiveness. FSRA continued to collect meaningful data and move all our applications online. This digital transformation effort included 14 new online applications made simple, the collection of additional PBGF data to better estimate the PBGF's exposure to future claims, and the appropriate level of funding by employer sponsors. It also included a new Registration of Amendment form and automated process providing opportunity for auto registration of easy, "housekeeping" type plan amendments.

FSRA reviewed the risk management practices for alternative assets of Ontario's six largest public sector pension plans. These plans were reviewed in response to the International Monetary Fund's stability assessment of Canada's financial system. FSRA summarized in a report to the entire sector the leading practices with respect to the management alternative assets as observed from these large public sector plans. In addition, FSRA continues to work with these plans to review their systemic risk, if any, including liquidity and other investment risk and their risk management and governance protocols and practices.

Following the issuance of a Guideline about Leading Practices of Defined Benefit Multi-Employer Pension Plans early in 2021, FSRA developed a framework, and began, to benchmark these plans against the leading practices identified in the Guideline.

FSRA has also commenced the building out of its predictive and analytical capacity to improve risk scenario modeling of the PBGF.

Co-operative Corporations

There are approximately 1,800 co-operative corporations (co-ops) in Ontario, which operate in a variety of industries (e.g., housing, agriculture, daycare, etc.). FSRA aims to better protect co-op members and investors who purchase shares in co-ops. FSRA's role in the sector is limited to carrying out powers and duties under the *Co-operative Corporations Act* related to offering statements issued by co-ops when raising capital from investors.

2021-2022 Highlights

- FSRA reviewed 15 offering statements in the 2021-2022 financial year, 10 of which were receipted by FSRA's CEO. Four additional offering statements were receipted in 2021-2022 that were filed with FSRA in the previous financial year (2020-2021).

Financial Planners/Financial Advisors

In 2021-2022, FSRA successfully implemented the Financial Professionals Title Protection Framework (FPTPF).

The FPTPF limits the use of the financial planner (FP) and financial advisor (FA) titles in Ontario. Only individuals who have obtained a credential from a FSRA-approved credentialing body are able to use the FP/FA titles.

The goal of the FPTPF is to ensure that individuals using these titles have a minimum standard of education, are being actively supervised and are subject to a complaints and discipline process. This will help promote consistency, professionalism, and confidence among those offering financial planning and advisory services, while offering consumers greater clarity by ending confusion around the wide array of titles and credentials being used within the financial services marketplace.

2021-2022 Highlights

- In May 2021, FSRA released the FPTP Rule for a second round of consultation. The FPTP Rule outlines the parameters for the implementation of the FP/FA title protection framework, and establishes:
 - Approval criteria for credentialing bodies, to ensure the effective administration of a credentialing program.
 - Approval criteria for a credentialing body to issue FP/FA credentials, to establish a consistent minimum standard for title users.
 - The application processes.
 - Transition periods for individuals already using the FP/FA titles.
- To support the second public consultation on the FPTP Rule, FSRA hosted a live webinar in May 2021 to provide additional detail on the amendments to the FPTPF.
- In July 2021, FSRA posted amendments to the FSRA Fee Rule for a 90-day public comment period. The amendments establish the fee structure for the FPTPF.
- In November 2021, FSRA posted draft guidance for a 28-day public comment period. The guidance documents outline FSRA's approach to administering applications and supervising the sector under the FPTPF.
- During the consultation periods, FSRA met with various stakeholders, including consumer/investor advocates, industry/trade associations, professional/designation bodies, and other regulatory bodies. After evaluating stakeholder feedback, FSRA made immaterial amendments to the FPTP Rule and amended the FSRA Fee Rule.
- FSRA submitted the Rules to the Minister of Finance for approval in January 2022.
- In February 2022, FSRA posted the final versions of the guidance documents on its website.
- In February 2022, FSRA began working with prospective credentialing bodies to provide guidance and clarification on FSRA's administration of credentialing body applications.
- The *Financial Professionals Title Protection Act, 2019* and related amendments to the FSRA Act were proclaimed into force on March 28, 2022, allowing FSRA to formally accept applications from prospective Credentialing Bodies.
- The Financial Planner/Financial Advisor Title Protection framework was finalized in March and was largely well-received by stakeholders and well reported in the press (e.g., FSRA key messages carried across all stories). Over ninety media pitches were made resulting in 132 total mentions, including coverage in the Globe and Mail, Toronto Star, Canadian Press and 680 News.

Gaining Valuable Input and Perspectives to Inform FSRA’s Direction

Consultation is a critical component of everything FSRA does, and it goes far beyond just listening. It is about considering different perspectives, informing direction, and potentially adjusting course as new and innovative ideas are implemented.

One of FSRA’s key objects is to “promote transparency and disclosure of information about the regulated sectors”. This is a clear demonstration of how serious the organization takes its interaction with industry experts and consumers. Their ideas, thoughts and concerns matter and influence FSRA’s day-to-day decision making.

In May and August 2021, FSRA conducted an online survey with stakeholders from every sector the organization regulates, receiving over 3,000 responses. Of the changes it has sought to bring to financial services regulation, stakeholders felt FSRA has delivered most on:

- Promoting high standards of business conduct
- Prioritizing consumer protection
- Being a principles-based regulator

Overall, stakeholders were pleased with the information they receive from FSRA with the vast majority feeling they receive the right number of communications such as e-blasts, and many appreciated the website’s plain language and ease of understanding.

Stakeholders were generally complimentary of FSRA’s consultation processes, with strongest agreement that the consultation process is an efficient way to obtain feedback. The results of the online survey were presented as ratios and the numbers can be interpreted as follows: In the category “promoting high standards of business conduct” - for every one person who disagrees with this statement, 7.2 people agree.

Ratio	Category
7.2:1	Promoting high standards of business conduct
6.7:1	Prioritizing consumer protection
6.6:1	Operating as a principles-based regulator
3.6:1	Increasing regulatory effectiveness
8.1:1	Promoting good administration of insurance and Pensions Plans
3.5:1	Encouraging innovation
3.7:1	Responding to market changes quickly
4.1:1	Fostering a sustainable, competitive financial services sector
2:1	Reducing the regulatory burden

In July and August 2021 FSRA also conducted interviews with many SAC members. They were complimentary of FSRA’s transition as regulator and attributed much of its success to

strong executive leadership, including the Board. The SAC members applauded FSRA’s engagement efforts but see them as a work in progress.

Learnings from the stakeholder survey and SAC interviews are being implemented now. Each regulatory sector has completed a deep dive on the findings to determine how to continue to improve engagement and sector understanding of FSRA’s work going forward. The next sector survey will be in 2023.

To ensure engagement is consistent and meaningful at all levels of the organization, FSRA has defined and implemented multiple committees and panels for key stakeholders. These include the following groups:

- Six SACs to serve as consultation bodies to the Board on FSRA’s priorities, budget, PBR and other matters as the Board or management deems appropriate.
- Four STACs for the Pensions sector, to help us improve our processes and approaches to regulation, and to reduce regulatory burden.
- A Retiree Advisory Panel that acts as an advisory body to FSRA, providing external input and personal experience from the retiree perspective.
- 16 TACs to tackle ad hoc matters affecting the Pensions, Mortgage Brokering, Life and Health Insurance and Auto Insurance sectors.
- A CAP to provide consumer perspectives on proposed FSRA policy changes, help inform FSRA’s strategic approach to consumer-focused research and engagement and advise on emerging consumer issues and trends.
- The second Consumer Online Reference Panel for Auto Insurance was established, providing advice to FSRA on how it can improve auto insurance regulation to enhance consumer choice and experience.

During this fiscal year, FSRA published feedback received from 29 public consultations. This input influenced the development of most of our proposed guidance resulting in products that were more focused and relevant to our regulated sectors and consumers. FSRA also received feedback on the development of our 2022-20223 Statement of Priorities, which is included in the ABP.

FSRA will continue to consult specialized and ad hoc groups to increase engagement with consumers. This will provide ongoing support to the organization’s regulatory framework, enhance service standards, and deliver on its mandate.

Consultations held in fiscal year 2021-2022

Sector	Consultation Title	Type	Consultation Date
Auto Insurance	Ontario Private Passenger Vehicles Annual Review	Supervision	July 26 – August 13, 2021
Auto Insurance	Innovation Framework for Public Consultation	Policy	October 21 – November 18, 2021
Auto Insurance	Proposed Guidance for Reporting and Resolution of Automobile	Policy	December 8, 2021 – February 25, 2021

	Insurance Rating and Underwriting Errors		
Auto Insurance	Proposed Guidance for Operational Risk Management Framework in Rating and Underwriting of Automobile Insurance	Policy	December 8, 2021 – February 25, 2021
Auto Insurance	Proposed Guidance for Automobile Insurance Non-Standard Forms, Endorsements and Certificates of Insurance Approval Filing Process	Policy	December 8, 2021 – February 25, 2021
Credit Union and Caisses Populaires	Proposed Capital Adequacy Requirements for Credit Unions and Caisses Populaires Rule	Policy	June 14 – September 14, 2021
Credit Union and Caisses Populaires	Proposed Liquidity Adequacy Requirements for Credit Unions and Caisses Populaires Rule	Policy	June 14 – September 14, 2021
Credit Union and Caisses Populaires	Proposed Sound Business and Financial Practices of Credit Unions and Caisses Populaires Rule	Policy	June 14 – September 14, 2021
Credit Union and Caisses Populaires	Credit Union Market Conduct Framework Approach and Interpretation Guidance	Policy	June 28 – August 21, 2021
Credit Union and Caisses Populaires	Deposit Insurance Reserve Fund (DIRF) Adequacy Assessment Framework Consultation	Policy	August 3 – September 9, 2021
Credit Union and Caisses Populaires	New Risk Based Supervisory Framework for Credit Unions	Supervision	December 13, 2021 – February 4, 2022
Credit Union and Caisses Populaires	Proposed Resolution Planning Guidance	Policy	January 5 – February 18, 2022
Credit Union and Caisses Populaires	Proposed Business and Investment Activities Guidance	Supervision	February 17 – March 31, 2022
Financial Planners and Advisors	Financial Professionals Title Protection Rule and Guidance second consultation	Rule	May 11 – June 21, 2021
Financial Planners and Advisors	Amendments to the FSRA Fee Rule to create the FP/FA fee structure	Rule	July 21 – October 2021

Financial Planners and Advisors	Updated Proposed Financial Professionals Title Protection Application Guidance and Proposed Supervision Guidance	Policy	November 15 – December 13, 2021
General Regulatory	Proposed Unfair or Deceptive Acts or Practices (UDAP) Rule	Rule	July 14 – August 11, 2021
General Regulatory	Proposed Approach to Communicating Enforcement Actions	Policy	August 10 – September 24, 2021
General Regulatory	FSRA Proposed 2022-23 Statement of Priorities Consultation	Priorities/ Budget	October 7 – October 29, 2021
General Regulatory	Terms of Reference for FSRA's Consumer Advisory Panel	Policy	November 2 – December 1, 2021
General Regulatory	Test and Learn Environment (TLE) Guidance	Policy	January 24 – December 31, 2022
General Regulatory	Proposed Principles-based Regulation Approach Guidance	Policy	March 16 – April 29, 2022
Life and Health Insurance	Life Agent Reporting and Insurer Oversight Obligations Guidance	Policy	September 9 – October 8, 2021
Mortgage Brokering	Proposed Guidance on Accreditation of Licensing Courses for the Mortgage Brokering Sector	Policy	July 27 – September 7, 2021
Mortgage Brokering	License Exemption Guidance for Mortgage Transactions Between Sophisticated Entities	Policy	August 18 – October 8, 2021
Mortgage Brokering	Guidance for Detecting and Preventing Mortgage Fraud	Policy	December 7, 2021 – January 19, 2022
Mortgage Brokering	Proposed New Mortgage Agent and Broker Licensing Requirements	Policy	February 11 – March 14, 2022
Pension	Consultation on proposed Guidance: Administration of Pension Benefits Upon Marriage Breakdown	Policy	March 18 – May 3, 2021
Pension	Proposed Guidance: Pension Benefits Guarantee Fund Assessment Calculations and Deadlines	Policy	February 14 – March 14, 2022

Strategic Priorities

FSRA Priorities 2021-2022 – Year-End Assessment Scorecard

The Financial Services Regulatory Authority of Ontario (FSRA) is an independent regulatory agency overseeing pensions and non-securities financial services including property and casualty insurance, life and health insurance, credit unions, mortgage brokers, loan and trust companies, and Financial Planners and Financial Advisors. FSRA plays an important role in the lives of people from all walks of life.

As a principles-based and outcomes-focused regulator, looking out for consumers is the top priority. FSRA is taking deliberate action to protect people's interests and rights through regulation, supervision, rule making, enforcement and consumer education. It is also making considerable progress to regulate effectively and efficiently and make life easier for financial services providers and consumers.

FSRA initiated operations in June 2019 and the agency has been making steady progress since that time. In this year's assessment scorecard, people will be able to see the priorities that were set out in the Annual Business Plan and the progress that has been made to achieve these priorities. Some of the accomplishments over the past fiscal year include:


- Protecting the public interest by finalizing and publishing a consumer complaints framework.
- Enhancing innovation by launching a test and learn environment for auto insurance.
- Modernizing systems and processes by beginning to simplify and fully digitize FSRA operations.
- Continuing to transition to Principles-Based Regulation by developing and releasing guidance on FSRA's principles-based approach.
- Empowering and protecting insurance consumers by implementing the Unfair or Deceptive Acts or Practices (UDAP) Rule.
- Supporting the modernization of the Credit Union sector by issuing rules on capital and liquidity, and on sound business and financial practices, to work with CUCPA 2020.
- Enhancing market conduct oversight to protect consumers by adopting the Canadian Insurance Services Regulatory Organizations principles of conduct and implementing new classes of licensing for the Mortgage Brokering Sector.
- Pro-actively engaging with large public sector pension plans to understand and gain insights into their risk management activities.
- Implementing the Title Protection Framework for Financial Planners and Financial Advisors to ensure such financial services professionals have a minimum standard of education, are being actively supervised, and are subject to a complaints and discipline process.


FSRA's responsibilities to the financial services consumers in Ontario are significant and the agency takes them very seriously. FSRA wants consumers to feel that they can engage with these regulated sectors with confidence, knowing that they are protected.


FSRA is here for all Ontarians, to supervise the activities of regulated entities and provide information to consumers. FSRA is committed to building a regulatory culture that is forward looking and consumer focused. FSRA works to achieve collaboration and transparency. By engaging with its stakeholders, including seeking advice from the public, FSRA is confident it will continue to learn and protect the public interest.


Please take a few moments to review the full 2021-2022 year-end priorities assessment scorecard.


Cross-Sectoral Priorities			
Regulatory Efficiency and Effectiveness			
1. Protect the Public Interest	2. Enable Innovation	3. Modernize Systems and Processes	4. Transition to Principles-Based Regulation
Sector-Specific: Targeted High-Impact Priorities			
5. Property & Casualty / Auto Insurance	6. Credit Unions	7. Life & Health Insurance	
<p>5.1 Empower and protect P&C insurance consumers</p> <p>5.2 Support government's priorities and evaluate trends in the auto insurance system</p> <p>5.3 Implement auto insurance data and analytics strategy</p>	<p>6.1 Support modernization of credit union framework</p> <p>6.2 Enhance Deposit Insurance Reserve Fund Adequacy Framework and Sector Liquidity Framework</p> <p>6.3 Continue to design and develop the Integrated Risk-Based Supervisory Framework</p>	<p>7.1 Enhance market conduct oversight to protect consumers</p>	
8. Mortgage Brokering	9. Pensions	10. Financial Planners & Advisors	
<p>8.1 Implement recommendations from the review of the MBLAA, to the extent within FSRA's purview.</p>	<p>9.1 Support plan flexibility, evolution and principles-based applications within the existing regulatory and legislative regime</p> <p>9.2 Develop and consult on prudential supervision framework</p> <p>9.3 Refocus pension regulation to improve regulatory efficiency and effectiveness</p>	<p>10.1 Implement the title protection framework for FP/FA</p>	


Priority (Status as of Mar. 31, 2022)		Key Deliverables (As listed in 2021-24 ABP)	2021-22 FSRA Achievements
	<p>1.1 Protect the Public Interest</p>	<ol style="list-style-type: none"> 1. Develop and publish a consumer complaints framework and develop implementation plan for FSRA use¹ 2. Develop a FSRA strategy for consumer disclosures and pilot disclosure improvements 3. Develop and publish a framework for consumer education and pilot education tools/strategies 4. Strengthen cross-jurisdiction regulatory collaboration around consumer protection issues <p>2020-21 Carried Over Deliverables</p> <ol style="list-style-type: none"> 5. Launch enhanced website with clear/easily accessible consumer information for Industry users 6. Launch enhanced website with clear/easily accessible consumer information for Consumers 7. Develop and make available consumer segment maps and consumer profiles 8. Undertake Consumer Experience mapping 	<p>Priority Status: Complete</p> <ol style="list-style-type: none"> 1. <ul style="list-style-type: none"> • Framework finalized and published • Completed public consultation for Consumer Complaints Framework • Implementation plan developed 2. <ul style="list-style-type: none"> • Strategy for consumer disclosures developed • Rolled out pilots for disclosure improvements • Refined Framework and Strategy 3. <ul style="list-style-type: none"> • Consumer education framework published • Education tools/strategies developed and rolled out pilot 4. <ul style="list-style-type: none"> • Scoped and collaborated with other regulators to strengthen the experiences of Ontario financial services consumers and investors in dispute resolution; identified initial opportunities for improvements (short-to-medium term) 5. <ul style="list-style-type: none"> • Published remaining mortgage and pension industry content from the FSCO website to the FSRA website 6. <ul style="list-style-type: none"> • Published consumer content from the FSCO website and applied design to improve the user experience 7. <ul style="list-style-type: none"> • Finalized consumer segment maps for Life & Health (L&H) and Mortgage Broker (MB) sectors by April 2021 8. <ul style="list-style-type: none"> • Finalized consumer experience mapping for L&H and MB sectors by May 2021


Priority (Status as of Mar. 31, 2022)		Key Deliverables (As listed in 2021-24 ABP)	2021-22 FSRA Achievements
	<p>2.1 Enhance Innovation</p>	<ol style="list-style-type: none"> 1. Execute and continue to refine the Innovation Framework 2. Strengthen communication channels between the Innovation Office, the industry, innovation centers and regulatory counterparts, and build presence with the industry and relevant organizations 3. Identify cross-jurisdictional regulatory coordination and harmonization opportunities 4. Create financial services modernization and innovation Test and Learn Environments (TLEs), particularly a TLE pilot on auto insurance following exemptive authorities, and develop a range of tools to facilitate the operation of these environments within prioritized sectors <p>2020-21 Carried Over Deliverables</p> <ol style="list-style-type: none"> 5. Conduct Analysis of Regulatory Changes Required (discretionary powers) 	<p>Priority Status: Complete</p> <ol style="list-style-type: none"> 1. <ul style="list-style-type: none"> • Completed public consultation for Innovation Framework • Finalized and published Innovation Framework • Initiated (executed) roll out application of Framework 2. <ul style="list-style-type: none"> • Executed engagement strategy: created active channels of communication • Drafted Terms of Reference of external Innovation Advisory Committee for internal review 3. <ul style="list-style-type: none"> • Initiated and led discussions with the Ontario Securities Commission and Canadian Council of Insurance Regulators on strategic opportunities • Explored participation opportunities in the cross-border testing team for the Global Financial Innovation Network and evaluate appropriate opportunities 4. <ul style="list-style-type: none"> • Went live with test and learn environment for Auto Insurance • Observed, collected findings and data, and prepared a plan for improvements to test and learn environment 5. Identified opportunities for broader interpretation and propose recommendations for: <ul style="list-style-type: none"> - <i>Insurance Act</i> - <i>Mortgage Brokerages, Lenders and Administrators Act</i>

Priority (Status as of Mar. 31, 2022)		Key Deliverables (As listed in 2021-24 ABP)	2021-22 FSRA Achievements
	<p>3.1 Modernize Systems and Processes</p>	<ol style="list-style-type: none"> 1. Implement a technology platform to enable simplified and fully digitized operations, including a 360-degree view of regulated entities (customer relationship management solution), case management system, enterprise content management system and data analytics tools, with enhanced client portals and improved consumer transparency (e.g., FP/FA public registry) 2. Implement advanced online/web-based information sharing and transactional processing tools on FSRA portals 3. Develop digital document processing capabilities to support streamlined processing of all paper-based channels 4. Enable data analytics for each of the regulated sectors to empower FSRA policy and supervisory activities 5. Enhance infrastructure and establish data interfaces (new data sources and improved data exchanges), in support of: P&C insurance (auto) priority 5.3, credit unions priority 6.1, life and health insurance priority 7.1, mortgage brokering priority 8.1, pension sector priority 9.1, and FP/FA priority 10.1. Also, implement advanced analytics and reporting systems to enable more efficient decision-making across all sectors 	<p>Priority Status: Complete</p> <ol style="list-style-type: none"> 1. I. Future State Process Workstream - Future State catalogue <ul style="list-style-type: none"> • Future State Business Requirements Documents II. Technology Solution Workstream <ul style="list-style-type: none"> • Conceptual Architecture • Decision on Technology Solution • Execution of contracts III. Change Management <ul style="list-style-type: none"> • Target Operating Model Implementation Design • Execution of the OCM Strategy and Plan IV. Vulnerability Management - Operationalizing Vulnerability Management 2. Application Security <ul style="list-style-type: none"> • Scan all web-based external facing applications • Remediate security issues 3. Digital Mailroom 4. Data Workstream: <ul style="list-style-type: none"> • Data Governance - Identify new data sources and definition of core data assets across regulated sectors • Data Liberation - Migrate legacy data to staging environment and automation of data transfer schedules across regulated sectors • Data Provisioning - Build data models for future use 5. I. Decommission Out of Date Operating Systems <ul style="list-style-type: none"> • Decommission Out of Date Systems • Upgrade Out of Date Systems II. Secure Baselines <ul style="list-style-type: none"> • Update Group Policy

Priority (Status as of Mar. 31, 2022)		Key Deliverables (As listed in 2021-24 ABP)	2021-22 FSRA Achievements
	<p>4.1 Transition to Principles-Based Regulation (PBR)</p>	<ol style="list-style-type: none"> 1. Update external supervisory/regulatory processes by developing and issuing (for consultation) guidance on a principles-based approach and, subsequently, providing principle-based interpretation, information, and decision guidance 2. Complete a review of the FSRA Guidance Framework and update as required to ensure alignment with PBR 3. Initiate each sector's participation in implementing a PBR approach in developed guidance supporting the following key priorities: <ul style="list-style-type: none"> ○ P&C Insurance - empower and protect P&C insurance consumers. ○ Credit Unions - update supervisory and risk-assessment approaches, sound business practices and capital and liquidity rules. ○ Life and health insurance – enhance market conduct oversight to protect consumers. ○ Pensions – support plan flexibility, evolution, and principles-based applications within the existing regulatory and legislative regime. ○ FP/FA– implement the title protection framework 4. Develop a PBR rollout, to ensure understanding of the approach and clarify examples of PBR deliverables in each sector 	<p>Priority Status: Complete</p> <ol style="list-style-type: none"> 1. • Developed external facing document outlining FSRA's approach to PBR • Consulted on external facing document outlining FSRA's approach to PBR 2. • Updated and Revised Guidance Framework 3. • Held Internal FSRA Sessions with Each Sector Re: FSRA wide PBR Principles 4. • Developed Communication, Engagement and Training Plan for Roll Out • Held Internal Meetings with FSRA Staff

Priority (Status as of Mar. 31, 2022)		Key Deliverables (As listed in 2021-24 ABP)	2021-22 FSRA Achievements
	<p>5.1 Empower and Protect P&C Insurance Consumers</p>	<ol style="list-style-type: none"> 1. Find new consumer-focused efficiencies and improvements to continue transforming auto insurance regulation. This includes expanding on the success of the Standard Filing Guidance; improving approval timelines on non-standard forms; and implementing rate regulation reforms based on input from FSRA's Technical Advisory Committee (TAC) for Transforming Rate Regulation 2. Protect consumers by ensuring auto insurance rates are reasonable, through improved use of benchmarks and developing additional tools for identifying unreasonable rates 3. Establish expectations for enhanced accountability for insurers in rating and underwriting compliance 4. Identify and implement opportunities to improve consumer awareness, by enhancing transparency, quality, and comprehensibility of disclosures to consumers by FSRA and the sector 5. Finalize a proposed rule defining Unfair or Deceptive Acts or Practices (UDAP) under the Insurance Act; seek approval from the Minister of Finance to bring the proposed rule into force; and implement a supporting supervisory regime 6. Enhance market conduct oversight through improved coordination with RIBO, data analytics and insurer examinations, with an emphasis on the fair treatment of customers. This includes monitoring activities that pose significant harm to consumers (such as the circumvention of "take all comers" auto insurance requirements), and exploring opportunities to review existing conduct standards 	<p>Priority Status: Complete</p> <ol style="list-style-type: none"> 1. I. Forms and Endorsement <ul style="list-style-type: none"> • Drafted Guidance on Approval of Forms and Endorsements (for EVP and CEO approval) • Issued Guidance for Public Consultation II. Transform Auto Insurance Rate Regulation <ul style="list-style-type: none"> • Proposed next steps and timing for development of the means by which FSRA can give strategy legal effect (for EVP and CEO approval) • Launched consultation process on rate regulation strategy • Initiated Rate Regulation Development Reform legal analysis 2. I. COVID Impact Assessment, Consumer Relief and Insurers Engagement <ul style="list-style-type: none"> • Reported back on 2021 COVID rate reductions • Completed assessment of post-pandemic rate and timing II. Rating and Underwriting Error Guidance <ul style="list-style-type: none"> • Issued Guidance for Public Consultation 3. I. Insurer Annual attestation review <ul style="list-style-type: none"> • Approval and implementation of the approved process • Completed review of current processes 4. • Transform Auto Insurance Rate Regulation TAC <ul style="list-style-type: none"> • Developed recommendations to make rate regulation more transparent II. Consumer Information Hub <ul style="list-style-type: none"> • Completed Enhancements to Consumer Information Hub • Enhanced Approval Table functionality

Priority (Status as of Mar. 31, 2022)		Key Deliverables (As listed in 2021-24 ABP)	2021-22 FSRA Achievements
			<p>III. Transparency Strategy</p> <ul style="list-style-type: none"> • Obtained internal agreement on Transparency Strategy • Prepared presentation for Board on Transparency Strategy <p>5. • Exploring opportunities for FSRA rule making regarding unfair or deceptive acts or practices (UDAP)</p> <ul style="list-style-type: none"> • FSRA Rule Approved and Implemented <p>6. • Take All Comers Thematic Review</p> <ul style="list-style-type: none"> • Delivered progress update to EVPs and CEO identifying issues with Take All Comers
 <p>5.2 Support Government's Priorities and Evaluate Trends in the Auto Insurance System</p>		<ol style="list-style-type: none"> 1. Implement appropriate changes within FSRA's purview to support government priorities 2. Build and operationalize a fraud and abuse strategy, including Health Service Provider (HSP) supervision, to deliver reduced costs, improve consumer protection, enhance regulatory efficiency and reduce the regulatory burden. 	<p>Priority Status: Substantially Complete</p> <p><u>Completed Achievements</u></p> <ol style="list-style-type: none"> 1. I. Electronic Notice of Termination (E-termination) <ul style="list-style-type: none"> • Determined implementation plan and need for new Guidance and communicated to the Sector II. OCF1 <ul style="list-style-type: none"> • Conducted Targeted consultation (incorporating themes/guiding principles from Resident Reference Panel and the consumer research) related to revised OCF guidance III. Review Inherited Guidance <ul style="list-style-type: none"> • Reissued high-priority Guidance, if required, based on re-prioritized plan • Incorporated remaining guidance into other ABP initiatives, as appropriate (e.g., Fraud and Abuse, Forms and Endorsement) • Rescinded/removed items that are not current


Priority (Status as of Mar. 31, 2022)		Key Deliverables (As listed in 2021-24 ABP)	2021-22 FSRA Achievements
			<p>2. I. Fraud and Abuse Strategy</p> <ul style="list-style-type: none"> • Launched Public Consultation • Targeted and broader public consultations <p>II. HSP Oversight</p> <ul style="list-style-type: none"> • Evaluated HSP billing licencing regime/options, dependent on Fraud & Abuse Strategy <p><u>Achievements Carried Over to 2022-23</u></p> <p>1. I. Direct Compensation Property Damage (DCPD)</p> <ul style="list-style-type: none"> • Determine implementation plan and need for new Guidance and communicate to the Sector <p>Rationale:</p> <ul style="list-style-type: none"> ○ Regulations were approved on March 31, 2022 and filed in early April 2022. FSRA implementation was dependent upon issuance of these Regulations. Therefore, the year-end achievement will not be completed until next fiscal year.
	<p>5.3 Implement Auto Insurance Data and Analytics Strategy</p>	<ol style="list-style-type: none"> 1. Develop a detailed implementation plan for FSRA's auto insurance data collection strategy on prioritized external data sources 2. Use collected data to monitor auto insurance market health, understand consumer needs, and seek opportunities to support the development of FSRA's fraud and abuse strategy (in support of priorities 5.1 and 5.2) 3. Consult with industry on new data and reporting requirements for insurers and develop supervisory analytical tools. The goal is to verify insurer underwriting and rating compliance, assess consumer impacts and model fairness, and identify 	<p>Priority Status: Complete</p> <ol style="list-style-type: none"> 1. I. Implementation plan for prioritized external data sources <ul style="list-style-type: none"> I.I GISA new monthly PIT data implementation I.III MTO data acquisition plan <ul style="list-style-type: none"> • One-time data acquired from MTO • Recommendation for recurring data transfer based on analysis of obtained MTO data II. Data and Analytics TAC



Priority (Status as of Mar. 31, 2022)		Key Deliverables (As listed in 2021-24 ABP)	2021-22 FSRA Achievements
		unjust or unreasonable rates (in support of priority 5.1)	<ul style="list-style-type: none"> • Final report on TAC's recommendations completed and draft communication plan developed 2. I. Modernization of reporting analytics <ul style="list-style-type: none"> I.I HCDB related reporting and use of data for HSP supervision <ul style="list-style-type: none"> • HCDB deep dive analysis • HCDB dashboard 2.0 • HSP AIR Data Integration I.II Consumer experience and behavior analysis <ul style="list-style-type: none"> • Developed Proof of Concept report on consumer analysis 3. I. Implement supervisory analytical tools for rating and underwriting compliance <ul style="list-style-type: none"> • Automated quarterly reporting of financial and market information (improve regulatory efficiency) • Developed reporting dashboard/metrics by better utilizing existing filing data in ARCTICS to monitor consumer impacts from approved rates and underwriting II. Operational risk management information guidance <ul style="list-style-type: none"> • Completed public consultation on guidance


Priority (Status as of Mar. 31, 2022)		Key Deliverables (As listed in 2021-24 ABP)	2021-22 FSRA Achievements
	6.1 Support Modernization of Credit Union Framework	<ol style="list-style-type: none"> 1. Support MOF in developing regulations under the new credit union legislation 2. Develop, consult on and issue high-priority guidance documents and, where legislative authority is provided, principles-based rules identified in FSRA's work plan. That includes rules to: <ul style="list-style-type: none"> - Support the new legislative framework proposed by the government (e.g., Capital and Liquidity) <u>Multi-year</u> - Set standards on sound business and outline financial practices to replace those currently set out in Deposit Insurance Corporation of Ontario (DICO) By-Law #5 - Develop guidance on Data Governance and IT Risk Management, with a view to finalizing it in 2022-23 <u>Multi-year</u> 	<p>Priority Status: Complete</p> <ol style="list-style-type: none"> 1. • Provided advice to MOF on its regulations under the new CUCPA 2020 2. • Investments, Business Powers and Subsidiaries Guidance (Approach and potentially Interpretation): <ul style="list-style-type: none"> ○ Consultation draft of Guidance developed ○ Public consultation concluded • Capital and Liquidity Rules issued • Sound Business and Financial Practices Rule issued • Data Governance and IT Risk Management Approach Guidance: <ul style="list-style-type: none"> ○ Consultation draft of Guidance developed
	6.2 Enhance Deposit Insurance Reserve Fund Adequacy Framework and Sector Liquidity Framework	<ol style="list-style-type: none"> 1. Engage the credit union sector to determine risk data needs for the DIRF framework and advance the work for DIRF framework enhancement 2. Consult on and finalize a framework for assessing DIRF adequacy, inform on appropriateness of DIRF premium assessment and report to the Minister on DIRF adequacy 3. Continue work with key partners on sectoral structural liquidity issues to examine access to sufficient emergency liquidity for Ontario credit unions 	<p>Priority Status: Complete</p> <ol style="list-style-type: none"> 1. • DIRF data set developed through collaboration with the sector and feedback from TAC and sector consultation 2. • DIRF Adequacy model refreshed by consultant <ul style="list-style-type: none"> • Sectoral consultation on framework for assessing DIRF adequacy concluded • DIRF Adequacy report submitted to the Minister 3. • Options paper and proposal of structure developed, sector engaged, continued work with Bank of Canada on Emergency Lending Assistance (ELA) • OFA Line of Credit extended • Implementation plan developed for selected option


Priority (Status as of Mar. 31, 2022)		Key Deliverables (As listed in 2021-24 ABP)	2021-22 FSRA Achievements
	6.3 Continue to Design and Develop the Integrated Risk-Based Supervisory Framework (RBSF)	<ol style="list-style-type: none"> 1. Prepare the draft Framework documents and complete stakeholder consultation on approach guidance 2. Identify data requirements from external sources, based on the supervisory framework and its objectives 3. Identify IT system requirements to support the framework 4. Finalize and further implement the new market conduct supervisory approach for credit unions 5. Work with credit unions to implement the recovery planning guidance developed in FY2020-21 (e.g., develop recovery plans where required) 6. Work with MOF and the credit union sector on developing and documenting FSRA's approach to resolution 	<p>Priority Status: Complete</p> <ol style="list-style-type: none"> 1. • RBSF Approach Guidance developed • Public consultation concluded • RBSF Guidance issued 2. • Data set requirements developed • Planning for implementation initiated • Development of specifications and definition of data points initiated 3. • IT system requirements identified and documented 4. • Market Conduct Supervisory Approach Guidance: <ul style="list-style-type: none"> ○ Public consultation concluded ○ Guidance issued ○ Guidance implemented 5. • Recovery Planning Guidance issued • Recovery Planning Guidance Implemented (Credit Unions to begin developing their recovery plans) 6. • Resolution Planning Approach Guidance <ul style="list-style-type: none"> ○ Guidance finalized
	7.1 Enhance Market Conduct Oversight to Protect Consumers	<ol style="list-style-type: none"> 1. Support the Fair Treatment of Customers (FTC) principles by leading the implementation of a Canadian Insurance Services Regulatory Organizations (CISRO)-harmonized industry Principles of Conduct for intermediaries, for implementation in 2022 Mortgage Brokering Sector Supervisory Approach 2. Support FTC principles by developing and consulting on options for a proposed regulatory framework and supervisory approach for distribution channels (e.g., MGAs). Launch implementation of the regulatory framework and supervisory approach as appropriate 3. Prioritize building an agent conduct team and a supervisory framework. When doing so, FSRA would consider solutions for improving advisor oversight 	<p>Priority Status: Substantially Complete</p> <p><u>Completed Achievements</u></p> <ol style="list-style-type: none"> 1. • CISRO approval and publication of final Principles of Conduct • Launched FSRA Consultation regarding Guidance for the adoption of CISRO Principles of Conduct into the regulatory framework 2. • Published report on review of Insurer-MGA relationship • Consulted with industry stakeholders on framework and approach 3. • Drafted supervisory framework

Priority (Status as of Mar. 31, 2022)		Key Deliverables (As listed in 2021-24 ABP)	2021-22 FSRA Achievements
		<p>proposed by the industry’s regulatory G4 task force. Launch implementation of the supervisory framework for agent conduct</p> <ol style="list-style-type: none"> 4. Review the distribution and administration of segregated funds in Ontario, including concerns related to consumer harm and the disclosure available for similar investment products. Review the developments in FTC principles, and determine whether new standards are needed to enhance investor protection for segregated funds 5. Support FTC principles by reviewing commercial practices of Tier-1 Insurers to evaluate implementation of FTC principles across distribution channels 6. Seek consistent application of Fair Treatment of Customers (FTC) guidance across Canada, in consultation with stakeholders and regulators <p>2020-21 Carried Over Deliverables</p> <ol style="list-style-type: none"> 7. Perform a gap analysis on FSRA’s current due diligence processes, legislative requirements and IM/IT systems to build efficient and effective licensing and renewal processes. Including increasing information sharing with other regulators where possible 	<ul style="list-style-type: none"> • Consulted informally with industry stakeholders on draft framework • Implemented agent conduct supervisory framework • FSRA approval on final supervisory framework report (Regarding Pilot programs, 2022-23 supervisory framework) • Published supervisory framework report <ol style="list-style-type: none"> 4. I. Re: Total Cost Reporting: <ul style="list-style-type: none"> • Finalized project timeline for enhanced investor disclosure • Developed prototypes for review • Conducted testing of new disclosures • Obtained PCC and CCIR approval on recommendations to begin pre-consultation • Completed pre-consultation with CLHIA re Trading Expense Ratio, Redemption Value • Obtained CSA and CCIR approval on consultation document to begin public consultation II. Re: Segregated Funds Guidance: <ul style="list-style-type: none"> • Engaged stakeholders for support in drafting guidance • Agreement in principle on guidance topics • Drafted guidance blocks planned for this fiscal <ol style="list-style-type: none"> 5. <ul style="list-style-type: none"> • Reviewed Tier-1 insurers • Drafted report on review findings • Reviewed report with CCIR members • Published review report 6. <ul style="list-style-type: none"> • Selected FTC principle: Incentives and other Property & Casualty FTC initiatives • Contributed to the CCIR consultation paper on Incentives and other Property &

Priority (Status as of Mar. 31, 2022)		Key Deliverables (As listed in 2021-24 ABP)	2021-22 FSRA Achievements
			<p>Casualty FTC initiatives (applicable across all insurance)</p> <p>7. • Phased digital transition of select paper-based applications</p> <p>• Established path to outsource CPIC process</p> <p>• Implemented additional continuing education fields to agent license application and monitor compliance results</p> <p><u>Achievements Carried Over to 2022-23</u></p> <p>2. • Consult CAP and SAC/TAC on proposed framework</p> <p>Rationale:</p> <ul style="list-style-type: none"> ○ CAP and SAC consultation to occur next fiscal once comments from 4 TAC consultations are reviewed and incorporated into framework <p>7. • Finalize contract with Apexa to develop program to monitor E&O compliance</p> <p>Rationale:</p> <ul style="list-style-type: none"> ○ Discussions related to the Term Sheet are ongoing. We are awaiting approval from Apexa's Board to proceed. Targeting final Contract and Term Sheet by end of July 2022
	<p>8.1 Implement Recommendations from the Review of the MBLAA, to the extent within FSRA's purview</p>	<p>FSRA will support the government in implementing the recommendations within FSRA's purview and jurisdiction, including:</p> <ol style="list-style-type: none"> 1. Reducing red tape for commercial mortgage transactions between sophisticated entities 2. Reducing regulatory burden by establishing new classes of licensing 3. Raising and streamlining educational and professional standards for agents and brokers 	<p>Priority Status: Complete</p> <ol style="list-style-type: none"> 1. • Public consultation on FSRA guidance • Finalized FSRA guidance post-consultation • Implemented commercial exemption 2. • Public Consultation on Guidance on new licensing classes

Priority (Status as of Mar. 31, 2022)		Key Deliverables (As listed in 2021-24 ABP)	2021-22 FSRA Achievements
		4. Implement use of Teranet data to achieve objective of Private Lending Registry ²	3. • Public Consultation on Guidance on accreditation standards • Finalized Accreditation Guidance post-consultation • Finalized Accreditation process 4. • Finalized procurement of Teranet data service
	9.1 Support plan flexibility, evolution and principles-based applications within the existing regulatory and legislative regime	1. Begin consultation with a special purpose Technical Advisory Committee to identify ways, within the regulatory framework, to foster a vibrant employment-based pension pillar in Ontario. FSRA will examine regulatory barriers to promote good pension plan administration 2. Towards the end of FY2021-2022, FSRA will engage the pension sector to develop thought leadership on member communication and engagement strategies. This engagement will draw on existing research and practice, and be completed in FY 2022-23 ³	Priority Status: Complete 1. • Final outcome from committee published and either have been addressed by ongoing work, added as future year priorities (promoting value of a pension and pension awareness day), noted for future discussions at standing committees. 2. • Pension sector standing committees engaged on draft principles and concepts for discussion paper.
	9.2 Develop and consult on prudential supervision framework	1. SEPPs: Continue to work on the long-term viability and financial sustainability of the PBGF. To that end, FSRA will enhance its predictive analysis with stochastic (probability based) modeling, and add expertise to its risk analytics team 2. Large public sector pension plans: Continue to work collaboratively with large public-sector pension plans, to: <ul style="list-style-type: none"> ○ monitor and enhance FSRA's supervision of investment risks. ○ increase the understanding of governance and systemic risks in terms of plan assets and membership in Ontario's largest pension plans; and ○ pilot common liquidity risk metrics among the large public sector pension plans. ○ discussions will also focus on best practice recommendations around identifying and 	Priority Status: Substantially Complete <u>Completed Achievements</u> 1. • Stochastic Modelling phased implementation is on track as planned. When completed this will allow FSRA to gain a deeper understanding and management of potential risks to the PBGF and improve focus on regulatory efficiency and effectiveness. 2. • Pro-active engagement with large public sector plans to understand and gain insights into their risk management activities. These include: <ul style="list-style-type: none"> • Clarified expectations and sought additional information with respect to common Liquidity Coverage Ratio (LCR) framework.

Priority (Status as of Mar. 31, 2022)		Key Deliverables (As listed in 2021-24 ABP)	2021-22 FSRA Achievements
		<p>monitoring investment risk, including disclosures for leverage and illiquid assets</p> <ol style="list-style-type: none"> Develop a leverage risk governance framework through chairing the CAPSA leverage committee DB MEPPs: Pilot benchmarks against highest-impact best practices for governance, risk management and communication, and consider appropriate supervisory tools (e.g., scorecards, etc.) 	<ul style="list-style-type: none"> Conducted proactive in-the-moment engagement and assessment of potential exposure to Russia/Ukraine Conflict. <ol style="list-style-type: none"> Revisions and reframing of the CAPSA leverage management guideline completed (due for public consultation in spring 2022). In consultation with the MEPP TAC, FSRA developed a benchmarking framework against leading practices identified in the MEPP guidance released in March 2020. <ul style="list-style-type: none"> Re-engaged with the 21 MEPPs that participated in the 2020 thematic review to discuss their rankings against the Leading Practices. End-to-end benchmarking for 5 additional MEPPs. <p><u>Achievements Carried Over to 2022-23</u></p> <ol style="list-style-type: none"> The PBGF investment strategy implementation is delayed and will be carried over to FY2022-23; implementation requires 3rd party actions which are incomplete.
	<p>9.3 Refocus pension regulation to improve regulatory efficiency and effectiveness</p>	<ol style="list-style-type: none"> Continue the work of a special-purpose Technical Advisory Committee for DC pension plans, through a joint collaboration with the Office of the Superintendent of Financial Institutions (OSFI). This will develop a principles-based and outcomes-focused supervisory approaches for DC plans (e.g., member behaviour and engagement, investments, fees, governance, etc.). Once the committee concludes its work, FSRA will initiate a public consultation on new guidance and implement such guidance, approaches and other key changes 	<p>Priority Status: Complete</p> <ol style="list-style-type: none"> TAC meetings complete with products identified (Member guide, CAPSA recommendations for CAP guidelines and summary of committee outcomes). <ul style="list-style-type: none"> Joint Webinar completed. Recommendations to CAPSA as part of new CAP Guideline submitted. Guidance and member guide finalized and published. <ul style="list-style-type: none"> Webinar completed.

Priority (Status as of Mar. 31, 2022)		Key Deliverables (As listed in 2021-24 ABP)	2021-22 FSRA Achievements
		<ol style="list-style-type: none"> 2. Conclude the work of the special-purpose Technical Advisory Committee on pension division resulting from marriage breakdown, and issue final guidance following public consultation. With the TAC, FSRA will explore the impact of drafting a new Rule through the existing rule-making powers under the PBA regarding family law matters. Begin development and policy work on a new Rule, which could be proposed in FY 2022-2023. 	
	<p>10.1 Implement the Title Protection Framework for Financial Planners/Financial Advisors</p>	<ol style="list-style-type: none"> 1. Complete consultation process for all rules and guidance governing the title protection framework 2. Finalize operational processes and procedures to approve credentialing bodies and FP/FA credentials 3. Develop and implement a supervisory approach for the title protection framework with respect to credentialing bodies and action against non-credentialed FP/FA title users 4. Accept applications from entities seeking approval as credentialing bodies under the FPTPA, and determine which should be approved 5. Operationalize and fully implement the title protection framework, including development of a public education campaign 6. Work with MOF and other stakeholders to identify and implement any required changes to legislation and/or regulations to support the implementation of the FP/FA framework 	<p>Priority Status: Complete</p> <ol style="list-style-type: none"> 1. <ul style="list-style-type: none"> • Re-posted amended FPTP rule for consultation on governing title protection framework • Posted draft FP/FA Fee Rule for public consultation • Posted Financial Professionals Title Protection (FPTP) Approach Guidance for public consultation • Submitted FPTP and Fee Rules to Minister for approval • Published final FPTP Approach Guidance 2. • Finalized operational process for implementing title protection framework 3. • Finalized supervisory approach 4. • Began accepting applications from entities seeking approval as credentialing bodies under FPTPA 5. • Assisted Public Affairs to develop the Public Information campaign • Operationalized framework by end of fiscal 6. • Submitted recommended legislative amendments required to support the implementation of the title protection framework

Performance Measures and Targets

Service Standards

In 2020-2021, FSRA has developed new performance measures and targets that meet FSRA’s service standard principles and drive our desired outcomes. FSRA’s service standards will increase transparency and accountability for the delivery of regulatory activities.

FSRA’s first Service Standards scorecard was published in March 2021. The scorecards document the results of the performance against target for each quarter. FSRA met or exceeded service targets for an average of 80% of its standards each quarter in 2021-2022 (Appendix B: Service Standards). FSRA put mitigating activities in place to address standards with below target performance. FSRA will continue to report quarterly on its performance. FSRA is also in the process of re-assessing the appropriateness of the current targets.

Outcome-Based Measures

FSRA is continuing its work to develop outcome-based, quantitative measures that are linked to our priorities and legislative objects. FSRA will continue to work with our stakeholders to develop metrics that will be supported by data.

Description of Activities	Timeline	Status
Develop preliminary outcome-based performance measures and targets	2020-2021	Completed
Identify baseline data for outcome-based measures	2021-2022	Completed
Report ongoing trend data for all outcome-based measures	2022-2023	In Progress
Establish targets for all outcome-based measures	2022-2023	In Progress

Output-Based Performance Measures

FSRA continues to build output-based business measures and metrics for all sectors, some of which were inherited from our legacy regulators (see Appendices C–F). As we continue to develop our outcome-based measures, FSRA will seek to align our output-based measures with those outcomes.

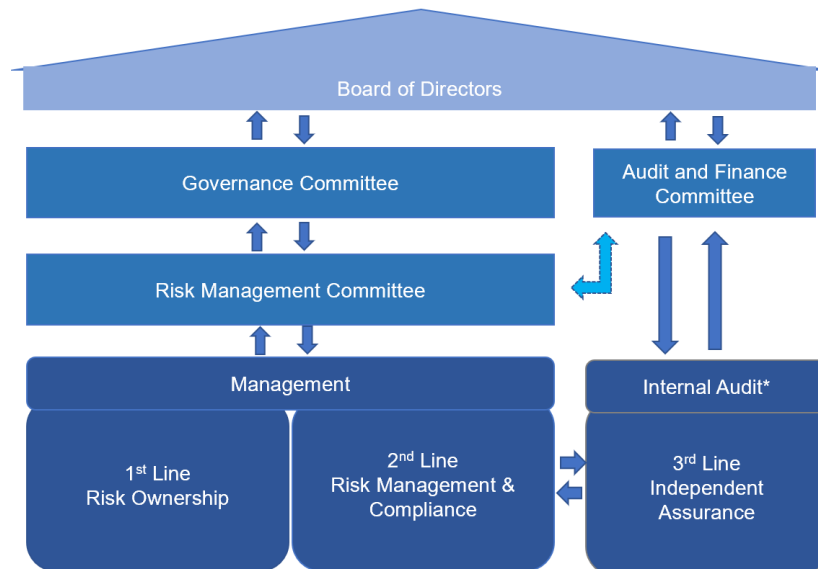
Risk Identification, Assessments and Mitigation Strategies

Risk Management plays an integral part in FSRA’s governance structure. It supports the achievement of business objectives and priorities via risk-based decision making and strategy development. By evolving the maturity of our Enterprise Risk Management (ERM) Framework, FSRA continues to strengthen its risk governance and promotes a strong risk culture among business units.

FSRA’s ERM Framework is well established and supervised at both the Executive and Board levels. The Executive-level Risk Management Committee (RMC) supervises and monitors business units’ risk profiles and risk mitigation strategies via active and robust discussions. The RMC held 7 meetings in the 2021-2022. Under a delegated authority, the Governance Committee (GC) of the Board oversees risks at the broader enterprise level and their alignment with FSRA’s risk appetite, in addition to standing committees with responsibility for identified risks. The Chief Risk Officer (CRO) regularly reports key risk issues to the GC.

FSRA has adopted the Three Lines Model in its governance structure. Business units own the risks and act as the first line of defense, performing risk identification, assessment, and mitigation. The Risk Management and Compliance functions act as the second line of defense to support, monitor and challenge the risk management of the first line. FSRA’s outsourced Internal Audit (IA) function provides independent assurance as the third line of defense.

FSRA ERM Governance Structure



* Internal Audit reports functionally to the Board and administratively to the EVP, Corporate Services

2021-2022 Highlights

- Established the enterprise Risk Appetite Statement (RAS) and ongoing monitoring of FSRA’s risk profile against the approved risk appetite.
- Completed FSRA’s 2021 Accessibility Compliance Report (ACR) and an “Accessibility Feedback Process” procedural document in compliance with the requirements of the *Accessibility for Ontarians with Disabilities Act (AODA)*.
- Strengthened the Policy Management and Certificate of Assurance (CoA) processes through semi-annual policy meetings, mid-year due diligence compliance/fraud attestations and regular communication with stakeholders.
- Improved efficiency in the Freedom of Information (FOI) Program by providing an additional submission option and FSRA’s Online Service Portal.
- Strengthened the Privacy Management Program to meet its legislative obligations under the *Freedom of Information and Protection of Privacy Act (FIPPA)*.

FSRA continues to:

- Enhance the governance, risk, and control management processes in line with its Risk Appetite Statement.
- Strengthen a culture of risk, compliance, and privacy management within the Agency.

Key Risks and Mitigations

FSRA proactively identifies, assesses, and monitors risks to its operations. FSRA’s key risks and mitigation plans are summarized below:

Risk Type	Mitigation Plan
<p>Macroeconomic & Systemic Risk: The risk that an economic downturn, caused by various factors happening concurrently (e.g., COVID-19 lingering/lagging impact, global recession, unemployment, interest rate risk, inflation, etc.), would threaten the financial soundness and stability of FSRA’s regulated financial sectors.</p>	<p>FSRA is focused on risk-based supervision, promoting effective governance, and risk management in the regulated sectors. In coordination with other regulators, FSRA is monitoring the financial soundness of regulated sectors using available tools. The Agency issues regulatory relief or guidance to regulated sectors, as appropriate.</p>
<p>Operational Resilience: The risk that business disruption would pose significant challenge to FSRA in delivering its regulatory services and mandates on a timely basis.</p>	<p>FSRA has developed a holistic Crisis Management Guideline to ensure business continuity. Due to our proactive measures, FSRA’s operations have been running well despite the challenges posed by the pandemic.</p>
<p>Cybersecurity Risk: The risk that FSRA’s systems are breached or compromised, which may lead to the theft of its</p>	<p>FSRA continuously strengthens its efforts to mitigate significant cybersecurity exposures. A cybersecurity program is in place, with available</p>

Risk Type	Mitigation Plan
information and/or impairment of its ability to sustain Information Technology (IT) operations.	tools and controls to maintain adequate cybersecurity posture.
<p>Sustainability of DIRF & PBGF Funds: The risk of significant withdrawals – from the DIRF to pay insured depositors of insolvent credit unions, and from the PBGF to cover claims of Single Employer Pension Plans (SEPPs) with solvency funding deficit.</p>	<p>FSRA secured an additional Line of Credit to back-stop the DIRF, and monitors liquidity and capital ratios at credit unions. FSRA is also enhancing its DIRF adequacy assessment capability.</p> <p>To minimize the potential claims to PBGF, FSRA continues its execution of prudential supervision of SEPPs. Further, FSRA is implementing a return-seeking investment strategy to support the prudent management of assets in the PBGF.</p>
<p>Challenges Caused by Legacy Software & Technology: The risk of service delivery delay due to a failure to resolve business application issues in a timely manner.</p>	<p>FSRA is following and progressing on a digital transformation blueprint to replace the legacy applications by 2025.</p>
<p>Regulatory & Cultural Transformation: The risk that FSRA needs to transform the regulatory frameworks and organizational culture it inherited, through an aggressive set of transformative priorities, while continuing to provide effective and efficient day-to-day regulation with limited resources.</p>	<p>FSRA is closely monitoring the progress against transformative priorities set forth in the 2021-2024 ABP. Additionally, the service standards have been measured to ensure we deliver our committed regulatory services while continuing to transform.</p>

Our People

FSRA's Human Resources Strategic Framework focuses on four pillars that encourage individual, team and organizational excellence. Here's how each pillar supported FSRA's progress and activities.

1. Culture Advancement

FSRA's Vision, Mission, Values and Behaviours, completed early in 2019-2020, remain the foundation of our approaches, policies, process, and norms. Additional culture advancement initiatives include developing a diversity, equity, and inclusion framework, launching FSRA's inaugural employee engagement survey and action planning. FSRA's performance management and pay-for-performance systems are also aligned.

Employee health and safety has been FSRA's top priority over the course of the pandemic with the majority of staff being fully remote or hybrid where possible based on operational requirements. FSRA has ensured flexibility and keeping with all public health guidance to support physical and mental wellbeing in trying to balance the pressures of the current and future situations.

FSRA has developed a return-to-office plan, incorporating public health measures and balancing employee health and safety as a top priority. Our reintegration plan will reflect best practice, advice and timing from public health authorities, and informed parties.

2. Investment in Talent

With over 200 of FSRA's positions vacant at launch, recruitment of talent was a priority. Between June 8, 2019, and March 31, 2021, we hired 321 new external colleagues and moved 135 internal colleagues into new roles. A further 120 new hires and 36 internal job changes occurred between April 1, 2021, and March 31, 2022. A learning and development framework, and associated activities, supported the credibility of FSRA's teams with the regulated sector. This allowed FSRA to continue the journey to becoming a principles-based regulator.

3. Strong Foundations

The Human Resources Information System, called Workday, supports digital transformation. The HR, and Payroll and Recruitment modules were built and launched in 2019-2020. The additional modules of Advanced Compensation, Performance and Talent Management, and Learning were developed and implemented in early 2020-2021. FSRA continues to implement new features and functionality released by Workday to provide an enhanced end user experience.

4. HR Excellence

FSRA established policies and processes to identify, manage and control HR risks, and

ensure alignment with legislative and directive requirements. The HR Business Model gives leaders knowledge to effectively access HR business services and support.

As of March 31, 2022, FSRA has 536 employees: 494 permanent full-time and 42 fixed term. The budgeted FTE for fiscal year 2022-23 is 577.

FSRA developed a detailed Business Continuity Plan (BCP) to ensure critical regulatory sector work would continue. The initial stages were successfully tested during COVID-19. We refined the BCP in 2021-2022.

Communication Plan

Internal Communications

As the pandemic continued throughout 2021-2022, FSRA prioritized employee wellbeing to ensure a healthy and balanced workforce. We did so by continuing to promote health and wellness resources and by providing a timely, consistent, and transparent source of information. Messaging reinforced corporate values and celebrated organizational successes, focusing on the human effort and collaboration that was required to achieve our goals.

Through internal communication, a dialogue continued with employees, supporting ongoing business continuity and service delivery. These efforts included:

- Maintaining and growing FSRA communication channels, including cross-sectoral Communities of Practice, extracurricular community and wellness groups, the intranet, and all staff emails. Through this, we provided comprehensive information to employees, as well as opportunities for engagement while working remotely.
- Organizing departmental and all-employee town hall meetings.
- Editing and distributing a monthly FSRA Update internal newsletter.
- Promoting and launching the employee engagement survey and action planning activities, based on our core values and principles.
- Facilitating employee training events on change leadership.
- Leading the internal communication of large-scale change management activities related to technology, return to office and employer branding initiatives.

External Communications

This past year marked FSRA's second full year anniversary as an independent government Agency. As the organization matures, it maintains its focus on protecting consumers by promoting high standards and improving transparency within the sectors it regulates. Despite the challenges FSRA faced due to the pandemic, FSRA prioritized public education and broadened awareness within the sectors it regulates.

FSRA's key achievements in 2021-2022 include:

Expanded Reach

- Hosting the first FSRA Exchange event on January 27, 2022. This all-sector event helped to promote the understanding of FSRA and its approach. It was attended by more than 1100 people, had an 85 per cent approval rating and 70 per cent of those in attendance found the topics relevant to them. The event focused primarily on PBR and the importance of enabling innovation across all the sectors FSRA regulates.
- Launching 6 new technical briefings to engage and educate the sectors on our

work with an approval rating of 70 per cent.

- Promoting all enforcement actions to better inform consumers and industry of actions taken by FSRA to uphold high standards of accountability and transparency. This was achieved by setting up an enforcement communications process to post all enforcement actions taken by FSRA on the provincial newswire.
- Launching 29 consultations, supported by 99 announcements.
- Focusing on media and social media tactics to reach a wider audience.

Educating Consumers

- Launching education campaigns to better educate and inform consumers.
- Developing and executing FSRA's first Consumer Education Campaigns, first for mortgage brokers, followed by auto insurance.

Website

- Implementing a new public facing website experience for consumers and industry users with a particular focus on plain language, user-friendly navigation, and design. This included creating new consumer and industry content, new complaint and licensing modules, and the creation of new guidance and forms tables to simplify locating content.
- Taking a plain language approach by writing over 250 pages of new content.
- Implementing regulatory efficiency by streamlining the use of multiple websites for inherited forms and guidance.
- Decommissioned the DICO website and in the process of decommissioning the FSCO website.

Analysis of Financial Performance

The following is a comparison of FSRA's 2021-2022 actual results to prior year actual results and to the 2021-2022 budget. It also includes a discussion of our financial position at March 31, 2022 compared to March 31, 2021.

This analysis is intended to provide an overview of our financial activities for the fiscal year and should be read in conjunction with the March 31, 2022 audited financial statements and related notes on page 80.

Financial Highlights

The chart below provides key financial metrics for the current and prior fiscal year.

(\$ millions)	2022 Actual		2021 Actual		Favourable/(Unfavourable) Variance		
	\$		\$		\$	%	
Revenue	\$	103.9	\$	97.7	\$	6.2	6%
Expenses, net of recoveries		(93.5)		(94.7)		1.2	1%
Surplus	\$	10.4	\$	3.0	\$	7.4	247%
Total assets at March 31st	\$	108.9	\$	123.5	\$	(14.6)	-12%
Net assets / (deficit) at March 31st	\$	7.9	\$	(2.5)	\$	10.4	416%

- Total revenue for 2021-2022 was \$103.9 million and total expenses (net of recoveries) were \$93.5 million resulting in a surplus for the year of \$10.4 million.
- Revenue was \$6.2 million higher than 2020-2021 revenue. The increase was largely due to higher assessments and higher fixed fees in the mortgage broker sector.
- Expenses were \$1.2 million lower than the prior year mainly due to lower accommodation costs. The decrease in accommodation costs was partially offset by higher capital asset amortization expense related to leasehold improvements at FSRA's new premises.
- Total assets decreased by \$14.6 million to \$108.9 million at March 31, 2022 is primarily due to the repayment of excess cash received from the Ministry of Finance as part of the restructuring and set-up of FSRA in 2019. The decrease is also attributable to higher cash expenditures on capital investments.
- Net assets increased to \$7.9 million at March 31, 2022 due to the surplus generated during the year.

Revenue

(\$ millions)	2022 Actual	2022 Budget	2021 Actual	Favourable/(Unfavourable) Variance			
				Budget		Actual	
				\$	%	\$	%
Assessments	\$ 75.7	\$ 78.8	\$ 72.9	\$ (3.1)	-4%	\$ 2.8	4%
Fees	27.6	21.3	24.3	6.3	30%	3.3	14%
Interest income	0.6	-	0.5	0.6	100%	0.1	20%
Total revenue	\$ 103.9	\$ 100.1	\$ 97.7	\$ 3.8	4%	\$ 6.2	6%

FSRA recovers its budgeted costs from the sectors it regulates through a combination of variable assessments and fixed fees. In 2021-2022 total revenue was \$3.8 million (4%) higher than the budget and \$6.2 million (6%) higher than 2020-2021 revenues.

Assessment revenues were \$3.1 million lower than budget. The budget includes assessment revenue from the Financial Planner and Financial Advisor sector however, no assessments were issued to this sector as the relevant legislation was not proclaimed into force until March 2022. The \$2.8 million year over year increase in assessment revenues corresponds to an increase in budgeted costs.

Revenue from fixed fees were \$6.3 million higher than budget and \$3.3 million higher than the prior year because of higher license fees from the mortgage broker and property and casualty insurance sectors.

Interest income represents interest earned on FSRA's cash balances.

Expenses

(\$ millions)	2022 Actual	2022 Budget	2021 Actual	Favourable/(Unfavourable) Variance			
				Budget		Actual	
				\$	%	\$	%
Salaries and benefits	\$ 68.7	\$ 74.1	\$ 69.3	\$ 5.4	7%	\$ 0.6	1%
Professional services	12.5	11.4	13.0	(1.1)	-10%	0.5	4%
Technology	5.1	6.8	4.9	1.7	25%	(0.2)	-4%
Accommodation	4.1	4.6	6.4	0.5	11%	2.3	36%
Other operating expenses	6.9	10.3	5.9	3.4	33%	(1.0)	-17%
Total expenses	97.3	107.2	99.5	9.9	9%	2.2	2%
Less recoveries	(3.8)	(3.3)	(4.8)	0.5	15%	(1.0)	-21%
Expenses net of recoveries	\$ 93.5	\$ 103.9	\$ 94.7	\$ 10.4	10%	\$ 1.2	1%

The following is a summary of the significant variances in operating costs.

Salaries and benefit costs represent FSRA's largest expense and were \$5.4 million lower than budget and in line with the prior year. The favourable variance against the budget is primarily due to a lag in recruitment.

Professional services costs were \$1.1 million higher than budget mainly due to higher professional service costs for our FSRA Forward initiative. FSRA Forward costs are being spread over five years in the budget but are expensed as incurred in accordance with Public Sector Accounting Standards in our actual results. Budgeted 2021-2022 professional service costs for FSRA Forward were \$2.1 million and actual costs were \$4.9 million resulting in a \$2.8 million unfavourable variance. This unfavourable variance was partially offset by lower than anticipated costs for temporary help services and consulting fees.

Technology costs were \$1.7 million lower than budget due to lower spending on software purchases and technology support services compared to budget.

Accommodation costs were in line with the budget and \$2.3 million lower than the prior year as rental costs for our new offices were lower.

Other operating expenses were \$3.4 million lower than the budget mainly due to lower spending on travel and staff development and lower than budgeted capital asset amortization. Other operating expenses increased by \$1.0 million when compared to the prior year. The year over year increase is mainly due to higher capital asset amortization expense related to leasehold improvements at FSRA's new premises.

Liquidity and Financial Position

(\$ millions)	2022 Actual	2022 Budget	2021 Actual	Favourable/(Unfavourable) Variance			
				Budget		Actual	
				\$	%	\$	%
Cash balance at March 31 st	\$ 77.0	\$ 54.8	\$ 92.0	\$ 22.2	41%	\$ (15.0)	-16%
Capital asset additions	\$ 1.9	\$ 1.6	\$ 10.5	\$ 0.3	19%	\$ (8.6)	-82%
Additional loan advances	\$ 3.0	\$ 3.0	\$ 4.5	\$ -	0%	\$ (1.5)	-33%

FSRA's cash balance at March 31, 2022 was \$22.2 million higher than budget due to a higher than anticipated surplus for the year and favourable variances in other working capital balances. Cash declined by \$15.0 million when compared to the prior year. This decrease is largely due to the repayment of excess cash received from the Ministry of Finance as part of the restructuring and set-up of FSRA in 2019 and higher cash expenditures on capital investments.

Cash at March 31, 2022 also includes \$0.2 million in restricted funds from the collection of administrative monetary penalties and \$2.9 million funds held by FSRA in its role as a provider of administrative and support services for various organizations. These funds are held in separate bank accounts and are not available for general use (refer to Note 8 and Note 14 to the FSRA financial statements).

Capital asset additions were in line with the budget and \$8.6 million lower than the prior year. Prior year capital additions include amounts for the build-out of our new office facilities. Construction of our new facilities was completed in early 2021-2022.

The increase in borrowings during the year was consistent with expectations as an additional \$3.0 million was borrowed under FSRA’s revolving credit facility (refer to Note 9 to the FSRA financial statements).

FSRA’s financial position continues to remain strong. FSRA ended 2021-2022 with net working capital (current assets minus current liabilities) of \$51.3 million. A portion of this net working capital balance is being held to finance certain long term employee future benefits and other long-term obligations.

The organization will continue to monitor its financial situation closely and will adjust operations as needed to prudently manage costs and expenditures in the next fiscal period.

Unrestricted Net Assets

Since launching operations on June 8, 2019 FSRA has generated a cumulative total surplus (excess of revenues over expenses) of \$15.8 million. In 2021-2022, \$5.2 million of this post launch surplus was used to fund projects and initiatives not included in the 2021-2022 budget.

Unrestricted net assets at March 31, 2022 are \$2.9 million as summarized in the following table.

(\$ millions)	
Unrestricted net deficit at March 31, 2021	\$ (7.5)
2021-2022 Change:	
Excess revenue over expenses before surplus spending	15.6
Approved surplus spending	(5.2)
Excess revenue over expenses	10.4
Unrestricted net assets at March 31, 2022	\$ 2.9

Initiatives Involving Third Parties

As noted in FSRA's statutory objects and priorities, greater cooperation and collaboration with other regulators will lead to opportunities for regulatory coordination, harmonization, and convergence. To promote a dialogue on harmonized approaches to regulatory issues in the areas it regulates, FSRA is a participating member of the following forums:

- Canadian Association of Pension Supervisory Authorities (CAPSA)
- Canadian Automobile Insurance Rate Regulators (CARR)
- Canadian Council of Insurance Regulators (CCIR)
- Canadian Insurance Services Regulatory Organizations (CISRO)
- Credit Union Prudential Supervisors Association (CUPSA)
- General Insurance Statistical Agency (GISA)
- Global Financial Innovation Network (GFIN)
- International Association of Insurance Supervisors (IAIS)
- International Financial Consumer Protection Organisation (FinCoNet)
- Joint Forum of Financial Market Regulators
- Mortgage Broker Regulators' Council of Canada (MBRCC)
- Sustainable Insurance Forum (SIF)

As participant of these forums, FSRA is working with other regulators on policies and rules that:

- Support industry strength and stability across participating jurisdictions.
- Enhance regulatory cooperation and reduced redundancies.
- Develop rules that are integrated and more effective in achieving consumer protection public policy outcomes.
- Promote innovation and economic growth, by encouraging new business models that support changing consumer preferences, technology changes, and new entrants to the Ontario market.
- Enhance the protection of consumers of financial products and services, and the effective implementation of financial consumer protection frameworks, by promoting robust and effective supervisory standards.

FSRA's National Regulatory Coordination Branch supported these outcomes by:

- Providing secretariat services to CAPSA, CCIR, CISRO, GISA and MBRCC.
- Collaborating with the secretariat of the Canadian Securities Administrators on the activities of the Joint Forum of Financial Market Regulators.

CAPSA, CCIR, CISRO, CUPSA and MBRCC provided important forums for regulators to engage with each other and with industry to respond to the COVID-19 pandemic.

As noted in other sections in this report, FSRA worked closely with members of these forums on various key initiatives in 2021-2022, often taking a lead by chairing committees, conducting research and analysis, and preparing drafts, including, but not limited to:

- In May 2021, CISRO consulted on proposed Principles of Conduct for Intermediaries (CISRO Principles) for insurance intermediaries.
- In May 2021, CAPSA published a revised Pension Plan Funding Policy Guideline to take into account new pension plan designs, updated legislated funding requirements and other key elements, to provide guidance to pension plan administrators.
- In August 2021, FSRA released its final guidance for the adoption of the MBRCC National Code of Conduct into FSRA's regulatory framework.
- In October 2021, CCIR published key observations on life and health insurers' adoption of Fair Treatment of Customers principles.
- FSRA had dialogue with course providers on MBRCC's Licensing Education and Accreditation Standards in early 2021 and by November 2021, FSRA implemented the Standards.
- CAPSA published a Guide for members of Defined Contribution (DC) pension plans to help plan members obtain good retirement outcomes through membership in a DC plan.
- In February 2022, CCIR and CISRO published for comment on the proposed Incentives Management Guidance and issued a press release on deferred DSCs ban in segregated fund contracts.
- In March 2022, FSRA joined the IAIS Market Conduct Working Group, and its CEO was appointed as Vice-Chair.
- CAPSA published a guide for members of Defined Contribution (DC) pension plans to help plan members obtain good retirement outcomes through membership in a DC plan.
- CAPSA engaged with Industry Working Groups (IWG) to develop new draft Guidelines (Use of Leverage in Pension Plans and Environmental, Social and Governance Considerations in Pension Plan Management). *
- With input from CCIR and CSA representatives and the support of an IWG, CAPSA has developed proposals for revisions to its Guidelines for Capital Accumulation Plans. *

**Note: IWG completed work in 2021; consultation drafts to be released in June 2022*

FSRA also engaged in several initiatives with third parties, including the following three examples:

CCIR Annual Statement on Market Conduct (ASMC) Database

The CCIR ASMC collects information from insurers across Canada related to their governance, practices, policies, and treatment of customers. The requirement to complete and file the ASMC is based on the authority of each provincial and territorial

insurance regulator within their jurisdiction. The information collected has facilitated a better understanding of the market for regulators. It has also assisted in proactively identifying potential risks to ensure insurance customers are being treated fairly.

CCIR/CISRO Canadian Insurance Regulators Disciplinary Actions (CIRDA) Database

The CIRDA is a searchable database of published insurance disciplinary decisions in Canada. A public website enables consumers and regulators to search individuals and firms that have been subject to enforcement action by insurance regulators in Canada, including FSRA.

FSRA/Canada Revenue Agency (CRA) Pension Plan Joint Filing Agreement

This agreement between FSRA and the CRA reduces regulatory burden to pension plan administrators by supporting a single annual pension plan filing. The filing meets the information needs of both agencies. The information is captured in the AIR, most notably in Schedule A.

Response to Expectations Set Out in Agency Mandate

In 2021-2022, FSRA continued to work closely with the MOF on the transition of regulatory functions from legacy agencies. FSRA continues to make progress in reviewing all inherited FSCO and DICO regulatory directives and documents, including but not limited to, forms, guidelines, and FAQs.

In accordance with the legislative framework and direction from the Minister of Finance, FSRA's management and staff continued to focus on Board established goals and objectives. Pursuant to the *Financial Services Regulatory Authority of Ontario Act*, FSRA's balanced mandate includes protecting the rights and interests of consumers and pension plan beneficiaries, and promoting stability and high standards of business conduct, along with fostering strong, sustainable, competitive, and innovative financial services sectors. FSRA further supports the government's commitment to finding more effective and efficient ways of delivering regulatory services.

In keeping with these commitments, FSRA continued to implement the priorities identified in its previous business plan by:

1. Contributing to cross-sectoral burden reduction goals by:
 - Transitioning 387 pieces of inherited guidance (over 64%) to inactive status. The remaining 210 inherited guidance pieces were assigned a review date and their content and status will be assessed again within the next five years in accordance with the FSRA guidance framework.
 - Developing a draft Innovation Framework that sets the groundwork for how FSRA will identify, manage, and deliver opportunities to enable innovation in the regulated sectors.
 - Continuing to modernize information management/information technology systems, and the processes they support.
2. Improving regulatory efficiency and effectiveness across sectors by:
 - Conducting an organization-wide review of information sharing arrangements, sector needs and priority-sharing partners, to enhance FSRA's information-sharing infrastructure.
 - Enhancing FSRA's regulatory expertise, stakeholder collaboration (including collaboration with other regulators), and transparency.
 - Tracking and reporting meaningful service standards and performance measures and adopting a culture of continuous improvement.
3. Supporting government reform initiatives for Ontario's financial services and pension sectors, including, but not limited to:
 - Supporting the MOF in developing the *Financial Professionals Title Protection Act, 2019* and related amendments to the *Financial Services Regulatory*

Authority of Ontario Act, 2016. These were proclaimed into force on March 28, 2022, allowing FSRA to formally accept applications from prospective Credentialing Bodies.

- Supporting the MOF in developing the regulations under the CUCPA 2020, so that it was able to be proclaimed into force by the government on March 1, 2022. The CUCPA 2020, which replaced the CUCPA 1994 on that date, creates a more modern and flexible legislative framework for credit unions.
- Enabling meaningful consumer participation in the policy process through the leadership of the Consumer Office and CAP.

Information Technology and Electronic Service Delivery Plan

FSRA is continuing to strengthen its core information technology (IT) capabilities and build modern, secure, and flexible technology platforms that will allow FSRA to be more responsive and more adaptable to changing regulatory needs.

FSRA has updated its Information Technology and Cybersecurity 3-year strategic plan and is ready to start the execution in fiscal year 2022-2023.

Our achievements for the fiscal year 2021-2022 included:

- Innovation Office Test and Learning Environment Launch
- Whistleblower Program - Phase 1
- FSRA Forward: Core Regulatory Solution RFP and Data Insights
- Workday ERP enhancements
- Digitization of paper records
- Digital Mailroom launch

FSRA is continuing with its transformational *FSRAForward* Program. FSRA has completed open competitive procurement and has signed the contract for the Core Regulatory Solution Platform. Implementation of Licensing and Registration, Filings and Approvals, and Monitoring and Compliance regulatory processes has started and is expected to complete by the end of calendar 2024. In tandem with implementation of Core Regulatory Solution, FSRA has developed a new operating model to better support the new platform. In addition to modernizing regulatory processes and technology that enables them, FSRA has launched a Data Insights program to further enable activities in regulated sectors by providing easy and timely access to accurate information. Achieving fully digital, integrated, and flexible technology and process is a multi-year journey.

FSRA implemented a cybersecurity program, which was driven, measured, and based on the National Institute of Standards and Technology (NIST) Cybersecurity Framework. The goal is to strengthen FSRA's overall cybersecurity position. FSRA continues to deploy new cybersecurity capabilities and is modernizing existing ones using a risk-based approach. FSRA is evolving practices and functions in the areas of cybersecurity governance, risk management, vulnerability management, incident response, and operations. This supports business operations of all sectors. FSRA will manage cybersecurity risk according to the risk tolerances to maintain consumer confidence.

Appendix B: Service Standards

Sector	Service	Standard	Target %	Stretch Target %	Q1 2021-2022	Q2 2021-2022	Q3 2021-2022	Q4 2021-2022
Credit Unions	Regulatory approvals	All credit union regulatory applications processed within 30 days after all required information received.	90%	100%	100%	100%	100%	100%
	Member/public inquiries	Telephone and email inquiries responded to or acknowledged within 1 business day.	95%	100%	100%	100%	100%	100%
	Examination Reports	Final Examination Report or Interim Examination Report to be provided to the Credit Union no later than 60 business days after the examination.	65%	100%	100%	100%	100%	100%
Auto	Filing	Percentage of Private Passenger Auto (PPA) Standard filings reviewed, and decision made within 25 business days.	100%	N/A	100%	100%	100%	92.9%
	Filing	Percentage of non-PPA Minor filings reviewed and decision made within 25 business days.	85%	N/A	100%	80%	100%	100%

Sector	Service	Standard	Target %	Stretch Target %	Q1 2021-2022	Q2 2021-2022	Q3 2021-2022	Q4 2021-2022
Auto	Filing	Percentage of Major rate filings reviewed, and decision made within 45 business days.	90%	N/A	100%	90%	100%	100%
	Filing	Percentage of Underwriting Rules, Endorsement and Form Filings reviewed, and decision made within 30 business days.	80%	N/A	95.7%	91.3%	95.3%	95.7%
Pensions	Inquiries	Inquiries (plan specific, non-plan specific and general) will be responded to within 45 business days.	90%	100%	96.8%	100%	95.4%	92.7%
	Application	Defined Benefit Plan wind up applications will be reviewed, and a decision will be made within 120 business days.	90%	100%	84.2%	100%	91.3%	90.9%
	Application	Defined Contribution plan wind up applications will be reviewed, and a decision will be made within 90 business days.	90%	100%	100%	100%	100%	91.7%

Sector	Service	Standard	Target %	Stretch Target %	Q1 2021-2022	Q2 2021-2022	Q3 2021-2022	Q4 2021-2022
Life and Health Insurance, P&C Insurance, HSP, Mortgage Brokering, Credit Unions, Loan & Trust Corporations	Complaints-Sector	FSRA will acknowledge complaints in writing within 3 business days of receipt provided that the reply information is available.	90%	100%	96.5%	91.7%	88.8%	100%
	Complaints-Sector	Within 120 days, complaints containing all available information will be assessed and actioned for a range of possible outcomes inclusive of escalation to other areas of FSRA, transfer to third party dispute organizations, warning and caution letters and closed with no action.	80%	85%	92.9%	91.4%	91.8%	91.7%
	Complaints-Sector	Within 270 days, complaints containing all available information will be assessed and actioned for a range of possible outcomes inclusive of escalation to other areas of FSRA, transfer to third party dispute organizations, warning and caution	95%	98%	98.8%	97.3%	97.4%	99.1%

Sector	Service	Standard	Target %	Stretch Target %	Q1 2021-2022	Q2 2021-2022	Q3 2021-2022	Q4 2021-2022
		letters and closed with no action.						
Mortgage Brokers, Insurance	Licensing – Individuals	Licences will be issued 10 days from receipt of a complete application (complete, with payment, and no suitability issue identified during the application review process).	80%	90%	69.6%	13.8%	79.4%	91.8%
	Licensing – Individuals	Applicants who have submitted incomplete licensing applications (missing information, payment, qualifications, or documents) will be informed that their application is incomplete within 10 business days or receipt.	80%	90%	100%	100%	100%	100%
	Licensing – Individuals	Applicants submitting licensing applications where a suitability issue is identified, will receive an email advising the contact information for the assigned Licensing/Registration	80%	90%	40.2%	57.1%	65.1%	75%

Sector	Service	Standard	Target %	Stretch Target %	Q1 2021-2022	Q2 2021-2022	Q3 2021-2022	Q4 2021-2022
		Specialist and will be contacted within 10 business days of the email, or the licence will be issued.						
Enterprise	Phone General Inquiries	We will respond to general questions when calls are received. Complex questions and complaints will be forwarded to the appropriate area to log, investigate, and respond.	90%	98%	100%	100%	100%	100%
	Phone General Inquiries Contact Centre	Calls that are received through Voicemail will be acknowledged within 1 business day.	90%	98%	97.6%	100%	100%	100%
	Email General Inquiries Contact Centre	Emails received through the Contact Centre will be acknowledged within 1 business day and a response sent within 3 business days. For complex matters, we may request additional information and these requests may take	90%	98%	99.6%	96.6%	99.1%	97%

Sector	Service	Standard	Target %	Stretch Target %	Q1 2021-2022	Q2 2021-2022	Q3 2021-2022	Q4 2021-2022
		longer for a formal response.						
Enterprise	Accessible Formats	FSRA will respond within 5 business days to a requestor of web content in accessible format. Following discussions with the requestor, FSRA will provide agreed-upon web content (excluding online applications), in an accessible format within 5 business days.	90%	98%	100%	100%	100%	100%
	Accessible Formats	FSRA will respond within 5 business days to a requestor of print publication in an accessible format. Following discussions with the requestor, FSRA will provide the agreed-upon publication material in an accessible format within 5 business days.	90%	98%	100%	100%	100%	100%
	Website Response	All inquiries directed to the Web Manager e-mail account will be	95%	100%	100%	100%	100%	100%

Sector	Service	Standard	Target %	Stretch Target %	Q1 2021-2022	Q2 2021-2022	Q3 2021-2022	Q4 2021-2022
--------	---------	----------	----------	------------------	--------------	--------------	--------------	--------------

concluded and/or responded to within 5 business days.

Appendix C: Credit Union Regulatory Activities

Summary of Credit Union & Insurance Regulatory Activities							
Category	2021-22	2020-21	2019-20	2018	2017	2016	2015
Applications	25	25	16	23	7	16	9
Variations, Exemptions & Extensions**	1	15	11	3	0	1	0
Orders	0	0	0	2	3	3	0
Administrative Penalties	0	0	0	0	0	0	0
Certificates and other requests***	157	112	140	112	N/A	N/A	N/A
Total****	183	152	167	140	10	20	9

**** Includes 7 applications processed for Insurance (2 substantial investments, 2 Amending agreements, 2 exceptions to the real estate limit & 1 Exemption to file financial statements in accordance with IFRS)**

*****Includes certificates of status, mortgage discharges, acknowledgement of receipt of bylaws and dissolutions of credit unions purchased**

****** Of the 183 transactions processed 2 were withdrawn by the applicants, as they chose not to go ahead with the proposed investments**

Appendix D: Market Conduct Statistics

Market Conduct Received Complaints Comparison of Fiscal 2020-2021 against Fiscal 2021-2022

Complaint Type	2020-2021		2021-2022		FY over FY Change	
	(N)	(%)*	(N)	(%)*	(N)	(%)
Insurance - Property and Casualty**	467	41.4%	334	37.4%	-133	-4%
Mortgage Brokers	347	30.7 %	309	34.6%	-38	3.9%
Insurance - Life and Health	203	18.0%	169	18.9%	-34	9%
Insurance - Investments	13	1.2%	10	1.2%	-3	0%
Credit Unions	74	6.6%	40	4.5%	-34	-2.1%
Other	15	1.3%	19	2.1%	4	8%
Co-operatives	2	0.2%	0	0%	-2	-0.2%
Loan & Trust	8	0.7%	12	1.3%	4	0.6%
Total	1129	100%	893	100%	- 236	

*Percentages may not add to 100 due to rounding

** Includes health service provider and auto insurance complaints

Fiscal is April 1 to March 31

Enforcement actions by FSRA to address non-compliance from April 1, 2021, to March 31, 2022

	Public Warning Notices	Caut ion Letters	Warn ing Letters	Compl iance Order Including Cease and Desist Orders	Licence Suspensions*	Licence Revocations	Condi tions on Licenc e and Amend ing Licenc e	Vary and Withd raw AMP	Applica tion Withd rawal & Agree ment to not Reappl y	Licence Refusal/D enials	Administ rative Monetary Penalties Orders
Health Service Providers	0	1	36	0	60	170	1	0	0	2	0
Mortgage Brokering	11	16	70	2	3	6	24	0	1	0	12
Insurance Sector (life insurance agents; property and casualty; life and health)	1	69	604	1	3	1	16	0	2	2	12
Credit Unions / Caisse Pop ulaires	0	0	3	0	0	0	0	0	0	0	0
Total	12	86	713	3	66	177	41	0	3	4	24

*Includes interim suspensions

Administrative Monetary Penalties 2020-2021 and 2021-2022

	2020-2021 Administrative Monetary Penalties (\$)	2021-2022 Administrative Monetary Penalties (\$)	\$ Change
Health Service Providers	\$0	\$0	\$0
Mortgage Brokering	\$448,500	\$1,740,550	+ 1,292,050
Insurance Sector (life insurance agents; property and casualty; life and health)	\$13,000	\$171,750	+ 158,750
Credit Unions/Caisse Populaires	\$0	\$0	\$0
Total	\$461,500	\$1,912,300	+ \$1,450,800

Appendix E: Pensions Statistics

Key Applications and Inquiries (As of March 31, 2022)

Transaction	Total Received in 2021-2022	% (+/-)*
Applications		
Transfer of Commuted Value	10	** see note
DB Asset Transfer	26	46%
DC Asset Transfer	50	8%
DB Wind Up (Full)	65	-63%
DC Wind Up (Full)	83	-6%
Inquiries		
General Inquiries	2149	31%
Plan Specific Inquiries – Industry	1354	-19%
Plan Specific Inquiries – Member	623	-21%
Member Complaints		
Non-Compliance with Legislation/Policy	5	-88%
Benefit Calculation/ Commuted Value	33	-14%
Non-Compliance with Plan Provisions	11	-21 %
Reciprocal Transfer Agreement	1	-80%

*(% +/-) comparative against FY2020-2021

**The number of Applications for Commuted Value Transfers filed for FSRA approval dropped significantly (over 2000%, from 270 applications filed to 10) since the global pandemic and financial market downturn in 2020

Statutory Filings (As of March 31, 2022)

Statutory Filing	2019-2020	2020-2021	2021-2022
Annual Information Return (AIR): Defined Benefit Pension Plans	99.7%	98.3%	98.98%
Annual Information Return (AIR): Defined Contribution Pension Plans	96.8%	92.5%	94.15%
Pension Benefits Guarantee Fund (PBGF) Certificate: Defined Benefit Pension Plans	98.3%	98.8%	99.23%
Financial Statements (FS): Defined Benefit Pension Plans	99.5%	98.5%	98.89%
Investment Information Summary (IIS): Defined Benefit Pension Plans	99.2%	97.8%	99.24%

Statutory Filing	2019-2020	2020-2021	2021-2022
Financial Statements (FS): Defined Contribution Pension Plans	95.1%	88.4%	92.16%
Actuarial Reports (AR) accompanied by an Actuarial Information Summary (AIS): Defined Benefit Pension Plans	100%	98.8%	95.82 %
Statement of Investment Policies and Procedures (SIPP) accompanied by a SIPP Information Summary: Defined Benefit Pension Plans	96.8%	98.4%	99.80%
Statement of Investment Policies and Procedures (SIPP) accompanied by a SIPP Information Summary: Defined Contribution Pension Plans	92.9%	90.6%	100.00%

Appendix F: Contact Centre Statistics

Inquiry Type	Number	Percentage
Licensing	24,109	36.4%
Mortgage Brokering	9,310	14.1%
Pensions	6,578	9.9%
Insurance: Automobile and Other	5,255	7.9%
Health Service Providers	3,174	4.8%
Credit Unions/Caisse Populaires	903	1.4%
Co-operatives	27	0.004%
Loan & Trust	274	0.4%
*Other	16,603	25.1%
Total	66,233	100.0%

*Other category consists of non-FSRA related inquiries and general FSRA inquiries.

Appendix G: Financial Statements

**FINANCIAL SERVICES REGULATORY
AUTHORITY OF ONTARIO**

FINANCIAL STATEMENTS FOR THE YEAR ENDING MARCH 31, 2022



Management's Responsibility for Financial Information

Management is responsible for the integrity and fair presentation of the accompanying financial statements and notes. The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards for Government Not-For-Profit ("PSA-GNFPO"). The preparation of the financial statements involves the use of management's judgement and best estimates where appropriate.

Management is also responsible for developing and maintaining financial controls, information systems and practices to provide reasonable assurances on the reliability of financial information and the safeguarding of its assets.

The Financial Services Regulatory Authority of Ontario's Board of Directors is responsible for ensuring that management fulfils its responsibilities. The Board has appointed an audit and finance committee from among its own members. The audit and finance committee meets periodically with senior management and the Office of the Auditor General of Ontario to discuss audit, internal control, accounting policy, and financial reporting matters. The financial statements have been reviewed by the audit and finance committee and approved by the Board of Directors.

The financial statements have been audited by the Office of the Auditor General of Ontario. The auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian PSA-GNFPO. The auditor's report follows.

A handwritten signature in black ink, appearing to read 'Mark White'.

Mark White
Chief Executive Officer

A handwritten signature in black ink, appearing to read 'Stephen Power'.

Stephen Power
Executive Vice President - Corporate Services

Toronto, Ontario
July 13, 2022



INDEPENDENT AUDITOR'S REPORT

To the Financial Services Regulatory Authority of Ontario

Opinion

I have audited the financial statements of the Financial Services Regulatory Authority of Ontario (the Authority), which comprise the statement of financial position as at March 31, 2022 and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2022, and the results of its operations, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Authority in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Toronto, Ontario
July 13, 2022



Bonnie Lysyk, MBA, FCPA, FCA, LPA
Auditor General

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

**Statement of Financial Position
As at March 31, 2022**

(\$000)	Note(s)	March 31, 2022	March 31, 2021
ASSETS			
Current			
Cash	3	\$ 77,015	\$ 92,045
Trade and other receivables	4	15,480	13,982
Prepaid expenses		<u>2,479</u>	<u>2,352</u>
Total current assets		94,974	108,379
Capital assets	5	<u>13,910</u>	<u>15,145</u>
Total assets		<u>\$ 108,884</u>	<u>\$ 123,524</u>
LIABILITIES			
Current			
Trade and other payables	6	\$ 15,017	\$ 44,045
Deferred revenue	8	25,061	20,701
Loan payable	9	<u>3,623</u>	<u>3,356</u>
Total current liabilities		43,701	68,102
Loan payable	9	47,027	46,315
Employee future benefits	11	3,319	4,903
Deferred lease inducements	7	2,859	3,236
Deferred revenue	8	2,662	2,046
Other long term obligations		<u>1,426</u>	<u>1,427</u>
Total liabilities		<u>100,994</u>	<u>126,029</u>
NET ASSETS / (DEFICIT)			
Internally restricted net assets	12	5,000	5,000
Unrestricted net assets / (deficit)		<u>2,890</u>	<u>(7,505)</u>
Total net assets / (deficit)		<u>7,890</u>	<u>(2,505)</u>
Total liabilities and net assets / (deficit)		<u>\$ 108,884</u>	<u>\$ 123,524</u>

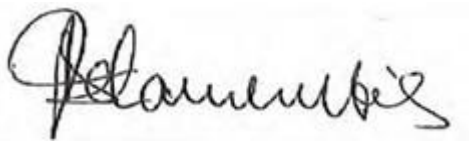
See accompanying notes to the financial statements.

Commitments, Contracts and Contingencies (Note 17)

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

**Statement of Financial Position
As at March 31, 2022**

On Behalf of the Board:



Joanne De Laurentiis
Board Chair



Brent Zorgdrager
Chair, Audit & Finance Committee

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

**Statement of Operations
For the year ended March 31, 2022**

(\$000)	Note(s)	March 31, 2022	March 31, 2021
Revenue			
Assessments		\$ 75,672	\$ 72,928
Fees		27,628	24,191
Interest income		619	538
	20	<u>103,919</u>	<u>97,657</u>
Expenses			
Salaries and benefits	11, 13	68,703	69,267
Professional services		12,533	13,031
Technology		5,110	4,881
Accommodation		4,117	6,398
Amortization		3,104	1,917
Interest expense		1,335	1,260
Staff development		1,067	1,106
Other operating expenses		1,400	1,647
		<u>97,369</u>	<u>99,507</u>
Less: Recoveries	14	<u>(3,845)</u>	<u>(4,832)</u>
		<u>93,524</u>	<u>94,675</u>
Excess of revenue over expenses		<u>\$ 10,395</u>	<u>\$ 2,982</u>

See accompanying notes to the financial statements.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Statement of Changes in Net Assets For the year ended March 31, 2022

(\$000)	Note(s)	Internally Restricted Net Assets	Unrestricted Net Assets / (Deficit)	March 31, 2022 Total	March 31, 2021 Total
Net assets / (deficit), beginning of year		\$ 5,000	\$ (7,505)	\$ (2,505)	\$ (5,487)
Excess of revenues over expenses	12	-	10,395	10,395	2,982
Net assets / (deficit), end of year		<u>\$ 5,000</u>	<u>\$ 2,890</u>	<u>\$ 7,890</u>	<u>\$ (2,505)</u>

See accompanying notes to the financial statements.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Statement of Cash Flows For the year ended March 31, 2022

(\$000)	Note(s)	March 31, 2022	March 31, 2021
Cash flows from / (used in) operating activities:			
Excess of revenue over expenses		\$ 10,395	\$ 2,982
Adjustments for non-cash expense items:			
Amortization of capital assets		3,104	1,917
Loss on disposal of capital assets		12	132
Interest expense		1,335	1,260
		14,846	6,291
Changes in non-cash working capital:			
Trade and other receivables		(1,498)	(1,070)
Prepaid expenses		(127)	(393)
Trade and other payables		(20,764)	(4,602)
Deferred revenue		4,976	3,903
Employee future benefits	11	(1,584)	(1,090)
Deferred lease inducements	7	(377)	3,516
Other long term obligations		(1)	(2)
		(4,529)	6,553
Cash flows used in capital activities:			
Purchase of capital assets		(10,145)	(2,429)
		(10,145)	(2,429)
Cash flows from / (used in) financing activities:			
Proceeds from loan advances	9	3,000	4,500
Repayment of loan principal and interest		(3,356)	(2,995)
		(356)	1,505
Net (decrease) / increase in cash position		(15,030)	5,629
Cash, beginning of year		92,045	86,416
Cash, end of year	3	\$ 77,015	\$ 92,045
Supplemental cash flow information			
Capital assets funded by Trade and other Payables		\$ (8,264)	\$ 8,068

See accompanying notes to the financial statements.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2022 (\$000)

1. DESCRIPTION OF THE ORGANIZATION

The Financial Services Regulatory Authority of Ontario (FSRA or the Authority) was established under the *Financial Services Regulatory Authority of Ontario Act, 2016* (the *FSRA Act*) as a corporation without share capital.

FSRA was created to achieve specified statutory objects, which include improving consumer and pension plan beneficiary protections in Ontario and was established to replace the Financial Services Commission of Ontario (FSCO) and the Deposit Insurance Corporation of Ontario (DICO) as the regulator under various financial services regulated sector statutes previously administered by those predecessors.

With the proclamation of certain provisions of the *FSRA Act*, and provisions of the regulated sector statutes, the Authority assumed substantially all the regulatory authorities and responsibilities of FSCO and DICO effective June 8, 2019. The transition involved the transfer of certain assets, liabilities, and contractual obligations from FSCO to FSRA pursuant to a Minister's transfer order, the amalgamation of FSRA and DICO, and the transfer of FSCO employees to FSRA.

FSRA regulates sectors subject to the following statutes:

- *Insurance Act, R.S.O. 1990, Chapter I.8;*
- *Co-operative Corporations Act;*
- *Credit Unions and Caisses Populaires Act, 2020 (Credit Unions and Caisses Populaires Act, 2020 came into force on March 1, 2022, replacing the Credit Unions and Caisses Populaires Act, 1994);*
- *Loan and Trust Corporations Act;*
- *Mortgage Brokerages, Lenders and Administrators Act, 2006;*
- *Pension Benefits Act; and*
- *Financial Professionals Title Protection Act, 2019.*

Through the *Pension Benefits Act*, the Chief Executive Officer of FSRA is responsible for the administration of the Pension Benefit Guarantee Fund (PBGF). The purpose of the PBGF is to guarantee the payment of pension benefits of certain defined benefit pension plans that are wound up under conditions specified in the *Pension Benefits Act* and regulations thereto. The total liability of the PBGF to guarantee pension benefits at any particular time is limited to the assets of the PBGF at that time, including any loans or grants received from the Province.

FSRA is also responsible for the administration of the Deposit Insurance Reserve Fund (DIRF) through the *Credit Unions and Caisses Populaires Act, 2020*(CUCPA). The DIRF may only be used to pay credit union deposit insurance claims or for other authorized purposes specified in the CUCPA. Under the CUCPA section 224(4), the total liability of FSRA to insure credit union deposits through the DIRF or to fund other authorized purposes of the DIRF at any particular time is limited to the assets of the DIRF at that time.

Under the *FSRA Act* any funds received by the PBGF or the DIRF and the assets of the PBGF and the DIRF are not part of the revenues, assets and investments of FSRA. As a result, the PBGF and DIRF are separate reporting entities with separately audited financial statements.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2022 (\$000)

As a listed regulatory crown agency of the Province of Ontario, FSRA is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Public Sector Accounting Standards for Government Not-For-Profit organizations (PSA-GNFPO) as issued by the Public Sector Accounting Board (PSAB). The significant accounting policies used to prepare these statements and notes are summarized below.

(a) Revenue Recognition

Assessment revenues from the insurance, pension, credit union and caisses populaires and the loan and trust sectors and are based on FSRA's approved operating budget for the fiscal period. Assessment revenues are recognized when the related operating costs are incurred.

Revenues from fees are recognized as revenue in the year to which they pertain.

Revenues from administrative monetary penalties (penalties) and the settlement of enforcement proceedings (settlements) are deferred and recognized in revenue when used for the purposes specified (see Note 8). Penalties and settlements are set-up as deferred revenue when they are invoiced. If the invoiced amounts are deemed uncollectible, they are removed from deferred revenue and adjusted directly against the allowance for doubtful debts.

Interest income is recognized as earned.

(b) Capital Assets

Capital assets are recorded at cost less accumulated amortization and accumulated impairment losses, if any.

Amortization is provided on a straight-line basis based upon the estimated useful lives of the assets as follows:

Office furniture and equipment	5 years
Leasehold improvements	over the term of the lease
Software	3 to 10 years
Computer hardware	3 to 6 years

(c) Financial Instruments

All financial instruments are included on the Statement of Financial Position and are measured either at fair value or cost.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2022 (\$000)

Cash, trade and other receivables, trade and other payables, loans payable and other long-term obligations are recorded at cost in in the financial statements.

(d) Employee Benefits

Pension Costs

FSRA participates in the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU-PF), which are defined benefit pension plans for employees of the Province of Ontario and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF and a joint sponsor of the OPSEU-PF, determines FSRA's annual payments to the funds.

The plan sponsors are responsible for ensuring that the pension funds are financially viable, and any surpluses or unfunded liabilities arising from the statutory actuarial funding valuations are not assets or obligations of FSRA.

Payments made to the plans are recognized as an expense when employees have rendered the service entitling them to the contributions.

FSRA Non-Pension Post-Employment Benefits

The cost of non-pension benefits for eligible pensioners is paid by the Province of Ontario and is not included in these financial statements.

DICO Non-Pension Post-Employment Benefits

FSRA provides future non-pension post-employment benefits to provide extended health, dental and life benefits to former employees and retirees of DICO who meet eligibility requirements. The cost of these benefits is actuarially determined using the projected benefit method pro-rated on service and expensed as employment services are rendered.

Adjustments to these costs arising from changes in estimates and actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service life of the related employees beginning in the fiscal year following the related actuarial valuation.

(e) Use of Estimates

In preparing the financial statements, management is required to make judgements, estimates and assumptions that affect the reported amount of assets, liabilities, revenue, expenses, and disclosure of contingent liabilities at the date of the financial statements. Actual amounts could differ from these estimates.

Items subject to such estimates include the allowance for doubtful debts, useful lives of capital assets, accrued liabilities, employees' future benefits and allocation of costs between industry sectors.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2022 (\$000)

3. CASH

Cash includes \$158 (2021 - \$nil) in restricted funds from the collection of administrative monetary penalties and settlements (see Note 8) and \$2,942 (2021 - \$2,161) in funds held in the Authority's role as a provider of administrative and support services for various organizations (see Note 14).

4. TRADE AND OTHER RECEIVABLES

(\$000)	Note(s)	March 31, 2022	March 31, 2021
HST recoverable		\$ 9,600	\$ 4,240
Trade and accrued receivables, net of allowance for doubtful debts		3,046	8,497
Due from Ministries of the Province of Ontario	15(a)	2,181	1,245
Administrative monetary penalties receivable, net of allowance for doubtful debts	8	653	-
		\$ 15,480	\$ 13,982

5. CAPITAL ASSETS

Capital assets consist of the following:

(\$000)	March 31, 2022			March 31, 2021
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Leasehold improvements	\$ 11,847	\$ 1,226	\$ 10,621	\$ 3,043
Software	4,649	2,720	1,929	2,857
Computer hardware	3,587	2,242	1,345	2,084
Office furniture and equipment	17	2	15	-
Construction in progress	-	-	-	7,161
	\$ 20,100	\$ 6,190	\$ 13,910	\$ 15,145

In the prior year capital assets included \$7,161 in construction in progress costs for leasehold improvements at FSRA's new premises. Construction is now complete and all amounts have been transferred to leasehold improvements. Leasehold improvements for FSRA's new premises at 25 Sheppard Avenue West are amortized over an initial term of 10 years.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2022 (\$000)

6. TRADE AND OTHER PAYABLES

(\$000)	Note(s)	March 31, 2022	March 31, 2021
Accounts payable and accruals		\$ 13,388	\$ 17,534
Due to Infrastructure Ontario	15(c)	922	9,186
Current portion of deferred lease inducements	7	377	377
Current portion of employee benefits	11(b)	262	1,925
Due to Ministries of the Province of Ontario	15(a)	68	14,931
Due to Deposit Insurance Reserve Fund	15(b)	-	92
		<u>\$ 15,017</u>	<u>\$ 44,045</u>

7. DEFERRED LEASE INDUCEMENTS

FSRA entered into a lease agreement for office space at 25 Sheppard Avenue West, which commenced on November 1, 2020, and expires on October 31, 2030. The lease included a \$3,099 allowance for renovations and a four-month rent free period valued at \$671. Both amounts have been set-up as deferred lease inducements and are amortized over the term of the lease. Total amortized lease inducements of \$377 (2021 - \$254) were recorded as a reduction of accommodation expense during the year.

(\$000)	Note(s)	March 31, 2022	March 31, 2021
Balance, beginning of year		\$ 3,613	\$ 97
Additions during the year		-	3,770
Amortization to expense		(377)	(254)
Balance, end of year		3,236	3,613
Less: Current portion	6	(377)	(377)
		<u>\$ 2,859</u>	<u>\$ 3,236</u>

8. DEFERRED REVENUE

Deferred revenue represents payments received for fees that cover more than the current fiscal year or that relate to the next fiscal year. The deferred portion is recognized as revenue in the fiscal year to which they pertain or in the fiscal year that the associated operating costs are incurred.

Deferred revenue also includes amounts related to administrative monetary penalties and related settlements. Revenue from penalties and settlements may only be used for purposes specified

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2022 (\$000)

by Regulation 554/21 (effective August 3, 2021), which include funding research or educational initiatives that enhance the knowledge of persons or entities carrying on business in the sectors FSRA regulates and have the goals of protecting consumers, pension plan beneficiaries, promoting the good administration of pension plans or improving compliance by persons carrying on business in the regulated sectors. These penalties are set-up as deferred revenue when they are invoiced. If the invoiced amounts are deemed uncollectible they are removed from deferred revenue and adjusted directly against the allowance for doubtful debts.

Changes in the deferred revenue balances during the current year are summarized as follows:

(\$000)	Balance, at beginning of year	Additions during year	Recognized during year	Reversal of uncollectible amounts	Balance, end of year
Fees:					
Mortgage brokers	\$ 13,343	\$ 18,927	\$ (18,079)	\$ -	\$ 14,191
Insurance agents, adjusters, and corporations	7,181	7,398	(7,104)	-	7,475
Health service providers	12	6,211	(3,395)	-	2,828
Other	2,211	877	(670)	-	2,418
	22,747	33,413	(29,248)	-	26,912
Penalties and settlements:					
Insurance sector	-	187	-	(7)	180
Mortgage broker sector	-	2,211	-	(1,580)	631
	-	2,398	-	(1,587)	811
Total deferred revenue	\$ 22,747	\$ 35,811	\$ (29,248)	(1,587)	\$ 27,723

Deferred revenue has been separated into a current portion of \$25,061 (2021 - \$20,701) and long-term portion of \$2,662 (2021 - \$2,046) totaling \$27,723 (2021 - \$22,747).

9. LOAN AGREEMENT

In August 2019 FSRA entered into an Amended and Restated Loan Agreement with Her Majesty the Queen for a maximum principal amount of \$60.0 million.

The agreement includes four short-term non-revolving facilities (Facility 1, 2, 3 and 4) and four long-term loans (Term loan 1, 2, 3 and 4). The term loans are advanced as the non-revolving facilities come due and are equal to the principal and accrued interest balance of the non-revolving

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2022 (\$000)

loans at their repayment dates. The maximum principal amount available for Facility 1 is \$40.0 million, for Facility 2 is \$12.5 million, for Facility 3 is \$4.5 million and for Facility 4 is \$3.0 million.

Facilities 1, 2 and 3 were drawn and replaced with their respective Term loans in prior fiscal years. All three term loans are repayable in equal quarterly instalments. Term loan 1 matures on August 29, 2039 and Term loans 2 and 3 mature on April 1, 2039.

On March 30, 2022, FSRA drew \$3.0 million under Facility 4. Facility 4 will be repaid on April 1, 2022, with proceeds from Term loan 4 which will be advanced on April 1, 2022. Term loan 4 will also mature on April 1, 2039 and will bear interest at 3.845% per annum. The loan is repayable in equal quarterly installments beginning July 2, 2022.

The loan balances are summarized in the table below:

(\$000)	Opening balance	Additions	Interest expense	Principal and Interest repayments	Ending balance
Term loan 1 (interest rate 2.71%)	\$ 38,478	\$ -	\$ 1,021	\$ (2,646)	\$ 36,853
Term loan 2 (interest rate 2.81%)	6,693	-	182	(467)	6,408
Term loan 3 (interest rate 2.99%)	4,500	-	132	(243)	4,389
Facility 4 (interest rate 3.845%)	-	3,000	-	-	3,000
	\$ 49,671	\$ 3,000	\$ 1,335	\$ (3,356)	\$ 50,650

The loan has been separated into a current portion of \$3,623 (2021 - \$3,356) and long-term portion of \$47,027 (2021 - \$46,315)

10. CREDIT FACILITY AGREEMENT AND LETTER OF CREDIT

On December 18, 2020, FSRA entered into a one-year credit facility agreement with the Ontario Financing Authority. The facility was established for the purpose of mitigating any potential future liquidity risk in the Ontario credit union sector, including situations where one or more credit unions may require financial support beyond the support available from the Deposit Insurance Reserve Fund (the DIRF). The agreement includes a non-revolving facility with a maximum principal amount of \$2.0 billion and a six-year term.

In December 2021 the non-revolving facility was extended for a further one-year term and will now expire on December 17, 2022. Any undrawn balance at the end of the term will expire. Interest on the non-revolving facility will accrue daily on the outstanding amount at a rate equal to the three-month Ontario Treasury Bill rate plus 0.782 percentage points, compounded quarterly.

The six-year term loan will be advanced as the non-revolving facility comes due and will be equal to the principal and accrued interest balance of the non-revolving facility at its repayment date.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2022 (\$000)

Interest on the six-year term loan will accrue daily at a rate equal to the Province of Ontario's cost of funds for a six-year amortizing bond plus 0.782 percentage points, compounded semi-annually.

No amounts have been drawn under this facility.

FSRA has also issued an irrevocable standby letter of credit for \$1,740 (2021 - \$1,740) in respect of the pension obligations described in Note 11(a). No amounts have been drawn under this letter of credit.

11. EMPLOYEE BENEFITS

(a) Pension Plan

FSRA's contribution to the PSPF and OPSEU-PF for the year was \$4,950 (2021 - \$4,483), which is included in salaries and benefits in the Statement of Operations.

(b) Employee Future Benefits

(\$000)	Note(s)	March 31, 2022	March 31, 2021
DICO non-pension post employment benefits		\$ 1,962	\$ 3,292
Legislated severance entitlements		834	2,684
DICO supplemental pension benefits		639	735
Other employee future benefits		146	117
Total employee future benefit liability		<u>3,581</u>	<u>6,828</u>
Less: Due within one year	6	<u>(262)</u>	<u>(1,925)</u>
		<u>\$ 3,319</u>	<u>\$ 4,903</u>

(i) DICO Non-Pension Post-Employment Benefits

On June 8, 2019, FSRA became the sponsor of retiree benefits other than pensions for former employees of DICO. The plan provides extended health and dental as well as life insurance to eligible employees.

Total benefit payments to retirees during the year were \$207 (2021 - \$195). The plan is unfunded and requires no contributions from employees.

The retirement benefit liability at March 31 includes the following components:

(\$000)	March 31, 2022	March 31, 2021
Accrued benefit obligation	\$ 1,536	\$ 2,105
Unamortized actuarial gains	426	1,187
Retirement benefit liability	<u>\$ 1,962</u>	<u>\$ 3,292</u>

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2022 (\$000)

The most recent actuarial report was prepared at March 31, 2022. Unamortized actuarial gains are amortized on a straight-line basis over the expected average remaining service life of the related employee group. All employees eligible for benefits under this arrangement have now retired. As a result, the expected remaining service life of the employee group is 0 years (2021 – 0.25 years) and actuarial gains and losses will be fully amortized in the fiscal year following the related actuarial valuation.

The actuarial valuation is based on several assumptions about future events, such as inflation rates, interest rates, medical inflation rates, salary increases, and employee turnover and mortality. The assumptions used reflect management's best estimates. The discount rate used to determine the accrued benefit obligation is 3.85% (2021 - 2.99%).

The total gain or expense related to retirement benefits other than pensions include the following components:

(\$000)	March 31, 2022	March 31, 2021
Current period benefit cost	\$ 2	\$ 29
Amortization of actuarial gains	(1,187)	(251)
Interest expense	<u>61</u>	<u>89</u>
Retirement benefit gain	<u>\$ (1,124)</u>	<u>\$ (133)</u>

These amounts have been included in salaries and benefits in the Statement of Operations.

(ii) *Legislated Severance*

The legislative severance portion of the employee future benefits obligation was calculated using a discount rate of 3.85% (2021 - 2.99%) and estimated average years to retirement of 10.4 years (2021 – 11.4 years). These assumptions are management's best estimates.

A credit to expenses of \$120 (2021 – a charge to expenses of \$796) was recognized in relation to legislated severance and is included in salaries and benefits in the Statement of Operations. The expense for the prior year included a one-time charge for the settlement of a union grievance filed against the Crown in the Right of Ontario as represented by the Treasury Board Secretariat.

(iii) *DICO Supplemental Pension Benefits*

On June 8, 2019, FSRA assumed an obligation for a supplemental defined contribution pension plan that was established to provide pension benefits to certain former DICO employees for income in excess of registered pension limits.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2022 (\$000)

Interest expense of \$2 (2021 - \$6) was recorded in respect of this obligation and is included in salaries and benefits in the Statement of Operations.

As the plan is a defined contribution plan, FSRA assumes no actuarial or investment risk.

(iv) *Other Employee Future Benefits*

Other employee future benefits include other future compensation entitlements earned. The total cost for the year for all other employee future benefits is \$30 (2021 - \$20) and is included in salaries and benefits in the Statement of Operations.

12. INTERNALLY RESTRICTED NET ASSETS

In accordance with FSRA *Rule 2019-001 Assessments and Fees*, FSRA has established a \$5,000 (2021 - \$5,000) operating reserve. The primary purpose of the reserve is to fund FSRA's operations in the event of revenue shortfalls and unanticipated expenditures or to cover the discrepancy between the timing of revenue and expenses.

13. DIRECTOR'S REMUNERATION

The Board of Directors are part-time appointees and the amounts paid to the Directors are established in an Order in Council. Salaries and benefits expense includes \$397 (2021 - \$350) for the remuneration of members of the Board of Directors.

14. RECOVERIES

FSRA provides administrative and other support services to several governmental and non-governmental organizations and recovers the costs from these organizations in accordance with the memorandum of understanding or agreement signed with the respective organizations.

In the prior fiscal year, FSRA also recovered \$191 in costs it incurred on behalf of a credit union under administration as permitted by section 295.1 of the *Credit Unions and Caisses Populaires Act, 1994*.

Details of these recoveries are as follows:

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2022 (\$000)

(\$000)	Note(s)	March 31, 2022	March 31, 2021
Recoveries from unrelated parties:			
General Insurance Statistical Agency		\$ 982	\$ 890
Canadian Council of Insurance Regulators		498	417
Canadian Association of Pension Supervisory Authorities		373	354
Canadian Insurance Services Regulatory Organization		209	188
Mortgage Broker Regulators' Council of Canada		191	189
Credit union under administration		-	191
		<u>2,253</u>	<u>2,229</u>
Recoveries from related parties:			
Pension Benefits Guarantee Fund	15(b)	1,387	924
Province of Ontario co-operative offering statements program	15(a)	122	182
Financial Services Tribunal	15(a)	83	99
Province of Ontario legislated severance settlement	15(a)	-	1,000
Motor Vehicle Accident Claims Fund	15(a)	-	398
		<u>1,592</u>	<u>2,603</u>
		<u>\$ 3,845</u>	<u>\$ 4,832</u>

15. RELATED PARTY TRANSACTIONS

FSRA is wholly-owned by the Province of Ontario through the Ministry of Finance and is therefore a related party to other organizations that are controlled or subject to significant influence by the Province of Ontario. Transactions with related parties are outlined below.

All related party transactions were measured at the exchange amount, which is the amount of consideration established and agreed by the related parties.

(a) Ministries of the Province of Ontario

FSRA entered into the following transactions with the various Ministries of the Province of Ontario:

- (i) FSRA received a \$1,916 (2021 - \$2,266) assessment invoice from the Ministry of Finance for expenditures that it made in respect of the regulated sectors for the operation of Dispute Resolution Services and the Financial Services Tribunal. The amount also includes expenditures that the Ministry of Finance made in respect of preparing FSRA to carry out its regulatory function. FSRA will recover this amount from the regulated sectors through the fiscal 2022-2023 assessments. The amount has been included in trade and other receivables in the Statement of Financial Position at March 31, 2022.
- (ii) Co-location, connectivity, and related charges in support of information technology services at the Guelph Data Centre and IT user per seat costs. Expenses for these

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2022 (\$000)

services of \$762 (2021 - \$681) have been included in technology costs in the Statement of Operations. Trade and other payables include \$68 (2021 – nil) in respect of these expenses.

- (iii) Provided administrative and other support services for the Province's co-operating offering statements program and the Financial Services Tribunal as described in Note 14. Trade and other receivables include \$122 (2021 - \$245) in respect of these services.
- (iv) Collected and paid \$35 (2021 - \$11) in administrative monetary penalties on behalf of the Ministry of Finance. At March 31, 2021, \$494 was included in trade and other payable in respect of money collected but not yet remitted to the Ministry of Finance.
- (v) Employees from the Ontario Public Sector were seconded to FSRA to support its start-up and IT activities. During the year, FSRA expensed \$nil (2021 - \$807) as services costs in connection with these seconded employees.
- (vi) Borrowed an additional \$3,000 (2021 - \$4,500) under the Loan Agreement with the Ministry of Finance described in Note 9. During the year total interest expense for borrowings under this agreement was of \$1,335 (2021 - \$1,260).
- (vii) Recognized a \$nil (2021 - \$1,000) recovery under an agreement with the Ministry of Finance for legislated severance described in Note 11(b)(ii).
- (viii) In fiscal 2019-2020 FSRA received \$27,373 from the Ministry of Finance under an Asset and Liability Transfer Agreement. The amount was based on a preliminary estimate of the net liabilities assumed by FSRA as part of the restructuring. The final value of cash to be transferred in respect of this transactions is \$5,760. At March 31, 2021 a remaining excess payment of \$10,829 was included in trade and other payables in the Statement of Financial Position. This balance was settled during the current fiscal year and no amounts remain outstanding.

(b) Funds Administered by FSRA

The Chief Executive Officer of FSRA is responsible for the administration of the Pension Benefit Guarantee Fund (PBGF) and FSRA is responsible for the administration of the Deposit Insurance Reserve Fund (DIRF).

(i) Pension Benefit Guarantee Fund

During the year FSRA recognized a recovery of \$1,387 (2021 - \$924) for administrative and other support services to the PBGF as described in Note 14.

(ii) Deposit Insurance Reserve Fund

During the year the FSRA paid certain expenses on behalf of DIRF. At March 31, 2022, trade and other receivables includes a net receivable of \$143 (2021 – trade and other payable of \$92) in respect of these expenses. In fiscal 2021-2022 FSRA refunded \$26 (2021 - \$nil) to the DIRF representing release of excess Deposit Insurance Corporation of Ontario pre-amalgamation expense accruals.

(c) Infrastructure Ontario (an Ontario Crown Agency)

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2022 (\$000)

During the year FSRA engaged Infrastructure Ontario to oversee leasehold improvements to its new offices. The Authority incurred \$1,617 (2021 - \$9,186) under this arrangement. This amount has been recognized as capital assets in the Statement of Financial Position. At March 31, 2022, trade and other payables also include \$922 (2021 - \$9,186) in respect of these expenses.

16. FINANCIAL INSTRUMENTS

FSRA's financial instruments are exposed to certain financial risks including credit risk, interest risk and liquidity risk. There have been no significant changes in FSRA's risk exposures or FSRA's policies to mitigate risk.

Credit risk

Credit risk is the risk that FSRA will suffer financial loss due to a third party failing to meet its financial or contractual obligations to FSRA. The Authority is exposed to credit risk on its trade and other receivables balances. FSRA manages its credit risk by closely monitoring its receivable balances and maintains reserves for potential credit losses on trade receivables. FSRA's maximum exposure to credit risk related to trade and other receivables at March 31, 2022, is as follows:

(\$000)	0-30 days overdue	31-60 days overdue	61-90 days overdue	> 91days overdue	Total
HST recoverable	\$ 1,639	\$ -	\$ -	\$ 7,961	\$ 9,600
Trade and accrued receivables	683	202	-	2,161	3,046
Due from Ministries of the Province of Ontario	1,990	-	-	191	2,181
Administrative monetary penalties	550	-	-	103	653
	<u>\$ 4,862</u>	<u>\$ 202</u>	<u>\$ -</u>	<u>\$ 10,416</u>	<u>\$ 15,480</u>

The amounts presented are net of reserves for potential credit losses.

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of financial instruments will fluctuate due to changes in market interest rates. FSRA is subject to interest rate risk on its loan payable. The interest rates on the non-revolving loan facilities are based on the 90-day Ontario Treasury Bill rate and the term loans have fixed interest rates for their entire terms. FSRA is currently subject to limited interest rate risk (see Notes 9 and 10).

Liquidity risk

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2022 (\$000)

Liquidity risk is the risk that FSRA will not be able to meet its cash flow obligations. The Authority mitigates liquidity risk by establishing and holding an operating reserve (see Note 12) and by monitoring cash activities and expected outflow to ensure that it has sufficient resources readily available to meet its liabilities when due.

Trade and other payables at March 31, 2022, mature within six months (2021 - six months).

17. COMMITMENTS CONTRACTS AND CONTINGENCIES

(a) Lease agreement

FSRA entered into a lease agreement for office spaces which commenced on November 1, 2020, for an initial term of 10 years, with two five-year renewal options.

The minimum annual payments for the office lease space are as follows for the years ending March 31:

2023	\$ 4,548
2024	\$ 4,648
2025	\$ 4,752
2026	\$ 4,925
2027	\$ 5,128
Thereafter	\$ 19,359

(b) PACE Savings and Credit Union Limited Secured Credit Facility

Pursuant to section 294 of the *Credit Unions and Caisses Populaires Act, 1994*, PACE Savings and Credit Union Limited (PACE) was placed under administration in September 2018 by FSRA's predecessor, the Deposit Insurance Corporation of Ontario, to protect the members from failed board governance and misconduct by certain former executives.

Since June 2019, FSRA has been responsible for supervising the PACE's financial safety and soundness and its business conduct. In the absence of the credit union's board, FSRA provides oversight for the executives managing the day-to-day operations of PACE.

On April 28, 2021, and pursuant to FSRA's authority under section 262(1)(a)(i) of the *Credit Unions and Caisses Populaires Act, 1994*, FSRA as the administrator of the DIRF, entered into a credit agreement with PACE to support PACE's continued operations. The credit agreement provides PACE with a \$500 million revolving secured loan facility to provide liquidity either when PACE's liquidity falls below \$100 million or if PACE experiences a rapid decline in liquidity that could cause material financial or operational difficulties. The facility matures on August 31, 2022 and may be repaid early without premium or penalty. Interest will accrue daily on the principal amount outstanding at a rate of prime at the date of the advance plus 128 basis points and will be payable monthly in arrears. At March 31, 2022, no amounts had been drawn on the facility (refer to Note 18(b) Subsequent Events).

(c) Indemnifications provided as administrator of the DIRF

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2022 (\$000)

On January 3, 2022, FSRA as administrator of the DIRF, entered into an indemnification agreement with certain members of PACE management to retain such management to operate PACE and to assist with the purchase and assumption transaction described in Note 18(a). This indemnification became necessary due to the non-renewal of the existing PACE Directors and Officers insurance policy. The indemnification is a form of financial assistance to a credit union under administration in its continued operation, made pursuant to CUCPA and its predecessor Act. FSRA provided such indemnification as administrator of PACE and as administrator of the DIRF and FSRA is entitled to draw on the DIRF to fund any amounts due under the indemnity. The maximum amount of the indemnity is \$10,000. There are no anticipated claims under this indemnification agreement.

18. SUBSEQUENT EVENTS

(a) PACE Purchase and Assumption Transaction with Alterna Savings & Credit Union Limited

On April 20, 2022, PACE, Alterna Savings and Credit Union (Alterna) and FSRA as administrator of PACE entered into a purchase and assumption (P&A) transaction for Alterna to acquire most of the assets and liabilities of PACE to enable Alterna to continue to operate PACE's core business. The P&A transaction closed on June 30, 2022 and transferred PACE's operating assets and liabilities to Alterna, with PACE retaining its other assets and liabilities (the 'Excluded Items'), including the claims and legal proceedings relating to the matters which caused the PACE administration (the "Recovery Litigation Claims"). As part of the transaction, FSRA in its capacity as administrator of the DIRF, provided a limited guarantee (the Guarantee) to Alterna in which it guarantees, certain payment obligations of PACE under the P&A agreement and other related agreements up to a maximum amount of \$155 million.

The Guarantee includes PACE's payment obligations under a Loss Sharing Agreement executed when the transaction closed. Under this agreement PACE is required to make deficiency payments to Alterna for losses Alterna incurs on the retail and commercial loans it acquired from PACE as part of the transaction. The deficiency payments will be equal to 50% of Alterna's losses on retail loans and 100% of its losses on commercial loans, such losses being calculated after taking into account the loss provisions accrued by PACE and included in the calculation of the purchase price of such portfolio assets.

Deficiency payments for commercial loans will cover a period of up to five (5) years after the closing date of the P&A transaction. For retail loans with a fixed maturity date, deficiencies will cover a period of up to twelve (12) months after the maturity date of the loan period. For all other retail loans, the coverage period will be up to three (3) years after the closing date of the P&A transaction. The Guarantee also extends to any payments arising from PACE's representations and warranties under the P&A agreement.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2022 (\$000)

The Guarantee also covers PACE's obligation to pay Alterna for services it will deliver to PACE under a Transition Services Agreement signed at closing and any potential purchase price adjustments that PACE may have to pay subsequent to the date of closing.

FSRA's liability, solely as administrator of the DIRF, to Alterna under the Guarantee is limited to the assets of the DIRF. Under the Guarantee, the DIRF's total exposure to losses from deficiency payments and representations and warranties and other obligations is limited to \$155 million.

The Guarantee will remain in effect until six (6) months after PACE's payment obligations under the Agreements are terminated.

(b) Draws on the \$500 million PACE Secured Credit Facility

To maintain PACE's business operations and facilitate the P&A transaction, in May 2022, FSRA, in its capacity as administrator of the DIRF, made two advances totaling \$25,000 which were made to PACE under the secured credit agreement described in Note 17 (b). Both advances were funded directly from the DIRF as the DIRF is the primary source for making advances to PACE under the secured credit facility. The advances bear interest at a rate of 2.93% and provided temporary liquidity support to PACE.

On May 30, 2022, Alterna, PACE and FSRA signed a formal amendment to the purchase and assumption agreement described in Note 18(a) requiring Alterna to repay the principal of the advances, and accrued interest when the P&A transaction closes.

These advances were repaid by Alterna when the P&A transaction closed on June 30, 2022.

(c) Wind-up of PACE Legal Entity

FSRA, in its role as administrator of PACE, is responsible for the final resolution of the PACE legal entity and expects such resolution to be completed through a winding-up, or other legal procedure, to end the corporate existence of PACE. The Excluded Items, including the Recovery Litigation Claims, the prepaid card business and certain excluded liabilities, remained in the PACE legal entity after the closing of the P&A. The PACE legal entity is expected to be wound up after realizing its assets and distributing the proceeds therefrom to its creditors and capital providers in accordance with applicable law governing priorities. Costs associated with the PACE wind-up may, to the extent PACE has insufficient resources to pay its senior creditors and such costs, be borne by the DIRF.

PACE's investment shares, profit shares and membership shares are part of the Excluded Items and remain an obligation of PACE if it has sufficient assets after paying higher ranking claims, including the \$29,120 deposit insurance advance receivable to the DIRF. These shares provided risk-bearing capital to PACE and are not insured by the DIRF and are not obligations of FSRA – as such, any losses to PACE members arising from owning these shares do not impact the DIRF or FSRA.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements For the Year ended March 31, 2022 (\$000)

19. COMPARATIVE FIGURES

Certain prior year figures have been reclassified to conform to the current year's presentation.

20. OTHER INFORMATION

FSRA regulates six distinct sectors: insurance, pensions, credit unions and caisses populaires, mortgage brokers, loan and trust and financial advisors and planners. The six sectors are governed by different statutes and regulations.

The following table summarizes revenue for each sector during the year ended March 31, 2022:

Sector	Insurance						Pensions (Fixed and Variable)	Credit Unions (Variable)	Mortgage Brokers (Fixed)	Loans & Trusts (Variable)	Financial Advisor & Financial Planner	Corporate	Total
	Auto Products	P&C Conduct	P&C Prudential Regulation	Life Conduct & Life Health	Health Service Providers (Fixed)	Total Insurance							
Actual Revenue													
Assessment	19,356	10,235	200	4,397	-	34,188	25,827	15,551	-	106	-	-	75,672
Licensing Fees	2	1,117	-	5,463	3,494	10,076	16	129	17,350	1	35	21	27,628
Interest Income	-	-	-	-	-	-	-	-	-	-	-	619	619
Total Revenue	19,358	11,352	200	9,860	3,494	44,264	25,843	15,680	17,350	107	35	640	103,919

PENSION BENEFITS GUARANTEE FUND

Financial Highlights

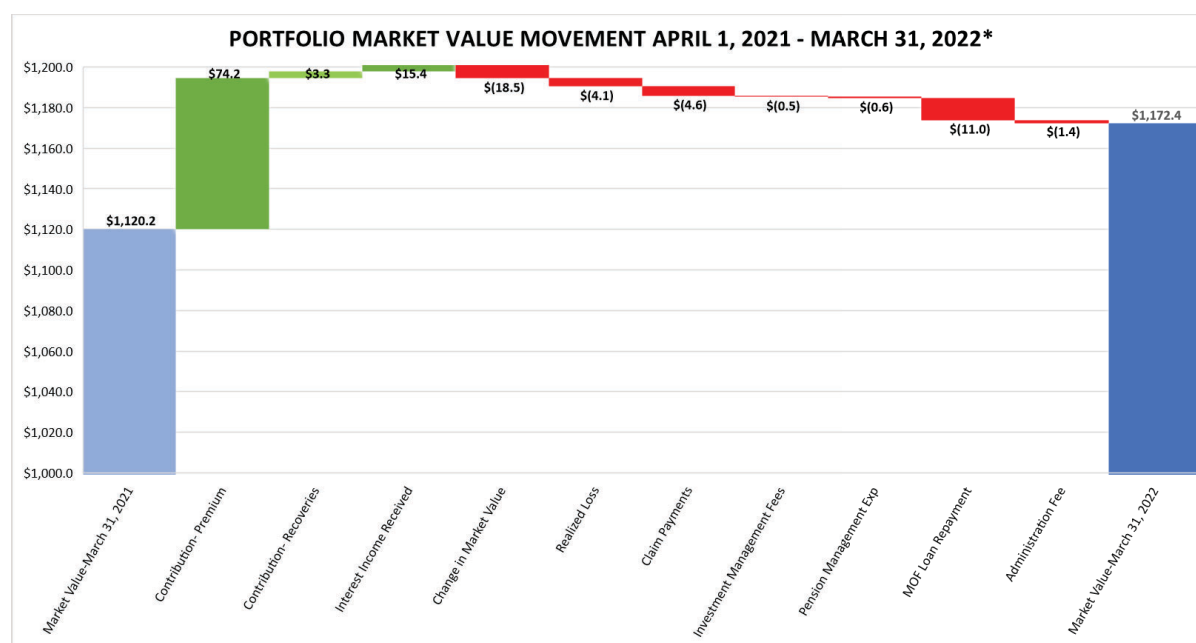
Under the Pension Benefits Act the Chief Executive Officer of FSRA is responsible for the administration of the Pension Benefits Guarantee Fund (the “Fund” or “PBGF”).

As at March 31, 2022, the total fund surplus was at \$1,079.8 million, a year-over-year increase of \$50.3 million (4.9%) from \$1,029.5 million. Fund assets consisted of investments of \$1,172.4 million and accounts receivable of \$62.6 million. Fund liabilities were comprised of loan payable of \$97.3 million, claims payable of \$53.3 million, and accounts payable of \$4.9 million.

The increase of \$50.3 million in fund surplus for the fiscal period resulted primarily from assessment revenue of \$62.4 million, investment income of \$3.4 million, pension plan recoveries of \$3.0 million, recovery of claims provision of \$0.2 million, offset by an increase in accumulated re-measurement losses of \$11.1 million, amortization of loan discount of \$5.2 million, pension consulting service fees of \$0.6 million, administration fee of \$1.4 million, and investment management fees of \$0.4 million.

Investments

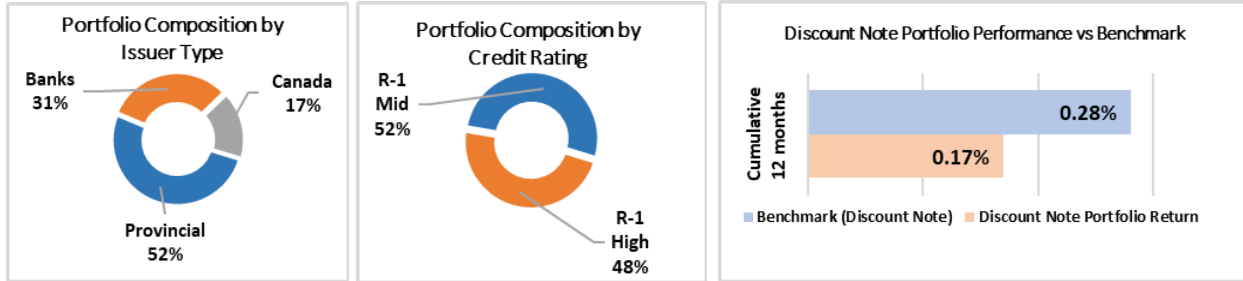
Investment of the PBGF is managed by the Ontario Financing Authority. As at March 31, 2022, market value of the total investments was \$1,172.4 million, comprised of discount notes of \$655.5 million (56%) and government bonds of \$516.9 million (44%). The total market value increased by \$52.2 million from \$1,120.2 million as at the prior year-end.



* on a modified cash basis

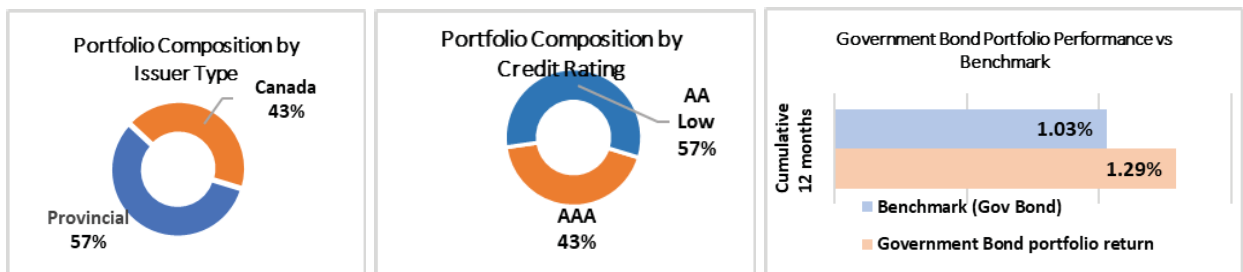
Discount Notes

As at March 31, 2022, market value of the discount notes was \$655.5 million with an average term to maturity of 0.25 year. Gross return of the portfolio was 0.17% for the cumulative 12 months period which underperformed the benchmark by 11 basis point.



Government Bonds

Market value of the government bonds was \$516.9 million as at March 31, 2022, with an average term to maturity of 1.50 years. Gross return of the portfolio was 1.29% for the cumulative 12 months period, outperforming the benchmark by 26 basis points.



Claims Payable

At March 31, 2022 total claims payable was \$53.3 million and was separated into a current portion of \$8.2 million and a long-term portion of \$45.1 million. This represents a \$4.8 million decrease from the prior year total claims payable amount of \$58.1 million. The decrease is mainly due to claim payments made during the year.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

**PENSION BENEFITS GUARANTEE FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022**



Pension Benefits Guarantee Fund

Management's Responsibility for Financial Information

The Pension Benefits Guarantee Fund (the "Fund" or "PBGF") is continued under the *Pension Benefits Act, R.S.O. 1990, c. P.8* (the "Act"). The Chief Executive Officer ("CEO") of the Financial Services Regulatory Authority of Ontario ("FSRA") is responsible for the administration of the Fund including the investment of the assets of the Fund.

FSRA management ("Management") is responsible for the integrity and fair presentation of the accompanying financial statements and notes. The financial statements have been prepared by Management in accordance with Canadian Public Sector Accounting Standards for Government Not-For-Profit Organizations ("PSA-GNFPO"). The reporting year is from April 1, 2021 to March 31, 2022. The preparation of the financial statements involves the use of Management's judgement and best estimates, where appropriate.

Management is also responsible for developing and maintaining financial controls, information systems and practices to provide reasonable assurances on the reliability of financial information and safeguarding of its assets.

As required by the *Financial Services Regulatory Authority of Ontario Act, 2016, S.O. 2016, c. 37, Sched. 8*, FSRA's Board of Directors established a committee (the "PBGF Advisory Committee") to advise the CEO on matters related to the Fund. The Audit and Finance Committee of the Board of Directors reviews the financial statements before they are approved by the Board of Directors.

The financial statements have been audited by the Office of the Auditor General of Ontario. The auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian PSA-GNFPO. The auditor's report follows.

A handwritten signature in black ink, appearing to read "Mark White".

Mark White
Chief Executive Officer

A handwritten signature in black ink, appearing to read "Stephen Power".

Stephen Power
Executive Vice President - Corporate Services



INDEPENDENT AUDITOR'S REPORT

To the Financial Services Regulatory Authority of Ontario

Opinion

I have audited the financial statements of the Pension Benefits Guarantee Fund (the "Fund"), which comprise the statement of financial position as at March 31, 2022, and the statements of operations and fund surplus, remeasurement gains and losses and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2022, and the results of its operations, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Fund either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Toronto, Ontario
July 13, 2022



Bonnie Lysyk, MBA, FCPA, FCA, LPA
Auditor General

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

**Pension Benefits Guarantee Fund
Statement of Financial Position
As at March 31, 2022**

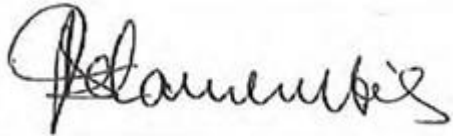
(\$000)		March 31, 2022	March 31, 2021
	Note(s)		
ASSETS			
Current			
Cash		\$ 188	\$ 113
Accounts receivable		62,646	76,847
Investments	2, 3	1,172,403	1,120,190
Total assets		<u>\$ 1,235,237</u>	<u>\$ 1,197,150</u>
LIABILITIES AND FUND SURPLUS			
Current			
Accounts payable and accrued liabilities		\$ 4,941	\$ 6,457
Current portion of loan payable	4	11,000	11,000
Claims payable		8,226	16,860
Total current liabilities		<u>24,167</u>	<u>34,317</u>
Claim payable		45,026	41,186
Loan payable	4	86,294	92,101
Total liabilities		<u>155,487</u>	<u>167,604</u>
FUND SURPLUS			
Fund surplus from operations		1,094,779	1,033,434
Accumulated re-measurement (losses) and gains		(15,029)	(3,888)
Total fund surplus		<u>1,079,750</u>	<u>1,029,546</u>
Total liabilities and fund surplus		<u>\$ 1,235,237</u>	<u>\$ 1,197,150</u>

See accompanying notes to the financial statements.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

**Pension Benefits Guarantee Fund
Statement of Financial Position
As at March 31, 2022**

On Behalf of the Board of the Financial Services Regulatory Authority of Ontario:



Joanne De Laurentiis
Board Chair



Brent Zorgdrager
Chair, Audit and Finance Committee

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

**Pension Benefits Guarantee Fund
Statement of Operations and Fund Surplus
For the year ended March 31, 2022**

(\$000)	Note(s)	March 31, 2022	March 31, 2021
Revenue			
PBGF assessment revenue	2	\$ 62,450	\$ 75,241
Pension plan recoveries	6	2,964	1,683
Investment income	3	3,376	11,782
		68,790	88,706
Expenses			
Recovery of claims provision	2	(161)	(32,506)
Amortization of loan discount	4	5,193	5,472
Pension consulting services	7	614	721
Administration fee	8	1,387	931
Investment management fees	8	412	396
		7,445	(24,986)
Excess of revenue over expenses		61,345	113,692
Fund surplus from operations, beginning of year		1,033,434	919,742
Fund surplus from operations, end of year		\$ 1,094,779	\$ 1,033,434

See accompanying notes to the financial statements.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

**Pension Benefits Guarantee Fund
Statement of Re-measurement Gains and Losses
For the year ended March 31, 2022**

(\$000)	Note(s)	March 31, 2022	March 31, 2021
Accumulated re-measurement gains, beginning of year		\$ (3,888)	\$ (1,435)
Unrealized (losses) attributed to portfolio investments	3	(15,232)	(8,277)
Realized losses / (gains) reclassified to the statement of operations	3	4,091	5,824
Accumulated re-measurement (losses) / gains, end of year		\$ (15,029)	\$ (3,888)

See accompanying notes to the financial statements.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

**Pension Benefits Guarantee Fund
Statement of Cash Flows
For the year ended March 31, 2022**

(\$000)	Note(s)	March 31, 2022	March 31, 2021
Cash flows from / (used in) operating activities:			
Excess of revenue over expenses		\$ 61,345	\$ 113,692
Adjustments for non-cash expense items:			
Amortization of loan discount	4	5,193	5,472
Amortization of bond premium		7,397	-
Realized losses / (gains) on disposal of investments	3	4,091	5,824
		<u>78,026</u>	<u>124,988</u>
Changes in non-cash working capital:			
Accounts receivable		14,201	30,019
Claims payable		(4,794)	(49,006)
Accounts payable and accrued liabilities		(1,516)	(2,353)
Net cash flows from operating activities		<u>85,917</u>	<u>103,648</u>
Cash flows from / (used in) investing activities:			
Purchases of investments		(3,307,557)	(1,685,392)
Proceeds from sale of investments		3,232,715	1,592,856
		<u>(74,842)</u>	<u>(92,536)</u>
Cash flows used in financing activities:			
Loan repayments	4	(11,000)	(11,000)
		<u>(11,000)</u>	<u>(11,000)</u>
Net increase in cash position		75	112
Cash, beginning of year		113	1
Cash, end of year		\$ 188	\$ 113

See accompanying notes to the financial statements.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Pension Benefits Guarantee Fund Notes to the Financial Statements For the year ended March 31, 2022 (\$000)

1. STATUTORY AUTHORITY AND FUND OPERATIONS

The Pension Benefits Guarantee Fund (the “Fund” or “PBGF”) is continued under the *Pension Benefits Act, R.S.O. 1990, c. P.8* (the “Act”).

The purpose of the Fund is to guarantee the payment of pension benefits of certain defined benefit pension plans that are wound up under conditions specified in the Act and regulations thereto. The regulations also prescribe an assessment payable into the Fund by employers required to make contributions to defined benefit pension plans.

The Act provides that if the assets of the Fund are insufficient to meet payments for claims, the Lieutenant Governor in Council may authorize the Minister of Finance of Ontario to make loans or grants on such terms and conditions as the Lieutenant Governor in Council directs. The total liability of the Fund to guarantee pension benefits is limited to the assets of the Fund including any loans or grants received from the Province of Ontario.

Pursuant to the *Financial Services Regulatory Authority of Ontario Act, 2016* and subsection 82(2) of the *Pension Benefits Act*, the Chief Executive Officer (“CEO”) of FSRA is responsible for the administration of the Fund including the investment of the assets of the Fund. The CEO may charge the Fund for reasonable expenses incurred in the administration of the Fund.

The investments of the Fund are managed by the Ontario Financing Authority, on a fee-for-service basis which is paid by the Fund.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in accordance with Public Sector Accounting Standards for Government Not-For-Profit organizations (PSAS-GNFPO) as issued by the Public Sector Accounting Board (PSAB). Management has used the following significant accounting policies in the financial statements and notes preparation.

(a) Financial Instruments

The Fund follows PSA-GNFPO accounting standards relating to financial instruments. Under these standards, all financial instruments are included on the statement of financial position and are measured either at fair value or at cost or amortized cost as follows:

- Cash and investments are recorded at fair value, with changes in fair value during the period recognized in the Statement of Re-measurement Gains and Losses until realized. Fair value is determined from quoted prices for similar investments.
- Accounts receivable, account payable and accrued liabilities are valued at cost which approximate fair value given their short-term maturities.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Pension Benefits Guarantee Fund Notes to the Financial Statements For the year ended March 31, 2022 (\$000)

- The non-interest bearing loan payable is reflected at amortized cost using the effective interest rate method due to the concessionary nature of the loan. The initial valuation was determined by discounting future cash flows using the provincial cost of borrowing. The resulting benefit (the difference between the face value of the loan and the net present value) was accounted for as a grant in the year received and is amortized to loan discount expense over the term of the loan.
- Fair value measurements are classified using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:
 - Level 1 – unadjusted quoted market prices in active markets for identical assets or liabilities;
 - Level 2 – observable or corroborated inputs, other than Level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
 - Level 3 – unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

(b) Claims Payable

Claims payable are estimates of the liabilities in respect of those defined benefit pension plans prescribed by the Act that are wound up, or in the process of being ordered wound up under conditions specified in the Act, where the claim amounts can be reasonably estimated. Claims payable liabilities are also recognized when there is a high probability that a company will not emerge from creditor protection and the pension plan will be wound up on a specified date and the claim can be reasonably estimated. Claims payable are based on information provided by appointed pension plan administrators. These estimates represent the present value of future payments to settle claims for benefits and expenses by pension plans.

Differences in the liabilities, if any, between the amounts recognized based on estimates and the actual claims made, will be charged or credited to claims expense in the year when the actual amounts are determined.

(c) PBGF Assessment Revenue

Assessment revenue is based on an assessment formula set out in section 37 of Regulation 909 of the Act. An estimate of the assessment revenue due from defined benefit pension plans at rates prescribed by the Act is recorded when earned. The annual assessment certificate is due nine months after the plan's fiscal year end.

Differences in assessment revenue, if any, between the estimated amounts recognized and the actual revenues due, are charged or credited to assessment revenue in the year.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Pension Benefits Guarantee Fund Notes to the Financial Statements For the year ended March 31, 2022 (\$000)

(\$000)	March 31, 2022	March 31, 2021
Estimated revenue	\$ 63,000	\$ 70,400
Actual revenue related to current and prior years received in current year	69,850	86,541
Less: prior year's estimated revenue	(70,400)	(81,700)
	<u>\$ 62,450</u>	<u>\$ 75,241</u>

(d) Use of Estimates

The preparation of financial statements in accordance with PSAS-GNFPO accounting standards requires that FSRA's management make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities as at the date of the financial statements and the reported amounts of revenue and expenses for the period. Estimates and assumptions may change over time as new information is obtained or subsequent developments occur. Actual results could differ from these estimates and the differences could be material. Areas where significant estimates must be made include premium revenue, accounts receivable and claims payable.

3. INVESTMENTS

As required by legislation, the FSRA Board has established a Pension Benefits Guarantee Fund Advisory Committee to advise the CEO on the administration and investment of the Fund. The Committee has reviewed the PBGF Investment Policy developed by FSRA management. This policy is reviewed regularly and provides operational objectives, investment principles, policies and guidelines for the management of the Fund's investments.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

**Pension Benefits Guarantee Fund
Notes to the Financial Statements
For the year ended March 31, 2022
(\$000)**

Investments consist of:

(\$000)	March 31, 2022		March 31, 2021	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Discount notes	\$ 655,520	\$ 655,798	\$ 523,405	\$ 523,405
Government bonds	516,883	531,634	596,785	600,673
Total investments	<u>\$ 1,172,403</u>	<u>\$ 1,187,432</u>	<u>\$ 1,120,190</u>	<u>\$ 1,124,078</u>

(\$000)	Fair Value Hierarchy	March 31,	March 31,
		2022	2021
		Fair Value	Fair Value
Discount notes	Level 1	\$ 655,520	\$ 523,405
Government bonds	Level 2	<u>516,883</u>	<u>596,785</u>
Total		<u>\$ 1,172,403</u>	<u>\$ 1,120,190</u>

No investments have moved between hierarchy levels during the fiscal period.

Investment income includes interest earned from interest bearing securities and realized gains and losses from the sale of securities. Unrealized gains and losses are reported on the Statement of Re-measurement Gains and Losses.

Investment income consists of:

(\$000)	March 31,	March 31,
	2022	2021
Interest income	\$ 7,467	\$ 17,606
Realized (losses)/ gains from the sale of securities	(4,091)	(5,824)
Total	<u>\$ 3,376</u>	<u>\$ 11,782</u>

The investment risk of the Fund's investment portfolio is considered low due to the types of investments held.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Pension Benefits Guarantee Fund Notes to the Financial Statements For the year ended March 31, 2022 (\$000)

Discount notes had yields in the range of 0.310% to 1.080% (2021 – had yields in the range of 0.120% to 0.698%). The government bonds had yields in the range of 0.450% to 1.776% (2021 – had yields in the range of 0.180% to 2.390%).

4. LOAN PAYABLE TO THE PROVINCE

Non-interest Bearing Loan

On March 31, 2004, the Fund obtained a \$330 million loan from the Province, a related party. At that time, the Fund used the proceeds from the loan to facilitate the restructuring of the pension obligations of Algoma Steel Inc. The loan is non-interest bearing and repayable to the Province in thirty equal annual installments of \$11 million. The loan agreement provides for the Minister of Finance to advance any installment payment date depending on the cash position of the Fund. Repayments over the next five years total \$55 million.

The face value of this non-interest bearing loan has been discounted at an effective interest rate of 5.0368% to reflect its amortized cost outstanding as of March 31, 2022 as follows:

(\$000)	March 31, 2022	March 31, 2021
Face Value	\$ 132,000	\$ 143,000
Less: Discount	(34,706)	(39,899)
Amortized Cost	\$ 97,294	\$ 103,101
Classified as:		
Current Portion	\$ 11,000	\$ 11,000
Long-Term Portion	86,294	92,101
Balance	\$ 97,294	\$ 103,101

The unamortized discount of \$34.7 million is amortized to loan discount expense over the remaining term of the loan, based on the effective interest rate method. The amortization schedule for the subsequent five fiscal years is as follows:

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Pension Benefits Guarantee Fund Notes to the Financial Statements For the year ended March 31, 2022 (\$000)

Fiscal Year	(\$000)
2023	4,901
2024	4,593
2025	4,271
2026	3,932
2027	3,576

5. RISKS ARISING FROM FINANCIAL INSTRUMENTS

The main risks that the Fund's financial instruments, including its portfolio investments, are exposed to are credit risk, liquidity risk and market risk. There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

(a) Credit risk

Credit risk is the risk that the counterparty to a financial instrument may fail to discharge an obligation or commitment that it has entered into. The Fund is exposed to credit risk relating to the collection of receivables and the repayment of portfolio investments. The Fund considers this risk to be low.

The portfolio investments are all investment grade debt securities with low credit risk.

The Fund's accounts receivable consists of assessment revenue receivable of \$58.7 million with Retail Sales Tax (RST) and investment income receivable of \$3.9 million.

The assessment revenue receivable recorded is based on an assessment formula set out in section 37 of Regulation 909 of the Act.

In the event that a pension plan would become insolvent within a year, there are legal options the Fund can exercise to collect the assessment revenue receivable. Historically, the Fund has been able to collect the amounts estimated as assessment revenue receivable.

The risk of not collecting the investment income receivable is considered to be minimal.

(b) Liquidity risk

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Pension Benefits Guarantee Fund Notes to the Financial Statements For the year ended March 31, 2022 (\$000)

Liquidity risk is the risk that the Fund will not be able to meet its cash flow obligations as they fall due. The Fund's exposure to liquidity risk is minimal as the Fund has sufficient funds in its investment portfolio to settle all current liabilities and the Fund's exposure is limited to the assets in the Fund including any loans or grants received from the Province. As at March 31, 2022, the Fund has an investment balance of \$1,172 million (2021 - \$1,120 million) to settle current liabilities of \$24.2 million (2021 - \$34.3 million). In addition, subject to realizing losses due to market declines, the Fund has the ability to meet sudden and unexpected claims by converting the investment holdings to cash without delay or significant transaction costs.

(c) Market risk

Market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of the Fund. Short-term financial instruments (receivables, accounts payable) are not subject to significant market risk. The Fund manages its market risk by investing in low-risk and liquid securities. The Fund's market risk is considered to be low.

The market value sensitivity of the discount notes as at March 31, 2022 was \$1.63 million for a 1.00% change in rates. The market value sensitivity of the government bonds as at March 31, 2022 was \$7.53 million for a 1.00% change in rates.

6. PENSION PLAN RECOVERIES

Any funds remaining from a wound up pension plan are recovered by the Fund after the settlement of all benefits, payment of expenses and the submission of the final wind up report for such pension plan that had received payments from the Fund. During fiscal 2022, the Fund had \$3.0 million (2021 – \$1.7 million) in recoveries from such pension plans.

7. PENSION CONSULTING SERVICES

The CEO periodically engages the services of external experts to represent the Fund's interests in, or in anticipation of, insolvency proceedings respecting employers who are unable to meet their funding obligations under the *Pension Benefits Act*. For fiscal 2022, \$0.6 million was incurred to such external experts (2021 - \$0.7 million).

8. RELATED PARTY TRANSACTIONS

For fiscal 2022, an administration fee of \$1.4 million (2021 - \$0.9 million) charged by FSRA was incurred for management salaries and benefits, accounting, information technology, legal, pension and other services. The Fund and FSRA are related parties.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

**Pension Benefits Guarantee Fund
Notes to the Financial Statements
For the year ended March 31, 2022
(\$000)**

Investment Management fees of \$0.4 million (2021 - \$0.4 million) consist mainly of fees paid to the Ontario Financing Authority, a related party.

Other related party transactions during the year have been disclosed in note 4.

DEPOSIT INSURANCE RESERVE FUND

Financial Highlights

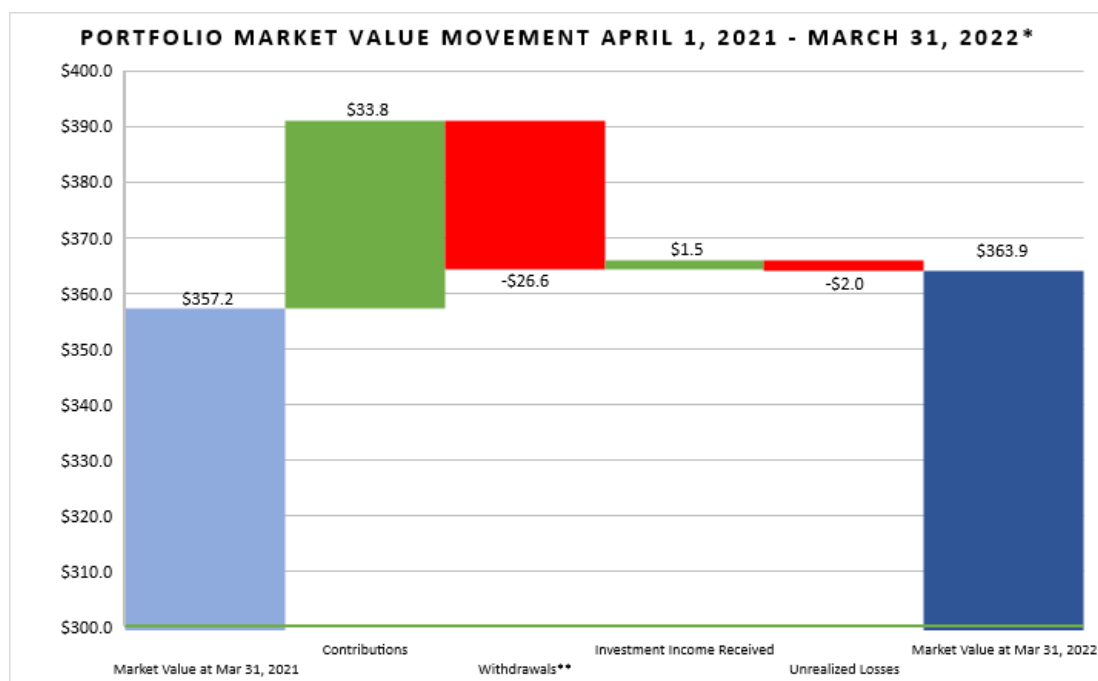
The Deposit Insurance Reserve Fund (“DIRF”) is a fund managed by FSRA and dedicated to protecting the insured deposits of credit union members through deposit insurance and other financial support for the credit union sector as set forth in the CUCPA. Pursuant to section 12.1 (2) of the *Financial Services Regulatory Authority of Ontario Act, 2016*, the DIRF became an independent reporting entity separated from FSRA’s operations, on June 8, 2019.

As of March 31, 2022, the DIRF surplus was at \$372.9 million. This surplus is the assets in the DIRF net of liabilities. The surplus increased by \$6.9 million (1.9%) year-over-year. The DIRF assets consisted of investments of \$363.9 million, premium receivable of \$35.2 million, cash of \$2.2 million, and investment income receivable of \$0.6 million. The DIRF liabilities were comprised of deferred premium revenue of \$27.0 million, accounts payable of \$1.9 million, and other payables of \$0.1 million.

The increase of \$6.9 million in the fiscal year resulted from premium revenue of \$36.3 million, investment income of \$1.3 million and other revenue of \$0.5 million, offset by provision for deposit insurance losses of \$29.1 million, other expenses of \$0.1 million and unrealized losses attributable to investments of \$2.0 million.

Investments

Investments of the DIRF are managed by the Ontario Financing Authority. As at March 31, 2022, market value of the total investments was \$363.9 million, comprised of discount notes of \$291.2 million (80%) and government bonds of \$72.7 million (20%). The total market value increased by \$6.7 million from \$357.2 million as at the prior year-end.

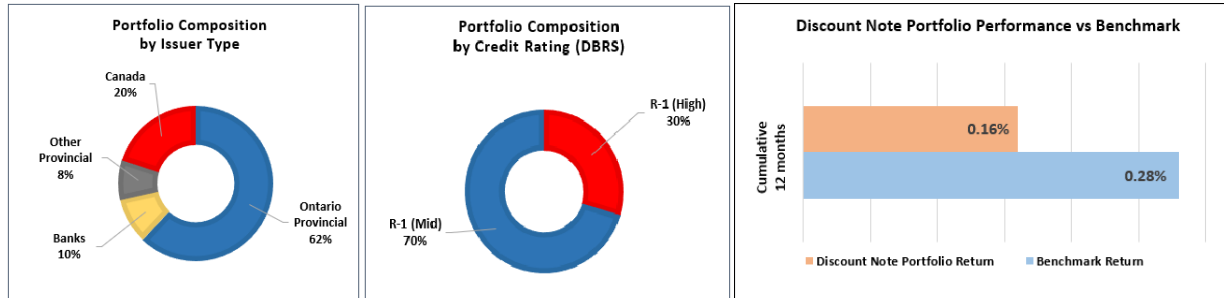


* On a modified cash basis

** Withdrawals include financial assistance to PACE Savings & Credit Union Ltd to pay investor litigation settlement of \$25.0 million and professional fees of \$1.6 million.

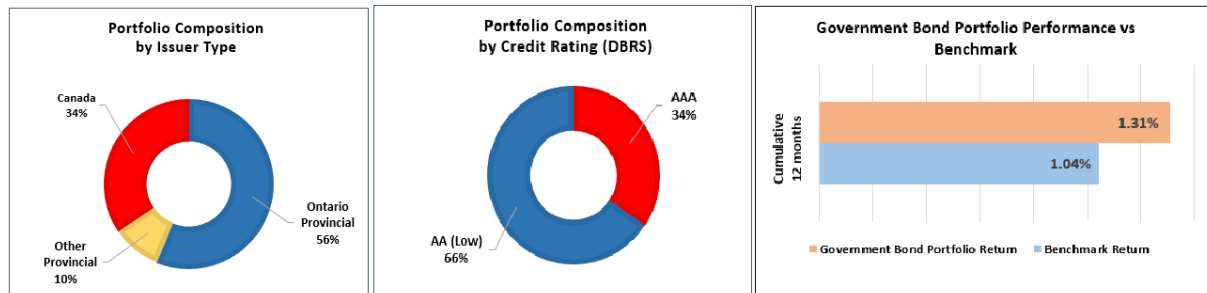
Discount Notes

As at March 31, 2022, market value of the discount notes was \$291.2 million with an average term of 97.9 days. Gross return of the portfolio was 0.16% for the cumulative 12 months period which underperformed the benchmark by 12 basis points.



Government Bonds

Market value of the government bonds was \$72.7 million as at March 31, 2021 with an average term to maturity of 1.46 years. Gross return of the portfolio was 1.31% for the cumulative 12 months period, outperforming the benchmark by 27 basis points.



FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

**DEPOSIT INSURANCE RESERVE FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022**



Deposit Insurance Reserve Fund

Management's Responsibility for Financial Reporting

Pursuant to section 2 (1) of the *Financial Services Regulatory Authority of Ontario Act, 2016* and section 224 (1) of the *Credit Unions and Caisses Populaires Act, 2020*, the Financial Services Regulatory Authority of Ontario ("FSRA") is responsible for the administration of the Deposit Insurance Reserve Fund ("DIRF").

FSRA management ("Management") is responsible for the integrity and fair presentation of the accompanying financial statements and notes. The financial statements have been prepared by Management in accordance with Canadian Public Sector Accounting Standards for Government Not-For-Profit Organizations ("PSA-GNFPO"). The preparation of the financial statements involves the use of Management's judgement and best estimates, where appropriate.

Management is also responsible for developing and maintaining financial controls, information systems and practices to provide reasonable assurances on the reliability of financial information and safeguarding of its assets.

As required by section 10.2 of the *Financial Services Regulatory Authority of Ontario Act, 2016*, FSRA's Board of Directors established a DIRF Advisory Committee to advise the Board on matters related to the DIRF. The Audit and Finance Committee of the Board of Directors assists the DIRF Advisory Committee with these responsibilities by reviewing the financial statements before they are approved by the Board of Directors.

The financial statements have been audited by the Office of the Auditor General of Ontario. The auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian PSA-GNFPO. The auditor's report follows.

A handwritten signature in black ink, appearing to read 'Mark White'.

Mark White
Chief Executive Officer

A handwritten signature in black ink, appearing to read 'Stephen Power'.

Stephen Power
Executive Vice President - Corporate Services



INDEPENDENT AUDITOR'S REPORT

To the Financial Services Regulatory Authority of Ontario

Opinion

I have audited the financial statements of the Deposit Insurance Reserve Fund (the Fund), which comprise the statement of financial position as at March 31, 2022 and the statements of operations and fund surplus, remeasurement gains and losses and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2022, and the results of its operations, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Fund either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Toronto, Ontario
July 13, 2022



Bonnie Lysyk, MBA, FCPA, FCA, LPA
Auditor General

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

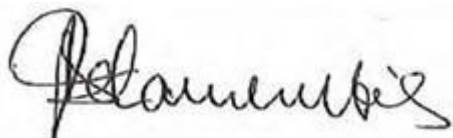
**Deposit Insurance Reserve Fund
Statement of Financial Position
As at March 31, 2022**

(\$000)	Note(s)	March 31, 2022	March 31, 2021
ASSETS			
Current			
Cash		2,226	256
Investments	3	363,885	357,223
Premium receivable	4	35,238	33,381
Investment income receivable		609	668
Other receivables	6	-	92
Total assets		<u>401,958</u>	<u>391,620</u>
LIABILITIES AND FUND SURPLUS			
Current			
Accounts payable and accrued liabilities		1,940	30
Deferred premium revenue	5	26,993	25,568
Other payables	6	143	-
Total liabilities		<u>29,076</u>	<u>25,598</u>
Fund surplus from operations		374,269	365,437
Accumulated remeasurement (losses)/gains		<u>(1,387)</u>	<u>585</u>
Fund surplus		<u>372,882</u>	<u>366,022</u>
Total liabilities and fund surplus		<u>401,958</u>	<u>391,620</u>

See accompanying notes to the financial statements

Contingencies (Note 10, 11)

On Behalf of the Board:



Joanne De Laurentiis
Board Chair



Brent Zorgdrager
Chair, Audit & Finance Committee

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

**Deposit Insurance Reserve Fund
Statement of Operations and Fund Surplus
For the year ended March 31, 2022**

(\$000)	Note(s)	March 31, 2022	March 31, 2021
Revenue			
Premium revenue	2,4	36,250	34,337
Investment income	2,3,6	1,271	2,503
Other revenue	2,8	473	316
		<u>37,994</u>	<u>37,156</u>
Expenses			
Provision for deposit insurance loss	7	29,120	-
Other expenses	8	68	-
Less: Recoveries	6	(26)	-
		<u>29,162</u>	<u>-</u>
Excess of revenue over expenses		8,832	37,156
Fund surplus from operations, beginning of year		<u>365,437</u>	<u>328,281</u>
Fund surplus from operations, end of year		<u><u>374,269</u></u>	<u><u>365,437</u></u>

See accompanying notes to the financial statements

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

**Deposit Insurance Reserve Fund
Statement of Remeasurement Gains and Losses
For the year ended March 31, 2022**

(\$000)	March 31, 2022	March 31, 2021
Accumulated remeasurement gains, beginning of year	585	1,135
Unrealized losses attributed to portfolio investments	(1,972)	(259)
Realized losses/(gains) reclassified to the statement of operations	-	(291)
Accumulated remeasurement (losses)/ gains, end of year	(1,387)	585

See accompanying notes to the financial statements

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

**Deposit Insurance Reserve Fund
Statement of Cash Flows
For the year ended March 31, 2022**

(\$000)	Note(s)	March 31, 2022	March 31, 2021
Cash flows from / (used in) operating activities:			
Excess of revenue over expenses		8,832	37,156
Adjustments for non-cash expense items:			
Amortization of bond premiums		1,037	984
Realized losses/(gains) on disposal of investments		-	(291)
		<u>9,869</u>	<u>37,849</u>
Changes in non-cash working capital:			
Premium receivable		(1,857)	(25,419)
Investment income receivable		59	648
Other receivables	6	92	673
Account payables and accrued liabilities		1,910	(11)
Deferred premium income		1,425	25,065
Other payables	6	143	-
		<u>1,772</u>	<u>956</u>
		<u>11,641</u>	<u>38,805</u>
Cash flows from / (used in) investing activities:			
Purchases of investments		(1,440,497)	(758,177)
Proceeds from sale of investments		1,430,826	718,135
		<u>(9,671)</u>	<u>(40,042)</u>
Net increase / (decrease) in cash		1,970	(1,237)
Cash position, beginning of year		<u>256</u>	<u>1,493</u>
Cash position, end of year		<u>2,226</u>	<u>256</u>

See accompanying notes to the financial statements

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Deposit Insurance Reserve Fund Notes to the Financial Statements For the year ended March 31, 2022 (In thousands of dollars)

1. REPORTING ENTITY

Statutory authorities

The Financial Services Regulatory Authority of Ontario (“FSRA”) was established under the *Financial Services Regulatory Authority of Ontario Act, 2016* (“FSRA Act”) without share capital. On December 6, 2018, the *Restoring Trust, Transparency and Accountability Act, 2018* (Bill 57) received Royal Assent and provided for the amalgamation of the Deposit Insurance Corporation of Ontario (“DICO”) with FSRA.

On June 8, 2019, the amalgamation was completed. On this date, FSRA became responsible for providing deposit insurance and prudential and market conduct regulation of Ontario’s credit unions and caisses populaires (“credit unions”). By virtue of its amalgamation with DICO, FSRA assumed the responsibility to administer the Deposit Insurance Reserve Fund (“DIRF”). The *Credit Union and Caisses Populaires Act, 2020* came into force on March 1, 2022, which replaced the *Credit Union and Caisses Populaires Act, 1994*.

In accordance with section 224 (1) and 224 (3) of the *Credit Unions and Caisses Populaires Act, 2020* (“CUCPA”), FSRA administers the DIRF with the power to manage, invest and disburse the money in the DIRF in accordance with the CUCPA.

The DIRF is a separate reporting entity from FSRA’s operations since the amalgamation on June 8, 2019. Pursuant to section 12.1 (2) of the *FSRA Act*, any funds received by the DIRF and assets of the DIRF are not part of the revenues, assets and investments of FSRA.

Purpose and operation

In accordance with the CUCPA and its predecessor Act (CUCPA 1994), the DIRF may be used to pay the following:

- Deposit insurance claims;
- Costs associated with the orderly winding up of credit unions in financial difficulty;
- Financial assistance to a credit union under administration in its continued operation, or to assist with the orderly winding up of credit unions in financial difficulty;
- An advance or grant for the purpose of paying lawful claims against a credit union in respect of any claims of its members for withdrawal of deposits;
- Assets acquired or liabilities assumed from credit unions under the above circumstances; and
- Fees in respect of credit agreements entered by FSRA to provide financial assistance to the credit union sector.

FSRA is responsible for the operation and prudent management of the DIRF. Pursuant to section 10.2 of the *FSRA Act*, the Board of Directors of FSRA has established a DIRF Advisory

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Deposit Insurance Reserve Fund Notes to the Financial Statements For the year ended March 31, 2022 (In thousands of dollars)

Committee to advise the Board on matters related to the oversight of FSRA's management of the DIRF.

The investments of the DIRF are managed by the Ontario Financing Authority, on a fee-for-service basis which is paid by the Fund from investment income.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Public Sector Accounting Standards for Government Not-For-Profit Organizations (PSAS-GNFPO) as issued by the Public Sector Accounting Board (PSAB). Management has used the following significant accounting policies in the financial statements and notes preparation.

(a) Financial instruments

All financial instruments are included on the Statement of Financial Position and are measured either at fair value or at cost as follows:

- Cash and investments are recorded at fair value, with changes in fair value during the period recognized in the Statement of Remeasurement Gains and Losses until realized. Fair value is determined from quoted prices for similar investments.
- Accounts receivable, accounts payable and accrued liabilities are valued at cost which approximate fair value given their short-term maturities. Deposit insurance advance receivable is valued at the lower of cost and net recoverable value.
- Fair value measurements are classified using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:
 - Level 1 – unadjusted quoted market prices in active markets for identical assets or liabilities;
 - Level 2 – observable or corroborated inputs, other than Level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
 - Level 3 – unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

(b) Revenue recognition

Premium revenue is determined in accordance with section 110 of Ontario Regulation 105/22 made under the CUCPA and the rules set out in the *Differential Premium Score Determination* published by FSRA on its website. The differential premium score (DPS) of a credit union is calculated with reference to its regulatory capital level and corporate governance, as reported on the Annual Information Return filed by the credit union within 75 days after its fiscal year-

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Deposit Insurance Reserve Fund Notes to the Financial Statements For the year ended March 31, 2022 (In thousands of dollars)

end. The annual premium payable is calculated by using the DPS to determine a premium rate and applying the rate to insured deposits of the credit union.

Premiums are invoiced annually within 90 days of the credit unions' fiscal year-ends. Premium revenue is recognized when earned by amortizing the annual premiums over the credit unions' applicable fiscal periods.

(c) Use of estimates and assumptions

In preparing the financial statements, management is required to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and disclosures. Estimates and assumptions may change over time as new information becomes available. Accordingly, actual results may differ from the estimates and assumptions. Areas where estimates and assumptions are made include deposit insurance advance receivable, other receivables, accounts payables and accrued liabilities, provision for deposit insurance loss, and disclosure of contingencies.

3. INVESTMENTS

A DIRF Investment Policy has been maintained to ensure that the investments are managed in compliance with applicable regulations and that an appropriate balance between capital preservation, liquidity, and reasonable yield is maintained. FSRA and the Ontario Financing Authority ("OFA") have entered into an Investment Management Agreement for OFA to manage the DIRF investment. The DIRF Advisory Committee has the oversight responsibility to oversee management in its monitoring of the performance of OFA.

The DIRF investments consist of discount notes and government bonds.

(\$000)	March 31, 2022		March 31, 2021	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Discount notes	291,156	291,343	249,855	249,855
Government bonds	72,729	73,929	107,368	106,783
Total investments	363,885	365,272	357,223	356,638

(\$000)	Fair Value Hierarchy	March 31, 2022	March 31, 2021
		Fair Value	Fair Value
Discount notes	Level 1	291,156	249,855
Government bonds	Level 2	72,729	107,368
Total		363,885	357,223

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Deposit Insurance Reserve Fund Notes to the Financial Statements For the year ended March 31, 2022 (In thousands of dollars)

No investments have moved between hierarchy levels during the fiscal year.

Investment income of \$1,271 is reported on the Statement of Operations (2021 - \$2,503). As of March 31, 2022, unrealized losses of \$1,387 are reported on the Statement of Remeasurement Gains and Losses (2021 – unrealized gains of \$585).

The discount notes had yields in the range of 0.36% to 0.91% (2021 – 0.085% to 0.485%). The government bonds had yields in the range of 0.438% to 1.872% (2021 – 0.203% to 2.311%).

4. PREMIUM RECEIVABLE AND PREMIUM REVENUE

As prescribed in section 110 of O. Reg 105/22, the premium rates range from \$0.75 to \$2.25 per one thousand dollars of insured deposits.

Premium receivable of \$35,238 represents primarily the annual premiums invoiced as of March 31, 2022 to credit unions with a December 31 fiscal year-end, for the year from January 1 to December 31, 2022 (2021 - \$33,381).

5. DEFERRED PREMIUM REVENUE

Deferred premium revenue represents the unearned portion of premiums received from credit unions whose fiscal years straddle the DIRF's fiscal year-end. Deferred premium is recognized as revenue in the next fiscal year when prudential regulation duties are fulfilled.

Changes in deferred premium revenue balances are summarized as follows:

(\$000)	March 31, 2022	March 31, 2021
Balance, beginning of year	25,568	503
Received and receivable during year	37,675	59,439
Recognized during year	(36,250)	(34,374)
Balance, end of year	<u>26,993</u>	<u>25,568</u>

6. RELATED PARTY TRANSACTIONS

FSRA is a related party due to its obligation to administer the DIRF. FSRA collects deposit insurance premiums on behalf of the DIRF, and the two entities pay certain expenses on behalf of each other. Any unsettled receivable and payable balances as at the year-end are netted and reported on the Statement of Financial Position as Other receivables or Other payables. At March 31, 2022, Other payables of \$143 include DIRF expenses of \$191 payable to FSRA with respect to PACE professional fees, net of \$48 receivable from FSRA representing HST on the DIRF expenses that will be recovered by FSRA (2021 – Other

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Deposit Insurance Reserve Fund Notes to the Financial Statements For the year ended March 31, 2022 (In thousands of dollars)

receivables of \$92). Recoveries reported on the Statement of Operations consist of a \$26 refund by FSRA representing release of excess DICO pre-amalgamation expense accruals that were paid to FSRA from the DIRF in fiscal 2020 (2021 – nil).

The Ontario Financing Authority (“OFA”) is a related party in its capacity as the DIRF investment manager. Investment management fees of \$119 were paid to the OFA in fiscal 2022 (2021 - \$109). The fees are netted from investment income on the Statement of Operations.

7. PROVISION FOR DEPOSIT INSURANCE LOSS

On June 24, 2021, PACE Savings & Credit Union Limited (“PACE”), acting through FSRA as its administrator, entered into a confidential settlement of certain claims by investors in preferred shares that were distributed by PACE’s subsidiary, PACE Securities Corporation and issued by another subsidiary, PACE Financial Limited, and by an unaffiliated entity (First Hamilton Holdings). This settlement agreement received court approval in October 2021. PACE’s contribution to the settlement was determined to be \$25,000.

In accordance with the provisions of the CUCPA, FSRA, in its capacity as administrator of the DIRF, used the DIRF to provide financial assistance to PACE by funding the settlement amount of \$25,000 under an unsecured non-interest-bearing promissory note that matures and is due on December 31, 2022.

The DIRF also funded \$4,120 in professional fees for advisory services in regard to the PACE purchase and assumption transaction described in Note 11. The professional fees are expenses of PACE, however the DIRF paid for these fees as a form of financial assistance to PACE while under administration that FSRA intends to recover from PACE.

FSRA is permitted by the CUCPA (Note 1) to use the DIRF to provide financial assistance to a credit union under administration to thereby assist in its continued operation if FSRA determines that its FSRA Act objects, including minimizing losses to depositors and to the DIRF and supporting the stability of the credit union sector, will be furthered by providing such assistance.

The above financial assistance, totaling \$29,120 at March 31, 2022, was initially recorded at cost as deposit insurance advance receivable. This amount was assessed as to its collectability and a valuation allowance for the entire amount has been established based on its collection being undeterminable. As a result, the deposit insurance advance receivable is written down to nil (2021 – n/a). The valuation allowance of \$29,120 is reported on the Statement of Operations and Fund Surplus as provision for deposit insurance loss (2021 – n/a).

8. OTHER REVENUES AND OTHER EXPENSES

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Deposit Insurance Reserve Fund Notes to the Financial Statements For the year ended March 31, 2022 (In thousands of dollars)

Other revenue consists of recoveries from loans collected from liquidated credit unions in the amount of \$473 (2021 - \$316). These loans were previously written off.

Other expenses include \$68 in fees for legal advice relating to uses of the DIRF.

9. RISKS ARISING FROM FINANCIAL INSTRUMENTS

(a) Credit risk

Credit risk is the risk of financial loss to the DIRF if a counter party to a financial instrument fails to meet its contractual obligations. The DIRF is exposed to credit risk relating to the investments, deposit insurance advance receivable and collection of premium receivables.

Management minimizes DIRF investment credit risk by investing in high quality financial instruments permitted by legislation and by limiting the amount invested in any one counter party. Risks of net investment losses and not receiving investment income are considered minimal. An allowance on FSRA's \$29,120 deposit insurance advance receivable from PACE has been established (Note 7). The risk of not collecting premium receivables is considered low due to the importance of deposit insurance to credit unions, management's effective collection measures and that payment is an obligation under the CUCPA. As of March 31, 2022, there were no significant premium receivables that were past due or impaired.

(b) Liquidity risk

Liquidity risk is the risk that the DIRF will not be able to meet its cash flow obligations as they fall due. At March 31, 2022, the DIRF had an investment balance of \$363.9 million (2021 - \$357.2 million). The Fund has the ability to meet sudden and unexpected claims by converting the investment holdings to cash without delay or significant transaction costs. On December 18, 2020, FSRA entered into a one-year credit facility with the OFA of \$2.0 billion to be able to provide financial assistance to credit unions that could require financial support. The facility has been extended for one year and will expire on December 17, 2022. No amounts have been drawn on the facility.

(c) Market risk

Market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of the DIRF. Short-term financial instruments (accounts receivable and payable) are not subject to significant market risk. Capital preservation is the primary investment objective of the DIRF, and all assets are invested in low-risk securities. Market risk to the DIRF is considered low.

(d) Fair value sensitivity

The fair value sensitivity of discount notes as at March 31, 2022 is \$780 for a 1.00% change in rates (2021 - \$446). The fair value sensitivity of government bonds as at March 31, 2022 is \$922 for a 1.00% change in rates (2021 - \$1,144).

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Deposit Insurance Reserve Fund Notes to the Financial Statements For the year ended March 31, 2022 (In thousands of dollars)

There have been no changes in risks and policies to mitigate the risks.

10. GENERAL DEPOSIT INSURANCE CONTINGENCIES

The Fund may be exposed to deposit insurance claims and other obligations required by the CUCPA as a result of existing conditions or situations involving uncertainty. In its capacity as the prudential regulator, FSRA performs regular risk assessments to review the risk profiles of the credit unions, including adequacy of capital levels, effectiveness of governance, and potential impact of market, economic and other applicable conditions. Situations and conditions for potential insurance losses for high risk and moderate-high risk credit unions are assessed.

It is undeterminable at this time if any deposit insurance obligations, other than those described in Note 7, exist that will likely result in losses to the DIRF. A specific provision can only be established when conditions exist that will likely result in DIRF losses attributable to an individual credit union and the amount can be reasonably estimated.

11. PACE SAVINGS & CREDIT UNION LIMITED (PACE) AND SUBSEQUENT EVENTS

Pursuant to section 294 of the CUCPA 1994, PACE was placed under Administration in September 2018 by FSRA's predecessor, DICO, to protect members from failed board governance and misconduct by certain former executives.

During the fiscal year ending March 31, 2022, FSRA worked toward implementing a purchase & assumption (P&A) transaction resolution strategy to fulfill its statutory objects, including minimizing losses to depositors and the DIRF and supporting the stability of the credit union sector. A P&A is a resolution transaction where an acquirer purchases some or all the assets of the credit union, and assumes some or all of its liabilities, including the insured deposits, to maintain the failing credit union's core business operations. It is a desirable resolution method for a failing credit union when an amalgamation is not available.

All financial assistance from the DIRF, provided to PACE by FSRA in its capacity as administrator of the DIRF, was provided after obtaining legal advice confirming FSRA's capacity and powers to do so under the CUCPA and its predecessor Act, as applicable. Such financial assistance was provided to fulfil FSRA's objects, including minimizing losses to depositors and the DIRF and supporting the stability of the credit union sector.

(a) PACE Management Indemnification

In addition to the financial assistance described in Note 7, on January 3, 2022, FSRA as administrator of the DIRF, entered into an indemnification agreement with certain members of PACE management to retain such management to operate PACE and to assist with the completion of the P&A transaction. This indemnification became necessary due to the non-renewal of the existing PACE Directors and Officers insurance policy. The indemnification is

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Deposit Insurance Reserve Fund Notes to the Financial Statements For the year ended March 31, 2022 (In thousands of dollars)

a form of financial assistance to a credit union under administration in its continued operation, made pursuant to CUCPA and its predecessor Act. The maximum amount of the indemnity is \$10,000. As at March 31, 2022, FSRA did not anticipate claims under this indemnification agreement.

(b) PACE Purchase and Assumption Transaction with Alterna Savings & Credit Union Limited

On April 20, 2022, PACE (acting through FSRA as its administrator) as vendor, Alterna Savings and Credit Union Limited (Alterna) as purchaser, and FSRA, in its capacity as administrator of PACE, entered into a P&A transaction agreement documenting Alterna's agreement to acquire most of the assets and liabilities of PACE to enable Alterna to continue to operate PACE's core business. Under this agreement, Alterna will take on PACE's employees, members, certain deposit accounts, certain loan portfolios, and PACE's head office and branches. As a critical part of the transaction, PACE members will continue to be served by PACE's employees and branches.

The P&A transaction closed on June 30, 2022.

Under the P&A agreement certain assets and liabilities are excluded from the P&A transaction (the Excluded Items) and will remain with PACE. The Excluded Items are primarily comprised of PACE's investment shares, profit shares, membership shares, prepaid card business, and PACE's claims and related litigation against the officers, directors and their insurers, related to the matters that resulted in the administration of PACE (the Recovery Litigation Claims). While substantially all of PACE's deposits and operating liabilities were assumed by the purchaser under the P&A, the DIRF continues to be exposed to obligations arising in respect of the Excluded Items, including the claims of any senior creditors of PACE to the extent they have been disadvantaged by the P&A transaction.

As part of the transaction, FSRA provided a limited guarantee (the Guarantee) to Alterna in which it guarantees certain payment obligations of PACE under the P&A agreement and other related agreements including the Loss Sharing and Transition Services Agreements described below (the Agreement).

The Guarantee includes PACE's payment obligations under a Loss Sharing Agreement ("LSA") executed when the transaction closed. Under this LSA PACE is required to make deficiency payments to Alterna for losses Alterna incurs on the retail and commercial loans it acquired from PACE as part of the transaction. The deficiency payments will be equal to 50% of Alterna's losses on retail loans and 100% of its losses on commercial loans, such losses being calculated after taking into account the loss provisions accrued by PACE and included in the calculation of the purchase price of such portfolio assets. The Guarantee also extends to any payments arising from PACE's representations and warranties under the P&A agreement.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Deposit Insurance Reserve Fund Notes to the Financial Statements For the year ended March 31, 2022 (In thousands of dollars)

Deficiency payments for commercial loans will cover a period of up to five (5) years after the closing date of the P&A transaction. For retail loans with a fixed maturity date, deficiencies will cover a period of up to twelve (12) months after the maturity date of the loan period. For all other retail loans, the coverage period will be up to three (3) years after the closing date of the P&A transaction.

The Guarantee also covers PACE's obligation to pay Alterna for services it will deliver to PACE under a Transition Services Agreement signed at closing and any potential purchase price adjustments that PACE may have to pay subsequent to the date of closing.

FSRA's liability, solely as administrator of the DIRF, to Alterna under the Guarantee is limited to the assets of the DIRF. Under the Guarantee, the DIRF's total exposure to losses from deficiency payments and representations and warranties and other obligations is limited to \$155 million.

The Guarantee will remain in effect until six (6) months after PACE's payment obligations under the Agreements are, as discussed above, terminated.

(c) FSRA/PACE \$500 million credit facility

On April 28, 2021, and pursuant to FSRA's authority under section 262(1)(a)(i) of the CUCPA 1994, FSRA as the administrator of the DIRF entered into a secured credit agreement with PACE to support PACE's continued operations. The credit agreement provides PACE with a \$500 million revolving secured loan facility to provide liquidity either when PACE's liquidity falls below \$100 million or if PACE experiences a rapid decline in liquidity that could cause material financial or operational difficulties. The facility matures on August 31, 2022 but may be repaid early without premium or penalty.

Any loan under this credit agreement is secured by the assets of PACE and its subsidiaries and will be the only material senior secured debt of PACE. As the DIRF is the primary source for making advances to PACE under the secured credit facility and consequently bears the risk of such advances, the credit facility is considered a potential DIRF exposure.

Subsequent to the year-end, in May 2022, FSRA made two advances totaling \$25,000 to PACE under the secured credit agreement, to maintain PACE's business operations and facilitate the P&A transaction. Both advances were funded directly from the DIRF. The advances bear interest at a rate of 2.93% and provided temporary liquidity support to PACE, primarily to enable it to meet its mortgage commitments to its members.

On May 30, 2022, Alterna, PACE and FSRA signed a formal amendment to the purchase and assumption agreement requiring Alterna to repay the principal of the advances, and accrued interest, when the P&A transaction closed.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Deposit Insurance Reserve Fund Notes to the Financial Statements For the year ended March 31, 2022 (In thousands of dollars)

These advances were repaid by Alterna, with interest, when the P&A transaction closed on June 30, 2022.

(d) Wind-up of PACE Legal Entity

The Excluded Items, including the Recovery Litigation Claims, the prepaid card business and certain excluded liabilities, remained in the PACE legal entity after the closing of the P&A. PACE legal entity will be wound up after realizing its assets and distributing the proceeds therefrom to its creditors and capital providers in accordance with applicable law governing priorities. Costs associated with the PACE wind-up may, to the extent PACE has insufficient resources to pay its senior creditors and such costs, be borne by the DIRF. The impact of this on the DIRF is not yet determinable.

PACE's investment shares, profit shares and membership shares are part of the Excluded Items and remain an obligation of PACE if it has sufficient assets after paying higher ranking claims, including the \$29,120 deposit insurance advance receivable as described in Note 7. These shares provided risk-bearing capital to PACE and are not insured by the DIRF – as such, any losses to PACE members arising from owning these shares do not impact the DIRF.

A total provision of \$29,120 specific to PACE was established as at March 31, 2022, (2021 - nil) representing a valuation allowance for deposit insurance advance receivable (Note 7).

12. COMPARATIVE FIGURES

Certain prior year figures have been reclassified to conform to the current year's presentation.