

FSRA

Financial Services Regulatory
Authority of Ontario

2020 – 2023

ANNUAL BUSINESS PLAN

FEBRUARY 28, 2020

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The Financial Services Regulatory Authority of Ontario (FSRA) is an independent regulatory agency. It was established in 2017 to enhance public confidence in the Ontario sectors it regulates.

FSRA Vision

Financial safety, fairness and choice for Ontarians

FSRA Mission

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

Executive Summary

FSRA is pleased to provide its F2020-2023 Annual Business Plan, which outlines FSRA's ongoing operations, strategic direction, financial overview and supporting activities which are aligned to the vision. This plan reflects and applies experience and insights gained through FSRA's first months of operation. It reflects FSRA's expectations of continuing progress for the next three years, with a focus on 2020-2021 activities.

The FSRA executive team has taken on the operational and strategic challenges of a start-up organization. FSRA has already achieved notable results and expects to substantially deliver on its F2019-20 priorities while operating well within its F2019-20 budgets. Notable results include:

- the implementation of a plan to protect consumers investing in syndicated mortgages,
- streamlining administration of rate regulation in auto insurance
- strengthening prudential supervision for the pension sector
- supporting the development of industry-led codes of conduct in credit union and mortgage brokering sectors
- reducing burden through reduction of guidance and regulatory filings/data requests
- driving forward on regulatory innovation; and
- strengthening the voice of the public.

These achievements were attained while FSRA was simultaneously pursuing transformation activities that required, and continue to require, a new build or overhaul of existing processes, infrastructure and systems. While FSRA's statutory mandate is clear, one key achievement has been the creation of its vision, a clearly articulated mission and supporting organizational values and behaviours that will generate enhanced efficiency and effectiveness.

Thanks to the commitment of staff, support from internal and external stakeholders, and affected members of the public, significant progress was made on FSRA's F2019-20 priorities. As a result of continued consultation, several priorities, while markedly progressed, will remain for the year ahead, in certain cases in a refreshed form reflecting progress to date and input received from stakeholders. New priorities have also been identified that will help achieve FSRA's mandate.

FSRA's 2020-2021 operating budget includes expenses of \$99.4M, a modest 2.5% increase over the F2019-20 full-year budget. New investments in human capital resources will provide enhanced life insurance conduct regulation, support CUCPA modernization, improve pension relationship management/supervision and create improved core regulatory technology (such as back office systems and digital transformation of core regulation) that will ultimately deliver efficiencies. These technology investments will be recovered from the sectors over a five-year period to match costs and benefits. FSRA will also develop a framework to protect the use of the financial planner and financial advisor titles, and will later recover its costs after commencing these regulatory duties.

FSRA Mandate

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

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

- *To 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; and*
- *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; and*
- *To foster strong, sustainable, competitive and innovative financial services sectors.*

In addition to the objects of general application, FSRA's objects with respect to pension plans are:

- *To promote good administration of pension plans; and*
- *To protect and safeguard the pension benefits and rights of pension plan beneficiaries.*

In addition to the objects of general application, FSRA's objects with respect to credit unions/caisses populaires 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 union/caisses populaires sector in Ontario with due regard to the need to allow credit unions/caisses populaires to compete effectively while taking reasonable risks; and*
- *To pursue the objects set out in the first two bullets for the benefit of persons having deposits with credit unions/caisses populaires and in such manner as will minimize the exposure of the Deposit Insurance Reserve Fund to loss.*

As a result of recent changes to the Co-operative Corporations Act, introduced in Bill 138, FSRA now has direct powers or duties with respect to offering statements under the Co-operative Corporations Act. FSRA also has an additional object to meet, set out in a regulation under the FSRA Act.

- *It is an object of the Authority to carry out any powers or duties with respect to offering statements under the Co-operative Corporations Act that are delegated or designated to the Authority under section 1.1 or 1.2 of that Act.*

In addition, when proclaimed, FSRA's objects with respect to financial planners are, with respect to the Financial Professionals Title Protection Act, 2019, to administer and enforce that Act.

Rule-Making Authority

The FSRA Act's legislative framework provides FSRA with specific rule-making authorities under the regulated sector statutes and the FSRA Act, including the authority to make rules governing fees and other charges. By delegating rule-making authority to FSRA, the Legislature empowers FSRA to use its expertise to create rules with approval from the Minister of Finance, giving FSRA additional flexibility to respond to market and/or product changes.

On May 24, 2019, the Minister of Finance approved Rule 2019-001 Assessments and Fees (the Fee Rule) pursuant to subsection 23(1) of the FSRA Act. The Fee Rule came into force on June 8, 2019.

The substance and purpose of the Fee Rule is to ensure that FSRA is a self-funded agency that operates on a cost recovery basis, in accordance with the FSRA fee rule vision and principles, to enable FSRA to carry out its legislated mandate.

Governance Framework

FSRA has been established as a self-funded Crown corporation with a Board of Directors appointed by the Lieutenant Governor in Council on the recommendation of the Minister of Finance (Minister). The Board of Directors is accountable to the Minister and, through the Minister, to the Ontario Legislature.

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

In accordance with the Agencies and Appointments Directive, FSRA is required to enter into a MOU with the Minister. The MOU sets out the accountability relationship between FSRA and the Ministry, and between the Board, Chair, CEO and the Minister. The MOU is also posted on its website (<https://www.fsrao.ca/about-fsra/governance>).

The Board has enacted two corporate by-laws that have received the required approval by the Minister: By-Law No. 1 governs the general conduct of the business and affairs of the Authority, and By-law No. 2, 2(a), 2(b), Borrowing By-Laws, provides for the borrowing by FSRA.

The Board of Directors has a dual role. It is responsible for the high-level stewardship of the organization and for oversight of FSRA management. It may also propose rules to the Minister in respect of any matter over which an Act gives FSRA rule-making authority:

1. **Corporate Oversight:** As the Board of FSRA, the Directors oversee the management of the financial and other affairs of the Authority, including strategic planning, resource allocation, risk management, financial reporting, policies and procedures, and effectiveness of internal controls and management information systems. The Board approves FSRA's business plan, including its regulatory priorities, on an annual basis, and oversees their implementation by FSRA management. Under the FSRA Act, the Board appoints a Chief Executive Officer, who is responsible for the management and administration of the Authority, and who exercises the powers and duties conferred or assigned to the CEO under the FSRA Act and the Sector Statutes, either directly or through his delegates. To that end, Mark White was appointed FSRA's inaugural Chief Executive Officer, effective May 7th, 2018.
2. **Rulemaking:** The Authority's regulatory rulemaking responsibilities are exercised through the Board's rulemaking role. The FSRA Act and Sector Statutes provide FSRA with rule-making authority in express areas for regulating and supervising financial services and pensions in Ontario, provided such rules are approved by the Minister of Finance. The Directors, acting in this capacity, approve rules that, once approved by the Minister, have the force of law.

FSRA Board Members*

Bryan Davies, Board Chair

Kathryn Bouey

Blair Cowper-Smith

Joanne De Laurentiis

Brigid Murphy

Lawrence E. Ritchie

Brent Zorgdrager

Board Sub-Committees

Audit and Finance Committee

Deposit Insurance Reserve Fund Advisory Committee

Governance Committee

Human Resources Committee

Pension Benefits Guarantee Fund Advisory Committee

Rules and Policy Committee

Technology Committee

*As of December 12, 2019

Organization Structure

The FSRA leadership team (refer to Appendix A) has extensive industry experience and regulatory expertise. These executives are responsible for supporting innovation in the regulated sectors, driving continuous improvements across FSRA and championing a culture that is:

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

Overview of Sectoral Activities

Property & Casualty (including Auto) Insurance

Ontario's property and casualty (P&C) insurance sector represents over \$24 billion in direct written premiums, nearly 55% of which are derived from auto insurance. FSRA's role in the P&C sector includes:

- *regulating insurance products and their distribution;*
- *regulating the underwriting, distribution and pricing of auto products;*
- *licensing insurance agents, insurance companies, and independent adjusters*
- *prudential regulation of Ontario-incorporated insurance companies;*
- *regulating the conduct of licensees and others involved in the P&C sector; and*
- *examining the affairs of the Registered Insurance Brokers of Ontario (RIBO) and reporting back to the Minister of Finance.*

Health Service Provider Sector

The health service provider sector consists of nearly 5,000 licensed health service providers that invoice auto insurance companies for statutory accident benefits claims. FSRA's role in the sector includes:

- *licensing health service providers;*
- *regulating the business and billing practices of licensed service providers; and*
- *collecting information about licensed health service providers' business systems and practices through an Annual Information Return (AIR).*

Credit Unions and Caisses Populaires¹

Credit unions are co-operative deposit-taking institutions that are owned by their members, who are also their customers. In aggregate, Ontario's credit union sector has almost 1.7 million members, over 7,300 staff and total assets of almost \$67B. Credit unions are diverse in size and some have bonds of association that focus on serving the needs of their members and communities. FSRA's role in the credit union sector includes:

- *providing insurance against the loss of certain deposits with credit unions;*
- *promoting and otherwise contributing to the stability of the credit union sector in Ontario with due regard to the need to allow credit unions to compete effectively while taking reasonable risks; and*
- *pursuing the above objects for the benefit of persons having deposits with credit unions and in such manner as will minimize the exposure of the Deposit Insurance Reserve Fund to loss.*

Credit unions operate in the same market as federally-regulated banks and offer substantially similar products and services. As such, credit unions face competitive challenges in growing their market share and membership bases.

¹ For the purposes of this document, the term "credit union" will be used to refer to both credit unions and caisses populaires.

Life and Health Insurance

Ontario's life and health (L&H) insurance industry represents over \$22 billion in direct written premiums annually. The L&H insurance sector provides comprehensive financial products such as life, accident and health insurance and related investment products, to help individuals protect key aspects of their lives against risk of loss.

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; the sector includes over 100 insurers, 48,000 agents and 5,600 corporate agencies.*
- *regulating the conduct of business of insurance companies and agents, to ensure the fair treatment of consumers throughout the entire product lifecycle.*

Mortgage Brokering

The mortgage brokering sector enables the financing of a home purchase for many Ontario homebuyers, with over 329,000 mortgages, valued at approximately \$131B, arranged by mortgage brokerages annually. The sector represents approximately 12,400 agents and 2,800 brokers employed by 1,200 brokerages. Since the *Mortgage Brokerages, Lenders and Administrators Act, 2006* (MBLAA) came into force in 2008, the sector has grown in size.

FSRA's role in the mortgage brokering industry includes:

- *licensing mortgage brokerages, agents, brokers and administrators; and*
- *regulating the conduct of licensees through monitoring and enforcing compliance with the MBLAA.*

Pensions

Registered Pension Plans provide an important source of retirement income to a large number of employees and retirees in Ontario. While the private sector is trending away from traditional single-employer Defined Benefit (DB) models, DB membership continues to dominate both plan membership and assets in Ontario, primarily due to large public sector sponsored plans.

FSRA's pension-specific objects are:

- *promoting good administration of pension plans; and*
- *protecting and safeguarding the pension benefits and rights of pension plan beneficiaries.*

Financial Planners/Financial Advisors

In the 2019 Ontario Budget, the government introduced legislation to limit the use of the titles “financial planner” and “financial advisor” (FP/FA) to individuals who have obtained a credential from a credentialing body approved by FSRA. Before this, there was no title protection for financial planners and financial advisors in Ontario, meaning there was a risk that investors are receiving financial planning and advisory services from individuals without understanding their qualifications.

The *Financial Professionals Title Protection Act, 2019* (FPTPA) was passed in May 2019, but has not yet been proclaimed. FSRA has been working with the Ministry of Finance (MOF) to design the title protection framework for individuals who wish to use the FP/FA titles in Ontario.

Under the framework, FSRA expects to use rule-making to establish criteria for the credential issuing bodies that grant credentials, which FP/FA title users must hold. FSRA will implement a process to approve credentialing bodies so that such bodies can set criteria for issuing credentials which permit title use. The goal is that individuals using the FP/FA titles are appropriately qualified, promoting confidence and professionalism in the sector, and avoiding confusion for investors/consumers that see the title use without assurance of qualifications.

Organizations seeking approval as credentialing bodies under the FPTPA will need to meet certain standards, including education requirements, monitoring of FP/FA title users, and effective compliance and enforcement, all as will be set out in FSRA’s rules.

FSRA will oversee the title protection framework, and will have the authority to conduct examinations and issue compliance orders against credentialing bodies as required for breaches of the FPTPA, as well as take action against non-credentialed FA/FP title users.

By the end of F2019-20, FSRA will have:

- *Consulted with stakeholders on the title protection framework*
- *Drafted rules regarding the title protection framework*

While an implementation date for the title protection framework has not been determined, FSRA will continue to work with MOF and consult with stakeholders, as required, to finalize the key elements of the title protection framework.

Co-operative Corporations

There are currently just under 1800 co-operative corporations (co-ops) incorporated in Ontario, which operate in a variety of different industries (e.g., housing, agriculture, daycare, etc.). FSRA’s role in the co-op sector is to carry out powers and duties under the *Co-operative Corporations Act* which relate to offering statements prepared by co-ops when raising capital from investors.

Environmental Scan

Common Trends

FSRA operates in a dynamic market and is subject to a broad list of forces that require consideration during the crafting of strategic and operational approaches to regulating the financial services and pension sectors. Some common trends include, but are not limited to the following: Modernization and technological advancements have driven increased expectations from the public which drive the need for updating and often replacing outdated systems to facilitate the new standards of service access preferences. In addition, the overall expectation of increased choice, fintech innovation and technological advancements has permitted new and existing players the ability to offer more choice to the consumer as previously clear methods of delivery are increasingly blurred. The ongoing imperative to drive down costs to the sector while at the same time, freeing the regulated sector participants from burdensome and often unnecessary regulatory activities, as it should, also covers the entire FSRA sector portfolio. And lastly, FSRA has seen the desire by all sectors to enhance their professionalism and the value that they bring to the public while expediently removing bad actors (fraud, abuse, etc.) from their sectors. More specific examples of these as well as other sector specific trends are outlined in the remainder of this section.

Property & Casualty (including Auto) Insurance

P&C insurers offer products that cover a broad range of risks, and therefore are affected by a number of different issues and trends. Key areas of interest include:

- Auto insurance remains a focal point of the industry. Pressure on claims costs is resulting in increasing prices, consumers are dissatisfied and insurers are concerned about low returns affecting their viability while some brokers are observing reduced product availability. In the 2019 Ontario Budget, the government committed to implement substantial changes to the auto insurance system aimed at lowering costs and fighting fraud, increasing consumer choice and increasing competition.
- Technology and changing consumer expectations are affecting the market for insurance products and services. Insurers are faced with significant investments and transformation to their business models to be competitive in serving new and emerging customer needs and effectively managing the changing landscape of risks.
- A number of different issues and trends are increasing P&C insurance costs and this has a cascading effect on prices and product availability. For example, insurers have reported increased homeowner's insurance claims costs due to increased frequency and severity of extreme weather events, as well as increased auto insurance physical damage claims costs due to distracted driving, sophistication of vehicles and rising auto parts prices.

Health Service Provider Sector

Since health service provider licensing became effective on December 1, 2014, a number of trends and issues have affected the sector. A key area of concern is about the effectiveness and regulatory burden imposed by service provider licensing, which led FSRA to prioritize a review of the regulatory regime, while the government committed to overhaul service provider licensing in the 2019 Ontario Budget. FSRA is conducting its review with an emphasis on burden reduction and access to treatment for claimants and in the context of government's broader commitment to make substantial changes to the auto insurance system aimed at lowering costs and fighting fraud.

Mortgage Brokering

The Ontario mortgage brokering sector operates against the backdrop of significant changes in the marketplace. Key areas of interest include:

- Increased use of non-bank lenders/investors, including private lenders, syndicated mortgages and Mortgage Investment Companies. Decreased housing affordability, more stringent federal mortgage underwriting rules, and historically low interest rates have all contributed to increased use of non-bank lenders/investors. Borrowers who no longer qualify for mortgages from traditional 'bank' lenders are seeking alternative sources of funds, and investors are seeking higher-yield investments in an environment with historically low interest rates.
- Ongoing mortgage fraud for shelter (e.g., falsification of income by brokers and/or consumers) may be more prevalent due to recent tightening of underwriting rules for federally-regulated lenders.
- Non-compliance with required disclosures and appropriate client suitability assessments.
- High consumer expectations for choices and services which are driving new technologies, business models, products and services, which can impact market conduct.

Credit Unions and Caisses Populaires

Credit unions operate in the same market as federally-regulated banks and offer substantially similar products and services. As such, credit unions face competitive challenges in growing their market share and membership bases. Key trends in Ontario's credit union sector include:

- **Consolidation** - The sector continues to see a trend towards consolidation, with a shift to fewer, but larger, institutions. As of December 2019, there are currently 66 credit unions in Ontario, down from 120 just five years ago. Although the number of credit unions in Ontario has been on a steady decline, the average asset size per institution is increasing and has more than doubled from \$337M to \$868M over the past five years. The five largest Ontario credit unions now account for more than half of total sector assets. As some Ontario credit unions continue to grow in size, they may eventually begin to view the federal credit union regulatory framework as being advantageous in order to gain access to markets across Canada. A migration of Ontario credit unions to the federal framework would change the composition of the sector.
- **Capital Composition** - Ontario's credit unions are well-capitalized with approximately \$4.5 billion in capital held within the system and a system-wide total capital ratio (eligible capital to risk weighted assets) of 13.2% and leverage ratio (eligible capital to accounting assets) of 6.7%. Over 60 percent of the sector's total capital is composed of retained earnings. However, Ontario credit unions are increasingly raising capital by issuing investment shares to their members, under the capital raising framework in the *Credit Unions and Caisses Populaires Act, 1994* (CUCPA). Over the past year, growth in investment share capital (11 percent) outpaced growth in retained earnings (9 percent) and is becoming an increasingly important component of the sector's capital composition at just under 40 percent of total capital.
- **Modernization** - The government is currently reviewing Ontario's credit union legislation with a goal to introduce new legislation that would modernize the framework. Thereafter the regulatory framework may need to consider international capital standards, and FSRA would need to consider how the new standards should be implemented.
- **Loan Growth** - Ontario's credit unions play an important role in providing loans to individuals and businesses across Ontario, with almost \$58 billion in total loans outstanding. In the period between 2018 and 2019, growth in total loans (10.5 percent) has outpaced growth in deposits (9 percent). The loan portfolio of the Ontario credit union sector is predominantly made up of residential mortgage loans (64 percent of total loans) and commercial loans (28 percent of total loans). In particular, residential mortgage lending growth for Ontario credit unions is high relative to their peers in other provinces, with a year-over-year growth rate of 12 percent, almost double that for the Canadian credit union sector. Given the significance of this business in the Ontario credit union system, it is important to ensure that adequate, prudent and consistent underwriting standards are in place.

- **Business Lines** - With changing demographics and low interest margins, traditional banking activities (e.g., deposit-taking and lending) may not be sufficient to support long-term sustainability for Ontario's credit unions. As a result, some Ontario credit unions have been seeking more innovative and non-interest revenue-generating opportunities and it is likely that they will continue to do so in the future. This is important to consider as the government reviews the existing permitted business activities for credit unions and develops proposals for business powers under the new anticipated legislation. It will also be important to ensure appropriate governance oversight, management experience, processes and controls as credit unions change their business models.
- **Technology** – Credit unions are actively seeking out opportunities to innovate and implement new technologies to enhance the service experience for their members, increase the level of product offerings, decrease costs and ultimately grow their businesses. New technologies also present competitive threats to the credit union system. Recent cybersecurity breaches in the financial services sector have highlighted the need for credit unions to have appropriate measures in place to ensure that the privacy and security of their members is maintained.

Life and Health Insurance

A number of different issues and trends affect L&H insurers because their products cover a broad range of risks. Key areas of interest include:

- **Digitization of insurance products** - Rapid advancements in technology continue to change the way businesses operate. Emerging technologies, combined with changing customer expectations and innovation, can potentially transform the life insurance industry by providing opportunities for new products and coverages, enabling operational improvements and changing customer experience.

Digitization is occurring across the insurance sector. The use of technology to interface with clients provides new opportunities to close information gaps. FSRA will continue to monitor these technological developments to ensure that insurers are meeting expectations regarding insurance business conduct and fair treatment of customers.

- **Changes in the distribution system** - The insurance distribution system is being transformed by technological innovation and market pressures such as changes in consumer expectations, new products, mergers, expenses and new non-traditional entrants.

The distribution system has become quite complex, with overlapping organizations supporting multiple brands and channels, including the digital channel. Additionally, many insurers have set up a wide range of multi-channel distribution systems to improve customer interaction and experience. FSRA plans to achieve a more comprehensive understanding about modern distribution channels.

Pensions

Registered Pension Plans provide an important source of retirement income to a large number of employees and retirees in Ontario. Key trends in Ontario's pension sector include:

- **Economic Factors** – An environment of persistently low interest rates has meant increased pension liabilities. In response, pension plans are adopting return-seeking, and increasingly complex, investment strategies to generate sufficient investment returns.
- **Risk Shifting and Consolidation** – Some plan sponsors are responding to the economic and demographic challenges by shifting or sharing risks with plan members (trend towards defined contribution (DC) plans and interest in risk sharing plans), consolidating or converting into other existing or new alternatives that provide greater scale and efficiency or, transferring risk to insurance companies (annuity purchases and longevity swaps).

Demographic and Workforce Trends – The composition of the workforce is changing. Recent trends have pointed to workers taking shorter duration jobs with many employers. These jobs may not provide any form of pension saving opportunity as part of the compensation package or if they do, they tend to be in the form of savings arrangements. When a savings arrangement is provided, workers may not be contributing adequately to support their retirement income goals.

Defined Benefit (DB) pension plans have a longer history in Canada, with many plans established when time spent in retirement was shorter than today. Both DB and DC plans need to ensure sufficient assets to meet longer life expectancy in retirement. DB plans pool this longevity risk in retirement across members, while DC plan members typically bear the risk at an individual level. These factors come at a time when private sector pension coverage across Canada continues to decline, pointing to a need to better understand coverage, adequacy and the reasons why employers are moving away from offering pension plans in Ontario.

Industry and Consumer Dialogue and Public Consultation

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

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

Engaging with industry partners, consumers, pension plan beneficiaries and other stakeholders, is an integral part of the regulatory process and a key element of the FSRA mandate and business plan. FSRA takes a transparent and collaborative approach to engagement and ensure that the diverse voices of constituent stakeholders inform its direction and decision making.

As a regulator, understanding and anticipating change in financial services markets is essential to FSRA's operations. By engaging with industry experts and members and the public on a regular basis, FSRA can respond quickly to new technologies, rules and consumer trends, ensuring the integrity and growth of its regulated industries.

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

Established in October 2019, the Stakeholder Advisory Committees (SACs) serve as consultation bodies to the FSRA Board on FSRA's priorities and budget and other matters, such as rule-making, as the Board deems appropriate. In addition to participants in regulated industries, industry associations and professionals, consumers and other members of the public were invited to join SACs. SACs are an important part of FSRA's stakeholder engagement process and complement the many sector specific ad hoc, special purpose and standing working groups and advisory committees forward by FSRA management to engage with sector stakeholders.

In October 2019, the Consumer Advisory Panel (CAP) launched its inaugural call for members. It will serve as an advisory body to FSRA (through the Consumer Office), and provide ongoing advice from a consumer perspective, on proposed FSRA policy and regulatory changes. It will play an important role in fulfilling FSRA's mandate to protect the public interest in financial services in Ontario by ensuring that consumer and other public input and perspectives inform its regulatory direction and decisions.

Priorities and Budget Consultations

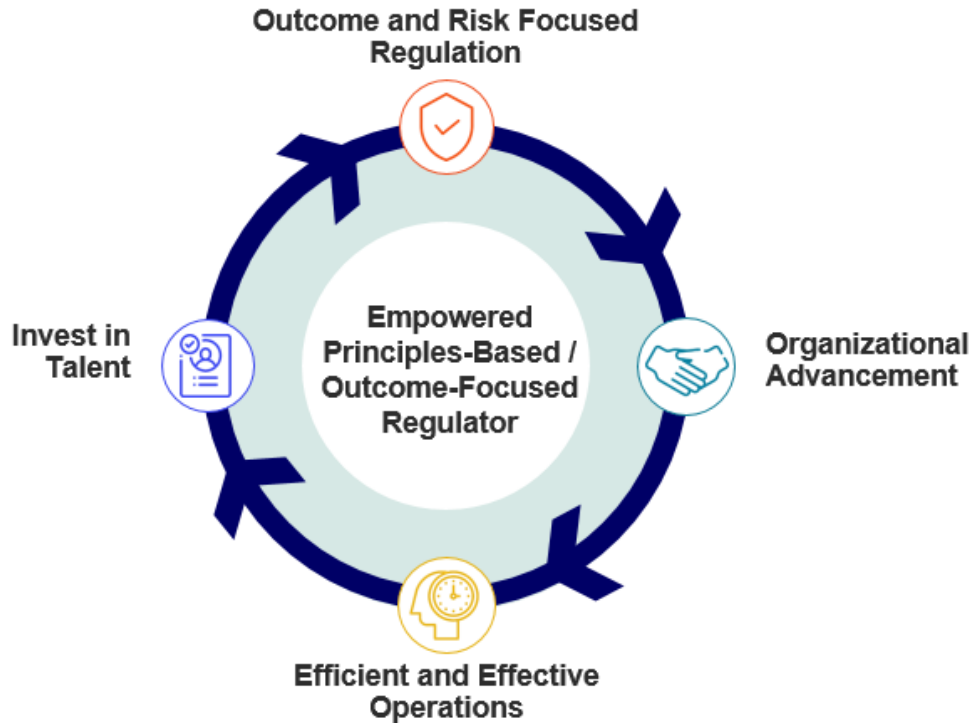
Consultations on FSRA's draft 2020 - 2023 Priorities and Budget included the Stakeholder Advisory Committee and public consultation via the FSRA website from October 24 to Nov 18, 2019. The Proposed FY 2020-21 FSRA Priorities and Budget and comments received are posted on the FSRA website at:

<https://www.fsrao.ca/engagement-and-consultations/draft-2020-21-fsra-priorities-and-budget>. The learnings from the consultation on the priorities and budget have been incorporated into this proposed plan.

Strategic Directions

Articulation of FSRA’s Strategy

FSRA’s strategic goal is to be an empowered principles-based² and outcome-focused regulator and will need to excel in four key areas to be successful.



The four key areas are:

- **Outcome and Risk Focused:** Outcome and risk focused supervision, decisions, guidance, and rule-making.
- **Organizational Advancement:** Advance the organization’s culture, technology and internal processes.
- **Invest in Talent:** Recruit, develop and retain expert and skilled talent.
- **Efficient and Effective:** Operate with stakeholders interests in mind.

² Refer to Priority 3.1. Transition to Principles-Based Regulation (page 26).

Implementation Priorities

FSRA Priorities

In the first year, FSRA focused on burden reduction and regulatory effectiveness through cross-sector and sector-specific priorities that will be achieved, or substantially advanced, in F2019-20. These measurable activities formed the basis of the proposed F2020-23 strategic priorities and drive its proposed budget.

FSRA’s overall cross-sector F2020-23 priorities will continue to build regulatory foundation, make regulation more effective and efficient and further legislative objectives. FSRA’s priorities will continue to deliver a positive impact in reducing burden and improving regulatory effectiveness, improving stakeholders’ regulatory experience and improving safety, fairness and choice for consumers, members of credit union, pension plan beneficiaries and other users of financial services in Ontario (collectively, referred to as the public). The priorities will drive internal accountability for executives and serve as the basis for operational planning and performance measurement.

Overview of Draft FSRA 2020-21 Priorities

CROSS-SECTORAL PRIORITIES					
1. Burden Reduction			2. Regulatory Effectiveness		
1.1 Review inherited guidance 1.2 Establish meaningful service standards			2.1 Protect the public interest 2.2 Enable innovation 2.3 Modernize systems and processes		
3. Burden Reduction and Regulatory Effectiveness					
3.1 Transition to Principle Based Regulation (PBR) 3.2 Improve information sharing with regulators					
SECTOR-SPECIFIC: TARGETED HIGH-IMPACT PRIORITIES					
Property & Casualty (Auto) Insurance	Credit Unions	Life & Health Insurance	Mortgage Brokering	Pensions	Financial Planners/ Financial Advisor
4.1 Empower and protect auto insurance consumers 4.2 Support and implement transformative auto insurance reforms 4.3 Develop a comprehensive auto insurance data and analytics strategy	5.1 Support modernization of credit union framework 5.2 Ensure appropriate resolution and Deposit Insurance Reserve Fund (DIRF) framework 5.3 Enhance credit union market conduct supervision 5.4 Update supervisory and risk assessment approach	6.1 Enhance market conduct oversight to protect consumers 6.2 Improve licensing effectiveness and efficiency	7.1 Support government policy direction on the Mortgage Brokerages, Lenders and Administrators Act (MBLAA) 7.2 Enhance market conduct oversight to protect consumers	8.1 Support plan evolution 8.2 Develop and consult on prudential supervision framework 8.3 Refocus pension regulation on burden reduction	9.1 Implement the title protection framework for Financial Planners/ Financial Advisor

2020-21 Cross-Sectoral Priorities

In all aspects of FSRA's operations, FSRA will continue to seek to reduce the regulatory burden for regulated sectors as FSRA builds a regulatory foundation that positions FSRA for success. FSRA will continue to drive effective, efficient regulation and supervision by ensuring that the benefits justify the internal and external costs of regulation and that FSRA's regulatory activities achieve the desired outcomes.

A regulatory framework that imposes unnecessary costs (e.g. by not being risk-based), or has unclear or unnecessary guidance and requirements, can negatively impact Ontario's economy, regulated businesses and individual Ontarians. For that reason, along with regulatory effectiveness, FSRA has continued to make reducing regulatory burden a cross-sector priority, with a specific focus on five of the eight original key initiatives.³

1. Burden Reduction

Priority 1.1

Review Inherited Guidance

A well-designed, consistent and unambiguous guidance framework with relevant guidance documentation for regulated entities contributes to the efficient operation and reduced burden for such entities.

FSRA identified approximately 50% of inherited guidance that could be removed and has started to review all remaining guidance items to ensure clarity and consistency, to eliminate overlapping and potentially inconsistent requirements, and to ensure that its intended impact is clear. Regulated entities and the public are best served when guidance provides necessary consumer protection; produces more benefit than the costs it imposes, is consistent, accessible and actionable, and when its intended effect is well understood. FSRA has developed a cohesive, principles-based regulatory guidance framework to streamline, clarify and update current guidance for greater regulatory effectiveness, transparency, accountability, and burden reduction and is consulting on this proposed guidance framework. Once finalized, all updated and new guidance will meet these proposed new standards.

As part of this initiative, FSRA will continue to use cost-benefit analysis to evaluate whether guidance is necessary or could be improved, enhanced (e.g. streamlined), or eliminated.

³ The Data and Filings Review has been incorporated into Priority 2.3: Modernize Systems and Processes.

#	Refreshed Milestones	Timeline
A	Conduct inventory and initial assessment	Complete
B	Complete external stakeholder consultation on guidance review priorities	2019-20
C	Sector-specific plans published (including agreed upon burden reduction target)	2019-20
D	Propose principles-based guidance framework	2019-20
E	Define cost-benefit analysis process	2019-20
F	Complete re-issuance of all high priority guidance for each sector	2019-20
G	Complete re-issuance of all other guidance for each sector	2020-21+

Priority 1.2 Establish Meaningful Service Standards

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

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

Dependencies

- Automated tools to record, measure, and monitor service standards

Refreshed Milestones	Timeline
Determine baseline expectations	Complete
Develop work plan	Complete
Workshop development and implementation across functional areas	2019-20
Consult with regulated entities on development of service standards	2019-20
Revise/update report tool and processes; plan new processes and tools	2019-20
Reflect service standards in employee/function performance targets	2020-21
Reflect Standards across FSRA	2020-21

2. Regulatory Effectiveness

Priority 2.1

Protecting the Public Interest (e.g. the interest of consumers, credit union members and pension plan beneficiaries)

The financial services sector continues to undergo significant changes, which heightens the need for regulators to understand and protect the public interest. Public expectations for choices and services are high, driving new technologies, business models, products and services. FSRA is committed to supporting industry innovation, investment and growth, and to enabling competition and continued new product availability. Across the organization, there will be a continued focus on protecting the public interest, by embracing the consumer perspective to support innovation, and efficiencies that will benefit all impacted members of the public while ensuring their interests are properly addressed.

#	Refreshed Milestones	Timeline
A	Launch Consumer Advisory Panel ⁴	2019-20
B	Stakeholder engagement on approach, principles and research needed to support consumer protection completed. Implementation plan being developed.	2019-20
C	Consultation with Panel and FSRA Regulatory areas on proposed research topics	2019-20
D	Research/compile current Consumer issues	2020-21
E	Launch new website with clear/easily accessible consumer information	2020-21
F	Develop and publish consumer profiles on sector specific issues	2020-21
G	Conduct Consumer Research (as identified by panel – e.g. consumer disclosures)	2020-21
H	Initiate ongoing consumer issue process for identification and tracking	2021-22
I	Complete Consumer Experience mapping.	2021-22
J	Complete research and analysis of behavioural economics and effective consumer outreach	2021-22

⁴ In order to enable true consumer engagement and embrace the consumer perspective within the Consumer Advisory Panel an honorarium of \$250 will be provided to panel members.

Priority 2.2 Enable Innovation

Older, inflexible regulatory frameworks hold back innovators and limit consumer choice and the economic benefits of industry competition and innovation. Stakeholders are concerned about future disruption and falling behind in a rapidly changing business environment, and about the extent of available support for technological advances that enable new business models and products.

FSRA’s recently established Innovation Office will:

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

Dependencies

- As the sectors evolve, FSRA may need additional regulatory tools to be able to respond and adapt to changing market conditions

#	Refreshed Milestones	Timeline
A	Development of innovation framework	2019-20
B	Consult with industry on innovation framework	2019-20
C	Conduct analysis of regulatory changes required to support innovation	2020-21
D	Develop and execute outreach plan to identify new product/services	2020-21
E	Participate in Global Innovation Pilot(s)	2020-21+
F	Implement new product/service delivery (by sector)	2020-21
G	Implement Innovation Framework (e.g. new rule-making, criteria for exercising regulatory discretion, target for new product/service support)	2021-22

Priority 2.3 Modernize Systems and Processes

While FSRA has implemented a modern enterprise resource planning system, core regulatory operations continue to rely on a number of outdated, inefficient, costly and in some cases at-end-of-life systems, unable to support effective and flexible regulation.

FSRA will continue to modernize its IM/IT systems and the processes they support by developing and following a multi-year transformation roadmap. The roadmap incorporates sector-specific business priorities and practical technology constraints, while creating a flexible and adaptable business-operating model. This flexibility will be key to delivering on the burden reduction priority through optimized and streamlined data and filing collection, improved service levels, and enhanced ability for FSRA to respond quickly to changing regulatory needs.

This continuing priority focuses on supporting the development of FSRA as a modern, enabled regulatory body. It absorbs the second phase of the former Data and Filing Review priority which will focus on how FSRA collects information as well as what information needs to be collected.

#	Refreshed Milestones	Timeline
A	Commence implementation of low cost or high priority initial IM/IT improvements in alignment with FSRA priorities.	2019-20
B	Develop strategy, plan and roadmap for FSRA IM/IT architecture and for process/sector-specific IM/IT transformation in alignment with FSRA priorities.	2019-20
C	Develop sector work plans for implementation of transformed process & technology.	2019-20
D	Procure enabling technology platform including CRM, case management system, enterprise content management system and data analytics tools.	2020-21
E	Continued roll out of user centric website	2020-21
F	Digitize or archive existing paper-based documents	2020-21
G	Hire vendors to provide system integration and change management services	2020-21
H	Develop foundational, enterprise-wide components and capabilities in preparation for sector-specific implementations	2020-21
I	Enable data analytics for each of the regulated sectors, to empower FSRA policy and supervisory activities	2020-21+

3. Burden Reduction & Regulatory Effectiveness

Priority 3.1

Transition to Principles-Based Regulation (PBR⁵)

A core foundation of FSRA’s activities is how it will align with principles-based and outcomes-focused regulation. To be more efficient and effective, FSRA will transition to a principles-based regulatory approach to facilitate innovation and to modernize processes and systems. FSRA will use the related priorities of building expertise and increased collaboration and transparency to enable the implementation of PBR.

As FSRA evolves as a transformed regulator, an emerging area of focus will be how FSRA appropriately shifts activities/oversight from the traditional prescriptive approach (e.g. detailed processes, legislation/regulation/inherited guidance hierarchy) to one that supports a principles-based approach. Given the rapidly evolving nature of financial services, and the opportunities to enable innovation and to encourage new entrants to the market, there is a need to move away from ‘one-size-fits-all’ solutions.

To work well, such a shift requires enhanced capabilities, both within the regulator and at regulated entities. As the regulator, FSRA is already developing a new Guidance Framework (See *Priority 1.1*) and building expertise to be able to apply the judgment needed to evaluate whether principles are being applied in a way that is delivering desired outcomes. FSRA also recognizes that regulated entities also need to operate differently (e.g. directors and management need to embed principles and to have governance, controls, policies, oversight and processes to support/monitor principles).

We have already developed new processes for engaging regulated sectors to get their views and mutual agreement on new approaches to regulating their activities as meaningful consultation is central to any PBR approach.

#	Milestone	Description of Activities	Timeline
A	Develop Principles	Leverage existing principles to develop an external-facing set of principles geared towards management of a conducive relationship and achievement of desired outcomes with appropriate stakeholder consultation (includes both regulator and sector principles)	2020-21
B	Consultation with Stakeholders	Consultation with stakeholders on proposed Principles	2020-21

⁵ PBR is generally viewed as more effective than prescriptive regulation in sectors where there is complexity and significant diversity in the participants or their business models. Principles allow for situationally appropriate proportionality, and for the evolution of regulation as a regulated entity or market evolves. PBR requires the assessment of risks and market imperfections to be addressed by the regulatory regime. It is aligned with risk-based regulation to allow focus to be placed on material issues and to dedicate greater resources to material risks.

C	Issue Guidance	Revise existing guidance and issue new guidance (sector specific) to facilitate PBR implementation	see sector specific priorities
D	Consultation with Sectors	Consult on proposed guidance with affected sectors (e.g. CU by-law #5)	see sector specific priorities
E	Develop Supervision Approach	Application of PBR to supervision requires expertise and skill which facilitates risk-based and proportional movement across the prescriptive/principles continuum	2020-21
F	Develop Training	Develop training for internal FSRA teams as well as for the regulated entities to understand how best to achieve outcomes with the support of PBR	2021-22
G	Implement supervision approach	Complete training and update external supervisory/regulatory processes	2021-22

Priority 3.2 Improve Information Sharing with Regulators

FSRA's current information sharing with regulators is limited. FSRA's ability to act expediently, with clear direction based on an assessment of the full set of available and up to date information regarding an issue and/or entity, needs to be improved. Work is underway to identify potential barriers that will ultimately lead to how FSRA can improve regulatory outcomes. This work will support the improvement of FSRA's information sharing with other regulators through facilitating Memorandums of Understanding (MOUs) and other arrangements (e.g. shared data), by better responding to legal implications (e.g. privacy considerations) to pursuing these arrangements, and by developing and implementing a strategy to respond.

Improvements to information sharing amongst regulators will lead to improved regulatory effectiveness but will also support burden reduction priority (e.g. reduction in data requested across multiple regulators).

Dependencies

- *Practical and legal ability to protect information to facilitate sharing by other regulators*

#	Milestone	Description of Activities	Proposed Timeline
A	Capture current information sharing activity and agreements	Find and record all existing information sharing agreements to identify gaps with other regulators	2019-20
B	Identify information required	Create a listing of the types of information required/provided from/to other regulators for effective regulation, with examples where possible	2019-20
C	Identify barriers	Identify the legislative, policy, and operational barriers to promotion of information sharing between regulators and/or jurisdictions	2019-20
D	Conduct consultations with sharing partners	Discussions with existing and potential information providers, as well as supporting partners to vet barriers and begin to craft an understanding of effort required for sharing improvements (through existing regulatory coordinating bodies) Complete multi-jurisdictional analysis of existing agreements, required agreements, barriers, and best practices for protecting/sharing information	2020-21
E	Develop strategy/ approach	Develop strategy/approach for mitigating or eliminating barriers to required information sharing opportunities	2020-21
F	Implement	Implement short-term activities, and start to implement long-term activities, to improve information flow through the FSRA network	2020-21
G	Reciprocal MoU	Enter into a reciprocal information sharing MoU with other regulators to close information gaps	2020-21

Property and Casualty (Auto) Priorities

Priority 4.1

Empower and Protect Auto Insurance Consumers

FSRA's mission is to promote safety, fairness and choice in financial services, including P&C insurance. FSRA will build on the core 2019-20 priority for effective regulation by taking action to empower and protect consumers, including claimants, with a focus on auto insurance.

By the end of F2019-20, FSRA will have:

- Delivered a streamlined rate regulation process for private passenger auto insurance (Standard Filing process) that will help foster innovation, competition, consumer choice and market stability for Ontario auto insurance consumers;
- Initiated a stakeholder dialogue in order to identify and validate misconduct, which will guide future monitoring reviews; and
- Provided clarity on the application of Fair Treatment of Customers (FTC) guidance in Ontario and developed a proposed process for identifying and communicating best and unacceptable FTC practices, ideally in consultation with other FTC jurisdictions, to provide guidance to insurers, agents and others involved in consumer treatment.

To deliver on this priority going forward, FSRA will:

- Transform auto insurance rate and policy form/endorsement regulation to support innovative and consumer-focused business models, pricing structures and technologies;
- Improve auto insurance rating and underwriting accuracy by developing and implementing new supervisory processes focused on advanced risk management and compliance systems within regulated entities;
- Enhance auto insurance transparency, disclosure of information and consumer choice by studying consumer behaviour and expectations, assessing existing sources of, and strengths/weaknesses in, relevant consumer education, improving FSRA's public reporting and identifying opportunities for development of products that increase consumer understanding and assist in making informed choices and exploring opportunities for FSRA rule making regarding unfair or deceptive acts or practices;
- Enhance market conduct oversight with an emphasis on the fair treatment of customers and focused monitoring activities in areas that may pose significant consumer harm, such as the circumvention of "take all comers" auto insurance requirements and considering a review of existing conduct standards;
- Improve licensing effectiveness and efficiency by streamlining licensing approvals for agents, adjusters and companies; and

- In consultation with stakeholders and regulators implement the process proposed in F19-20 and use it to seek consistent application of Fair Treatment of Customers guidance across Canada including with respect to examples of fair and unfair treatment

Dependencies:

- Rules proposed by FSRA under legislated rule-making powers require review and approval by the Minister of Finance.
- IM/IT systems will be a change enabler for effective conduct supervision.

Priority 4.2

Support and Implement Transformative Auto Insurance Reforms

The government has committed to a number of reforms designed to put drivers first in Ontario's auto insurance system. FSRA's first Business Plan identified supporting government's auto insurance reform strategy as a priority.

By the end of F2019-20 FSRA will have:

- Participated in stakeholder consultations and reviews of auto insurance as required by government;
- Completed review of health service provider regulation in consultation with stakeholders, including the identification of core goals and development of an implementation plan for recommended changes;
- Evaluated the current effectiveness of FSRA's role in reducing and controlling fraud and abuse in auto insurance and made recommendations on how such fraud/abuse can be better controlled; and
- Implemented early changes identified as priorities by government, such as approving electronic proof of auto insurance for use in Ontario.

As this priority continues into future years, FSRA will:

- Support and implement reforms that create a sustainable auto insurance system that delivers value and choice for consumers;
- Subject to government direction in response to recommendations FSRA delivers to government in 2019-20, support and implement recommended fraud and abuse reduction initiatives; and
- Subject to government direction in response to recommendations FSRA delivers to government in 2019-20, support and implement any recommended changes required to overhaul health service provider licensing.

Dependencies:

- Auto insurance reforms may require legislative changes to implement.
- Rules proposed by FSRA under legislated rule-making powers require review and approval by the Minister of Finance.

Priority 4.3

Develop a Comprehensive Auto Insurance Data and Analytics Strategy

Understanding the regulatory environment, how the industry behaves, and the outcomes for consumers and markets is key to performing FSRA's role. Auto insurance is a data-intensive industry. As the amount of data generated by the industry and collected by the regulator continues to grow and change, the importance of leveraging the collected data to support FSRA's focus on a new approach to rate regulation and auto insurance reform in general becomes critical.

Currently, the value of the data is limited by both FSRA's ability to access, share and process data in a timely way. The limited ability to derive useful information from data is due to fragmented and delayed data and information, outdated technology, lack of analytical tools and unclear roles and responsibilities among regulators, statistical agents and service providers. The scope of this work will consider data and analytics from existing frameworks (Health Claims for Auto Insurance; General Insurance Statistical Agency; Canadian National Insurance Crime Services) and how such analytics can be improved and utilized more efficiently.

By the end of F2020-21, FSRA will develop a comprehensive auto insurance data and analytics strategy including the following initiatives:

- Improve auto insurance data collection and management processes, including timeliness, quality, availability and data sharing:
 - Complete a review of data collection and filing requirements for auto insurance, and develop and implement a plan to reduce unnecessary cost and improve efficiency;
 - Develop, consult on and finalize an implementation plan to integrate data from existing third party data sources, including process, governance and required technical infrastructure.
- Develop new reporting and analytical tools to enable proactive regulatory monitoring and evidence-based policy decisions. FSRA will:
 - Report to government on the health of Ontario's auto insurance system
 - Commence implementation of new supervisory tools that will leverage insurers' data to validate the effectiveness of regulated entities' governance of rating and risk classification systems.
- Assess the alignment of the GISA with FSRA's new data collection and analytics framework by reviewing key processes, roles and responsibilities and governance. FSRA will also propose and consult with stakeholders on an implementation plan.

Dependencies:

- IM/IT systems will enable more effective data and analytics strategy.
- Implementation of any recommended changes to multi-jurisdictional commitments

(i.e. GISA) will require coordination with partner jurisdictions.

Credit Union Priorities

Priority 5.1

Support Modernization of Credit Union Framework

The landscape for financial services in Ontario is evolving and the legislative and regulatory frameworks for financial institutions needs to keep pace with this change. The government is reviewing Ontario's credit union legislation with the aim of modernizing the framework, reducing burden and better enabling credit unions to serve their members. In 2019, the MOF conducted a public consultation on the review of the CUCPA. Based on the feedback received, key credit union stakeholders advocated for new, principles-based, legislation to replace the *Credit Unions and Caisses Populaires Act, 1994* (CUCPA) that would better enable credit unions to compete in Ontario's financial services marketplace. FSRA will continue to work with MOF and the credit union sector to support the development of the new legislation and determine where the appropriate legislative authority could exist for rule making. FSRA will also continue to develop new, and review existing guidance to ensure alignment with the new modern framework.

By the end of F2019-20, FSRA will have:

- Participated in work led by MOF, aimed at modernizing the credit union framework;
- Developed and consulted on a new FSRA Credit Union Deposit Insurance Advertising Rule to replace the existing Deposit Insurance Corporation of Ontario (DICO) By-Law #3; and
- Initiated a review of existing credit union guidance for modernization, defined best practices for the credit union sector to inform guidance development, and consulted on and finalized principle-based guidance for residential mortgage lending.

To deliver on this priority going forward, FSRA will:

- Continue to support MOF in the development of new credit union legislation and modernizing the framework;
- Develop, propose, consult on, and, where practicable, start implementation of FSRA rules on topics where legislative authority may be provided to give effect to the new legislative framework if and when it is introduced by the government;
- Implement the Credit Union Deposit Insurance Advertising Rule that will replace the Deposit Insurance Corporation of Ontario (DICO) By Law #3, if approved;
- Finalize and, if approved, implement a rule (or rules) setting standards on sound business and financial practices to replace those currently set out in DICO By-Law #5, and identify and review guidance and other documents that would require consequential changes in order to implement the new rule(s); and
- Propose, consult on and issue a supervisory approach for FSRA's new residential mortgage lending guidance, as well as identify, consult on and re-issue other existing higher priority guidance documents (e.g. securitization guidance)

Dependencies:

- Any new rules proposed by FSRA under legislative rule-making authority require review and approval by the Minister of Finance

Priority 5.2:**Ensure Appropriate Resolution and Deposit Insurance Reserve Fund Framework**

Having an appropriate recovery plan and resolution framework in place, as well as ensuring preservation and strong governance of the Deposit Insurance Reserve Fund (DIRF), are important measures for promoting safety, soundness and consumer confidence in Ontario's credit union system. FSRA will continue to enhance and refine the existing Readiness Strategy, as well as develop an enhanced resolution strategy and a requirement for large institutions to have recovery plans in place, in order to mitigate the risk of loss to the DIRF. FSRA will also continue work that is already underway to update the framework to assess DIRF adequacy, in order to ensure that the DIRF is able to meet any potential deposit insurance obligations on a timely basis and incur costs associated with the rehabilitation, or orderly winding up, of credit unions in financial difficulty.

By the end of F2019-20, FSRA will have:

- Developed governance processes to oversee the DIRF by a Board committee;
- Supported MOF in amending the deposit insurance premium calculation;
- Completed a review of the resolution strategy and recovery plan framework;
- Consulted on and updated framework for assessing DIRF adequacy; and
- Completed a report on DIRF adequacy.

To deliver on this priority going forward, FSRA will:

- Consult on and implement guidance for an enhanced resolution strategy and recovery plan framework;
- Conduct a review of the DIRF's adequacy and investments, considering both liquidity and solvency/capital perspectives (e.g. stress scenarios); and
- Assess and report to the Minister of Finance on DIRF adequacy.

Dependencies:

- Feedback received from credit union stakeholders on the enhanced resolution strategy and recovery plan framework

Priority 5.3: Enhance Credit Union Market Conduct Supervision

In 2019-2020, FSRA integrated its credit union market conduct and prudential regulation activities to improve efficiency and effectiveness by providing one single point of contact for credit unions on all regulatory matters. FSRA will now focus on leveraging its market conduct activities to ensure that credit unions benefit from the same level of market conduct oversight as other regulated sectors and improve FSRA's insight into sector trends. FSRA will also continue to aim to improve standards and best practices within the sector.

In 2019, FSRA worked collaboratively with the Canadian Credit Union Association (CCUA) in finalizing its Market Conduct Code (MCC) for credit unions that would set harmonized market conduct standards across the country. FSRA will now focus on integrating the MCC into its credit union supervisory framework, so that it can assess credit unions' compliance with it.

By the end of F2019-20, FSRA will have:

- Integrated prudential and market conduct oversight functions, so that there is a single point of contact for credit unions; and
- Worked collaboratively with the CCUA to finalize the content of the MCC.

To deliver on this new priority, FSRA will:

- Implement new enhanced market conduct supervisory activities for credit unions by proposing, consulting on, issuing and implementing a supervisory approach to support the MCC;
- Further implement a plan for market conduct examinations on the MCC or any similar code used by the supervisory framework; and
- Continue to work towards national harmonization of market conduct supervisory practices with credit union regulators across Canada.

Dependencies:

- National harmonization would depend on agreement of other credit unions and regulators across Canada

Priority 5.4: Update Supervisory and Risk Assessment Approach

In 2017, FSRA was established as a principles-based and outcomes-focused regulator and began a review of existing guidance to determine ways in which it could be modernized and made less prescriptive. As part of this process, FSRA developed new principles-based guidance on residential mortgage lending, in order to apply a non-prescriptive approach to promote the objective of sound residential mortgage underwriting practices across Ontario's credit union system.

In the 2020-21 fiscal year, FSRA will continue to build on its commitment to principles-based regulation by reviewing its credit union supervisory approach and risk assessment framework. FSRA will develop, consult on and implement a plan to migrate to a principles-based and outcomes-focused approach. This will be primarily completed through focusing on target areas of existing supervision and FSRA's inherited guidance framework, consulting with sector participants on how FSRA and credit unions can be more principles-based and outcome focused and developing and implementing new guidance and supervisory approaches in such areas (e.g. residential mortgage lending, market conduct, sound business, and financial practices).

By the end of F2019-20, FSRA will have:

- Developed a plan to modernize its methodology, tools and regulatory/supervision approach

To deliver on this new priority, FSRA will:

- Propose a methodology to update FSRA's supervisory and risk assessment approach for credit unions, consult with sector and implement an updated framework
- Finalize and implement a new principles-based and outcomes-focused supervisory and risk assessment approach, including training, process redesign and service standards

Dependencies:

- Consensus among credit union stakeholders on the substance of the new principles-based supervisory and risk assessment approach

Life and Health (L&H) Insurance Priorities

Priority 6.1

Enhanced Market Conduct Oversight to Protect Consumers

Establishing enhanced market conduct oversight is critical to ensure consumer protection and to maintain public confidence in the Life and Health (L&H) insurance industry.

Stakeholder consultations in 2019-20 and the launch of new CCIR and CISRO priorities / projects yielded additional insights, which have altered this priority from the original 2019-20 Business Plan.

By the end of F2019-20, FSRA will have:

- Consulted with stakeholders to understand industry expectations for evaluating/improving conduct requirements; and
- Collected, validated and analyzed internal data to assess specific market conduct issues as a first step to determining how distribution channels, including those that rely on Managing General Agents (MGA), are functioning and whether the public interest is being well-served.

Going forward, to deliver on this priority FSRA will:

- Lead the exploration and potential implementation of CISRO harmonized industry Code of Conduct for intermediaries;
- Support the Fair Treatment of Customers (FTC) principles in L&H by:
 - Conducting policy research and undertaking targeted supervisory reviews;
 - Considering different distribution channels when assessing market conduct;
 - Developing a proposed regulatory framework and supervisory approach for distribution channels that rely on MGAs. This would include assessing the MGA distribution channel to understand how insurers, agents and MGAs interact with the public during the sales process;
 - Building an agent conduct team and developing a supervisory framework. When building this framework, FSRA would consider solutions for improving advisor oversight proposed by the industry-regulatory G4 task force (Canadian Life and Health Insurance Association, Canadian Association of Independent Life Brokerage Agencies, Independent Financial Brokers and Financial Advisors Association of Canada).

Dependencies:

- Significant coordination and collaboration with stakeholder groups, other regulators across the insurance spectrum and with MOF in the event that any barriers to effective oversight are identified in the sector (e.g., legislative changes that may be required to remove a barrier).

Priority 6.2

Improve Licensing Effectiveness and Efficiency

The adoption of simplified, more efficient and effective licensing processes will enable FSRA to regulate the L&H insurance sector more effectively.

Processes will be reviewed to align with revamped 2020-21 priorities.

By the end of F2019-20, FSRA will have:

- Had ongoing engagement with stakeholders/other regulators to understand common licensing credentials and criteria to omit entry to bad players; and
- Initiated a gap analysis on due diligence processes, legislative requirements and IM/IT systems to ensure that effective licensing processes are in place.

Going forward, to deliver on this priority, FSRA will:

- Develop a common process for capturing and consolidating licensing statistics from the date of assignment to approval for all products;
- The creation of meaningful reporting and key metrics, would help ensure FSRA has the capacity to deliver on service level standards, absorb future growth and inform licensees by way of meaningful, real-time approval timelines;
- 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. This would include increasing information sharing with other regulators, where possible; and
- Develop criteria to publish service expectations for license applications and implement service standards.

Dependencies:

- Significant coordination with key stakeholders in the event that any barriers to improved licensing effectiveness are identified.
- Consideration of privacy legislation and the need for consumers and other regulators to be aware of non-compliant registrants.
- IM/IT system limitations and needs; timelines for IT renewal.

Mortgage Brokering Priorities

Priority 7.1

Supporting government policy direction on the MBLAA

The Report to the Minister of Finance on the Legislative Review of the MBLAA was released on September 30, 2019. FSRA will support government policy direction on the MBLAA review.

The recommendations in the report are:

- #1: Reducing Red Tape for Commercial Mortgage Transactions;
- #2: Reducing Regulatory Burden by Establishing New Classes of Licensing;
- #3: Reducing Regulatory Burden in Guidance, Bulletins and Forms;
- #4: Maintaining Current Licensing Exemptions;
- #5: Raising and Streamlining Educational and Professional Standards for Agents and Brokers;
- #6: Incentivizing Registration for Private Lenders; and
- #7: Strengthening the Administrative Monetary Penalty (AMP) Framework.

Dependencies:

- Consultation and feedback regarding the recommendations, and direction/approval by government on the recommendations.
- Collaboration with MOF in the event that legislative or regulation changes need to be proposed to implement government direction.
- IM/IT system limitations and needs; timelines for IT renewal.

FSRA will implement its cross-sector priorities in the mortgage brokering sector in a way that is aligned with and supportive of any reforms implemented by the Ministry of Finance (e.g. introduction of any different classes of mortgage broker sector licences). FSRA will work with government and other stakeholders to develop an effective and efficient registration/licensing regime with appropriate data/filing requirements and service standards and efficient and effective processes to serve the public interest).

Priority 7.2

Enhance Market Conduct Oversight to Protect Consumers

The government has not finalized the scope of the transfer of SMIs to the Ontario Securities Commission (OSC). Specifically, government direction on FSRA's role post-transfer has not been confirmed.

By the end of F2019-20, FSRA will have implemented measures that would provide a more targeted, risk-based supervisory approach, through the introduction of:

- An additional disclosure for the high-risk SMIs transacted with retail investors.
- Burden reduction for lower-risk non-qualified SMIs with sophisticated investors.

Going forward, to deliver on this priority, FSRA will:

A. Non-qualified SMIs Supervisory Approach

- Support the implementation of effective oversight of the regulation of non-qualified SMI transactions with the OSC.
- Continue to refine and enhance the supervisory approach for high-risk non-qualified SMIs.
- Continue supervisory oversight of legacy non-qualified SMI transactions and any SMI activities that are not transferred to the OSC.

Dependencies:

- Government direction on FSRA's role, after a decision has been made on the scope of this-transfer to the OSC.
- Significant coordination and collaboration with stakeholder groups, other regulators (OSC), and MOF
- Legislative and regulatory amendments.

B. Mortgage Brokering Sector Supervisory Approach

1. Develop, document, consult and implement a robust supervisory approach for high-risk activities and products (non SMI) that could cause consumer harm (specific activities/products may include reviews of brokerages focused on product suitability).
2. As FSRA enhances its market conduct function, it will continue to work closely with the Mortgage Broker Regulators Council of Canada (MBRCC) and MOF to support increased regulatory harmonization across Canada.

Dependencies:

- Successful recruitment of qualified staff.
- Clarity on timing and scope of SMI oversight transfer to OSC

Pensions Priorities

Priority 8.1 Support Plan Evolution

FSRA will work to ensure appropriate principles-based and outcomes-focused implementation of the regulatory framework to facilitate asset transfers, consolidation, plan flexibility and other sector evolution to support the pension sector and current and future plan members.

By the end of F2019-20, FSRA will have:

- Developed guiding principles for increased regulatory flexibility;
- Created a new organizational structure and relationship model to better support larger plans and jointly sponsored plans and complex transactions; and
- Reviewed and consulted on inherited guidance and developed a plan to update, retire or merge guidance,

To deliver on this priority going forward, FSRA will:

- Continue to build relationship management as a key skill for plan consolidation activity and complex transactions. This expertise is foundational to delivering on this priority;
- Establish an advisory committee to identify ways to foster a vibrant employment-based pension pillar in Ontario. FSRA will examine the reasons employers are moving away from providing registered pension plans. FSRA will promote good administration of pension plans that is facilitative for employers, cost efficient and can leverage innovative practices; and ensure that Ontario workers are well informed regarding their retirement benefits and how those benefits are protected.

Dependencies:

- Continued collaboration with MOF and sector stakeholders like pension plans, labour representatives, sector organizations, consultants, lawyers, plan members, retirees, and other plan beneficiaries and actuaries.
- Any proposed legislative changes would need to be approved, introduced and passed by the government.
- Rules proposed by FSRA under legislated rule-making powers require review and approval by the Minister of Finance.

Priority 8.2

Develop and Consult on Prudential Supervision Framework

FSRA will review, and develop a plan to enhance its oversight of prudential pension matters to ensure appropriate assessment of risks and targeting of supervision. FSRA will consult on this plan and proceed to implementation in F2020-21.

By the end of F2019-20, FSRA will have:

- Assessed expertise, risk-orientation, processes, resources, and data and benchmarked against other regulators' supervisory framework and practices;
- Identified data/systems improvements;
- Strengthened the proactive supervision of single employer defined benefit pension plans where there is a concern with respect to the security of pension benefits promised by working with an *ad hoc* technical advisory committee of sector stakeholders to issue new guidance on FSRA's supervisory approach
- Undertaken a financial and risk assessment of the Pension Benefits Guarantee Fund (PBGF) to identify actions to enable its long-term financial sustainability;
- Reviewed investment risk governance of large, complex plans as well as collaborating with pension supervisory authorities across Canada on issues related to leverage and ESG; and
- Initiated a review of multi-employer pension plans to identify and share best practices.

Going forward FSRA's focus will:

- Continue to work on the long-term financial sustainability of the PBGF and assist MOF in its legislated review of the PBGF, including a financial risk assessment using stress-testing
- Developing and implementing a more appropriate return-seeking investment strategy for the PBGF that balances benefit security, expected return and anticipated liquidity needs;
- Work collaboratively with jointly sponsored pension plans to understand, improve and document industry-wide standards and best practices with respect to identification and monitoring of systemic and liquidity risks, use and appropriate disclosures for leverage and illiquid assets;
- Implement learnings from a targeted review of multi-employer pension plans (MEPPs) by developing, documenting, consulting on, and supervising against best practices in terms of funding, governance and investments;
- Support MOF with its implementation of a target benefit framework by conducting research, consultation and making recommendations through the standing technical advisory committee for MEPPs;

- Begin development and documentation of risk-based supervisory approach for defined contribution plans (e.g. member behaviour and engagement, decumulation options, investments, fees, etc.) including consultation and starting implementation; and
- Continue to ensure retirees' perspectives are included in consultation, including establishing a new retiree stakeholder committee.

Dependencies:

- Continued collaboration with MOF and pension sector stakeholders such as: representatives from pension plans, labour representatives, sector organizations, lawyers, consultants and actuaries, plan members, retirees and workers without pensions.
- Information Management/Information Technology limitations and needs including timelines for renewal and new tools.
- Rules proposed by FSRA under legislated rule-making powers require review and approval by the Minister of Finance.

Priority 8.3

Refocus Pension Regulation on Burden Reduction

FSRA will continue to focus resources on high-value regulatory activity and on reducing unnecessary regulatory burden by completing the update of its guidance framework, describing approaches, improving processes and modernizing information management and information technology.

In doing so, FSRA will continue to assess the effectiveness and efficiency of its regulatory framework and other practices for all plan types, to ensure they are principles-based, risk-based, outcomes-focused, and proportionate to regulatory objectives. Across its work FSRA will collaborate with MOF on regulatory improvements identified by the Ministry's consultations as well as those of FSRA.

Prior to launching, stakeholders identified missing members, asset transfers, and family law matters as top areas of focus.

To continue this focus, FSRA will continue the work of *ad hoc* technical advisory committees (TACs) established in the fall of 2019 for missing members and asset transfers. The TAC for Family Law matters is expected to initiate its work in winter 2019-20.

The findings of these *ad hoc* TACs will be published and, where applicable, FSRA will initiate public consultations on new guidance (i.e. supervisory approaches). FSRA will, in F2020-21 commence implementing such guidance and approaches and other key changes, but this work may take until F2021-22 to complete.

In the near future, FSRA will identify opportunities to reduce regulatory burden and improve regulatory effectiveness for DC plans. A new TAC will be established by the end of calendar 2020 to initiate this work.

Dependencies:

- Continued collaboration with MOF and sector stakeholders.
- Any proposed legislative changes would need to be approved, introduced and passed by the government.
- Pending findings from TACs, potential change enablers such as Information Management/Information Technology.

Financial Planners/Financial Advisors Priorities

Priority 9.1

Implement the title protection framework for FP/FA

Under the framework, FSRA will establish criteria for the credential issuing bodies that grant credentials that FP/FA title users must hold. FSRA will implement a process to approve credentialing bodies so that such bodies can set criteria for issuing credentials which permit title use. The goal is that individuals using the FP/FA titles are appropriately qualified, promoting confidence and professionalism in the sector, and avoiding confusion for investors/consumers that see the title use without assurance of qualifications.

Organizations seeking approval as credentialing bodies under the FPTPA will need to meet certain standards, including education requirements, monitoring of FP/FA title users, and effective compliance and enforcement.

FSRA will oversee the title protection framework, and will have the authority to conduct examinations and issue compliance orders against credentialing bodies as required for breaches of the FPTPA, as well as take action against non-credentialed FA/FP title users.

By the end of F2019-20, FSRA will have:

- Consulted with stakeholders on the title protection framework
- Drafted rules regarding the title protection framework

In F2020-21, FSRA will focus its efforts on the implementation of the title protection framework.

To deliver on this priority, FSRA will:

- Post rules for public consultation on proposed FSRA rules governing the title protection framework.
- Establish processes and criteria for approving credentialing bodies.
- Develop and document a supervisory approach for credentialing bodies for the title protection framework.
- Develop and document a supervising approach for action against non-credentialed FP/FA title users.

Dependencies

- FSRA's implementation of the title protection framework will depend on a number of internal and external factors, including:
- Government direction regarding details and timing of implementation, including the scope of FSRA's rule-making authority.
- Approval of proposed FSRA rules by the Minister of Finance.

Performance Measures and Targets

FSRA’s priorities will continue to deliver a positive impact in reducing burden and improving regulatory effectiveness, improving stakeholders’ regulatory experience and improving safety, fairness and choice for consumers, members of credit union, pension plan beneficiaries and other users or beneficiaries of financial services and pensions in Ontario. A core foundation of FSRA’s activities is aligning them with principles-based and outcomes-focused regulation.

FSRA’s current inherited service standards from its predecessors are output based measures and targets (refer to Appendix B). The intent of these measures and targets has always been to support the transparent delivery of service to the regulated sectors as well as internally within FSRA.

FSRA is developing a practical tool that will be used to estimate the cost and benefit implications of actions taken by the regulator, and its quantitative and qualitative impacts on the public, industry and FSRA.

In 2020-21, FSRA will introduce outcome-based performance measures and target that are meaningful and meet agreed upon principles that will be described in the subsequent annual report. FSRA will increase transparency and accountability for the delivery of regulatory activities by working with stakeholders to develop and implement service standards. This includes responsive processing of regulatory matters in a timeframe that facilitates the cost-effective provision of financial services. The principles that were identified and which will be used to select future standards include accountability, effectiveness, efficiency, adaptability, collaboration and transparency.

The outcome-based performance measures and targets will be tested, revised and improved on a periodic basis to improve meaningfulness to FSRA’s stakeholders. During these periodic reviews, the inherited standards will be fully assessed and may result in augmentations and/or deletions of standards that are not seen as meaningful or cost-effective information.

Description of Activities	Timeline
Develop outcome-based performance measures and targets	2020-21
Review of inherited service standards	
Identify baseline data for all outcome-based measures	2021-22
Reporting on ongoing trend data for all outcome-based measures	2022-23
Establishment of targets for all outcome-based measures.	

Risk Identification, Assessments and Mitigation Strategies

FSRA faces a wide-variety of risks across its activities. Identifying and understanding risks and their impacts supports FSRA’s decision making and priorities as well as the achievement of its organizational objectives, while maintaining public confidence.

In order to manage FSRA’s enterprise risks and build up a risk-based approach to regulating, FSRA adopted its Enterprise Risk Management (ERM) policy in fall 2019. It sets out the framework for applying the ERM processes throughout the organization by establishing the key definitions, principles, methodologies, methodology properties, and responsibilities. The ERM framework governs processes to identify, evaluate, manage, oversee, mitigate and control risks at FSRA

The diagram below sets out the elements of FSRA’s ERM cycle.

FSRA’s Enterprise Risk Management (ERM) Framework

Goal: Identify, evaluate, manage, oversee, mitigate and control risks at FSRA



FSRA’s ERM framework follows four principles:

- Integrated Risk Management,
- Proactive Risk Culture,
- Tailor-made, and
- Dynamic & Continuously Improved.

The Board of Directors and the Senior Management use the Three Lines of Defense Model to ensure that FSRA’s risks are properly managed.

ERM Governance Structure



The Risk Management Committee (RMC) is a senior management forum for the oversight of FSRA’s corporate-wide risk profile and risk mitigation strategies. The committee also serves to break silos in discussing key risks within FSRA and will contribute to risk-based and outcome-focused supervision.

FSRA conducts risk assessment on a regular basis, following the principles and methodology presented by the ERM policy. The key risks identified to date are provided below:

Table 1: Risk Assessment

#	Risk Title	Risk Description	Risk Assessment	Mitigation Strategy
1	I&IT systems risk	I&IT resources transferred from FSCO, DICO, and the OPS to FSRA are outdated / may not meet FSRA’s business needs.	Medium-high	<p>FSRA has successfully integrated 3 distinct IT environments (FSCO, DICO and FSRA) into one.</p> <p>FSRA is developing digital transformation blueprint, which aligns processes, data, technology and stakeholder interactions with FSRA’s business vision and priorities. As FSRA progresses on this roadmap, initial focus is on procuring and on-boarding key applications and technology platforms, aligning the IT operation model and building foundational technology and data components.</p>

#	Risk Title	Risk Description	Risk Assessment	Mitigation Strategy
2	Performance and Perception Risk	There is a public perception of risk related to FSRA's performance and transformation efforts that could jeopardize FSRA's credibility.	Medium	<p>FSRA launched an External Stakeholder Relations and Communications Work stream to manage FSRA's external stakeholder relations and develop communications strategies and tactics to support FSRA's establishment and transition.</p> <p>Burden reduction initiative is identifying opportunities to address regulatory burden.</p> <p>FSRA's website addresses many of the communication issues identified within FSCO and DICO's websites</p>
3	Human Capital Risk	There is a human capital risk associated with the transition to the new organization (e.g. 200 vacancies at FSRA launch).	Medium	<p>CEO and senior management team are in place. All critical management roles have been filled. Contractors have been hired where possible to offset vacancies.</p> <p>FSRA worked extensively with MOF / TBS to develop an HR transition strategy. MOF worked with labour union reps to ensure obligations to staff are met. Development of a FSRA Vision, Mission, Value and Behaviour (VMVB) which are the foundational framework for culture transformation for both current and new employees</p> <p>Focus on onboarding and orientation of new hires to support the learning curve into the organization</p>
4	Service delivery risk	There is a risk to service delivery at FSRA due to failure to deliver projects on time and/or in alignment with FSRA's needs.	Medium	<p>FSRA has initiatives in place to address all year 1 objectives and planned projects outlined in the 2019-2020 Annual Business Plan (ABP). FSRA is tracking the progress of all priority projects and reporting progress to Management, Board and MOF monthly.</p>
5	The Deposit Insurance Reserve Fund (DIRF)	There is a risk that the DIRF will be insufficient to pay creditors in	Medium	<p>FSRA closely monitors liquidity and capital ratios at all credit unions through information returns and supervision and intervenes when necessary to manage risk.</p>

#	Risk Title	Risk Description	Risk Assessment	Mitigation Strategy
	balance adequacy.	the event that a credit union becomes insolvent or there is run on deposits		An external review of the DIRF's adequacy is planned.
6	Insufficient Funds in Pension Benefits Guarantee Fund (PBGF)	There is the risk, in the event of one large claim or a series of claims, that the amount of fund available could be depleted.	Low	The new focus of FSRA's Pension Division (PD) is on prudential supervision on plans. A new Risk Identification Process has been implemented for early risk identification of at-risk plans and intervention in order to enhance benefit security and plan efficiency where there might be a heightened concern though an early and robust engagement strategy and close monitoring through a dedicated relationship management model.
7	Financial management risk	There is a financial management risk at FSRA due to gaps between loan(s)/ interim financing/ FSRA's ability to assess the sectors that could result in FSRA being unable to meet its financing needs.	Low	FSRA has entered into a loan agreement with the government to finance its start-up costs. FSRA's Fee Rule is in place, allowing FSRA to recover all of its expenses from the regulated sectors. In addition, FSRA anticipates invoicing the sectors commencing November 2019 and thereafter at the start of each fiscal year.

Resources required to Meet Goals and Objectives

During FSRA's initial period of operations, FSRA developed some of the organizational capabilities required to succeed as an empowered principles-based regulator. The executives and their teams will focus on the following as it continues to advance FSRA's culture, behaviours, processes and activities.

Investment in talent

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

Technology and process transformation

FSRA will continue to build and implement high-impact, effective capabilities, systems and business processes. New systems, tools and processes, once implemented, will enable more advanced data gathering and analytics, streamline electronic filings and improve compliance monitoring and risk management. Dedicated resources will ensure strategic, enterprise-level leadership and oversight as FSRA develop and implement its plan to become an empowered principles based regulator.

Regulatory advancement and change management

FSRA has established a solid organizational foundation to support ongoing regulatory advancement while embarking on an ambitious transformation. Being a risk-based and outcomes-focused regulator will require significant change that will be achieved over time. During this period, FSRA is focused on addressing the needs of all stakeholders and supporting organizational change management by putting in place the necessary leadership, structure, functions, resources, and communication channels.

Financials

The proposed F2020-21 FSRA budget was developed to support FSRA’s mandate to be an empowered, principles-based regulator, and to enable FSRA to address its key priorities in its second year of operations.

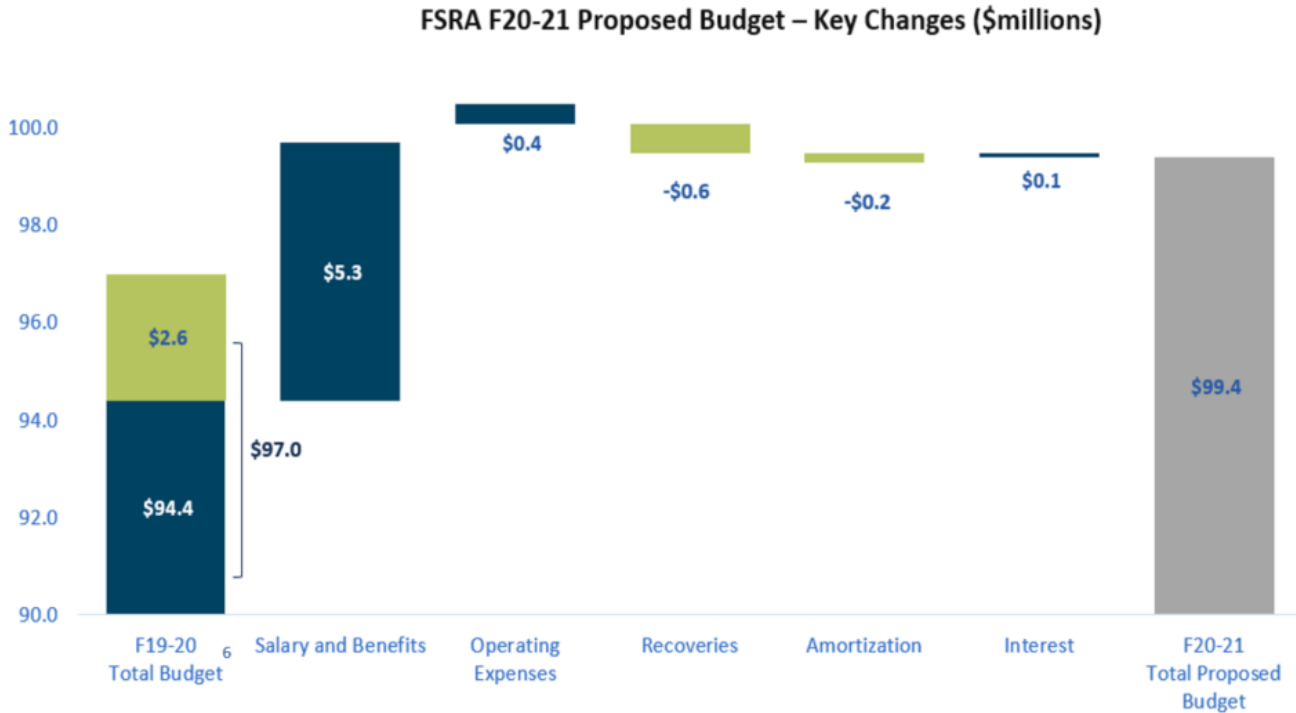
The proposed schedule below presents the forecasted financial activities for the period April 1, 2020 to March 31, 2021 as well as a comparison to the prior year and projection for the next two fiscal periods. This forms the basis of FSRA’s proposed F2020-23 Annual Business Plan and reflects the estimated resources required for FSRA to fulfill its regulatory requirements and to transform itself into an empowered principles-based, regulator.

(\$000's)	F2019-20 Budget	F2020-21 Proposed Budget	F2021-22 Projection	F2022-23 Projection
Revenue:				
Activity Fees	6,272	6,201	6,620	6,823
Fee Assessment	75,507	78,832	84,155	86,732
Licensing Fees	15,221	14,360	15,330	15,799
Total Revenue	97,000	99,393	106,105	109,353
Direct Costs	69,424	71,570	76,268	78,603
Common Costs	27,576	27,822	29,837	30,750
Total Costs	\$ 97,000	\$ 99,393	\$ 106,105	\$ 109,353

The F2019-20 budget is the Board of Director’s approved 12 month budget and is presented for comparison purposes. FSRA commenced operation on June 8th, 2019. As a result it is operating with an approximate 10 month expenditure budget of \$78.2 million. As of December 2019 with 4 months to the end of the F2019-20 fiscal year, FSRA is currently forecasting a favourable \$15 million variance to the F2019-20 plan, largely due to an unexpected number of vacancies at launch and the time required to recruit new resources. Once the variance is confirmed through external audit, a determination of whether to maintain a portion of the funds for a contingency for unexpected future expenditures, to reduce borrowing requirements or to repay loans or to reduce future sector assessments to minimize increases will be conducted. The outcome of this analysis and the decision approved by FSRA’s Board will be disclosed to stakeholders.

2020-21 Proposed Budget

The total proposed FSRA budget of \$99.4 million, a \$2.4 million net increase of FSRA total draft budgeted costs, compared to F2019-20.⁶



To deliver on its priorities FSRA will increase its human capital resources to improve on capabilities by investing in sectoral and functional expertise. Executive leadership have identified specific regulation/supervisory areas that require resourcing. Overall payroll costs will increase by \$5.3 million primarily to add capacity to address life insurance agent conduct regulation, CUCPA modernization and pension relationship management/supervision. FSRA will also be preparing to regulate the financial planners and financial advisors sector, but these costs will be incurred, deferred and charged to that sector when it launches.⁷

Partially offsetting the payroll increases is the non-GAAP deferral of technology investment expenses incurred in the current year but charged to sectors over 5 years to match the costs and benefits of these investments for sector recovery purposes. The deferral in operating investments approach in F20-21 resulted in a F19-20 budget reclassification of operating expenses of \$2.6 million. These expenditures are to achieve targeted investments in core regulatory and back office technology. The core regulatory systems digital transformation expenditure of \$3.7 million planned for 2020-21, is the commencement of five years of significant IT system investment that is focused on sector burden reduction and efficiencies in future years. This investment will provide benefits to sector participants by improving

⁶ F2019-20 budget has been reclassified by \$2.6 million of prior year operating investment technology expenses are restated to reflect the current year presentation.

⁷ Under FSRA's fee rule principles, sectors pay their direct costs of regulation and contribute to FSRA's common costs

digital report and return filing, accessing real-time information and reduced cycle time on license applications. The systems will allow FSRA to move to a principle based regulator replacing administrative effort with technology based analytical and risk based activities. FSRA's benefits include up to date secure, scalable platforms that will be the basis of process transformation. A back office technology investment of \$0.9 million in 2020-21 will also generate internal efficiencies and complete the separation from Government systems and processes. In addition the budget includes the final stages of completing the information technology (IT) infrastructure investments.

Third party cost recoveries have also increased due to ancillary regulation activities that are fully recoverable from those who are not currently in regulated sectors. The recoveries from these activities has increased by \$0.6 million primarily due to FSRA regulating and recovering of \$0.3 million for Co-operative Offerings.

Other operating expenses will only increase by \$0.4 million due to efficiencies generated by the build out of internal capabilities. Efficiencies in professional services, consulting and administration are achieved to maintain a relatively flat non-payroll cost. The non-payroll increase is primarily due to contractor costs to maintain legacy systems until the benefits of digital transformation are achieved.

Further, certain costs related to the establishment of FSRA's IT infrastructure and back office capabilities have been debt-funded by the Government and capitalized. FSRA will borrow approximately \$7 million less than anticipated for core regulatory systems and premises relocation resulting in \$0.1 million lower interest costs.

The application of the fee rule methodology results in the following sector fee assessments/revenues and cost variances:

Sector (000's)	Insurance							Pensions (Fixed and Variable)	Credit Unions (Variable)	Mortgage Brokers (Fixed)	Loans & Trusts (Variable)	Financial Advisor & Financial Planner	Total
	Auto Products	Health Service Providers (Fixed)	P&C Conduct	P&C Prudential Regulation	Life Conduct & Life Health (Variable)	Life Conduct & Life Health (Fixed)	Total Insurance						
2020-2021 Revenue													
Activity Fees	16	148	187	1		5,679	6,031	56	113		2		6,201
Fee Assessment	19,749	4,136	11,345	210	2,380		37,820	27,018	13,341		55	599	78,832
Licensing Fees										13,457			13,457
HSP Shortfall Recovery	903						903						903
Total Revenue	20,668	4,284	11,532	211	2,380	5,679	44,754	27,074	13,453	13,457	57	599	99,393
2020-2021 Cost													
Direct Cost	14,448	3,792	8,430	154	1,740	4,151	32,715	19,791	9,835	8,590	41	599	71,570
Common Cost	5,664	1,486	3,305	60	682	1,627	12,825	7,758	3,855	3,367	16	-	27,822
Total Cost	20,112	5,278	11,735	214	2,422	5,779	45,540	27,549	13,690	11,957	58	599	99,393
Recovery Over/(Under)	556	(994)	(203)	(4)	(42)	(100)	(787)	(476)	(236)	1,500	(1)	-	0
2019-2020 Revenue	12,860	3,679	19,901	486	1,885	5,679	44,490	27,450	13,510	11,304	247	-	97,000
Revenue Variance (\$) F20-21 over F19-21 Over/(Under)	7,808	605	(8,369)	(275)	495	-	264	(376)	(56)	2,153	(190)	599	2,393
Revenue Variance (%) F20-21 over F19-21 Over/(Under)							0.6%	-1.4%	-0.4%	19.0%	-77.1%		2.5%
2019-2020 Cost	12,476	4,063	19,901	486	1,885	5,679	44,490	27,450	13,510	11,304	247	-	97,000
Cost Variance F20-21 over F19-21 Over/(Under)	7,636	1,215	(8,166)	(271)	537	100	1,050	100	180	653	(189)	599	2,393

2021-22 Projection

The F2021-22 Projection indicates \$6.7 million of expenses higher than F2020-21 draft budget. Salary and Benefits increases \$3.5 million due to the requirements of the collective agreement and 4 additional new FTEs in F2021-22 to provide FSRA the necessary resources to build supervisory capacity to oversee the Life Agents and Managing General Agents (MGA). The total amortization increase of \$2.5 million is equally driven by the full year amortization of facility build out and operating investments in current and prior years.

2022-23 Projection

The F2022-23 Projection indicates \$3.2 million of expenses higher than F2021-22 projection. Salary and Benefits increases \$1.4 million due to the requirements of the collective agreement and 5 additional new FTEs in F2022-23 to provide FSRA the continuing necessary resources to build supervisory capacity to oversee the Life Agents and Managing General Agents (MGA). Through the core regulatory digital investments, FSRA will realize efficiencies of 10 FTEs in F2022-23. FSRA will continue to seek efficiencies through operational effectiveness and technology to potentially mitigate future FTE growth. The total amortization costs increase of \$1.9 million is primarily due to the amortization of core regulatory digital investments in current and prior years.

Capital

The FSRA capital program is presented below and is aligned with its strategy of reducing regulatory burden and improving the effectiveness of regulation. Consistent with FSRA's priorities, significant investments in technology and processes are included. As FSRA's F2019-20 priorities include reviewing legacy guidelines, processes and technology FSRA has inherited, FSRA expects the capital program to evolve significantly as it determines more detailed strategies and plans for a technology enabled regulatory transformation. FSRA also anticipates to spend \$16M to build out and \$1 million to furnish and IT set up of the new office facilities at 25 Sheppard that will be occupied in late F2020-21. The build out will start in Q4 of F2019-20.

(000's)	F2019-20 Budget	F2020-21 Proposed Budget	F2021-22 Projection	F2022-23 Projection
25 Sheppard - Build Out	1,400	14,600		
25 Sheppard - Furniture		500		
25 Sheppard - Data Centre and IT set up		470		
	1,400	15,570		
Asset Purchased from FSCO	6,531			
Hardware Refresh		850	300	300
Digital Transformation		170	200	200
Other IT Initiatives		240	250	250
Total Capital Investment	\$ 7,931	\$ 16,830	\$ 750	\$ 750

25 Sheppard Built Out - amortized over 10 years (term of lease)

Hardware refresh - amortize over 3 years

All other assets - amortize over 5 years

FSRA will be making significant investments in core system digital transformation over the next few years and will recover this investment from the sectors over a rolling five year period, peaking in F2024-25 with recovery amount of \$6.1 million. The schedule below estimates the F20-23 investment in IT and how it will be recovered from the sectors through budgeted costs

	F2020-21 Proposed Budget	F2021-22 Projection	F2022-23 Projection
Digital Transformation Investment	3,681	6,021	8,363
Workday	850		
Total Operating Investment	4,531	6,021	8,363
Amortization			
from F2019-20	906	906	906
from F2020-21		1,204	1,204
from F2021-22			1,673
Total Amortization	\$ 906	\$ 2,110	\$ 3,783

Cash Flow and Borrowings

The following chart illustrates FSRA's cash flow and borrowings through 2022-23.

The cash flow statements reflect the funding provided through the MOF/OFA for start-up and other identified requirements, including capital funding and is illustrated below.

	F2020-21 Propoed Budget	F2021-22 Projection	F2022-23 Projection
(000's)			
Cash inflow from operations	\$ 2,321	\$ 4,897	\$ 6,707
Operating investments	(4,531)	(6,021)	(8,363)
Capital investments	(16,830)	(750)	(750)
	(21,361)	(6,771)	(9,113)
Net increase / (decrease) in borrowing	1,405	(500)	(3,750)
Net decrease in cash flows	(17,635)	(2,374)	(6,156)
Cash balance - beginning of year	39,437	21,802	19,428
Cash balance - end of year	\$ 21,802	\$ 19,428	\$ 13,272

Debt repayment is amortized over 17 to 20 years with the objective that all loans mature in approximately 20 years from June 2019 at interest rates between 2.8% and 3.4%. The following table summarizes anticipated borrowings.

(000's)		
Initial Loan Draw	\$27,000	
Additional draw by March 31, 2019	13,000	
Loan draw at March 31, 2019	40,000	Amortized over 20 years
Anticipated 2019-20 Draw	7,080	Amortized over 19 years
Projected 2020-21 Draw	4,500	Amortized over 18 years
Projected 2021-22 Draw	3,000	Amortized over 17 years
Total	\$54,580	

Excess cash may be used for debt repayment where deemed appropriate.

Staffing

Growth in FTE to provide FSRA the necessary resources to build supervisory capacity to oversee the Life Agents and other activities as discussed above. Staff levels stay consistent until F2022-23 when efficiencies from IT investments begin to be realized.

Projection	2020-21	2021-22	2022-23
Projected FTEs	553	557	552

Initiatives Involving Third Parties

As businesses in the regulated sectors adopt innovative business models and enabling technologies in response to a rapidly changing economic landscape, regulators must develop strategic approaches to ensure efficient and effective oversight, enhancing consumer protection while seizing opportunities to reduce unnecessary regulatory burden. In the Canadian context, enhanced outcomes for industry and consumers are achieved through collaborative efforts with other regulatory bodies (including Ontario, across Canada and internationally).

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

- the Canadian Automobile Insurance Rate Regulators;
- the Canadian Association of Supervisory Pension Authorities (CAPSA);
- the Canadian Council of Insurance Regulators (CCIR);
- the Canadian Insurance Services Regulatory Organization (CISRO);
- the Credit Union Prudential Supervisors Association;
- the General Insurance Statistical Agency (GISA);
- the Global Financial Innovation Network (GFIN);
- the Joint Forum of Financial Market Regulators; and
- the Mortgage Broker Regulators' Council of Canada (MBRCC).

Through these forums, FSRA is building upon the current work across regulators to also focus on the development of policies and rules that can lead to better outcomes:

- a) support industry strength and stability across participating jurisdictions;
- b) enhance regulatory cooperation and reduce redundancies; and
- c) develop rules that are integrated and more effective in achieving consumer protection public policy outcomes.
- d) promote innovation and economic growth by encouraging new business models that support changing consumer preferences, technology changes and new entrants to the Ontario market

FSRA's National Regulatory Coordination Branch (NRCB) supports these outcomes through the provision of secretariat services to CAPSA, CCIR, CISRO, GISA, MBRCC and working collaboratively with the secretariat of the Canadian Securities Administrators on the activities of the Joint Forum of Financial Market Regulators.

FSRA's Office of Innovation supports its membership in GFIN – which is a network of over 50 financial authorities, central banks, and international organizations from around the globe. The aim is to foster greater cooperation among financial authorities on a variety of innovation topics, regulatory approaches, and lessons learned. In participating in the GFIN, FSRA will be positioned to provide its unique voice and perspective. In addition, FSRA will explore opportunities for future regulatory harmonization (e.g. membership at IAIS), representing the needs and interests of the organizations it regulates and their customers.

Communication Plan

FSRA is building a new internal and external communications function to support its regulatory and cultural transformation.

New Guidance Framework

FSRA continues to clarify regulatory expectations, making it easier to do business in Ontario. It developed a New Guidance Framework to standardize the guidance it issues across regulated sectors, based on the principles of accountability, effectiveness, efficiency, adaptability, collaboration, and transparency. With this framework, the public, new entrants and incumbents can better understand what is legally binding, what is FSRA's interpretation or application of law and what information is designed to be helpful. Applying these principles, FSRA will use four distinct categories of guidance depending on specific circumstances in the regulated sectors: Interpretation, Information, Approach, and Decision. The Framework establishes standard structures and styles to help stakeholders easily understand and differentiate between these categories.

Plain language

FSRA will continue to build a plain language program to ensure that it is providing simple, clear and consistent messaging to its sectors using a variety of channels. FSRA will also continue to work internally to define the FSRA brand through its vision, mission and values, and to develop a style guide informing tone, voice, and outreach in all its communications products.

Stakeholder engagement

Building stakeholders' understanding of the FSRA brand is a key priority. This will be accomplished by continuous engagement and promoting thought leadership through sectoral channels. Building upon the consultation engagement portal on its website, new technical, ad hoc and standing working groups and advisory committees, Stakeholder Advisory Committees and Consumer Advisory Panel, its focus will continue to be enhanced stakeholder collaboration.

FSRA will also undertake stakeholder mapping to ensure a clear understanding of its target audiences so that its messages most effectively reach the stakeholders it regulates.

By featuring content in a consistent branded format, moving away from e-blasts and focusing more on targeted communications, FSRA will be able to better engage with those it regulates as well as with consumers.

Internal communications

FSRA has developed its first internal communications plan with a commitment to provide consistent and timely information by embracing open dialogue with employees through a number of channels:

- *The FSRA intranet provides resource materials as well as weekly updates on key initiatives to all staff*
- *All staff town hall meetings*
- *Divisional staff meetings featuring guest speakers from across the organization*
- *Ongoing employee engagement, consultation and dialogue.*

External communications

Effective information-sharing and consultation with other regulators is essential to support coordination and build momentum for change across and between jurisdictions and sectors. Annual communications plan for each sector will be developed that reflect regulatory activities, major stakeholder events, strategies for outreach to trade publications, and how FSRA is delivering against its key priorities. FSRA will continue to enhance the new website launched in June 2019 and evolve users' online experience with a new content strategy, and improved navigation and search optimization to ensure relevant content, information and tools are easy to locate and use.

Response to Expectations set out in agency mandate

FSRA is committed to working closely with the Ministry of Finance on the planning and implementation of the transition of regulatory functions from current agencies, and to establishing and nurturing a high-performing, effective organization to deliver on its ambitious transformation plans. Pursuant to the requirements of the Agencies and Appointments Directive, this represents the response to the Minister's letter setting out expectations for the 2020-21 fiscal year.

FSRA understandably plays a vital function in regulating Ontario's non-securities financial services and pension sectors. FSRA's management and staff will continue to focus on board established goals, objectives, and a strategic direction consistent with FSRA's mandate, government priorities, and directions from the Minister of Finance made in accordance with the legislative framework.

Pursuant to the Financial Services Regulatory Authority of Ontario Act, FSRA's mandate includes fostering strong, sustainable, competitive, and innovative financial services sectors. As well as promoting stability, high standards of business conduct, and protecting the rights and interests of consumers and pension plan beneficiaries. FSRA further understands, as outlined in Ontario's 2019 Budget, the government's commitment to finding more effective and efficient ways of delivering regulatory services to reduce red tape and regulatory burden.

In keeping with these commitments, FSRA will continue to implement the priorities identified in its previous business plan and to:

1. Contribute to government-wide burden reduction goals by:
 - Continuing to review inherited guidance and data filing requirements on an ongoing basis based on stakeholder consultations and FSRA's guidance framework;
 - Conducting a thorough cost-benefit analysis when developing rules, and/or other regulatory requirements; and
 - Working with stakeholders to identify innovative, principles-based approaches to regulation that will reduce regulatory burden while protecting consumers.
2. Improve regulatory effectiveness by:
 - Finding efficiencies and implementing modern processes and systems;
 - Enhancing FSRA's regulatory expertise, stakeholder collaboration (including collaboration with other regulators), and transparency; and
 - Implementing meaningful service standards and performance measures and adopting a culture of continuous improvement
3. Support current and future government reform initiatives for Ontario's financial services and pension sectors, including but not limited to:
 - Implementing a blueprint for Ontario's auto insurance system, including by supporting innovative business models, pricing structures and technologies;
 - Continuing to develop and implement a framework as part of the *Financial Title Protections Act, 2019*;
 - Implementing recommendations stemming from legislative reviews of the *Credit Unions and Caisses Populaires Act, 1994* (CUCPA) and the *Mortgage Brokerages, Lenders and Administrators Act, 2006* (MBLAA), the *Co-operative Corporations Act*; and
 - Facilitating the stakeholder engagement process through the creation of technical advisory committees intended to assist with the development of better processes, guidance and approaches to regulation, such as those created for the pension sector.

Human Resources

Over the next few years, FSRA will work to establish the foundations and Human Resources (HR) programs to build and support its transformative people strategy. The focus will be on delivering the HR strategic framework that includes creating HR policies, practices, processes and programs that support the organization’s strategic objectives and values.

2020-2023 Priorities

- Developing a people strategy for the organization that is aligned with the business strategy. Key to this will be a focus on delivering strong HR policies, programs and services that align with the HR Strategic Framework (Figure 1) and the four pillars of focus: Culture Advancement, Investment in Talent, Strong Foundations and HR Excellence. The HR principles (Table 1) have been established to support its approach to the work required under the HR strategic framework.
- Developing a substantive leadership development program focused on coaching, teamwork and performance development to ensure the new FSRA leadership team is motivating staff to deliver the highest quality services.
- Developing and implementing FSRA values and behaviours that will be the foundation for building the FSRA culture to align with how it will successfully work towards its Vision, Mission and Mandate building programs and living the values.
- Implementing a Human Resources Management System (Workday) that creates a solid foundation for back office support while providing a concrete data platform for growth. Workday adds efficiency and control to human resources processes and provides leaders with employee data to support effective workforce planning. At launch, FSRA went live with Human Capital Management (HCM), Payroll and Finance. In addition, FSRA will implement an additional 5 modules: Advanced Compensation, Recruitment, Time Tracking, Learning Management and Performance/Talent. The recruitment module will allow FSRA to re-engineer its recruitment process and reduce time to hire.

Figure 1: Human Resources Strategic Framework



Table 1: Human Resources Principles

Pillar	Description
Culture Advancement	Creating a new culture that aligns with FSRA’s values and ensures that all staff feel part of FSRA’s vision and mission.
Investment in Talent	Ensuring that FSRA has the right people, in the right jobs, at the right time and supporting the employee life cycle.
Strong Foundations	Building solid, fair and progressive foundations on which FSRA’s workforce will thrive and upon which FSRA’s culture can be brought to life.
HR Excellence	Creating a professional, cohesive HR team that provides strategic support to FSRA executives and managers, ensures fairness, ease of access and responsive support to all FSRA staff, and creates innovative and dynamic HR foundations, programs and services that align with FSRA’s values.

Total Rewards

FSRA’s compensation philosophy reflects the following principles that govern compensation decisions:

- Fiscal responsibility, governance, compliance with all applicable legislation and accountability
- Alignment with organizational mandate, strategic directions and values
- Value of the total compensation package
- External competitiveness and internal equity
- Balance consistency and flexibility in compensation program design and application

- FSRA’s compensation philosophy is to pay salaries that are competitive in its target market of comparable organizations. Eligible salary increases will be determined through performance management and pay for performance systems and/or as prescribed in the collective agreements.
- Compensation for designated executives is determined in accordance with the *Broader Public Sector Executive Compensation Act* (BPSECA) and the *Executive Compensation Framework* (ECF) approved pursuant to the Act.
- FSRA will establish a plan to ensure compensation practices align with all Broader Public Sector legislation.
- FSRA has created efficiencies by leveraging an existing relationship with Great West Life (OPS umbrella provider) to establish a single group benefit plan provider for all staff.

Workforce Management

FSRA has a budgeted workforce of 553 FTE's for 20/21.

- The employment environment is comprised of management, non-union and bargaining-represented employees (approximately 68% of the workforce is bargaining-represented).
- As a result of the sale of business, FSRA inherited Ontario Public Service (OPS) collective agreements due to successor rights. With consolidation, FSRA now has two collective agreements: Ontario Public Service Employees Union (OPSEU) and the Association of Management, Administration and Professional Crown Employees of Ontario (AMAPCEO).
- The distribution of budgeted FTE staff is shown in Table 2.

Table 2: Employee Group

Total Budgeted FTE's	2020/21
Auto/Insurance Products	35
Credit Union and Prudential	36
Licensing and Market Conduct	109
Pensions	81
Legal and Enforcement	48
Policy	60
Public Affairs	33
Project Management Office & Facilities	26
Finance	35
Human Resources	17
Information Technology	55
Risk Management	9
Executive Team	9
Grand Total	553

Information Technology

Building on the foundation FSRA has established in 2019 – 2020, including a secure and stable data centre, efficient and effective back-office systems, a combined IT workforce made up of previous regulatory body's staff, cybersecurity roadmap and core regulatory digital transformation blueprint, FSRA is continuing to strengthen its core 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.

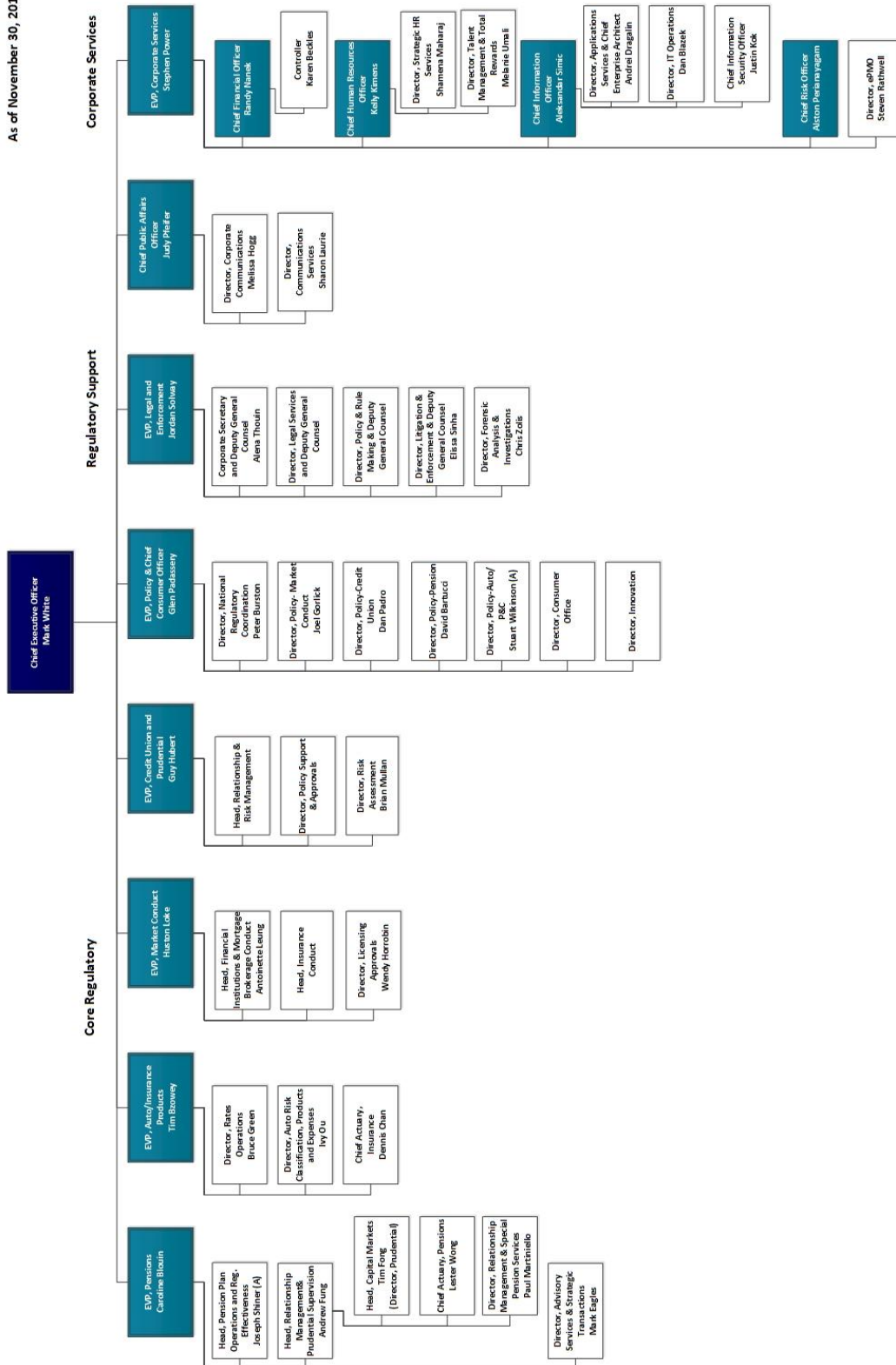
Modernizing core regulatory processes and systems has begun with the development of the digital transformation blueprint that aligns processes, data, technology and stakeholder interactions with FSRA's business vision and priorities. As FSRA progresses on this roadmap, its initial focus is on procuring and on-boarding key applications and technology platforms, aligning the IT operation model and building foundational technology and data components. Achieving fully digital, integrated and flexible technology and process will be a multi-year and multi-million dollar journey. FSRA will continue to consult with stakeholders on key decision and priorities as it looks to increase regulatory effectiveness and reduce regulatory burden for sectors.

In order to align cybersecurity capabilities with risk tolerance, FSRA is implementing a cybersecurity program consistent with the approved cybersecurity roadmap. This program leverages a recent third-party cybersecurity assessment, and industry best practices to prioritize initiatives in order to minimize FSRA's cybersecurity risks. FSRA's approach is aligned with National Institute of Standards and Technology (NIST) Cybersecurity Framework, generally considered to be the leading cybersecurity risk management framework.

Appendix

Appendix A: Organization Structure

As of November 30, 2019



Appendix B: Inherited Performance Measures and Targets

FSRA's Inherited Active Service Standard Overview

Sector / Group	Services Overview	Service Standard Overview	Current Target/s
Property and Casualty	Applications for Private Passenger Automobile (PPA) Insurance Rate and Risk Classification Filings (simplified, standard, comprehensive and complex)	30, 45, 60, or 90 days for review and approval	90%
	Applications for Third Party Liability Claims	20 days for review processing	85%
Pensions	Applications for Defined Benefit Pension Plans (surplus, wind-up, transfer, refund)	Varying # of days for review and approval	95%
	Applications for Defined Contribution Pension Plans (surplus, wind-up, transfer, refund)	Varying # of days for review and approval	95%
Market Conduct	Application for Insurance Agent Licenses	5 days for review and approval	100%
	Insurance Companies IVIC Submission	30 days for approval	100%
	Examinations	Reports issued in 30 days	95%
Enterprise	Sectoral Complaints	Acknowledged in 5 days and concluded in 150 or 365 days	100%, 90%, 98%
	Telephone Inquiries	Calls answered by third ring and returned next business day	100%
	Correspondence	Answered in 15 days, acknowledgement within 5 days	100%
	Quality Service Complaints	Acknowledgement in 2 or 5 days, conclusion within 15 days	100%
	Accessible Formats	Response in 5 days	100%
	Website Response	Concluded/responded in 5 days	100%
Deposit Insurance Corporation of Ontario	Applications (Group capital, borrowing, acquisition/establishment of subsidiary, investment, asset purchase/sale >15% of assets)	Acknowledgement within 5 days and decision within 30 or 90 days	N/A
	Variations and Exceptions (capital, lending, liquidity, guarantees, limits, extensions, requirements etc.)	Acknowledgement within 5 days and decision within 30 days	N/A
	Compliance Orders	Notice period 15 or 60 days and effective date of order soonest 3 days after mailing	N/A