FSRA
Financial Services Regulatory Authority of Ontario

ARSF
Autorité ontarienne de réglementation des services financiers

FSRA

Financial Services Regulatory Authority of Ontario

2022-2023 ANNUAL REPORT

Table of Contents

Executive Summary

The Financial Services Regulatory Authority of Ontario ("FSRA") is pleased to introduce its 2022-2023 Annual Report ("Annual Report"). The Annual Report includes descriptions of FSRA's activities over the past year, particularly regarding the 2022-2025 Annual Business Plan ("ABP"). The Annual Report also includes:

- Board appointments and remuneration
- Year-end assessment scorecards
- Performance measures and targets
- Risk identification, assessment and mitigation strategies
- Analysis of financial performance
- Statistics on FSRA's operations
- Audited financial statements

FSRA at a glance

FSRA regulated or registered as of March 31, 2023:

- 290 insurance companies
- 4,516 registered pension plans
- 60 credit unions and caisses populaires
- 51 loan and trust corporations
- 1,231 mortgage brokerages
- 2,881 mortgage brokers
- 14,055 mortgage agents
- 242 mortgage administrators
- 4,965 health service providers
- 68,956 insurance agents
- 6,838 corporate insurance agencies
- 1,800 co-operative corporations
- 1,852 insurance adjusters
- 4 credentialing bodies for financial planner / advisor title use

FSRA continues to work on behalf of consumers:

Enforcement actions taken
- Total of $1,267,000 initiated in administrated monetary penalties

Service Standards
- Met all targets related to responding to inquiries and complaints made by the public

Consumer Research
- Conducted and published the first annual Consumer Research Study

Key accomplishments in 2022-23:

Consultations
- Conducted 16 public consultations including the release of guidance and rules

Priorities
- Delivered on 16 priorities, including 3 cross-sectoral and 13 sector-specific

Key Work
- Developed and launched a new Whistle-blower Program
- Published ‘Barriers and Opportunities’ reports to identify barriers, opportunities, innovation and trends in FSRA’s regulated sectors.
- Hosted the Second Annual FSRA Exchange Event which included panels on Consumer Protection and Principles-Based Regulation.
- Completed first year under new Financial Planner/Advisor title protection regime

Message from the Chair

I am pleased to introduce the 2022-2023 Annual Report for FSRA. This report highlights the activities and achievements of FSRA over the past fiscal year ("FY").

We have made great strides to fulfill our legislative mandate; the cornerstone being the protection of consumers while fostering competitive financial services sectors. This past year, the Board of Directors ("Board") provided governance to support FSRA leadership on the 16 FY2022-23 priorities set out in the 2022-2025 ABP.

FSRA remains committed to being a principles-based and outcomes-focused regulator, and this past year concluded consultation on its proposed Principles-Based Regulation ("PBR") guidance. PBR was a major focus at the second annual FSRA Exchange event on January 19, 2023, which drew a total of 900 people, in-person and online. Panel discussions and sector-specific breakout sessions at the event facilitated a dialogue about FSRA's approach to PBR. These exchanges are helping FSRA and its sectors operationalize PBR.

In 2022-2023, FSRA participated in a value-for-money audit, the first since its launch in June 2019. On November 30, 2022, the Office of the Auditor General of Ontario ("OAGO") released the *Value-for-Money Audit: Financial Services Regulatory Authority: Regulation of Private Passenger Automobile Insurance, Credit Unions and Pension Plans*. The report included 18 recommendations and 60 action items for FSRA and the Ministry of Finance ("MOF"), many of which are intended to help FSRA accelerate its efforts to fully protect consumers and contribute to public confidence. Many of OAGO's recommendations are being addressed by priorities outlined in the 2023-2026 ABP and by initiatives already underway.

The Consumer Advisory Panel, made up of individuals from the public, has been playing a critical role in engaging with FSRA to ensure that the voice of the consumer is heard and represented in FSRA's work. The voice of consumers was also amplified through cross-sectoral consumer research focused on specific areas such as consumer attitudes and vulnerability characteristics. Consumer education was also an important focus for FSRA this past year. Some key initiatives include a series of campaigns to provide tips on what to ask when seeking a private mortgage when working with a Financial Planner or Advisor, and the introduction of our first Pension Awareness Day to inform people about the importance of retirement planning.

This was my first complete year as Chair of the Board. I would like to extend my thanks to departed Directors Barbara Bellissimo and Blair Cowper-Smith for their contributions to the Board. I would also like to thank the Minister of Finance and the Government for continuing to support FSRA and its mandate. Many thanks to the engaged members of the public, and members of the Stakeholder and Technical Advisory Committees and the Consumer Advisory Panel for their commitment. The Board, as always, is appreciative of the feedback it receives from Stakeholder Advisory Committees on priorities, PBR and other matters. I speak for the entire board in extending my appreciation to FSRA's dedicated staff for their continued hard work and commitment.

Joanne De Laurentiis
Chair
Financial Services Regulatory Authority of Ontario Board of Directors

Message from the CEO

It is my pleasure to speak to some of FSRA's key accomplishments from 2022-2023 as highlighted in the 2022-2023 Annual Report. We are working dynamically with consumers, regulated entities, government and other regulators to ensure consumers get financial products and services that meet their needs. We are a young regulator and are very much a work in progress, but we have made substantial progress to-date and are on a clear path to better protecting consumers while working more efficiently and strategically.

This Annual Report speaks to FSRA's performance for 2022-2023, most notably as it relates to the priorities and deliverables outlined in the 2022-2025 ABP. These priorities align with the four pillars under FSRA's Strategic Framework, a framework that embodies our legislative objects, vision, mission, and values. The four pillars articulate FSRA's high-level strategic objectives and support our goal of being a high-performing, transformative regulator that is committed to putting consumers first.

Consistent with the pillar of 'Operating effectively to be a high-performing regulator', FSRA is focused on transparency and collaboration with its stakeholders. This year FSRA held 16 public consultations on various pieces of guidance and rules. We now have seven Stakeholder Advisory Committees ("SACs"), 16 Technical Advisory Committees ("TACs") across our regulated sectors, a Consumer Advisory Panel ("CAP") with multiple subject-specific working groups and a Retiree Advisory Panel. These groups enable FSRA's stakeholders, including the public, to participate more actively in FSRA's policy-making processes and support our goal of being a high-performing regulator.

This year, we made great strides on cross-sector initiatives that align with the pillar to 'Transform our regulatory processes to make evidence-based and risk-based decisions.' Some actions that we took to ensure that FSRA is responsive to emerging trends in the regulatory environment included:

- Publishing 'Barriers and Opportunities' reports to identify regulatory barriers to innovation, and innovation opportunities and trends, in FSRA's regulated sectors.
- Launching the Whistle-blower Program, which aims to protect whistle-blowers when they disclose evidence of misconduct.
- Consulting on IT Risk Management guidance that is applicable to all of FSRA's regulated entities and individuals.
- Identifying opportunities for FSRA to better protect vulnerable consumers, including establishing a preliminary framework for defining vulnerable consumers.

FSRA also had successes in transforming its processes to align with the 'Operating effectively to be a high-performing regulator' pillar, by:

- Implementing FSRA's first Machine Learning application to enhance efficiencies for licensing and supervision activities.
- Enabling data analytics capabilities for each of FSRA's core regulatory areas with better access to data and visualization tools.

- Continuing work on the FSRA*Forward* program to implement a solution that will enable simplified and fully digitized operations, including a 360-degree view of regulated entities and advanced online/web-based information sharing and transactional processing capabilities.

Much was accomplished while marking the first year of the Financial Planner/Advisor title protection regime, with FSRA approving four credentialing bodies, five Financial Planner credentials and four Financial Advisor credentials.

FSRA's cash position remained strong, with a net working capital of $54.6 million. Unplanned revenue growth occurred, with expenses being below budget resulting in a surplus of $4.1 million for the year. This surplus will be available to hold flat, or to reduce future variable fee assessments, or to fund future sector initiatives that will improve regulatory efficiency and effectiveness without increasing fees and assessments.

Following the easing of COVID-19 related lockdowns and social distancing, FSRA implemented a hybrid working environment at its new office location. I would like to extend my thanks to FSRA staff for their determination and hard work which has contributed to a successful return to office.

I would also like to thank our colleagues at the Ministry of Finance, who continuously provide us with support and collaboration which in turn enables us to deliver on our mandate. My sincere thanks to the FSRA Board, members of our SACs and TACs, and the CAP, as well as our many other stakeholders, for all your support.

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

About the Financial Services Regulatory Authority of Ontario

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

Vision
Financial safety, fairness, and choice for Ontarians

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

Values
Honest, Impactful, Credible, Empathetic, Collaborative, Empowered

Governing Legislation and Mandate

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

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

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

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

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

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

- To promote good administration of pension plans.

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

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

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

FSRA has direct powers and duties under the *Co-operative Corporations Act* with respect to offering statements. This is reflected in FSRA's additional object, as set out in a regulation under the FSRA Act:

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

With respect to financial planners and financial advisors, FSRA has objects to administer and enforce the *Financial Professionals Title Protection Act, 2019*.

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Board Appointments and Remuneration

Board – Members as of April 1, 2023

Name	Date First Appointed	Most Recent Appointment Term	Remuneration (as of April 1, 2023)
Joanne De Laurentiis – Chair	July 26, 2019	June 28, 2021 – June 27, 2024	$68,448.00
Kathryn Bouey	June 28, 2017	June 28, 2021 – June 28, 2024	$26,196.00
Blair Cowper-Smith	February 28, 2018	February 28, 2020 – February 27, 2023*	$26,668.00
Lawrence Ritchie	March 12, 2018	March 12, 2022 – March 11, 2025	$21,948.00
Brent Zorgdrager	July 26, 2019	July 26, 2021 – July 25, 2024	$38,232.00
Joseph Iannicelli	April 9, 2020	April 9, 2020 – April 8, 2023	$28,084.00
Stewart Lyons	October 22, 2020	October 22, 2020 – October 21, 2023	$22,184.00
Dexter John	January 7, 2021	January 7, 2021 – January 6, 2024	$19,588.00
Barbara Bellissimo	August 12, 2021	August 12, 2021 – August 12, 2024**	$18,172.00
Total			$269,520.00

*Retired
**Resigned

Committees of the Board - Members as of April 1, 2023

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

Technology Transformation Committee

Kathryn Bouey – Chair
Stewart Lyons
Brent Zorgdrager
Joanne De Laurentiis (ex-officio)

Human Resources and Governance Committee

Joseph Iannicelli - Chair
Kathryn Bouey
Dexter John
Lawrence Ritchie
Joanne De Laurentiis (ex-officio)

Audit Finance & Risk Committee
Brent Zorgdrager – Chair
Kathryn Bouey
Joseph Iannicelli
Joanne De Laurentiis (ex-officio)

Rules and Policy Committee
Lawrence Ritchie – Chair
Joanne De Laurentiis
Joseph Iannicelli

Statutory Funds Advisory Committee
Stewart Lyons - Chair
Dexter John
Brent Zorgdrager
Joanne De Laurentiis (ex-officio)

Overview of Key Activities in 2022-2023

FSRA's 2022-2025 ABP identified 16 priorities, which formed the basis of our key activities in 2022-2023. This section highlights FSRA's achievements during the 2022-23 period.

Cross-sectoral

2022-23 Highlights

- Identified opportunities for FSRA to better protect vulnerable consumers. Established a preliminary framework for defining vulnerable consumers across all FSRA regulated sectors and applied specific research findings related to vulnerability in FSRA's 2022-23 Mortgage Brokering Supervisory Plan.
- Strengthened the Consumer Office's research agenda by completing and publishing FSRA's first cross-sectoral consumer survey. A highlights report identified key findings and steps FSRA will be taking to address them.
- FSRA initiated actions to sanction and address misconduct in FSRA's sectors using licensing sanctions, compliance orders, and Administrative Monetary Penalties ("AMPs") in the total amount of ~$1.27 million;
- Published for consultation cross-sector interpretation and approach guidance regarding AMPs to improve transparency, fairness and consistency in how FSRA sanctions non-compliance with its sector statutes.
- Launched the Whistle-blower Program for all FSRA sectors which aims to protect whistle-blowers from the harms associated with disclosing information related to misconduct, including issuing Whistle-blower guidance and a secure web portal to facilitate and encourage submissions.
- To deter fraudulent and harmful behaviour, expanded its ability to leverage quasi-criminal authority to deter fraudulent and harmful behaviour through training and recruitment, and measured use of the authority.
- Published Opportunities Reports discussing barriers to, and opportunities for, innovation in the mortgage brokering and insurance sectors following consultation with FSRA stakeholders in these sectors. FSRA has started to follow up on the recommendations from these two reports.
- Explored the scalability and expanded the capacity of the Test and Learn Environments (TLEs) for Financial Services Innovation in order to utilize more regulatory tools beyond exemptive authority.
- Continued work on the FSRA*Forward* multi-year program to implement the Core Regulatory Solution that will enable simplified and fully digitized operations. These include a 360-degree view of regulated entities and advanced online/web-based information sharing and transactional processing capabilities.
- Implemented the first Machine Learning application to support Licensing and Supervision activities.

Property and Casualty (P&C)/Auto Insurance

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

- Licensing P&C insurance companies, independent adjusters and agents that sell P&C insurance in Ontario.
- Regulating the business conduct of insurance companies, agents, and adjusters to ensure the fair treatment of consumers throughout the product lifecycle.
- Conducting prudential regulation of Ontario-incorporated insurance companies and reciprocals.
- Examining the affairs of the Registered Insurance Brokers of Ontario and Facility Association including reporting results to the Minister.
- Functions specific to Ontario's auto insurance system including regulating auto insurance products, rating, underwriting, and the review and approval of rates as just, reasonable and not excessive.

FSRA continued to advance transformational priorities in the P&C/auto insurance sector while supporting consumers' concerns about fairness, innovation, and choice.

Highlights for the P&C insurance sector include:

Reforming regulation of auto insurance rates and underwriting

- In September 2022, FSRA released final guidance that outlined sound practices for operational risk management in the rating and underwriting of auto insurance. Through consultation and research, FSRA identified gaps in the industry's operational risk management and model governance.
- FSRA released guidance for reporting and resolution of rating and underwriting errors in December 2022, which aimed to promote fair treatment of consumers and consistency in industry reporting. The guidance informs Ontario auto insurers of FSRA's requirements when rating and underwriting errors have occurred to ensure rating and underwriting errors are resolved.
- FSRA published guidance on automobile insurance non-standard forms, endorsements, and certificates of the insurance approval filing process. This enabled the introduction of a streamlined process that will reduce the regulatory burden and improve timelines for the approval of non-standard forms and endorsements as of December 2022. This will help shorten the time it takes for insurers to bring new and innovative consumer products to market.
- In December 2022, FSRA released Ontario private passenger automobile annual review guidance. It included updated loss cost benchmarks that reflect industry trends for bodily injury, accident benefits, and physical damage coverages. The guidance provided an update on FSRA's review of Ontario auto insurance territory rating. The update will inform FSRA's broader strategy to reform the regulation of rates and underwriting. The territory rating review is also responsive to the Minister

of Finance's direction that FSRA conduct a review of inherited territory rating guidance.
- In December 2022, FSRA implemented a government policy decision by approving a new standard endorsement for general use by insurers writing automobile insurance in Ontario. The Agreement Not to Recover Loss or Damage From an Automobile Collision ("OPCF49") was created in collaboration with the industry. OPCF49 gives consumers the choice to opt out of Direct Compensation – Property Damage ("DCPD") coverage. Insurers will be required to offer this optionality effective January 2024.

Fair Treatment of Consumers
- FSRA's Technical Advisory Committee for Auto Insurance Data and Analytics Strategy released its final report on the Fair Treatment of Consumers in Uses of Big Data Analytics in Auto Insurance in July 2022. The report contained Committee recommendations for model fairness, consumer transparency, and supporting vulnerable consumers in the application of big data analytics in auto insurance rating, underwriting, and claims. The recommendations will inform how FSRA sets and delivers on its priorities to reform auto insurance rates and underwriting regulation to better protect consumer interests.

Insurance Prudential Supervision
- In December 2022, FSRA released updated Minimum Capital Test guidance, which reflected global accounting changes resulting from the implementation of International Financial Reporting Standard 17 – Insurance Contracts ("IFRS 17"). This guidance is harmonized across Canada and will help ensure that Ontario-incorporated insurance companies and reciprocals continue to be financially sound and able to fulfill their commitments. FSRA published guidance on its integrated risk-based supervisory framework for Ontario-Incorporated Insurance Companies and Reciprocals for public consultation in February 2023. The framework set out FSRA's integrated approach for supervision and assessment and will promote stability in Ontario's insurance sector.

Health Service Providers

The Health Service Provider ("HSP") sector consists of approximately 5,000 HSP who are licensed to receive direct payment from auto insurance companies for Statutory Accident Benefits Schedule ("SABS") claims through the Health Claims for Auto Insurance ("HCAI") system. FSRA's role includes:
- Licensing Service Providers allowing them to receive direct payments from auto insurers for benefits claimed under the SABS.
- Regulating the business and billing practices of licensed Service Providers. Enhancing risk-based supervision of Service Providers to reduce opportunities for fraud by fostering compliance and awareness in the sector.

Highlights for Health Service Providers from 2022/23 include:

- In August 2022, FSRA published the 2021-2022 Market Conduct Compliance

Annual Report which identified four main areas of non-compliance, such as insufficient policies and procedures. In cases of non-compliance, FSRA issued warning letters, accepted licence surrenders, or escalated for enforcement action.
- A two-year supervision plan was released in November 2022 which focuses on higher-risk Service Providers. By ensuring these Service Providers comply with the law and their licensing requirements, FSRA helps to maintain fair and reasonable auto insurance rates for consumers and promote high standards of business conduct.
- FSRA released a Health Service Provider Quick Guide to Compliance in November 2022. It provides a brief overview of some of the obligations of a Service Provider under the Insurance Act, its regulations, and applicable FSRA rules.

Credit Unions and Caisses Populaires

Credit unions and caisses popularies ("credit unions") are co-operative, deposit-taking financial institutions that are member-owned and member-controlled; these members are also credit union customers. Currently in Ontario there are 60 credit unions and caisses populaires. Ontario's credit union sector has over 1.75 million members and over $90.8 billion in assets (unconsolidated). Ontario's credit unions are diverse in size, with total assets ranging from $9 million to $24 billion.

FSRA's role in the sector includes:

- Incorporating credit unions and reviewing related documentation.
- Reviewing and approving new business activities, investment activities, and proposed transactions involving credit unions, such as mergers, amalgamations and the purchase or sale of material assets.
- Prudential oversight of credit unions to minimize the risk of loss to depositors and the DIRF. This helps to foster a strong, stable sector by ensuring that credit unions comply with the capital and liquidity requirements in the *Credit Unions and Caisses Populaires Act, 2020* ("CUCPA 2020"), related regulations and FSRA rules.
- Regulating the conduct of credit unions (e.g., by ensuring that they comply with sound business and financial practices and adhere to their market conduct codes as required under the CUCPA 2020). This will help make sure members are treated fairly and their complaints are handled in an appropriate manner.

Highlights for the Credit Union sector include:

New Credit Union Legislative Framework
- In April 2022, FSRA issued final guidance on business and investment activities. The guidance outlines what FSRA will consider before approving or authorizing new or expanded business and investment activities by credit unions.
- FSRA concluded a public consultation on new operational risk and resilience guidance in March 2023. The guidance sets out FSRA's interpretation of requirements in legislation and FSRA rules for credit unions to effectively manage operational risk and demonstrate resilience that will ultimately better protect credit

union members and their deposits. Alongside this, FSRA also consulted on IT Risk Management guidance which is applicable to all FSRA regulated sectors.
- FSRA initiated the development of a proposed Unclaimed Deposits Rule and sought input from key credit union stakeholders through its Technical Advisory Committee for Regulatory and Supervisory Initiatives and from the Consumer Advisory Panel.
- FSRA developed a new five-year work plan in collaboration with key credit union stakeholders, which prioritizes the development of new, and review of existing, credit union rules and guidance over the next five fiscal years.

Financial Stability Structures
- In November 2022, FSRA issued a consultation paper proposing key elements of a new Differential Premium Score Methodology ("DPSM"), which will improve alignment with the new Risk Based Supervisory Framework for Credit Unions. The new DPSM proposes updates to the way that annual deposit insurance premiums are calculated for credit unions. This new approach would make the deposit insurance premiums paid by credit unions more equitable and more closely aligned with risk.
- In April 2022, FSRA released the final guidance on resolution planning which aims to ensure that large credit unions with over $1 billion in assets have robust resolution plans in place.

Implementing Risk Based Supervision:
- FSRA started to assess credit unions using the Risk Based Supervisory Framework; approximately 50% of the sector (by assets) was assessed in 2022-2023.
- Initial submissions of full Recovery Plans were received from all credit unions and FSRA completed its assessment of all Recovery Plans by the end of the fiscal year.
- Each credit union adopted and filed a Market Conduct Code ("MCC") as required by CUCPA 2020 and in accordance with FSRA's associated guidance. FSRA reviewed and assessed the effectiveness of each Ontario credit union's adoption and implementation of their MCC.
- In 2022, FSRA launched the Enhanced Data Collection ("EDC") initiative for the sector. Under this initiative, FSRA will collect instrument-level data, such as loans and deposits data, from credit unions regulated under the CUCPA 2020. The new initiative will be rolled out in the summer of 2023 and will progress in phases.

Life and Health Insurance

Ontario's life and health (L&H) insurance industry represents over $33 billion in direct premiums annually. The sector provides comprehensive insurance and related investment products to help individuals protect key aspects of their lives against risk of loss. The L&H insurance sector includes approximately 90 insurers, over 58,000 agents and more than 6,800 corporate agencies.

FSRA's role in the sector includes:

- Licensing life insurance companies and agents that sell life and health insurance in

Ontario.
- Regulating and supervising the conduct of insurance companies, insurance intermediaries and agents, to ensure the fair treatment of consumers throughout the entire product lifecycle.

Highlights for the L&H insurance sector include:

- The Canadian Insurance Services Regulatory Organizations ("CISRO"), of which FSRA is a member, published the Principles of Conduct for Insurance Intermediaries in April 2022. The CISRO Principles reflect minimum conduct standards that are common across Canada regarding the fair treatment of customers. In April/May 2022, FSRA consulted on guidance that proposed adopting the CISRO Principles into its regulatory framework.
- In April 2022, the Canadian Council of Insurance Regulators ("CCIR"), of which FSRA is a member, in conjunction with the Canadian Securities Administrators ("CSA"), published proposals that would enhance total cost reporting for investment funds and segregated funds. These proposed changes aim to improve the transparency of total fees and costs paid by customers.
- In response to a CCIR joint cooperative review of three life and health Managing General Agencies ("MGAs") that identified potential market conduct and consumer risks, FSRA announced in September 2022 actions it would begin taking to strengthen its supervisory activities for MGAs and licensed agents, including:
    - a thematic review of life insurance agents licensed in Ontario and contracted with the three reviewed MGAs;
    - an expanded supervisory plan and a review of selected insurers contracted with these reviewed MGAs (launched in December 2022 by FSRA for CCIR);
    - draft interpretation Guidance, which will be released for public consultation; and
    - a proposed Rule to enhance the MGA regulatory framework.
- CCIR/CISRO published a discussion paper for public consultation on upfront compensation paid for the sale and servicing of segregated funds and individual variable insurance contracts in September 2022.
- In November 2022, FSRA published for consultation two proposed amendments to the Unfair or Deceptive Acts or Practices Rule that would better protect customers by eliminating deferred sales charges ("DSCs") on new segregated fund contracts and restricting their use on existing contracts.
- CCIR/CISRO released guidance on incentive management, in November of 2022. This complements the 2018 CCIR/CISRO Fair Treatment of Customers guidance, by providing additional details on remuneration and conflicts of interest.

Mortgage Brokering

In 2021, mortgage brokerages arranged over 346,000 mortgages, valued at approximately $193 billion. Mortgage administrators administered over 826,000 mortgages valued at approximately $345 billion in 2021. The mortgage broker sector includes 242 mortgage administrators and 1,231 mortgage brokerages (employing 14,055 mortgage agents and 2,881 mortgage brokers).

FSRA's role in the mortgage brokering industry includes:

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

Highlights for the Mortgage Brokering sector include:

- FSRA continued work to implement the recommendations from the 2018-19 legislative review of the MBLAA. This included releasing final guidance on the new licensing classes for the sector introduced by the government to better protect borrowers and investors/lenders. The guidance outlines the requirements for the new level 1 and level 2 mortgage agent licences and the mortgage broker licence effective April 1, 2023. This includes establishing a requirement for demonstrating competencies in dealing and trading in private mortgages.
- In July 2022, FSRA published its 2022-23 supervision plan for the sector. The plan focused on three areas for supervision:
    - ensuring private mortgages are suitable for and understood by borrowers;
    - reviewing conduct culture, compliance structures and principal brokers' supervision in large brokerages; and
    - conducting research and compliance reviews in scenarios where financially vulnerable consumers may be more prone to misconduct or abuse.
- In August 2022, FSRA released its guidance on the Mortgage Broker Regulators' Council of Canada's ("MBRCC's") Principles for Cybersecurity Preparedness in the Mortgage Brokering Sector. This guidance adopts the MBRCC's principles for preventing and responding to cyber incidents.
- In Fall 2022, FSRA began work with the MBRCC to develop principles for conducting mortgage suitability assessments. The collaboration aimed to improve mortgages recommendations by the mortgage brokering sector to clients and to enhance consumer protection.
- In March 2023, FSRA released a second public consultation guidance on detecting and preventing mortgage fraud. The guidance requires the sector to conduct business in a manner that does not facilitate dishonesty, fraud, crime or illegal conduct, as per the MBLAA.

Pensions

Pensions represent a significant financial asset for many Ontarians. There are 2.4 million active and 2 million retired members in plans that vary by size and type. Most members and assets are in defined benefit plans (with assets of approximately $847 billion in Defined Benefit (DB) plans (includes Single-Employer Pension Plans, Multi-Employer Pension Plans, and Jointly Sponsored Pension Plans) and $33 billion in Defined Contribution (DC) plans. There are 4,516 pension plans registered with FSRA.

FSRA engages MOF and other external stakeholders to support FSRA's objectives. These include promoting the good administration of pension plans and protecting and safeguarding the benefits and rights of plan beneficiaries.

Highlights for the Pension sector include:

- On February 16, 2023, FSRA launched Ontario's first annual Pension Awareness Day. FSRA released website content, video messages and a podcast series to provide neutral and unbiased information to educate and enable plan beneficiaries.
- FSRA continued to work with the large public sector plans to review their governance and risk management practices. FSRA also worked with these plans to review the governance and risk management practices around their investments and liquidity.
- FSRA commenced its benchmarking process with all DB MEPPs in Ontario and has completed the benchmarking process for close to half of all plans.
- FSRA advanced Guidance and other initiatives to support the sector, including:
    - Consulting on Guidance to assist plan administrators in following provisions of the PBA relating to Pension Plan amendments.
    - Issuing new Guidance in November 2022 relating to exemptions from the PBA to avoid deregistration under the Income Tax Act.
    - Hosting a live webinar in November 2022 about current cyber security practices in the sector based on the findings of FSRA's survey of a cross-section of plans.
    - Issuing new Guidance in February 2023 for employers on communicating the value of their pension plan.
    - Continuing leadership through Canadian Association of Pension Supervisory Authorities ("CAPSA") to harmonize regulatory effectiveness, across the pension landscape in Canada.
- FSRA revamped its plan examination framework in 2022-2023 and will pilot the new approach with SEPPs throughout 2023. This new framework builds on FSRA's risk-based, outcomes-focused supervisory approach and engagements with plan administrators.
- FSRA reflected its principles-based and outcomes-focused regulatory approach in its application of administrative monetary penalties. At the end of 2022, FSRA imposed its first round of Summary Administrative Monetary Penalties ("SAMPs") relating to filings that were significantly overdue. FSRA engaged with over 250 defined contribution pension plans, which submitted late annual filings, to determine ways that FSRA can help plan administrators to submit filings on time and avoid SAMPs.
- FSRA collected meaningful data and moved all applications online to improve regulatory efficiency and effectiveness. Enhancements to the Pension Services Portal ("PSP") this past year include the ability to now submit a DB wind-up report, wind-up notice, and asset distribution notice online. FSRA also published a streamlined Annual Information Return.

Financial Planners / Financial Advisors

The Financial Professionals Title Protection Framework ("FPTPF") was launched in March 2022, when the *Financial Professionals Title Protection Act, 2019* came into force. The FPTPF limits the use of the Financial Planner and Financial Advisor titles in Ontario to only those individuals who have an approved credential from a FSRA-approved credentialing body.

The FPTPF ensures that individuals using these titles:

- have a minimum standard of education;
- abide by a code of conduct that requires them to put the client's interest first and ensures the fair treatment of consumers;
- are being actively supervised; and
- are subject to complaints and discipline processes.

This helps promote consistency, professionalism, and confidence among those offering financial planning and advisory services, while offering consumers greater clarity by ending confusion around the wide array of titles and credentials being used within the financial services marketplace.

Highlights for the Financial Planners and Advisors sector include:

- FSRA approved four credentialing bodies, five Financial Planner credentials and four Financial Advisor credentials.
- FSRA established a supervisory framework for approved credentialing bodies to:
    - Ensure continued compliance and assess credentialing bodies' readiness / responsiveness to potential future enhancement to the framework;
    - Identify any inconsistencies between credentialing bodies' existing practices and standards; and
    - Promote enhancements to minimum standards based on best practices.
- FSRA established the 12-member SAC for the Financial Planner / Financial Advisor sector, with a mandate to provide strategic advice on various issues and elements of the FPTPF.
- In November 2022, FSRA's first Financial Planner / Financial Advisor consumer education campaign clarified how the FPTPF can benefit consumers by reducing confusion regarding different titles in the marketplace.
- FSRA launched the first Annual Information Return for the sector, collecting information from approved credentialing bodies to support its supervisory activities.
- In March 2023, FSRA launched an industry education campaign to inform the industry on transition periods and the benefits and requirements of complying with the FPTPF.

Co-operative Corporations

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

Highlights for Co-ops from 2022-23 include:

FSRA reviewed 17 offering statements in FY2022-23, 17 of which were receipted by FSRA's CEO. Five additional offering statements were receipted in 2022-2023 that were filed with FSRA in the previous financial year (2021-22).

FSRA Gathers Valuable Input and Perspectives to Inform Direction

Engaging stakeholders and the public continues to shape the critical work FSRA does, the decisions it makes, and its approach to regulation. In 2022-2023, FSRA consulted specialized and ad hoc groups, hosted webinars, and attended events to increase engagement with stakeholders. These activities supported the organization's regulatory framework, enhanced service standards, and helped FSRA deliver on its mandate to better protect consumers.

FSRA Committees

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

- Seven SACs, which serve as the consultation bodies to the Board on FSRA's priorities, budget, Principles Based Regulation, and other matters as the Board or management deems appropriate.
    - FSRA added the Financial Planners and Financial Advisors SAC in 2022.
- A Retiree Advisory Panel that acts as an advisory body to FSRA's pension team, providing external input and personal experience from the retiree's perspective.
- A Consumer Advisory Panel which provides a consumer perspective on policy and regulatory matters and changes.
- 16 TACs to tackle identified issues affecting the Pensions, Mortgage Brokering, Life and Health Insurance, Credit Unions, and Auto Insurance sectors.
- The Residents' Reference Panel on Auto Insurance provided feedback on the Auto Insurance Fraud Prevention consumer education campaign. Feedback from the panel members helped refine the campaign materials. Sixteen (16) panel members participated in a two-hour session to learn about the campaign as well as a 30-minute interview for feedback. Some of the panel's feedback, such as making the information more digestible and working with stakeholders, was incorporated into the 2023 campaign.

Stakeholder Feedback

In 2021, FSRA invited stakeholders, including consumers, to participate in an online survey and provide feedback on their engagement experiences, satisfaction, and expectations of FSRA overall and with respecting their specific sectors. This feedback informed opportunities to better engage with consumers and expand FSRA's reach through strategic communications in 2022-23 FY. The organization has committed to measuring and benchmarking progress every two years with the next survey scheduled for 2023-24.

Strengthening the Consumer Focus

In 2022-23 FSRA prioritized strengthening the voice of the consumer and the public interest community in its rule development, guidance and other policy work. In addition to public consultations detailed below, FSRA used other structures and processes to collaborate with consumer stakeholders, including:

- The CAP provides consumer perspectives on policy and regulatory matters and changes, helps inform FSRA's strategic approach to consumer-focused research and engagement, and advice on emerging consumer issues and trends. FSRA continued to work with the CAP in 2022. The panel was strengthened with new members, the first appointment of a Chair, and the creation of working groups to deliver more detailed advice to FSRA.

- FSRA enhanced efforts to listen to consumers by completing and publishing the results of a cross-sectoral consumer survey. The survey focused on consumer attitudes, how consumers engage with financial services, and consumer characteristics such as vulnerability. In addition to publishing survey results, FSRA published a highlights report identifying key findings and next steps to continue understanding and improving consumer outcomes.

Public Consultation

During this fiscal year, FSRA received feedback from 16 public consultations and published feedback received, where available. This includes feedback from stakeholders on the development of its 2023-24 Statement of Priorities, which informs the Annual Business Plan.

Consultations held in the 2022-2023 fiscal year:

Sector	Consultation Title	Type	Consultation Date
Cross Sector	Proposed Principles-Based Regulation Approach Guidance	Policy	March 16 to April 29, 2022
Mortgage Brokering	Proposed Cybersecurity Guidance for Mortgage Brokering	Policy	April 1 to May 2, 2022
Life and Health Insurance	Proposed Principles of Conduct for Insurance Intermediaries	Policy	April 6 to May 3, 2022
Auto Insurance	Ontario Private Passenger Vehicles Annual Review	Policy	July 25 to August 19, 2022
Property and Casualty, and General Insurance	Proposed Insurance Prudential Supervisory Framework Guidance	Supervision	July 5 to September 6, 2022
Pensions	Proposed Guidance: Pension Plan Amendments	Policy	August 15 to September 15, 2022
Pensions	Proposed Guidance: Actions to Avoid Deregistration of a Pension Plan	Policy	August 15 to September 15, 2022

Sector	Consultation Title	Type	Consultation Date
	Under the Federal Income Tax Act		
Cross Sector	Proposed 2023-24 Statement of Priorities and Budget	Priorities/ Budget	October 13 to November 11, 2022
Cross Sector	Test and Learn Environment (Guidance	Policy	January 24 to December 31, 2022
Credit Unions	Proposed Differential Premium Score Methodology for Credit Unions	Policy	November 23, 2022 to January 23, 2023
Life and Health Insurance	Proposed amendments to the UDAP rule – deferred sales charges	Rules	November 25, 2022 to February 23, 2023
Cross Sector	Proposed 2022 Fee Rule	Rules	November 28, 2022 to February 27, 2023
Credit Unions	Proposed Operational Risk and Resilience Guidance	Policy	January 23 to March 31, 2023
Cross Sector	Proposed IT Risk Management Guidance	Policy	January 23 to March 31, 2023
Cross Sector	Proposed Administrative Monetary Guidance	Policy	March 27 to May 31, 2023
Mortgage Brokering	Proposed Detecting and Preventing Mortgage Fraud	Policy	March 28 to April 26, 2023

Strategic Priorities (2022-2023)

Cross-Sectoral Priorities		
Regulatory Efficiency and Effectiveness		
1. Strengthen consumer focus	2. Enable innovation	3. Modernize systems and processes
Sector-Specific: Targeted High-Impact Priorities		
Property & Casualty (Auto) Insurance **4.1** Implement a new strategy for reforming the regulation of auto insurance rates and underwriting. **4.2** Develop recommendations and act on reforms of the auto insurance system. **4.3** Ensure the Fair Treatment of P&C/Auto Consumers. **4.4** Implement Insurance Prudential Supervision.	**Credit Unions** **5.1** Implement new credit union legislative framework. **5.2** Enhance financial stability structures. **5.3** Implement Risk Based Supervision.	**Life & Health Insurance** **6.1** Enhance market conduct oversight to protect consumers.
Mortgage Brokering **7.1** Implement recommendations from the review of the *Mortgage Brokerages, Lenders and Administrators Act, 2006*. **7.2** Promote high standards of governance and business conduct.	**Pensions** **8.1** Enabling plan beneficiaries. **8.2** Protection of pension benefits in Ontario's pension sector.	**Financial Planners & Advisors** **9.1** Operationalize the title protection framework for Financial Planners/Financial Advisors.

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FSRA ABP Priorities 2022-23 Year-End Assessment Scorecard

The scorecard contains assessments for Cross-Sectoral priorities and each Sector priority. The measure of completeness is compared to the targets set out in the 2022-2025 ABP. Three self-assessment categories have been used, as none of priorities were substantially or wholly incomplete:

1. Complete – priority is complete compared to target.
2. Substantially Complete – minor activities remain to complete the priority compared to the target and is considered a passing assessment, or Board approval obtained in year to carry-over items to next fiscal year.
3. Partially Complete – priority was not complete compared to target.

Priority (Sector)	Key Deliverables (2022-25 ABP) and Achievements
1.1 Strengthen Consumer Focus (Cross Sectoral)	**Priority Status: Complete** A. Identified opportunities for FSRA to respond to the needs of and risks to consumers in positions of vulnerability, to strengthen FSRA's focus on the protection of vulnerable consumers. FSRA will act on feasible opportunities within this fiscal year. • Established a definition of vulnerable consumers. • Prioritized the key vulnerable consumer issues for FY2022-23. • Designed recommendations for FSRA to respond to the needs of vulnerable consumers. • Started action to implement select recommendations for vulnerable consumers. B. Strengthened FSRA's baseline understanding of the current complaints resolution system, including consumer experiences. • Conducted a gap analysis on the industry complaints resolution framework. • Identified opportunities to recommend improvements to industry complaint handling with principles in policy framework and best practices. • Provided recommendations for internal consideration to further enhance the FSRA complaints webpage. C. Strengthened the Consumer Office's consumer research agenda and shared insights from consumer research with consumers, industry, and other key stakeholders. • Established and executed a consumer research plan, sharing consumer research findings with national regulatory associations and other key

Priority (Sector)	Key Deliverables (2022-25 ABP) and Achievements
	stakeholders through roadshows and other information-sharing methods. D. Enabled the FSRA Consumer Advisory Panel and other consumer stakeholders to participate in more FSRA rule development, guidance, and other policy work (e.g., more consumer stakeholder engagement with FSRA public consultations, more consumer panels, etc.), further strengthening FSRA's collaboration with consumer stakeholders in policymaking. • Created Vulnerable Consumer and Outreach and Partnership Consumer Advisory Panel (CAP) Subcommittees. • Conducted outreach to outside consumer advisory groups and organizations to enable more consumer stakeholder participation in FSRA policy work. **Carry-Over item from 2021-22:** E. Launched an enhanced website with clear, easily accessible consumer information for consumers. • Shut down public access to the FSCO website.
2.1 Enable Innovation (Cross Sectoral)	**Priority Status: Complete** A. Completed scaling our Test and Learn Environment ("TLE") to gather data and refine our approach to ensure they support reasonable innovation in Ontario's financial services ecosystem. • Explored expanding the TLE to other sectors beyond Auto Insurance. • Collected feedback on Auto TLE and implemented identified improvement opportunities. • Documented when and how to use available regulatory tools when presented with innovation opportunities. B. Implemented the 5-stage innovation process. • Shared lessons learned after 1 year of TLE implementation. • Tested a pilot case of the 5-stage innovation process. Implemented identified improvement opportunities. C. Implemented an engagement strategy that proactively engages sector participants and consumers to identify innovation opportunities and emerging trends, including establishing a potential advisory body to FSRA. • Initiated the creation of an advisory body and sent calls for members • Drafted and approved targeted outreach for innovation advisory body members • Promoted FSRA's Innovation Office work across external sectors to improve engagement.

Priority (Sector)	Key Deliverables (2022-25 ABP) and Achievements
	D. Built on our understanding and acting as a center of expertise and information on innovation, championing a culture of innovation among FSRA's regulated financial services sectors. • Launched an internal education and marketing campaign to encourage FSRA to embrace an innovative culture. • Ran a credit score pilot within the Auto Insurance sector and used data collected to begin drafting of a position paper on the key findings. • Issued a position paper identifying innovation opportunities and barriers in the Insurance and Mortgage Brokering sectors.
3.1 Modernize Systems and Processes (Cross Sectoral)	**Priority Status: Partially Complete** A. Implemented technology solutions to enable simplified and fully digitized operations. These include a 360-degree view of regulated entities (customer information system), case management, content management and data analytics tools, with enhanced client portals. (Multi-year). • Partially completed with items carried over to FY2023-24 (see below). B. Implemented advanced online/web-based information sharing and transactional processing tools on FSRA portals. (Multi-year). • Partially completed with items carried over to FY2023-24 (see below). C. Developed digital document processing and digital signature capabilities to streamline processing of all paper-based channels. (Multi-year). • Incorporated electronic signature and digital approval process both internally and externally, within the portal management for MB and MC Insurance. D. Enabled data analytics for each of the regulated sectors to empower FSRA policy and supervisorial activities. Across the sectors, we will enhance infrastructure and establish new data interfaces (both new data sources and improved data exchanges) and implement advanced analytics and reporting systems to enable more efficient decision-making across all sectors. (Multi-year). 1. Data Enablement: • Implemented enhanced data models/ reports in response to revised regulatory guidance pertaining to CU&IP Liquidity Adequacy Rule 2. Enhanced Data Collection: • Completed Phase 1 (concept) of Procurement of Cloud based solution to

Priority (Sector)	Key Deliverables (2022-25 ABP) and Achievements
	consolidate data from CU&IP sector • Finalized FSRA enhanced data standard for CU&IP 3. Enterprise Data Strategy: • Developed Implementation plan **<u>Year-End Achievements Carried Over to FY 2023-24 FSRA – FSRA Board approved:</u>** A. • Core Regulatory Platform (Phase 1) - deployment to targeted sectors: Mortgage Brokering (MB), Market Conduct (Insurance), Financial Planners / Financial Advisors (FP/FA). • Target Operating Model (TOM). B. • Enable Mortgage Brokering (MB) and Insurance portals with the ability to upload/submit documentation. • Implement Governance Risk Compliance Cloud Solution.
4.1 Implement a new strategy for reforming the regulation of auto insurance rates and underwriting (P&C / Auto)	**Priority Status: Substantially Complete** A. Explored opportunities to begin developing a legal framework (e.g., Guidance) to define fairness in rates, risk classification and underwriting. • Conducted targeted consultations to help develop recommendations to transform the legal framework. • Developed recommendations to transform the legal framework based on internal policy work and feedback from targeted consultations. B. Developed guidance to improve operational efficiency, including filing management and decision-making processes. • Issued and implemented Forms and Endorsement Guidance. C. Advanced transition to a new supervisory framework that monitors and enforces adherence with requirements for rates and underwriting. • Updated, issued, and completed 2022 Auto Insurance Attestation. • Issued Operational Risk Management Information Guidance. • Issued and implemented Rating and Underwriting Error Guidance. D. Developed a transparency and consumer education strategy that creates more

Priority (Sector)	Key Deliverables (2022-25 ABP) and Achievements
	accountability for consumer outcomes throughout the sector and better informs consumers' decision-making. • Evaluated transparency and consumer education tactics for impact and effort, as well as consulted targeted stakeholders for insights. • Conducted targeted consultations (e.g., industry experts and consumer online panel) that helped to develop the strategy implementation plan. • Developed an implementation plan for the strategy to create more accountability for insurers and support informed decision-making by consumers. E. Provided data analytics support for the regulatory reform of rates and underwriting by developing new supervisory tools and monitoring market health and consumer outcomes. • Obtained internal agreement on Key Performance Metrics ("KPMs") to monitor the effectiveness of Auto Insurance rates and underwriting regulation. • Created a tracking tool to measure KPMs. **Year-End Achievements Carried Over to FY2023-24 FSRA – FSRA Board approved:** F. Complete the Take All Comers Thematic Review and apply lessons learned. • Publish the final report on Take All Comers Thematic Review. The report will include lessons learned and actions/recommendations to apply lessons learned where appropriate.
4.2 Develop recommendations and act on reforms of the auto insurance system (P&C / Auto)	**Priority Status: Substantially Complete** A. Worked with the Ministry of Finance (MoF) to support the development and implementation of initiatives to reduce fraud and abuse in the system. • Supported MoF in reintroducing Legislative Amendments. • Created implementation plan for Fraud Reporting Service (FRS). B. Worked with stakeholders to improve the Health Care for Auto Insurance (HCAI) system, including the efficiency of billing and data practices to improve consumer outcomes. • Conducted targeted consultations. • Reviewed consultation input to validate objectives and priorities for improving HCAI. • Developed recommendations to implement the top priorities in a phased

Priority (Sector)	Key Deliverables (2022-25 ABP) and Achievements
	manner. C. Acted on the next steps from the Three-Year Review of Auto Insurance. • Submitted report on the review of Part VI of the Insurance Act to the Minister of Finance. • Engaged the MoF on process recommendations from Three-Year Review after submission to Minister. FSRA's views are now reflected in the work of the MoF Policy team. D. Collaborated with stakeholders to improve consumer outcomes and evaluate trends. • Formed the Product Technical Advisory Committee (P-TAC) based on agreed-upon Terms of Reference and a public call for memberships. • Created an internal report highlighting opportunities that emerged from P-TAC deliberations. • For Direct Compensation for Property Damage (DCPD), determined implementation plan and means of communicating the same. • Upon receiving MOF's direction regarding DCDP optionality, FSRA issued approved standard forms for the industry to use for implementing DCPD. E. Developed Health Service Provider supervisory reforms. These included enhanced efficiency and more effective regulation through coordination with regulatory colleges and sector participants. • Addressed in 6.1.H. **Year-End Achievements Carried Over to FY 2023-24 FSRA – FSRA Board approved:** F. Ontario Claim Form (OCF) 1 • Include feedback from targeted stakeholder consultations regarding OCF 1 and finalize recommendations for the next steps.
4.3 Ensure the Fair Treatment of P&C/Auto Consumers (P&C / Auto)	**Priority Status: Complete** A. Explored opportunities in risk-based targeting to prioritize compliance initiatives and address consumer harms. • Addressed in 6.1.G. B. Completed the Take All Comers Thematic Review and apply lessons learned. • Addressed in 4.1.F.

Priority (Sector)	Key Deliverables (2022-25 ABP) and Achievements
4.4 Implement Insurance Prudential Supervision (P&C / Auto)	**Priority Status: Complete** A. Modernized the supervisory approach and framework by appropriately aligning FSRA supervisory practices to relevant international standards. • Scoped and created working paper templates. • Finalized and issued Risk Based Supervisory Framework for Ontario-Incorporated Insurance Companies and Reciprocals (RBSF-I) approach guidance. • Developed Ontario Mutual Insurance Association (OMIA) Oversight Model. • Developed market conduct integration plan. B. Implemented the Risk Based Supervisory Framework for Ontario-Incorporated Insurance Companies and Reciprocals (RBSF-I) and related guidance. • Developed portfolio strategy and resource plan. • Developed Supervisory Process. • Conducted Pilot Assessment for highest risk insurer. This included developing and finalizing the following: Supervisory Strategy, Supervisory Plan, Knowledge of Business, Risk Assessment Profile, Overall Risk Rating, Intervention Level, and Interim Supervisory Letter. C. Collaborated with the Ontario-incorporated insurance sector to develop an agreed-upon work plan for sector guidance and rules to support effective regulation. • Developed and finalized work plan for guidance and rules (corporate governance, operational risk management).
5.1 Implement the new credit union legislative framework (Credit Unions)	**Priority Status: Complete** A. Developed, consulted on, and issued high-priority principles-based guidance and rules identified in FSRA's existing work plan with the credit union sector. This includes those relating to FSRA's approval process for investments, business powers and Subsidiaries, operational risk management, as well the unclaimed deposits framework under the Credit Unions and Caisses Populaires Act, 2020. • Finalized and issued Business and Investment Activities Guidance. • Finalized and issued Resolution Planning Guidance. • Developed Operational Risk and Resilience Guidance and consulted on the Operational Risk portion of the Guidance by fiscal year-end. • Developed internal proposal for a new Unclaimed Deposits Rule.

Priority (Sector)	Key Deliverables (2022-25 ABP) and Achievements
	• Initiated development of Commercial Lending Guidance. • Initiated development of Dispute Resolution Guidance. B. Engaged the credit union sector to create a work plan that contemplates all the (approximately 60) areas for which FSRA has rule-making authority under the Credit Unions and Caisses Populaires Act, 2020 and prioritizes the development of additional rules and guidance that have not already been developed or identified on FSRA's existing work plan with the sector. • Completed consultation of the work plan with key sector participants. • Finalized work plan. • Completed FY 2022-23 item(s) described in work plan. **Carry-Over from 2021-22:** C. Developed guidance on IT Risk Management, with a view to finalizing it in 2022-23. • Concluded Public Consultation for IT Risk Management Guidance.
5.2 Enhance financial stability structures (Credit Unions)	**Priority Status: Complete** A. Initiated consultations with the sector on FSRA's new proposed Differential Premium System methodology and work with the MoF to identify necessary amendments to regulations. • Developed a new Differential Premium System ("DPS") Model and concluded public consultation. B. Continued to enhance the Deposit Insurance Reserve Fund Adequacy Assessment Framework. Worked with the sector on the most effective way to gather required risk data for the benefit of credit unions, the sector, and FSRA. Delivered a report to the MoF on the adequacy of the Deposit Insurance Reserve Fund, as required under the *Financial Services Authority of Ontario Act, 2016*, using an updated assessment framework. • Received summary data set for Deposit Insurance Reserve Fund ("DIRF") Adequacy model from top 14 Credit Unions. • DIRF Adequacy model refreshed by consultant. • Submitted DIRF Adequacy report to the MoF at the end of October 2022. C. Continued work with various external partners on sectoral structural liquidity to secure the most efficient access to sufficient emergency liquidity for Ontario credit unions.

Priority (Sector)	Key Deliverables (2022-25 ABP) and Achievements
	• Worked with various partners, including Bank of Canada (BoC) and MoF to continue work to secure sufficient emergency liquidity for Ontario credit unions. • Worked with MoF to renew the $2 billion provincial line of credit to provide emergency liquidity to Ontario credit unions. D. Continued to work with the Ministry of Finance and the credit union sector to enhance FSRA's resolution regime. • Developed Enhanced Resolution Playbook (FSRA Administration Operational Manual). • Developed Administration Policy (FSRA Administration Operational Manual). • Developed and submitted a proposal for legislative amendments to MoF. • Designed the FSRA model and developed an implementation plan. • Developed implementation plan for Resolution Planning Guidance.
5.3 Implement Risk-Based Supervision (Credit Unions)	**Priority Status: Complete** A. Implemented and operationalized new dynamic, outcomes-focused, and risk-based practices, and processes for assessing credit union risk profiles and determining FSRA's level of supervisory engagement. FSRA will determine the risk profiles for a subset of credit unions under the new Risk-Based Supervisory Framework methodology, with a plan to assess all institutions under the new framework over the coming years. • Developed portfolio strategy and resource plan. • Completed Risk Assessment and Issuance of Supervisory Letter for planned number of Credit Unions. B. Worked with credit unions to implement recovery planning requirements. • Received interim submissions from credit unions and provided feedback to help credit unions provide creditable final submissions by January 13, 2023. • Received final submissions from credit unions and completed final assessment. C. Refined the market conduct supervisory program to focus on high-risk activities that could result in unfair or poor outcomes for members and that pose risks to credit union sector stability and a credit union's viability. • Completed FY 2022-23 Conduct Supervision Plan. • Completed review of Market Conduct Code implementation by all credit unions.

Priority (Sector)	Key Deliverables (2022-25 ABP) and Achievements
	• Completed review of wealth management services provided to the sector by Aviso. • Completed review of all credit unions' digital platform disclosure.
6.1 Enhance market conduct oversight to protect consumers (Life & Health Insurance)	**Priority Status: Substantially Complete** A. Worked on a proposed framework and supervisory approach for Managing General Agents. • Drafted guidance for review by Rules and Policy Committee (RPC) B. Worked with insurance and securities regulators across Canada. Developed harmonized total cost reporting disclosure requirements for segregated fund contracts. • Obtained Canadian Council of Insurance Regulators (CCIR) approval for publication of final CCIR Guidance. • Posted draft CCIR Guidance on total cost reporting (TCR) for consultation • Consulted public. • Developed an updated CCIR Guidance following the consultation C. Worked with insurance regulators across Canada: • Consulted with stakeholders on the use of upfront commissions in segregated fund sales and create first draft of guidance on any necessary changes to upfront commissions • Continued drafting guidance on segregated fund conduct requirements and began consultations with stakeholders • Drafted CCIR/CISRO Guidance on Segregated Funds Conduct Requirements. • Began pre-consultation with CCIR targeted stakeholders on draft guidance. • CCIR/CISRO published a discussion paper for public consultation on upfront compensation paid for the sale and servicing of segregated funds and individual variable insurance contracts in September 2022. D. Developed a FSRA Rule to ban deferred sales charges (DSC) on new segregated fund contracts sold on or after June 1, 2023. Completed public consultation. • Drafted Rule to ban deferred sales charges (DSC) 90-day Public Consultation on draft DSC Rule began November 25 and ended February 23, 2023 E. Worked with insurance regulators across Canada, finalized CCIR/CISRO guidance

Priority (Sector)	Key Deliverables (2022-25 ABP) and Achievements
	on Fair Treatment of Customers incentives. • Published CCIR/Canadian Insurance Services Regulatory Organizations ("CISRO") Incentives Management Guidance. F. In consultation with industry, built supervision capacity in insurance distribution under FSRA's supervisory framework for Life & Health Insurance, including Agent supervision. • Strengthened capabilities of the life and health agent unit by confirming opportunities and options to automate internal and external processes. G. Explored opportunities in risk-based targeting to prioritize compliance initiatives and address consumer harms. • Reviewed dispute decisions related to accident benefit claims handling • Completed actions related to Commercial Insurance in Minister's Mandate letter • Gathered market intelligence to determine risk-based criteria/ targets H. Worked on developing Health Service Provider supervisory reforms, including enhanced efficiency and more effective regulation through coordination with regulatory colleges and sector participants. Reached internal decision on supervisory reforms **<u>Year-End Achievements Carried Over to FY 2023-24 FSRA – FSRA Board approved:</u>** A. • Draft Rule for MGAs, Draft Interpretation Guidance, Publish Guidance for public consultation C. • Create the first draft of CCIR/CISRO guidance (if required) for Upfront Commissions E. • Confirm FSRA's approach to implementing guidance on incentives
7.1 Implement recommendations from the review of the Mortgage Brokerages, Lenders and Administrators Act,	**Priority Status: Complete** A. Implemented government-approved regulatory amendments that introduced a licensing scheme with enhanced proficiency requirements that better reflect the unique practices of different segments of the mortgage market, and review sector fees to ensure alignment with the new licensing scheme.

Priority (Sector)	Key Deliverables (2022-25 ABP) and Achievements
2006 (Mortgage Brokering)	• Finalized and communicated requirements for private lenders mortgage course and challenge exams. • Adapted systems to track information required to ensure compliance. • Reviewed and approved Out of Province mortgage course and challenge exams. B. Explored and analyzed data sources, such as available market intelligence data, to determine the best information that would assist FSRA and other stakeholders in understanding and monitoring the private lending mortgage market. • Evaluated data received from Teranet to determine if existing information meets FSRA and MOF requirements. • Developed a list of requirements and business case for customization if required.
7.2 Promote high standards of governance and business conduct (Mortgage Brokering)	**Priority Status: Complete** A. Developed and started executing a plan to support brokerages in enhancing governance, controls, and internal processes, which would include ensuring effective implementation of the Mortgage Broker Regulators' Council of Canada (MBRCC) National Code of Conduct. • Created and commenced executing a plan to strengthen conduct culture and compliance of the sector. • Researched best practices that strengthen the effectiveness of the chief compliance person. • Finalized analysis of the Principal Broker questionnaire and identify any gaps from best practices. • Created draft guidance to improve the effectiveness of the principal broker's role regarding conduct and compliance at brokerages. B. Through industry engagement and additional supervision reviews, identified potential governance challenges that brokerages and Principal Brokers face in effectively working with their brokers and agents, to achieve high standards of conduct and to ensure the fair treatment of consumers. • Executed a plan to gather information about conduct and compliance structure, roles and responsibilities of large brokerage networks and their brokerages within the networks. • Reported on findings and recommended next steps. • Created a plan to examine compliance structure and principal broker's role at

Priority (Sector)	Key Deliverables (2022-25 ABP) and Achievements
	large mortgage brokerages.
8.1 Enabling Plan Beneficiaries (Pensions)	**Priority Status: Complete** A. Worked with the standing TACs to develop a thought-leadership piece on leading practices in member communication and engagement strategies. • Published a discussion paper, based on evidence and experience of the sector for response. B. Worked on the development of a new Rule(s) through the existing rule-making powers on Family Law, to act on the findings of the special purpose Technical Advisory Committee in FY2020-21. Consult and engage with the standing TACs on the proposed rules. • Engaged with advisory committees on Rules. • In addition to engaging with the advisory committee in FY 2022-23, in 2023-24 we will be seeking views of the public on the key concepts of the proposed rule before developing the rule itself. C. Supported awareness of and provided neutral unbiased information on the value of pensions to plan members, employees, and society, including through launching a Pension Awareness Day • Developed and made available resources on the value of pensions and prepare for a Pension Awareness Day 2023.
8.2 Protection of Pension Benefits in Ontario’s Pension Sector (Pensions)	**Priority Status: Complete** A. Developed and consulted on a Pension Benefits Guarantee Fund (PBGF) annual performance and financial report • Broad content and narratives of the report developed. Inaugural report as at March 31, 2023 to be released in the Fall of 2023. B. Consulted on ways in which FSRA can continue to execute its mandate to protect pension plan beneficiaries. This could include the development of a resource center for members. FSRA will engage its standing Technical Advisory Committees to prioritize initiatives. • Published two member-focused resources. Member focused guide on commuted values & bankruptcy guide published. C. Piloted benchmarking for defined benefit multi-employer pension plans against the

Priority (Sector)	Key Deliverables (2022-25 ABP) and Achievements
	leading practices identified in Guidance published in 2021 to issue a findings report in 2024. • Benchmarked 30 MEPPs during FY2022-23. D. Continued to work on developing a common liquidity risk framework for the large public sector pension plans. • A common liquidity coverage ratio ("LCR") calculation methodology framework was issued to the large public sector plans. E. Continued to participate in the Canadian Association of Pension Supervisory Authorities' Environmental, Social and Governance committee to produce guidance for the pension sector on Environmental, Social and Governance ("ESG") in pension risk management and investment decision-making. FSRA will also engage with the large public sector pension plans on Environmental, Social and Governance investment and risk management practices over FY2022-23. • A comparative review of public disclosures of ESG practices amongst the large public sector pension plans has been completed.
9.1 Operationalize the title protection framework for Financial Planners / Financial Advisors (FP/FA)	**Priority Status: Complete** A. Accepted applications from entities seeking approval as credentialing bodies under the *Financial Professionals Title Protection Act, 2019* and approve those that meet the minimum standards. • Completed a review of the initial batch of credentialing body applications and approved entities that meet minimum standards. • Continued to meet with institutions that were interested in becoming approved credentialing bodies and explained the application process as well as responded to their questions. • Established a protocol for credentialing bodies to share complaints and disciplinary information with other credentialing bodies and/or regulatory bodies. B. Executed a consumer education campaign to increase consumer knowledge and awareness of the title protection framework. • Executed a paid Industry education campaign. • Launched the initial FSRA consumer webpage. • Developed and published content for complaints resolution webpage. • Launched consumer education campaign in November 2022.

Priority (Sector)	Key Deliverables (2022-25 ABP) and Achievements
	C. Implemented an effective supervisory framework to ensure that credentialing bodies have the necessary policies and procedures in place to protect consumers. • Developed key performance measurements for evaluating the effectiveness of the framework. • Submitted a draft of proposed legislative amendments to MoF. • Established a Stakeholder Advisory Committee for Financial Planners/Financial Advisors and posted a list of members on the website. • Met with approved credentialing bodies to provide information on supervisory plans/themes like ensuring their members keep client's interest first. • Developed an internal report on the effectiveness of FSRA's approach to the supervision of credentialing bodies and credentialing bodies' compliance with the framework. • Implemented a supervisory framework for credentialing bodies.

Performance Measures and Targets

Output and Outcome Based Performance Measures

FSRA completed its work to develop initial outcome-based, quantitative measures that are linked to our priorities and legislative objectives in F2022-23. FSRA will continue to work with our stakeholders to monitor and refine our measures for better alignment to the adoption of principal-based regulation model in the coming years.

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

The core measurement outputs and outcomes are focused on the performance of FSRA's Pension, Insurance, Market Conduct and Credit Union divisions.

Pensions:

Performance Measure(s)	FY2020-21 Baseline[1]	FY2021-22 Actual	FY2022-23 Target	FY2022-23 Actual
Review and resolve pension related inquiries within 45 business days	86%	96%	90%	95%
Review and resolve asset transfer applications within 120 business days[2]	65%	87%	80%	84%

Discussion of Outcomes:

FSRA is committed to providing pension plan beneficiaries and other industry stakeholders

[1] Baseline measures have been established based on FSRA 2022 – 2025 Business Plan.
[2] Starting April 1, 2023, the asset transfer applications will have separate performance measures for DC plans (90 business days) and DB plans (120 business days).

with helpful and timely information on pension-related matters. Recognizing the importance of employment-based pension plans as a means to helping provide plan members with a financially secure retirement, FSRA has consistently exceeded its performance target for reviewing and resolving pension related inquiries within 45 business days.

FSRA's service standard metric for reviewing and approving both defined-benefit and defined-contribution asset transfer applications exceeded our performance target this fiscal year. The applications that did not meet the service standard for this fiscal year were all filed incomplete or with compliance issues. Applicants also did not respond to these issues in a timely manner and/or the application had significant compliance issues that required a revised application to be filed.

Moving forward FSRA continues to take a risk-based approach to asset transfer applications and will work with the pension sector to improve the quality of applications filed. FSRA will also be transparent in pausing service standards on asset transfer applications where applicants do not address compliance issues in a timely manner.

Auto Insurance and Rates:

Performance Measure(s)	FY2020-21 Baseline[3]	FY2021-22 Actual	FY2022-23 Target	FY2022-23 Actual
Review and decision made for major rate fillings within 45 business days	71%	95.8%	90%	91.1%
Standard and Minor filings reviewed and decision made within 25 business days a) Private Passenger Auto ("PPA") Standard filings	100%	97.5%	100%	85%
b) Non-PPA Minor filings	100%	95%	85%	97.1%
Review and decision made for Underwriting rules, Endorsement and Form fillings within 30 business days	100%	95.7%	80%	94.6%

Discussion of Outcomes:

FSRA's service standards for auto insurance are aimed at improving market health with more efficient regulation that enables market entry, responsiveness and innovation that delivers value for money for consumers.

FSRA met service levels in all areas but one. For F22-23 YTD scores for Standard Filings of 85% falls short of the 100% target. This is because in Q2, five insurer Standard submissions did not adhere to FSRA's rate regulation principles, requiring in-depth and

[3] Baseline measures have been established based on FSRA 2022 – 2025 Business Plan.

longer review. FSRA was able to meet or exceed service levels for insurers who demonstrated accountability for oversight of their pricing and business practices and for readiness for regulatory review. FSRA's rate and underwriting strategy is to streamline a risk-based approach to filings with clear expectations to insurers.

FSRA's current service standard metrics indicate improved regulatory efficiency by focusing regulatory resources based on risk, collaborating with insurers to communicate expectations for principles-based regulation and enabling insurers who demonstrate internal governance for fair and accurate rates to respond more quickly to market conditions.

Market Conduct:

Performance Measure(s)	FY2020-2021 Baseline[4]	FY2021-2022 Actual	FY2022-2023 Target	FY2022-2023 Actual
Resolve complaint files in 120 days	86%	92%	80%	94%
Resolve complaint files in 270 days	97%	98%	95%	99%

Discussion of Outcomes:

FSRA strives to respond to complaints in a fair and timely manner, and is committed to reviewing complaints in a thorough and impartial manner while ensuring that FSRA's process is fair to both the complainant and the licensee who is the subject of the review. FSRA has established service standards to ensure all complaints are assessed for action or escalation within 120 or 270 days depending on the complexity of the complaint. Additional time may be required when all necessary evidence is not available for review.

For FY2022-23, FSRA exceeded its target and baseline measures by completing its review on 94% of complaint files within 120 days and 99% of complaint files within 270 days.

[4] Baseline measures have been established based on FSRA 2022 – 2025 Business Plan.

Credit Union:

Performance Measure(s)	FY2020-21 Baseline[5]	FY2021-22 Actual	FY2022-23 Target	FY2022-23 Actual
Issue supervisory letters (and interim supervisory letters) to the Credit Union within 90 days after completed assessment	N/A	N/A	90%	91%
Assessments completed as part of the approved annual supervisory plan	N/A	N/A	100%	100%
Process application within 30 business days of receiving all required information	N/A	100%	90%	100%

Discussion of Outcomes:

FSRA's performance measures for credit unions are aimed at protecting member deposits, promoting confidence in the sector, minimizing exposure of the Deposit Insurance Reserve Fund ("DIRF") to loss, and enhancing sector stability. FSRA met or exceeded all credit union performance measures for 2022-23.

A key achievement for FSRA this year included the implementation of the integrated Risk Based Supervisory Framework ("RBSF") for credit unions (Priority 5.3 - Implement Risk Based Supervision). Risk-based supervision ("RBS") is outcomes-focused, forward-looking, and seeks to assess the most important prudential and conduct risks posed by Credit Unions' business activities and the extent to which Credit Unions can manage and mitigate these risks. The RBSF implementation was supported by the development of an annual supervisory plan to guide the completion of supervisory assessments.

FSRA's current performance measures for credit unions indicate improved regulatory efficiency through improved resource allocation and processes to the areas of greatest risk, increased supervisory effectiveness, and timely approvals.

For more information, please refer to the Service Standards guidance on the FSRA's website.

[5] Baseline measures have been established based on FSRA 2022 – 2025 Business Plan.

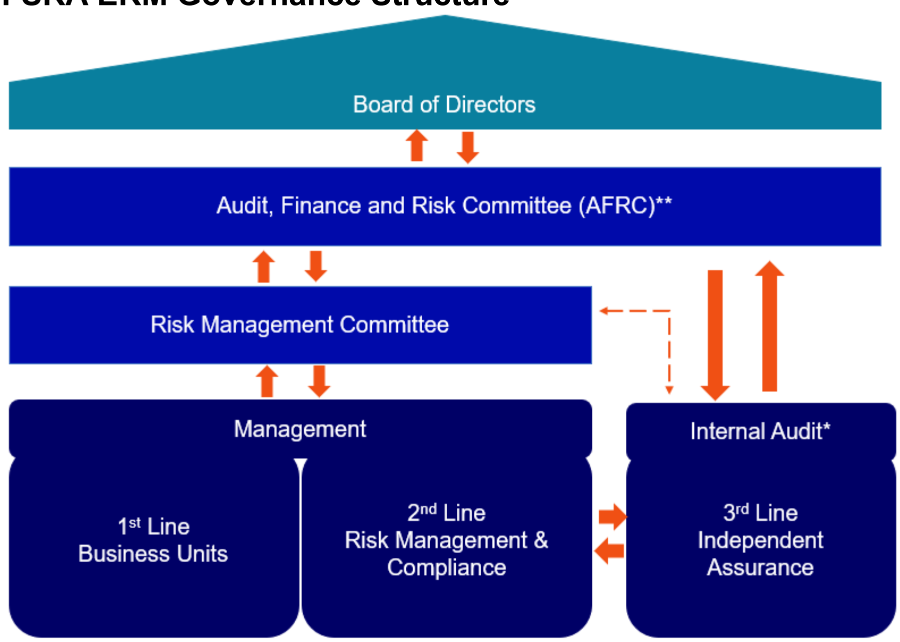
Risk Identification, Assessments and Mitigation Strategies

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

FSRA's ERM Framework is well operationalized and supervised at both the Executive and Board levels. The Executive-level Risk Management Committee (RMC) supervises and monitors business units' risk profiles and risk mitigation strategies via active and robust discussions. The RMC held 5 meetings in 2022-2023. Under a delegated authority, the Audit, Finance and Risk Committee ("AFRC") of the Board[6] oversees risks at the broader enterprise level and their alignment with FSRA's risk appetite. The Chief Risk Officer ("CRO") regularly reports key risks to the AFRC.

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

FSRA ERM Governance Structure



** Internal Audit reports functionally to the Board and administratively to the EVP, Corporate Services*
*** Before April 1, 2023, oversight of Risk Management was conducted by the Governance Committee of the Board*

[6] Before April 1, 2023, oversight of Risk Management was conducted by the Governance Committee of the Board

2022-2023 Highlights

- Operationalized the enterprise Risk Appetite Statement ("RAS") to ensure FSRA achieves the strategic priorities while maintaining the risks within the tolerance level.
- Continued monitoring of FSRA's risk profile against the approved risk appetite with the focus on mitigating any risk appetite breach.
- Leveraged technology transformation through FSRA*Forward* to automate and streamline the governance for risk management, compliance, deficiencies management and enterprise policy management.
- Enhanced FSRA's compliance with the requirements of the Accessibility for Ontarians with Disabilities Act ("AODA").
- Completed an annual report highlighting the progress made on FSRA's accessibility initiatives.
- Strengthened FSRA's Enterprise Policy Management and Certificate of Assurance ("CoA") processes through regular communication with stakeholders and provision of support on compliance related matters.
- Maintained service standards and compliance in the Freedom of Information ("FOI") Program.
- Maintained the Privacy Management Program to continue to meet its legislative obligations under the Freedom of Information and Protection of Privacy Act ("FIPPA").

FSRA continues to:

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

Key Risks and Mitigations

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

Risk Type	Mitigation Plan
Macroeconomic & Systemic Risk: The risk that an economic downturn, caused by various factors happening concurrently (e.g., COVID-19 lingering/lagging impact, geo-political event, global recession, unemployment, interest rate risk, inflation, etc.), would threaten the financial soundness and stability of FSRA's regulated financial sectors.	FSRA continues to progress on risk-based supervision, promoting effective governance, and risk management in the regulated sectors. To enhance the early warning system, FSRA has strengthened the surveillance of the macro environment and trends. In coordination with other regulators, FSRA is monitoring the financial soundness of regulated sectors using available tools. FSRA issues regulatory relief or guidance to regulated sectors, as appropriate.

Risk Type	Mitigation Plan
Operational Resilience: The risk that business disruption would pose significant challenge to FSRA in delivering its regulatory services and mandates on a timely basis.	FSRA has a holistic Crisis Management Guideline in place to ensure business continuity. FSRA continues to proactively enhance its operational resilience.
Cybersecurity Risk: The risk that FSRA's systems are breached or compromised, which may lead to the theft of its information and/or impairment of its ability to sustain Information Technology (IT) operations.	FSRA continuously strengthens its efforts to mitigate significant and emerging cybersecurity exposures. The well-established cybersecurity program at FSRA is being reviewed regularly with updated tools and controls to maintain adequate cybersecurity posture.
Sustainability of DIRF & PBGF Funds: The risk of significant withdrawals – from the DIRF to pay insured depositors of insolvent credit unions, and from the PBGF to cover claims of Single Employer Pension Plans (SEPPs) with solvency funding deficit.	FSRA has arranged a new Line of Credit through OFA to back-stop the DIRF, and continues to monitor liquidity and capital ratios at credit unions (CUs). FSRA has established a new DIRF Technical Advisory Committee (TAC) to evolve its approach to managing the funds. FSRA has also published Recovery Planning Guidance at credit unions with the aim of reducing the likelihood of systemic sector (CU) failure. FSRA established a PBGF Advisory Committee, now renamed as Statutory Funds Advisory Committee (SFAC), to provide advice on PBGF and DIRF related matters. To minimize the potential claims to PBGF, FSRA continues its execution of prudential supervision of SEPPs. Further, FSRA is navigating the transition to the planned return-seeking investment strategy to support the prudent management of assets in the PBGF.
Challenges Caused by Legacy Software & Technology: The risk of service delivery delay/disruption due to a failure to resolve the outdated business application issues in a timely manner.	FSRA is following and progressing on a FSRAForward blueprint to replace legacy applications by 2025.
Regulatory & Cultural Transformation: The risk that FSRA needs to transform the regulatory framework and organizational culture it inherited, through an aggressive set of transformative priorities, while continuing to provide effective and efficient day-to-day regulation with limited resources.	FSRA is closely monitoring the progress against transformative priorities set forth in the 2022-2025 Annual Business Plan (ABP). Additionally, the service standards have been regularly measured and published to ensure we deliver our committed regulatory services while continuing to transform.

Our People

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

1. Culture Advancement

FSRA's Vision, Mission, Values and Behaviours, completed early in 2019-2020, continue to inform our approaches, policies, process, and norms.

FSRA is committed to building a positive, inclusive workplace culture. Culture advancement initiatives include implementing a diversity, equity, and inclusion framework and developing a cross-functional committee that champions employee education initiatives and events.

FSRA continued to implement its Learning and Development plan throughout 2022-23, offering centralized in-house development opportunities at the corporate and functional level, and supporting individual learning requests.

FSRA will continue action planning to build on employee engagement survey results. FSRA's performance management and pay-for-performance systems are also aligned.

Employee health and safety has been FSRA's top priority over the course of the pandemic with the majority of staff now hybrid or on-site, based on operational requirements. FSRA has adhered to all public health guidance and ensured flexibility to support physical and mental well-being in trying to balance the pressures of the current and future situations.

FSRA developed a reintegration plan that reflects best practices, advice and timing from public health authorities, and informed parties, and launched a hybrid work model in November 2022.

FSRA will continue to adapt its work practices to support effective and efficient delivery of business operations in a hybrid work environment.

2. Investment in Talent

With over 200 of FSRA's positions vacant at launch, recruitment of talent was a priority. Between June 8, 2019, and March 31, 2023, FSRA has prioritized both recruitment of new external colleagues and internal job changes to meet FSRA's evolving needs.

A learning and development framework, and associated activities, supported the credibility of FSRA's teams with the regulated sector. This allowed FSRA to continue the journey to becoming a principles-based regulator.

3. Strong Foundations

The Human Resources Information System, called Workday, supports digital transformation. FSRA has built HR, Payroll and Recruitment, Advanced Compensation, Performance and Talent Management, and Learning modules in Workday.

4. Human Resources Excellence

FSRA established policies and processes to identify, manage and control HR risks, and ensure alignment with legislative and directive requirements. The HR Business Model gives leaders knowledge to effectively access HR business services and support.

As of March 31, 2023, FSRA has 593 employees: 513 permanent full-time and 79 fixed term. The budgeted FTE for fiscal year 2022-23 is 577.

FSRA developed a detailed Business Continuity Plan ("BCP") to ensure critical regulatory sector work would continue. The initial stages were successfully tested during COVID-19. We refined the BCP in 2022-23. In 2024, we will recalibrate our BCP to meet the needs of our current operating environment.

Collective bargaining for the OPSEU and AMAPCEO Union groups is underway. FSRA completed contingency planning for all functional areas in 2022-23. FSRA's internal Bargaining Committee has established a concrete draft proposal for reference during bargaining negotiations.

Communication Plan

Internal Communications

As the pandemic continued throughout 2022-23, FSRA prioritized employee wellbeing to ensure a healthy and balanced workforce by providing a timely, consistent, and transparent source of information.

Following public health guidance, FSRA launched a hybrid work model during 2022-23. Through internal communication, employees received relevant information and resources, supporting ongoing business continuity and service delivery during the transition. These efforts included:

- Maintaining and growing FSRA communication channels, including cross- sectoral Communities of Practice, extracurricular community groups, the intranet, and all staff emails. Through these channels, we provided comprehensive information to employees and promoted opportunities for virtual and in-person engagement in FSRA's new hybrid work model.
- Organizing departmental and all-employee town hall meetings in both virtual and hybrid formats.
- Editing and distributing a monthly FSRA Update internal newsletter.
- Promoting and launching the second employee engagement survey and action planning activities, based on our core values and principles.
- Leading the internal communication of large-scale change management activities related to technology, employer branding initiatives, and hybrid work.

External Communications

This past year marked FSRA's third anniversary as an independent government Agency. The organization is committed to protecting consumers by promoting the importance of educating the public, maintaining high standards of business conduct, and improving transparency within the sectors it regulates.

FSRA's key achievements in 2022-2023, include the following:

<u>Expanded Reach</u>

- Hosted the first in-person FSRA Exchange event on January 19, 2023, offering both in-person and virtual options to participate. This all-sector event helped to promote the understanding of FSRA and its approach.
    - It was attended by 300 people in person and nearly 600 virtually.
    - More than 80 percent of in-person attendees and more than 60 percent of virtual attendees found the topics relevant to them.
    - The event focused primarily on Principles Based Regulation and included breakout sessions for Auto Insurance, Credit Unions, Pensions, Mortgage Brokering, and Life & Health Insurance.
- Launched six new technical briefings to engage and educate the sectors on its work.

There were almost 5,000 participants, with an overall approval rating of 80 percent.

- Released 16 public consultations, with supporting communications tactics via eblast, news release, and social media.
- Increased the organization's media and social media reach:
    - FSRA's media mentions increased by more than 270 per cent in 2022.
    - Participated in 45 interviews, promoting consumer protection.
    - Actively engaged stakeholders throughout the year, especially during consumer education campaigns, resulting in an increase in positive media and social media coverage.
    - Engaged in more events, including staffing trade show booths, and marking special days and milestones to create broader awareness on social media channels.

Consumer Education

Consumer education continues to be an area of growth at FSRA, as Public Affairs executes on a variety of public education campaigns, employing a growing number of tactics, and making positive adjustments going forward. The 2022-23 Consumer Education Framework was developed by following the consumer education priorities in the 2022-25 Annual Business Plan. The overarching goal was to advance the object to protect the rights and interests of consumers while creating awareness of the important work FSRA is doing.

The consumer education campaigns were a mix of strategic and targeted earned media, social media, and paid media tactics. FSRA also leveraged stakeholder channels to amplify its message.

Campaign focus	How the campaign supports consumer education / protection	About the campaign
Deposit Insurance Reserve Fund ("DIRF") (October 2022)	Promotes the protection of Credit Union members.	Raised awareness of deposit insurance coverage for members of Ontario credit unions and caisses populaires.
Financial Planners / Financial Advisors (Consumer) (November 2022)	Effective industry and consumer education campaigns lead to a more knowledgeable public and sector and support the implementation of the title protection framework.	Focused on educating consumers about the new approach and the questions they should be asking when working with a Financial Planner or Financial Advisor. This campaign was timed to coincide with Financial Literacy Month.
Pensions (February 6 – 16,	Support awareness of and provide neutral unbiased	Launched the first annual **Pension Awareness Day** to create greater

Campaign focus	How the campaign supports consumer education / protection	About the campaign
2023)	information on the value of pensions to plan members, employers, and society, including through launching FSRA's first Pension Awareness Day.	awareness among targeted audiences about pensions generally, and the value of a workplace pension plan. It also focused on the importance of starting to save early for retirement.
Auto Insurance Fraud Prevention (March 2023)	Improved transparency, disclosure, and public awareness regarding P&C Insurance in general and auto insurance rates.	Educated Ontario drivers on how to identify, prevent and report auto insurance fraud.
Private lending (March 2023)	Housing is an issue that is top of mind for many people, especially in the GTHA.	Educated targeted audiences about private mortgages (e.g., what to do if they are considering a private mortgage, considerations to think about before committing to one, and the importance of an exit strategy).
Financial Planners / Financial Advisors (Industry) (March 2023)	Developed an effective campaign to educate the industry about the benefits and transition period for the new Financial Professionals Title Protection Framework.	Educated industry on FSRA's processes and requirements to comply with the new Financial Professionals Title Protection Framework, while providing support and guidance. Also, highlighted the benefits of an official credential.

FSRA Website

- Decommissioned the Financial Services Commission of Ontario website.
- Implemented a new enforcement and warning database (transferred approx. 2,000 files) with increased content to align with transparency principles.
- Created consumer videos, podcasts, and consumer content in support of the consumer education campaigns
- Forms and guidance tables filtered by sector for easy access within each sector's landing page.
- Implemented a site-wide translation tool that allows users to view, understand and apply content in their own language.
- Implemented a new Whistle-blower module that allows the submission of misconduct information.
- Revised form instructions within the complaint module to improve download and form completion.

- Enhanced website experience for consumers and industry users by continuing to apply plain language to new content, revising navigation, and design.
- Added new pages to highlight the FSRA Innovation Office and Consumer Office.

Analysis of Financial Performance

Below is a comparison between FSRA's actual results for the fiscal year 2022-2023 and the previous year, as well as a comparison to the 2022-2023 budget. Additionally, there will be a discussion about FSRA's financial position as of March 31, 2023, in comparison to March 31, 2022.

This analysis provides an overview of FSRA's financial activities for the fiscal year 2022-2023 and should be read in conjunction with FSRA's audited financial statements for the years ended March 31, 2023, and 2022, and the notes contained therein.

Financial Highlights

The key financial metrics for the current fiscal year and the prior fiscal year are summarized below:

(in millions of dollars)	12 Months Ended March 31, 2023	12 Months Ended March 31, 2022	Variance ($)	Variance (%)
Revenue	$ 109.76	$ 103.89	$ 5.87	6%
Expenses, net of recoveries	(105.67)	(93.76)	(11.90)	-13%
Excess revenue over expenses	$ 4.09	$ 10.13	$ (6.04)	-60%

(in millions of dollars)	As At March 31, 2023	As At March 31, 2022	Variance ($)	Variance (%)
Total assets	$ 115.38	$ 110.35	$ 5.03	5%
Total liabilities	(103.73)	(102.79)	(0.94)	1%
Net assets	$ 11.65	$ 7.55	$ 4.10	54%

- Total assets increased by 5% or $5.0 million to $115.4 million as at March 31, 2023. Approximately $4.1 million of the surpluses generated during the year and $1.0 million of capital asset additions account for this increase.

- Total liabilities increased by 1% or $0.9 million to $103.7 million as at March 31, 2023. This increase can be attributed to the following factors:
    - An increase of $3.1 million in Trade and other payables; and
    - An increase of $1.6 million in Deferred revenue; and

  These increases were partially offset by:

    - A decrease of $2.2 million in loan payable as a result of loan amortization principal repayment;
    - A decrease of $1.2 million in employee future benefits; and

- A decrease of $0.4 million in deferred office lease inducements.

- Total revenue for 2022-2023 was $109.8 million and total expenses (net of recoveries) were $105.7 million resulting in an excess of revenue over expenses for the year of $4.1 million.

Revenue

(in millions of dollars)	2023 Actual	2023 Budget	2022 Actual	2023 Actual vs Budget ($)	2023 Actual vs Budget (%)	2023 Actual vs 2022 Actual ($)	2023 Actual vs 2022 Actual (%)
Assessments	$ 77.3	$ 77.3	$ 75.7	$ 0.0	0%	$ 1.6	2%
Fees	29.1	28.7	27.6	0.4	1%	1.5	5%
Interest income	3.4	-	0.6	3.4	100%	2.8	448%
Total revenue	$ 109.8	$ 106.0	$ 103.9	$ 3.8	4%	$ 5.9	6%

FSRA recovers its budgeted costs from the sectors it regulates through a combination of variable assessments and fixed fees. In 2022-2023, the total revenue was $3.8 million, or 4% higher than the budget, and $5.9 million, or 6% higher than the 2021-2022 revenue.

Assessment revenue remained the same as the budget. The $1.6 million or 2% year-over-year increase in assessment revenue corresponds to an increase in budgeted costs.

Revenue generated from fixed fees was $0.4 million (1%) higher than the budget and $1.5 million (5%), or higher than the previous year. Out of this $1.5 million increase, $0.7 million came from the mortgage broker sector, $0.6 million came from the insurance sector, and $0.2 million came from the financial planning and advisory sector.

Interest income represents interest earned on FSRA's cash balances. In 2022-2023, interest income was $3.4 million, compared to nil in the budget, and $2.8 million higher than in the previous year. This increase can be attributed primarily to a higher average cash balance and rises in the bank interest rate on cash deposits.

Expenses

(in millions of dollars)	2023 Actual	2023 Budget	2022 Actual	2023 Actual vs Budget ($)	2023 Actual vs Budget (%)	2023 Actual vs 2022 Actual ($)	2023 Actual vs 2022 Actual (%)
Salaries and benefits	$ 72.99	$ 80.30	$ 68.70	$ 7.31	9%	$ (4.29)	-6%
Professional services	18.06	13.20	12.50	(4.86)	-37%	(5.56)	-44%
Technology	5.32	6.60	5.10	1.28	19%	(0.22)	-4%
Accommodation	4.44	4.40	4.10	(0.04)	-1%	(0.34)	-8%
Other operating expenses	8.61	10.60	7.20	1.99	19%	(1.41)	-20%
Total expenses	109.42	115.10	97.60	5.68	5%	(11.82)	-12%
Less recoveries	(3.76)	(4.00)	(3.80)	(0.25)	-6%	(0.04)	-1%
Expenses, net of recoveries	$ 105.67	$ 111.10	$ 93.80	$ 5.43	5%	$ (11.87)	-13%

Salaries and benefit costs represent FSRA's largest expense and were $7.3 million lower than the budget and $4.3 million higher than the prior year. The primary factor contributing to the favorable variance from the budget is primarily associated with delays in recruitment.

Professional services costs were $4.9 million higher than the budget and $5.6 million higher than the prior year mainly due to higher professional service costs for the FSRA *Forward* initiative. FSRA *Forward* costs are being spread over five years in the budget but are expensed as incurred in accordance with Public Sector Accounting Standards in FSRA's actual results. The budgeted 2022-2023 professional service costs for FSRA *Forward* were $3.7 million and actual costs were $8.8 million resulting in a $5.1 million unfavourable variance mainly due to time differences. This unfavorable variance was partially offset by $0.2 million in lower than anticipated service costs.

Technology costs were $1.3 million lower than the budget due to lower spending on software purchases and technology support services compared to budget.

Other operating expenses were $2.0 million lower than the budget mainly due to lower spending on travel and staff development and lower than budgeted capital asset amortization. Other operating expenses increased by $1.4 million when compared to the prior year. This year-over-year increase is primarily attributed to higher travel and staff development expenses, amortization of capital assets, and bad debt expenses.

Liquidity and Financial Position

(in millions of dollars)	2023 Actual	2023 Budget	2022 Actual	2023 Actual vs Budget ($)	2023 Actual vs Budget (%)	2023 Actual vs 2022 Actual ($)	2023 Actual vs 2022 Actual (%)
Cash balance at March 31st	$ 90.2	$ 75.8	$ 77.0	$ 14.4	19%	$ 13.2	17%
Capital asset additions	$ 1.0	$ 1.1	$ 1.9	$ (0.1)	-9%	$ (0.9)	-47%
Additional loan advances	$ -	$ -	$ 3.0	$ -	n/a	$ (3.0)	n/a

As of March 31, 2023, FSRA's cash balance exceeded the budget by $14.4 million. This positive variance can be attributed to a higher-than-expected surplus for the year and favorable differences in other working capital balances. Compared to the previous year, cash increased by $13.2 million. The primary factors contributing to this increase are the favorable variances in other working capital balances and the surplus generated during the 2022-2023 fiscal period.

Cash at March 31, 2023, also includes $0.4 million in restricted funds from the collection of administrative monetary penalties and $3.2 million in funds held by FSRA in its role as a provider of administrative and support services for various organizations. These funds are held in separate bank accounts and are not available for general use (refer to Note 8 and Note 14 to the FSRA financial statements).

FSRA's financial position continues to remain strong. FSRA ended 2022-2023 with net working capital (current assets minus current liabilities) of $54.6 million. A portion of this net working capital balance is being held to finance certain long-term employee future benefits and other long-term obligations.

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

Unrestricted Net Assets

Unrestricted net assets at March 31, 2023, are $6.7 million as summarized in the following table.

($ millions)		
Unrestricted net assets at March 31, 2022	$	2.6
Excess revenue over expenses before surplus spending		11.8
Approved surplus spending		(7.7)
Excess revenue over expenses		4.1
Unrestricted net assets at March 31, 2023		6.7

Initiatives Involving Third Parties

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

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

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

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

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

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

As noted in other sections in this report, FSRA worked closely with members of these forums on various key initiatives in 2022-23, often taking a lead by chairing committees, conducting research and analysis, and preparing drafts, including, but not limited to:

- In October 2022, after serving as Vice-Chair, FSRA's CEO Mark White was appointed the Chair of the Market Conduct Working Group of the International Association of Insurance Supervisors.
- In April 2022, CISRO published the Principles of Conduct for Insurance Intermediaries.
- In April 2022, CCIR, in conjunction with the Canadian Securities Administrators, published proposals that would enhance total cost reporting for investment funds and segregated funds.
- In September 2022, CCIR and CISRO published a discussion paper for public consultation on upfront compensation paid for the sale and servicing of segregated funds and individual variable insurance contracts.
- In November 2022, CCIR and CISRO released the Incentive Management Guidance, complementing the 2018 CCIR and CISRO Conduct of Insurance Business and Fair Treatment of Customers guidance.
- In February 2023, CISRO published a new Life Insurance Replacement Declaration ("LIRD") form for public consultation.
- In July 2022, MBRCC published Principles for Cybersecurity Preparedness.
- In 2022 CAPSA conducted consultations on risk topics including:
    - A proposed approach to Risk Management Guideline.
    - CAPSA Guideline: Leverage and the Effective Management of Associated Risks.
    - CAPSA Guideline: Environmental, Social, and Governance Considerations in Pension Plan Management.
    - CAPSA Guideline: Cyber Risk for Pension Plans.
    - In May 2022, CAPSA conducted consultations on proposed revisions to its Guidelines for Capital Accumulation Plans.

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

CCIR Annual Statement on Market Conduct ("ASMC") Database

The CCIR ASMC collects information from insurers across Canada related to their governance, practices, policies, and treatment of customers. The requirement to complete and file the ASMC is based on the authority of each provincial and territorial insurance regulator within their jurisdiction. The information collected has facilitated a better understanding of the market for regulators. It has also assisted in proactively identifying potential risks to ensure insurance customers are being treated fairly.

Disciplinary Actions Database

The CCIR/CISRO Canadian Insurance Regulators Disciplinary Actions ("CIRDA")

Database is a searchable database of published insurance disciplinary decisions in Canada. A public website enables consumers and regulators to search individuals and firms that have been subject to enforcement action by insurance regulators in Canada, including FSRA. In addition, the MBRCC Disciplinary Actions Database is also a searchable database, offering public access to mortgage broker regulatory decisions issued by member regulators of the MBRCC.

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

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

Response to Expectations Set Out in Agency Mandate

FSRA worked closely with the Ministry of Finance in 2022-23 pursuant to the mandate letter from the Minister of Finance to the Chair of FSRA.

In 2022-2023 FSRA contributed to burden reduction goals, while improving regulatory efficiency and effectiveness across FSRA's regulated sectors. Furthermore, FSRA contributed to reforming of Ontario's financial services and pension sectors through the various initiatives outlined in the letter. These include, but are not limited to, the following:

- Identified and pursued opportunities for innovative practices and/or improved sustainability.
- Supported progress on the Blueprint strategy for Ontario's auto insurance system, with a focus on reducing costs, creating more consumer choice, tackling fraud, and enhancing fairness through rates and underwriting reforms and a review of how drivers access benefits.
- Ensured effective administration of the *Financial Professionals Title Protection Act, 2019*. FSRA will establish and maintain a public registry of individuals who hold approved Financial Planner / Financial Advisor credentials.
- Supported the continued implementation of the *Credit Unions and Caisses Populaires Act, 2020*, to reduce burden, boost competitiveness and promote trust and stability in the credit union sector.
- Implemented the new licensing regime for the mortgage brokering sector stemming from the legislative review of the *Mortgage Brokerages, Lenders and Administrators Act, 2006* to enhance consumer protection and increase professionalism in the industry.
- Continued to engage the pension sector through the technical advisory committees and the Retiree Advisory Panel to support the development of better processes, guidance, and approaches to regulatory oversight.

In addition to those priorities outlined in the 2022-25 ABP FSRA supported the Minister's expectations with respect to:

- Competitiveness Sustainability and Expenditure Management
- Transparency and Accountability
- Risk Management
- Workforce Management
- Diversity and Inclusion
- Data Collection
- Digital Delivery and Customer Service
- Diversity and Inclusion
- COVID-19 Recovery

Information Technology and Electronic Service Delivery Plan

FSRA continued to strengthen its core information technology ("IT") capabilities and build modern, secure, and flexible technology platforms. This allows FSRA to be more responsive and adaptable to changing regulatory needs.

FSRA started the execution of its Information Technology and Cybersecurity 3-year strategic plan, which will be reviewed on an annual basis.

Our achievements for the FY 2022-23 included the following:

- Launched the online Whistle-blower Platform
- FSRA*Forward*: continues to implement the Core Regulatory Solution and Data Insights
- Workday ERP enhancements
- Additional digitization of paper records
- Implemented the first Machine Learning application for assisting in Licensing and Supervision activities
- Launched the Data Science Lab pilot
- Completed Initial Prototype Phase of the Enhanced Data Collection project with one of the largest Credit Unions in Ontario
- Conducted FSRA's first cyber threat simulation with the executive leadership
- Rolled out multiple cybersecurity enhancements to protect FSRA against cyber threats
- Improved FSRA's cybersecurity posture by remediating multiple gaps and improving phishing awareness of employees

FSRA continued with its transformational FSRA*Forward* Program. Significant progress has been made toward the implementation of Licensing and Registration, Filings and Approvals, and Monitoring and Compliance regulatory processes. The launch for Licensing is experiencing some delays and the program team is working to establish a new timeline. In addition to modernizing regulatory processes and technology that enables them, FSRA has continued its work under the Data Insights program to further enable activities in regulated sectors by providing easy and timely access to accurate information. Achieving fully digital, integrated, and flexible technology and process is a multi-year journey.

The transformation is supported by FSRA's cybersecurity program that is aligned with National Institute of Standards and Technology Cybersecurity Framework ("NIST CSF"), a leading cybersecurity risk management framework, and is consistent with the approved cybersecurity roadmap. FSRA leverages independent third-party assessments and industry best practices to inform the cybersecurity roadmap and prioritize initiatives in order to minimize FSRA's overall cybersecurity risk.

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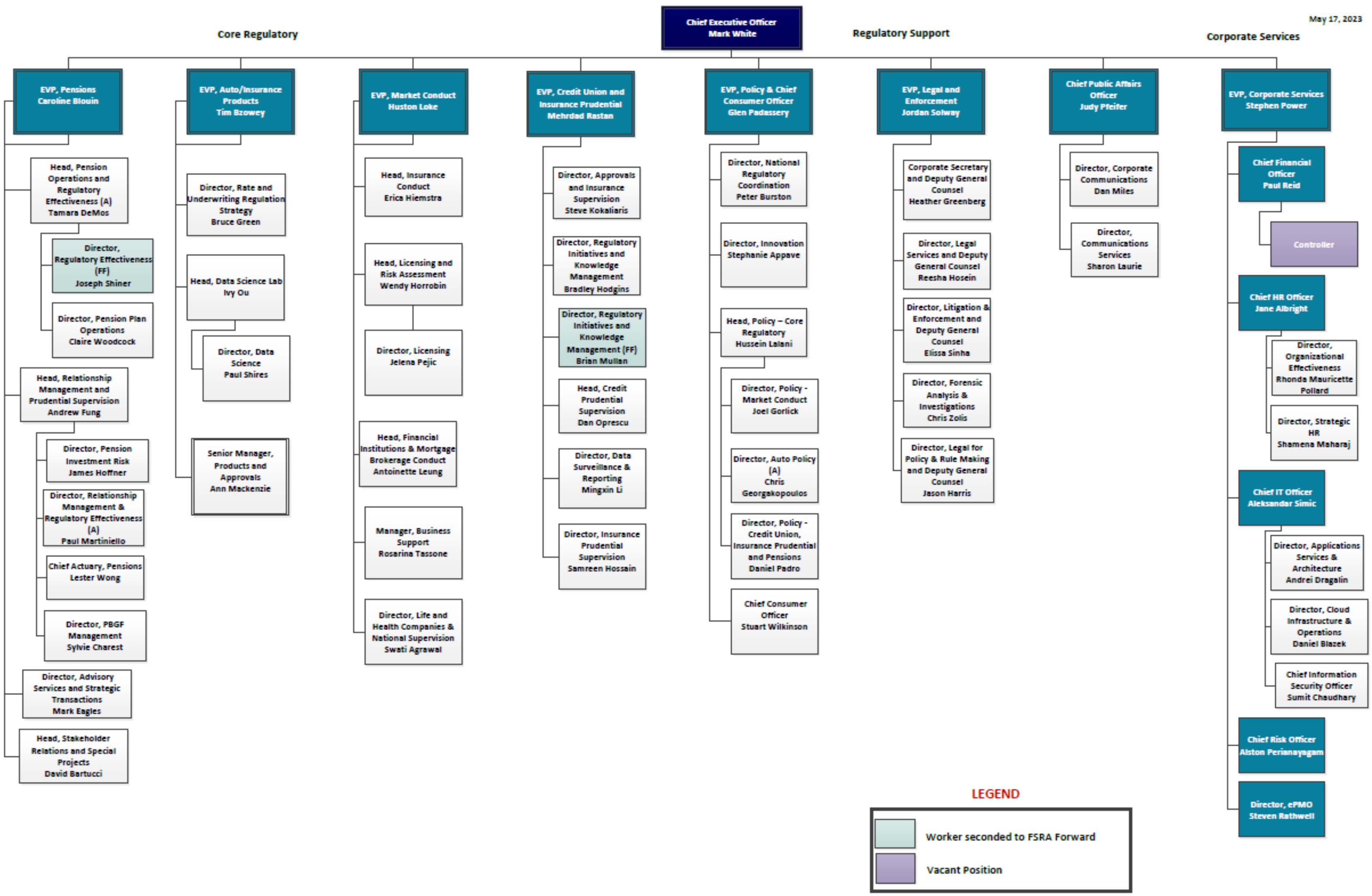
Appendix A: Organization Structure (March 31, 2023)



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Appendix B: Service Standards

Sector	Service	Standard	Target %	Stretch Target %	Q1 2022-23	Q2 2022-23	Q3 2022-23	Q4 2022-23
Credit Unions	Regulatory approvals	All credit union regulatory applications processed within 30 days after all required information received.	90%	100%	100%	100%	100%	100%
	Member/ public inquiries	Telephone and email inquiries responded to or acknowledged within 1 business day.	95%	100%	100%	94.9%	98.1%	100%
	Examination Reports	Final Examination Report or Interim Examination Report to be provided to the Credit Union no later than 60 business days after the examination.	65%	100%	100%	80%	100%	100%
Auto	Filing	Percentage of Private Passenger Auto (PPA) Standard filings reviewed, and decision made within 25 business days.	100%	N/A	78.6%	66.7%	100%	100%
	Filing	Percentage of non-PPA Minor filings reviewed and decision made within 25 business days.	85%	N/A	100%	80%	100%	100%

Sector	Service	Standard	Target %	Stretch Target %	Q1 2022-2023	Q2 2022-2023	Q3 2022-2023	Q4 2022-2023
Auto	Filing	Percentage of Major rate filings reviewed, and decision made within 45 business days.	90%	N/A	100%	50%	100%	94.7%
	Filing	Percentage of Underwriting Rules, Endorsement and Form Filings reviewed, and decision made within 30 business days.	80%	N/A	91.9%	88.9%	100%	100%
Pensions	Inquiries	Inquiries (plan specific, non-plan specific and general) will be responded to within 45 business day.	90%	100%	95.2%	95.5%	92.5%	93%
	Application	Defined Benefit Plan wind up applications will be reviewed, and a decision will be made within 120 business days.	90%	100%	100%	88.9%	90.9%	71.4%
	Application	Defined Contribution plan wind up applications will be reviewed, and a decision will be made within 90 business days.	90%	100%	100%	93.8%	100%	100%

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Sector	Service	Standard	Target %	Stretch Target %	Q1 2022-2023	Q2 2022-2023	Q3 2022-2023	Q4 2022-2023
Life and Health Insurance, P&C Insurance, HSP, Mortgage Brokering, Credit Unions, Loan & Trust Corporations	Complaints-Sector	FSRA will acknowledge complaints in writing within 3 business days of receipt provided that the reply information is available.	90%	100%	91.5%	96.6%	97.3%	98.9%
	Complaints-Sector	Within 120 days, complaints containing all available information will be assessed and actioned for a range of possible outcomes inclusive of escalation to other areas of FSRA, transfer to third party dispute organizations, warning and caution letters and closed with no action.	80%	85%	98.1%	98.1%	93%	93.8%
	Complaints-Sector	Within 270 days, complaints containing all available information will be assessed and actioned for a range of possible outcomes inclusive of escalation to other areas of FSRA, transfer to third party dispute organizations, warning and caution	95%	98%	100%	99.5%	99.4%	99.4%

Sector	Service	Standard	Target %	Stretch Target %	Q1 2022-2023	Q2 2022-2023	Q3 2022-2023	Q4 2022-2023
		letters and closed with no action.						
Mortgage Brokers, Insurance	Licensing – Individuals[7]	Licences will be issued 10 days from receipt of a complete application (complete, with payment, and no suitability issue identified during the application review process).	80%	90%	n/a	n/a	n/a	n/a
	Licensing – Individuals	Applicants who have submitted incomplete licensing applications (missing information, payment, qualifications, or documents) will be informed that their application is incomplete within 10 business days or receipt.	80%	90%	n/a	n/a	n/a	n/a
	Licensing – Individuals	Applicants submitting licensing applications	80%	90%	n/a	n/a	n/a	n/a

[7] Note: FSRA is in the process of updating its internal and external licensing systems through the FSRAForward Digital Transformation initiative. The new systems will positively impact applicants, licensees and licensing stakeholders. Once new systems are implemented, FSRA will consult with stakeholders to establish new meaningful and reliable licensing standards that will support accountability and process transparency. As we continue this process, FSRA will suspend current reporting for licensing service standards. Application processing dates will remain available on our website during this transition.

		where a suitability issue is identified, will receive an email advising the contact information for the assigned Licensing/Registration Specialist and will be contacted within 10 business days of the email, or the licence will be issued.						

Sector	Service	Standard	Target %	Stretch Target %	Q1 2022-2023	Q2 2022-2023	Q3 2022-2023	Q4 2022-2023
Enterprise	Phone General Inquiries	We will respond to general questions when calls are received. Complex questions and complaints will be forwarded to the appropriate area to log, investigate, and respond.	90%	98%	100%	100%	100%	100%
	Phone General Inquiries Contact Centre	Calls that are received through Voicemail will be acknowledged within 1 business day.	90%	98%	100%	100%	100%	100%

Email General Inquiries Contact Centre	Emails received through the Contact Centre will be acknowledged within 1 business day and a response sent within 3 business days. For complex matters, we may request additional information and these requests may take	90%	98%	98%	99.3%	100%	100%
Accessible Formats	FSRA will respond within 5 business days to a requestor of web content in accessible format. Following discussions with the requestor, FSRA will provide agreed-upon web content (excluding online applications), in an accessible format within 5 business days.	90%	98%	100%	100%	100%	100%
Accessible Formats	FSRA will respond within 5 business days to a requestor of print publication in an accessible format. Following discussions with the requestor, FSRA will provide the agreed-upon publication material in an accessible format within 5 business days.	90%	98%	100%	100%	100%	100%

Website Response	All inquiries directed to the Web Manager e-mail account will be concluded and/or responded to within 5 business days.	95%	100%	100%	100%	100%	100%

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Appendix C: Legal Enforcement Section

FSRA sectors escalate potential serious regulatory misconduct to Legal & Enforcement for investigation and enforcement sanction, as appropriate. In FY 2021-22, enforcement actions were jointly reported by Market Conduct and Legal & Enforcement. This FY 2022-23, enforcement actions are reported separately. Legal Enforcement actions are below. Legal enforcement actions are reported in Appendix E.

(1) Achieved Enforcement Sanctions FY2022-23

Sector	Achieved Sanctions	Achieved AMPs
Insurance - Life	**21**	**$385,500***
AMP	9	$375,500
Refuse licence	3	-
Revocation	3	-
Warning letter	2	-
Compliance order	2	-
Costs	1	$10,000
UT not to apply	1	-
Mortgage	**18**	**$81,000**
AMP	7	$81,000
Interim suspension	4	-
Compliance order	4	-
Revocation	2	-
Refuse licence	1	-
Insurance - Auto	**7**	**$120,000**
AMP	4	$120,000
Compliance order	3	-
Loan & Trust	**1**	**-**
Compliance order	1	-

Grand Total	**47**	**$586,500***

***including $10,000 costs**

(2) Escalations (files escalated for investigation/litigation) FY2022-23

Sector	Escalations	Subjects of Escalations
Insurance – Life	7	9
Mortgage	17	28
Insurance – Auto	1	2
HSP	6	12
Grand Total	**31**	**51**

(3) Concluded Investigations FY2022-23

Sector	Investigations	Subjects of Investigations
Insurance – Life	10	23
Mortgage	5	9
Insurance – Auto	2	6
Grand Total	**17**	**38**

(4) Initiated Enforcement Actions FY2022-23

Sector	Proposed Sanctions	Proposed AMPs
Insurance - Life	**26**	**$994,000**
AMP	16	$994,000
Compliance order	2	-

Refuse licence	1	-
Revocation	7	-
Mortgage	**18**	**$148,000**
AMP	10	$148,000
Compliance order	2	-
Refuse licence	1	-
Revocation	5	-
Insurance - Auto	**9**	**$125,000**
AMP	5	$125,000
Compliance order	4	-
HSP	**1**	**-**
Revocation	1	-
Grand Total	**54**	**$1,267,000**

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Appendix D: Credit Union & Insurance Prudential Regulatory Activities

FY2022-23

Summary of Credit Union & Insurance Prudential Regulatory Activities*							
Category	**2022-23**	**2021-22**	**2020-21**	**2019-20**	**2018**	**2017**	**2016**
Applications	26	25	25	16	23	7	16
Variations, Exemptions & Extensions	3	1	15	11	3	0	1
Orders	0	0	0	0	2	3	3
Administrative Penalties	0	0	0	0	0	0	0
Certificates and other requests**	131	157	112	140	112	N/A	N/A
Total***	160	183	152	167	140	10	20

Data for 2022-23 includes all transactions up until March 31, 2023

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

**** Of the 160 transactions processed one variation was withdrawn by the applicant and one variation was switched to supervisory monitoring*

Appendix E: Market Conduct Statistics

Market Conduct Received Complaints by Sector of FY2022-23*

Sector	2022-23	
	(N)	(%)**
Insurance – Property and Casualty**	331	35.7%
Insurance – Life and Health	162	17.5%
Insurance – Investments	8	0.9%
Mortgage Brokers	375	40.5%
Credit Unions	31	3.3%
FPFA	2	0.2%
Loan & Trust	2	0.2%
Other	15	1.6%
Total	**926**	**100%**

* Due to changes in complaints reporting, year-over-year data will be reported next year
** Percentages may not add to 100 due to rounding
*** Includes health service provider and auto insurance complaints

Enforcement actions by Market Conduct to address non-compliance from April 1, 2022, to March 31, 2023*

As part of its supervisory role, Market Conduct enforces filing, disclosure and administrative requirements in the insurance and mortgage sectors with various supervisory tools including warning letters, license conditions, revocations, suspensions, and administrative monetary penalties as appropriate. Where potential serious regulatory misconduct is identified, the matter is escalated to Legal & Enforcement for further investigation and enforcement sanction, if merited.

In FY2021-22, enforcement actions were jointly reported by the Market Conduct and Litigation & Enforcement. In FY2022-23, enforcement actions are reported separately. Market Conduct's imposed actions are below. Litigation & Enforcement's enforcement actions are reported on Appendix C.

Sector	Imposed Actions
Insurance**	
Warning Letter	759
Licence Suspension	1
Licence Revocation	0
Conditions on licence and amending Licence	361
Application withdrawal & agreement to not reapply	1

Licence refusal/denials	2
Administrative monetary penalties orders	4
Summary administrative monetary penalties orders	23
Health Service Provider	
Warning Letter	758
Licence Suspension	106
Licence revocations	1
Mortgage Brokering	
Warning letter	128
Licence revocation	1
Conditions on licence and amending licence	18
Licence refusal/denials	1
Administrative monetary penalties Orders	6
Summary administrative monetary penalties orders	19
Total	**2,189**

* The year-over-year change data and percentages are not available in FY2022-23 as Market Conduct has implemented new data collection parameters
** Includes Life & Health and Property & Casualty Companies and Agents

Administrative Monetary Penalties & Summary Administrative Monetary Penalties FY2022-23*

Sector	Administrative Monetary Penalties ($)	Summary Administrative Monetary Penalties ($)
Mortgage Brokering	$13,500	$19,000
Insurance**	$23,000	$30,000
Total	**$36,500**	**$49,000**

* The year-over-year change data and percentages are not available in FY2022-23 as Market Conduct has implemented new data collection parameters
** Includes Life & Health and Property & Casualty Companies and Agents

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Appendix F: Pensions Statistics

FY 2022-23

Key Applications and Inquiries (As at March 31, 2023)

Transaction	Total Received in 2022-23	% (+/-)*
Applications		
Transfer of Commuted Value	1	-90%
DB Asset Transfer	19	-27%
DC Asset Transfer	55	10%
DB Wind Up (Full)	65	0%
DC Wind Up (Full)	52	-37%
Inquiries		
General Inquiries	1,493	-31%
Plan Specific Inquiries – Industry	1,938	43%
Plan Specific Inquiries – Member	519	-17%
Member Complaints		
Non-Compliance with Legislation/Policy	12	140%
Benefit Calculation/ Commuted Value	36	9%
Non-Compliance with Plan Provisions	11	0%
Reciprocal Transfer Agreement	3	200%

(% +/-) comparative against FY2021-22

Statutory Filings (As at March 31, 2023)

Statutory Filing	2020-21	2021-22	2022-23
Annual Information Return (AIR): Defined Benefit Pension Plans	98.3%	98.98%	99.40%
Annual Information Return (AIR): Defined Contribution Pension Plans	92.5%	94.15%	97.77%

Pension Benefits Guarantee Fund (PBGF) Certificate: Defined Benefit Pension Plans	98.8%	99.23%	99.52%
Financial Statements (FS): Defined Benefit Pension Plans	98.5%	98.89%	99.18%
Investment Information Summary (IIS): Defined Benefit Pension Plans	97.8%	99.24%	98.79%

Statutory Filing	2020-21	2021-22	2022-23
Financial Statements (FS): Defined Contribution Pension Plans	88.4%	92.16%	97.29%
Actuarial Reports (AR) accompanied by an Actuarial Information Summary (AIS): Defined Benefit Pension Plans	98.8%	95.82 %	98.39 %
Statement of Investment Policies and Procedures (SIPP) accompanied by a SIPP Information Summary: Defined Benefit Pension Plans	98.4%	99.80%	100%
Statement of Investment Policies and Procedures (SIPP) accompanied by a SIPP Information Summary: Defined Contribution Pension Plans	90.6%	100.00%	81.08%

Appendix G: Contact Centre Statistics

FY2022-23

Inquiry Type	Number	Percentage
Insurance Licensing	35,539	55.5%
Mortgage Brokering Licensing and Other Mortgage Inquiries	9,357	14.6%
Pension	4,560	7.1%
Insurance: Automobile and Other Insurance Inquiries	3,983	6.2%
Health Service Providers	2,376	3.7%
Credit Union	971	1.5%
Co-operatives	53	0.1%
Loan & Trust	158	0.2%
Other[8]	7,039	11.0%
Total	**64,036**	**100%**

[8] "Other" category consists of non-FSRA related inquiries and general FSRA inquiries.

Appendix H: Strategic Framework

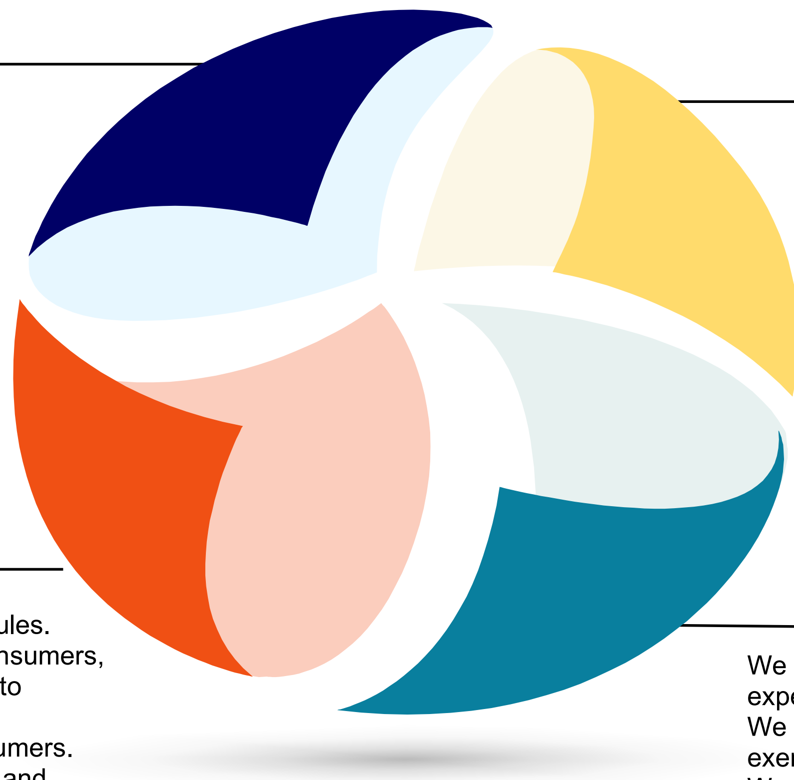
In 2021-2022, FSRA launched its Strategic Framework which consists of four Pillars that articulate high-level strategic objectives of the organization. The Framework reflects FSRA's legislative objects and encompasses the organization's Vision, Mission, and Values. FSRA's 2023-24 priorities support the Pillars.

Operate effectively to be a high-performing regulator

We will consistently deliver on our core business functions.
We will apply continuous improvement methodologies to review operations.
We will modernize tools and processes with a continued focus on digitization and automation.
We will create an improved experience for stakeholders interacting with FSRA.
We will communicate our expectations clearly to increase understanding among stakeholders on the regulatory approaches and activities taken by FSRA.
We will continue to work with government partners to maintain an alignment on priorities.

Transform our regulatory processes to make evidence-based and risk-based decisions

We will apply a consistent and transparent approach to regulatory oversight and decision making.
We will collect more data and increase our internal capabilities to make evidenced- and risk-based decisions.
We will be responsive to the regulatory environment and adapt our approach to regulation, as needed.
We will continue transitioning to principles-based regulation by focusing our efforts on desired outcomes.
We will build stronger relationships with other regulators through cooperation, collaboration and sharing of leading practices.



Protect the public interest to enhance trust and confidence in the sectors we regulate

We will embed a consumer lens in our guidance and rules.
We will thoughtfully engage with regulated sectors, consumers, credit union members, and pension plan beneficiaries to understand their current and future needs.
We will enable innovation and greater choice for consumers.
We will conduct research to better understand risks to and opportunities for consumers, credit union members and pension plan beneficiaries.
We will support efforts to enhance consumer, credit union member, and pension plan beneficiary education and knowledge.

Attract talent and evolve our culture to achieve the mission and vision of the organization

We will retain and develop top talent with deep expertise and invest accordingly.
We will foster a culture that is inclusive and exemplifies our values.
We will organize and support our talent to effectively deliver on FSRA's strategic priorities and regulatory operational requirements.
We will promote a culture where staff are actively empowered to lead, held accountable, and recognized for outcomes.

FSRA Financial Services Regulatory Authority of Ontario

Ontario

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Appendix I: Audited Financial Statements

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

FINANCIAL STATEMENTS FOR THE YEAR ENDING MARCH 31, 2023

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

FINANCIAL STATEMENTS FOR THE YEAR ENDING MARCH 31, 2023

Financial Services Regulatory Authority of Ontario

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Ontario

Management's Responsibility for Financial Information

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

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

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

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

Mark White
Chief Executive Officer

Stephen Power
Executive Vice President - Corporate Services

Toronto, Ontario
July 11, 2023

Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

INDEPENDENT AUDITOR'S REPORT

To the Financial Services Regulatory Authority of Ontario

Opinion

I have audited the financial statements of the Financial Services Regulatory Authority of Ontario (the Authority), which comprise the statement of financial position as at March 31, 2023, and the statements of operations, changes in net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2023 and the results of its operations, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the Financial Services Regulatory Authority of Ontario 2022-2023 Annual Report, but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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

Toronto, Ontario
July 11, 2023

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

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Statement of Financial Position
As at March 31, 2023

($000)	Note(s)	March 31, 2023	March 31, 2022
ASSETS			
Current			
Cash	3	$90,210	$77,015
Trade and other receivables	4	9,299	15,480
Prepaid expenses		2,909	2,479
Total current assets		102,418	94,974
Capital assets	5	12,962	15,372
Total assets		**$115,380**	**$110,346**
LIABILITIES			
Current			
Trade and other payables	6	$17,878	$15,017
Deferred revenue	8	26,196	25,061
Loan payable	9	3,683	3,623
Total current liabilities		47,757	43,701
Loan payable	9	44,740	47,027
Employee future benefits	11	2,334	3,319
Deferred lease inducements	7	2,482	2,859
Deferred revenue	8	3,170	2,662
Other long-term obligations	5	3,246	3,224
Total liabilities		103,729	102,792
NET ASSETS			
Internally restricted net assets	12	5,000	5,000
Unrestricted net assets		6,651	2,554
Total net assets		11,651	7,554
Total liabilities and net assets		**$115,380**	**$110,346**

See accompanying notes to the financial statements.

Commitments, Contracts, and Contingencies (Note 17)

On Behalf of the Board:

Joanne De Laurentiis
Board Chair

Brent Zorgdrager
Chair, Audit, Finance & Risk Committee

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Statement of Operations
For the year ended March 31, 2023

($000)	**Note(s)**	**March 31, 2023**	**March 31, 2022**
Revenue			
Assessments		$77,315	$75,672
Fees		29,053	27,628
Interest income		3,391	619
	20	**109,759**	**103,919**
Expenses			
Salaries and benefits	11, 13	72,988	68,703
Professional services		18,060	12,533
Technology		5,324	5,110
Accommodation		4,370	4,117
Amortization	5	3,373	3,275
Interest expense	5	1,460	1,403
Staff development		1,475	1,067
Other operating expenses		2,367	1,400
		109,417	97,608
Less: Recoveries	14	(3,755)	(3,845)
		105,662	**93,763**
Excess of revenue over expenses		**$4,097**	**$10,156**

See accompanying notes to the financial statements.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Statement of Changes in Net Assets
For the year ended March 31, 2023

($000)	**Note (s)**	**Internally Restricted Net Assets**	**Unrestricted Net Assets**	**March 31, 2023 Total**	**March 31, 2022 Total**
Net assets (deficit), the beginning of the year		$5,000	$2,554	$7,554	$(2,505)
Adjustment to opening accumulated surplus relating to Asset Retirement Obligation (ARO)	5	-	-	-	(97)
Excess of revenues over expenses	12	-	4,097	4,097	10,156
Net assets, end of year		**$5,000**	**$6,651**	**$11,651**	**$7,554**

See accompanying notes to the financial statements.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Statement of Cash Flows
For the year ended March 31, 2023

($000)	Note(s)	March 31, 2023	March 31, 2022
Cash flows from (used in) operating activities:			
Excess of revenue over expenses		$4,097	$10,156
Adjustments for non-cash expense items:			
Amortization of capital assets		3,373	3,275
Loss on disposal of capital assets		-	12
Interest expense		1,460	1,403
Bad debt expense		68	-
		8,998	14,846
Changes in non-cash working capital:			
Trade and other receivables		6,113	(1,498)
Prepaid expenses		(430)	(127)
Trade and other payables		3,783	(20,764)
Deferred revenue		1,643	4,976
Employee future benefits	11	(985)	(1,584)
Deferred lease inducements	7	(377)	(377)
Other long-term obligations		(48)	(1)
		18,697	(4,529)
Cash flows used in capital activities:			
Purchase of capital assets		(1,884)	(10,145)
		(1,884)	(10,145)
Cash flows used in financing activities:			
Proceeds from loan advances	9	-	3,000
Repayment of loan principal and interest		(3,618)	(3,356)
		(3,618)	(356)
Net increase (decrease) in cash position		**13,195**	**(15,030)**
Cash, beginning of year		77,015	92,045
Cash, end of year	3	**$90,210**	**$77,015**
Supplemental cash flow information			
Capital assets funded by Trade and other payables		**$(922)**	**$(8,264)**

See accompanying notes to the financial statements.

1. DESCRIPTION OF THE ORGANIZATION

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

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

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

FSRA regulates sectors subject to the following statutes:

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Public Sector Accounting Standards for Government Not-For-Profit Organizations (PSA-GNFPO) as issued by the Public Sector Accounting Board (PSAB). FSRA has elected to not consolidate controlled entities. Therefore, neither the DIRF's nor the PBGF's financial statements have been consolidated with FSRA's financial statements (see notes 18 and 19). The significant accounting policies used to prepare these statements and notes are summarized below.

(a) Revenue Recognition

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

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

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

Interest income is recognized as earned.

(b) Capital Assets

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

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

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

Asset Retirement Obligations

FSRA recognizes asset retirement obligation (ARO) when the following criteria are met:
a) there is a legal obligation to incur retirement costs in relation to a tangible capital asset;
b) the past transaction or event giving rise to the liability has occurred;
c) it is expected that future economic benefits will be given up; and
d) a reasonable estimate of the amount can be made.
ARO is to be measured as at the date the legal obligation was incurred and must be re-evaluated annually.

(c) Financial Instruments

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

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

(d) Employee Benefits

Pension Costs

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

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

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

FSRA Non-Pension Post-Employment Benefits

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

DICO Non-Pension Post-Employment Benefits

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

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

(e) Use of Estimates

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

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

3. CASH

Cash includes $387 (2022 - $158) in restricted funds from the collection of administrative monetary penalties and settlements (see Note 8) and $3,174 (2022 - $2,942) in funds held in the Authority's role as a provider of administrative and support services for various organizations (see Note 14).

4. TRADE AND OTHER RECEIVABLES

($000)	Note(s)	March 31, 2023	March 31, 2022
HST (Harmonized Sales Tax) recoverable		$ 4,457	$ 9,600
Trade and accrued receivables, net of allowance for doubtful debts		3,994	3,046
Due from Ministries of the Province of Ontario	15(a)	168	2,181
Administrative monetary penalties receivable, net of allowance for doubtful debts	8	680	653
		$ 9,299	**$ 15,480**

5. CAPITAL ASSETS

Capital assets consist of the following:

($000)	March 31, 2023			March 31, 2022
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Leasehold improvements	$ 11,882	$ 2,471	$ 9,411	$10,621
Asset Retirement Obligation	1,703	411	1,292	1,462
Software	4,649	3,639	1,010	1,929
Computer hardware	4,268	3,237	1,031	1,345
Office furniture and equipment	263	45	218	15
	$ 22,765	**$ 9,803**	**$ 12,962**	**$ 15,372**

Leasehold Improvements

Leasehold improvements for FSRA's premises at 25 Sheppard Avenue West are amortized over an initial term of 10 years.

ARO

FSRA entered into a lease agreement for office space at 25 Sheppard Avenue West, which commenced on November 1, 2020, and expires on October 31, 2030. Pursuant to the lease agreement, FSRA is obligated to eliminate non-standard leasehold improvements, non-standard equipment, trade fixtures, and cabling. In accordance with PS 3280, ARO, FSRA recognized the fair value of a liability for an ARO in the amount of $1,730 on April 1, 2021, with a corresponding amount included in capital assets on the balance sheets. The discount rate used corresponds to the borrowing rate at the beginning of the current fiscal year, which was April 1, 2022. The capital asset is depreciated on a straight-line basis over the term of the lease and the ARO liability is accreted over the term of the lease with corresponding credits recorded as ARO liabilities, respectively. Therefore, certain of the comparative figures, such as Capital assets, Other long-term obligations, Amortization, Interest expense, and Adjustment to opening accumulated surplus, have been adjusted to align with the implementation of PS 3280.

The following table describes the changes to the FSRA's ARO liability:

	March 31,	
($000)	2023	2022
Asset retirement obligation at beginning of year	$ 1,798	-
Liabilities incurred	-	1,730
Accretion expense	70	68
Asset retirement obligation at end of year	$ 1,869	$ 1,798

6. TRADE AND OTHER PAYABLES

($000)	Note(s)	March 31, 2023	March 31, 2022
Accounts payable and accruals		$ 16,940	$ 13,388
Due to Infrastructure Ontario	15(c)	-	922
Current portion of deferred lease inducements	7	377	377
Current portion of employee benefits	11(b)	358	262
Due to Ministries of the Province of Ontario	15(a)	87	68
Due to Deposit Insurance Reserve Fund	15(b)	116	-
		$ 17,878	**$ 15,017**

7. DEFERRED LEASE INDUCEMENTS

FSRA entered into a lease agreement for office space at 25 Sheppard Avenue West, which commenced on November 1, 2020, and expires on October 31, 2030. The lease included a $3,099 allowance for renovations and a four-month rent-free period valued at $671. Both amounts have been set up as deferred lease inducements and are amortized over the term of the lease. Total amortized lease inducements of $377 (2022 - $377) were recorded as a reduction of accommodation expenses during the year.

($000)	Note(s)	March 31, 2023	March 31, 2022
Balance, beginning of year		$ 3,236	3,613
Amortization to expense		(377)	(377)
Balance, end of year		2,859	3,236
Less: Current portion	6	(377)	(377)
		$ 2,482	**$ 2,859**

8. DEFERRED REVENUE

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

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

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

($000)	Balance, at beginning of year	Additions during year	Recognized during year	Reversal of uncollectible amounts	Balance, end of year
Fees:					
Mortgage brokers	$ 14,191	$ 19,480	$ (18,832)	$ -	$ 14,839
Insurance agents, adjusters, and corporations	7,475	8,239	(7,732)	-	7,982
Health service providers	2,828	3,364	(3,414)	-	2,778
Other	2,418	1,024	(742)	-	2,700
	26,912	**32,107**	**(30,720)**	**-**	**28,299**
Penalties and settlements:					
Insurance sector	180	347	(1)	(75)	451
Mortgage broker sector	631	139	(1)	(303)	466

Pension sector	-	150	-	-	150
	811	**636**	**(2)**	**(378)**	**1,067**
Total deferred revenue	**$ 27,723**	**$ 32,743**	**$ (30,722)**	**(378)**	**$ 29,366**

Deferred revenue has been separated into a current portion of $26,196 (2022 - $25,061) and a long-term portion of 3,170 (2022 - $2,662) totaling $29,366 (2022 - $27,723).

9. LOAN AGREEMENT

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

The agreement includes four short-term non-revolving facilities (Facilities 1, 2, 3, and 4) and four long-term loans (Term Loans 1, 2, 3, and 4). The term loans are advanced as the non-revolving facilities come due and are equal to the principal and accrued interest balance of the non-revolving loans at their repayment dates. The maximum principal amount available for Facility 1 is $40.0 million, for Facility 2 is $12.5 million, for Facility 3 is $4.5 million, and for Facility 4 is $3.0 million.

Facilities 1, 2, 3, and 4 were drawn and replaced with their respective term loans in prior fiscal years. All four term loans are repayable in equal quarterly installments. Term Loan 1 matures on August 29, 2039, and Term Loans 2, 3, and 4 mature on April 1, 2039.

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

The loan balances are summarized in the table below:

($000)	**Opening balance**	**Additions**	**Interest expense**	**Principal and Interest repayments**	**Ending balance**
Term loan 1 (interest rate 2.71%)	$ 36,853	$ -	$ 976	$ (2,646)	$ 35,183
Term loan 2 (interest rate 2.81%)	6,408	-	174	(467)	6,115
Term loan 3 (interest rate 2.99%)	4,389	-	127	(324)	4,192
Facility 4 (interest rate 3.845%)	3,000	-	-	(3,000)	-
Term loan 4 (interest rate 3.845%)	-	3,000	113	(180)	2,933
	$ 50,650	**$ 3,000**	**$ 1,390**	**$ (6,617)**	**$ 48,423**

The loan has been separated into a current portion of $3,683 (2022 - $3,623) and a long-term portion of $44,740 (2022 - $47,027).

10. CREDIT FACILITY AGREEMENT AND LETTER OF CREDIT

On December 19, 2022, FSRA entered into a six-month credit facility agreement with the Ontario Financing Authority. The facility was established for the purpose of mitigating any potential future liquidity risk in the Ontario credit union sector, including situations where one or more credit unions may require financial support beyond the support available from the Deposit Insurance Reserve Fund (the DIRF). The agreement includes a non-revolving facility with a maximum principal amount of $2.0 billion and a six-year term loan.

Any undrawn balance at the end of the term will expire. Interest on the non-revolving facility will accrue daily on the outstanding amount at a rate equal to the three-month Ontario Treasury Bill rate plus 0.834 percentage points, compounded quarterly.

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

Interest on the six-year term loan will accrue daily at a rate equal to the Province of Ontario's cost of funds for a six-year amortizing bond plus 0.834 percentage points, compounded semi-annually.

No amounts have been drawn under this facility.

FSRA has also issued an irrevocable standby letter of credit for $1,740 (2022 - $1,740) in respect of the pension obligations described in Note 11(a). No amounts have been drawn under this letter of credit.

11. EMPLOYEE BENEFITS

(a) Pension Plan

FSRA's contribution to the PSPF and OPSEU-PF for the year was $5,124 (2022 - $4,950), which is included in salaries and benefits in the Statement of Operations.

(b) Employee Future Benefits

($000)	Note(s)	March 31, 2023	March31, 2022
DICO non-pension post-employment benefits		$ 1,398	$ 1,962
Legislated severance entitlements		674	834
DICO supplemental pension benefits		489	639
Other employee future benefits		131	146
Total employee future benefit liability		2,692	3,581
Less: Due within one year	6	(358)	(262)
		$ 2,334	**$ 3,319**

(i) DICO Non-Pension Post-Employment Benefits

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

Total benefit payments to retirees during the year were $196 (2022 - $207). The plan is unfunded and requires no contributions from employees.

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

($000)	March 31, 2023	March 31, 2022
Accrued benefit obligation	$ 1,262	$ 1,536
Unamortized actuarial gains	136	426
Retirement benefit liability	**$ 1,398**	**$ 1,962**

The most recent actuarial report was prepared as at March 31, 2023. Unamortized actuarial gains are amortized on a straight-line basis over the expected average remaining service life of the related employee group. All employees eligible for benefits under this arrangement have now retired. As a result, the expected remaining service life of the employee group is 0 years (2022 – 0.00 years) and actuarial gains and losses will be fully amortized in the fiscal year following the related actuarial valuation.

The actuarial valuation is based on several assumptions about future events, such as inflation rates, interest rates, medical inflation rates, salary increases, and employee turnover and mortality. The assumptions used reflect management's best estimates. The discount rate used to determine the accrued benefit obligation is 5.33% (2022 – 3.85%).

The retirement benefit gain includes the following components:

($000)	March 31, 2023	March 31, 2022
Current period benefit cost	$ 7	$ 2
Amortization of actuarial gains	(426)	(1,187)
Interest expense	57	61
Retirement benefit gain	**$ (362)**	**$ (1,124)**

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

(ii) Legislated Severance

The legislative severance portion of the employee's future benefits obligation was calculated using a discount rate of 5.33% (2022 – 3.85%) and estimated average years to retirement of 9.7 years (2022 – 10.4 years). These assumptions are management's best estimates.

A credit to expenses of $160 (2022 – a credit to expenses of $120) was recognized in relation to legislated severance and is included in salaries and benefits in the Statement of Operations.

(iii) DICO Supplemental Pension Benefits

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

Interest expense of $7 (2022 - $2) was recorded in respect of this obligation and is included in salaries and benefits in the Statement of Operations.

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

(iv) Other Employee Future Benefits

Other employee future benefits include other future compensation entitlements earned. A credit to expenses of $15.9 (2022 – a charge to expenses of $30) was recognized in relation to other employees future benefits and is included in salaries and benefits in the Statement of Operations.

12. INTERNALLY RESTRICTED NET ASSETS

In accordance with FSRA *Rule 2019-001 Assessments and Fees*, FSRA has established a $5,000 (2022 - $5,000) operating reserve. The primary purpose of the reserve is to fund FSRA's operations in the event of revenue shortfalls and unanticipated expenditures or to cover the discrepancy between the timing of revenue and expenses.

13. DIRECTOR'S REMUNERATION

The Board of Directors are part-time appointees and the amounts paid to the Directors are established in an Order in Council. Salaries and benefits expense includes $299 (2022 - $397) for the remuneration of members of the Board of Directors.

14. RECOVERIES

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

The recovery details are as follows:

($000)	Note(s)	March 31, 2023	March 31, 2022
Recoveries from unrelated parties:			
General Insurance Statistical Agency		$ 1,054	$ 982
Canadian Council of Insurance Regulators		588	498
Canadian Association of Pension Supervisory Authorities		341	373
Canadian Insurance Services Regulatory Organization		287	209
Mortgage Broker Regulators' Council of Canada		197	191
		2,467	**2,253**
Recoveries from related parties:			
Pension Benefits Guarantee Fund	15(b)	1,037	1,387
Province of Ontario Co-operative offering statements program	15(a)	168	122
Financial Services Tribunal	15(a)	83	83
		1,288	**1,592**
		$ 3,755	**$ 3,845**

15. RELATED PARTY TRANSACTIONS

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

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

(a) Ministries of the Province of Ontario

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

(i) FSRA received a $661 (2022 - $1,916) assessment invoice from the Ministry of Finance for expenditures that it made in respect of the regulated sectors for the operation of Dispute Resolution Services and the Financial Services Tribunal. FSRA will recover this amount from the regulated sectors through the fiscal 2023-2024 assessments. The amount has been included in trade and other receivables in the Statement of Financial Position as at March 31, 2023.

(ii) Co-location, connectivity, and related charges in support of information technology services at the Guelph Data Centre and IT (Information Technology) user per seat costs. Expenses for these services of $376 (2022 - $762) have been included in technology costs in the Statement of Operations. Trade and other payables include $73 (2022 – $68) in respect of these expenses.

(iii) Provided administrative and other support services for the Province's co-operating offering statements program and the Financial Services Tribunal as described in Note 14. Trade and other receivables include $168 (2022 - $122) in respect of these services.

(iv) Collected and paid nil (2022 - $35) in administrative monetary penalties on behalf of the Ministry of Finance.

(v) Borrowed nil (2022 - $3,000) under the Loan Agreement with the Ministry of Finance described in Note 9. During the year total interest expense for borrowings under this agreement was $1,390 (2022 - $1,335).

(b) Funds Administered by FSRA

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

(i) Pension Benefit Guarantee Fund

During the year FSRA recognized a recovery of $1,037 (2022 - $1,387) for administrative and other support services to the PBGF as described in Note 14.

(ii) Deposit Insurance Reserve Fund

During the year, the FSRA paid certain expenses on behalf of DIRF. As at March 31, 2023, trade and other payables include a net payable of $116 (2022 – trade and other receivable of $143) in respect of these expenses. In the prior year, FSRA refunded $26 to the DIRF representing the release of excess Deposit Insurance Corporation of Ontario pre-amalgamation expense accruals.

(c) Infrastructure Ontario (an Ontario Crown Agency)

During the prior years, FSRA engaged Infrastructure Ontario to oversee leasehold improvements to its new offices. The Authority incurred nil (2022 - $1,617) under this arrangement. This amount has been recognized as capital assets in the Statement of Financial Position. As at March 31, 2023, trade and other payables also include nil (2022 - $922) in respect of these expenses.

16. FINANCIAL INSTRUMENTS

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

Credit risk

Credit risk is the risk that FSRA will suffer financial loss due to a third party failing to meet its financial or contractual obligations to FSRA. The Authority is exposed to credit risk on its trade and other receivables balances. FSRA manages its credit risk by closely monitoring its receivable balances and maintains reserves for potential credit losses on trade receivables. FSRA's maximum exposure to credit risk related to trade and other receivables as at March 31, 2023, is as follows:

($000)	0-30 days overdue	31-60 days overdue	61-90 days overdue	> 91days overdue	Total
HST recoverable	$ 448	$ 657	$ 445	$ 2,907	$ 4,457
Trade and accrued receivables	1,973	-	-	2,021	3,994
Due from Ministries of the Province of Ontario	168	-	-	-	168
Administrative monetary penalties	271	75	1	333	680
	$ 2,860	**$ 732**	**$ 446**	**$ 5,261**	**$ 9,299**

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

Interest rate risk

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

($000)

Liquidity risk

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

Trade and other payables as at March 31, 2023, mature within six months (2022 - six months).

17. COMMITMENTS CONTRACTS AND CONTINGENCIES

(a) Lease agreement

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

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

2024	$ 4,648
2025	$ 4,752
2026	$ 4,925
2027	$ 5,128
2028	$ 5,245
Total	$ 24,698
Thereafter	$ 14,114

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

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

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

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

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

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

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

As at March 31, 2023, no payments have been made by the DIRF under the Loss Sharing Agreement and no other obligations under the Guarantee have been materialized.

(d) Draw on the $500 million PACE Secured Credit Facility

On April 28, 2021, and pursuant to FSRA's authority under section 262(1)(a)(i) of the *Credit Unions and Caisses Populaires Act, 1994*, FSRA as the administrator of the DIRF, entered into a credit agreement with PACE to support PACE's continued operations. The credit agreement provides PACE with a $500 million revolving secured loan facility to provide liquidity either when PACE's liquidity falls below $100 million or if PACE experiences a rapid decline in liquidity that could cause material financial or operational difficulties.

In May 2022, FSRA made two advances totaling $25,000 to PACE under the secured credit agreement, to maintain PACE's business operations and facilitate the purchase and assumption (P&A) transaction with Alterna Savings and Credit Union Limited (Alterna). Both advances were funded directly from the DIRF. The advances bore interest at a rate of 2.93% and provided temporary liquidity support to PACE.

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

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

The credit facility expired on August 31, 2022. No amounts had been drawn against the facility as at August 31, 2022.

(e) Indemnifications provided as an administrator of the DIRF

On January 3, 2022, FSRA as an administrator of the DIRF, entered into an indemnification agreement with certain members of PACE management to retain such management to operate PACE and to assist with the purchase and assumption transaction described in Note 18(a). This indemnification became necessary due to the non-renewal of the existing PACE Directors and Officers insurance policy. The indemnification is a form of financial assistance to a credit union under administration in its continued operation, made pursuant to CUCPA and its predecessor Act. FSRA provided such indemnification as an administrator of PACE and as an administrator of the DIRF and FSRA is entitled to draw on the DIRF to fund any amounts due under the indemnity. The maximum amount of indemnity is $10,000.

As at March 31, 2023, no claims have been made and FSRA did not anticipate claims under this indemnification agreement (2022 - no claims).

(f) Wind-up of PACE Legal Entity

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

PACE’s investment shares, profit shares, and membership shares are part of the Excluded Items and remain an obligation of PACE if it has sufficient assets after paying higher-ranking claims, including the $30,892 deposit insurance advance receivable to the DIRF. These shares provided risk-bearing capital to PACE and are not insured by the DIRF and are not obligations of FSRA – as such, any losses to PACE members arising from owning these shares do not impact the DIRF or FSRA.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Notes to the Financial Statements for the Year ended March 31, 2023
($000)

18. Deposit Insurance Reserve Fund (DIRF)

As defined by Public Sector Accounting Standards for Government Not-For-Profit Organizations, FSRA controls the DIRF. FSRA has selected the disclosure option in accordance with Section PS 4250.22. Therefore, the DIRF's financial statements have not been consolidated with FSRA's financial statements on a line-by-line basis. The DIRF may only be used to pay credit union deposit insurance claims or for other authorized purposes specified in the CUCPA. Under the CUCPA section 224(4), the total liability of FSRA to insure credit union deposits through the DIRF or to fund other authorized purposes of the DIRF at any particular time is limited to the assets of the DIRF at that time.

The financial summaries of the DIRF as at March 31, 2023, and March 31, 2022, and for the years then ended are as follows:

	March 31, 2023	March 31, 2022
Total assets	449,557	401,958
Total liabilities	(29,409)	(29,076)
Net assets	420,148	372,882
Revenue	49,062	37,994
Expenses	(1,772)	(29,162)
Excess of revenue over expenses	47,290	8,832
Fund surplus from operations, beginning of year	374,269	365,437
Fund surplus from operations, end of year	421,559	374,269
Cash flow from operating activities	46,353	11,641
Cash flow used in investing activities	(46,749)	(9,671)
Net cash (outflow) inflow	(396)	1,970

For the year ended March 31, 2023, there were no accounting policy differences used by FSRA that would have resulted in an adjustment to disclosures in these financial statements. Separate audited financial statements of the DIRF are available.

19. Pension Benefits Guarantee Fund (PBGF)

FSRA controls the assets of the PBGF by virtue of its legislated authority to appoint, direct, and supervise the CEO of FRSA, who is responsible for the administration of the PBGF and investment of its assets. FSRA has selected the disclosure option in accordance with Section PS 4250.22. Therefore, PBGF's financial statements have not been consolidated with FSRA's financial statements on a line-by-line basis.

The purpose of the PBGF is to guarantee the payment of pension benefits of certain defined benefit pension plans that are wound up under conditions specified in the Pension Benefits Act and regulations thereto. The total liability of the PBGF to guarantee pension benefits at any particular time is limited to the assets of the PBGF at that time, including any loans or grants received from the Province.

The financial summaries of the PBGF as at March 31, 2023, and March 31, 2022, and for the years then ended are as follows:

	March 31, 2023	**March 31, 2022**
Total assets	1,249,738	1,235,237
Total liabilities	(132,177)	(155,487)
Revenue	44,696	68,790
Expenses	(7,690)	(7,445)
Excess of revenue over expenses	37,006	61,345
Fund surplus from operations, beginning of year	1,094,779	1,033,434
Fund surplus from operations, end of year	1,131,785	1,094,779
Cash flows from operating activities	49,414	85,917
Cash flows used in investing activities	(38,574)	(74,842)
Cash flows used in financing activities	(11,000)	(11,000)
Net cash (outflow) inflow	(160)	75

For the year ended March 31, 2023, there were no accounting policy differences used by FSRA that would have resulted in an adjustment to disclosures in these financial statements. Separate audited financial statements of the PBGF are available.

20. OTHER INFORMATION

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

The following table summarizes revenue for each sector during the year ended March 31, 2023:

Sector ($000)	Insurance						Pensions (Fixed and Variable)	Credit Unions (Variable)	Mortgage Brokers (Fixed)	Loans & Trusts (Variable)	Financial Planner & Financial Advisor	Corporate	Total
Subsector	**Auto Products**	**P&C Conduct**	**P&C Prudential Regulation**	**Life Conduct & Life Health**	**Health Service Providers (Fixed)**	**Total Insurance**							
Actual Revenue													
Fee Assessment	16,301	8,748	1,958	7,110	-	34,117	24,984	17,109	-	126	978	-	77,315
Fees	-	1,207	-	5,985	3,533	10,725	15	1	18,060	2	190	-	28,992
Other Income	2	0	-	-	-	3	-	55	2	-	-	3,395	3,453
Total Revenue	**16,303**	**9,956**	**1,958**	**13,094**	**3,533**	**44,844**	**24,999**	**17,165**	**18,061**	**127**	**1,168**	**3,395**	**109,760**
Budgeted Revenue	**16,282**	**10,023**	**1,967**	**13,756**	**3,799**	**45,826**	**25,021**	**17,109**	**16,986**	**126**	**963**	**-**	**106,033**
Favourable / (Unfavourable) Variance	**21**	**(67)**	**(9)**	**(662)**	**(266)**	**(982)**	**(22)**	**56**	**1,075**	**1**	**205**	**3,395**	**3,727**

21. SUBSEQUENT EVENTS

a) KPMG as the Liquidator has informed the Court of a settlement regarding the litigation initiated by PACE in 2018 against its former President, CEO, directors, and other parties regarding the events that led to FSRA's administration of PACE and has sought approval for the settlement. The Court has approved an aggregate global settlement of $23.0 million on May 1, 2023, and the litigation is completely resolved against all parties. However, the estimated amount of the net assets that will be available in the PACE liquidation to repay the financial assistance funding received from the DIRF in F21-22 and F22-23 to FSRA can not be determined at this time.”

b) The credit facility agreement with the Ontario Financing Authority, which was initially set for six months and is described in Note 10, is due to expire on June 19, 2023. However, on May 4, 2023, this non-revolving facility was renewed for another six months and will now expire on December 18, 2023, with all other terms and conditions remaining unchanged.

PENSION BENEFITS GUARANTEE FUND

Financial Highlights

Under the Pension Benefits Act, the Chief Executive Officer of FSRA is responsible for the administration of the Pension Benefits Guarantee Fund (the “Fund” or “PBGF”). As defined by Public Sector Accounting Standards for Government Not-For-Profit Organizations (PSAS-GNFPO), FSRA controls the PBGF.

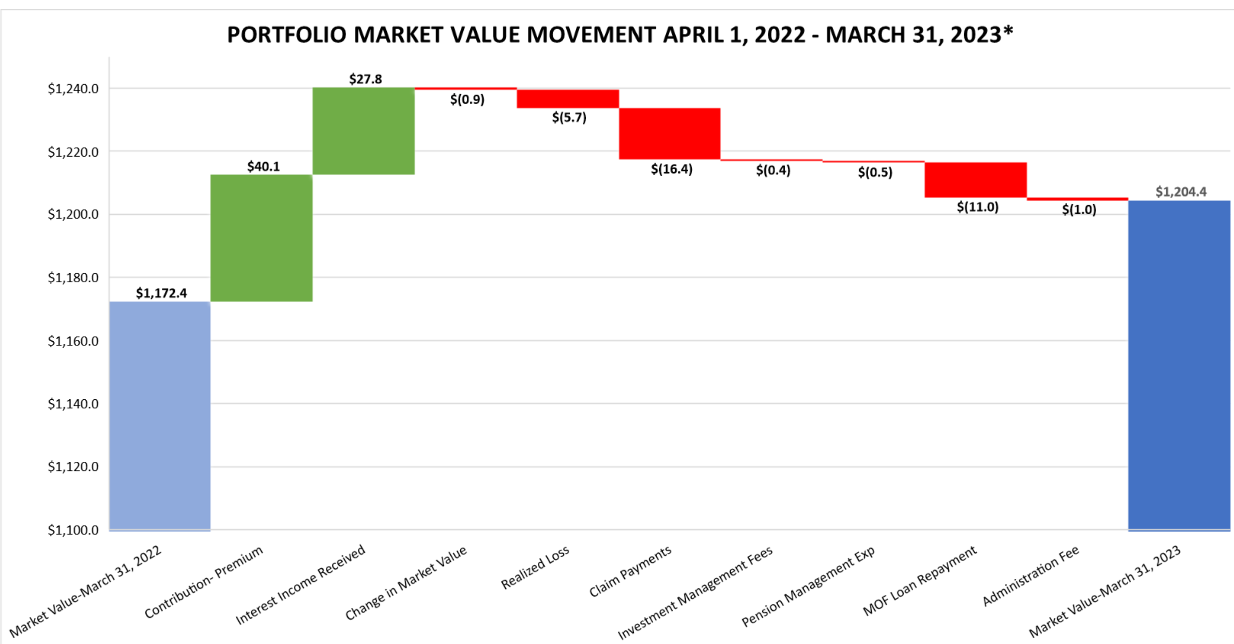
As at March 31, 2023, the total fund surplus was at $1,117.6 million, an increase of $37.8 million or 3.5% from $1,079.8 million the previous year.

Fund assets consisted of investments of $1,204.4 million and accounts receivable of $45.3 million. Fund liabilities were comprised of loan payable of $91.2 million, claims payable of $37.9 million, and accounts payable of $3.1 million.

The increase of $37.8 million in fund surplus for the fiscal year was primarily attributed to several factors, including assessment revenue of $21.6 million, investment income of $22.8 million, pension plan recoveries of $0.2 million, a decrease in accumulated re-measurement losses of $0.8 million and partially offset by various expenses and claims such as $1.0 million in claims, amortization of loan discount of $4.9 million, pension consulting service fees of $0.3 million, an administration fee of $1.0 million, and investment management fees of $0.4 million.

Investments

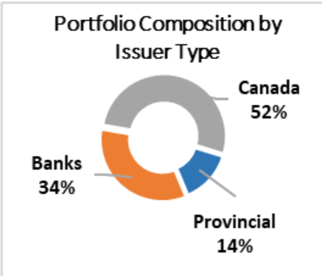
Investment of the PBGF is managed by the Ontario Financing Authority. As at March 31, 2023, the market value of the total investments was $1,204.4 million, comprised of discount notes of $414.7 million (34%) and government bonds of $789.7 million (66%). The total market value increased by $32.0 million from $1,172.4 million as at the prior year-end.

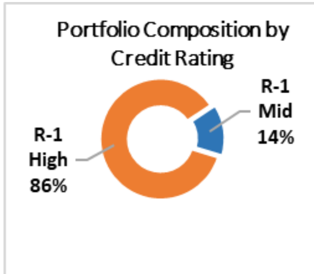


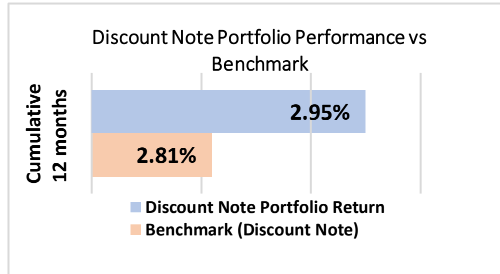
* on a modified cash basis

Discount Notes

As at March 31, 2023, the market value of the discount notes was $414.7 million with an average term to maturity of 0.23 year. The gross return of the portfolio was 2.95% for the cumulative 12 months period which outperformed the benchmark by 14 basis points.

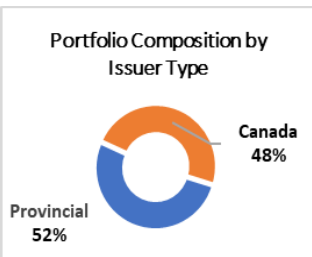


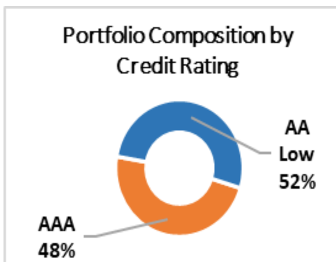


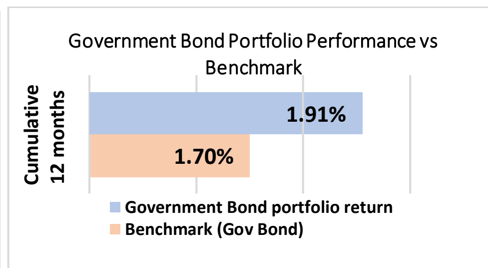


Government Bonds

The market value of the government bonds was $789.7 million as at March 31, 2023, with an average term to maturity of 1.54 years. The gross return of the portfolio was 1.91% for the cumulative 12 months period, outperforming the benchmark by 21 basis points.







Claims Payable

At March 31, 2023, the total claims payable was $37.9 million and was separated into a current portion of $37.9 million and a long-term portion of nil. This represents a $15.3 million decrease from the prior year's total claims payable amount of $53.2 million. The decrease is mainly due to claim payments made during the year.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

PENSION BENEFITS GUARANTEE FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023

Financial Services Regulatory Authority of Ontario

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Ontario

Pension Benefits Guarantee Fund

Management's Responsibility for Financial Information

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

FSRA management ("Management") is responsible for the integrity and fair presentation of the accompanying financial statements and notes. The financial statements have been prepared by Management in accordance with Canadian Public Sector Accounting Standards for Government Not-For-Profit Organizations ("PSA-GNFPO"). The reporting year is from April 1, 2022 to March 31, 2023. The preparation of the financial statements involves the use of Management's judgement and best estimates, where appropriate.

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

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

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

Mark White
Chief Executive Officer

Stephen Power
Executive Vice President – Corporate Services

Toronto, Ontario
July 11, 2023

Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

INDEPENDENT AUDITOR'S REPORT

To the Financial Services Regulatory Authority of Ontario

Opinion

I have audited the financial statements of the Pension Benefits Guarantee Fund (the Fund), which comprise the statement of financial position as at March 31, 2023, and the statements of operations and fund surplus, remeasurement gains and losses and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2023 and the results of its operations, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the Financial Services Regulatory Authority of Ontario 2022-2023 Annual Report, but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Toronto, Ontario
July 11, 2023

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

Pension Benefits Guarantee Fund
Statement of Financial Position
As at March 31, 2023

($000)	Note(s)	March 31, 2023	March 31, 2022
ASSETS			
Current			
Cash		$ 28	$ 188
Accounts receivable		45,346	62,646
Investments	2, 3	1,204,364	1,172,403
Total assets		**$ 1,249,738**	**$ 1,235,237**
LIABILITIES AND FUND SURPLUS			
Current			
Accounts payable and accrued liabilities		$ 3,083	$ 4,941
Current portion of loan payable	4	11,000	11,000
Claims payable		37,900	8,226
Total current liabilities		51,983	24,167
Claim payable		-	45,026
Loan payable	4	80,194	86,294
Total liabilities		132,177	155,487
FUND SURPLUS			
Fund surplus from operations		1,131,785	1,094,779
Accumulated re-measurement losses		(14,224)	(15,029)
Total fund surplus		1,117,561	1,079,750
Total liabilities and fund surplus		**$ 1,249,738**	**$ 1,235,237**

See accompanying notes to the financial statements.

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

Joanne De Laurentiis
Board Chair

Brent Zorgdrager
Chair, Audit, Finance & Risk Committee

Pension Benefits Guarantee Fund
Statement of Operations and Fund Surplus
For the year ended March 31, 2023

($000)	Note(s)	March 31, 2023	March 31, 2022
Revenue			
PBGF assessment revenue	2	$ 21,680	$ 62,450
Pension plan recoveries	6	182	2,964
Investment income	3	22,834	3,376
		44,696	**68,790**
Expenses			
Claims (Recovery of claims provision)	2	1,032	(161)
Amortization of loan discount	4	4,901	5,193
Pension consulting services	7	264	614
Administration fee	8	1,047	1,387
Investment management fees	8	446	412
		7,690	**7,445**
Excess of revenue over expenses		**37,006**	**61,345**
Fund surplus from operations, beginning of year		1,094,779	1,033,434
Fund surplus from operations, end of year		**$ 1,131,785**	**$ 1,094,779**

See accompanying notes to the financial statements.

Pension Benefits Guarantee Fund
Statement of Re-measurement Gains and Losses
For the year ended March 31, 2023

($000)	Note(s)		March 31, 2023		March 31, 2022
Accumulated re-measurement losses, beginning of year		**$**	**(15,029)**	**$**	**(3,888)**
Unrealized losses attributed to portfolio investments	3		(1,759)		(15,232)
Realized losses reclassified to the statement of operations and fund surplus	3		2,564		4,091
Accumulated re-measurement losses, end of year		**$**	**(14,224)**	**$**	**(15,029)**

See accompanying notes to the financial statements.

Pension Benefits Guarantee Fund
Statement of Cash Flows
For the year ended March 31, 2023

($000)	**Note(s)**	**March 31, 2023**	**March 31, 2022**
Cash flows from operating activities:			
Excess of revenue over expenses		$ 37,006	$ 61,345
Adjustments for non-cash expense items:			
Amortization of loan discount	4	4,901	5,193
Amortization of bond premium		4,853	7,397
Realized losses on disposal of investments	3	2,564	4,091
		49,324	78,026
Changes in non-cash working capital:			
Accounts receivable		17,300	14,201
Claims payable		(15,352)	(4,794)
Accounts payable and accrued liabilities		(1,858)	(1,516)
Net cash flows from operating activities		49,414	85,917
Cash flows used in investing activities:			
Purchases of investments		(6,455,674)	(3,307,557)
Proceeds from sale of investments		6,417,100	3,232,715
		(38,574)	(74,842)
Cash flows used in financing activities:			
Loan repayments	4	(11,000)	(11,000)
		(11,000)	(11,000)
Net (decrease) increase in cash position		**(160)**	**75**
Cash, beginning of year		188	113
Cash, end of year		**$ 28**	**$ 188**

See accompanying notes to the financial statements.

Pension Benefits Guarantee Fund
Statement of Cash Flows
For the year ended March 31, 2023

1. STATUTORY AUTHORITY AND FUND OPERATIONS

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

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

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

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

As defined by Public Sector Accounting Standards for Government Not-For-Profit Organizations (PSAS-GNFPO), FSRA controls the PBGF. FSRA has elected to not consolidate controlled entities. Therefore, the PBGF’s financial statements have not been consolidated with FSRA’s financial statements. A summary of PBGF’s financial information has been disclosed in the FSRA notes to the financial statements.

The investments of the Fund are managed by the Ontario Financing Authority on a fee for service basis, such fees being paid by the Fund.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in accordance with PSAS-GNFPO as issued by the Public Sector Accounting Board (PSAB). Management has used the following significant accounting policies in the financial statements and notes preparation.

(a) Financial Instruments

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

- Cash and investments are recorded at fair value, with changes in fair value during the period recognized in the Statement of Re-measurement Gains and Losses until realized. Fair value is determined from quoted prices for similar investments.

Pension Benefits Guarantee Fund
Statement of Cash Flows
For the year ended March 31, 2023

- Accounts receivable, account payable and accrued liabilities are valued at cost which approximate fair value given their short-term maturities.

- The non-interest bearing loan payable is reflected at amortized cost using the effective interest rate method due to the concessionary nature of the loan. The initial valuation was determined by discounting future cash flows using the provincial cost of borrowing. The resulting benefit (the difference between the face value of the loan and the net present value) was accounted for as a grant in the year received and is amortized to loan discount expense over the term of the loan.

- Fair value measurements are classified using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

  • Level 1 – unadjusted quoted market prices in active markets for identical assets or liabilities;

  • Level 2 – observable or corroborated inputs, other than Level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and

  • Level 3 – unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

(b) Claims Payable

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

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

(c) PBGF Assessment Revenue

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

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

Pension Benefits Guarantee Fund
Statement of Cash Flows
For the year ended March 31, 2023

($000)	March 31, 2023	March 31, 2022
Estimated revenue	$ 41,000	$ 63,000
Actual revenue related to current and prior years received in current year	43,680	69,850
Less: prior year's estimated revenue	(63,000)	(70,400)
Total	**$ 21,680**	**$ 62,450**

(d) Use of Estimates

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

3. INVESTMENTS

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

Pension Benefits Guarantee Fund
Statement of Cash Flows
For the year ended March 31, 2023

Investments consist of:

($000)	March 31, 2023		March 31, 2022	
	Fair Value	Cost	Fair Value	Cost
Discount notes	$ 414,647	$ 414,647	$ 655,520	$ 655,798
Government bonds	789,717	813,072	516,883	531,634
Total investments	**$ 1,204,364**	**$ 1,227,719**	**$ 1,172,403**	**$ 1,187,432**

($000)	Fair Value Hierarchy	March 31, 2023 Fair Value	March 31, 2022 Fair Value
Discount notes	Level 1	$ 414,647	$ 655,520
Government bonds	Level 2	789,717	516,883
Total		**$ 1,204,364**	**$ 1,172,403**

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

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

Investment income consists of:

($000)	March 31, 2023	March 31, 2022
Interest income	$ 25,398	$ 7,467
Realized losses from the sale of securities	(2,564)	(4,091)
Total	**$ 22,834**	**$ 3,376**

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

Pension Benefits Guarantee Fund
Statement of Cash Flows
For the year ended March 31, 2023

Discount notes had yields in the range of 3.310% to 4.800% (2022 – had yields in the range of 0.310% to 1.080%). The government bonds had yields in the range of 0.485% to 3.867% (2022 – had yields in the range of 0.450% to 1.776%).

4. LOAN PAYABLE TO THE PROVINCE

Non-interest Bearing Loan

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

The face value of this non-interest bearing loan has been discounted at an effective interest rate of 5.0368% to reflect its amortized cost outstanding as of March 31, 2023 as follows:

($000)	**March 31, 2023**	**March 31, 2022**
Face Value	$ 121,000	$ 132,000
Less: Discount	(29,806)	(34,706)
Amortized Cost	**$ 91,194**	**$ 97,294**
Classified as:		
Current Portion	$ 11,000	$ 11,000
Long-Term Portion	80,194	86,294
Balance	**$ 91,194**	**$ 97,294**

The unamortized discount of $29.8 million is amortized to loan discount expense over the remaining term of the loan, based on the effective interest rate method. The amortization schedule for the subsequent five fiscal years is as follows:

Pension Benefits Guarantee Fund
Statement of Cash Flows
For the year ended March 31, 2023

Fiscal Year	($000)
2024	4,593
2025	4,271
2026	3,932
2027	3,576
2028	3,202

5. RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

(a) Credit risk

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

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

The Fund's accounts receivable consists of assessment revenue receivable of $38.7 million with Retail Sales Tax (RST), investment income receivable of $6.4 million, and pension plan recoveries receivable of $0.2 million.

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

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

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

(b) Liquidity risk

Pension Benefits Guarantee Fund
Statement of Cash Flows
For the year ended March 31, 2023

Liquidity risk is the risk that the Fund will not be able to meet its cash flow obligations as they fall due. The Fund's exposure to liquidity risk is minimal as the Fund has sufficient funds in its investment portfolio to settle all current liabilities and the Fund's exposure is limited to the assets in the Fund including any loans or grants received from the Province. As at March 31, 2023, the Fund has an investment balance of $1,204 million (2022 - $1,172 million) to settle current liabilities of $52.0 million (2022 - $24.2 million). In addition, subject to realizing losses due to market declines, the Fund has the ability to meet sudden and unexpected claims by converting the investment holdings to cash without delay or significant transaction costs.

(c) Market risk

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

The market value sensitivity of the discount notes as at March 31, 2023 was $0.83 million for a 1.00% change in rates. The market value sensitivity of the government bonds as at March 31, 2023 was $12.64 million for a 1.00% change in rates.

6. PENSION PLAN RECOVERIES

Any funds remaining from a wound up pension plan are recovered by the Fund after the settlement of all benefits, payment of expenses and the submission of the final wind up report for such pension plan that had received payments from the Fund. During fiscal 2023, the Fund had $0.2 million (2022 – $3.0 million) in recoveries from such pension plans.

7. PENSION CONSULTING SERVICES

The CEO periodically engages the services of external experts to represent the Fund's interests in, or in anticipation of, insolvency proceedings respecting employers who are unable to meet their funding obligations under the *Pension Benefits Act*. For fiscal 2023, $0.3 million was incurred to such external experts (2022 - $0.6 million).

8. RELATED PARTY TRANSACTIONS

FSRA is a related party due to its obligation to administer the PBGF, in addition to the PBGF being controlled by FSRA. For fiscal 2023, an administration fee of $1.0 million (2022 - $1.4 million) charged by FSRA was incurred for management salaries and benefits, accounting, information technology, legal, pension and other services.

Pension Benefits Guarantee Fund
Statement of Cash Flows
For the year ended March 31, 2023

Investment Management fees of $0.4 million (2022 - $0.4 million) consist mainly of fees paid to the Ontario Financing Authority, a related party.

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

DEPOSIT INSURANCE RESERVE FUND

Financial Highlights

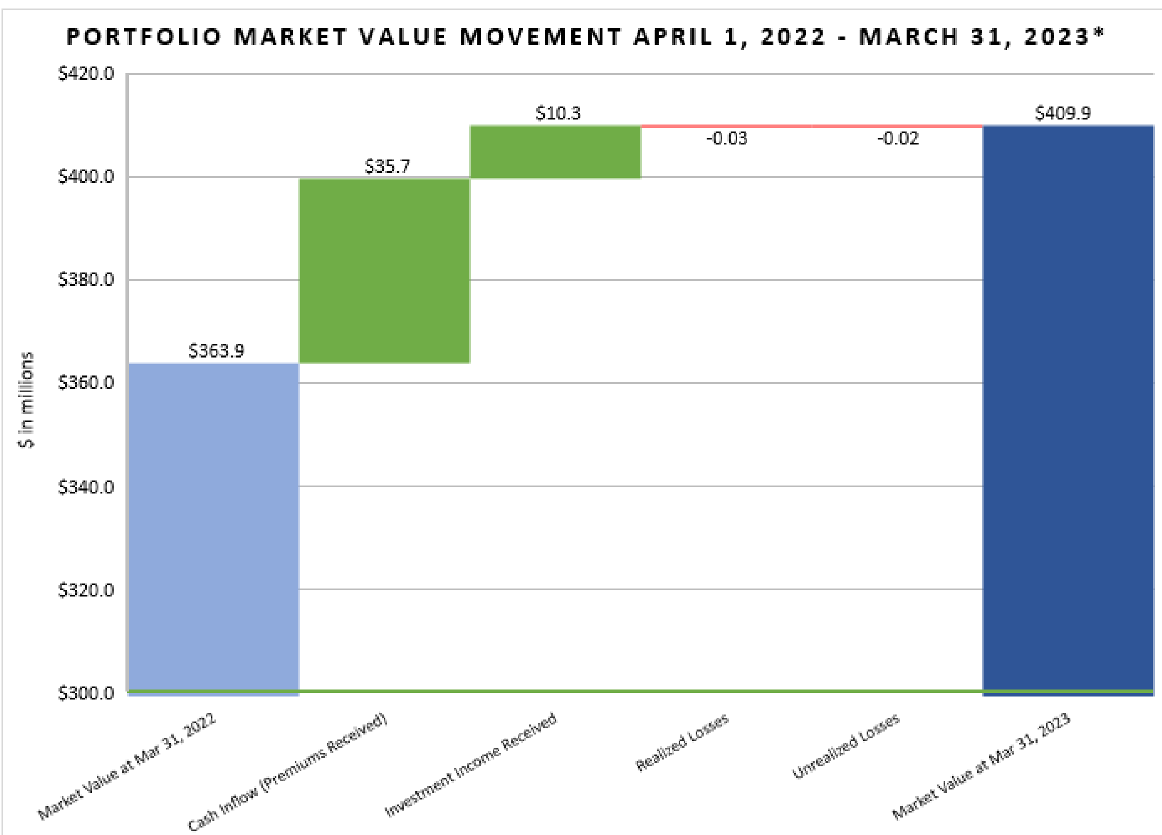
The Deposit Insurance Reserve Fund (“DIRF”) is a fund managed and controlled by FSRA and dedicated to protecting the insured deposits of credit union members through deposit insurance and other financial support for the credit union sector as set forth in the *Credit Unions and Caisses Populaires Act, 2020.*

As of March 31, 2023, the DIRF Fund surplus was at $420.1 million. This surplus comprises the assets in the DIRF net of liabilities. The surplus increased by $47.2 million (12.7%) year-over-year. The DIRF assets consisted of investments of $409.9 million, premium receivable of $37.0 million, cash of $1.8 million, investment income receivable of $0.8 million, and other receivables of 0.1 million. The DIRF liabilities comprised deferred premium revenue of $28.3 million and accounts payable of $1.1 million.

The increase of $47.2 million in the fiscal year resulted from premium revenue of $38.3 million, investment income of $10.5 million, and other revenue of $0.2 million, offset by a provision for deposit insurance loss of $1.8 million.

Investments

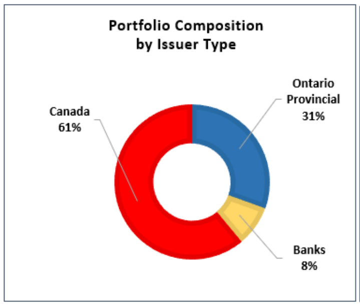
Investments of the DIRF are managed by the Ontario Financing Authority. As at March 31, 2023, the market value of the total investments was $409.9 million, comprised of discount notes totaling $347.0 million (85%) and government bonds totaling $62.9 million (15%). The total market value increased by $46.0 million from $363.9 million at the end of last year.

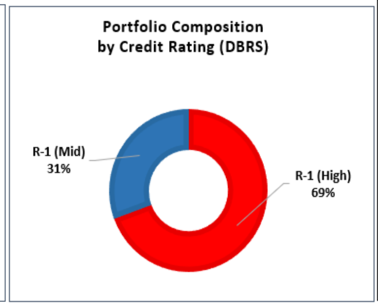


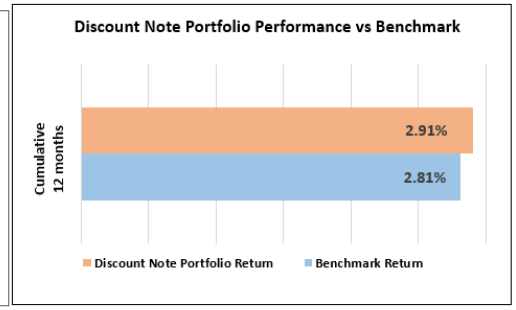
* On a modified cash basis

Discount Notes

As at March 31, 2023, the market value of the discount notes was $347.0 million with an average term of 87.7 days. The gross return of the portfolio was 2.91% for the cumulative 12 months period which outperformed the benchmark by 10 basis points.

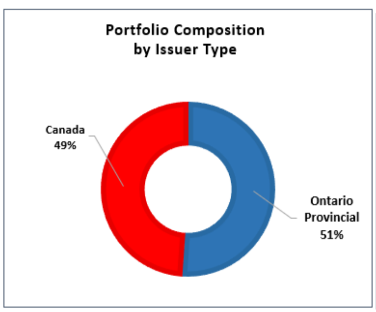


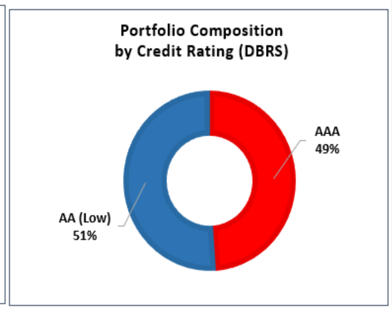


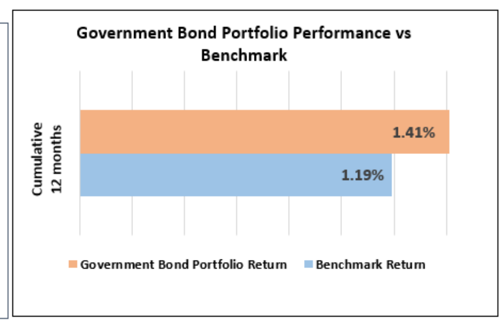


Government Bonds

The market value of the government bonds was $62.9 million as at March 31, 2023, with an average term to maturity of 1.49 years. The gross return of the portfolio was 1.41% for the cumulative 12 months period, outperforming the benchmark by 22 basis points.







FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

DEPOSIT INSURANCE RESERVE FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023

Financial Services Regulatory Authority of Ontario

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Ontario

Deposit Insurance Reserve Fund

Management's Responsibility for Financial Reporting

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

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

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

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

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

Mark White
Chief Executive Officer

Stephen Power
Executive Vice President - Corporate Services

Toronto, Ontario
July 11, 2023

Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

INDEPENDENT AUDITOR'S REPORT

To the Financial Services Regulatory Authority of Ontario

Opinion

I have audited the financial statements of the Deposit Insurance Reserve Fund (the Fund), which comprise the statement of financial position as at March 31, 2023, and the statements of operations and fund surplus, remeasurement gains and losses and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2023 and the results of its operations, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the Financial Services Regulatory Authority of Ontario 2022-2023 Annual Report, but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Toronto, Ontario
July 11, 2023

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

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

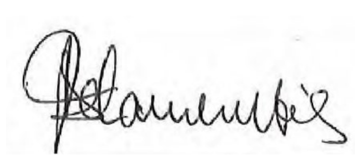
Deposit Insurance Reserve Fund
Statement of Financial Position
As at March 31, 2023

($000)	**Note(s)**	**March 31, 2023**	**March 31, 2022**
ASSETS			
Current			
Cash		1,830	2,226
Investments	3	409,851	363,885
Premium receivable	4	36,987	35,238
Investment income receivable		773	609
Other receivables	6	116	-
Total assets		**449,557**	**401,958**
LIABILITIES AND FUND SURPLUS			
Current			
Accounts payable and accrued liabilities		1,087	1,940
Deferred premium revenue	5	28,322	26,993
Other payables	6	-	143
Total liabilities		29,409	29,076
Fund surplus from operations		421,559	374,269
Accumulated remeasurement losses		(1,411)	(1,387)
Fund surplus		420,148	372,882
Total liabilities and fund surplus		**449,557**	**401,958**

See accompanying notes to the financial statements

Contingencies (Notes 10, 11)

On Behalf of the Board:



Joanne De Laurentiis
Board Chair

Brent Zorgdrager
Chair, Audit, Finance & Risk Committee

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Deposit Insurance Reserve Fund
Statement of Operations and Fund Surplus
For the year ended March 31, 2023

($000)	Note(s)	March 31, 2023	March 31, 2022
Revenue			
Premium revenue	2,4	38,336	36,250
Investment income	2,3,6	10,524	1,271
Other revenue	2,8	202	473
		49,062	**37,994**
Expenses			
Provision for deposit insurance loss	7	1,772	29,120
Other expenses	8	-	68
Less: Recoveries		-	(26)
		1,772	**29,162**
Excess of revenue over expenses		**47,290**	**8,832**
Fund surplus from operations, beginning of year		374,269	365,437
Fund surplus from operations, end of year		**421,559**	**374,269**

See accompanying notes to the financial statements

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Deposit Insurance Reserve Fund
Statement of Remeasurement Gains and Losses
For the year ended March 31, 2023

($000)	**March 31, 2023**	**March 31, 2022**
Accumulated remeasurement (losses) gains, beginning of year	**(1,387)**	**585**
Unrealized losses attributed to portfolio investments	(52)	(1,972)
Realized losses reclassified to the statement of operations and fund surplus	28	-
Accumulated remeasurement losses, end of year	**(1,411)**	**(1,387)**

See accompanying notes to the financial statements

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Deposit Insurance Reserve Fund
Statement of Cash Flows
For the year ended March 31, 2023

($000)	**Note(s)**	**March 31, 2023**	**March 31, 2022**
Cash flows from operating activities:			
Excess of revenue over expenses		47,290	8,832
Adjustments for non-cash expense items:			
Amortization of bond premiums		730	1,037
Realized losses on disposal of investments		28	-
		48,048	9,869
Changes in non-cash working capital:			
Premium receivable		(1,748)	(1,857)
Investment income receivable		(164)	59
Other receivables	6	(116)	92
Account payables and accrued liabilities		(853)	1,910
Deferred premium income		1,329	1,425
Other payables	6	(143)	143
		(1,695)	1,772
		46,353	11,641
Cash flows used in investing activities:			
Purchases of investments		(6,299,241)	(1,440,497)
Proceeds from sale of investments		6,252,492	1,430,826
		(46,749)	(9,671)
Net (decrease) increase in cash		**(396)**	**1,970**
Cash position, beginning of year		2,226	256
Cash position, end of year		**1,830**	**2,226**

See accompanying notes to the financial statements

1. REPORTING ENTITY

Statutory authorities

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

On June 8, 2019, the amalgamation was completed. On this date, FSRA became responsible for providing deposit insurance and prudential and market conduct regulation of Ontario's credit unions and caisses populaires ("credit unions"). By virtue of its amalgamation with DICO, FSRA assumed the responsibility to administer the Deposit Insurance Reserve Fund ("DIRF").

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

As defined by Public Sector Accounting Standards for Government Not-For-Profit Organizations (PSAS-GNFPO), FSRA controls the DIRF. FSRA has elected to not consolidate controlled entities. Therefore, the DIRF's financial statements have not been consolidated with FSRA's financial statements. A summary of the DIRF's financial information has been disclosed in the notes to FSRA's financial statements.

Purpose and operation

In accordance with the CUCPA, the DIRF may be used to pay the following:

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

FSRA is responsible for the operation and prudent management of the DIRF. Pursuant to section 10.2 of the FSRA Act, the Board of Directors of FSRA has established a Statutory Funds Advisory Committee to advise the Board on matters related to the oversight of FSRA's management of the DIRF.

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

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with PSAS-GNFPO as issued by the Public Sector Accounting Board (PSAB). Management has used the following significant accounting policies in the financial statements and notes preparation.

(a) Financial instruments

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

- Cash and investments are recorded at fair value, with changes in fair value during the period recognized in the Statement of Remeasurement Gains and Losses until realized. Fair value is determined from quoted prices for similar investments.

- Accounts receivable, accounts payable, and accrued liabilities are valued at costs that approximate fair value given their short-term maturities. Deposit insurance advance receivable is valued at the lower of cost and net recoverable value.

- Fair value measurements are classified using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

  - Level 1 – unadjusted quoted market prices in active markets for identical assets or liabilities;
  - Level 2 – observable or corroborated inputs, other than Level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
  - Level 3 – unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

(b) Revenue recognition

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

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

(c) Use of estimates and assumptions

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

3. INVESTMENTS

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

The DIRF investments consist of discount notes and government bonds.

($000)	March 31, 2023		March 31, 2022	
	Fair Value	Cost	Fair Value	Cost
Discount notes	346,939	346,939	291,156	291,343
Government bonds	62,912	64,323	72,729	73,929
Total investments	**409,851**	**411,262**	**363,885**	**365,272**

($000)	Fair Value Hierarchy	March 31, 2023 Fair Value	March 31, 2022 Fair Value
Discount notes	Level 1	346,939	291,156
Government bonds	Level 2	62,912	72,729
Total		**409,851**	**363,885**

No investments moved between hierarchy levels during the fiscal year.

Investment income of $10,524 is reported on the Statement of Operations and Fund Surplus (2022 - $1,271). As of March 31, 2023, unrealized losses of $1,411 are reported on the Statement of Remeasurement Gains and Losses (2022 – $1,387).

The discount notes had yields in the range of 4.417% to 4.802% (2022 – 0.36% to 0.91%). The government bonds had yields in the range of 0.438% to 3.867% (2022 – 0.438% to 1.872%).

4. PREMIUM RECEIVABLE AND PREMIUM REVENUE

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

Premium receivable of $36,987 represents primarily the annual premiums invoiced as of March 31, 2023, to credit unions with a December 31 fiscal year-end, for the year from January 1 to December 31, 2023 (2022 - $35,238).

5. DEFERRED PREMIUM REVENUE

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

Changes in deferred premium revenue balances are summarized as follows:

($000)	**March 31, 2023**	**March 31, 2022**
Balance, beginning of year	26,993	25,568
Received and receivable during year	39,665	37,675
Recognized during year	(38,336)	(36,250)
Balance, end of year	**28,322**	**26,993**

6. RELATED PARTY TRANSACTIONS

FSRA is a related party due to its obligation to administer the DIRF, in addition to the DIRF being controlled by FSRA. FSRA collects deposit insurance premiums on behalf of the DIRF, and the two entities pay certain expenses on behalf of each other. Any unsettled receivable and payable balances as at the year-end are netted and reported on the Statement of Financial Position as Other Receivables or Other Payables. As at March 31, 2023, the Other receivables of $116 represent HST on the DIRF expenses paid from the DIRF that will be recovered by FSRA and returned to the DIRF (2022 – other payables of $143).

The Ontario Financing Authority ("OFA") is a related party in its capacity as the DIRF investment manager. Investment management fees of $126 were paid to the OFA in fiscal 2023 (2022 - $119). The fees are netted from investment income on the Statement of Operations and Fund Surplus.

7. PROVISION FOR DEPOSIT INSURANCE LOSS

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

Pursuant to section 294 of the CUCPA 1994, PACE Savings & Credit Union Limited (PACE) was placed under Administration in September 2018 by FSRA's predecessor, DICO, to protect members from failed board governance and misconduct by certain former executives. PACE remained under Administration by FSRA until August 24, 2022, on which date the PACE legal entity was placed in liquidation after the PACE purchase and assumption transaction with Alterna Savings & Credit Union Limited was completed (Note 11).

In fiscal 2023, $1,772 was paid from the DIRF to fund PACE in professional fees for advisory services with respect to the purchase and assumption transaction and the orderly winding up of the PACE legal entity. The professional fees are expenses of PACE, however, the DIRF paid for these fees as a form of financial assistance to PACE under administration, as well as to assist with the orderly winding up of the PACE legal entity. FSRA intends to recover these fees from PACE and the amount was initially recorded at cost as deposit insurance advance receivable. Since the collectability of the receivable was undeterminable as at March 31, 2023, a valuation allowance for the entire amount has been established to write off the receivable. The valuation allowance of $1,772 is reported on the Statement of Operations and Fund Surplus as a provision for deposit insurance loss.

For fiscal 2022, the provision for deposit insurance loss of $29,120 was reported comprising the following:

- On June 24, 2021, PACE, acting through FSRA as its administrator, entered into a confidential settlement of certain claims by investors in preferred shares that were distributed by PACE's subsidiary, PACE Securities Corporation, and issued by another subsidiary, PACE Financial Limited, and by an unaffiliated entity (First Hamilton Holdings). This settlement agreement received court approval in October 2021. PACE's contribution to the settlement was determined to be $25,000. FSRA used the DIRF to provide financial assistance to PACE by funding the settlement amount of $25,000 under an unsecured non-interest-bearing promissory note.

- The DIRF also paid $4,120 in professional fees for advisory services in regard to the PACE purchase and assumption transaction, as a form of financial assistance to PACE.

- The above financial assistance, totaling $29,120 as at March 31, 2022, was intended to be recovered from PACE and hence was initially recorded at cost as deposit insurance advance receivable. This amount was assessed as to its collectability and a valuation allowance for the entire amount was established based on its collection being undeterminable. As a result, the deposit insurance advance receivable was written down to nil. The valuation allowance of $29,120 was reported on the Statement of Operations and Fund Surplus as a provision for deposit insurance loss.

8. OTHER REVENUES AND OTHER EXPENSES

Other revenue consists of recoveries from loans collected from liquidated credit unions in the amount of $202 (2022 - $473). These loans were previously written off.

Other expenses are nil (2022 - $68 in fees for legal advice relating to uses of the DIRF).

9. RISKS ARISING FROM FINANCIAL INSTRUMENTS

(a) Credit risk

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

Management minimizes DIRF investment credit risk by investing in high-quality financial instruments permitted by legislation and by limiting the amount invested in any one counterparty. Risks of net investment losses and not receiving investment income are considered minimal. An allowance on FSRA's $1,772 (2022 - $29,120) deposit insurance advance receivable from PACE has been established (Note 7). The risk of not collecting premium receivables is considered low due to the importance of deposit insurance to credit unions, management's effective collection measures and that payment is an obligation under the CUCPA. As of March 31, 2023, there were no significant premium receivables that were past due or impaired.

(b) Liquidity risk

Liquidity risk is the risk that the DIRF will not be able to meet its cash flow obligations as they fall due. As at March 31, 2023, the DIRF had an investment balance of $409.9 million (2022 - $363.9 million). The Fund has the ability to meet sudden and unexpected claims by converting the investment holdings to cash without delay or significant transaction costs. On December 19, 2022, FSRA entered into a six-month credit facility with the OFA of $2.0 billion to be able to provide financial assistance to credit unions that could require financial support. No amounts have been drawn on the facility.

(c) Market risk

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

(d) Fair value sensitivity

The fair value sensitivity of discount notes as at March 31, 2023, is $825 for a 1.00% change in rates (2022 - $780). The fair value sensitivity of government bonds as at March 31, 2023, is $909 for a 1.00% change in rates (2022 - $922).

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

10. GENERAL DEPOSIT INSURANCE CONTINGENCIES

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

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

11. PACE SAVINGS & CREDIT UNION LIMITED (PACE)

As described in Note 7, PACE was placed under Administration in September 2018 by FSRA's predecessor, DICO, to protect members from failed board governance and misconduct by certain former executives.

During fiscal years 2022 and 2023, FSRA, as the administrator of the DIRF, worked toward implementing a purchase & assumption (P&A) transaction resolution strategy to fulfill its statutory objects, including minimizing losses to depositors and the DIRF and supporting the stability of the credit union sector. A P&A is a resolution transaction where an acquirer purchases some or all the assets of the credit union, and assumes some or all of its liabilities, including the insured deposits, to maintain the failing credit union's core business operations. It is a desirable resolution method for a failing credit union when an amalgamation is not available.

(a) PACE Management Indemnification

In addition to the financial assistance described in Note 7, on January 3, 2022, FSRA as an administrator of the DIRF, entered into an indemnification agreement with certain members of PACE management to retain such management to operate PACE and to assist with the completion of the P&A transaction. This indemnification became necessary due to the non-renewal of the existing PACE Directors and Officers insurance policy. The indemnification is a form of financial assistance to a credit union under administration in its continued operation, made pursuant to CUCPA and its predecessor Act. The maximum amount of the indemnity is

$10,000. As at March 31, 2023, no claims have been made and FSRA did not anticipate claims under this indemnification agreement (2022 - no claims).

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

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

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

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

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

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

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

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

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

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

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

As at March 31, 2023, no payments have been made by the DIRF under the Loss Sharing Agreement and no other obligations under the Guarantee have been materialized.

(c) FSRA/PACE $500 million credit facility

On April 28, 2021, and pursuant to FSRA's authority under section 262(1)(a)(i) of the CUCPA 1994, FSRA as the administrator of the DIRF entered into a secured credit agreement with PACE to support PACE's continued operations. The credit agreement provided PACE with a $500 million revolving secured loan facility to provide liquidity either when PACE's liquidity fell below $100 million or if PACE experienced a rapid decline in liquidity that could cause material financial or operational difficulties.

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

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

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

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

The credit facility expired on August 31, 2022, with no further impact on the DIRF.

(d) Wind-up of PACE Legal Entity

The Excluded Items, including the Recovery Litigation Claims, the prepaid card business, and certain excluded liabilities, remained in the PACE legal entity after the closing of the P&A. On August 24, 2022, pursuant to an order of the Ontario Superior Court of Justice, the PACE legal entity was ordered to be wound up pursuant to section 240 of the CUCPA and KPMG was appointed as liquidator to wind up the PACE legal entity, including realizing its assets and distributing the proceeds therefrom to its creditors and capital providers in accordance with applicable law governing priorities. Costs associated with the PACE wind-up may, to the extent PACE has insufficient resources to pay its senior creditors and such costs, be borne by the DIRF. The impact of this on the DIRF is not yet determinable.

PACE’s investment shares, profit shares, and membership shares are part of the Excluded Items and remain an obligation of PACE if it has sufficient assets after paying higher ranking claims, including the $30,892 (2023 - $1,772 and 2022 - $29,120) deposit insurance advance receivables as described in Note 7. The investment, profit, and membership shares provided risk-bearing capital to PACE that are not insured by the DIRF, and – as such, any losses to PACE members arising from owning these shares do not impact the DIRF.

As at March 31, 2023, a provision of $1,772 specific to PACE was established (2022 - $29,120) representing a valuation allowance for deposit insurance advance receivable (Note 7).

12. SUBSEQUENT EVENTS

(a) PACE Recovery Litigation Settlement

KPMG as the Liquidator has informed the Court of a settlement regarding the litigation initiated by PACE in 2018 against its former President, CEO, directors, and other parties regarding the events that led to FSRA's administration of PACE, and has sought approval for the settlement. The Court has approved an aggregate global settlement of $23.0 million on May 1, 2023, and the litigation is completely resolved against all parties. However, the estimated amount of the net assets that will be available in the PACE liquidation to repay the financial assistance funding received from the DIRF in F21-22 and F22-23 to FSRA cannot be determined at this time.

(b) Renewal of the $2.0 Billion Credit Facility with the OFA

The credit facility agreement with the Ontario Financing Authority, which was initially set for six months and is described in Note 9 (b), is due to expire on June 19, 2023. However, on May 4, 2023, this non-revolving facility was renewed for another six months and will now expire on December 18, 2023, with all other terms and conditions remaining unchanged.