FSRA Financial Services Regulatory Authority of Ontario

2019 – 2020 ANNUAL REPORT

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FSRA Financial Services Regulatory Authority of Ontario — ARSF Autorité ontarienne de réglementation des services financiers

Executive Summary

When FSRA launched last year, we had two priorities across all sectors: burden reduction and regulatory effectiveness. Over the past year, we embarked on an ambitious agenda. We transformed our regulatory approach to meet the demands of today's fast-paced financial environment, and took significant steps to address our priorities.

Part of our early success was in achieving measurable results. Early in fiscal 2019, the Board approved FSRA's 2019-2022 Annual Business Plan (ABP), which was endorsed by the Minister of Finance. The plan outlined eight cross-sectoral and 18 sector-specific priorities, and the budget needed to achieve these priorities.

At year end, 96% of these initiatives were complete or substantially complete. One priority was delayed due to other matters requiring urgent attention. Our performance assessment summarizes the progress of each priority and clearly addresses related success factors.

In its inaugural year, FSRA made progress in burden reduction and regulatory effectiveness. Other notable accomplishments included:

- achieving a 51% reduction in guidance inherited from its legacy agencies, following an extensive review of over 1,000 pieces;
- taking a principles-based approach to guidance within each sector;
- releasing 13 new pieces of guidance;
- providing more effective oversight of syndicated mortgage investments; and
- streamlining the auto insurance rate regulation process.

FSRA continues to build its engagement with stakeholders, the public, consumers, pension plan beneficiaries and investors. In addition to holding numerous ad hoc and topic-specific consultations with stakeholders, we launched six cross sectoral Stakeholder Advisory Committees (SACs) and a Consumer Advisory Panel. Auto established one Technical Advisory Committee (TAC), and Pensions established five TACs, and four Standing Technical Advisory Committees (STACs). To demonstrate our commitment to transparency, all engagement models had an open call for members, posting of membership and meeting summaries.

As the fiscal year ended, we saw the onset of the COVID-19 pandemic and the Province's decision to enact an Emergency Order. FSRA was deemed an essential workplace. We were able to transition our employees to work from home and continue to provide regulatory support and continuity. We issued emergency guidance to the sectors; extended deadlines for Annual Information Returns and licences; and paused some assessments, consultations and examinations in order to address COVID-19 issues.

Message from the Chair

It is my pleasure to present the 2019-2020 Annual Report for the Financial Services Regulatory Authority of Ontario (FSRA), which provides an overview of the organization's activities and accomplishments.

During this period, FSRA absorbed the regulatory functions of the Financial Services Commission of Ontario (FSCO) and the Deposit Insurance Corporation of Ontario (DICO), and launched as a new, independent self-funding regulatory agency. Our goal is to protect the interests of the public, while also enabling industry innovation and competition, and enhancing market integrity and stability in the sectors FSRA regulates.

Over the past year, the Board endorsed an ambitious business plan that outlined our approach to transform our regulatory approach to meet the demands of today's fast-paced financial environment. We commend FSRA management for their significant work in reducing inherited guidance by 51% while balancing the public interest.

The Board is committed to ongoing stakeholder engagement and with management's support, established six Stakeholder Advisory Committees (SACs) to provide input and advice to FSRA's Board of Directors and management on FSRA's priorities and budgets. The SACs demonstrate the Board's commitment to openness, transparency, collaboration and considering wide-ranging perspectives when making strategic decisions.

The SACs met with FSRA's Board in November 2019, and provided input on our 2020-21 priorities and budget. The draft 2020-2021 priorities were built on targets in the 2019-2022 Annual Business Plan (ABP). Then, we focused on burden reduction, regulatory effectiveness, and improving safety, fairness and choice for consumers, pension plan beneficiaries, credit union members and syndicated mortgage and co-op investors in Ontario.

In August 2019, we were very pleased with the appointment of Joanne De Laurentiis and Brent Zorgdrager to the FSRA Board of Directors. We welcomed the depth and breadth of financial services experience and leadership that these individuals bring to the governance of FSRA.

On behalf of the Board of Directors, I extend our deep appreciation to all former FSCO and DICO staff, as well as the FSRA team, stakeholders and consumers, pension plan beneficiaries, credit union members and syndicated mortgage and co-op investors. I also want to thank the Ministry of Finance and the Financial Services Regulation Modernization Secretariat for their support of the launch and first year of FSRA.

As we look ahead to more opportunities this year, we remain committed to our values of open dialogue, innovation and transformation.

Bryan Davies
Chair
Financial Services Regulatory Authority of Ontario Board of Directors

Message from the CEO

After our first operational year as a regulator, I am pleased to share a summary of FSRA's accomplishments. On June 8, 2019, FSRA merged with FSCO and DICO and became the regulator for non-securities financial services and pensions in Ontario. During the year, we continued our transformation to serve the public interest as a dynamic, transparent and engaged regulatory agency.

To start the year, our team laid the groundwork internally and externally to transform FSRA into a principles-based, outcomes-focused regulator, while ensuring regulatory continuity.

We worked to create an environment to encourage agility and focus within the agency. We started by recruiting a diverse group of talented employees to augment the experienced teams we received from FSCO and DICO, each bringing unique skillsets, industry expertise and reputable achievements. Our leadership team engaged with new and legacy staff through town halls, active consultations and online feedback to establish who we are as an organization, what we want to accomplish, and how we are going to do it.

As indicated in our 2019-2022 Annual Business Plan, we had ambitious goals for the year. Our aim was to achieve eight cross-sectoral priorities focused on regulatory efficiency and regulatory effectiveness, and 18 sector-specific priorities to bring regulatory efficiency and effectiveness to targeted sectoral matters. To date, we have completed or made substantial progress on 96% of these initiatives. This includes our burden reduction efforts to reduce inherited guidance by over 50%, while delivering greater clarity to our sectors, and furthering the public interest through a new guidance framework and updates to key guidance.

A key success factor for organizational progress, guidance and rule-making is stakeholder collaboration. In addition to numerous ad hoc and task specific working groups and discussions, we made strong efforts to engage stakeholders more formally through our Stakeholder Advisory Committees (SACs), Standing Technical Advisory Committees (STACs) and Technical Advisory Committees (TACs). This involved inviting consumers, pension plan beneficiaries, investors and industry partners to participate and help inform FSRA's decision-making.

Among the advisory groups we created last year is the Consumer Advisory Panel (CAP). This includes nine diverse consumer representatives, with industry and advocacy experience from across sectors. The CAP provides public input, and member- and consumer-focused feedback, on our policy-making and regulatory activities, and helps us keep our finger on the pulse of the public interest.

The people at FSRA are committed to public service, and we recognize the value of identifying and understanding emerging sector and consumer trends through standing and specialized advisory groups. We look to the stakeholder and consumer community for their continued engagement in our activities, and for their input on where to focus our resources going forward.

The fiscal year ended under extraordinary circumstances brought on by our need to respond to the COVID-19 pandemic, the declaration of provincial emergency and the ensuing disruption. FSRA adapted with responsive and timely guidance to the sectors, deadline extensions for licence renewals, and pauses on fee assessments and less critical supervisory and guidance creation activities. While this delayed some of our priorities, I am proud of how quickly our organization rose to the challenge and our people worked under extraordinary conditions to meet public needs. I have the utmost confidence that FSRA will, despite disruptions, continue to serve the public interest through efficient and effective regulation.

Thanks to achievements outlined in this report and our culture of public service, we are well positioned to serve the public interest through protecting consumers, ensuring high standards of business conduct, and supporting innovative products and services in a competitive and stable financial services marketplace. Many thanks to our dedicated team, the FSRA Board, Ministry of Finance and our many stakeholders and partners for their hard work and dedication.

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

FSRA Mandate

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

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

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

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

- promote high standards of business conduct;
- protect the rights and interests of consumers, pension plan beneficiaries and investors; and
- foster strong, sustainable, competitive and innovative financial services and pensions sectors.

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

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

With respect to credit unions/caisses populaires, FSRA's additional objects are to:

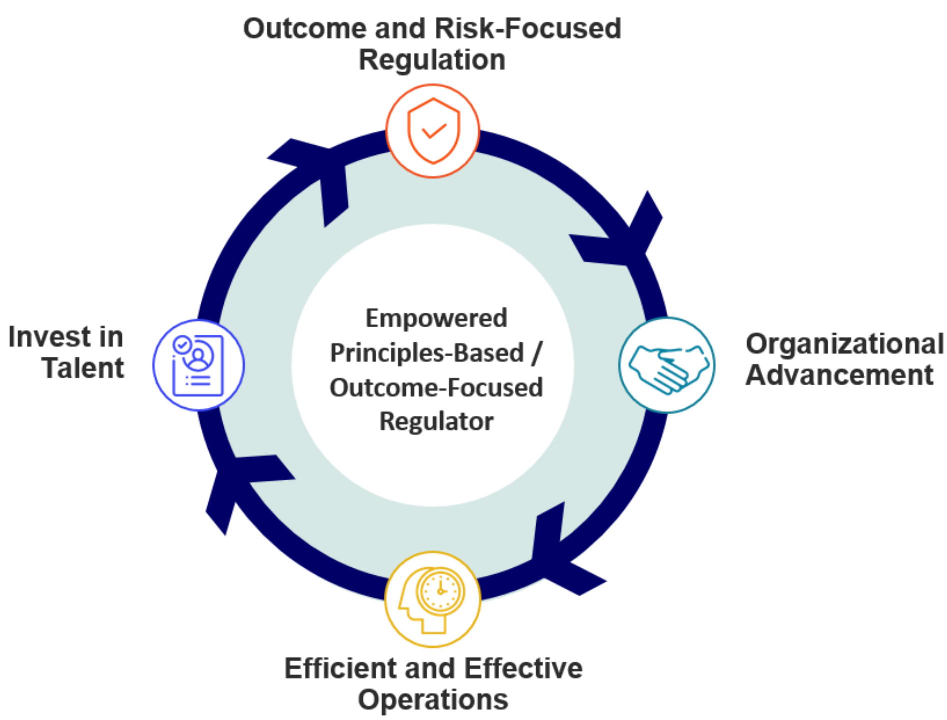
- provide insurance against the loss of part or all of deposits with credit unions/caisses populaires;
- promote and otherwise contribute to the stability of the credit union/caisses populaires sector in Ontario, with due regard to the need to allow credit unions/caisses populaires to compete effectively while taking reasonable risks; and
- 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 to loss.

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

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

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

Strategic Directions



FSRA's strategic goal is to be an empowered, principles-based and outcome-focused regulator. To succeed, FSRA will need to excel in four key areas:

- **Outcome and Risk-Focused:** Outcome and risk-focused supervision, decisions, guidance, and rule-making.
- **Organizational Advancement:** Advance the organization's culture, technology and internal processes.
- **Invest in Talent:** Recruit, develop, and retain expert and skilled talent.
- **Efficient and Effective:** Operate with stakeholders' interests in mind to use resources wisely and be impactful where it matters.

Governance Framework

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

The *FSRA Act* provides that the Board of Directors is to include at least three and not more than 11 members. Appointment recommendations are made by the Minister in accordance with the Agencies and Appointments Directive, the Memorandum of Understanding (MOU) and the procedures of the Public Appointments Secretariat of the Government of Ontario. One member is designated as Chair by the Lieutenant Governor in Council on the recommendation of the Minister.

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

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

The Board of Directors has a dual role: corporate oversight and rule-making. First, it is responsible for the governance of the organization and for oversight of FSRA management. Second, it may make law by proposing rules to the Minister in respect of any matter over which an Act gives FSRA rulemaking authority.

1. **Corporate Oversight:** The Directors oversee the management of the financial and other affairs of the FSRA, including strategic planning, resource allocation, risk management, financial reporting, policies and procedures, and effectiveness of internal controls and management information systems. The Board approves FSRA's business plan annually, including its regulatory priorities, and oversees their implementation by FSRA management. Under the *FSRA Act*, the Board appoints a Chief Executive Officer. The CEO is responsible for the management and administration of the Authority, and exercises the powers and duties conferred or assigned to the CEO under the *FSRA Act* and the sector statutes, either directly or through delegates.

2. **Rule-making:** FSRA's regulatory rule-making responsibilities are exercised through the Board. The *FSRA Act* and sector statutes provide FSRA with rule-making authority in expressed areas. Acting in this capacity, the Board make the rules that once approved by the Minister, have the force of law. This past fiscal year the Minister approved two FSRA rules: https://www.fsrao.ca/regulation/rules.

FSRA Board Members

Name	Date First Appointed	Most Recent Appointment Term	Remuneration	Expenses
Bryan Davies	June 29, 2017	June 28, 2020 – June 27, 2021	$75,024	$841.38
Kathryn Bouey	June 29, 2017	June 28, 2019 – June 27, 2021	$26,104	-
Blair Cowper-Smith	February 28, 2018	February 28, 2020 – February 27, 2023	$31,520	-
Joanne De Laurentiis	July 26, 2019	July 26, 2019 – July 25, 2021	$12,272	-
Joseph Iannicelli	April 9, 2020	April 9, 2020 – April 8, 2023	-	-
Brigid Murphy	February 28, 2018	February 28, 2020 – February 27, 2023	$22,910	-
Richard Nesbitt [1]	*February 28, 2018*	*February 28, 2018 – February 27, 2020*	$17,500	-
Lawrence Ritchie	March 12, 2018	March 12, 2020 – March 11, 2022	$21,424	-
Judith Robertson [2]	*June 29, 2017*	*June 28, 2019 – June 27, 2020*	$10,388	-
Brent Zorgdrager	July 26, 2019	July 26, 2019 – July 25, 2021	$13,688	$3,214.48

Notes:

1 Resigned effective August 31, 2019
2 Resigned effective July 18, 2019

Total Board compensation: $230,830

Committees of the Board - Members

Technology Committee
Kathryn Bouey – Chair
Brigid Murphy
Bryan Davies
Brent Zorgdrager

Human Resources Committee
Brigid Murphy - Chair
Kathryn Bouey
Bryan Davies
Joanne De Laurentiis
Joseph Iannicelli

Audit and Finance Committee
Brent Zorgdrager – Chair
Kathryn Bouey
Bryan Davies
Joseph Iannicelli
Brigid Murphy

Governance Committee
Blair Cowper-Smith – Chair
Joanne De Laurentiis
Lawrence Ritchie
Bryan Davies

Rules and Policy Committee
Lawrence Ritchie – Chair
Blair Cowper-Smith
Bryan Davies
Joanne DeLaurentiis

DIRF Committee
Brent Zorgdrager - Chair
Kathryn Bouey
Brigid Murphy
Bryan Davies

PBGF Committee
Blair Cowper-Smith - Chair
Lawrence Ritchie
Bryan Davies

Organization Structure and Leadership

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

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

Overview of Sectors

Property & Casualty (including Auto) Insurance

Ontario's property and casualty (P&C) insurance sector represents over $26 billion in direct written premiums. The auto insurance sector represents nearly 52% of the total direct written premiums. FSRA's role in the P&C sector includes:

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

Health Service Provider

The health service provider sector is regulated by FSRA in respect of its billing of auto insurance companies for statutory accident benefits claims. FSRA's role in such regulation includes:

- licensing health service providers who wish to participate in a centralized automobile insurance billing system for health services;
- regulating the business and billing practices of over 5,000 licensed service providers in respect of automobile insurance health claims; and
- collecting information about licensed health service providers' automobile insurance-related business systems and practices through an Annual Information Return (AIR).

FSRA's regulation of this sector does not cover the qualification or conduct of health service professionals generally, or when acting outside the provision of services to auto insurance claimants.

Credit Unions and Caisses Populaires[1]

Credit unions are co-operative deposit-taking institutions that operate in the same market as federally-regulated banks, and offer substantially similar products and services. They are owned by their members, who are also their customers. Ontario's credit union sector has over 1.7 million members, 7,600 staff and total assets of approximately $72 billion. FSRA's role in the sector includes:

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

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

Life and Health Insurance

Ontario's life and health (L&H) insurance industry represents over $22 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. L&H includes over 100 insurers, 48,000 agents and 5,600 corporate agencies.

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

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

Mortgage Brokering

The mortgage brokering sector enables the financing of a home purchase for many Ontario homebuyers. Brokers arrange over 329,000 mortgages, valued at approximately $131 billion, annually.

Since the *Mortgage Brokerages, Lenders and Administrators Act, 2006* (MBLAA) came into force in 2008, the sector has grown. It now represents 218 Mortgage Administrators and 1,282 Mortgage Brokerages (employing 11,826 mortgage agents and 2,592 mortgage brokers).

FSRA's role in the mortgage brokering industry includes:

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

Pensions

Registered Pension Plans provide an important source of retirement income to many employees and retirees in Ontario. The private sector is trending away from traditional single-employer Defined Benefit (DB) models. Still, DB membership continues to dominate plan membership and assets in Ontario, primarily due to large public sectorsponsored plans. FSRA's role includes:

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

Co-operative Corporations

Ontario has just under 1,800 co-operative corporations (co-ops), which operate in a variety of different 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 prepared by co-ops when raising capital from investors.

Financial Planners/Financial Advisors

The 2019 Ontario Budget introduced legislation to limit the use of the titles "financial planner" and "financial advisor" (FP/FA) to individuals who have obtained a credential from a body approved by FSRA.

The *Financial Professionals Title Protection Act, 2019* (FPTPA) passed in May 2019, but has not yet been proclaimed. This new legislation, once proclaimed, will implement a process to approve credentialing bodies. The goal is to ensure that individuals using the FP/FA titles are appropriately qualified and supervised in accordance with minimum standards, thereby promoting confidence and professionalism in the sector, and avoiding confusion for investors/consumers.

Sector Updates

Property & Casualty (including Auto) Insurance

2019-2020 Highlights

FSRA has laid the foundation for important future enhancements to Property & Casualty/Auto Insurance regulation:

- In December 2019, FSRA established a Technical Advisory Committee for Transforming Auto Insurance Rate Regulation. It will provide expert insight to inform reforms that empower and protect consumers.

- In January 2020, FSRA released a new approach for subscription-based auto insurance products on a “test-and-learn” basis, to enable innovation and facilitate consumer choice.

- In February 2020, FSRA initiated a new evidence-based and transparent process for establishing auto insurance loss cost benchmarks.

- In March 2020, FSRA launched a public consultation related to “Take-All-Comers” requirements. Input from consumers, insurers, brokers and agents will inform FSRA’s effort to more effectively supervise auto insurers and better protect the public.

Burden Reduction

FSRA continues to reduce red tape and enhance regulatory efficiency and effectiveness in Ontario’s Property & Casualty/Auto Insurance sector, while promoting safety, fairness and choice for consumers.

That included a review of all inherited guidance to the sector (409 items). FSRA removed 281 items (69%) to reduce the regulatory burden, and ensure that guidance is both current and relevant.

To make life easier for consumers, FSRA approved the use of electronic proof of auto insurance in Ontario in September 2019. This built on the work of the Canadian Council of Insurance Regulators to coordinate the implementation of electronic insurance cards across Canada.

In October 2019, FSRA streamlined the process for insurers applying for auto insurance rate changes. FSRA also established the foundation for its principles-based approach to rate regulation. Without relaxing oversight, the new Standard Filing significantly reduces the time and burden associated with rate filing applications for private passenger auto insurance. When introducing Standard Filing, FSRA communicated new principles that will form the basis for its overall approach to rate regulation.

Declaration of Provincial Emergency – FSRA's Response to Support the Sector

FSRA initiated outreach to insurers regarding the impact of COVID-19 on the auto insurance system, with a focus on the fair treatment of consumers, and the status of existing or planned rate filings.

Health Service Provider

2019-2020 Highlights

FSRA regulates and licenses Health Service Providers that work to serve accident victims making claims in Ontario's auto insurance industry. Our mandate is to respond rapidly to changes in an evolving regulatory landscape. We also want to ensure Ontarians feel confident in receiving care and services. In the past year, our activities in this sector, which included completing a review of health service provider regulation, addressed both priorities.

Burden Reduction

As part of FSRA's burden reduction initiative, FSRA removed or simplified questions for the 2019 Annual Information Return (AIR). This led to a 30% reduction in the number of required data points compared to the 2018 AIR filing. This filing collects information that enables FSRA to better understand the marketplace and protect consumers.

Declaration of Provincial Emergency – FSRA's Response to Support the Sector

To support health service providers in this difficult time, FSRA extended the deadline for filing the 2019 AIR and regulatory fee by three months, from March 31, 2020 to June 30, 2020, with the option to extend the date.

FSRA also moved to eliminate the expiry of Health Service Provider licences as long as they are kept in good standing. The good standing of a licence through the extension was also not affected by delays in receipt of the AIR filing and payment of fees.

Credit Union and Prudential

2019-2020 Highlights

FSRA continued to contribute to the stability of this sector by ensuring, through its prudential regulation oversight function, that credit unions manage risks effectively while pursuing our organizational priorities in burden reduction and regulatory effectiveness. Some key accomplishments:

- Supported the Ministry of Finance in its review of the *Credit Unions and Caisses Populaires Act, 1994* (CUCPA), which was initiated in June 2019. The legislative review aimed to modernize the CUCPA and reduce regulatory burden. In January 2020, M.P.P. Stan Cho, Parliamentary Assistant to the Minister of Finance, released his recommendations for new legislation for Ontario credit unions. FSRA will continue to support the Ministry of Finance as the government considers the recommendations and the new legislation is developed and introduced.

- Enhanced industry ease of access by providing a single point of contact for credit unions to communicate on all regulatory and transactional matters.

- Implemented a plan to enhance the existing Credit Union supervisory framework to integrate market conduct activities.

- Worked collaboratively with the Canadian Credit Union Association (CCUA) on an industry-developed voluntary Market Conduct Code that will enhance the current Market Conduct regime. This Code is expected to be integrated into FSRA's overall credit union supervisory activities once implemented.

- Developed a Principles-based draft Residential Mortgage Lending Guidance through focused industry-participant consultations took place in fall 2019. The full public consultation has not yet taken place, but we plan to release it for public consultation in the near future.

- Developed a new FSRA rule to replace the existing DICO By-Law #3 "Deposit Insurance Advertising", which governs how credit unions advertise deposit insurance coverage. The new rule, which went out for public consultation in October 2019, was submitted to the Minister for approval in February 2020. On April 8, 2020, the Minister approved the rule, which came into force on April 23, 2020.

- Continued to develop our principles-based and outcomes-focused supervisory approach and sectoral guidance to support the diversity within the sector.

- FSRA is continuing to work with the credit union sector to promote stability in the system, and protect credit union member deposits, during this time of rapid change and disruption.

Sustainability and Governance

Under FSRA, the DIRF adequacy assessment for Credit Unions has been enhanced to improve the reporting to the Minister, better inform our deposit insurance premium levels in the long-term, and to provide more robust feedback to our overall supervisory work.

We have embarked on this enhancement journey using a staged approach. In 2019-2020, that included:

- Engaging an external consultant who will perform more modern stress testing mainly from a capital standpoint to start, as well as provide a roadmap to maturing our stress testing framework looking forward; and
- Performing internal stress testing work mainly from a liquidity standpoint, which is also being used to explore and improve structural liquidity options for the Credit Union system as a whole.

Burden Reduction

FSRA removed 22 items (27%) of the 82 inherited guidance documents to reduce the regulatory burden and ensure that guidance is tailored to credit union situations and needs. Work is ongoing to review the remaining guidance with the goal of making refinements to further reduce burden for the sector.

Declaration of Provincial Emergency – FSRA's Response to Support the Sector

The team supported Credit Unions and their members in response to COVID-19. Since the onset of the pandemic, we announced a number of regulatory measures and issued guidance to help credit unions meet the needs of their members during this disruption. As part of its response, FSRA:

- Released guidance on March 16, 2020 around holding credit union annual meetings virtually.

- Held a virtual town hall on March 26, 2020 with the sector, to seek input on where FSRA can address the impacts of the pandemic on credit unions.

- Released a public announcement on March 27, 2020 on easing regulatory measures for Ontario Credit Unions. That included: deferring 2020-21 fee assessments and deposit insurance premiums; deferring non-critical components of credit union examinations; waiving certain reporting requirements; offering flexibility on other reporting requirements on a case by case basis; clarifying that prudent loan payment deferrals would not automatically result in loan impairments; and postponing new consultations that are not COVID-19-related.

- Developed policy and analysis on the industry applicability and regulatory impacts of new government programs to counter some economic impacts of the pandemic, such as the federal Business Credit Availability Program (BCAP).

Life and Health Insurance

2019-2020 Highlights

It's critical to ensure consumer protection and maintain public confidence in the Life and Health (L&H) insurance industry. FSRA took the following steps to enhance the oversight of market conduct in 2019-20:

- Consulted with stakeholders to understand industry expectations for evaluating and improving conduct requirements.
- Developed a plan for reviewing conduct in distribution channels (including those that rely on Managing General Agents).
- Consulted with key stakeholders regarding draft FSRA guidance, gaining broad sector support to fully adopt the Canadian Council of Insurance Regulators (CCIR)/Canadian Insurance Services Regulatory Organizations (CISRO) Fair Treatment of Customers (FTC) guidance.

As the COVID-19 disruption began to evolve earlier this year, FSRA prioritized conduct issues that could result in unfair treatment of consumers and businesses.

FSRA also worked with CCIR and CISRO on projects that promote an efficient and effective insurance regulatory system in Canada, such as:

- Continued work with the CCIR-CISRO FTC Working Group, to ensure FTC is incorporated in business practices and to engage in industry discussions on compensation incentives.
- Worked to facilitate innovation and the introduction of new products, services and technologies in the insurance market through the development of the CCIR-CISRO Fintech/Insurtech Advisory Hub.
- Led a CCIR cooperative supervisory review of an insurance company, working with Quebec's Autorité des marchés financiers.

Burden Reduction

As part of FSRA's burden reduction initiative, we worked with the CCIR on reducing what insurers had to provide for the 2019 Annual Statement on Market Conduct (ASMC). As a result, we had up to 24% fewer data points compared to the previous year. The ASMC filing collects information that enables FSRA to better understand the marketplace and protect consumers.

Declaration of Provincial Emergency – FSRA's Response to Support the Sector

To support the Life and Health Insurance sector, FSRA:

- Chaired a newly-formed CCIR COVID-19 working group.
- Engaged with the CISRO COVID-19 working group, to solve challenges arising from the pandemic in regulating insurance intermediaries.
- Extended the ASMC filing deadline (working with regulatory partners) by about 60 days, to July 1, 2020.
- Extended deadlines for completing insurance agent licence renewals by 60 days, retroactive to licences expiring March 15, 2020, and extended deadlines for life insurance agents to complete continuing education requirements by 60 days.
- Extended Life Licence Qualification Program exam eligibility for Ontario candidates to December 31, 2020.

Mortgage Brokering

2019-2020 Highlights:

The mortgage landscape in Ontario is undergoing a rapid evolution. FSRA is structured to respond to legislative and regulatory changes, and to help build a solid foundation for homeowners, businesses, investors and lenders.

In 2019-20, FSRA introduced several measures to enhance market conduct oversight in the mortgage brokering sector and to protect consumers and investors.

In November 2019, FSRA published guidance on a supervisory approach for syndicated mortgage investments (SMIs) that are characterized as high-risk. The approach includes improvements to investor disclosures. Mortgage brokerages must now complete a new supplemental disclosure form that highlights key risk disclosures when transacting in high-risk SMIs with retail investors.

This disclosure includes a clear warning to investors about the risks of the product. The submission of the form to FSRA facilitates real-time data collection. That enables FSRA to quickly identify when high-risk SMIs are being marketed to retail investors. FSRA can then take immediate action to review and investigate these transactions where appropriate.

One of FSRA's year one priorities was to adopt a Code for the mortgage brokering industry that sets out key principles for conduct by licensees. A national Code could be adopted by regulators across Canada.

FSRA collaborated with mortgage broker stakeholders and with the Mortgage Broker Regulators' Council of Canada (MBRCC) to promote the implementation of a potential Code. The draft Code and supervisory approach will go for consultation with industry and consumers in 2021-22.

In addition, FSRA supported Ministry of Finance initiatives by:

- Working with the Ministry of Finance and the Ontario Securities Commission (OSC) on the planned transfer of regulatory oversight of non-qualified SMIs to the OSC. The new regulatory regime is expected to be effective March 1, 2021, subject to requisite approvals.

- Reviewing recommendations made in the September 2019 report on the legislative review of the *Mortgage Brokerages, Lenders and Administrators Act, 2006* (MBLAA), led by the Honourable Doug Downey, Attorney General of Ontario, and Stan Cho, Parliamentary Assistant to the Minister of Finance. The report included recommendations aimed at reducing regulatory burden on mortgage brokerages so that they can better serve the needs of their clients.

Burden Reduction

As part of the burden reduction initiative in 2019-20, FSRA:

- Removed or simplified questions for the sectors' Annual Information Returns (AIRs). The filings collect information that enables FSRA to better understand the marketplace and protect consumers. Compared to 2018, FSRA achieved a burden reduction of 26% for mortgage brokerages and 27% for mortgage administrators on the number of required data points requested.

- Introduced streamlined "know-your-client" suitability and disclosure forms for non-qualified SMIs, resulting in a significant reduction in the volume and detail required when dealing with sophisticated investors. These measures do not reduce investor protection obligations of mortgage brokerages that are dealing with retail investors.

Declaration of Provincial Emergency – FSRA's Response to Support the Sector

In response to the COVID-19 pandemic, FSRA has:

- Participated in the MBRCC COVID-19 working group, to understand and respond to the impact of the pandemic on the industry and Canadians more broadly.

- Extended the deadline for completing licence renewal applications from March 31, 2020 to May 31, 2020, provided renewal applications were initiated by March 31.

- Extended the deadline for completing approved continuing education courses from March 31, 2020 to May 31, 2020.

- Extended the deadline for submitting the 2019 Annual Information Return (AIR) from March 31, 2020 to June 30, 2020.

Pensions

2019-2020 Highlights

Since launch, FSRA's pension team has made significant progress on three priorities: supporting pension plan evolution; developing a prudential supervision framework; and refocusing pension regulation on burden reduction.

For example, FSRA developed, consulted on and published Guiding Principles for oversight of the pension sector. These principles underpin the exercise of FSRA's authority in the context of the pension sector's complex legal and regulatory framework. FSRA also implemented a new organizational structure. That included an improved relationship framework/model and capacity in investment, financial and credit analysis. FSRA established a Retiree Advisory Panel and several standing advisory committees.

We have focused on ensuring member and retiree representation on our Technical Advisory Committees (TACs). We have recently launched our Retiree Advisory Panel to act as an additional advisory body to FSRA, and to ensure that we keep the voice of Ontario's retirees and plan beneficiaries central in our decision-making.

FSRA also established special-purpose TACs. The TACs leverage the diverse perspectives from representatives of retirees, members, labour, administrators, lawyers and actuaries. Between them, the TACs:

- Helped to outline FSRA's supervisory approach to SEPP DB plans, where there is a concern over the security of benefits. That resulted in guidance on the predictive and preventative tools and supervisory methods FSRA uses to improve outcomes for beneficiaries.

- Addressed the issues of missing members, and FSRA's approach to reviewing and consenting to asset transfers (including how FSRA would exercise discretion). Guidance for missing members has launched for consultation and Guidance for asset transfers is forthcoming.

FSRA also established a TAC on Family Law, which began work in June 2020.

Sustainability and Governance

FSRA analyzed the long-term financial sustainability of the Pension Benefits Guarantee Fund (PBGF). The PBGF portfolio will be de-risked given current market conditions and may be rebalanced later this fiscal year, if appropriate (subject to market conditions stabilizing).

FSRA also commenced a review of MEPPs to identify and share best practices in terms of funding investment and governance. FSRA will begin socializing the findings with the MEPP sector over the summer.

Burden Reduction

FSRA removed 94 pension sector guidance items, a reduction of 33%. FSRA also initiated collaborative work with jointly-sponsored pension plans. This was done to understand, improve and document industry-wide standards and best practices with respect to:

- identification and monitoring of systemic and liquidity risks; and
- use and appropriate disclosures for leverage and illiquid assets.

Declaration of Provincial Emergency – FSRA's Response to Support the Sector

In light of the impacts of COVID-19 on the pension sector, FSRA convened special, ad-hoc meetings of the standing committees in spring 2020.

Co-operative Corporations

2019-2020 Highlights

As the regulator responsible for overseeing capital raised by co-ops, FSRA reviews and issues receipts for offering statements. This is to ensure they meet full, true and plain disclosure requirements for the benefit of potential investors. In 2019-20, FSRA:

- Began to administer the offering statement regime for co-ops under the *Co-operative Corporations Act* (CCA).

- Implemented an enhanced review process for co-op offering statements that are considered to be high-risk, following consultations with co-op sector stakeholders.

- Continued with a standard review process for co-op offering statements that are not considered to be high-risk.

- Receipted 10 offering statements, including two considered to be high-risk (e.g. non-traditional in that members and users did not largely overlap, and/or that the purposes were related to project finance) and were subject to additional scrutiny.

Financial Planners/Financial Advisors

2019-2020 Highlights

FSRA has been working with the Ministry of Finance (MOF) to design a title protection framework for individuals who wish to use the “Financial Planner” (FP) or “Financial Advisor” (FA) title in Ontario.

FSRA consulted with stakeholders on the framework and plans to issue a draft rule for comment in the near future. The proposed framework will establish minimum proficiency standards and accountability for title usage without creating an unnecessary regulatory burden. Under the framework, individual title users will be required to:

- hold an approved credential from a FSRA-approved credentialing body; and
- meet proficiency and conduct requirements as set out by their respective credentialing body.

A key element of the framework will be approval criteria for bodies that issue credentials to title users. FSRA will evaluate applications from credentialing bodies to help ensure that only individuals meeting acceptable standards can use the FP or FA title.

Subject to resuming consultations (paused during the COVID-19), FSRA is positioned to adopt rules that, when finalized and approved, will implement the FA/FP title protection regime.

Industry and Consumer Dialogue, and Public Consultation

Engaging with stakeholders, consumers, pension plan beneficiaries, investors and the general public is an integral part of the regulatory process. It's also a key element of the FSRA mandate and business plan.

FSRA takes a transparent and collaborative approach to engagement. The goal is to hear the diverse voices of industry, consumers, pension plan beneficiaries and investors to inform FSRA's direction and decision-making.

Building on a strong commitment to dialogue, FSRA defined and implemented mechanisms for engagement at different levels of the organization. We set clear objectives and principles for direct consultation mechanisms with key stakeholder participants, and established the following groups:

- Six Stakeholder Advisory Committees (SACs) to serve as consultation bodies to the Board on FSRA's priorities, budget and other matters. A public call for members opened in September 2019, and members were announced in October 2019.

- Four Standing Technical Advisory Committees (STACs) for the Pensions sector to advance FSRA's cross-sectoral priorities of improving regulatory effectiveness and burden reduction. A public call for members opened in October 2019, with meetings beginning in June 2020.

- Five Technical Advisory Committees (TACs) to tackle ad-hoc matters affecting the pensions and auto insurance sectors. TACs were formed for Identifying and Strengthening the Supervision of Actively Monitored (Pension) Plans; Missing Members in the Pension Sector; (Pension) Asset Transfers; Family Law Pension Matters; and Transforming Auto Insurance Rate Regulation.

- A Retiree Advisory Panel as part of a commitment to engage all perspectives, including those of pension plan beneficiaries.

- A Consumer Advisory Panel to: provide consumer perspectives on proposed FSRA policy changes; help inform FSRA's strategic approach to consumer-focused research and engagement; and advise on emerging consumer issues and trends.

The Consumer Advisory Panel was announced in January 2020. It includes nine members with diverse backgrounds from across the financial services sectors, and extensive leadership experience in representing consumer interests.

The inaugural Consumer Advisory Panel meeting was held in March 2020 (summary can be found on FSRA's website). Members discussed FSRA priorities, activities and key consumer issues and initiatives for each of the regulated sectors. The Panel also provided valuable advice on key consumer research priorities for 2020-21, forming the basis for FSRA's consumer research agenda.

FSRA also engaged the Consumer Advisory Panel in April 2020 on emerging consumer issues during the COVID-19 pandemic. The second Panel meeting was held in June 2020.

FSRA held 11 consultations to leverage the SAC, special-purpose and ad hoc committees and panels. A summary of the committee meetings were posted for transparency. In addition to numerous bi-lateral and small group consultations, FSRA launched 10 public consultations:

- Auto Insurance Benchmark Loss Trend Rates and Reform Impact
- Auto Insurance Take All Comers Rule
- Draft 2020-21 FSRA Priorities and Budget
- Innovative Auto Insurance Products - Subscriptions (IAIP-S) Approach
- New FSRA Guidance Framework
- Pension Sector Guiding Principles
- Rule 2019-002 Credit Union Deposit Insurance Advertising Rule
- Supervision Approach for High-risk Syndicated Mortgage Investments
- Supervisory Approach for Actively Monitored Single-Employer DB Plans
- Terms of Reference for New FSRA Consumer Advisory Panel

As part of this process, FSRA posts the outcomes of our consultations and reports on what has changed. This open approach to engagement brought a broad range of experience, expertise and enthusiasm to the consultation process.

FSRA will continue to consult specialized and ad hoc groups to build our engagement with consumers, pension plan beneficiaries and investors. That will help to shape our regulatory framework, enhance service standards, and modernize our systems and processes.

Implementation Priorities

Early in fiscal 2019, the Board and Minister of Finance approved FSRA's 2019-2022 Annual Business Plan (ABP). The plan outlined eight cross-sectoral and 18 sector-specific priorities, and the related budget to achieve these priorities.

FSRA has demonstrated substantial progress in its F19-20 priorities, with 96% being fully or substantially complete; 4% were delayed due to the declaration of a provincial emergency. The following pages summarize the progress of each priority and clearly addresses related success factors.

FSRA's two cross-sectoral priorities are burden reduction and regulatory effectiveness. In its inaugural year, FSRA realized a 51% reduction in guidance inherited from its legacy agencies, following an extensive review of over 1,000 pieces. FSRA took a principles-based approach to governance within each sector and achieved very positive results, including the reduction of burden for pension administrators, more effective oversight of syndicated mortgage investments, and the streamlining of the auto insurance rate regulation process.

Despite delays to some priorities due to the provincial emergency, FSRA will regain and sustain its momentum throughout 2020 and 2021. It remains committed to transparency and accountability throughout its goal-setting and rule-making processes.

FSRA management will continue to provide regular status updates to the Board, evaluate the economic impacts of the declaration of provincial emergency, and assess the progress of initiatives against key milestones and target completion dates.

Overall Priorities

FSRA
Financial Services Regulatory Authority of Ontario

Cross-Sectoral Priorities

Burden Reduction

- Review inherited guidance
- Review data collection and filing requirements
- Establish meaningful service standards

Regulatory Effectiveness

- Protect the public interest
- Increase sectoral expertise
- Enable innovation
- Enhancing stakeholder collaboration
- Modernize systems and processes

Sector-Specific: Targeted High-Impact Priorities

Auto Insurance

- Streamline Rate Regulation Process
- Support Auto Reform Strategy
- Review Health Service Provider (HSP) Regulation
- Develop Fraud and Abuse Reduction Strategy

Credit Unions

- Integrate Credit Union Prudential and Conduct Supervision
- Support Modernization of Credit Union Regulatory Framework
- Adopt Industry Code of Conduct
- Ensure Appropriate Resolution Framework and Deposit Insurance Reserve Fund (DIRF) Oversight

Insurance Conduct

- Adopt Effective Conduct Standards
- Improve Licensing Effectiveness and Efficiency
- Harmonize Treating Financial Services Consumers Fairly Guidance

Mortgage Brokering

- Provide Effective Syndicated Mortgage Investment (SMI) Oversight
- Improve Licensing Effectiveness and Efficiency
- Adopt Industry Code of Conduct

Pensions

- Support Plan Flexibility
- Review Prudential Framework
- Focus on Burden Reduction

Financial Planners & Advisors

- Regulation of Financial Planners & Advisors

- Complete
- Substantially Complete
- Incomplete

1.0 BURDEN REDUCTION	COMPLETE	SUBSTANTIALLY COMPLETE	INCOMPLETE

Priority/Assessment	ABP Year-1 Target	Commentary on Assessment
1.1 Review Inherited Guidance	• Establish a principles-based framework for guidance (e.g. hierarchy, purpose, process). • Initiate review of all inherited guidance. • If appropriate, re-issue and/or revise all high-priority guidance. • Develop, and commence execution of, plan to remove/simplify all low-impact/low-priority/unnecessary guidance.	Priority is complete as all activities were accomplished as set out in the plan. • Finalized and published new Guidance Framework, including new templates. • Completed review of all guidance inherited by FSCO/DICO, and successfully reduced guidance by approximately 50%. • Identified appropriate high- priority guidance items by Core Regulatory areas to be revised and/or reissued. • Set plan to review remaining guidance (removal, rewrite, reissuance, consolidation, etc.) for F2020-21.
1.2 Review Data Collection and Filing Requirements	• Initiate review of data and filing requirements, develop principles to guide data and filing requirements, and conduct stakeholder consultations on such requirements and principles. • After consultation with stakeholders, develop, and commence	Priority is complete as all F2019-20 target activities were accomplished as set out in the plan. • Completed a review of data and filing requirements, including principles to guide data and filing requirements. • Conducted stakeholder consultations to confirm approach and application

	implementation of, plan to reduce/refine data and filing.	of principles. • Developed plan to implement, and have commenced implementation of data and filings reductions/refinements. • Completed phase one of data and filings review. Ongoing phase two items will be completed as part of Modernize Systems and Processes priority.
1.3 Establish Meaningful Service Standards	• Complete service standards principles framework. • Implement updated and new service standards that are measurable.	Priority is substantially complete, as service standards are not yet fully implemented. • Finalized Service Standards and Principles Framework internally; due to the provincial emergency, the planned consultation was paused.

2.0 REGULATORY EFFECTIVENESS

COMPLETE	SUBSTANTIALLY COMPLETE	INCOMPLETE

Priority/Assessment	ABP Year-1 Target	Commentary on Assessment
2.1 Protecting the Public Interest	• Launch new website with clear and easily accessible consumer information. • Consumer Office in place and operating under principles-based framework and defined operational processes. • Complete stakeholder engagement on approach, principles and research needed to support consumer protection.	The priority is substantially complete. A key hire for Consumer Office was delayed due to recruitment challenges; however, work continued and substantial additional new work (not outlined in the priority) was initiated and completed. • Director, Consumer Office has established some operational processes and integration with core regulatory teams to address consumer issues. • Started stakeholder engagement on issues/research to support

		consumer protection, and regular engagement with other key stakeholders (OSC and other regulatory partners). • Created and launched the Consumer Advisory Panel. Inaugural meeting held in March 2020. • Consumer Office established preliminary F2020-21 cross-sectoral research agenda, and initiated work on priority research and policy projects. • Began baseline research on consumer information, including inventory of FSRA website. Targeted for completion in F2020-21. • Began website re-design, with a focus on the user experience; this work has been delayed due to declaration of the provincial emergency.
2.2 Sectoral Expertise	• Complete hiring of management team and non-management vacancies to enhance industry expertise. • Complete development of targets for sectoral expertise.	Priority is complete; key management have been hired, and non-management vacancies have been identified and prioritized. • Completed recruitment for all management vacancies. Ongoing recruitment of non-management staff continues in areas where gaps in sectoral expertise have been identified. • Commenced in-house training in Q4 of F20, with specific course offerings geared towards increasing expertise.

		• Additional courses planned for Q1-Q3 of F21 implementation, based on results of assessment, ensuring FSRA's ability to renew and enhance expertise. Completed development (in Q4) of approach to measure metrics for sectoral expertise, and credibility of the regulator with regulated sectors.
2.3 Enable Innovation	• Complete development of principles and process/framework to support innovation. • Innovation Office in place and operating under principles-based framework and operational processes. • Complete stakeholder engagement on innovation requirements, principles and processes.	The priority is substantially complete and work has begun on all other Year 1 targets. • Director, Innovation fully on-boarded and has established some operational processes. Remaining recruitment for remaining team initiated in Q4 2019-20. • Ongoing work on development of innovation framework, principles, process, tools and resources. Targeted for draft completion in Q1 2020-21. • New deliverable – Achieving membership in Global Financial Innovation Network (GFIN) to engage in international regulatory harmonization. • Engaged with core regulatory areas and external stakeholders (e.g. OSC, GFIN, etc.) to identify areas for innovation opportunities. Work will continue into Q1 2020-21. • Established Innovation

		Office and continued implementation of key process. Preparing for external stakeholder engagement as declaration of provincial emergency restriction dictates.
2.4 Enhancing Stakeholder Collaboration	• Complete review and refresh of existing stakeholder/management consultation avenues (e.g. updated mandates, participants, processes). • Develop sector-specific engagement plans after consultation with stakeholders. • Establish board consultation mechanisms with sector representatives (industry and consumer). • Launch online and digital engagement tools, including an improved website.	Priority is substantially complete. • Established a stakeholder strategy that includes the creation of sector-specific advisory committees. All committees follow a similar process with public terms of reference, open call for members and posting of summary minutes. • Launched Board SACs; Pensions Technical Advisory Committees; Auto Technical Advisory Committee; and Consumer Advisory Panel. Market Conduct and Credit Unions are finalizing their approaches. • Online and digital engagement will be part of the next wave of the web design.
2.5 Modernize Systems and Processes	• Complete review of regulatory processes and existing IM/IT tools in	Priority is complete. • Completed inventory of existing systems and

	consultation with stakeholders. • Develop plan for, and commence, redesign of regulatory processes. • Develop IM/IT strategy, roadmap and design for FSRA after consultation with stakeholders (i.e., foundation) and commence implementation of high priority items. • Develop IM/IT strategy for key regulatory processes and sectors and develop implementation roadmap and plan.	processes. • Conducted visioning session and defined future state process and systems guiding principles to be designed in parallel with Digital Transformation systems renewal. • Adopted Digital Transformation Blueprint, including indicative IT architecture, data model and business process models for each key regulatory group. Focus is now on the implementation roadmap, high-level plan, supporting budget and procurement. • Initiated high-priority business improvements in Pensions, Market Conduct and Auto sectors. • Continued process improvement through Workday implementation.

3.0 AUTO INSURANCE SECTOR	COMPLETE	SUBSTANTIALLY COMPLETE	INCOMPLETE

Priority/Assessment	ABP Year-1 Target	Commentary on Assessment
3.1 Streamline Rate Regulation Process	• Complete consultation with stakeholders on auto rate regulation process improvements. • Implement process improvements, including revised guidance.	Priority is complete; development, consultation and implementation of the Standard Filing Approach and other process improvements occurred. • Issued a Standard Filing Approach for rate filing in October 2019 after stakeholder consultation, with a 25-day service guarantee. • Major Filing process

		changes inspired by the new Standard Filing reduced cycle time by over 30%. This priority's scope was limited to FSRA's current regulatory authority. Transform Rate Regulation is proposed for F2020-21 as a "ground-up" review of Ontario auto rate regulation, and work has begun.
3.2 Support Auto Reform Strategy	• Participate in stakeholder consultation and review of auto insurance as required by MOF. • Develop implementation plan for FSRA to support any reforms identified in Year 1.	Priority is substantially complete. Key activities included: • Participated in stakeholder consultations and reviews led by government. • Implemented *Electronic Proof of Insurance.* • Developed and issued *Innovative Auto Insurance Products-Subscriptions* ("IAIP-S") Guidance. • Supplemental actions within FSRA's control implemented or in progress include: a new entrant outreach strategy; removal of spent usage-based insurance (UBI) guidance; and reforming Ontario Claim Form (OCF) 1 – the Statutory Accident Benefits Schedule (SABS) claim application.
3.3 Review Health Service Provider (HSP) Regulation	• Complete review in consultation with stakeholders, including identifying core goals and developing an implementation plan for recommended changes.	Priority is complete; the review, consultation, identification of core goals and an implementation plan for recommended changes were done. • Consulted and reflected stakeholder feedback in

		review findings including core goals. Consultations included: ○ initial Industry Advisory Group sessions ○ participation in MOF consultations and working groups ○ participation in HSP-led webinar ○ consultation on FSRA priorities ○ ad-hoc engagement (i.e. consultation on Annual Information Return) ○ Stakeholder Advisory Committee • Identified and implemented early measures that reduce regulatory burden and increase effectiveness (such as reduction in information sought through the HSP Annual Information Return). • Recommended a ground-up rebuild of HSP oversight as part of FSRA's Auto Insurance Fraud & Abuse Strategy. • Identified HSP data and analytics requirements and recommended implementation through Auto Insurance Data and Analytics Strategy.
3.4 Develop Fraud and Abuse Reduction Strategy	• Consult on, and establish, forum/process for regulators, other stakeholders and government, to evaluate and improve control of fraud and claims abuse. • Report to MOF on	Priority is substantially complete; FSRA is in the final stage of finalizing its plan. It will include: • A disciplined approach to identify FSRA's objectives, principles, framework and mandates for FSRA,

	recommendations to reduce fraud and claims abuse.	insurers, and proposed industry entity. • Identifying the eco-system: regulators, regulated entities, suppliers, other stakeholders and governments. • Targeted consultations. • Assessment of reporting, data availability and gaps.

4.0 CREDIT UNION SECTOR	COMPLETE / SUBSTANTIALLY COMPLETE / INCOMPLETE	
Priority/Assessment	**ABP Year-1 Target**	**Commentary on Assessment**
4.1 Integrate Credit Union Prudential and Conduct Supervision	• Put integration plan in place and implement. • Develop enhanced, integrated supervision approach.	Priority is substantially complete; full completion of the deliverables expected shortly after year-end. • Greater integration within Market Conduct to CU & Prudential. • Project plan underway for Credit Union supervisory framework; work will touch on all CU priorities.
4.2 Support Modernization of Credit Union Regulatory Framework	• Participate in MOF-led work to modernize the credit union legislative and regulatory framework; develop and implement plan for FSRA to complete any delegated work. • Review DICO guidance; identify and make progress on revision of priority rules and guidance. • Show substantial progress on rule-making to replace external-focused DICO by-laws.	Priority is complete as FSRA has supported MOF in their development of the legislative framework. • Reviewed existing DICO guidance and removed items that were no longer necessary. Worked with stakeholders to prioritize further review/development of DICO guidance and rules. • Developed draft residential mortgage lending guidance and consulted with stakeholders. Broader public consultation to be completed after provincial

		emergency order is lifted (expected fall 2020). • Issued a new rule on Deposit Advertising (formerly known as DICO By-Law #3). • Began work to draft principles for a rule to replace DICO By-Law #5.
4.3 Adopt Industry Code of Conduct	• Consult with industry and other regulators on proposed code. • Accept industry's code or articulate reasons why the code cannot be used by FSRA. • If appropriate, develop and commence associated supervisory plan and organizational readiness to implement ongoing supervision against the code.	Priority is substantially complete; FSRA has worked with CCUA to finalize the content of its industry-led Market Conduct Code (MCC), for adoption by credit unions by the end of 2020. • Commented on the CCUA's MCC and finalized content. • Held discussions with other credit union stakeholders on their development of a similar code. • Discussed the MCC with other regulators and considered approaches being taken in other jurisdictions. • The timing for implementation of a plan for supervision against the code to be aligned with industry plans to adopt the MCC by the end of 2020.
4.4 Ensure Appropriate Resolution and DIRF Framework	• Develop enhanced resolution strategy and recovery plan requirements in consultation with stakeholders and establish framework/guidance for implementation and supervision. • Update DIRF governance	Priority is incomplete; work continues on FSRA's recovery and resolution framework (delayed due to declaration of provincial emergency). • Established appropriate framework and Board committee reporting to oversee DIRF; work is underway.

	framework including establishment of a FSRA Board committee to oversee DIRF. • Update framework for assessing DIRF adequacy after stakeholder consultation and apply for F2020-21. • Complete, in F2019-20, an actuarial report on DIRF adequacy (to be provided to the Minister of Finance in F2020-21).	• Started review of credit union liquidity requirements and liquidity management in Ontario. • DIRF adequacy work underway and on track.

5.0 INSURANCE CONDUCT SECTOR

COMPLETE	SUBSTANTIALLY COMPLETE	INCOMPLETE

Priority/Assessment	ABP Year-1 Target	Commentary on Assessment
5.1 Adopt Effective Conduct Standards	• Consult with stakeholders and insurers to understand industry expectations and to further evaluate/improve conduct requirements. • Collect, validate and analyze internal data to assess specific market conduct issues and determine how to address gaps in oversight (MGAs).	Priority is substantially complete. Auto • Market Conduct has consulted with stakeholders in the auto insurance sector as well as RIBO with a focus on the Take-All-Comers rule. • Launched a coordinated notice from FSRA and RIBO and a “Dear CEO” letter issued by FSRA. Market Conduct • Obtained stakeholder feedback from Insurers and industry associations such as CLHIA, CAFII, CAILBA and IFB. • Analyzed available data (ASMC, complaints) to assess market conduct issues and to identify gaps in oversight. Market Conduct is developing an approach to study the

		state of the insurer-MGA relationship in Ontario. • Identified some of the risks, gaps, and trends specifically in relation to the insurer oversight of the independent agent distribution channel. • Adapted Take-All-Comers reviews for distance reviews; preparing for supervisory reviews. • Ongoing consultation with insurers regarding distribution channels.
5.2 Improve Licensing Effectiveness and Efficiency	• Streamline licensing approvals and improve the service levels being provided.	Priority is substantially underway with the need to continue to focus on consistent service levels. Priority IT investments began in Q4. A Licensing landing page will be added to the FSRA website to enable ease of access to information. Page will include links to each type of license, with information on the requirements as well as expected processing times for both clean and escalated applications. This level of transparency will inform our licensees in real time. • FSRA continues to develop and integrate internal improvements (e.g. moving to electronic platforms) to make licensing more effective and efficient despite declaration of provincial emergency challenges. • Improved service levels

		achieved through: effective issues triaging; more efficient file assignment; prioritization; stakeholder engagement; and targeted application of resources.
5.3 Harmonize Treating Financial Services Consumers Fairly Guidance	• Provide clarity on Fair Treatment of Consumers (FTC) guidance in Ontario, how it is consistent with CCIR/CISRO guidance. • Develop, in consultation with stakeholders, examples of acceptable and unacceptable consumer treatment.	Priority is substantially complete. • Guidance developed and will be published for consultation to confirm overall approach. • Examples of acceptable and unacceptable consumer treatment are under development in consultation with stakeholders (as part of approach guidance). To be completed as part of ongoing work identified as a conduct priority for F2020-21. • Final post-consultation guidance approach document, along with consultation summary, to be posted in F2020-21 Q2 (delayed due to declaration of provincial emergency).

6.0 MORTGAGE BROKERING SECTOR	COMPLETE / SUBSTANTIALLY COMPLETE / INCOMPLETE	
Priority/Assessment	**ABP Year-1 Target**	**Commentary on Assessment**
6.1 Provide Effective SMI Oversight	• Assess and improve SMI supervisory processes, as required. • Complete stakeholder consultation on SMI disclosures, supervision and transfer to OSC. • Review and enhance SMI oversight and disclosure	Priority is complete. • Implemented real time supervisory approach of non-qualified SMIs (NQSMIs) distributed to retail investors. • Consulted and implemented enhanced disclosure on high risk

	framework, or (if outside FSRA powers) proposals made to enhance, as required. • Support OSC preparation for transfer of the regulation of non-qualified SMI offerings.	NQSMIs for retail investors effective November 2020. • Implemented burden reduction measures for distributions to sophisticated investors. • Published guidance regarding disclosure required to protect investors during times of market disruption. • Working with the Ministry of Finance and OSC on the transition of NQSMI oversight to the OSC.
6.2 Improve Licensing Effectiveness and Efficiency	• Streamline licensing approvals and improve the service levels being provided.	Priority complete. • Licensing unit has adopted a new approach to leverage all available staff to improve processing times. • Developed a dashboard to create a visual of all applications in progress and submitted for management approval. The backlog of non-escalated files has been cleared. Work continues on active escalated files.
6.3 Adopt Industry Code of Conduct	• Consult with the stakeholders regarding an industry-developed code. • If agreed, establish supervisory practices to implement ongoing supervision against the code (or if not agreed upon by FSRA, articulate reasons for disagreement).	Priority substantially complete; FSRA completed consultations with industry associations to inform the draft Code and FSRA's supervisory practices for the Code (i.e. Approach Guidance). • Industry associations will provide detailed feedback to FSRA on the Code and FSRA's proposed Approach Guidance. The original timeline for feedback

		(end of March 2020) was extended to help industry manage through the declaration of provincial emergency. • Working to finalize code standards with industry partners. • Public consultation on the Code and Approach will begin later in 2020. • Code should be in place and adopted by industry associations in Q2 of F2020-21. Harmonization of the Code by MBRCC members expected in F2021-22.

7.0 PENSION SECTOR

COMPLETE | SUBSTANTIALLY COMPLETE | INCOMPLETE

Priority/Assessment	ABP Year-1 Target	Commentary on Assessment
7.1 Support Plan Evolution	• Complete consultation and make concrete changes to processes and structures, and to the manner in which large and evolving plans are supervised and supported. • Complete review of guidance that will be of greatest impact to the pension sector; update high-priority guidance. • Develop plan (in consultation with stakeholders) to update/refresh remaining guidance, including timelines, and commence	Multi-year priority; deliverables for F2019-20 complete. • Developed, consulted and finalized principles to guide the oversight of the Pension Sector. • Created a special-purpose Technical Advisory Committee (TAC) to review regulatory processes and legislative requirements that apply to asset transfers, with a view of reducing regulatory burden and improving regulatory effectiveness. Refreshed guidance to be issued in summer 2020. The new expedited process is anticipated to reduce

	implementation of plan.	approval time to 120 days when fully implemented. • Consulted stakeholders pre-launch on a plan to update and prioritize inherited guidance. Implementation commenced with the establishment of three TACs for asset transfers, missing members and family law (see 7.3). • Implemented changes to organizational structure.
7.2 Review Prudential Supervision Framework	• Develop prudential supervision framework in consultation with stakeholders (e.g. principles, processes, policies and practices required to develop and implement the framework). • Implement tools to enable risk assessment in pension sector, and consider unique nature and characteristics of plan types. • Develop and implement processes to protect the rights of pension plan beneficiaries and the Pension Benefit Guarantee Fund (PBGF), including Board advice with respect to the PBGF.	Multi-year priority. Deliverables for F2019-20 complete. • Created a special purpose TAC to develop FSRA's approach to supervise and engage with single-employer defined benefit (DB) plans, where there may be a concern over the security of benefits. Developed and finalized the approach, including a 45-day public consultation. • Conducted an analysis to assess the long-term financial sustainability of the PBGF and inform a more appropriate return-seeking investment strategy. • Conducted a targeted review of DB MEPPs. Findings will be shared with the sector beginning summer 2020. Work to continue in F2020-21. • Enhanced the prudential supervision of large public sector plans. This work (to continue in F2020-21) included:

		- sharing initial observations on investment risk governance; - closing off FSCO's leverage analysis; and - forming a Working Group with the CROs to evaluate systemic risk, liquidity risk, valuation model risk and desired disclosures.
7.3 Refocus Pension Regulation on Burden Reduction	• Consult with stakeholders on how to tailor regulatory processes to ensure appropriate focus of limited pension regulation resources on higher-value regulatory and supervisory objectives. • Develop and solicit input on a principles-based framework to guide changes to processes, structures, policies and guidance. • Develop and commence a plan to implement improved principles-based processes. Goals: use discretion and issue guidance to provide clarity/simplicity, and reduce burden.	Deliverables for F2019-20 complete. Multi-year priority. • Special-purpose TAC for missing members concluded its work in February 2020. Through this engagement, FSRA refreshed two guidance documents: Principles and Practices Regarding Missing Members; and the Waiver of Biennial Statements for Missing Former and Retired Members. 45-day consultation period will open in summer 2020. • FSRA will begin collecting missing member data in 2020 and will continue to explore governmental partnerships to assist plan administrators in reconnecting plan members with their pensions. • Formed a special-purpose TAC for family law matters, to begin its work in Jun'20. • Published Pension's first approach in October 2019, setting out requirements after certain annuity

		purchases for DB plans. • Initiated a review to: o re-engineer key processes; o focus resources on high-value regulatory activity; o reduce unnecessary regulatory burden and low-return regulatory activities; o re-define performance standards; and o identify tech needs.

8.0 FINANCIAL PLANNERS & ADVISORS	COMPLETE	SUBSTANTIALLY COMPLETE	INCOMPLETE

Priority/Assessment	ABP Year-1 Target	Commentary on Assessment

8.1 Regulation of Financial Planners & Advisors	• In consultation with industry, the MOF and consumer advocates, develop rules/requirements for the sector and plans for implementation.
	• Develop rules that will help to control entry into the sector, and remove non-compliant registrants from the sector.
	• Overall, enhance consumer protection and professionalism without introducing unnecessary regulatory burden on the sector.
		Priority is substantially complete. FSRA will be ready to issue public consultation on the proposed rule in the near future.
		• Developing a framework (in consultation with stakeholders) for implementing the requirements of the *Financial Professionals Title Protection Act, 2019*. It will include new rules relating to:
		  ○ Minimum standards for the credentials that must be held by "Financial Planner" (FP) and "Financial Advisor" (FA) title users.
		  ○ Transition period for existing FPs and FAs.
		  ○ Approval criteria for entities that apply to become credentialing bodies.
		• Once implemented, the new requirements will help define and regulate the use of the FP and FA titles, and help remove non-compliant title users from the sector.

Performance Measures and Targets

After completing a review of existing performance and service standards at DICO and FSCO, FSRA developed service standard guiding principles and new service standards. The updated and new standards will help FSRA address the perceived lack of accountability and responsiveness in the current regulatory framework.

FSRA had finalized the service standards for each sector, and was ready to launch on a trial basis with an associated consultation at the end of the fiscal year. However, due to the COVID-19 pandemic, the launch and associated planned consultation have been delayed and will resume later during the 2020-2021 fiscal cycle.

In addition, FSRA will continue to work with government and other stakeholders to further develop performance measures. These will build on the service standards, and facilitate meaningful tracking of how FSRA is carrying out its mandate.

FSRA will seek to develop outcomes-focused, quantitative measures that are linked to its strategic direction and legislative objects. To track success, that will include measures of:

- reductions in regulatory requirements (e.g. number of guidance documents reduced by a certain percentage); and
- regulatory effectiveness (e.g. number of non-compliant registrants reduced by a certain percentage).

To do so, FSRA will collaborate with government and other stakeholders, with a focus on:

- Reviewing approaches taken in the current regulatory agencies, other organizations in Ontario and other jurisdictions to understand best practices.
- Defining short-, medium- and long-term outcomes that FSRA should seek based on its strategic direction and legislative objects.
- Selecting performance measures that provide valid, reliable and quantifiable results on progress towards achieving these outcomes.
- Ensuring measures are easy to understand.
- Identifying data requirements and ensuring that gathering the required data does not impose an unnecessary burden on stakeholders.
- Enacting plans for regular monitoring and review of results achieved against the measures, to enable feedback loops and support continuous improvement.
- Refining performance measures as necessary.

Risk Identification, Assessments and Mitigation Strategies

FSRA has worked to raise risk awareness among business units, and build a strong risk culture within the organization under the leadership of a Chief Risk Officer.

Significant progress has been made in implementing the Enterprise Risk Management (ERM) of FSRA. The core components of our ERM are the Risk Management Committee (RMC) and the three lines of defense model. The RMC is an executive-level committee that meets 6-8 times a year. It provides a robust supervisory strategy in monitoring program area risk profiles and risk mitigation strategies.

During the fiscal year, FSRA has put in place risk rating and monitoring tools to support our effective challenge function in identifying, assessing, mitigating and monitoring risks to the organization, in coordination with the risk owners.

Operationalizing the ERM framework, including the enterprise-wide Risk Register, Risk Dashboard and Risk Appetite Statement, is in progress. The expected completion is October 2020.

With COVID-19, the economic downturn and remote work, operational resilience risk is one of the key risks confronting FSRA today. This is the risk of potential service disruption as a result of the pandemic, systemic risk, and cybersecurity threats. FSRA's risk-based mitigation strategies focuses on ensuring business continuity and minimal disruption to our operations. Moreover, considering the systemic impact of the current economic turmoil, our regulated financial sectors may be exposed to systemic risks.

Although, there has been no noted significant issues for the reporting fiscal year, FSRA continues to monitor macroeconomic factors that may heighten uncertainties and further threaten stability of our financial sectors. Furthermore, FSRA mitigates any potential threat to cybersecurity through the development of a cybersecurity program that implements a modern and adequate cybersecurity practice.

FSRA continues to:

- strengthen its compliance management system, building on internal compliance due diligence processes;
- ensure the complete and timely reporting of required Ministry of Finance (MOF) Annual Certificate of Assurance Attestation and Quarterly Risk Assessment reports; and
- work to align the internal audit function with risk management efforts, to achieve synergy and manage risks more effectively.

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 at launch, has been the foundation of FSRA's approaches, policies, process and norms. FSRA's performance management and pay-for-performance systems, developed early, are also aligned.

2. Investment in Talent

With 200 of FSRA's positions vacant at launch, recruitment of talent was a priority. Between June 8, 2019 and March 31, 2020, FSRA recruited 145 new external colleagues and brought 90 internal colleagues into new roles within the organization. Learning and development activities supported the credibility of FSRA's teams with the regulated sector, and allowed FSRA to start the journey to becoming a principles-based regulator.

3. Strong Foundations

The new Human Resources Information System, Workday, supported digital transformation. The HR, and Payroll and Recruitment modules were built and launched in 2019-20. The additional modules of Advanced Compensation, Performance and Talent Management and Learning were developed and will be implemented in early 2020-21.

4. HR Excellence

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

FSRA had a budgeted workforce of 575 full time equivalent (FTEs) for 2019-20. As of March 31, 2020, FSRA had a total of 453 employees: 428 permanent full-time and 25 fixed-term.

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 will review and refine the BCP in 2020-21.

Communication Plan

Organization transition and change management

Establishing FSRA represented a significant change, with impacts for both internal and external stakeholders. In its first year, FSRA met its commitment to provide clear, consistent, and timely information throughout the transition and across a range of channels.

Robust communications were ongoing throughout the transition. That remains a priority as FSRA transforms into a principles-based regulatory authority. The standard use of plain language has ensured that our information is easy to find, use and understand. This practice supports transparency, honesty and accessibility around FSRA's governance and enforcement.

Internal communications

During the transition, FSRA's objective was to build a positive employee experience and foster a strong culture. FSRA was committed to clearly articulating a case for change, providing relevant information, maintaining a dialogue with employees, and supporting ongoing business continuity and service delivery. These efforts included:

- Launching an intranet to provide comprehensive information to staff.
- Holding departmental and all-staff town hall meetings.
- Distributing an "Update from FSRA" newsletter.
- Organizing a speaker series to educate staff on key trends in the regulated sectors.

In response to COVID-19 and related health and safety measures, FSRA coordinated remote all-staff town halls and information updates. That kept employees aware and assured of the organization's crisis response and business continuity activities.

External communications

FSRA has a mandate to drive transformation in the regulation of financial services and pensions. That resulted in different impacts on different stakeholders at different points. To reach these stakeholders, FSRA:

- Launched an external website with clear, easily accessible, user-friendly consumer information, and resources on the regulated sectors.

- Provided key transition-related information to ensure business continuity and a smooth transfer of operations.

- Established stakeholder engagement mechanisms, such as advisory committees and working groups.

- Opened channels such as webinars, social media and online chats to reach stakeholders across Ontario more effectively.

- Shared information and consulted with other regulators, to support coordination for change across and between jurisdictions and sectors.

Note that the CEO's Report on Insurance is not included with the Annual Report; it is forthcoming at a later date.

Response to Expectations Set Out in Agency Mandate

For the 2019-20 fiscal year, an Agency Mandate Letter was not issued or required. In its absence, FSRA worked closely with the Ministry of Finance on:

- planning and implementing the transition of regulatory functions from current/past agencies; and
- establishing and nurturing a high-performing, effective organization to deliver on ambitious transformation plans.

In October of 2019, FSRA received the Agency Mandate Letter for the 2020-21 fiscal year, and has commenced efforts to meet stated expectations. FSRA will continue to coordinate as appropriate with MOF and other relevant stakeholders to deliver on expectations and provide a response as part of the fiscal 2020-21 Annual Report.

Financial Highlights

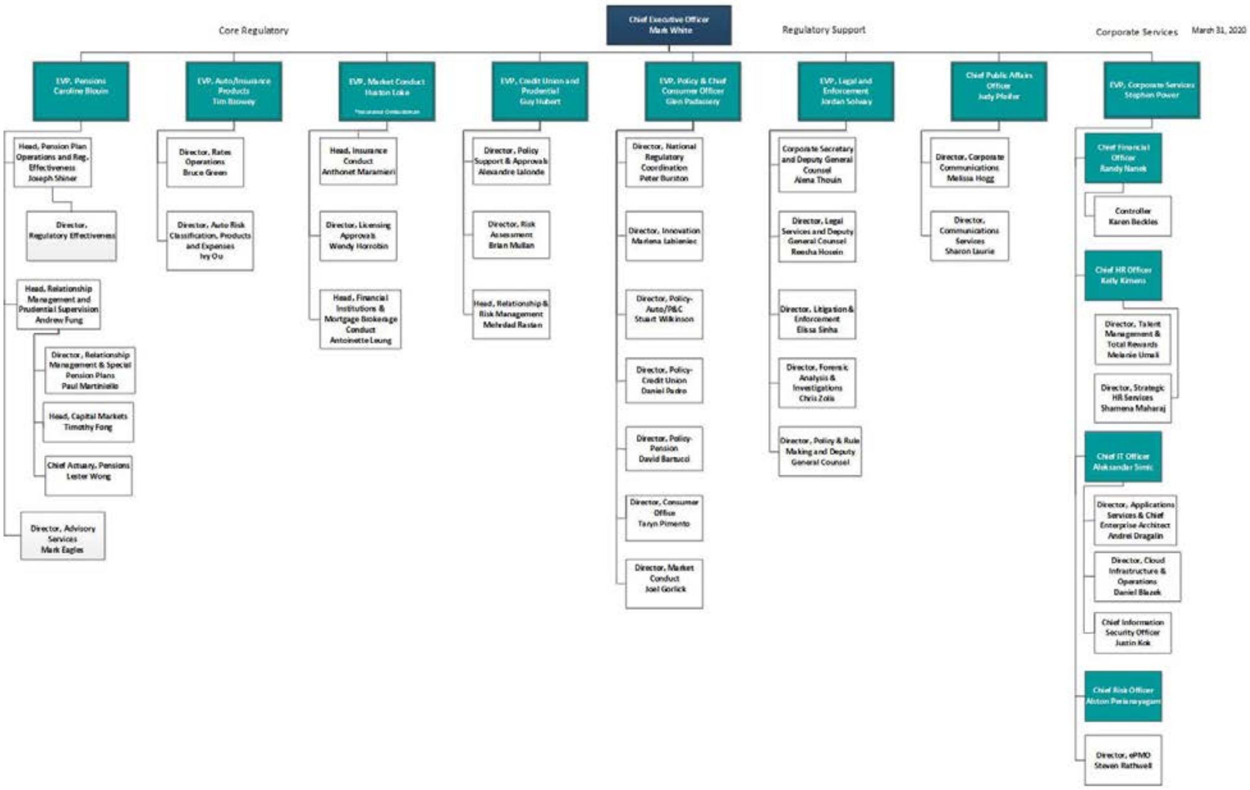
With the proclamation of certain provisions of the FSRA Act and regulated sector statutes, the Agency assumed substantially all of the regulatory authorities and responsibilities of FSCO and DICO on June 8, 2019.

For the fiscal period ended March 31, 2020, the total revenue were $78.3 million and the total expenses net of recoveries were $66.8 million. FSRA has established a $5 million operating surplus. The primary purpose of the surplus 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. Salaries and benefits were $46.9 million which accounted for 70.3% of total expenses net of recoveries.

Fee Assessments was $61 million and represented 77.6% total revenue recognized in 2019. *(refer financial statement note 2a for sector source).* The second revenue stream came from activity fees, licenses and registration and were $16.8 million. Interest income was $0.8 million. *Year over year financial comparison is not available due to lack of historical actual.*

A more in depth financial performance analysis will be available in the future annual reports. For further financial information, refer to the audited financial statements.

Appendix A: Organization Structure



Appendix B: Credit Union Regulatory Activities

Summary of Credit Union Regulatory Activities*					
Category	**2019-20**	**2018**	**2017**	**2016**	**2015**
Applications	16	23	7	16	9
Variations, Exemptions & Extensions	11	3	0	1	0
Orders	0	2	3	3	0
Administrative Penalties	0	0	0	0	0
Certificates and other requests**	140	112	n/a	n/a	n/a
Total	167	140	10	20	9

*Data for 2015-17 reflects Deposit Insurance Corporation of Ontario activities only. Values reflect calendar year for period 2015-18 and FSRA's fiscal year 2019-20.

**Data for these activities previously conducted by Financial Services Commission of Ontario not available for 2015-17.

Appendix C: Market Conduct Statistics

Market conduct complaints from June 8, 2019 to March 31, 2020

Complaint Type	Number	%*
Insurance - Property and Casualty**	323	39.5%
Mortgage Brokers	295	36.1%
Insurance - Life and Health	147	18.0%
Insurance - Investments	12	1.5%
Credit Unions	22	2.7%
Other	11	1.3%
CO-OPERATIVES		
Loan & Trust	7	0.9%
Total	**817**	**100%**

* Percentages may not add to 100 due to rounding

** Includes health service provider and auto insurance complaints

Enforcement actions FSRA took against non-compliant licensees from June 8, 2019 to March 31, 2020

	Warning Notices	Caution Letters	Warning Letters	Cease and Desist Orders	Compliance Orders	Licence Suspensions*	Licence revocations	Licence refusal/denials	Administrative monetary penalties ($)
Service Providers	0	0	0	0	0	0	0	1	$2,500
Mortgage Brokering	1	13	46	0	0	1	5	2	$106,000
Insurance Sector (life insurance agents; property and casualty; life and health)	1	1	24	2	0	2	7	1	$9,000
Credit Unions / Caisse Populaires	0	0	0	0	0	0	0	0	0
Pensions	0	0	0	0	0	0	0	0	0
Total	2	14	70	2	0	3	12	4	$117,500

*Includes interim suspensions

Appendix D: Pensions Statistics

Statutory filing rates in 2019-20*

Statutory Filing	%
Annual Information Return (AIR): Defined Benefit Pension Plans	99.7%
Annual Information Return (AIR): Defined Contribution Pension Plans	96.8%
Pension Benefits Guarantee Fund (PBGF) Certificate: Defined Benefit Pension Plans	98.3%
Financial Statements (FS): Defined Benefit Pension Plans	99.5%
Investment Information Summary (IIS): Defined Benefit Pension Plans	99.2%
Financial Statements (FS): Defined Contribution Pension Plans	95.1%
Actuarial Reports (AR) accompanied by an Actuarial Information Summary (AIS): Defined Benefit Pension Plans	100%
Statement of Investment Policies and Procedures (SIPP) accompanied by a SIPP Information Summary: Defined Benefit Pension Plans	96.8%
Statement of Investment Policies and Procedures (SIPP) accompanied by a SIPP Information Summary: Defined Contribution Pension Plans	92.9%

* Filing rate at March 31, 2020

Pension complaints in 2019-20

Complaint Type	Total	%
Commuted Value/Benefit Entitlement	23	52.3%
Non-Compliance with Legislation/Policy	9	20.5%
Non-Compliant Plan Provisions	9	20.5%
Reciprocal Transfer Agreement	3	6.8%
Total	**44**	**100%**

*Percentages may not add to 100 due to rounding

Appendix E: Contact Centre Statistics

FSRA Contact Centre - June 8, 2019 to March 17*, 2020

Inquiry Type	Number	%
Licensing	18,688	40.3%
Mortgage Brokering	8,989	19.4%
Pensions	4,978	10.7%
Insurance: Automobile and other	4,107	8.9%
Service Providers	2,753	5.9%
FSRA - Other	2,268	4.9%
Non-FSRA	1,974	4.3%
Pension Locked-in Accounts	1,902	4.1%
Credit Unions/Caisse Populaires	499	1.1%
Co-operatives	102	0.2%
Loan & Trust	88	0.2%
Total	**46,348**	**100%**

*The Contact Centre began working remotely on March 17, 2020 due to COVID-19 and did not have access to reporting systems.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

FINANCIAL STATEMENTS FOR THE YEAR ENDING MARCH 31, 2020

Financial Services Regulatory Authority of Ontario

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VT INCEPIT FIDELIS SIC PERMANET
Ontario

Management's Responsibility for Financial Statements

The accompanying financial statements have been prepared by management accordance with Canadian public sector accounting standards and are the responsibility of management. The preparation of the financial statements necessarily involves the use of estimates based on management's judgment, particularly when transaction affecting the current accounting period cannot be finalized with certainty until future periods.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

Financial Services Regulatory Authority of Ontario's Board of Directors is responsible for ensuring that management fulfils its responsibilities. The Board has appointed an audit and finance committee from among its own members. The audit and finance committee meets periodically with senior management and the Office of the Auditor General of Ontario to discuss audit, internal control, accounting policy, and financial reporting matters. The financial statements are reviewed by the audit and finance committee before approval 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 Public Sector Accounting Standards for Government Not-For-Profit organizations. The auditor's report outlines the scope of the auditor's examination and opinion.

Mark White
Chief Executive Officer

Stephen Power
EVP- Corporate Services

Randy Nanek
Chief Financial Officer

Toronto, Ontario
June 23, 2020

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, 2020 and the statements of operations, changes in net deficit 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, 2020, and the results of its operations, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Toronto, Ontario	Bonnie Lysyk, MBA, FCPA, FCA, LPA
June 23, 2020	Auditor General

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Statement of Financial Position
As at March 31, 2020
($000)

	Note(s)	March 31, 2020	March 31, 2019
ASSETS			
Current			
Cash	5	$ 86,416	$ 22,334
Trade and other receivables	6	12,912	675
Prepaid expenses		1,959	1,418
Total current assets		101,287	24,427
Capital assets	7	6,697	1,822
Total assets		**$ 107,984**	**$ 26,249**
LIABILITIES			
Current			
Trade and other payables	8	$ 40,299	$ 3,225
Deferred revenue	9	18,844	413
Loan payable	10	2,996	-
Total current liabilities		62,139	3,638
Employee future benefits	11	5,993	-
Loan payable	10	43,910	40,407
Other long term obligations		1,429	-
Total liabilities		113,471	44,045
NET ASSETS / (DEFICIT)			
Internally restricted net assets	12	5,000	-
Unrestricted net deficit		(10,487)	(17,796)
Total net deficit		(5,487)	(17,796)
Total liabilities and net deficit		**$ 107,984**	**$ 26,249**

See accompanying notes to the financial statements.

Commitments, Contracts and Contingencies (Note 17)

On Behalf of the Board:

Board Chair

Chair, Audit & Finance Committee

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Statement of Operations
For the year ended March 31, 2020
($000)

	Note(s)	March 31, 2020 (Note 3(b))	March 31, 2019
Revenue			
Assessments		$ 60,710	$ -
Fees, licenses and registration		16,803	-
Interest income		757	251
	20	**78,270**	**251**
Expenses			
Salaries and benefits	11, 13	46,935	7,648
Services		10,519	2,932
Technology		3,439	3,824
Accommodations		5,322	4,333
Staff development		646	-
Travel		281	22
Amortization		1,381	-
Interest expense		969	378
Other operating expenses		1,015	25
		70,507	19,162
Less: Recoveries	14	(3,749)	(3,901)
		66,758	**15,261**
Restructuring Transactions			
Gain on restructuring	3(a)	797	-
		797	**-**
Excess / (deficiency) of revenue over expenses		**$ 12,309**	**$ (15,010)**

See accompanying notes to the financial statements.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Statement of Changes in Net Deficit
For the year ended March 31, 2020
($000)

	Note(s)	Internally Restricted Net Assets	Unrestricted Net Deficit	March 31, 2020 Total	March 31, 2019 Total
Net deficit, beginning of year		$ -	$ (17,796)	$ (17,796)	$ (2,786)
Excess / (deficiency) of revenues over expenses	12	5,000	7,309	12,309	(15,010)
Net assets / (deficit), end of year		**$ 5,000**	**$ (10,487)**	**$ (5,487)**	**$ (17,796)**

See accompanying notes to the financial statements.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Statement of Cash Flows
For the year ended March 31, 2020
($000)

	Note(s)	March 31, 2020	March 31, 2019
Cash flows from / (used in) operating activities:			
Excess / (deficiency) of revenue over expenses		$ 12,309	(15,010)
Adjustments for non-cash expense items:			
Amortization of capital assets		1,381	-
Amortization of deferred lease inducements		134	-
Interest expense		969	378
Adjustment to adopt Public Sector Accounting Standards	4	374	-
		15,167	(14,632)
Changes in non-cash working capital:			
Trade and other receivables		(12,237)	(491)
Prepaid expenses		(541)	(1,379)
Trade and other payables		35,822	2,592
Deferred revenue		18,431	413
Employee future benefits	4, 11	5,619	-
Other long term obligations		1,429	-
		63,690	(13,497)
Cash flows used in capital activities:			
Purchase of capital assets		(5,138)	(1,822)
		(5,138)	(1,822)
Cash flows from / (used in) financing activities:			
Proceeds from loan advances		6,853	22,612
Repayment of loan advances and interest		(1,323)	-
		5,530	22,612
Net increase / (decrease) in cash position		**64,082**	**7,293**
Cash, beginning of year		22,334	15,041
Cash, end of year	5	**$ 86,416**	**$ 22,334**
Supplemental cash flow information			
Capital assets funded by Trade and other payables		**$ 1,118**	**$ -**

See accompanying notes to the financial statements.

1. DESCRIPTION OF THE ORGANIZATION

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

With the proclamation of certain provisions of the FSRA Act and regulated sector statutes, the Agency assumed substantially all of the regulatory authorities and responsibilities of FSCO and DICO on June 8, 2019. The transition involved the transfer of certain assets, liabilities and contractual obligations from FSCO to FSRA, the amalgamation of FSRA and DICO and the transfer of FSCO and DICO employees to FSRA.

FSRA regulates sectors subject to the following statues: Insurance Act, Compulsory Automobile Insurance Act, Prepaid Hospital and Medical Services Act, Credit Unions and Caisses Populaires Act, 1994, Loan and Trust Corporations Act, Mortgage Brokerages, Lenders and Administrators Act, 2006, Pension Benefits Act, Pooled Registered Pension Plan Act, 2015; and Financial Professionals Title Protection Act, 2019 (currently unproclaimed).

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

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with Public Sector Accounting Standards for government not-for-profit organizations (PSA-GNFPO) as issued by the Public Sector Accounting Board (PSAB). The significant accounting policies used to prepare these statements are summarized below.

(a) Revenue Recognition

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

Revenues from fees, licenses and registrations are recognized as revenue in the year to which they pertain.

Interest income is recognized as earned.

(b) Capital Assets

Capital assets are recorded at cost less accumulated amortization and accumulated impairment losses, if any. Third party and internal labour costs are capitalized under software in connection with the development of information technology projects.

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

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

(c) Financial Instruments

All financial instruments are included on the statement of financial position and are measured either at fair value or at cost or amortized cost. FSRA's accounts receivable, other receivables, accounts payable and accrued liabilities, loan payable and other long term obligations are recorded at cost in in the financial statements.

(d) Employee Benefits

Pension Costs

Certain employees of FSRA participate 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 and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF and a joint sponsor of the OPSEU-PF, determines FSRA's annual payments to the funds.

The plan sponsors are responsible for ensuring that the pension funds are financially viable. Any surpluses or unfunded liabilities arising from 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 are paid by the Government of Ontario and is not included in these financial statements.

DICO Non-Pension Post-Employment Benefits

Following the restructuring transactions described in Note 3, FSRA provides future non-pension post-employment benefits to provide extended health, dental and life benefits to former DICO employees and retirees 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. The plan was withdrawn on June 7, 2019 and former DICO employees retiring after June 8, 2021 will not be eligible for benefits under this arrangement.

Use of Estimates

Management has made estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual amounts could differ from these estimates. The infectious coronavirus ("COVID-19") pandemic has added to the FSRA's measurement uncertainty primarily due to a reduction of available information with which to make significant assumptions related to critical estimates as compared to those estimates reported at March 31, 2019. Items subject to such estimates include the allowance for doubtful debts, useful lives of capital assets, accrued liabilities, employee future benefits and allocation of costs between industry sectors.

Due to the COVID-19 pandemic, additional uncertainty exists in relation to client's ability to pay their amounts owing. Note 19 expands on the potential effects of COVID-19 in subsequent financial periods.

3. RESTRUCTURING TRANSACTIONS

(a) On March 3, 2015, the government announced an Expert Advisory Panel ("Panel") to conduct the review of the mandates of the Financial Services Commission of Ontario (FSCO), Financial Services Tribunal (FST) and the Deposit Insurance Corporation of Ontario (DICO). The Panel conducted a public consultation on the issues being examined and issued a Final Report on March 31, 2016, recommending the establishment of a new financial services regulator in Ontario.

On June 29, 2017, certain provisions of the Financial Services Regulatory Authority of Ontario Act, 2016 (FSRA Act), came into force. Under this Act, the Minister of Finance may authorize an order to transfer substantially all the FSCO's operations to FSRA.

On December 6, 2018, the Restoring Trust, Transparency and Accountability Act, 2018 (Bill 57) received Royal Assent and provided for the amalgamation of DICO with FSRA.

The transition to FSRA was successfully completed on June 8, 2019. This was effected after the completion of the Minister of Finance's transfer order, the proclamation of certain sections under the FSRA Act and related regulated sector statutes and DICO's amalgamation with FSRA.

On that date, FSRA assumed substantially all of FSCO's regulatory responsibilities, as well as certain assets, liabilities and contractual obligations. At the same time, responsibility for the administration of the Pension Benefit Guarantee Fund (PBGF) was transferred to the Chief Executive Officer of FSRA. The assets and liabilities of the PBGF are not part of the assets and liabilities of FSRA and are not recognized in these financial statements.

On June 8, 2019, DICO was also amalgamated with FSRA and its regulatory responsibilities, assets and liabilities were transferred to the Agency. At the same time, FSRA received the Deposit Insurance Reserve Fund (DIRF) by virtue of its amalgamation with DICO, including the transfer of the assets and liabilities previously held by DICO as insurer for credit union and caisses populaires deposits. The assets and liabilities of the DIRF are not part of the assets and liabilities of FSRA and are not recognized in these financial statements.

The net liabilities assumed by FSRA on June 8, 2019 have been recognized at book value and adjusted to comply with Public Sector Accounting Standards where required.

The value of these assets and liabilities assumed at June 8, 2019 were as follows:

($000)	FSCO	DICO (Note 4)	Total
Due from Province	$ 5,760	$ -	$ 5,760
Due from DIRF (Note 4)	-	14,035	14,035
Trade and other receivables	11,727	20	11,747
Prepaid expenses	375	96	471
Capital assets	4,444	146	4,590
Trade and other payables	(1,458)	(2,048)	(3,506)
Deferred revenue	(17,930)	(5,566)	(23,496)
Employee future benefits	(2,121)	(4,676)	(6,797)
Other long term obligations	-	(1,434)	(1,434)
Unrealized actuarial gains	-	(199)	(199)
Net assets transferred	**$ 797**	**$ 374**	**$ 1,569**
Adjustments to the carrying amount of Employee future benefits to comply with the adoption of Public Sector Accounting standards (Note 4)	-	(374)	(573)
Gain / (loss) on restructuring	**$ 797**	**$ -**	**$ 797**

(b) The Statement of Operations includes the following amounts for initial administrative and operational costs related to start-up activities that incurred prior to FSRA's launch on June 8, 2019:

($000)	June 7, 2019	March 31, 2019
Revenue		
Interest income	**$ 76**	**$ 251**
Expenses		
Salaries and benefits	2,206	7,648
Services	2,376	2,932
Technology	666	3,824
Accommodations	980	4,333
Staff development	76	-
Travel	12	22
Amortization	71	-
Interest expense	150	378
Other operating expenses	11	25
	6,548	19,162
Less: Recoveries	(979)	(3,901)
	5,569	**15,261**
Deficiency of revenue over expenses	**$ (5,493)**	**$ (15,010)**

4. IMPACT OF THE ADOPTION OF PUBLIC SECTOR ACCOUNTING STANDARDS

Management assessed the impact of PSAS-GNFPO adoption on DICO's opening balance sheet items not constituting part of the DIRF, in particular the impact on recognition, measurement, and presentation of each item.

After this assessment, the DICO balances not forming part of the DIRF were all transferred at book values to FSRA, except for the liability of the DICO non-pension post-employment benefits which is included in employee future benefits. A restatement of the non-pension post-employment benefits obligation on June 8, 2019 was required as a different discount rate and attribution period of benefits is used under PSAS.

Under IFRS this benefits obligation was valued at $3,105 on June 7, 2019, with unrealized actuarial gains of $199 ($3,304 in total). An actuarial firm was engaged to restate the obligation balance on June 8, 2019 under PSAS. The restatement incorporated a change in discount rate to use FSRA's applicable cost of borrowing at that date, as well as a change in the attribution period of benefits to retirement age. DICO used the Canadian Institute of Actuaries discount rate model linked to corporate bond yield and an attribution period to full eligibility age for benefits as per IFRS IAS 19.

The restated opening balance is $3,678, an increase of $374. As a result, the amount receivable from DIRF to FSRA was adjusted from $13,661 to $14,035 (refer to Note 3 (a)).

5. CASH

Cash includes $93 (2019 - $nil) in funds held in the Agency's role as a provider of administrative and support services for various organizations (see Note 14). These funds are held in separate bank accounts and are not available for general use.

6. TRADE AND OTHER RECEIVABLES

($000)	**Notes**	**March 31, 2020**	**March 31, 2019**
Trade receivables		$ 10,108	$ 52
HST recoverable		1,410	623
Due from Ministries of the Province of Ontario	15 (a)	718	-
Due from the Pension Benefit Guarantee Fund	15 (b)	676	-
		$ 12,912	**$ 675**

7. CAPITAL ASSETS

Capital assets consist of the following:

($000)	**March 31, 2020**			**March 31, 2019**
	Cost	**Accumulated Amortization**	**Net Book Value**	**Net Book Value**
Software	$ 4,887	$ 1,096	$ 3,791	$ -
Computer hardware	2,406	575	1,831	1,822
Leasehold improvements	40	24	16	-
Office furniture and equipment	78	74	4	-
Construction in progress	1,055	-	1,055	-
	$ 8,466	**$ 1,769**	**$ 6,697**	**$ 1,822**

Construction in progress represents capital expenditures for leasehold improvements that are not yet complete. Amortization of these assets will commence when construction is complete and the assets are ready for their intended use. Leasehold improvements are amortized over the term of the lease plus one renewal term.

8. TRADE AND OTHER PAYABLES

($000)	Notes	March 31, 2020	March 31, 2019
Accounts payable and accruals		$ 13,979	$ 3,225
Deferred lease inducements		97	-
Current portion of employee benefits	11 (b)	476	-
Due to Ministries of the Province of Ontario	15 (a)	23,927	-
Due to Deposit Insurance Reserve Fund	15 (b)	765	
Due to Infrastructure Ontario	15 (c)	1,055	-
		$ 40,299	**$ 3,225**

On June 8, 2019 FSRA assumed a deferred lease inducement related to its current offices as part of the restructuring transaction described in Note 3(a). The inducement is being amortized over the term of the lease which expires on October 31, 2020. Amortized lease inducements of $134 (2019 - $nil) were recorded as a reduction of accommodation expense during the year.

9. DEFERRED REVENUE

Deferred revenue represents payments received for fees, licences and registrations that cover more than the current fiscal year and for assessments that relate to the next fiscal year. The deferred portion is recognized as revenue when the applicable future licence year occurs and when the next fiscal year for the assessment occurs. The changes in the deferred revenue balances during fiscal 2019-20 are summarized as follows:

($000)	Balance, beginning of year	Transferred at restructuring	Received during year	Recognized during year	Balance, end of year
Insurance agents, adjusters and corporations	$ -	$ 6,086	$ 5,266	$ (5,335)	$ 6,017
Mortgage brokers	-	7,856	10,572	(9,548)	8,880
Credit unions and caisse populaires	-	5,566	608	(6,006)	168
Health service providers	-	2,788	1,608	(2,814)	1,582
Other	413	1,200	1,119	(535)	2,197
	$ 413	**$ 23,496**	**$ 19,173**	**$ (24,238)**	**$ 18,844**

10. LOAN AGREEMENT

On August 29, 2017, the FSRA entered into a non-revolving Loan Agreement with Her Majesty the Queen in the right of Ontario as represented by the Minister of Finance to borrow up to $20 million for covering initial administrative and operational costs related to its start-up activities.

On March 31, 2018, the Loan Agreement was amended to increase the amount of the non-revolving Loan Agreement up to $40 million and acknowledge that amendments would be required to convert the non-revolving loan facility into a long-term loan facility.

The amended agreement was completed on August 26, 2019 and increased the maximum principal amount of the loan to $60 million by adding three additional non-revolving loan facilities.

The amended agreement also includes long-term loan facilities to refinance each of the four non-revolving loans (Term loan 1, Term loan 2, Term loan 3 and Term loan 4). The term loans will be advanced as the non-revolving facilities come due and will be equal to the principal and accrued interest balance of the non-revolving loans at their repayment dates.

The non-revolving and term loan facilities available under the agreement are as follows:

($000s)	Principal available	Advance Period	Rollover Date Into Term Loans	Facility or Term Loan balance at March 31, 2020
Facility 1 / Term loan 1	$40,000	August 29, 2017 to August 26, 2019	August 29, 2019	$40,053
Facility 2 / Term loan 2	$12,500	August 26, 2019 to March 31, 2020	April 1, 2020	$6,853
Facility 3 / Term loan 3	$4,500	April 1, 2020 to March 31, 2021	April 1, 2021	N/A
Facility 4 / Term loan 4	$3,000	April 1, 2021 to March 31, 2022	April 1, 2022	N/A

Term loan 1 matures on August 29, 2039 and bears interest at 2.71% per annum. The loan is repayable in equal quarterly installments beginning November 29, 2019. Interest expense and loan repayments on Term loan 1 were $969 (2019 - $378) and $1,323 (2019 - $nil) respectively for the year.

On March 31, 2020, FSRA drew $6,853 under Facility 2 and the undrawn balance of the Facility expired. Facility 2 was repaid on April 1, 2020 with proceeds from Term loan 2 which was advanced on April 1, 2020. Term loan 2 will mature on April 1, 2039 and will bear interest at 2.81% per annum. The loan is repayable in equal quarterly installments beginning July 2, 2020.

11. EMPLOYEE BENEFITS

(a) Pension Plan

Eligible FSRA employees participate in the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU-PF). FSRA's contribution to the PSPF and OPSEU-PF for the year was $2,908 (2019 - $109), which is included in salaries and benefits in the Statement of Operations.

(b) Employee Future Benefits

($000)	Notes	March 31, 2020	March 31, 2019
DICO non-pension post employment benefits		$ 3,619	$ -
DICO supplemental pension benefits		842	-
Legislated severance entitlements		1,910	-
Other employee future benefits		98	-
Total employee future benefit liability		6,469	-
Less: Due within one year and included in Trade and other payables	8	(476)	-
		$ 5,993	**$ -**

(i) DICO Non-Pension Post-Employment Benefits

Following the restructuring transactions described in Note 3(a), FSRA became the sponsor of a defined benefit plan for retirement 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 $146. The plan is unfunded and requires no contributions from employees.

The retirement benefit liability at March 31, 2020 includes the following components:

($000)	March 31, 2020
Accrued benefit obligation	$ 3,305
Unamortized actuarial gains	314
Retirement benefit liability	$ 3,619

The most recent actuarial report was prepared at March 31, 2020. Unamortized actuarial gains will be amortized on a straight-line basis over the expected average remaining service of the related employee group which is 1.25 years, as former DICO employees retiring after June 8, 2021 will not be eligible for benefits under this arrangement. The amortization of these gains will begin in fiscal 2020-2021.

The actuarial valuation is based on a number of 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 2.71%.

The total expense related to retirement benefits other than pensions is $88 (2019 - $nil) and includes $28 (2019 - $nil) of current year benefit expense and $60 (2019 - $nil) for interest expense. These costs have been included in salaries and benefits in the Statement of Operations.

(ii) DICO Supplemental Pension Benefits

Following the restructuring transactions described in Note 3 (a), 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 $17 (2019 - $nil) 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.

(iii) Legislated Severance

The legislative severance portion of the employee future benefits obligation was calculated using a discount rate of 2.71% and estimated average years to retirement of 10.5 years. These assumptions are management's best estimates. The total expense related to legislated severance is $(5) (2019 - $nil) and is included in salaries and benefits in the Statement of Operations.

(iv) Other Employee Future Benefits

Other employee future benefits includes other future compensation entitlements earned. The total cost for the year for all other employee future benefits is $12 (2019 - $nil) and is included in salaries and benefits in the Statement of Operations.

12. INTERNALLY RESTRICTED NET ASSETS

FSRA has established a $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. Remuneration paid to members of the Board of Directors during the year was $231 (2019 - $442). During the year, the number of board members remained consistent with the prior year at seven.

14. RECOVERIES

FSRA provides administrative and other support services to a number of organizations and recovers the costs of providing these services from the organizations in accordance with the memorandum of understanding or agreement signed with the respective organizations. Details of these recoveries are as follows:

($000)	**Notes**	**March 31, 2020**	**March 31, 2019**
General Insurance Statistical Agency		$ 483	$ -
Canadian Association of Pension Supervisory Authorities		232	-
Canadian Council of Insurance Regulators		303	-
Canadian Insurance Services Regulatory Organization		121	-
Mortgage Broker Regulators' Council of Canada		180	-
Province of Ontario lease payments	15 (a)	979	3,901
Province of Ontario co-operative offering statements program	15 (a)	88	-
Motor Vehicle Accident Claims Fund	15 (a)	611	-
Financial Services Tribunal	15 (a)	76	-
Pension Benefits Guarantee Fund	15 (b)	676	-
		$ 3,749	**$ 3,901**

Cash includes $93 held to provide administrative and other support services to the Canadian Insurance Services Regulatory Organization.

15. RELATED PARTY TRANSACTIONS

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

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

(a) Ministries of the Province of Ontario

During the course of the year, the FSRA entered into the following transactions with the various Ministries of the Province of Ontario:

(i) Received $27,373 (2019 - $nil) from the Ministry of Finance under an Asset and Liability Transfer Agreement related to the restructuring transactions described in Note 3(a). The amount was based on a preliminary estimate of the net liabilities assumed by FSRA as part of the restructuring. The final value of cash to be transferred in respect of this transactions is $5,760. The excess payment of $21,613 is included in trade and other payables in the Statement of Financial Position.

(ii) Borrowed an additional $6,853 (2019 - $22,612) under the Loan Agreement with the Ministry of Finance described in Note 10. During the year total interest expense for borrowings under this agreement was of $969 (2019 - $378).

(iii) Paid $3,944 (2019 - $nil) to the Ministry of Finance for expenditures that it made in respect of the regulated sectors for the operation of Dispute Resolution Services and the Financial Services Tribunal. The amount also includes expenditures that the Ministry of Finance made in respect of preparing FSRA to carry out its regulatory function.

FSRA will recover this amount from the regulated sectors through the fiscal 2020-2021 assessments and has included the amount in trade and other receivables in the Statement of Financial Position at March 31, 2020.

(iv) Seconded employees from the Ontario Public Sector to support its start-up and IT activities. During the year, FSRA expensed $171 (2019 - $895) as salary and benefit costs and $1,380 (2019 - $nil) as services costs in connection with these seconded employees.

(v) Co-location, connectivity and related charges in support of information technology services at the Guelph Data Centre and IT user per seat costs. Expenses for these services of $671 (2019 - $544) have been included in technology costs in the Statement of Operations.

(vi) Received payments from the Province in support of the lease payment for 5160 Yonge Street. On July 1, 2018, FSRA assumed the lease for these premises from the Financial

Services Commission of Ontario. During the year the Province paid FSRA $979 (2019 - $3,901) in respect of this lease. These amounts have been included as recoveries in the Statement of Operations.

(vii) Provided administrative and other support services for the Province's co-operating offering statements program, Motor Vehicle Accident Claim Fund and the Financial Services Tribunal as described in Note 14. Trade and other receivables includes $718 (2019 - $nil) in respect of these services.

(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 provided administrative and other support services to the Pension Benefit Guarantee Fund as described in Note 13. Trade and other receivables includes $676 (2019 - $nil) in respect of these services.

(ii) Deposit Insurance Reserve Fund

In accordance with part 10.2 (3) of FSRA Fee Rule 2019-001, credit unions and caisses populaires were not individually assessed for their share of FSRA's budgeted operating costs in respect of FSRA's first assessment period . Instead, the aggregate assessment of all credit unions and caisses populaires for FSRA's applicable budgeted operating costs for the period was fully satisfied through a one-time withdrawal by FSRA from the DIRF in an amount equal to the aggregate assessment, net of the regulatory portion included in the credit unions and caisses populaires for premiums received during FSRA's first assessment period. The net aggregate assessment is $2,318 (2019 - $nil). This amount has been included in assessments in the Statement of Operations.

FSRA also collected deposit insurance premiums from credit unions and caisses populaires and paid certain expenses on behalf of the Deposit Insurance Reserve Fund. Trade and other payables includes a net amount of $765 (2019 - $nil) in respect of these items.

(c) Infrastructure Ontario (an Ontario Crown Agency)

During the year FSRA engaged Infrastructure Ontario to oversee leasehold improvements to its new offices. The Agency incurred $1,055 (2019 - $nil) under this arrangement. This amount has been recognized as capital assets and trade and other payables in the Statement of Financial Position.

During fiscal 2018-2019 FSRA paid Infrastructure Ontario $33 for leasing options analysis. No such costs were incurred during the current year.

16. FINANCIAL INSTRUMENTS

FSRA's financial instruments are exposed to certain financial risks including credit risk, interest risk and liquidity 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 Agency 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. The carrying amount of these financial assets represents the maximum credit exposure.

Interest rate risk

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

Liquidity risk

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

Trade and other payables at March 31, 2020 mature within six months.

($000)

17. COMMITMENTS CONTRACTS AND CONTINGENCIES

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

The minimum annual payments for current and new office lease space is as follows for the years ending March 31:

2021	$ 4,955
2022	$ 4,452
2023	$ 4,548
2024	$ 4,648
2025	$ 4,752
Thereafter	$ 29,411

The Agency also entered into an arrangement with a crown agency of the Province of Ontario, Infrastructure Ontario, to spend $12,000 on the construction of leasehold improvements at its new offices in the year ending March 31, 2021.

18. COMPARATIVE FIGURES

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

19. COVID-19 IMPACT

The COVID-19 pandemic has had a material impact on the global economy. In response to the pandemic, and to support the sectors the Agency regulates during this difficult time, FSRA used its discretion and has deferred the issuance of its fiscal 2020-2021 fee assessments until such time as it gives the regulated sectors subject to such assessments at least 15 days notice.

FSRA entered into a lease for new office space which commences on November 1, 2020. The pandemic has delayed the completion of leasehold improvements at this new location. . Management estimates that the delay could result in additional payments of up to $2,600 in respect of overholding its current office lease during this delay, which have not been reflected in Note 17 above.

FSRA’s financial position continues to remain strong. The Agency ended fiscal 2019-2020 with $86,416 in cash, against current liabilities of $62,139, and available loan facilities of $4,500, to fund operations and expenditures for the next fiscal year. Management intends to monitor the situation closely and will adjust operations as needed to prudently manage costs and expenditures in the next fiscal period.

20. OTHER INFORMATION

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

Direct and indirect costs are allocated to each sector. Direct costs are allocated based on the sector activities causing FSRA to incur those costs. Indirect costs include costs for the CEO Office, Corporate Services, Public Affairs and other common costs. These indirect costs are allocated to the sectors based on their pro-rata share of direct costs.

The following table summarizes revenue, direct and indirect costs for each sector during the year ended March 31, 2020. Corporate costs represent indirect costs incurred for initial administrative and operational costs related to start-up activities that occurred prior to FSRA's launch on June 8, 2019 and an increase in net assets due to the restructuring transactions described in Note 3(a).

For the year ended March 31, 2020 ($000)												
Sectors	**Insurance**						**Pensions (Fixed and Variable)**	**Credit Unions (Variable)**	**Mortgage Brokers (Fixed)**	**Loans & Trusts (Variable)**	**Corporate**	**Total**
Subsectors	**Auto Products**	**P&C Conduct**	**P&C Prudential Regulation**	**Health Service Providers**	**Life Conduct & Life Health**	**Total Insurance**						
Revenue												
Assessments	$ 10,490	$ 15,698	$ 383	$ -	$ 1,469	**$ 28,040**	$ 21,715	$ 10,737	$ -	$ 218	$ -	**$ 60,710**
Fees, licenses and registration	-	810	-	2,919	4,079	**7,808**	45	11	8,937	-	2	**16,803**
Interest income	-	-	-	-	-	**-**	-	-	-	-	757	**757**
Total Revenue	**10,490**	**16,508**	**383**	**2,919**	**5,548**	**35,848**	**21,760**	**10,748**	**8,937**	**218**	**759**	**78,270**
Cost												
Direct Cost	5,976	10,920	277	2,320	4,165	**23,658**	14,085	5,668	4,277	102	1,028	**48,818**
Indirect Costs	1,898	3,364	81	879	853	**7,075**	3,897	2,233	1,894	42	6,548	**21,689**
Less: Recoveries	(132)	(268)	(7)	(53)	(80)	**(540)**	(981)	(99)	(120)	(2)	(2,007)	**(3,749)**
	7,742	14,016	351	3,146	4,938	**30,193**	17,001	7,802	6,051	142	5,569	**66,758**
Less: Mortgage Broker & Corporate Contributions to Common Costs	(511)	(909)	(22)	(236)	(229)	**(1,907)**	(1,048)	(601)	2,886	(13)	683	**-**
Total Cost	**7,231**	**13,107**	**329**	**2,910**	**4,709**	**28,286**	**15,953**	**7,201**	**8,937**	**129**	**6,252**	**66,758**
Restructuring transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**797**	**797**
Excess / (deficiency) of revenue over expenses	**$ 3,259**	**$ 3,401**	**$ 54**	**$ 9**	**$ 839**	**$ 7,562**	**$ 5,807**	**$ 3,547**	**$ -**	**$ 89**	**$ (4,696)**	**$ 12,309**

PENSION BENEFITS GUARANTEE FUND

Financial Highlights

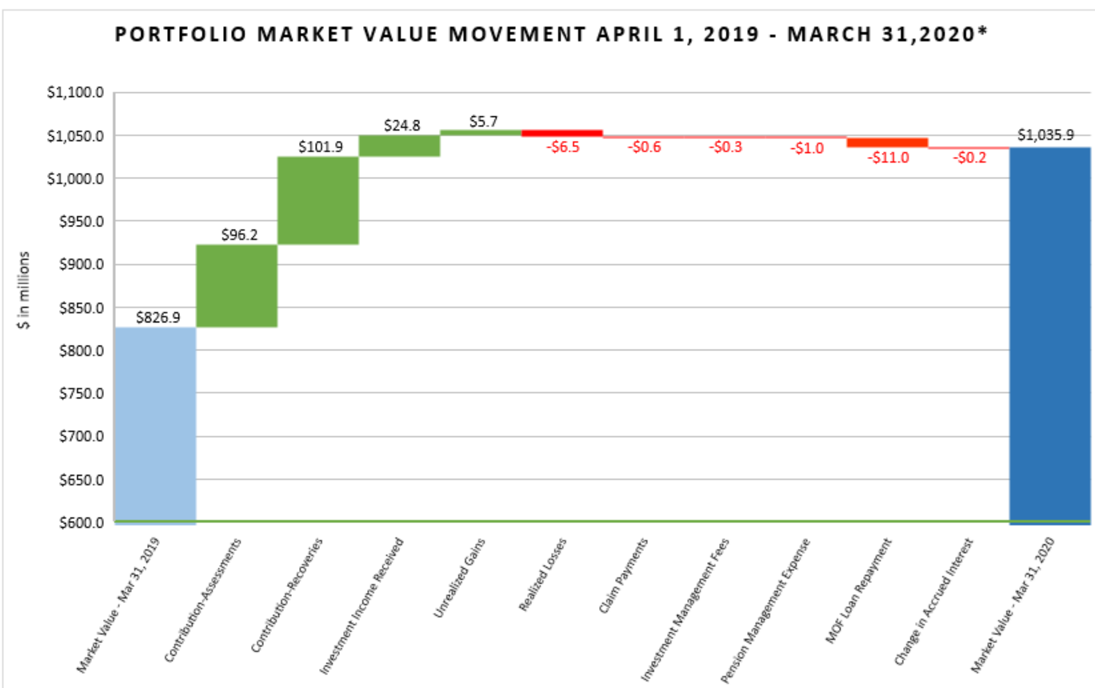
The Pension Benefits Guarantee Fund (the “Fund” or “PBGF”) is created by the Pension Benefits Act and was administered by the Chief Executive Officer of FSRA from June 8, 2019 to the end of the fiscal year. Prior to June 8, 2019, the Fund was administered by FSCO.

As at March 31, 2020, the fund surplus was at $918 million, a year-over-year increase of $82 million (9.8%) from $836 million. Fund assets consisted of investments of $1,036 million and accounts receivable of $107 million. Fund liabilities were comprised of loan payable of $108 million, claims payable of $107 million, and accounts payable of $9 million.

The increase of $82 million in fund surplus for the fiscal period resulted primarily from premium revenue of $70.7 million, investment income of $18.2 million, decrease in accumulated re-measurement losses of $5.7 million, pension plan recoveries of $1.0 million, offset by claims payable of $5.2M, amortization of loan discount of $5.7 million, pension consulting service fees of $1.1 million, administration fee of $0.8 million, and investment management fees of $0.4 million.

Investments

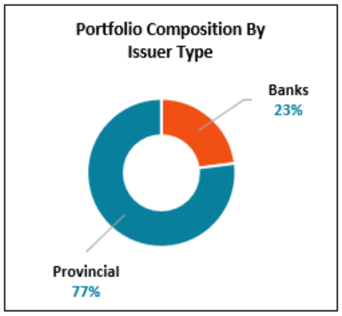
Investment of the PBGF is managed by the Ontario Financing Authority. As at March 31, 2020, market value of the total investments was $1,036 million, comprised of a Money Market portfolio of $458 million (44%) and a Government Bond Laddered portfolio of $578 million (56%). The total market value increased by $209 million from $827 million as at the prior year-end.

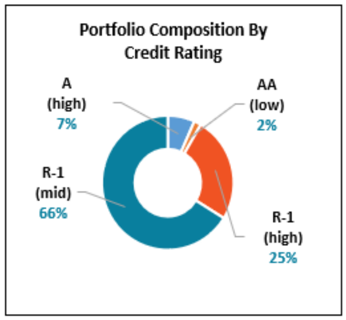


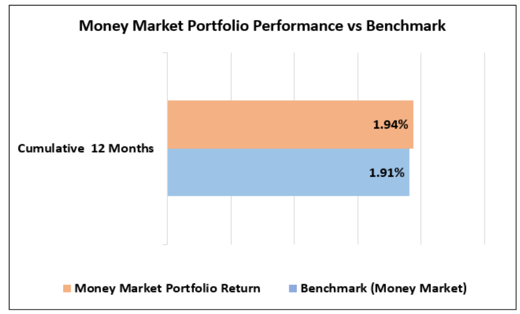
* on a modified cash basis

Money Market portfolio

As at March 31, 2020, market value of the Money Market portfolio was $458 million with an average term to maturity of 0.27 years. Gross return of the portfolio was 1.94% for the cumulative 12 months period which outperformed the benchmark by three basis points.

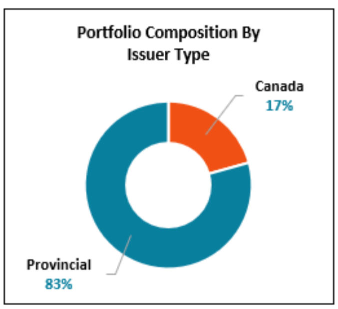


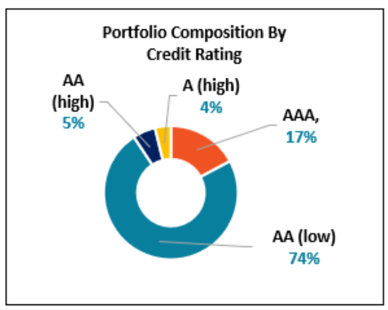


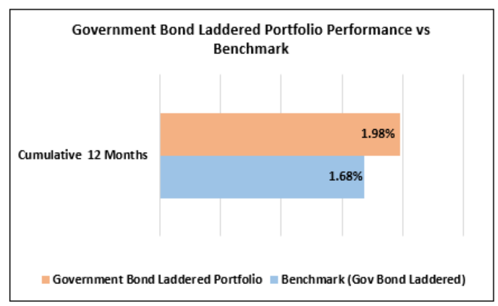


Government Bond Laddered portfolio

Market value of the Government Bond Laddered portfolio was $578 million as at March 31, 2020, with an average term to maturity of 1.52 years. Gross return of the portfolio was 1.98% for the cumulative 12 months period, outperforming the benchmark by 30 basis points.







FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

PENSION BENEFITS GUARANTEE FUND

FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

Financial Services Regulatory Authority of Ontario

5160 Yonge Street
16th Floor
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Tel.: 416-590-7030
www.fsrao.ca

Office ontarien de réglementation des services financiers

5160, rue Yonge
16e étage
Toronto (Ontario) M2N 6L9

Téléphone : 416-590-7030
www.fsrao.ca/fr

Management's Responsibility for Financial Statements

The accompanying financial statements have been prepared by management in accordance with Canadian public sector accounting standards and are the responsibility of management. The preparation of the financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Chief Executive Officer of the Financial Services Regulatory Authority of Ontario (FSRA) assumed responsibility for administering the Pension Benefits Guarantee Fund (the Fund) on June 8, 2019. Prior to that time, the Financial Services Commission of Ontario (FSCO) had responsibility for the Fund. The Board of Directors of FSRA has established the Pension Benefits Guarantee Fund Advisory Committee (the PBGFAC) to advise the Chief Executive Officer of FSRA on matters related to the Fund. Since formation, the PBGFAC meets periodically with FSRA senior management. The Office of the Auditor General of Ontario has met with the Board and its representatives to discuss audit, internal control, accounting policy, and financial reporting matters related to the Fund. The Fund financial statements are reviewed by the PBGFAC before approval 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 Public Sector Accounting Standards for Government Not-For-Profit organizations. The auditor's report outlines the scope of the auditor's examination and opinion.

Stephen Power, EVP-Corporate Services

Randy Nanek, Chief Financial Officer

Toronto, Ontario, June 23, 2020

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, 2020, 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, 2020, and the results of its operations, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

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

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

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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
June 23, 2020

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

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO
Pension Benefits Guarantee Fund
Statement of Financial Position
As at March 31, 2020
($000)

	Note(s)	March 31, 2020	March 31, 2019
ASSETS			
Current			
Cash		1	1
Accounts receivable		106,866	235,494
Investments	4	1,035,931	826,892
Total assets		**1,142,798**	**1,062,387**
LIABILITIES AND FUND SURPLUS			
Current			
Accounts payable and accrued liabilities		8,810	10,152
Current portion of loan payable	5	11,000	11,000
Claims payable		107,052	5,912
Total current liabilities		**126,862**	**27,064**
Claim payable - Long term		-	96,600
Loan payable - Long term	5	97,629	102,893
Total liabilities		**224,491**	**226,557**
FUND SURPLUS			
Fund surplus from operation		919,742	842,927
Accumulated re-measurement losses		(1,435)	(7,097)
Total fund surplus		**918,307**	**835,830**
Total liabilities and fund surplus		**1,142,798**	**1,062,387**

See accompanying notes to the financial statements.

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

B. Davies

Board Chair

B. Cowper-Smith

PBGF Advisory Committee Chair

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO
Pension Benefits Guarantee Fund
Statements of Operations and Fund Surplus
For the year ended March 31, 2020
($000)

	Note(s)	March 31, 2020	March 31, 2019
Revenue			
Premium revenue	3	70,686	102,348
Pension plan recoveries	7	1,031	1,022
Investment income	4	18,246	17,814
		89,963	**121,184**
Expenses			
Claims	3	5,166	(5,469)
Bad debt expenses		-	10,740
Amortization of loan discount	5	5,737	5,989
Pension consulting services	8	1,082	2,546
Administration fee	9	810	715
Investment management fees	9	353	306
		13,148	**14,827**
Excess of revenue over expenses		**76,815**	**106,357**
Fund surplus, beginning of year		**842,927**	**736,570**
Fund surplus, end of year		**919,742**	**842,927**

See accompanying notes to the financial statements.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO
Pension Benefits Guarantee Fund
Statement of Re-measurement Gains and Losses
For the year ended March 31, 2020
($000)

	Note(s)	March 31, 2020	March 31, 2019
Accumulated re-measurement losses, beginning of year		**(7,097)**	**(7,670)**
Unrealized losses attributed to portfolio investments	4	(891)	(2,901)
Realized losses reclassified to the statement of operations	4	6,553	3,474
Accumulated re-measurement losses, end of year		**(1,435)**	**(7,097)**

See accompanying notes to the financial statements.

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO
Pension Benefits Guarantee Fund
Statement of Cash Flows
For the year ended March 31, 2020
($000)

	Note(s)	March 31, 2020	March 31, 2019
Cash flows from / (used in) operating activities:			
Excess of revenue over expenses		76,815	106,357
Adjustments for non-cash expense items:			
Amortization of loan discount	5	5,737	5,989
Realized losses on disposal of investments	4	6,553	3,474
		89,105	115,820
Changes in non-cash working capital:			
Accounts receivable		128,628	(41,440)
Claims payable		4,540	(10,033)
Accounts payable and accrued liabilities		(1,342)	2,745
		220,931	67,092
Cash flows from / (used in) investing activities:			
Purchases of investments		(3,533,313)	(3,102,613)
Proceeds from sale of investments		3,323,382	3,046,516
		(209,931)	(56,097)
Cash flows used in financing activities:			
Loan repayments	5	(11,000)	(11,000)
		(11,000)	(11,000)
Net increase / (decrease) in cash position		-	(5)
Cash, beginning of year		1	6
Cash, end of year		**1**	**1**

See accompanying notes to the financial statements.

1. STATUTORY AUTHORITY

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"). On June 8, 2019, the Financial Services Regulatory Authority of Ontario ("FSRA") assumed substantially all of the Financial Services Commission of Ontario ("FSCO") responsibilities, including the administration of the Fund.

2. FUND OPERATIONS

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 plan registrants.

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.

The CEO of Financial Services Regulatory Authority of Ontario ("FSRA") pursuant to the *Financial Services Regulatory Authority of Ontario Act, 2016* and specifically, subsection 82(2) of the *Pension Benefits Act,* is responsible for the administration of the Fund, and the Fund reimburses FSRA for the costs of the services provided to the Fund. The investments of the Fund are managed by the Ontario Financing Authority, on a fee-for-service basis which is paid by the Fund.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared by the management of FSRA in accordance with Public Sector Accounting Standards for Government Not-For-Profit organizations (PSA-GNFPO) as issued by the Public Sector Accounting Board (PSAB). Accordingly, management has used the following significant accounting policies in their 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 balance sheet and are measured either at fair value or at cost or amortized cost as follows:

- Cash and investments are recorded at fair value, with changes in fair value during the period recognized in the statement of re-measurement gains and losses until realized. Fair value is determined from quoted prices for similar investments.
- Accounts receivable, account payable and accrued liabilities are valued at cost which approximate fair value given their short term maturities.
- 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 from estimates provided by actuarial consultants. 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.

($000)

(c) Premium Revenue

Premium revenue is based on an assessment formula set out in section 37 of Regulation 909 of the Act. An estimate of the premium 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 premium revenue, if any, between the estimated amounts recognized and the actual revenues due, are charged or credited to premium revenue in the year.

	2020	2019
Estimated revenue	81,700	109,200
Actual revenue related to current and prior years received in current year	98,186	62,448
Less: prior year's estimated revenue	(109,200)	(69,300)
	70,686	**102,348**

(d) Use of Estimates

The preparation of financial statements in accordance with PSA-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. The infectious coronavirus ("COVID-19") pandemic has added to the Fund's measurement uncertainty. Areas where significant estimates must be made include premium revenue, claims payable and pension plan recoveries receivable. See Note 10 for further information.

($000)

4. INVESTMENTS

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

Investments consist of:

	2020		2019	
	Fair Value	Cost	Fair Value	Cost
Discounted notes	457,880	457,880	274,284	274,284
Government bonds	578,051	579,486	552,608	559,706
Total Investments	**1,035,931**	**1,037,366**	**826,892**	**833,990**

	Fair Value Hierarchy	2020	2019
Discounted notes	Level 1	457,880	274,284
Government bonds	Level 2	578,051	552,608
Total		**1,035,931**	**826,892**

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.

	2020	2019
Interest income	24,799	21,288
Realized losses from the sale of securities	(6,553)	(3,474)
Total	**18,246**	**17,814**

($000)

The Fund’s investment portfolio is exposed to various risks, which are mitigated by the type of investment and therefore risk is low.

Discounted notes with maturities between April 2020 and March 2021 had yields in the range of 0.900% to 1.950% (2019 – maturities between April 2019 and June 2019, had yields in the range of 1.652% to 2.374%).

The government bonds maturing between June 2020 and March 2023 had yields in the range of 0.722% to 2.526% (2019 – maturing between June 2019 and March 2022, had yields in the range of 0.980% to 2.526%).

5. 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. 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, 2020 as follows:

	2020	2019
Face Value	154,000	165,000
Less: Discount	(45,371)	(51,107)
Amortized Cost	**108,629**	**113,893**
Classified as:		
Current Portion	11,000	11,000
Long-Term Portion	97,629	102,893
Balance	**108,629**	**113,893**

($000)

The unamortized discount of $45.4 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:

Fiscal Year	Amount ($'000)
2021	5,471
2022	5,193
2023	4,901
2024	4,593
2025	4,271

6. 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.

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.

With respect to portfolio investments, they are all investment grade debt securities with low credit risk.

The Fund's accounts receivable consists of premium revenue receivable of $93.5 million, RST receivable of $7.5 million, investment income receivable of $5.8 million, and HST receivable of $0.1 million.

The premium revenue receivable recorded is based on an assessment formula set out in section 37 of Regulation 909 of the Act and is calculated as the lesser of:

- $600 per Ontario plan beneficiary, or
- .015% of the plan's PBGF liabilities plus a varying percentage (0.75% - 2.25%) of the plan's PBGF assessment base.

FSRA actively monitors underfunded pension plans with plan sponsors at risk and, based on this knowledge, estimates that the probability for a pension plan to become insolvent and not pay the premium within a year is low. In addition, in the event that a pension plan would become insolvent within a year, there are legal options for the Fund that can be exercised to collect the premiums. Historically, the Fund has been able to collect the amounts estimated as premium receivable.

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

Liquidity risk

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, 2020, the Fund has an investment balance of $1,036 million (2019 - $827 million) to settle current liabilities of $127 million (2019 - $27 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.

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 assets in low-risk and liquid securities. The Fund's market risk is considered to be low.

The market value sensitivity of the Money Market Portfolio at the end of the last quarter was $1.27 million for a 1.00% change in rates. The market value sensitivity of the Government Bond Laddered Portfolio at the end of the last quarter was $8.00 million for a 1.00% change in rates.

7. PENSION PLAN RECOVERIES

Following the settlement of all benefits, payment of expenses and the submission of the final wind up report for a pension plan whose beneficiaries received payments from the Fund, any remaining funds in such wound-up pension plan are recovered by the Fund. During fiscal 2020, the Fund had $1.0 million (2019 – $1.0 million) in recoveries from such pension plans.

8. PENSION CONSULTING SERVICES

The Fund 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 2020, $1.1 million was incurred to such external experts (2019 - $2.5 million paid).

9. RELATED PARTY TRANSACTIONS

For fiscal 2020, an administration fee of $0.8 million (2019 - $0.7 million) was incurred for management salaries and benefits, accounting, information technology, legal, pension and other services. Prior to June 8, 2019, when the Chief Executive Officer of FSRA assumed FSCO's responsibility to administer the Fund and commenced charging administration fees to the fund, administration fees were paid to FSCO for its administration of the Fund. The Fund and FSRA (FSCO) are (were) related parties.

Investment Management fees consist mainly of fees paid to the Ontario Financing Authority, a related party.

The costs of processing premium revenue transactions are absorbed by FSCO and FSRA without charge to the Fund.

Other related party transactions during the year have been disclosed in note 5.

10. COVID-19 Impact

The financial health of plan sponsors in the pension sector are dependent on the economy and viability of the sector in which the sponsor operates. There is no immediate increase in plan sponsor failure and corresponding plan failure in the pension sector due to the COVID-19 environment. As the pandemic term prolongs, there is potential heightened risk of plan sponsor and plan failure that might result in claims against the Fund. The substantive impact on the Fund cannot be determined at this time.

The estimated premiums receivable are based on valuations and an assessment base in a pre-COVID-19 environment.

11. Subsequent Event

There is a pending settlement, which is still subject to court approval, of a subrogated claim on behalf of the Fund in the Sears Canada matter. The amount of the settlement which will ultimately be recovered then needs to be allocated amongst various interests, including the pension plan. The Fund will then be entitled to a portion of the amount allocated to the pension plan. The estimate of the claims payable in relation to the pension plan has been included as a liability on the financial statements. While PBGF expects a recovery, the amount is not determinable at this time.

DEPOSIT INSURANCE RESERVE FUND

Financial Highlights

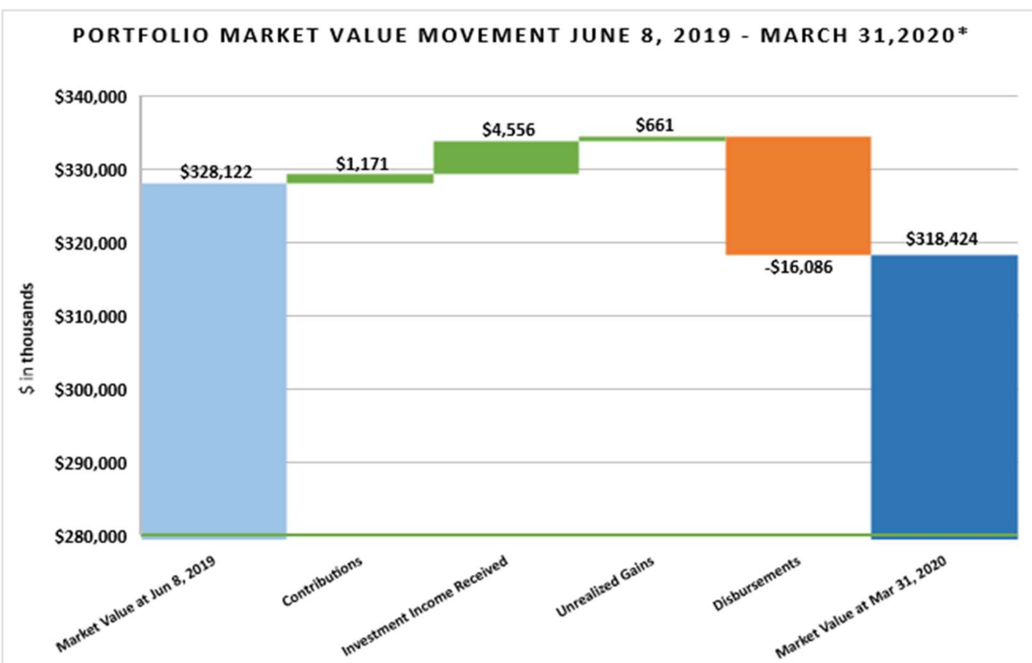
Effective June 8, 2019, the Deposit Insurance Corporation of Ontario ("DICO") amalgamated with the Financial Services Regulatory Authority of Ontario ("FSRA"). On this date, FSRA became authorized to manage the Deposit Insurance Reserve Fund ("DIRF"). The DIRF is a fund managed by FSRA and dedicated to protecting the insured deposits of credit union members through deposit insurance and other financial support for the credit union sector as set forth in the CUCPA. Pursuant to subsection 12.1 (2) of the *Financial Services Regulatory Authority of Ontario Act, 2016*, the DIRF became an independent reporting entity separated from FSRA's operations, on June 8, 2019.

As of March 31, 2020, the DIRF surplus was at $329.4 million. This surplus is the assets in the DIRF net of liabilities. The surplus increased by $32.7 million (11%) from $296.7 million on June 8, 2019. The DIRF assets consisted of investments of $318.4 million, premium receivable of $8.0 million, cash of $1.5 million, investment income receivable of $1.3 million, and other receivables of $0.8 million. The DIRF liabilities were comprised of deferred premium revenue of $0.5 million and accounts payable of $0.04 million.

The increase of $32.7 million in the fiscal period resulted from premium revenue of $26.0 million, investment income of $4.9 million, unrealized gains attributed to investments of $0.7 million, other revenue of $0.6 million, reversal of general provision of $3.0 million, and expenses of $2.5 million.

Investments

Investments of the DIRF are managed by the Ontario Financing Authority. As at March 31, 2020, market value of the total investments was $318.4 million, comprised of a Money Market portfolio of $253.0 million (79%) and a Government Bond Laddered portfolio of $65.4 million (21%). The total market value decreased by $9.7 million from $328.1 million as at June 8, 2019.



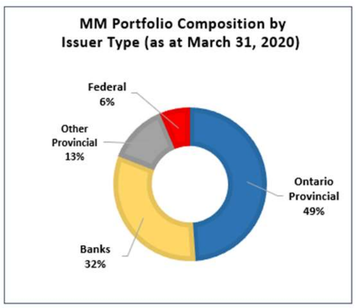
* on a modified cash basis

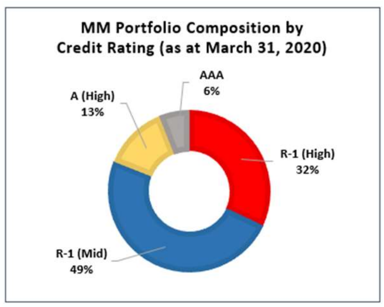
The disbursments of $16 million were composed of:

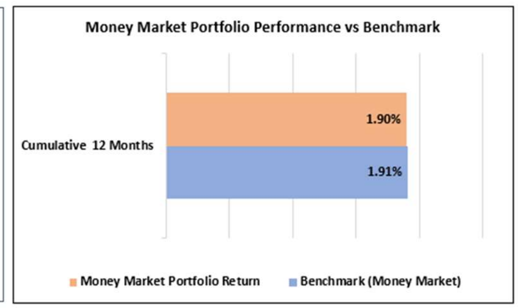
- a cash settlement of $13.7 million for the net operational liabilities transferred from DICO to FSRA, and
- a one-time withdrawal by FSRA of $2.3 million representing the aggregate assessment of all credit unions, net of the regulatory portion incuded in the premiums during FSRA's first assessment period.

Money Market portfolio

As at March 31, 2020, market value of the Money Market portfolio was $253.0 million with an average term of 68.3 days. Gross return of the portfolio was 1.90% for the cumulative 12 months period which underperformed the benchmark by one basis point.

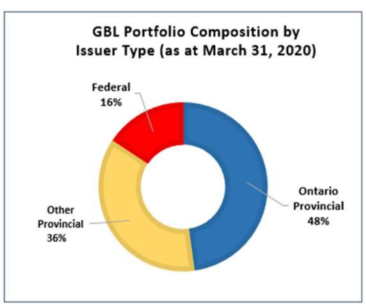


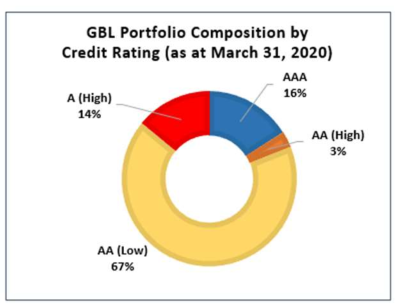


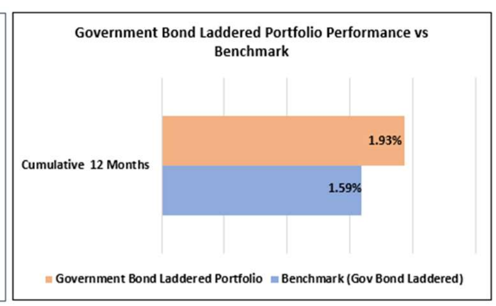


Government Bond Laddered portfolio

Market value of the Government Bond Laddered portfolio was $65.4 million as at March 31, 2020, with an average term to maturity of 1.48 years. Gross return of the portfolio was 1.93% for the cumulative 12 months period, outperforming the benchmark by 34 basis points.







FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

DEPOSIT INSURANCE RESERVE FUND
FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2020

Financial Services Regulatory Authority of Ontario

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Tel.: 416-590-7030
www.fsrao.ca

Office ontarien de réglementation des services financiers

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Ontario

Deposit Insurance Reserve Fund

Management's Responsibility for Financial Reporting

Pursuant to subsection 2 (1) of the *Financial Services Regulatory Authority of Ontario Act, 2016* and subsection 276 (1) of the *Credit Unions and Caisses Populaires Act, 1994*, effective June 8, 2019, 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. The reporting period is from June 8, 2019 to March 31, 2020. 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.

To ensure that Management fulfils its responsibilities, the Financial Services Regulatory Authority of Ontario's Board of Directors has appointed a DIRF Advisory Committee to advise the Board on matters related to the DIRF. The financial statements have been reviewed by the DIRF Advisory Committee and approved by the Board of Directors.

The financial statements have been audited by the Office of the Auditor General of Ontario in accordance with Canadian Public Sector Accounting Standards for Government Not-For-Profit Organizations. The auditor's report follows.

Mark White
Chief Executive Officer

Stephen Power
EVP- Corporate Services

Randy Nanek
Chief Financial Officer

Toronto, Ontario
June 23, 2020

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 Depository Insurance Reserve Fund (the Fund), which comprise the statement of financial position as at March 31, 2020 and the statements of operations and fund surplus, remeasurement gains and losses and cash flows for the period from June 8, 2019 to March 31, 2020, 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, 2020, and the results of its operations, its remeasurement gains and losses and its cash flows for the period from June 8, 2019 to March 31, 2020 in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

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

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

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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.

Bonnie Lysyk

Toronto, Ontario
June 23, 2020

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, 2020

	Notes	March 31, 2020 ($'000)	Opening Balance June 8, 2019 ($'000)
ASSETS			
Current			
Cash		1,493	1,388
Investments	*3*	318,424	328,122
Premium receivable	*4*	7,962	59
Investment income receivable		1,316	880
Other receivables	*9*	765	-
Total assets		**329,960**	**330,449**
LIABILITIES AND FUND SURPLUS			
Current			
Accounts payable and accrued liabilities	*5&6*	41	14,035
Deferred premium revenue	*7*	503	16,697
		544	30,732
Non-current			
General provision for losses	*8*	-	3,000
Total liabilities		544	33,732
Fund surplus from operations		328,281	296,243
Accumulated remeasurement gains		1,135	474
Fund surplus		329,416	296,717
Total liabilities and fund surplus		**329,960**	**330,449**

See accompanying notes to the financial statements

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

Board Chair

DIRF Advisory Committee Chair

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Deposit Insurance Reserve Fund
Statement of Operations and Fund Surplus
For the period ended March 31, 2020

	Notes	**June 8, 2019 - March 31, 2020 ($'000)**
Revenue		
Premium revenue	*2&4*	25,961
Investment income	*3*	4,913
Other revenue	*10*	646
		31,520
Expenses		
Assessments due to FSRA	*9*	2,318
Reversal of accrued general provision for losses	*8*	(3,000)
Other expenses	*10*	164
		(518)
Excess of revenue over expenses		32,038
Fund surplus from operations, beginning of period		296,243
Fund surplus from operations, end of period		**328,281**

See accompanying notes to the financial statements

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Deposit Insurance Reserve Fund
Statement of Cash Flows
For the period ended March 31, 2020

	Notes	June 8, 2019 - March 31, 2020 ($'000)
Cash flows from / (used in) operating activities:		
Excess of revenue over expenses		32,038
Adjustments for non-cash item:		
Reversal of accrued general provision for losses	*8*	(3,000)
		29,038
Changes in non-cash working capital:		
Premium receivable		(7,903)
Investment income receivable		(436)
Other receivables	*9*	(765)
Accounts payables and accrued liabilities		(13,994)
Deferred premium income	*7*	(16,194)
		(39,292)
Cash flows from / (used in) investing activities:		
Interest received		4,477
Purchase of investments held at period end		(317,763)
Proceeds from sale of investments		323,645
		10,359
Net increase in cash		105
Cash position, beginning of period		1,388
Cash position, end of period		**1,493**

See accompanying notes to the financial statements

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Deposit Insurance Reserve Fund
Statement of Re-Measurement Gains and Losses
For the period ended March 31, 2020

	June 8, 2019 - March 31, 2020 ($'000)
Accumulated re-measurement gains, beginning of period	474
Unrealized gains attributed to portfolio investments	661
Accumulated re-measurement gains, end of period	**1,135**

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 regulation to Ontario's credit unions and caisses populaires ("credit unions"). By virtue of its amalgamation with DICO, FSRA assumed the responsibility to manage the Deposit Insurance Reserve Fund ("DIRF"). In accordance with subsection 276 (1) and 276 (3) of the *Credit Unions and Caisses Populaires Act, 1994* ("CUCPA"), FSRA shall maintain the DIRF with the power to manage, invest and disburse the money in the DIRF as defined under CUCPA.

The DIRF has become a separate reporting entity from FSRA's operations since the amalgamation on June 8, 2019. Pursuant to subsection 12.1 (2) of the FSRA Act, any money received by the DIRF, the assets of the DIRF and any accruals from the investment of the assets of the DIRF are not part of the revenues, assets and investments of FSRA.

Purpose and operation

In accordance with sub-sections 276(2) and 262(1) of 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 the orderly winding up of the operations of a credit union,
- 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, and
- Assets acquired or liabilities assumed from credit unions under above circumstances.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) First-time PSAS-GNFPO adoption

Prior to the amalgamation, DICO's operations encompassed both a fund (the DIRF) to provide deposit insurance and the prudential regulation of the credit union sector. With the amalgamation into FSRA, these two responsibilities were segregated - prudential regulation to FSRA and the separation of the DIRF as a fund to provide deposit insurance. As such, the DIRF commenced to operate as an independent reporting entity on June 8, 2019. A Statement of Financial Position on the date of transition was prepared as the starting point for the DIRF financial reporting. Assets and liabilities held by DICO as at June 7, 2019 were separated into:

- Assets and liabilities in relation to a fund to provide deposit insurance to establish the opening financial position of the DIRF, and
- Operational assets and liabilities assumed by FSRA in respect of prudential regulation of the credit union sector which were segregated from the DIRF (Note 5).

The DIRF opening statement of financial position was prepared in accordance with PSAS-GNFPO. DICO's financial reporting followed the International Financial Reporting Standards (IFRS). All assets and liabilities have been recognized at book value and adjusted to comply with PSAS-GNFPO where applicable, as detailed in Note 6.

The reporting period of the financial statements is from June 8, 2019 to March 31, 2020.

(b) 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 Re-Measurement Gains and Losses until realized. Fair value is determined from quoted prices for similar investments.

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

(c) Revenue recognition

Premium revenue is determined in accordance with section 105 of Ontario Regulation 237/09 made under the CUCPA and rules set out in the *Differential Premium Score Determination* published by the Corporation in *The Ontario Gazette*. The differential premium score (DPS) of a credit union is calculated with reference to its 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, unless FSRA elects to delay, 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.

Investment income is recognized as earned.

(d) 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 provision for losses and accounts payable and accrued liabilities.

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 among capital preservation, liquidity, and reasonable yield is maintained. Management 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 are comprised of money market securities and government laddered bonds. As of March 31, 2020, the fair value of the Money Market portfolio was $253 million ("M") and the fair value of the Government Bond Laddered portfolio was $65M.

	March 31, 2020		June 8, 2019	
$'000	Fair Value	Cost	Fair Value	Cost
Money Market	252,979	252,901	265,203	265,156
Government Bond Laddered	65,445	64,388	62,919	62,492
Total Investments	**318,424**	**317,289**	**328,122**	**327,648**

	Fair Value Hierarchy	Fair Value March 31, 2020	Fair Value June 8, 2019
Money Market	Level 1	252,979	265,203
Government Bond Laddered	Level 2	65,445	62,919
Total		**318,424**	**328,122**

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

Investment income of $4,913 reported on the Statement of Operations includes interest earned from interest bearing securities and realized gains and losses from the sale of securities. Unrealized gains and losses of $1,135 are reported on the Statement of Re-Measurement Gains and Losses.

As of March 31, 2020, the cumulative 12-month returns of the Money Market portfolio and the Government Bond Laddered portfolio were 1.90% and 1.93% respectively.

4. PREMIUM RECEIVABLE AND REVENUE

As prescribed in section 105 of O. Reg 237/09, the premium rates range from $1.00 to $3.00 per $1,000 of insured deposits for credit unions with fiscal years beginning before January 1, 2020, and from $0.75 to $2.25 per $1,000 of insured deposits for credit unions whose fiscal years begin after January 1, 2020.

Premium revenue for the fiscal period was calculated based on the existing formula under O. Reg 237/09, less the applicable portion for the FSRA prudential regulation assessment in accordance with the FSRA approved budget (Note 9).

In consideration of the COVID-19 pandemic, FSRA used its discretion in March 2020 to defer premium billing until later in the year. The premium receivable of $7.96M represents primarily premiums earned for the period from January to March 2020 that have not yet been billed relating to the credit unions with a December 31 fiscal year-end.

5. RESTRUCTURING TRANSACTIONS

As a result of DICO’s amalgamation into FSRA, the carrying amounts of DICO’s assets and liabilities as of June 7, 2019 were transferred to the DIRF and FSRA on June 8, 2019. On such date, assets and liabilities in respect of deposit insurance fund became part of the DIRF and the operational assets and liabilities in relation to prudential regulation of the credit union sector became part of FSRA, as follows:

Statement of Financial Position ($'000)	DICO As at June 7, 2019	DIRF As at June 8, 2019	FSRA As at June 8, 2019
ASSETS			
Current assets			
Cash and cash equivalents	1,388	1,388	-
Investments	215,352	215,352	-
Premiums receivable	79	59	20
Investment income receivable & prepaid expenses	976	880	96
Total current assets	**217,795**	**217,679**	**116**
Non-current assets			
Investments	113,648	113,648	-
Property, plant and equipment	146	-	146
Total non-current assets	**113,794**	**113,648**	**146**
Total Assets	**331,589**	**331,327**	**262**
LIABILITIES			
Current liabilities			
Payables and accruals	2,048	-	2,048
Deferred premium income	22,263	16,697	5,566
Total current liabilities	**24,311**	**16,697**	**7,614**
Non-current liabilities			
Payables and accruals	1,434	-	1,434
Employee benefits	4,676	-	4,676
Provision for deposit insurance losses	3,000	3,000	-
Total non-current liabilities	**9,110**	**3,000**	**6,110**
Total Liabilities	**33,421**	**19,697**	**13,724**
EQUITY			
Accumulated other comprehensive income	1,551	1,352	199
Deposit Insurance Reserve Fund	296,617	296,617	-
Total Equity	**298,168**	**297,969**	**199**
Total Liabilities and Equity	**331,589**	**317,666**	**13,923**

Cash, investments, investment income receivable, provision for losses, unrealized gains on investments, and fund surplus were entirely transferred to the DIRF. Premiums receivable and deferred premium income were transferred to the DIRF, less the applicable portion for FSRA's prudential regulation assessment which remained in the amalgamated entity.

There was a transitional adjustment of $878 to the opening balance of Investments on June 8, 2019. As a result, the DIRF opening balance of total investments was adjusted from $329,000 to $328,122 (Note 6).

The rest of the assets and liabilities are in relation to prudential regulation of the credit union sector and thus were assumed by FSRA upon its amalgamation with DICO. Assumption of these assets and liabilities resulted in net liabilities of $13,661 at book value owed to FSRA upon amalgamation, which was set up as accounts payable to FSRA on the DIRF opening balance sheet (Note 6).

6. IMPACT OF THE ADOPTION OF PUBLIC SECTOR ACCOUNTING STANDARDS

Management assessed the impact of PSAS-GNFPO adoption on the DIRF's opening balance sheet items, in particular the impact on recognition, measurement, and presentation of each item. No significant differences in recognition and measurement standards were identified for the assets and liabilities transferred to the DIRF as listed in Note 5. As a result, these assets and liabilities were transferred to the DIRF at book values. In respect to terminologies and presentation, the term Re-Measurement Gains and Losses was adopted to replace Other Comprehensive Income/Losses, Fund Surplus was used to replace Equity, and long-term investments were re-classified as current investments to appropriately present liquidity of the DIRF.

The net liabilities of $13,661 assumed by FSRA upon amalgamation with DICO included trade payables and accruals, deferred premium income, and employee future benefits, net of prepaid expenses, premium receivables, and capital assets. After PSAS assessment of recognition and measurement, these items were assumed by FSRA upon amalgamation at book values, except for the liability of the DICO non-pension post-employment benefits which was included in employee future benefits. A restatement of the obligation on June 8, 2020 was required due to different discount rate and attribution period of benefits being used under PSAS.

DICO provided the non-pension post-employment benefits with extended health, dental and life benefits to qualified retirees and eligible current employees. Annual actuarial valuation of the benefits obligation was performed by an independent actuarial firm at DICO in accordance with IFRS. The benefits were valued at $3,105 on June 7, 2019, with unrealized actuarial gains of $199 ($3,304 in total).

The same actuarial firm was engaged to restate the obligation balance on June 8, 2019 under PSAS. The restatement incorporated a change in discount rate to use FSRA's applicable cost of borrowing at that date, as well as a change in the attribution period of benefits to retirement age. DICO used the Canadian Institute of Actuaries discount rate model linked to corporate bond yield and an attribution period to full eligibility age for benefits as per IFRS IAS 19. The restated opening balance was $3,678, an increase of

$374. As a result, the accounts payable by the DIRF to FSRA was adjusted from $13,661 to $14,035, and the opening fund surplus was reduced by $374 to $296,243.

The adjusted DIRF opening balance sheet is as follows:

Deposit Insurance Reserve Fund ($'000)	**Opening Balance Adjusted per PSAS June 8, 2019**
ASSETS	
Current	
Cash	1,388
Investments	328,122
Premium receivable	59
Investment income receivable	880
Other receivables	-
Total assets	**330,449**
LIABILITIES AND FUND SURPLUS	
Current	
Accounts payable and accrued liabilities	14,035
Deferred premium revenue	16,697
	30,732
Non-current	
General provision for losses	3,000
Total liabilities	33,732
Fund surplus from operation	296,243
Accumulated remeasurement gains	474
Fund surplus	296,717
Total liabilities and fund surplus	**330,449**

7. DEFERRED PREMIUM REVENUE

Deferred premium revenue represents the unearned portion of premiums received from credit unions whose fiscal years straddle the Corporation'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 for the fiscal period June 8, 2019 – March 31, 2020 are summarized as follows:

$'000 Balance, beginning of period	Received during period	Recognized during period	Balance, end of period
16,697	**1,805**	**(17,999)**	**503**

8. GENERAL PROVISION FOR LOSSES

DICO previously held a general provision for losses of $3M in accordance with IFRS IAS 37 as a contingent liability relating to its responsibility for deposit insurance and prudential regulatory activities. With the segregation of a fund for deposit insurance and FSRA's prudential activities, the need for a general provision under the DIRF is eliminated. As a result, the general provision accrual was reversed.

9. RELATED PARTY TRANSACTIONS

FSRA is a related party due to its obligation to manage the DIRF.

In accordance with part 10.2 (3) of FSRA Fee Rule 2019-001, credit unions are not individually assessed in respect of FSRA's first assessment period relating to FSRA's budgeted expenses and expenditures for the period. The aggregate assessment of all credit unions for the period is fully satisfied through a one-time withdrawal by FSRA from the DIRF in an amount equal to the aggregate assessment by FSRA of credit unions for its budgeted expenses allocated to the credit union sector, net of the regulatory portion included in the credit unions premiums received during FSRA's first assessment period. The net aggregate assessment was at $2,318 and has been paid to FSRA from the DIRF. The transaction is reported on the Statement of Operations as assessments due to FSRA.

In the fiscal period FSRA collected deposit insurance premiums from credit unions and paid certain expenses on behalf of the DIRF. Net receivables from FSRA of $0.77M are reported as other receivables on the Statement of Financial Position, representing premium payments of $0.89M deposited into FSRA's operational bank account that had not been transferred to the DIRF as at March 31, 2020, net of expenses paid by FSRA on behalf of the DIRF in the amount of $0.12M.

The Ontario Financing Authority is a related party in its capacity as the DIRF investment manager. Investment management fees of $91 were paid to OFA in the fiscal period. The fees are netted from investment income on the Statement of Operations.

10. OTHER REVENUE AND OTHER EXPENSES

Other revenue consists of recoveries from loans collected from liquidated credit unions. These loans were previously written off.

Other expenses are expenses associated with DICO's operational obligations in excess of the accrued liabilities as at June 7, 2019, which are not included in the opening balance of the Statement of Financial Position.

11. RISKS ARISING FROM FINANCIAL INSTRUMENTS

(a) Credit risk

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

Management minimizes DIRF investment credit risk by investing in high quality financial instruments permitted by legislation and by limiting the amount invested in any one counter party. Risks of net investment losses and not receiving investment income are considered minimal. 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.

(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, 2020, the Fund had an investment balance of $318M. 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) Fair value sensitivity

The fair value sensitivity of the Money Market portfolio at the end of the last quarter was $0.28M for a 1.00% change in rates. The fair value sensitivity of the Government Bond Laddered portfolio at the end of the last quarter was $0.95M for a 1.00% change in rates.

12. 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 assessment to review the risk profiles of the credit unions, including adequacy of capital levels, effectiveness of governance, and potential impact of market and economic conditions. Situations and conditions for potential insurance losses for high risk and moderate-high risk credit unions are assessed. A specific provision is established when conditions exist that will likely result in losses attributable to an individual credit union and the amount can be reasonably estimated. As of March 31, 2020, management did not identify any conditions that warranted recognition of a specific provision.

13. SUBSEQUENT EVENTS

Ontario credit unions are well-capitalized with adequate liquidity. There are no immediate capital and liquidity concerns at this time. However, if the COVID-19 pandemic prolongs, there is heightened risk that the credit union sector may face unexpected capital and liquidity pressures. As such, the DIRF may be used to provide financial support to help stabilize the sector. The substantive impact on the DIRF cannot be determined at this time.