

December 11, 2015

Expert Advisory Panel – FSCO/FST/DICO Mandate Reviews  
Ministry of Finance  
Financial Institutions Policy Branch & Income Security & Pension Policy Division  
Frost Building North, Room 424  
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**Subject:** Review of FSCO, FST and DICO Mandates – Preliminary Position Paper

Dear Messrs. Cooke, Daw, and Ritchie:

CAFII is pleased to provide feedback on the recommendations made in your Preliminary Position Paper.

Overall, we would support the establishment of a Financial Services Regulatory Authority (FSRA) as outlined in the Paper but we are of the view that many of the recommendations would be valuable whether or not the government implements the structural model you outline in section *II.4 Our Preliminary Recommendations*. In addition, we agree with the underlying goal of creating a nimble, flexible and innovative regulator which ensures that consumers have a consistently high level of service and protection, without burdening market participants with undue regulatory costs or complexity.

With respect to the specific recommendations on the proposed new regulatory agency, we agree in particular with the proposals that

- its mandate should incorporate, within the agency's constituting statute, a specific statement of principles; a specific statement of purpose; and express statutory authorities for enforcement;
- the mandate should strike a balance between strong and effective consumer protection and fostering a strong, vibrant and competitive financial services sector;
- the mandate should include a commitment to encourage innovation and transparency within the regulated sectors;
- it should be required by statute to take a risk-based and outcomes-based approach to regulation, through which the policy objectives and likely outcomes are considered and explicitly articulated;
- if the FSRA's Board is granted rule-making authority, rules should be drafted with significant stakeholder/public input and dialogue and be subject to a rule-making process set out in the statute and to timely review by the Minister of Finance;
- it should only act as a prudential regulator for a limited and defined class of entities (for example, those that operate solely in Ontario), and efforts should be made to transfer the oversight of others to the federal Office of the Superintendent of Financial Institutions (OSFI); and
- its role in national regulatory bodies should be incorporated within its mandate, with a requirement that the work done by these groups be reported back to its governing body.

With respect to Recommendation 4(c), we do not oppose adherence to the OECD’s G20 High-Level Principles on Financial Consumer Protection being referenced. However, we strongly urge that, with respect to insurance regulation, the mandate should be informed by the International Association of Insurance Supervisors’ (IAIS) Insurance Core Principles.

If the FSRA is given authority over, and responsibility for, the oversight of self-regulatory bodies (Recommendation #9), we would like to restate our position that should any such bodies be created by the FSRA (e.g. an Insurance Council), they should be “channel neutral”. That is, any such SRO or Council should be designed such that the interests of all distribution channels are well-served and the representatives of any particular channel are not in a position to make decisions which could negatively affect or disadvantage competing channels.

Thank you for the opportunity to share CAFII’s comments in response to the recommendations put forward in your Preliminary Position Paper. We applaud the Panel for doing such a thorough job and for reflecting the views of many diverse stakeholders. We recognize that this is a first step in the process and look forward to providing additional input as the journey towards mandate renewal for FSCO, FST, and DICO continues.

Should you require more information or clarification from CAFII or wish to meet with our Association as you prepare your final recommendations for the Minister of Finance, please contact Brendan Wycks, our Executive Director, at [brendan.wycks@cafii.com](mailto:brendan.wycks@cafii.com) or 647-218-8243.

Sincerely,



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Board Secretary and Chair, Executive Operations Committee  
Canadian Association of Financial Institutions in Insurance

c.c. David McLean, Policy Advisor, Financial Institutions Policy Branch, Ontario Ministry of Finance

## ABOUT CAFII

The Canadian Association of Financial Institutions in Insurance (CAFII) is a not-for-profit industry Association dedicated to the development of an open and flexible insurance marketplace. CAFII was established in 1997 to create a voice for financial institutions involved in selling insurance through a variety of distribution channels, i.e. client contact centres, agents and brokers, travel agents, direct mail, branches of financial institutions, and the internet. CAFII members offer travel, life, health, property and casualty, and creditor’s group insurance across Canada.

CAFII’s full members are the insurance arms of Canada’s major financial institutions – BMO Insurance; CIBC Insurance; Desjardins Financial Security; National Bank Insurance; RBC Insurance; Scotiabank Financial; and TD Insurance – along with major industry players American Express, Assurant Solutions, Canadian Premier Life Insurance Company, and The CUMIS Group Ltd.

CAFII believes consumers are best served when they have meaningful choice in the purchase of insurance products and services.