

***Agenda Item 2(j)
December 3/19 Board Meeting***

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**Summary Meeting Notes of the AMF Annual Rendez Vous
25 November 2019 in Montreal, Quebec**

Summary Notes of the AMF Annual Rendez Vous Held on 25 November, 2019 in Montreal, Quebec.....	2
Opening Address by Louis Morriset, President and CEO, AMF.....	2
Comments on the Impact of Bill 141	2
IMF Report on its 2019 Financial Sector Assessment Program (FSAP)	3
AMF 2017-2020 Three-Year Strategic Plan	4
Comments by Social Psychologist Mark Weber, Eyton Director of the Conrad School of Entrepreneurship and Business at the University of Waterloo	4
Comments by Eric Girard, Quebec Minister of Finance.....	5
Table One—Comparison of 2015-2020 Growth in Quebec and Canada	5
Four Panels on Open Banking, Natural Catastrophes in Quebec, Artificial Intelligence, and Consumer Satisfaction	6

Summary Notes of the AMF Annual Rendez Vous Held on 25 November, 2019 in Montreal, Quebec

Brendan Wycks and Keith Martin attended the annual AMF Rendez Vous in Montreal, Quebec on 25 November, 2019. At the meeting, Brendan Wycks and Keith Martin had the occasion to have a 15 minute conversation with AMF executives Louise Gauthier, Senior Director, Distribution Policies, and Marie-Claude Soucy, Vice President, Administrative Services. Brendan Wycks had the opportunity to have a several minute interaction with Frederic Pérodeau. Among those in attendance from CAFII member companies were:

- Élyse Lemay, Canada Life
- François Cholette, Desjardins Financial Security
- Christian Dufour, Desjardins Financial Security
- Peter Thompson, National Bank Insurance

Opening Address by Louis Morriset, President and CEO, AMF

Mr. Morriset was introduced by Kim Lachapelle, Vice-President, Strategy, Risks and Performance at the AMF.

Mr. Morriset opened his comments by noting that the Rendez Vous was organized in the spirit of open communication and dialogue. This is the 14th year in a row that the AMF has held a Rendez Vous. Mr. Morriset then said he wanted to focus on three broad issues—Bill 141, the Report recently developed by the IMF, and the AMF 2017-2020 Strategic Plan.

Comments on the Impact of Bill 141

Mr. Morriset said that Bill 141 increased the AMF's Financial Services Compensation Fund (*Fonds d'indemnisation des services financiers, or FISM*) and allowed for retroactive claims to be made to 12 June, 2015. These are funds to compensate individuals who have been victims of fraud. Mr. Morriset noted that 24 files have been reopened based on the retroactivity clause introduced, and that \$2.1 million have already been drawn out of the fund. He added that "there is too much fraud in Quebec" and that this was something that would need to continue to be a focus of attention.

Mr. Morriset said that Bill 141 also introduced strategic educational partnerships, including a new program around educational programs that began in April, 2019. The Bill also facilitates supporting consumer associations who are providing financial literacy programs, at \$400K per year over 5 years for a total investment of \$2million. There has also been the creation of a Chair in Research with a fintech focus, to the tune of \$1million over 5 years.

Mr. Morrisset noted that national regulators across the world, including in Canada, have introduced new measures and expectations of banks in response to the financial crisis of 2009, including the ability to convert bank debt to shares and other measures around capital reserves and recapitalization. The AMF has now introduced similar measures for the Mouvement Desjardins, so that there would be measures available to the Quebec regulator to manage a crisis at this bank-size credit union.

The next topic covered was the sale of insurance through the Internet. Mr. Morrisset said the objective of these provisions of Bill 141 was to ensure that consumers are protected whatever channel they use to purchase insurance, and to ensure that the regulator is not inhibiting the use of new technologies and new business models. “Many consumers want to be able to access insurance digitally,” he said. Since the new rules were implemented, the AMF has been monitoring the insurance space carefully and nothing surprising has come to its attention. **But to ensure that the new regulations are not resulting in unintended or unexpected outcomes, another thorough round of consultations on the sale of insurance on the Internet will be conducted by the AMF in the Fall of 2021.**

Mr. Morrisset said that the provisions of Bill 141 around the framework for P&C brokerage firms, including the introduction of new obligations, titles, conditions, and the introduction of a new “hybrid firm” concept, have been controversial. Mr. Morrisset said he is by nature a positive and conciliatory person, but he has learned through his experience at the head of the AMF that you can never please everyone, and he has stopped trying to do so. The AMF is enforcing rules that meet the expectations of the legislature, he added. He said that the original requirement for brokers to name the top three insurers that they do business with and the volume of business they place with them, has been somewhat softened based on feedback from the industry.

IMF Report on its 2019 Financial Sector Assessment Program (FSAP)

The next topic was the report tabled by the IMF in relation to its 2019 Financial Sector Assessment Program (FSAP). The IMF inspection took place from September 2018 to March 2019, and was very thorough; and many resources and much time were required to respond to the inquiries from the IMF, which was focused on measuring the stability and resilience of the financial system for deposit-taking institutions and insurance companies.

The final report, he said, was very positive and highly encouraging for the AMF. The AMF is conforming to international principles, and the report found that there was good interprovincial coordination and collaboration. The AMF had adequate resources to fulfil its mandate, and its prudential approach was viewed to be of a high quality, and equivalent in performance to the federal regime.

There were areas for improvement, however, including reinforcing federal-provincial cooperation, developing better data collection capabilities, and better coordination around the monitoring of systemic risk.

AMF 2017-2020 Three-Year Strategic Plan

Finally, attention turned to the AMF 2017-2020 three-year strategic plan. Among the priorities in the plan was for the AMF to demonstrate leadership and value-add, to reinforce the AMF's role as a hands-on regulator, and to invest in improved performance. Mr. Morriset cited the AMF's leadership role in the CCIR, in international organizations including the IAIS, and its commitment and investment in Fintech, as examples of it meeting these strategic plan expectations. Mr. Morriset also said that the AMF was looking at the financial risks associated with a major earthquake in Quebec, which is the Canadian province that is the second most at-risk of a major earthquake, after British Columbia. Finally, Mr. Morriset said that the AMF was focused on ongoing dialogue with stakeholders, continued to worry about vulnerable clients, and ended by saying how proud and appreciative he was of the 800 employees at the AMF.

Comments by Social Psychologist Mark Weber, Eyton Director of the Conrad School of Entrepreneurship and Business at the University of Waterloo

In a very engaging and entertaining presentation, social psychologist Mark Weber stated that people think they can predict how people will behave based on the personalities of individuals, but research shows that at most 9% of variability in outcomes is explained that way; 91% or more of variability is instead actually predicted by *the situation*. What matters is how individuals construct and interpret a situation—and how they feel they should behave in that situation.

Understanding the situation allows for a better prediction of how people will react to it. For example, open office environments were based on expectations of how people interact that were not based in research or in actual observations. In open office environments, the situation is one of much noise and distractions, leading to high levels of people wearing headphones. The outcome is that open office environments lead to totally counterintuitive outcomes: a 70% **decrease** in interaction between employees, and a 67% **increase** in email and messaging (this includes communications with people who sit next to each other).

The majority of Mr. Weber's comments were about trust. Trust is created when you show a person that you are willing to be vulnerable around them. The key question to answer in developing trust, Mr. Weber stated, is to understand how a person answers "what does a person like me do in a situation like this?"

Trust is engendered by competence, benevolence, and integrity. It takes a long time to develop trust, and a moment to lose it. Once lost, it is extremely difficult to regain.

Comments by Eric Girard, Quebec Minister of Finance

Mr. Girard, in an open and somewhat humble address, laid out an ambitious agenda for Quebec: to increase Quebec's economic potential, to battle climate change, to improve the health and educational services for Quebecers, to maintain a healthy fiscal equilibrium, and to reduce debt. For each of these measures, Mr. Girard spoke in his speech of two to three specific initiatives being implemented to achieve it.

The humble part of Mr. Girard's comments focused on how, while Quebec's economy was doing well, this had begun before the government he served in was elected, and was more impressive around low unemployment than around growth. He also said that Quebec still had a productivity challenge. Mr. Girard continuously focused on comparing Quebec to Ontario, and said that the wealth gap between the two had developed over decades, was huge, and had to be eliminated. But while Quebec has outperformed Ontario's economy in terms of growth for the past two years, to fully close the wealth gap Quebec needed to grow by at least .5% faster than Ontario **for the next 23 years in a row**. That was the government's long-term plan, but it would be no easy feat.

Table One—Comparison of 2015-2020 Growth in Quebec and Canada

<u>Year</u>	<u>Quebec Growth Year-over-Year</u>	<u>Canada Growth Year-over-Year</u>
2015	0.9%	0.7%
2016	1.6%	1.0%
2017	2.8%	3.2%
2018	2.5%	2.0%
2019	2.4%	1.6%
2020 (projected)	1.8%	1.6%

Government revenues were improving significantly, as a result of which the government would be returning funds to taxpayers, investing in critical social priorities, and paying down debt. The government will refund \$800 million to Quebecers, will improve the family benefits paid to parents, will cap parking fees in hospitals, and will not increase daycare costs.

The government is focusing on four pillar for investment in society: increase investments in education, increase labour force participation especially for seniors, increase private investment, and decrease debt. The result of these measures taken together will be wealth creation.

Mr. Girard made carefully considered remarks on immigration, saying that with Canada accepting 250,000-300,000 immigrants a year, immigration had to be part of Quebec's labour force strategy, otherwise Quebec would diminish in population share and share of overall economic activity within Canada. Quebec's measures on immigration are, he said, intended to help immigrants integrate and succeed in Quebec, to help them learn French so they can be more readily employed, and to help them settle in regions other than just Montreal.

Again focusing on the need to improve productivity growth, Mr. Girard noted that Quebec had 23% of the population of Canada, and 19% of its economic activity, and this had to be addressed. He said that the day when Quebec no longer needed to receive equalization payments from the rest of Canada would be a great day for Quebec, and for Canada.

The Minister of Finance closed out his comments by noting how seriously the government took the security breach that occurred earlier this year at Desjardins, saying that measures were needed and would be taken to prevent a recurrence. He also said that he felt that senior management at Desjardins had handled the crisis appropriately and professionally.

Four Panels on Open Banking, Natural Catastrophes in Quebec, Artificial Intelligence, and Consumer Satisfaction

The AMF Rendez Vous closed out with four panels of experts that discussed open banking, natural catastrophes in Quebec, artificial intelligence, and consumer satisfaction. Each of these panels was moderated by an AMF executive and included three to four outside experts.

On Open Banking, the panelists felt that Canada was at risk of falling behind the rest of the world if it did not affectively address the right regulatory environment to allow, in a secure way, individuals to share their bank data. This was already happening, and regulators were trying to catch up; if not done properly, security breaches were possible and these would be negative for consumers and for the industry.

On consumer satisfaction, Mark Weber was a panelist and he made the very interesting observation that the right way to develop regulations is by experimenting to see the impact they actually have. By way of example, he said that rules around disclosure were not based on actual observations of human behaviour. Regulators like to ask for more disclosure, but people do not read and do not understand the disclosures they are presented with; more disclosure can be counterproductive as it just makes it less likely the consumer will read it. Effective disclosure is more effective, he said, and rules should be based not on assumptions, but on observations of actual human behaviour.