

**FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO**

**NOTICE AND REQUEST FOR COMMENT**

**PROPOSED FSRA RULE 2019 – 001  
ASSESSMENTS AND FEES**

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**October 5, 2018**

## **Introduction**

The Financial Services Regulatory Authority of Ontario (**FSRA** or the **Authority**) is proposing a new assessment and fee rule (a **fee rule**) as more fully set out in this Notice and in the proposed FSRA Rule 2019-001 – Assessments and Fees attached as Appendix A to this Notice.

The Ontario Minister of Finance received a report from an expert advisory panel on March 31, 2016 regarding the mandate review of the Financial Services Commission of Ontario (**FSCO**), Financial Services Tribunal (**FST**), and the Deposit Insurance Corporation of Ontario (**DICO**). The panel called for the creation of a new, independent and integrated regulator called the Financial Services Regulatory Authority. FSRA was established under the *Financial Services Regulatory Authority of Ontario Act, 2016* (the **FSRA Act**).

FSRA is an independent agency that will be self-funded and operate on a cost recovery basis, and will regulate the sectors currently regulated by FSCO (other than co-operative corporations) and DICO.

FSRA will be a forward-looking, flexible regulator that will:

- support business investment, competition and innovation;
- respond to changes in industry and consumer expectations;
- better protect Ontarians who: buy or receive benefits from insurance (property and casualty including automobile; life; accident and sickness; annuities and life-related investment products); are members of credit unions and caisses populaires (collectively, **credit unions**); do business with credit unions or loan and trust companies; use mortgage brokers; or rely on pension plans for income security;
- improve market effectiveness and enhance market integrity in Ontario; and
- create effective and consistent regulation across Canada through leadership and advocacy.

FSRA is working towards a spring 2019 launch date (the date upon which FSRA anticipates assuming the regulatory functions contemplated by the FSRA Act), pending a final decision on timing by the Government of Ontario.

As part of the transition of FSCO's and DICO's regulatory mandate to FSRA, FSRA has developed an initial fee rule to obtain funding from the financial services sectors it regulates. The proposed funding is intended to enable FSRA to maintain continuity of FSCO and DICO operations and build enhanced capacity, resources and expertise to efficiently and effectively anticipate and respond to the dynamic pace of change in marketplace, industry and consumer expectations.

FSRA is conducting ongoing discussions with industry, consumer and government stakeholders to identify expectations and opportunities for transformation. Going forward, dialogue and consultation will be at the core of FSRA's approach to an ambitious transformation and modernization plan. FSRA intends to create processes and opportunities for transparently communicating FSRA objectives and activities and for obtaining ongoing stakeholder feedback, and using it to affect continuous improvement

The background on the initial fee rule is contained in this Notice and the new fee rule is described in proposed FSRA Rule 2019-001 – Assessments and Fees (the **Proposed Fee Rule**). With this Notice, FSRA is seeking public comment on the Proposed Fee Rule in accordance with section 22 of the FSRA Act. Appendix A to this Notice is the Proposed Fee Rule. Within a period of 90 days from the date of publication of this Notice (i.e., by January 4, 2019), interested persons are invited to make written representations to FSRA with respect to the Proposed Fee Rule, as more particularly set out under the heading “Comments” at the end of this Notice.

Given the targeted spring 2019 launch date, the time to finalize FSRA’s fee rule is limited. As a result, FSRA will only provide a 90-day comment period for its fee rule and interested persons should take this into account in preparing their submissions. Furthermore, if, following the publication of the Proposed Fee Rule and consideration of submissions received during the comment period, FSRA were to propose material changes to the Proposed Fee Rule, it would be required to publish notice of the proposed changes and seek public comment on those changes. If the Proposed Fee Rule cannot be adopted prior to the spring 2019 launch date, FSRA expects it will adopt an interim fee rule, on a transitional basis, which is substantially similar to FSCO’s existing assessment regulations and fee schedules.

The details of the interim fee rule are contained in a separate Notice and in proposed FSRA Rule 2019-001B – Fees and Assessments (Interim) (the **Interim Fee Rule**). With that separate Notice, FSRA is also seeking public comment on the Interim Fee Rule in accordance with section 22 of the FSRA Act. Appendix X to that separate Notice is the Interim Fee Rule. Within a period of 90 days from the date of publication of that separate Notice, interested persons are invited to make written representations to FSRA with respect to the Interim Fee Rule, as more particularly set out under the heading “Comments” at the end of that Notice.

## Development of Proposed Fee Rule

### FSRA Fee Rule Vision and Principles

FSRA’s vision is to have a simple, consistent and fair fee rule. The Proposed Fee Rule will reflect FSRA’s mandate and objectives and be based on the following FSRA fee rule vision elements and principles:

<i>Vision Element</i>	<i>Corresponding Principles</i>	<i>Description</i>
1. <i>Simplicity</i>	1.1 Low administrative burden for regulated entities	The administrative burden associated with paying assessments or fees should be minimized for regulated sector participants, unless necessary to achieve other principles.
	1.2 Low administrative burden for FSRA	Funding sources in FSRA’s fee rule should aim to minimize, where appropriate, administrative or back office burden for FSRA.
2. <i>Consistency</i>	2.1 Predictability	Assessments and fees should aim to be predictable year-over-year, other things being equal, to support forward-planning.
	2.2 Competitiveness and level playing field	The fee rule should treat individuals and entities with similar characteristics the same way; it should not create unintended barriers or advantages for particular participants or regulated sectors.

<i>Vision Element</i>	<i>Corresponding Principles</i>	<i>Description</i>
3. <i>Fairness</i>	3.1 Sectors should bear their own costs	The direct costs for the regulation of a regulated sector should not be cross-subsidized by another regulated sector.
	3.2 Proportional to regulatory activity	Regulated sectors' and participants' contributions to funding should be proportional to the regulatory activities or costs they generate.
	3.3 Common costs reasonably allocated	Common costs not allocable based on activity should be reasonably allocated to regulated sectors and to participants therein based on transparent, consistent and objective metrics.
	3.4 Benefit received and ability to pay	Recognizing the benefit that all participants gain from a well-regulated sector, regulatory costs within a regulated sector should be allocated reasonably considering factors such as proportional benefit received and, in limited circumstances where appropriate, ability to pay.
4. <i>Transparency</i>	4.1 Accessibility and disclosure	Regulated sector participants should be able to easily access their assessment and fee calculations. FSRA will disclose its estimated expenses and expenditures relating to an assessment period, those that it determines or estimates directly relate to a regulated sector and those that it determines are common costs benefitting all regulated sectors.
	4.2 Comprehensibility	Interested parties should be able to understand the fee rule and the calculations that drive their assessments and fees.
5. <i>Future Focus</i>	5.1 Prospective	Where appropriate, funding should be based on forward looking estimates within which FSRA manages its budget, rather than retrospective cost recovery once costs are known. Given the range of reasonableness in allocating common costs, FSRA will not undertake an annual reconciliation of actual costs against budgeted costs (i.e. implement a refund/credit mechanism) but will take into account direct costs experienced in a sector, and drivers of common cost increases, when setting future assessments and fees.
	5.2 Flexible	When considering FSRA's fee rule and practices as a whole, actual assessments and fees should be flexible or adjustable to ensure FSRA is: adequately funded; able to proactively invest in future-focused capabilities for the benefit of stakeholders, including

<i>Vision Element</i>	<i>Corresponding Principles</i>	<i>Description</i>
		consumers; and capable of managing unforeseeable events or circumstances.  FSRA should build and maintain a reasonable contingency reserve amount to cover expenses and expenditures which may arise from unforeseeable events or circumstances, and will consider how best to replenish such reserve amount from future assessments considering the sector and/or participants driving such unanticipated expenses and expenditures.
<i>6. Effective and Efficient</i>	6.1 Support regulatory objectives	FSRA will consider the impact its assessments and fees may create, including any incentives or disincentives for payees. The fee rule should, where practicable, reflect and support the unique regulatory objectives associated with the participants within each regulated sector (for example, on-time filing, limiting low-value regulatory activity, “parked licenses”, etc.).
	6.2 Cost effective	FSRA will be an effective steward of resources and will, in achieving its regulatory objectives, seek to minimize costs where practicable and where such minimization will not create material or unacceptable regulatory risk.

### Current FSCO and DICO Fee and Assessment Approaches

Under the current assessment approach used by FSCO, a regulated sector is assessed annually with respect to all expenses and expenditures incurred and made in respect of the regulated sector, taking into account all fees generated from that regulated sector. Initial (estimated) assessments are provided to regulated sector participants that are subject to assessment, and then following the completion of a fiscal year FSCO conducts a reconciliation of invoiced amounts against actual expenses and expenditures. Each regulated sector participant is then credited with any overpayment, or sent an invoice for any balance owing. Under the FSCO approach, fixed fees are charged to regulated sector participants with respect to various activities (licencing and so forth). In contrast, under the current assessment approach used by DICO, credit unions are charged premiums annually on a combined basis for the Deposit Insurance Reserve Fund (**DIRF**) and prudential supervision, with the prudential component being paid from the DIRF.

### FSRA Approach to Development of Proposed Fee Rule

While not yet in a position to develop a comprehensive budget, the first step in developing an initial fee rule was to generally define the expenses and expenditures that would reasonably be expected to be incurred by the Authority. Historical data (including on a sector-by-sector basis) was obtained from FSCO and DICO and used to identify expenses and expenditures that would likely and appropriately be borne by each regulated sector. In particular, potential direct costs were identified on a sector by sector basis, based on full-time equivalent (FTE) costs and related FTE and information technology (IT) support

charges. Potential common costs (i.e., costs not directly attributable to a particular sector based on available data) were allocated to regulated sectors based on their share of potential direct costs. Using this basis for identifying anticipated direct costs and allocating common costs, preliminary expense and expenditure targets could be identified for all relevant regulated sectors.

With the potential funding required for all relevant regulated sectors determined on a preliminary basis, the next step was to identify how corresponding assessments and fees could be recovered from each regulated sector. The proposed approach to be taken for each regulated sector was based on a series of decisions regarding:

- *Areas of Activity* – whether the sector should be subdivided into different parts or areas of activity and, if so, how;
- *Payer types* – whether and how different payer types should be defined;
- *Funding types* – whether funding should come from assessments, fees, or some combination of the two;
- *Funding sub-types* – for assessments and fees, what types of assessments they should be, with assessments potentially having both a general component and a regulatory component that reflects regulatory effort, risk, etc., associated with the payer type, while fees generally relating to licensing/registration or another activity or event; and
- A base and rate for each funding sub-type to calculate funding to be generated by each payer.

Beyond reviewing the FSCO and DICO fee and assessment approaches, a comparative review of other regulators was also conducted. FSRA focussed on regulators which have multiple lines of business, are self-funded or otherwise act on a cost recovery basis, and avoid cross-subsidizing of sectors. The fee and assessment approaches of the following ten comparator regulators were reviewed to gain a more fulsome understanding of approaches, as well as to identify alternative metrics used by other regulators to assess various industries:

Ontario Securities Commission (OSC)  
Financial Institutions Commission (FICOM – British Columbia)  
Financial and Consumer Services Commission (FCNB – New Brunswick)  
Australian Securities and Investments Commission (ASIC)  
United Kingdom Financial Conduct Authority (FCA)  
Australian Prudential Regulation Authority (APRA)  
Autorité des marchés financiers (AMF)  
Office of the Superintendent of Financial Institutions (OSFI)  
Investment Industry Regulatory Organization of Canada (IIROC)  
New York State Department of Financial Services

Based on the review, the following characteristics were noted:

- these regulators act on a self-funded/cost recovery basis and aim to use assessments and fees to cover the costs of regulation;
- these regulators aim to achieve fairness, transparency and simplicity;
- assessments for the insurance sector tended to not be differentiated at a sub-sector level – assessments were the same for life insurance and property and casualty insurance and were based on total assets; alternative indicators included minimum required capital and headcount;

- assessments for the pension sector tended to be based on the number of active and retired plan members;
- assessments for credit unions were commonly based on assets;
- fees for the mortgage brokering sector were typically applied to the broker, brokerage, associate and administrator; where assessments were used, they were based on gross revenue; and
- assessments for the loan and trust sector tended to be based on total assets.

FSRA also sought preliminary feedback from the regulated sectors to inform its proposed approach. FSRA management, with support from its external consultant, as well as FSCO and DICO, conducted informal interviews with a sample of regulated sector opinion leaders. This enabled FSRA to gain early insights on various proposals by FSRA management with respect to the FSRA fee rule vision and principles and on alternative fee rules.

FSRA then invited a wide range of industry associations to assist in the formation of sector-specific industry advisory groups (**IAGs**) to ensure appropriate outreach and representation, reflecting a breadth of perspectives from organizations in the sectors that FSRA will regulate.

The IAGs were special purpose, *ad hoc* groups established specifically to provide regulated sector industry insight and views to FSRA management and the FSRA Board related to the development of fee rule options for FSRA, prior to the formal, statutorily required 90-day comment period. Seven IAGs were established, representing the following areas:

- Credit Unions
- General/Property and Casualty Insurance
- Health Service Providers (**HSPs**)
- Life Insurance Agents
- Life and Health Insurance
- Mortgage Brokers and Agents
- Pension Plans

Each IAG had two meetings with FSRA:

- one with FSRA management and its external consultant and counsel, during which FSRA management advised the IAG of its initial proposals relating to the fee rule for the IAG's sector and the rationale for its approach, enabling the IAG to ask questions, offer perspectives and prepare for the meeting with the FSRA Board; and
- one with members of the FSRA Board, during which the IAG presented its views and discussed issues related to FSRA management's initial proposals relating to the fee rule.

In total, over 85 representatives participated in these meetings.

No decisions as to any proposal relating to a fee rule were made by the FSRA Board until after all of the foregoing consultations had been completed.

In the Proposed Fee Rule, FSRA has proposed a variable rate approach for the regulated sectors with larger participants (Credit Unions, Insurance, Loan and Trust, and Pension).

The variable rate approach helps to avoid potential intra-sector inequities, and is consistent with the FSRA fee rule vision and principles (as described above). Under the variable rate approach, FSRA can



work to ensure that sector-specific cost changes will be attributed to a particular sector's direct costs so that sectors continue to fund the costs they directly incur and do not cause cross-subsidy issues.

In contrast, a fixed rate approach (flat fees) has been proposed for the Mortgage Brokerage Sector as data currently collected that might support a variable rate-based formula is unable to be audited and may not be reported consistently. A fixed rate approach (flat fees) for the Insurance Sector is also proposed for agents, adjusters and health service providers (HSPs), as many are individuals or smaller organizations where cost certainty is important.

The foregoing is consistent with the FSRA fee rule vision and principles: FSRA is proposing a variable rate approach for the regulated sectors with larger participants and a fixed rate approach for sectors/participants requiring high cost predictability, making a relatively low contribution to FSRA's funding and where fees charged achieve other regulatory objectives in addition to funding costs. This approach is in keeping with current FSCO and DICO practice.

More particularly, a variable rate fee rule, as proposed, operates on the following basis:

- the regulated sector has a formula that:
  - includes the year's targeted funding (i.e. direct costs for the regulated sector, plus the sector's allocation of common costs), which effectively operates as the amount used to calculate the rate for the upcoming year for that sector; and
  - effectively varies rates paid by regulated sector participants each year by calculating their assessments as a share of regulated sector costs by applying the formula; and
- each year, FSRA would develop a budget that:
  - includes the direct costs of each regulated sector, and within each regulated sector (as applicable);
  - allocates the common costs, including a contingency reserve amount, among the regulated sectors on such basis as FSRA determines; provided that unless otherwise determined by FSRA in the budget, common costs remaining after deducting the budgeted contribution of a fixed rate sector to the aggregate common costs be allocated amongst the variable rate sectors based on their *pro rata* share of aggregate direct costs; and
  - then uses the formula to calculate the allocation of those costs within the regulated sector.

This variable rate approach is generally consistent with the approach used by multi-sector prudential and conduct regulators (for example, OSFI and FSCO). For the larger, more developed regulated sectors, the variable rate approach is also consistent with the FSRA fee rule vision and principles described above as the variable rate approach:

- provides FSRA with flexibility to adjust its funding each year based on its budget;
- introduces some variability to the amount that regulated sector participants pay each year, because each year's assessment will vary with the targeted funding and with changes to the applicable base;

- reduces the possibility of inequities/cross-subsidization, the need for high contingency reserves and the risk of FSRA being unable to fulfill its regulatory mandate as an independent, self-funded agency that operates on a cost recovery basis; and
- lends itself to an annual transparent and well-governed process, and dialogue between FSRA and its stakeholders, as to priorities, resources and costs – this process will develop over time as experience grows and with lessons learned, particularly following FSRA's first budget cycle.

While this approach introduces some variability to stakeholders, the flexibility it provides is desirable because FSRA will be developing and refining its strategy and operating structure over the first few years of its operations, making costs potentially more uncertain than they would otherwise be for a mature regulatory organization. FSRA anticipates that it will review its fee rule in the near-to-midterm (e.g. in three years' time) to assess whether it continues to be appropriate at that time for each regulated sector and part thereof, or whether a different approach should be adopted at that time.

### **Substance and Purpose of the Proposed Fee Rule**

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

In many instances and at a high level, the Proposed Fee Rule generally reflects an assessment approach consistent with the approach currently used by FSCO (as described above) but with the following key changes:

- Under the Proposed Fee Rule, assessments are based on *budgeted* expenses and expenditures rather than *actual* expenses and expenditures.
- The subsequent reconciliation of estimated expenses and expenditures is taken into account when determining the next year's estimated expenses and expenditures that will drive the next year's assessment.

These key changes have been proposed due to the significant administrative burden associated with the approach currently used by FSCO and to recognize the range of reasonable results when common costs, which are initially expected to comprise a significant portion of FSRA's costs (based on data provided by FSCO and DICO), are allocated across various sectors.

More detail with respect to the Proposed Fee Rule, and a comparison of the fee and assessment changes from FSCO's and DICO's approach, is set out below under the headings "Summary of the Proposed Fee Rule" and "Comparison to FSCO/DICO Approach".

### **Summary of the Proposed Fee Rule**

#### Part 1 - Interpretation

This Part defines the terms used in the Proposed Fee Rule and deals with certain interpretation issues.

The following are some of the terms defined in subsection 1.1(1) of the Proposed Fee Rule:

- "assessment" means an assessment for the purposes of subsection 21(2) of the FSRA Act;
- "assessment period" means the fiscal year of the Authority or other period of time with respect to which the Authority makes an assessment under the Proposed Fee Rule;

- “common costs” in respect of a particular assessment period means the expenses and expenditures of the Authority which the Authority determines or estimates are not direct costs in respect of any particular regulated sector in respect of that assessment period, including all amounts in respect of the contingency reserve amount, as set out in the final budget;
- “contingency reserve amount” is described in subsection 2.3(1) of the Proposed Fee Rule and essentially means an amount FSRA bills and holds for unforeseeable expenses and expenditures;
- “direct costs” in respect of a particular regulated sector and a particular assessment period means the expenses and expenditures of the Authority which the Authority determines or estimates directly relate to the particular regulated sector in respect of that assessment period, as set out in the final budget;
- “fee” means a fee for the purposes of subsection 21(2) of the FSRA Act and, where applicable, for the purposes of the statute to which a regulated sector is subject, including fees payable with respect to activities or events related to a person or entity in a regulated sector;
- “final budget” means, in respect of an assessment period, the budget approved by the Board and posted on the website of the Authority prior to the commencement of that assessment period;
- “fixed rate sector” means the mortgage brokering sector;
- “fixed rate sector common cost contribution” means in respect of the fixed rate sector, the difference, positive or negative, between the total fees that the Authority estimates will be charged in respect of the fixed rate sector in respect of an assessment period and the total estimated direct costs of the fixed rate sector in respect of that assessment period, all as set out in a budget prepared by the Authority under section 2.1 of the Proposed Fee Rule; and
- “variable rate sectors” means the credit union sector, the insurance sector, the loan and trust sector, and the pension sector.

Subsection 1.2(1) provides that the Authority’s expenses and expenditures incurred prior to it beginning to carry out the regulatory functions contemplated by the FSRA Act may be recovered through assessments and fees in respect of one or more assessment periods.

Subsection 1.2(2) provides that the Authority’s expenses and expenditures recovered through assessments and fees may include amounts assessed by the Lieutenant Governor in Council in respect of the Ministry’s expenses and expenditures referred to in section 15 of the FSRA Act and the Financial Services Tribunal’s and the Ministry’s expenses and expenditures referred to in section 15 of the *Financial Services Tribunal Act, 2017*.

## Part 2 – Sectoral Assessment Process

This Part sets out general rules to be followed by FSRA in connection with the sectoral assessment process.

Section 2.1 provides that FSRA will prepare a draft budget with respect to each assessment period to be posted on FSRA’s website to enable consultation with the regulator sectors, and will set out:

- FSRA’s estimated total expenses and expenditures in respect of an assessment period, a description of the direct costs estimated for each regulated sector, and the common costs estimated for FSRA;
- the total fees that FSRA estimates will be charged in respect of regulated sectors; and
- the total estimated assessment in respect of each regulated sector and within such sector, as applicable.

FSRA anticipates posting and consulting on the 2019-20 draft budget in early 2019.

Section 2.1 further provides that a final budget in respect of an assessment period will be posted on FSRA’s website. This is the budget that will, after FSRA has an opportunity to consult, be used for the sectoral allocation process relating to the funding of FSRA’s expenses and expenditures relating to the assessment period.

Section 2.2 provides that each budget (draft and final) will set out the direct costs in respect of each regulated sector (and within the insurance sector by type of activity - see Part 4 below) together with the aggregate common costs in respect of the assessment period. It further provides for the method of allocating common costs amongst the regulated sectors. FSRA expects to allocate common costs to the variable rate sectors in proportion to their direct costs, but reserves the right to adopt a different methodology where it considers it to be appropriate (e.g., where such different methodology is more consistent with the FSRA fee rule vision and principles).

Section 2.3 describes the “contingency reserve amount”, which is an amount which can be included in common costs to cover expenses and expenditures that arise due to unforeseeable events or circumstances, which provides flexibility for FSRA. It is important to note that FSRA will have strict governance mechanisms in place to set and monitor the level of the contingency reserve amount. The contingency reserve amount in respect of an assessment period will be capped at \$4 million in aggregate and can only be used if approved by the FSRA Board. This amount was established based on an analysis of FSCO and DICO historical financial activity and budgeted amounts for contingencies. Section 2.3 also sets out rules for how the contingency reserve amount will be replenished, depending on the purpose for which it is used.

### Part 3 – Credit Unions Sector Assessments and Fees

This Part sets out the fee and assessment provisions for the credit unions sector.

With respect to assessments, it provides that direct costs of, and the common costs allocated to, the credit unions sector, after taking into account budgeted fees charged to credit unions, will be recovered from credit unions based on their relative risk weighted assets as at a date determined by the Authority.

### Part 4 – Insurance Sector Assessments and Fees

This Part sets out the fee and assessment provisions for the insurance sector.

With respect to assessments, the insurance sector has been divided into four separate areas of activity, defined as follows in subsection 4.1(1):

- “accident, sickness and life insurance market conduct activities” means those activities of the Authority identified by the Authority as related to regulating the market conduct of insurers (and their agents and other representatives or distribution channel participants) providing accident, sickness and life insurance in Ontario and other activities of the Authority related to regulating

and supervising accident, sickness and life insurance which are not related to conducting prudential, capital adequacy, liquidity or solvency supervision;

- “automobile insurance rate approval activities” which means those activities of the Authority identified by the Authority as related to rate approval for automobile insurance in Ontario including all activities of the Authority relating to holders of a service provider’s licence under Part VI (Automobile Insurance) of the *Insurance Act* (i.e. HSPs);
- “property and casualty insurance market conduct activities” which means those activities of the Authority identified by the Authority as related to regulating the market conduct of insurers (and their agents and other representatives or distribution channel participants) providing property and casualty insurance in Ontario and other activities of the Authority related to regulating and supervising property and casualty insurance other than: automobile rate insurance approval activities; and insurance prudential supervision activities;
- “insurance prudential supervision activities” which means those activities of the Authority identified by the Authority as related to conducting prudential, capital adequacy, liquidity and solvency supervision of Ontario prudentially regulated insurers; and
- “Ontario prudentially regulated insurer” means an insurer that is organized or incorporated under the laws of Ontario and that is providing either or both: property and casualty insurance; or accident and sickness insurance, other than insurers that are members of the Fire Mutuals Guarantee Fund, save and except for a mutual insurance corporation described in subsection 148(3) of the *Corporations Act*.

Under the Proposed Fee Rule, each of these areas of activity will be separately assessed on the basis set out in Part 4 taking into account, in the case of each area of activity, the estimated fees that will be generated in respect of that area of activity.

#### Part 5 – Loan and Trust Sector Assessments and Fees

This Part sets out the fee and assessment provisions for the loan and trust sector.

With respect to assessments, it provides that direct costs of, and the common costs allocated to, the loan and trust sector, after taking into account budgeted fees charged to loan and trust corporations, will be recovered from loan and trust corporations equally.

#### Part 6 – Mortgage Brokering Sector Assessments and Fees

This Part sets out the fee and assessment provisions for the mortgage brokerage sector.

Section 6.1 notes that no assessments are payable in respect of this regulated sector.

Section 6.2 sets out the fees payable by participants in this sector. All licences will become annual licences, and a new activity fee is introduced with respect to non-qualified syndicated mortgages (as defined in this Part).

#### Part 7 – Pension Sector Assessments and Fees

This Part sets out the fee and assessment provisions for the pension sector.

With the exception of discontinued plans, with respect to assessments, it provides that plan administrators of pension plans with 78 beneficiaries or less will be assessed a flat assessment of \$750

(the current regulation provides a minimum of \$250), with no maximum (i.e., cap) on assessments (the current regulation provides a maximum of \$75,000).

All other plan administrators (excluding an administrator in respect of a discontinued plan) will be assessed in accordance with the formula set out in subsection 7.1(3). The formula is intended to provide for a lower assessment cost per beneficiary as the number of beneficiaries in a pension plan increase based on the tiers set out in that subsection. The formula recognizes that in the case of the largest pension plans, the incremental regulatory cost for additional members is, at some point, quite low. For an illustration of how an assessable pension plan's assessment would be calculated, see Appendix B. Note that such illustration is based on assumptions which should not be considered indicative of the actual numbers upon which an assessment in respect of any assessment period will be calculated.

#### Part 8 – Pooled Registered Pension Plan (PRPP) Sector Assessments and Fees

This Part sets out the fee and assessment provisions for the PRPP sector (i.e. pooled registered pension plan sector), and notes that no fees or assessments are payable under the Proposed Fee Rule in respect of this regulated sector.

#### Part 9 – General Fees

This Part sets out general fees for certificates and photocopies.

#### Part 10 – Effective Date and Transitional

This Part sets out the effective date of the Proposed Fee Rule, together with transitional matters relating to fees and assessments.

Subsection 10.2(1) sets out certain defined terms.

Subsection 10.2(2) provides for the crediting of certain fees paid for licences prior to FSRA's first assessment period where the licence covers all or a portion of FSRA's first assessment period and the Authority has received value for such pre-paid fee, all on the terms set out therein.

Subsection 10.2(3) provides for the crediting of a portion of the annual premium charged by DICO prior to FSRA's first assessment period, that relates to FSRA's first assessment period and which is paid under the *Credit Unions and Caisses Populaires Act, 1994* and for which the Authority has received value, all on the terms set out therein. The Proposed Fee Rule does not cover premiums in respect of the DIRF, which will remain separately funded under section 276.1 of the *Credit Unions and Caisses Populaires Act, 1994*.

#### **Comparison to FSCO/DICO Approach**

As noted under the heading "Substance and Purpose of the Proposed Fee Rule", a key factor that distinguishes the Proposed Fee Rule from FSCO's approach for the sectors it regulates is that under the Proposed Fee Rule assessments are based on *budgeted* expenses and expenditures rather than *actual* expenses and expenditures. Under the Proposed Fee Rule, there will be no (after the fact) annual reconciliation of actual expenses and expenditures incurred in respect of a regulated sector against the amounts initially paid by them in respect of an assessment period. This reconciliation (under FSCO's approach) results in a refund/credit or request for further payment after the end of an assessment period. As mentioned above, this process imposes a significant administrative burden on FSCO. Under the Proposed Fee Rule, any surplus or deficit from one assessment period will be taken into account in setting the budget for the subsequent assessment period.

At a high level, the Proposed Fee Rule has some similarities to the manner in which DICO assesses the credit unions sector for premiums under the *Credit Unions and Caisses Populaires Act, 1994* given that there is no annual reconciliation of invoiced amounts against actual expenses and expenditures incurred by DICO. A key difference is that under the current assessment approach used by DICO, credit unions are charged premiums at a preset rate under regulation on a *combined basis* for the Deposit Insurance Reserve Fund (DIRF) and prudential supervision.

Insofar as the Proposed Fee Rule is based on budgeted expenses and expenditures rather than actual expenses and expenditures, it is similar to the manner in which the Ontario Securities Commission and many other regulators conduct their assessments.

Fees that are charged under the *Co-operative Corporations Act* are not included in the Proposed Fee Rule since responsibility for this sector is expected to be transferred to another area of the Government of Ontario, and not to FSRA. Correspondingly, the co-operative sector is not included as a regulated sector in the amendments to the FSRA Act.

Material differences by regulated sector are more specifically set out below. Note that for each variable rate sector, FSRA has discretion as to the date that will be used to determine the data set that will be used for the purposes of the assessment process in respect of a future assessment period. This change will ensure that FSRA is able to prepare draft and final budgets, in advance of an assessment period, that will be the basis for determining sectoral assessments and the assessments of participants within that sector in respect of that assessment period.

### Credit Unions Sector

Currently, credit unions and caisse populaires (collectively, **credit unions**) are regulated by both FSCO and DICO, however, only a small amount of FSCO funding comes from credit union assessments and fees.

Under the existing assessment process for credit unions, DICO charges credit unions on a prospective basis for premiums, which cover both the cost of the regulator itself and funding obligations in respect of the DIRF. The funding of the DIRF is not part of the Proposed Fee Rule, rather it will be the subject of an assessment process separate and distinct from the Proposed Fee Rule. The Proposed Fee Rule is directed at generating funds for FSRA in respect of its regulatory oversight role of the credit unions sector (i.e. for prudential supervision and in relation to market conduct) only.

The following elements have changed in the Proposed Fee Rule for the credit unions sector:

- Currently, fees and assessments for market conduct and various approvals are collected by FSCO, while prudential activities are funded through DICO's premiums charged to credit unions. The Proposed Fee Rule accounts for both of these activities.
- The Proposed Fee Rule will use "Risk Weighted Assets" as the assessment base. This differs from both FSCO and DICO's approach. FSCO currently uses market share of "Reported Assets" (excluding off book assets). DICO currently funds prudential activity through the collection of deposit insurance premiums that are also used to fund the DIRF. The DICO formula uses "Total Insured Deposits" as the premium base, and a formula is set out in regulations under the *Credit Unions and Caisses Populaires Act, 1994* to determine the rate paid based on an assessment of the credit union's capital and governance, in accordance with DICO's "Differential Premium Score Determination Document".
- As mentioned above, the funding of the DIRF is not part of the Proposed Fee Rule and will not form part of FSRA's assessment of the credit unions sector under the Proposed Fee Rule; rather,

the DIRF will be the subject of an assessment process separate and distinct from the Proposed Fee Rule.

For the credit unions sector, the Proposed Fee Rule reflects the FSRA fee rule vision and principles (as described above), in particular:

1. *Simplicity:*

- RWA is a well understood figure in the sector and application of an assessment based on a share of RWA is an easy to understand calculation.
- RWA for credit unions is currently collected and supervised by DICO on a regular basis, so there would be no new reporting requirements for the sector or FSRA.
- The Proposed Fee Rule requires minimal FSRA calculations as the assessment is based only on proportion of budgeted expenses and expenditures based on share of RWA across the sector.

2. *Consistency:*

- Assessment values should be predictable for credit unions to the extent that their share of RWA in the sector is consistent based on changes to RWA relative to the total credit unions sector.
- Total budgeted credit union expenses and expenditures should be proportionate to activity in the credit unions sector.

3. *Fairness:*

- The RWA of a credit union is an appropriate proxy for the level of effort required to complete prudential and market conduct regulatory activities.
- Funding is prospective, based on budgeted expenses and expenditures for the credit unions sector at the beginning of an assessment period.

4. *Transparency:*

- Assessments for credit unions will be based on FSRA's budget for regulating the sector which will be disclosed to credit unions.
- Separating the funding formula for market conduct and prudential activities from the DIRF increases transparency regarding the total amount paid by credit unions and the amount paid for different purposes.

5. *Future Focus:*

- The assessment will be based on the budgeted costs for the credit unions sector.

6. *Effective and Efficient:*

- Maintaining current fees in the credit unions sector (which represent less than 1% of total funding) will allow FSRA to more accurately document costs associated with regulatory activities driven by credit unions (for example, applications) to establish fee-for-service fees in the future, if deemed appropriate.



Under the Proposed Fee Rule, no additional fees are proposed with respect to the credit unions sector, other than one separate fee that has been added to reflect current practice (i.e. that a fee is charged for an application by an extra-provincial credit union for registration). The same fee is charged by FSCO but under a broader fee authority.

### Insurance Sector (including Health Service Providers)

The insurance sector consists of 311 insurance companies, over 6,000 corporate insurance agents, approximately 55,400 individual insurance agents, approximately 1,700 insurance adjusters and, under the FSRA Act, approximately 4,600 health service providers (HSPs).

Under FSCO's approach, the insurance sector has been considered in terms of the following sub-sectors: automobile insurance (which is a subset of property and casualty insurance); property and casualty insurance; and accident and sickness insurance and life insurance, and these sub-sectors have been separately assessed.

When compared to FSCO's approach, the main differences reflected in the Proposed Fee Rule for the overall insurance sector are that:

- Automobile insurance rate approval costs are estimated and assessed separately from market conduct costs for property and casualty insurance and accident, sickness and life insurance.
- FSCO separates assessments in terms of automobile insurance, property and casualty insurance and accident, sickness and life insurance, but does not do so in terms of the regulatory costs they generate.
- For market conduct regulation of property and casualty insurance and accident, sickness and life insurance, the assessment basis has changed from net (i.e., net of reinsurance) premiums to direct written premiums.
- A separate assessment calculation for prudential oversight of property and casualty insurers and accident and sickness insurers (in each case organized or incorporated in Ontario) is designed to capture the cost of prudential supervision. This does not apply to insurers that are members of the Fire Mutuals Guarantee Fund (farm mutuals).
- The assessment calculations are simpler and easier to understand.

For the insurance sector, the Proposed Fee Rule reflects the FSRA fee rule vision and principles (as described above), in particular:

#### *1. Simplicity:*

- The assessment calculation is simpler than the existing FSCO assessment formula.
- Core licensing fees for agents and adjusters and activities and events are the same as under FSCO's approach.
- While licensing fees for the over 55,000 insurance agents and others potentially presents a significant administrative burden to FSRA, support for regulatory objectives in principle 6 (below) has been determined to be more important.
- Fees have been streamlined.

## 2. *Consistency:*

- Because they are based on the share of direct written premiums, insurers' assessments will only vary to the extent that the budget varies each year and their share of direct premiums vary.
- Insurers that write coverage in each assessable category will all be treated the same way.
- Fees will be consistent.

## 3. *Fairness:*

- Automobile insurance costs in terms of automobile insurance rate approval activities will be reasonably allocated by separating out all costs (approval, policy, actuarial) related to rate approval. Automobile insurance costs related to market conduct activities will fall under property and casualty costs.
- Prudential regulation costs, which are estimated to be small, will be captured in a separate assessment applied only to property and casualty insurers and accident and sickness insurers (in each case organized or incorporated in Ontario) that are not farm mutual insurers.
- Direct written premiums are a reasonable proxy for the proportion of regulatory activity generated by each insurer (i.e., a measure of "what's coming in the door" and hence what might generate market conduct-related regulatory activity). Reinsurance transactions typically take place between two insurers and do not generate market conduct-related issues. Therefore, "net" premiums are not as good a proxy.
- Large insurance companies pay in proportion to their volume of activity in the sector.

## 4. *Transparency:*

- The new assessment basis will be less complicated than the existing basis and will be easier to verify.

## 5. *Future Focus:*

- Assessments will be based on budgeted amounts.

## 6. *Effective and Efficient:*

- Preservation of individually-based fees supports regulatory obligations for individuals to provide up-to-date information to FSRA and strengthens individual commitment to recognizing and meeting market conduct-related obligations set out in legislation and regulations. This requirement also strengthens the ability of FSRA to track and supervise the conduct of individual insurance sector participants.

Under the Proposed Fee Rule, subject to the comments below with respect to health service providers (**HSPs**), no additional fees are proposed with respect to the insurance sector, such that fees charged will reasonably approximate those under FSCO's approach.

As noted above, FSCO also regulates approximately 4,600 HSPs, which are a mix of sole proprietors and corporations, as well as a mix of single and multiple locations. A net of approximately 300 new licensees are added annually. Under the FSRA Act, HSPs are part of the insurance sector, and more specifically part of the automobile insurance rate approval activities.

There is currently no variable rate assessment or fee for HSPs and this will continue to be the case under the Proposed Fee Rule as this a relatively new area of activity with imprecise cost information. There are two types of fees in place for HSPs today: a license application fee and an annual regulatory fee (composed of a fee per location and a fee per statutory accident benefits schedule (**SABS**) claimant). HSPs will continue to be charged these fees. However, under the Proposed Fee Rule, an exemption from the payment of the annual regulatory fee will apply to an HSP who certifies that (s)he treated 6 or fewer claimants for statutory accident benefits in the prior year. This exemption is being created to remove a potential regulatory cost barrier and to promote continued service availability in remote and underserved parts of Ontario. The annual regulatory fees for those HSPs who are not so exempted will increase slightly to offset the anticipated fee revenue lost as a result of the creation of this exemption. FSRA has identified the HSP regulatory framework and its costs and effectiveness as an area requiring further review.

For HSPs, the Proposed Fee Rule reflects the FSRA fee rule vision and principles (as described above), in particular:

1. *Simplicity:*

- Fees remain simple and familiar to HSPs.

2. *Consistency:*

- Fees are predictable and based on verifiable information such as number of locations and SABS claimants.

3. *Fairness:*

- Fees are directly tied to key indicators that correlate with the level of market conduct regulatory activity (for example, HSPs with multiple locations may require on-site examinations to verify location information and the number of SABS claimants correlates with potential market conduct-related complaints activity).
- Small-volume HSPs that filed six or fewer SABS claims in the previous year would be exempted from annual regulatory fees to remove a potential regulatory cost barrier to promote continued service availability in remote and underserved parts of the province.
- HSPs are regulated under the *Insurance Act* and are recognized as part of FSRA's automobile insurance rate approval activities as such regulation addresses costs related to fraud, abuse and errors that directly affect automobile insurers and automobile insurance rates.

4. *Transparency:*

- Payers can easily estimate their fees based on their number of locations and volume of SABS claimants.

5. *Future Focus:*

- Flexibility is built in through an overall contingency reserve amount for FSRA. It is important to note that FSRA will have strict governance mechanisms in place to set and monitor the level of the contingency reserve amount. These governance mechanisms include a requirement that access to the contingency reserve amount must be approved by the FSRA Board.

## 6. *Effective and Efficient:*

- The number of sites and SABS claimants are considered to be the most accurate proxy to estimate the regulatory effort required in monitoring HSPs.

In developing the Proposed Fee Rule, FSRA also considered the following:

- A potential risk with the HSP fixed fee approach is the fluctuation of SABS claimants from year to year. FSRA's funding from HSPs will vary with the number of SABS claimants each year and there is a risk that it may not reflect market conduct supervision activity.
- There is a high level of fee sensitivity among HSPs. Any fee-related increases may impact the availability of HSP services in traditionally underserved regions of Ontario. A goal is to ensure adequate availability of HSPs around Ontario to permit service coverage for accident victims. To address this risk, small volume HSPs will be eligible to be exempted from annual regulatory fees if, in the previous year, the HSP reports treating six or fewer SABS claimants.

## Loan and Trust Sector

Currently, FSCO regulates 51 loan and trust corporations.

When compared to FSCO's approach, the main change in the Proposed Fee Rule for the loan and trust sector is that the assessment will be based on budgeted expenses and expenditures rather than actual expenses and expenditures given the prospective nature of FSRA's fee rule.

For the loan and trust sector, the Proposed Fee Rule reflects the FSRA fee rule vision and principles (as described above) in the following ways:

### 1. *Simplicity:*

- The assessment formula remains simple and familiar to sector participants.

### 2. *Consistency:*

- Some risk exists with the assessment formula as the costs upon which it is based are difficult to project. This is because regulatory costs for this sector are driven less by market conduct of existing participants but rather by the conduct of unlicensed actors. As FSRA moves to a forward-looking fee rule, the projected expenses and expenditures will be based on past expenses and expenditures and could be subject to unpredictable marketplace activities.

### 3. *Fairness:*

- Assessments for the sector are based on a simple division of projected costs evenly applied across the licensing base of 51 corporations. While there are different sizes of corporations regulated in this sector, the relatively small regulatory costs do not impose any unreasonable cost burdens on sector participants.

### 4. *Transparency:*

- The current and recommended approach is both easy to understand and explain.

## 5. *Future Focus:*

- The Proposed Fee Rule carries some risk that projected costs to regulate the sector will be out of step with actual costs. However, the current magnitude of sector costs and offsetting funding needs is quite small and would not be expected to create financial risks to FSRA, particularly given that this is a variable rate sector.

## 6. *Effective and Efficient:*

- Key regulatory activities in this area relate to carrying out compliance activities when unlicensed actors violate statutory requirements. Based on discussions with FSCO, the current and projected budget appears sufficient to address these market conduct risks.

### Mortgage Brokering Sector

Currently, FSCO has a straightforward fee-based regulation for the mortgage brokering sector under which approximately 1,200 mortgage brokerages, 2,700 mortgage brokers, 11,800 mortgage agents and 180 mortgage administrators each pay the same amount.

Under the Proposed Fee Rule, there is no assessment for the mortgage brokering sector, which is consistent with the current approach.

Under the Proposed Fee Rule, the fee approach remains the same as the fee approach used by FSCO but with the following key changes:

- there is a similar increase to the flat fee for each licence type based on the need to recover a proportional increase in anticipated budgeted expenses and expenditures of FSRA;
- all classes of licence are being moved to a 1-year licensing cycle from the current 2-year cycle; and
- a new fee of \$200 will apply for each non-qualified syndicated mortgage investment (**SMI**) that requires client disclosure documents in keeping with new amendments to Ontario Regulation 188/08 that became effective on July 1, 2018; this proposed fee will help fund FSRA's review of certain of the prescribed disclosure documentation and will allow FSRA to track such activity and help to support FSRA's understanding of activity in this area; this fee is payable within 5 days following the date on which the prescribed disclosure documentation was first provided to the first potential or actual lender or investor in the non-qualified syndicated mortgage.

For the mortgage brokering sector, the Proposed Fee Rule reflects the FSRA fee rule vision and principles (as described above), in particular:

### 1. *Simplicity:*

- Fees remain simple and familiar to sector participants.

### 2. *Consistency:*

- Fees are flat and predictable and calculated to fully recover anticipated costs.

### 3. *Fairness:*

- Fees are the same for brokerages, brokers and agents. This may suggest fairness concerns since brokerages should have a greater ability to pay. However, FSRA understands many agents are reimbursed for their fees by the brokerage so this may partially offset this fairness concern.
- The move to a 1-year licence cycle assists in maintaining current information on which brokerage a given agent is working for.

### 4. *Transparency:*

- A flat licence fee rule is transparent and easily comprehensible.

### 5. *Future Focus:*

- It is also important to note that there may be issues with system transition as a result of moving from a 2-year to 1-year fee cycle, as such, additional transition planning for the mortgage brokering sector has been considered by FSRA.

### 6. *Effective and Efficient:*

- In the case of mortgage brokering, recent syndicated mortgage complaints highlighted the risk of flat fees to meet regulatory demands related to unknown emerging risks in the sector.

## Pension Sector

The pension sector consists of over 7,000 pension plans in Ontario.

When compared to FSCO's approach, the following elements have changed in the Proposed Fee Rule for the pension sector:

- Plans will no longer be charged two separate rates for active and retired plan members. Under the Proposed Fee Rule, all plan members (active, deferred, retired and other) will be charged tiered marginal rates as there was no cost justification for distinguishing between types of members.
- The minimum assessment of \$250 has been adjusted to \$750 to reflect estimates of costs to regulate small pension plans and the maximum assessment (i.e. cap) of \$75,000 has been replaced with a tiered approach to better reflect that, as the number of pension plan beneficiaries increases, at certain levels the regulatory cost per additional beneficiary declines.
- Given the forward looking approach that FSRA is taking, the preliminary estimated portion invoice process (reflecting the total expected pension sector costs for an assessment period) is no longer required.
- A tiered approach will be implemented by FSRA to better reflect regulatory burden associated with the addition of plan members in different sizes of plans and to ensure that over FSRA budget cycles and as membership in each tier changes somewhat, FSRA receives full recovery of its pension sector expenses and expenditures from the pension sector. For an illustration of how an assessable pension plan's assessment would be calculated, see Appendix B. Note that such illustration is based on assumptions which should not be considered indicative of the actual numbers upon which an assessment in respect of any assessment period will be calculated.

For the pension sector, the Proposed Fee Rule reflects the FSRA fee rule vision and principles (as described above), in particular:

1. *Simplicity:*

- Assessments continue to be based on number of beneficiaries in the pension plan; this basis for assessment is familiar to the payers.
- The use of a single assessment each year simplifies the assessment process, as does the use of a single rate for active, deferred, retired and other plan beneficiaries.

2. *Consistency:*

- Assessments are predictable and based on a single assessment each year.

3. *Fairness:*

- The introduction of a tiered approach better reflects the costs associated with regulating additional plan beneficiaries beyond an initial threshold and given the size of plan and its typical cost to regulate. This ensures that assessments paid by the pension sector are more in alignment with the regulatory burden they create for FSRA.
- Small plans with fewer beneficiaries will be paying more due to the increase in the minimum assessment. The minimum assessment has been adjusted from \$250 to \$750 to better reflect the minimum work effort and actual cost associated with regulating small plans based on historical FSCO data.
- Based on historical FSCO experience, large plans within the 6,000 to 12,000 beneficiary range require relatively high levels of regulatory oversight, however, as plans grow, the cost to regulate per member decreases. As such, after a plan includes a certain number of beneficiaries, the cost to regulate each additional beneficiary decreases and, at some point (for example, more than 150,000) becomes *de minimus*.
- The removal of the maximum assessment (i.e. cap) ensures that the pension sector assessments appropriately reflect that larger plans benefit from strong regulation. The cap also is inconsistent with the principle that smaller and mid-sized plans should not pay more to subsidize very small and large plans.
- The removal of different rates for different types of plan beneficiaries further ensures that rates are better aligned to actual work effort required by FSRA to regulate all types of plan members.

4. *Transparency:*

- Once FSRA finalizes its budget allocation to the pension sector for an assessment period, payers can easily estimate their assessments based on where they fall within the tiers.

5. *Future Focus:*

- Assessments will be based on budgeted amounts.

## 6. *Effective and Efficient:*

- By removing the existing maximum assessment (i.e. cap) that applies to larger plans, the minimal additional regulatory effort associated with larger memberships is captured by a tiered assessment approach.

Under the Proposed Fee Rule, no additional fees are proposed with respect to the pension sector, such that fees charged will reasonably approximate those under FSCO's approach.

### **Authority for the Proposed Fee Rule**

Subsection 21(2) of the FSRA Act authorizes the Authority to make rules governing fees, levies, sector assessments and other charges that the Authority may impose, including, but not limited to, (a) for filing; (b) for applications for licences or registration; (c) in respect of compliance reviews and audits made by the Authority; and (d) in connection with the work described in sections 4 and 6 of the FSRA Act, and other work that relates to the objects of the Authority under section 3 of the FSRA Act, including any assessment that the Authority is required to pay under this Act or any other Act.

### **Unpublished Materials**

In proposing the Proposed Fee Rule, the Authority has not relied on any significant unpublished study, report, decision or other written materials, other than a report prepared for FSRA management by FSRA's external consultant.

### **Alternatives Considered**

#### Overview

Throughout development of the Proposed Fee Rule, FSRA considered a number of alternatives based on various elements which were primarily identified *via* jurisdictional research. In addition to consideration of a variable versus fixed rate approach (discussed immediately below), the tables further below list the various alternative fee rules considered and a brief explanation as to the reasons why FSRA did not select such alternative. Through its meetings with the IAGs, FSRA also identified a number of matters for future consideration in the context of its fee rule, which are not necessarily detailed below.

#### Variable versus Fixed Rate Approach

A fee rule is generally composed of a base multiplied by a rate, where the base is a factor such as assets, members, premiums or some other quantity and the rate is an amount (e.g., share, percentage or "mill rate") applied to the base.

For each regulated sector, FSRA considered a fee rule that provided for either:

- a variable rate derived each year from an annual budget and applied to a base to generate targeted funding; or
- a fixed rate, established for multiple years (i.e. until the fee rule is changed), and applied to a base to generate targeted funding.

The fixed rate approach, used by regulators such as the Ontario Securities Commission and used selectively by regulators like FSCO for sectors that have stable and modest regulatory costs and/or where cost certainty may be more important (e.g. HSPs; mortgage brokers; insurance agents) assumes:



- the fee rule will articulate a fixed rate (for example, a certain dollar amount per dollar of assets, members, premiums, etc.), which is used to calculate funding on a base that will vary (for example, total assets or total members in a sector) independently of FSRA's operations;
- that the fee rule will be in place for multiple years and will generate each year's funding accordingly; and
- any variable funding will be the result of a fixed rate multiplied by a varying base, however the regulator has no control over the variance and whether the variance will align with changes in actual costs.

The fixed rate approach:

- is simple to articulate;
- would automatically generate a funding envelope for FSRA each year;
- constrains FSRA's ability to adjust its funding without a change to its fee rule; and
- provides more certainty in costs to regulated sector participants,

but results in varied funding each year to FSRA, which may not, in a particular year, correlate strongly or consistently with its actual funding needs during FSRA's initial years of operations. As such it, the fixed rate approach:

- can lead to underfunding relative to FSRA's needs – for example, if total assets decrease in a sector and increase regulatory risk, funding would fall when increased regulatory activity might be needed; or if FSRA is faced with the need to invest in more intense supervision in a sector or in better/more expensive technology or expertise and funding is not available for those activities; and
- can lead to overfunding – for example, if funding generated increases with the changes in base measures over and above FSRA's funding needs, this would lead to excess reserves being accumulated; or if FSRA (to cushion against cost uncertainty) estimates its future multi-year costs too high to provide a cushion against unexpected costs.

These considerations are particularly important at present given that FSRA is a new regulator and, as noted above, will be refining its strategy and operating structure over the first few years of its operations, making projected costs less certain.

Consistent with the FSRA fee rule vision and principles (described above), FSRA is proposing a variable rate approach for the regulated sectors with larger participants and a fixed rate approach for sectors/participants with high cost predictability, relatively low contribution to FSRA's funding and where fees charged achieve other regulatory objectives in addition to funding costs. Areas where the fixed rate approach will apply are HSPs, mortgage brokers, and insurance agents and adjusters, as the principles concerning simplicity/burden and other regulatory objectives predominate. This choice is in keeping with current FSCO and DICO practice.

## Credit Unions Sector

<i>Alternative Fee Rules Considered</i>	<i>Reasons for not Selecting</i>
FSCO approach	The current FSCO fee rule uses total assets as the assessment base; however, this calculation is seen as less likely to be reflective of regulatory effort/cost as it has no risk element.
DICO approach	The current DICO fee rule (i.e. the so-called “Differential Premium System”) is most appropriate for funding the credit unions sector’s insurance requirements (i.e. the DIRF). The current DICO premium base is “Total Insured Deposits”. FSRA believes that RWA is a better proxy for estimating regulatory effort associated with market conduct and prudential activities.
Assessment based on total non-consolidated assets (i.e. on and off balance sheet assets)	An assessment based on total non-consolidated assets (i.e. on and off balance sheet assets) was identified as a potential assessment base. However, following discussion and analysis it was decided that the inclusion of off book assets were primarily capturing securitization activity of a limited number of credit unions and would require a rule set to bring off-balance sheet assets into the calculation.
Assessment based on total consolidated assets (i.e. on and off balance sheet assets), with the exception of those already prudentially regulated	This fee rule captures risk in unregulated subsidiaries but adds layers of complication (i.e. the need to define which on and off balance sheet assets to include in calculations), which could be addressed in the RWA assessment base.

## Insurance Sector

<i>Alternative Fee Rules Considered</i>	<i>Reasons for not Selecting</i>
Separate assessments for: <ul style="list-style-type: none"> <li>(i) automobile insurance market conduct and rate approval; and</li> <li>(ii) property and casualty insurance and accident, sickness and life insurance shared market conduct assessment.</li> </ul>	<p>Less transparency in relation to rate approval costs.</p> <p>Less perceived fairness and transparency in the allocation of market conduct costs between the property and casualty insurance and accident, sickness and life insurance sub-sectors.</p>

<i>Alternative Fee Rules Considered</i>	<i>Reasons for not Selecting</i>
Separate assessments for: <ul style="list-style-type: none"> <li>(i) automobile insurance rate approval; and</li> <li>(ii) sector-wide market conduct assessment (i.e. all categories).</li> </ul>	Less perceived fairness and transparency in the allocation of market conduct costs between the property and casualty insurance (which includes automobile insurance) and the accident, sickness and life insurance sub-sectors
Separate assessments for: <ul style="list-style-type: none"> <li>(i) automobile insurance rate approval;</li> <li>(ii) property and casualty insurance;</li> <li>(iii) automobile insurance market conduct; and</li> <li>(iv) accident, sickness and life insurance market conduct assessment</li> </ul>	<p>Less simplicity for FSRA in separating automobile insurance and property and casualty insurance for market conduct activities.</p> <p>Auto insurance is part of the property and casualty insurance sub-sector and market conduct efforts are seen as similar and are often integrated.</p>

#### Health Services Providers

<i>Alternative Fee Rules Considered</i>	<i>Reasons for not Selecting</i>
Current registration fee plus assessment based on share of SABS claimants	<p>Share of SABS claimants as an assessment base does not capture the number of sites which is seen as a strong proxy for regulatory risks.</p> <p>Currently, HSPs with higher volumes of SABS claimants are insurance examination centres which would pay proportionately a greater share of costs despite these centres being lower risk than other types of HSPs. The current per site and per claimant fee rule distributes costs more closely with risk.</p>

#### Loan and Trust Sector

<i>Alternative Fee Rules Considered</i>	<i>Reasons for not Selecting</i>
Asset-based assessment, one fee type only	<p>Assessment seen as less likely to be reflective of regulatory effort/cost.</p> <p>Would fluctuate year-to-year based on asset fluctuations.</p>

### Mortgage Brokering Sector

<i>Alternative Fee Rules Considered</i>	<i>Reasons for not Selecting</i>
Higher fees for larger brokerages and mortgage administrators	Insufficient data to support how to distinguish between large and small participants. Unable to develop a judgment based way to differentiate fees based on size via industry discussions.
Volume-based assessment for brokerages; no fees for individuals	Absence of individual agent licence fees may make tracking individuals more difficult.
Volume-based assessment for brokerages; lower fee than under FSCO's approach	Volume-based data currently collected by FSCO is self-reported and of uncertain reliability.
Volume-based assessment for brokerages; same fee as under FSCO's approach	Volume-based data currently collected by FSCO is self-reported and of uncertain reliability.
Separate fees for Alternative Lenders (SMI)	Need to first create a separate registrant category.

### Pension Sector

<i>Alternative Fee Rules Considered</i>	<i>Reasons for not Selecting</i>
Single rate based on plan members; change minimum and cap (\$750 and \$300,000)	Change to cap will not fully reflect the differences in regulatory effort for plans with varying levels of membership.
Tiered (less granular) assessment based on plan members	<p>Fewer number of tiers limits the flexibility of the fee rule and may not reflect the distribution of the size of the plans as accurately as the more granular model/tiering.</p> <p>Also results in higher charges for the largest pension plans, particularly those in the 12,000+ member range which may not be cost justified.</p>
Tiered assessment based on assets	<p>May impact well-managed plans more than others which likely does not correlate with risk assessment.</p> <p>Results in significantly higher assessment fees for the largest pension plans, particularly those in the largest asset range (\$2B+); some stakeholders may feel this is not aligned with fairness principles in relation to alignment of assessments to regulatory effort.</p>

<i>Alternative Fee Rules Considered</i>	<i>Reasons for not Selecting</i>
Different fees for defined benefit (DB) and defined contribution (DC) pension plans given different costs to regulate	While intuitively different DB/DC fees makes sense, there is no data (or industry consensus) to make this distinction in an equitable way.

### **Anticipated Costs and Benefits**

The principal benefit of the Proposed Fee Rule is that it reflects FSRA’s preferred approach for operating as an independent, self-funded agency, on a cost recovery basis and to assess the regulated sectors, consistent with the FSRA fee rule vision and principles more particularly described in this Notice. The Proposed Fee Rule will ensure that FSRA is financially able to commence its regulatory mandate.

The benefits of the Proposed Fee Rule by sector are more particularly described in the commentary contained throughout this Notice, including in the commentary under the heading “Alternatives Considered”.

### **Regulations to be Revoked**

FSRA is not currently making any recommendations with respect to the amendment or revocation of a regulation or provision in a regulation that relates to the implementation of the Proposed Fee Rule. FSRA expects that in due course certain regulations or provisions in regulations will be amended or revoked in a manner consistent with the intent of the Proposed Fee Rule.

### **Comments**

Interested parties are invited to make written representations with respect to the Proposed Fee Rule. Submissions received by January 4, 2019 will be considered.

Submissions should be submitted through the submission system on FSRA’s website at:

<http://fsrao.ca/en/consultations/form?rule=assessment-and-fees>

FSRA will be pleased to answer questions concerning the Proposed Fee Rule to assist the public in submitting written representations. Questions may be submitted at:

<http://fsrao.ca/en/consultations/form?form=question&rule=assessment-and-fees>.

All answers to questions will be posted at <http://fsrao.ca/en/consultations/assessment-and-fees?view=answers>. FSRA may edit or conform questions to provide better feedback to the public.

Under the FSRA Act, the Authority is required to make all written representations available for public inspection during the normal business hours of the Authority. As a result, all submissions received by January 4, 2019 will be posted on FSRA’s website at <http://fsrao.ca/en/consultations/assessment-and-fees?view=comments> at the time they are received.

The Authority is permitted to hold written representations in confidence so long as the Authority is of the opinion that the representations so held disclose sensitive financial, personal or other information and that the desirability of avoiding disclosure thereof in the interests of any person affected outweighs the desirability of adhering to the principle that representations made to the Authority be available to the public for inspection. Even if the Authority determines to hold submissions in confidence, freedom of information legislation may require the Authority to make such submissions available. Persons making submissions should be aware of this. The Authority is also of the view that personal information should not be included in submissions.

## Appendix A

# FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO RULE 2019 – 001 ASSESSMENTS AND FEES

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**FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO**  
**RULE 2019 – 001**  
**ASSESSMENTS AND FEES**

**PART 1 INTERPRETATION**

**1.1 Definitions**

- (1) In this Rule,
- (a) “assessment” means an assessment for the purposes of subsection 21(2) of the FSRA Act;
  - (b) “assessment period” means the fiscal year of the Authority or other period of time with respect to which the Authority makes an assessment under this Rule;
  - (c) “Authority” means the Financial Services Regulatory Authority of Ontario continued under subsection 2(1) of the FSRA Act;
  - (d) “Board” means the board of directors of the Authority;
  - (e) “Chief Executive Officer” means the Chief Executive Officer of the Authority appointed under subsection 10(2) of the FSRA Act;
  - (f) “common costs” in respect of a particular assessment period means the expenses and expenditures of the Authority which the Authority determines or estimates are not direct costs in respect of any particular regulated sector in respect of that assessment period, including all amounts in respect of the contingency reserve amount, as set out in the final budget;
  - (g) “contingency reserve amount” means the amount described in subsection 2.3(1);
  - (h) “credit union” means a credit union or caisse populaire to which the *Credit Unions and Caisses Populaires Act, 1994* applies;
  - (i) “credit unions sector” means the sector referred to in clause (a) of the definition of “regulated sector” in section 1 of the FSRA Act;
  - (j) “direct costs” in respect of a particular regulated sector and a particular assessment period means the expenses and expenditures of the Authority which the Authority determines or estimates directly relate to the particular regulated sector in respect of that assessment period, as set out in the final budget;
  - (k) “fee” means a fee for the purposes of subsection 21(2) of the FSRA Act and, where applicable, for the purposes of the statute to which a regulated sector is subject, including fees payable with respect to activities or events related to a person or entity in a regulated sector;
  - (l) “final budget” means, in respect of an assessment period, the budget approved by the Board and posted on the website of the Authority prior to the commencement of that assessment period;
  - (m) “fiscal year” means April 1st to March 31st;



- (n) “fixed rate sector” means the mortgage brokering sector;
- (o) “fixed rate sector common cost contribution” means in respect of the fixed rate sector, the difference, positive or negative, between the total fees that the Authority estimates will be charged in respect of the fixed rate sector in respect of an assessment period and the total estimated direct costs of the fixed rate sector in respect of that assessment period, all as set out in a budget prepared by the Authority under section 2.1;
- (p) “FSRA Act” means the *Financial Services Regulatory Authority of Ontario Act, 2016*;
- (q) “insurance sector” means the sector referred to in clause (b) of the definition of “regulated sector” in section 1 of the FSRA Act;
- (r) “loan and trust sector” means the sector referred to in clause (c) of the definition of “regulated sector” in section 1 of the FSRA Act;
- (s) “Minister” means the Minister of Finance or such other person as may be assigned the administration of the FSRA Act under the *Executive Council Act*;
- (t) “Ministry” has the same meaning as applies to that term in the FSRA Act;
- (u) “mortgage brokering sector” means the sector referred to in clause (d) of the definition of “regulated sector” in section 1 of the FSRA Act;
- (v) “pension sector” means the sector referred to in clause (e) of the definition of “regulated sector” in section 1 of the FSRA Act;
- (w) “PRPP sector” means the sector that is referred to in clause (f) of the definition of “regulated sector” in section 1 of the FSRA Act;
- (x) “regulated sector” means the credit union sector, the insurance sector, the loan and trust sector, the mortgage brokering sector, the pension sector, and the PRPP sector;
- (y) “the Crown” has the same meaning as set out in section 87 of the *Legislation Act, 2006*; and
- (z) “variable rate sectors” means the credit union sector, the insurance sector, the loan and trust sector, and the pension sector.

## 1.2 Interpretation

- (1) The Authority’s expenses and expenditures that may be recovered through assessments and fees in respect of one or more assessment periods includes, as the Board determines is appropriate in its final budget, amounts in respect of the expenses and expenditures incurred and made by the Authority in the period ending immediately prior to the time at which the Authority begins to carry out the regulatory functions contemplated by the FSRA Act.
- (2) The Authority’s expenses and expenditures that may be recovered through assessments and fees in respect of one or more assessment periods may include amounts assessed by the Lieutenant Governor in Council in respect of:

- (a) the Ministry's expenses and expenditures referred to in section 15 of the FSRA Act; and
  - (b) the Financial Services Tribunal's and the Ministry's expenses and expenditures referred to in section 15 of the *Financial Services Tribunal Act, 2017*.
- (3) References in this Rule to the Chief Executive Officer include a reference to an authorized delegate of the Chief Executive Officer.
  - (4) Words and phrases not defined in this Rule have the same meaning as ascribed thereto under section 1 of the FSRA Act, unless a contrary intention appears.
  - (5) Every use of the words "including" or "includes" in this Rule is to be construed as meaning "including, without limitation" or "includes, without limitation", respectively.

## **PART 2 SECTORAL ASSESSMENT PROCESS**

### **2.1 Preparation of Budgets by Authority**

- (1) In respect of each assessment period, the Authority shall prepare a draft budget which sets out:
  - (a) the estimated total expenses and expenditures of the Authority in respect of the assessment period and a description of the direct costs estimated for each regulated sector and the common costs estimated for the Authority;
  - (b) the total fees that the Authority estimates will be charged in respect of the regulated sectors in respect of the assessment period; and
  - (c) the total estimated assessment in respect of each regulated sector and within such sector, as applicable.
- (2) The Authority shall post the draft budget on the website of the Authority on a date to be determined by the Authority and may undertake consultation with the regulated sectors as determined appropriate by the Authority to assist it in finalizing such budget.
- (3) The Authority shall post the final budget in respect of an assessment period on a date to be determined by the Authority. Invoices for assessments in respect of variable rate sectors will only be issued after the Authority posts such final budget.

### **2.2 Determination and Allocation of Direct Costs and Common Costs by Regulated Sector**

- (1) In respect of the estimated total expenses and expenditures of the Authority in respect of an assessment period, each budget prepared by the Authority under section 2.1 shall set out the direct costs in respect of each regulated sector and within such sector, as applicable, in respect of the assessment period covered by the budget, together with the aggregate common costs in respect of the assessment period.
- (2) Each budget prepared by the Authority under section 2.1 shall allocate the common costs in respect of the assessment period covered by the budget among the regulated sectors on such basis as the Authority determines appropriate; provided that unless otherwise specified by the Authority in the budget, common costs remaining after the fixed rate

sector common cost contribution estimate is deducted from the overall common cost estimate in respect of the assessment period covered by the budget shall be allocated in the budget among the variable rate sectors based on their *pro rata* share of the aggregate direct costs of the variable rate sectors in respect of that assessment period.

### **2.3 Contingency Reserve Amount**

- (1) If determined appropriate by the Authority, the common costs in respect of an assessment period may include an amount to pay expenses and expenditures of the Authority in respect of the assessment period which cannot reasonably be estimated and determined to be direct costs or common costs or in respect of a particular regulated sector, but which the Board determines are appropriate to include in the final budget in respect of unforeseeable events or circumstances.
- (2) The contingency reserve amount included as common costs in a budget prepared by the Authority under section 2.1 in respect of a particular assessment period shall not exceed \$4 million.
- (3) No amount in respect of the contingency reserve amount shall be used or applied by the Authority, except as authorized by the Board.
- (4) If the Board authorizes all or a portion of an existing contingency reserve amount to be used or applied by the Authority in an assessment period, the subsequent budget will include as a direct cost any contingency reserve amount used or applied by the Authority in respect of a variable rate sector identified by the Board and the contingency reserve amount that may be included as common costs in a budget prepared by the Authority under section 2.1 for a subsequent assessment period may be increased by the amount remaining after the direct costs referred to in this subsection 2.3(4) and recovered from a variable rate sector are deducted from the contingency reserve amount used or applied.
- (5) If any portion of a contingency reserve amount is unused at the end of an assessment period, it shall be held as a contingency reserve amount for the next assessment period and the contingency reserve amount included in the budget for the next assessment period shall be reduced by such unused amount.

## **PART 3 CREDIT UNIONS SECTOR ASSESSMENTS AND FEES**

### **3.1 Assessments**

- (1) Definitions – In this section 3.1,
  - (a) “budgeted credit unions sector expenses and expenditures for the assessment period” means, in respect of a particular assessment period, the total amount of direct costs of, and common costs that the Authority allocates to, the credit unions sector in respect of the assessment period, as set out in the final budget;
  - (b) “budgeted credit unions sector fees for the assessment period” means, in respect of a particular assessment period, the total amount of fees that the Authority estimates will be charged to credit unions in respect of the assessment period, as set out in the final budget;
  - (c) “league” means a league to which the *Credit Unions and Caisses Populaires Act, 1994* applies; and

- (d) “RWA” means, with respect to a credit union, the amount calculated in accordance with section 18 of Ontario Regulation 237/09 and set forth as the credit union’s risk weighted assets in the most recent monthly information return filed under section 225 or 226 of the *Credit Unions and Caisses Populaires Act, 1994* on or before a date determined by the Authority for the purposes of preparing a final budget.
- (2) A credit union’s share of an assessment of the credit unions sector under subsection 21(2) of the FSRA Act for an assessment period is the amount calculated using the formula,

$$(A - B) \times C/D$$

in which,

“A” is the total of all budgeted credit unions sector expenses and expenditures for the assessment period,

“B” is the total of all budgeted credit unions sector fees to be charged for the assessment period,

“C” is the amount of the RWA of the credit union, and

“D” is the amount of the total RWA of all credit unions excluding the RWA of all leagues.

- (3) A league’s share of an assessment of the credit unions sector under subsection 21(2) of the FSRA Act for an assessment period is zero.
- (4) A credit union shall pay its assessment within 14 days after the date of the invoice for the assessment in the manner and to the account specified by the Authority in such invoice.<sup>1</sup>

### 3.2 Fees

- (1) The fees payable with respect to matters under the *Credit Unions and Caisses Populaires Act, 1994* are listed opposite the description in the following table.

DESCRIPTION	FEE
Application for incorporation of a credit union or caisse populaire – <i>Credit Unions and Caisses Populaires Act, 1994</i> , section 15	\$2,500 per application
Approval of the articles of incorporation – <i>Credit Unions and Caisses Populaires Act, 1994</i> , subsection 16(1)	\$2,500 per approval
Application for receipt for an offering statement based on face amount – <i>Credit Unions and Caisses Populaires Act, 1994</i> , subsection 77(1)	Lesser of: <ul style="list-style-type: none"> <li>\$2,500 plus 50 basis points (i.e., \$2,500 + 0.50% of the maximum aggregate dollar amount of securities offered); and</li> </ul>

<sup>1</sup> Assessments in respect of the Deposit Insurance Reserve Fund are not covered by this Rule. They continue to be covered by subsection 276.1(1) of the *Credit Unions and Caisses Populaires Act, 1994*.

	<ul style="list-style-type: none"> <li>• \$25,000</li> </ul> per application
Application by extra-provincial credit union for registration - Credit Unions and Caisses Populaires Act, 1994, section 332	\$500 per application

- (2) Fees not refundable – A fee paid by person or entity under this section 3.2 is not refundable and may not be credited toward any subsequent fee payable by the person or entity.

## PART 4 INSURANCE SECTOR ASSESSMENTS AND FEES

### 4.1 Assessments

- (1) Definitions – In this section 4.1,
- (a) “accident and sickness insurance” has the meaning ascribed to that term in an order made under section 43 of the *Insurance Act*;
  - (b) “accident, sickness and life insurance” means either or both accident and sickness insurance and life insurance;
  - (c) “accident, sickness and life insurance market conduct activities” means those activities of the Authority identified by the Authority as related to regulating the market conduct of insurers (and their agents and other representatives or distribution channel participants) providing accident, sickness and life insurance in Ontario and other activities of the Authority related to regulating and supervising accident, sickness and life insurance which are not related to conducting prudential, capital adequacy, liquidity or solvency supervision;
  - (d) “automobile insurance” has the meaning ascribed to that term in an order made under section 43 of the *Insurance Act*;
  - (e) “automobile insurance rate approval activities” means those activities of the Authority identified by the Authority as related to rate approval for automobile insurance in Ontario including all activities of the Authority relating to holders of a service provider’s licence under Part VI (Automobile Insurance) of the *Insurance Act*;
  - (f) “direct written premiums for accident, sickness and life insurance” means, with respect to an insurer at any particular point in time, the premiums paid to the insurer for accident, sickness and life insurance in Ontario as reflected in its most recent filings made under section 102 of the *Insurance Act*, other than premiums for accident, sickness and life insurance paid to the insurer under agreements for reinsurance;
  - (g) “direct written premiums for accident and sickness insurance” means, with respect to an insurer at any particular point in time, the premiums paid to the insurer for accident and sickness insurance in Ontario as reflected in its most recent filings made under section 102 of the *Insurance Act*, other than premiums for accident and sickness insurance paid to the insurer under agreements for reinsurance;

- (h) “direct written premiums for automobile insurance” means, with respect to an insurer at any particular point in time, the premiums paid to the insurer for automobile insurance in Ontario as reflected in its most recent filings made under section 102 of the *Insurance Act*, other than premiums for automobile insurance paid to the insurer under agreements for reinsurance;
- (i) “direct written premiums for property and casualty insurance” means, with respect to an insurer at any particular point in time, the premiums paid to the insurer for property and casualty insurance in Ontario as reflected in its most recent filings made under section 102 of the *Insurance Act*, other than premiums for property and casualty insurance paid to the insurer under agreements for reinsurance, and for greater certainty includes direct written premiums for automobile insurance;
- (j) “fraternal society” means a society, order or association incorporated for the purpose of making with its members only, and not for profit, contracts of life insurance or accident and sickness insurance in accordance with its constitution, by-laws and rules and the *Insurance Act*;
- (k) “insurance” has the meaning ascribed to that term in section 1 of the *Insurance Act*;
- (l) “insurance prudential supervision activities” means those activities of the Authority identified by the Authority as related to conducting prudential, capital adequacy, liquidity and solvency supervision of Ontario prudentially regulated insurers;
- (m) “insurer” has the meaning ascribed to that term in section 1 of the *Insurance Act*;
- (n) “life insurance” has the meaning ascribed to that term in an order made under section 43 of the *Insurance Act*;
- (o) “Ontario prudentially regulated insurer” means an insurer that is organized or incorporated under the laws of Ontario and that is providing either or both:
  - (i) property and casualty insurance; or
  - (ii) accident and sickness insurance,
 other than insurers that are members of the Fire Mutuals Guarantee Fund, save and except for a mutual insurance corporation described in subsection 148(3) of the *Corporations Act*;
- (p) “property and casualty insurance” means insurance other than accident and sickness insurance and life insurance;
- (q) “property and casualty insurance market conduct activities” means those activities of the Authority identified by the Authority as related to regulating the market conduct of insurers (and their agents and other representatives or distribution channel participants) providing property and casualty insurance in Ontario and other activities of the Authority related to regulating and supervising property and casualty insurance other than:
  - (i) automobile rate insurance approval activities; and

- (ii) insurance prudential supervision activities;
- (r) “total budgeted expenses and expenditures for accident, sickness and life insurance market conduct activities” means, in respect of a particular assessment period, the total amount of direct costs of, and common costs that the Authority allocates to, accident, sickness and life insurance market conduct activities within the insurance sector in respect of the assessment period, as set out in the final budget;
- (s) “total budgeted expenses and expenditures for automobile insurance rate approval activities” means, in respect of a particular assessment period, the total amount of direct costs of, and common costs that the Authority allocates to, automobile insurance rate approval activities within the insurance sector, including expenses and expenditures for activities of the Authority relating to holders of a service provider’s licence under Part VI (Automobile Insurance) of the *Insurance Act*, in respect of the assessment period, as set out in the final budget,
- (t) “total budgeted expenses and expenditures for insurance prudential supervision activities” means, in respect of a particular assessment period, the total amount of direct costs of, and common costs that the Authority allocates to, insurance prudential supervision activities within the insurance sector in respect of the assessment period, as set out in the final budget;
- (u) “total budgeted expenses and expenditures for property and casualty insurance market conduct activities” means, in respect of a particular assessment period, the total amount of direct costs of, and common costs that the Authority allocates to, property and casualty insurance market conduct activities within the insurance sector in respect of the assessment period, as set out in the final budget;
- (v) “total budgeted fees for accident, sickness and life insurance market conduct activities means, in respect of a particular assessment period, the total amount of fees that the Authority estimates will be charged in respect of accident, sickness and life insurance market conduct activities in respect of the assessment period, as set out in the final budget;
- (w) “total budgeted fees for automobile insurance rate approval activities” means, in respect of a particular assessment period, the total amount of fees that the Authority estimates will be charged in respect of automobile insurance rate approval activities in respect of the assessment period including, those fees in respect of service providers contemplated by section 4.3, as set out in the final budget;
- (x) “total budgeted fees for property and casualty insurance market conduct activities” means, in respect of a particular assessment period, the total amount of fees that the Authority estimates will be charged in respect of property and casualty insurance market conduct activities in respect of the assessment period, as set out in the final budget;
- (y) “total budgeted fees for insurance prudential supervision activities” means, in respect of a particular assessment period, the total amount of fees that the Authority estimates will be charged in respect of insurance prudential supervision activities in respect of the assessment period, as set out in the final budget;

- (2) The direct costs of, and the common costs that the Authority allocates to, the insurance sector in respect of the assessment period under Part 2 shall, in the case of direct costs be further determined or estimated as directly related to automobile insurance rate approval activities, property and casualty insurance market conduct activities, accident, sickness and life insurance market conduct activities or insurance prudential supervision activities, and in the case of common costs be further allocated within the insurance sector in accordance with this section 4.1.
- (3) An insurer's share of an assessment of the insurance sector under subsection 21(2) of the FSRA Act for an assessment period is the following:
- (a) for an insurer in respect of automobile insurance rate approval activities, the share calculated in accordance with subsection 4.1(4);
  - (b) for an insurer in respect of property and casualty insurance market conduct activities, the share calculated in accordance with subsection 4.1(5);
  - (c) for an insurer in respect of accident, sickness and life insurance market conduct activities, the share calculated in accordance with subsection 4.1(6); and
  - (d) for an Ontario prudentially regulated insurer in respect of insurance prudential supervision activities, the share calculated in accordance with subsection 4.1(7),

provided however that each insurer other than a fraternal society shall pay a minimum assessment of \$1,000 and each fraternal society shall pay a minimum assessment of \$100.

- (4) For the purposes of paragraph 4.1(3)(a), an insurer's share of an assessment of the insurance sector for an assessment period in respect of automobile insurance rate approval activities is the amount calculated using the formula,

$$(A/B) \times (C-D)$$

in which,

"A" is the insurer's direct written premiums for automobile insurance,

"B" is the total insurance sector direct written premiums for automobile insurance,

"C" is the total budgeted expenses and expenditures for automobile insurance rate approval activities, and

"D" is the total budgeted fees for automobile insurance rate approval activities.

- (5) For the purposes of paragraph 4.1(3)(b), an insurer's share of an assessment of the insurance sector for an assessment period in respect of property and casualty insurance market conduct activities is the amount calculated using the formula,

$$(A/B) \times (C-D)$$

in which,

"A" is the insurer's direct written premiums for property and casualty insurance,



“B” is the total insurance sector direct written premiums for property and casualty insurance,

“C” is the total budgeted expenses and expenditures for property and casualty insurance market conduct activities, and

“D” is the total budgeted fees for property and casualty insurance market conduct activities.

- (6) For the purposes of paragraph 4.1(3)(c), an insurer’s share of an assessment of the insurance sector for an assessment period in respect of accident, sickness and life insurance market conduct activities is the amount calculated using the formula,

$$(A/B) \times (C-D)$$

in which,

“A” is the insurer’s direct written premiums for accident, sickness and life insurance,

“B” is the total insurance sector direct written premiums for accident, sickness and life insurance,

“C” is the total budgeted expenses and expenditures for accident, sickness and life insurance market conduct activities, and

“D” is the total budgeted fees for accident, sickness and life insurance market conduct activities.

- (7) For the purposes of paragraph 4.1(3)(d), an Ontario prudentially regulated insurer’s share of an assessment of the insurance sector for an assessment period in respect of insurance prudential supervision activities is the amount calculated using the formula,

$$(A/B) \times (C-D)$$

in which,

“A” is the Ontario prudentially regulated insurer’s direct written premiums for property and casualty insurance and direct written premiums for accident and sickness insurance,

“B” is the total direct written premiums for property and casualty insurance and direct written premiums for accident and sickness insurance of all Ontario prudentially regulated insurers,

“C” is the total budgeted expenses and expenditures for insurance prudential supervision activities, and

“D” is the total budgeted fees for insurance prudential supervision activities.

- (8) An insurer shall pay its assessments within 14 days after the date of the invoice for the assessment in the manner and to the account specified by the Authority in such invoice.

## 4.2 Fees (General)

- (1) The fees payable with respect to matters under the *Insurance Act* are listed opposite the description in the following table.

DESCRIPTION	FEES
Licence application fee for a new Ontario incorporated insurer – <i>Insurance Act</i> , subsection 42(1)	\$4,000 per application
Agent and adjuster licence fees:	
a) Agent licence fee - <i>Insurance Act</i> , subsection 392.3(1)	a) \$150 per 2-year licence
b) Corporation agent licence fee - <i>Insurance Act</i> , subsection 400(1)	b) \$400 per 2-year licence
c) Partnership agent licence fee - <i>Insurance Act</i> , subsection 399(1)	c) \$200 per 2-year licence
d) Adjuster licence fee - <i>Insurance Act</i> , section 397	d) \$75 per 1-year licence
e) Adjuster licence fee for a partnership ( <i>Insurance Act</i> , subsection 399(1)), or a corporation ( <i>Insurance Act</i> , subsection 400(1))	e) \$200 per 1-year licence
Certificate issued by Chief Executive Officer - <i>Insurance Act</i> , subsection 25(2)	\$25 per certificate
Photocopying: rate manuals per category of automobile insurance	\$100

- (2) Fees not refundable – A fee paid by person or entity under this section 4.2 is not refundable and may not be credited toward any subsequent fee payable by the person or entity.

## 4.3 Fees (Service Providers)

- (1) The fees payable under the *Insurance Act* relating to service providers are the amounts determined according to this section 4.3.
- (2) Definitions - In this section 4.3,
- (a) “listed expenses” means listed expenses in connection with statutory accident benefits within the meaning of section 288.1 of the *Insurance Act*;
- (b) “number of claimants” means the total number of persons in respect of whom the applicant for a service provider’s licence or the licensee, as applicable, received payment for one or more listed expenses in the calendar year prior to the year in which payment of the applicant’s regulatory fee or the licensee’s annual regulatory fee is required, calculated per accident; and
- (c) “number of locations” means,

- (i) in respect of an applicant for a service provider’s licence, the number of physical locations at which the applicant intends to operate a business that could give rise to listed expenses;
  - (ii) in respect of a licensed service provider that was licensed and operated a business in the calendar year prior to the year in which payment of the annual regulatory fee is required, the number of physical locations at which the licensee operated the business, while licensed, that gave rise or could have given rise to listed expenses in that calendar year, or
  - (iii) in respect of any other licensed service provider, the number of physical locations in respect of which the licence was issued.
- (3) Service provider licence application fee – A person or entity who applies for a service provider’s licence shall pay a licence application fee of \$337.00 when the licence application is submitted to the Chief Executive Officer.
- (4) Applicant’s regulatory fee – A person or entity who applies for a service provider’s licence shall pay:
- (a) if the number of claimants in respect of the applicant is 6 or fewer, zero; and
  - (b) if the number of claimants in respect of the applicant is 7 or greater, a pro-rated applicant’s regulatory fee when the licence application is submitted to the Chief Executive Officer, calculated using the formula,

$$(A + B) \times (X/12)$$

in which,

“A” is \$155.00 multiplied by the number of locations of the applicant,

“B” is \$16.00 multiplied by the number of claimants of the applicant, if any, and

“X” is the number of whole and partial calendar months remaining in the fiscal year, calculated from the date application is made until March 31st.

- (5) Licensees’ annual regulatory fee – A licensed service provider shall pay:
- (a) if the number of claimants in respect of the licensed service provider is 6 or fewer, zero; and
  - (b) if the number of claimants in respect of the licensed service provider is 7 or greater, a regulatory fee annually when the service provider’s annual information return is submitted to the Chief Executive Officer, calculated using the formula,

$$A + B$$

in which,

“A” is \$155.00 multiplied by the number of locations of the licensee, and

“B” is \$16.00 multiplied by the number of claimants of the licensee.

- (6) Fees not refundable – A fee paid by person or entity under this section 4.3 is not refundable and may not be credited toward any subsequent fee payable by the person or entity.

## PART 5 LOAN AND TRUST SECTOR ASSESSMENTS AND FEES

### 5.1 Assessments

- (1) Definitions – In this Part 5,
- (a) “budgeted loan and trust sector expenses and expenditures for the assessment period” means, in respect of a particular assessment period, the total amount of direct costs of, and common costs that the Authority allocates to, the loan and trust sector in respect of the assessment period, as set out in the final budget;
  - (b) “budgeted loan and trust sector fees for the assessment period” means, in respect of a particular assessment period, the total amount of fees that the Authority estimates will be charged to loan and trust corporations in respect of the assessment period, as set out in the final budget; and
  - (c) “loan or trust corporation” means a corporation registered under the *Loan and Trust Corporations Act*.
- (2) A loan or trust corporation’s share of an assessment of the loan and trust sector under subsection 21(2) of the FSRA Act for an assessment period is the amount calculated using the formula,

$$(A - B)/C$$

in which,

“A” is the total of all budgeted loan and trust sector expenses and expenditures for the assessment period,

“B” is the total of all budgeted loan and trust sector fees to be charged for the assessment period, and

“C” is the number of loan or trust corporations registered under the *Loan and Trust Corporations Act* as at such date prior to the assessment period as the Authority may determine.

- (3) A loan or trust corporation shall pay its assessment within 14 days after the date of the invoice for the assessment in the manner and to the account specified by the Authority in such invoice.

### 5.2 Fees

- (1) The fees payable with respect to matters under the *Loan and Trust Corporations Act* are listed opposite the description in the following table.

DESCRIPTION	FEE
Application for initial registration – <i>Loan and Trust Corporations Act</i> , subsection 31(5)	\$2,500 per application

- (2) Fees not refundable – A fee paid by person or entity under this section 5.2 is not refundable and may not be credited toward any subsequent fee payable by the person or entity.

## **PART 6 MORTGAGE BROKERING SECTOR ASSESSMENTS AND FEES**

### **6.1 Assessments**

- (1) No assessments are payable to the Authority in respect of the mortgage brokering sector under subsection 21(2) of the FSRA Act.

### **6.2 Fees (General)**

- (1) Definitions – In this Part 6,
- (a) “mortgage” has the same meaning as in section 1 of the *Mortgages Act*;
  - (b) “mortgage agent” or “agent” means an individual who has a mortgage agent’s licence;
  - (c) “mortgage administrator” means a corporation, partnership, sole proprietorship or other entity that has a mortgage administrator’s licence;
  - (d) “mortgage broker” or “broker” means an individual who has a mortgage broker’s licence;
  - (e) “mortgage brokerage” or “brokerage” means a corporation, partnership, sole proprietorship or other entity that has a brokerage licence; and
  - (f) “principal broker” has the same meaning as used in the *Mortgage Brokerages, Lenders and Administrators Act, 2006*.
- (2) The required fees payable under the *Mortgage Brokerages, Lenders and Administrators Act, 2006* are the amounts determined according to this section 6.2.
- (3) Mortgage brokerage licence – The applicable fee for an application for a mortgage brokerage licence under subsection 7(1) of the *Mortgage Brokerages, Lenders and Administrators Act, 2006* is the following:
- (a) For a licence that is to take effect at the beginning of a fiscal year, \$941.
  - (b) For a licence that is to take effect at any other point during a fiscal year, the amount calculated using the formula,

$$\$100 + (A \times \$841/12)$$

in which,

“A” is the number of whole and partial calendar months between the date on which the application is submitted and the beginning of the fiscal year that immediately follows.

- (3.1) On or before the day on which a fiscal year ends, a corporation, partnership, sole proprietorship or other entity that has a mortgage brokerage licence shall pay a regulatory fee in respect of the next fiscal year of \$841.
- (4) Mortgage broker's licence – The applicable fee for an application for a mortgage broker's licence under subsection 8(1) of the *Mortgage Brokerages, Lenders and Administrators Act, 2006* is the following:
- (a) For a licence that is to take effect at the beginning of a fiscal year, \$941.
- (b) For a licence that is to take effect at any other point during a fiscal year, the amount calculated using the formula,

$$\$100 + (A \times \$841/12)$$

in which,

“A” is the number of whole and partial calendar months between the date on which the application is submitted and the beginning of the fiscal year that immediately follows.

- (4.1) The applicable fee for an application to renew a mortgage broker's licence is \$841.
- (4.2) An applicant is not required to pay the fee described in subsection 6.2(4) if, on the date the individual submits the application in respect of a period described in that subsection, the individual is a mortgage agent and has paid all applicable fees for mortgage agents under the *Mortgage Brokerages, Lenders and Administrators Act, 2006* in respect of that period.
- (4.3) An applicant is not required to pay the fee described in subsection 6.2(4) or (4.1) if, before the application is submitted, the mortgage brokerage on whose behalf the individual is authorized to deal in mortgages or trade in mortgages in Ontario notifies the Chief Executive Officer that the individual will be designated as its principal broker when the individual's licence takes effect.
- (4.4) Subsection 6.2(4.3) does not apply if the mortgage brokerage has previously designated another individual as its principal broker in respect of the same fiscal year.
- (5) Mortgage agent's licence – The applicable fee for an application for a mortgage agent's licence under subsection 9(1) of the *Mortgage Brokerages, Lenders and Administrators Act, 2006* is the following:
- (a) For a licence that is to take effect at the beginning of a fiscal year, \$941.
- (b) For a licence that is to take effect at any other point during a fiscal year, the amount calculated using the formula,

$$\$100 + (A \times \$841/12)$$

in which,

“A” is the number of whole and partial calendar months between the date on which the application is submitted and the beginning of the fiscal year that immediately follows.

- (5.1) The applicable fee for an application to renew a mortgage agent's licence is \$841.
- (6) Mortgage administrator's licence – The applicable fee for an application for a mortgage administrator's licence under subsection 10(1) of the *Mortgage Brokerages, Lenders and Administrators Act, 2006* is the following:
- (a) For a licence that is to take effect at the beginning of a fiscal year, \$941.
- (b) For a licence that is to take effect at any other point during a fiscal year, the amount calculated using the formula,

$$\$100 + (A \times \$841/12)$$

in which,

“A” is the number of whole and partial calendar months between the date on which the application is submitted and the beginning of the fiscal year that immediately follows.

- (6.1) On or before the day on which a fiscal year ends, a corporation, partnership, sole proprietorship or other entity that has a mortgage administrator's licence shall pay a regulatory fee in respect of the next fiscal year of \$841.
- (7) Fees not refundable – A fee paid by person or entity under this section 6.2 is not refundable and may not be credited toward any subsequent fee payable by the person or entity.

### **6.3 Fees (Non-Qualified Syndicated Mortgages)**

- (1) The fees payable under this section 6.3 are payable pursuant to subsection 21(2) of the FSRA Act.
- (2) Definitions – In this section 6.3:
- (a) “investor” has the meaning ascribed to that term in subsection 1(1) of Regulation 188/08;
- (b) “non-qualified syndicated mortgage” means a syndicated mortgage that is not a qualified syndicated mortgage;
- (c) “Regulation 188/08” means Ontario Regulation 188/08 made under the *Mortgage Brokerages, Lenders and Administrators Act, 2006*;
- (d) “qualified syndicated mortgage” has the meaning ascribed to that term in subsection 1(1) of Regulation 188/08;
- (e) “syndicated mortgage” has the meaning ascribed to that term in subsection 1(1) of Regulation 188/08; and
- (f) “syndicated mortgage disclosure form” means any syndicated mortgage disclosure form approved by the Chief Executive Officer.
- (3) Each brokerage that is required to provide disclosure information and documentation pursuant to subsection 31.1(1) of Regulation 188/08 in respect of a non-qualified

syndicated mortgage shall pay a fee in respect of that non-qualified syndicated mortgage in the amount of \$200.

- (4) The fee payable pursuant to subsection 6.3(3) shall be paid within 5 days following the date on which any prescribed disclosure documentation was first provided by or on behalf of the brokerage to the first potential or actual lender or investor in a non-qualified syndicated mortgage and shall be accompanied by a copy of the syndicated mortgage disclosure form provided to such first potential or actual lender or investor in respect of that non-qualified syndicated mortgage.
- (5) Fees not refundable – A fee paid by person or entity under this section 6.3 is not refundable and may not be credited toward any subsequent fee payable by the person or entity.

## **PART 7 PENSION SECTOR ASSESSMENTS AND FEES**

### **7.1 Assessments**

- (1) Definitions – In this Part 7,
  - (a) “administrator” has the same meaning as in subsection 1(1) of the *Pension Benefits Act*;
  - (b) “assessable pension plan” means a pension plan,
    - (i) for which an application for registration under section 9 of the *Pension Benefits Act* has been filed, or
    - (ii) for which a certificate of registration has been issued under section 16 of the *Pension Benefits Act*,as of a date on or before a date determined by the Authority for the purposes of preparing its final budget in respect of a particular assessment period;
  - (c) “beneficiaries” in respect of an assessable pension plan means the aggregate number of members, former members, retired members and other beneficiaries of the pension plan;
  - (d) “budgeted pension sector expenses and expenditures for the assessment period” means, in respect of a particular assessment period, the total amount of direct costs of, and common costs that the Authority allocates to, the pension sector in respect of the assessment period, as set out in the final budget;
  - (e) “budgeted pension sector fees for the assessment period” means, in respect of a particular assessment period, the total amount of fees that the Authority estimates will be charged to pension sector assessable entities in respect of the assessment period, as set out in the final budget;
  - (f) “discontinued plan” means a pension plan for which an annual information return has been filed under section 29.1 of Regulation 909 of the Revised Regulations of Ontario, 1990 (*General*) made under the *Pension Benefits Act* at any time on or before a date determined by the Authority for the purposes of preparing its final budget in respect of a particular assessment period;



- (g) “former member” has the same meaning as in subsection 1(1) of the *Pension Benefits Act*;
  - (h) “member” has the same meaning as in subsection 1(1) of the *Pension Benefits Act*;
  - (i) “net budgeted pension sector expenses and expenditures for the assessment period” means, in respect of a particular assessment period, the difference between the total of all budgeted pension sector expenses and expenditures for the assessment period and the total of all budgeted pension sector fees to be charged for the assessment period, which amount shall not be less than zero;
  - (j) “pension plan” has the same meaning as in subsection 1(1) of the *Pension Benefits Act*;
  - (k) “retired member” has the same meaning as in subsection 1(1) of the *Pension Benefits Act*; and
  - (l) “variable share” means, in respect of a particular assessment period, the amount remaining when net budgeted pension sector expenses and expenditures for the assessment period is reduced by the aggregate budgeted assessment amounts in respect of the particular assessment period relating to the pension plans referred to in paragraph 7.1(3)(a).
- (2) An administrator’s share of an assessment of the pension sector in respect of a particular pension plan under subsection 21(2) of the FSRA Act for an assessment period is the following:
- (a) for the administrator of an assessable pension plan, other than a discontinued plan, the share calculated in accordance with subsection 7.1(3); and
  - (b) for the administrator of a discontinued plan, zero.
- (3) For the purposes of paragraph 7.1(2)(a):
- (a) if a particular assessable pension plan has 78 beneficiaries or fewer, the administrator of that particular assessable pension plan’s share of an assessment of the pension sector for an assessment period and in respect of that particular assessable pension plan is \$750;
  - (b) if a particular assessable pension plan has 79 or more beneficiaries, the administrator of that particular assessable pension plan’s share of the variable share of an assessment period is determined by calculating the amount

$$(A/B) \times (C \times D)$$

for each tier in the table below,

in which,

“A” is the number of beneficiaries in the tier in the table below in the particular assessable pension plan,

“B” is the total number of beneficiaries in the tier in the table below in all assessable pension plans,

“C” is the percentage of the variable share denoted for that tier in the table below, and

“D” is the variable share,

and then adding together the amounts so calculated for each tier in respect of the particular assessable pension plan.

TIER	INCREMENTS FOR PENSION PLAN BENEFICIARIES	PERCENTAGE OF VARIABLE SHARE TO BE RECOVERED FROM ADMINISTRATORS RELATING TO BENEFICIARIES OF THAT ADMINISTRATOR’S PENSION PLAN IN A PARTICULAR TIER
1	1 <sup>st</sup> to 1,000 <sup>th</sup> beneficiary	41.760%
2	1,001 <sup>st</sup> to 6,000 <sup>th</sup> beneficiary	33.683%
3	6,001 <sup>st</sup> to 12,000 <sup>th</sup> beneficiary	10.066%
4	12,001 <sup>st</sup> to 60,000 <sup>th</sup> beneficiary	9.648%
5	60,001 <sup>st</sup> to 150,000 <sup>th</sup> beneficiary	4.507%
6	In excess of 150,000 beneficiaries	0.336%

- (4) The number of beneficiaries of an assessable pension plan in respect of a particular assessment period is the number of beneficiaries of the assessable pension plan indicated in the most recent annual information return filed under the *Pension Benefits Act* on or before a date determined by the Authority for the purposes of preparing its final budget or, in the absence of such a return, the number of beneficiaries indicated in the application for registration of the pension plan submitted under the *Pension Benefits Act*.
- (5) The administrator of an assessable pension plan shall pay its assessment in respect of that assessable pension plan within 14 days after the date of the invoice for the assessment in the manner and to the account specified by the Authority in such invoice.

## 7.2 Fees

- (1) The fees payable with respect to matters under the *Pension Benefits Act* are listed opposite the description in the following table.

DESCRIPTION	FEE
Application fee for registration of a pension plan – <i>Pension Benefits Act</i> , subsection 9(2)	\$250 per application

- (2) Fees not refundable – A fee paid by person or entity under this section 7.2 is not refundable and may not be credited toward any subsequent fee payable by the person or entity.

## **PART 8 PRPP SECTOR ASSESSMENTS AND FEES**

### **8.1 Assessments and Fees**

- (1) No assessments or fees are payable to the Authority in respect of the PRPP sector under subsection 21(2) of the FSRA Act.

## **PART 9 GENERAL FEES**

### **9.1 Fees**

- (1) The fees payable with respect to matters under the FSRA Act are listed opposite the description in the following table.

<b>DESCRIPTION</b>	<b>FEE</b>
Certificates issued by the Chief Executive Officer – FSRA Act, section 20.1	\$25 per certificate
Photocopies of documents except where a fee is specifically provided under another section of this Rule	\$0.50 per page (\$5.00 minimum)

- (2) Fees not refundable – A fee paid by person or entity under this section 9.1 is not refundable and may not be credited toward any subsequent fee payable by the person or entity.

## **PART 10 EFFECTIVE DATE AND TRANSITIONAL**

### **10.1 Effective Date**

- (1) This Rule comes into force on ●, 2019.

### **10.2 Transitional**

- (1) Definitions – in this Part 10,
- (a) “annual premium charged by DICO” means an annual premium charged by DICO to a credit union under section 276.1 of the *Credit Unions and Caisses Populaires Act, 1994* prior to the commencement of the Authority’s first assessment period and that relates, in whole or in part, to the period covered by the Authority’s first assessment period;
  - (b) “DICO” means the Deposit Insurance Corporation of Ontario;
  - (c) “DIRF” means the Deposit Insurance Reserve Fund referenced in subsection 276(1) of the *Credit Unions and Caisses Populaires Act, 1994*; and

- (d) “regulatory costs of DICO” means, in respect of a period, the costs of DICO in or in respect of that period that are chargeable to the DIRF pursuant to paragraph 276(2)4 of the *Credit Unions and Caisses Populaires Act, 1994*, as determined by the Authority.
- (2) Notwithstanding any other provision of this Rule, in respect of the first assessment period of the Authority:
- (a) no fee in respect of any matter described in subsection 3.2(1) shall be payable to the Authority if an identical fee for the same matter was paid to the Crown prior to the first assessment period of the Authority;
  - (b) no fee in respect of a licence or the renewal of a licence contemplated by subsection 4.2(1) or subsection 6.2(1) shall be payable to the Authority by a person or entity in respect of any portion of an assessment period where the particular person or entity has, prior to the first assessment period of the Authority, previously paid to the Crown a fee for the same licence or renewal of the licence and the licence so issued or renewed relates to the first assessment period of the Authority;
  - (c) no fee in respect of a certificate referred to in subsection 4.2(1) or subsection 9.1(1) shall be payable to the Authority if an identical fee in respect of the same request was paid to the Crown prior to the first assessment period of the Authority;
  - (d) no licence application fee or regulatory fee contemplated by section 4.3 shall be payable to the Authority by a person or entity in respect of any portion of an assessment period where the particular person or entity has, prior to the first assessment period of the Authority, previously paid to the Crown a licence application fee or regulatory fee in relation to the first assessment period of the Authority; and
  - (e) no fee in respect of an application for registration referred to in subsection 5.2(1) or subsection 7.2(1) shall be payable to the Authority if an identical fee for the same application was paid to the Crown prior to the first assessment period of the Authority,

provided, however, that in the case of each such fee referred to in paragraphs (a) through (e) above, the Authority has received value for such fee from its predecessor, the Financial Services Commission of Ontario or the Deposit Insurance Corporation of Ontario.

- (3) Notwithstanding any other provision of this Rule, in respect of the first assessment period of the Authority, each credit union shall receive a credit in an amount equal to that portion of the annual premium charged by DICO and paid by the credit union that:
- (a) relates to the regulatory costs of DICO; and
  - (b) the Authority determines relates to the period (or part thereof) covered by such first assessment.

Any such credit may be granted by the Authority on an estimated basis in the original assessment invoice issued by the Authority to a credit union, with an adjustment (positive or negative) to be made on a date determined by the Authority. The Authority shall only provide such credit to a particular credit union if the Authority has received value from

DICO for the annual premium charged by DICO in respect of such credit union, on or prior to the commencement of the Authority's first assessment period.

## Appendix B Pension Sector – Illustrative Assessment Calculation

The following is an illustration of how an assessable pension plan’s share of the variable share of an assessment period would be calculated. This illustration is based on the assumptions set out below. These assumptions should not be considered indicative of the actual numbers upon which an assessment in respect of any assessment period will be calculated.

As indicated in the Notice, FSRA anticipates posting and consulting on the 2019-20 draft budget in early 2019. Solely for illustrative purposes, if FSRA were to assume the following by way of example:

- an overall budget of approximately \$90 million in expenses and expenditures (this illustrative number is based on a combination of FSCO and DICO budgets for the functions FSRA is expected to assume – this does not take into account any potential budgetary increases to address opportunities for transformation);
- a budgetary allocation of \$24,197,621 in expenses and expenditures to the pension sector (this illustrative number is based on the pensions sector historically accounting for approximately 27% of the FSCO/DICO budget) – this is referred to as the *budgeted pension sector expenses and expenditures for the assessment period* in the proposed fee rule;
- *budgeted pension sector fees for the assessment period* of approximately \$58,499 (this illustrative number is based on potential fees to be charged under subsections 7.2(1) and 9.1(1) of the Proposed Fee Rule from the pension sector), and therefore *net budgeted pension sector expenses and expenditures for the assessment period* of \$24,139,122;
- an aggregate budgeted assessment for assessable pension plans having 78 beneficiaries or fewer of \$3,890,250 (this illustrative number is based on there being 5,187<sup>1</sup> such plans, each being charged \$750 pursuant to paragraph 7.1(3)(a) of the Proposed Fee Rule), and therefore the *variable share* being \$20,248,872; and
- the total number of beneficiaries in each tier for all assessable pension plans being: for Tier 1 - 880,816; for Tier 2 - 779,483; for Tier 3 - 284,433; for Tier 4 - 595,673; for Tier 5 - 467,955; and for Tier 6 - 970,189<sup>1</sup>,

then the marginal fee per beneficiary for an assessable pension plan with 79 or more beneficiaries would be as follows:

TIER	INCREMENTS FOR PENSION PLAN BENEFICIARIES	MARGINAL FEE/BENEFICIARY
1	1 <sup>st</sup> to 1,000 <sup>th</sup> beneficiary	\$9.600
2	1,001 <sup>st</sup> to 6,000 <sup>th</sup> beneficiary	\$8.750
3	6,001 <sup>st</sup> to 12,000 <sup>th</sup> beneficiary	\$7.166
4	12,001 <sup>st</sup> to 60,000 <sup>th</sup> beneficiary	\$3.280
5	60,001 <sup>st</sup> to 150,000 <sup>th</sup> beneficiary	\$1.950

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<sup>1</sup> Illustrative numbers are based on historical data; numbers will be determined from the annual information returns filed under the Pension Benefits Act as provided under subsection 7.1(4) of the Proposed Fee Rule.

TIER	INCREMENTS FOR PENSION PLAN BENEFICIARIES	MARGINAL FEE/BENEFICIARY
6	In excess of 150,000 beneficiaries	\$0.070

Based on the foregoing illustrative assumptions, examples of an assessable pension plan's share of the variable share of an assessment period would be as follows:

**Example 1 – Assessable Pension Plan with 4,000 Beneficiaries**

$$(1,000/880,816) \times (0.41760 \times \$20,248,872)$$

plus

$$(3,000/779,483) \times (0.33683 \times \$20,248,872)$$

$$= \$35,849.92$$

**Example 2 – Assessable Pension Plan with 40,000 Beneficiaries**

$$(1,000/880,816) \times (0.41760 \times \$20,248,872)$$

plus

$$(5,000/779,483) \times (0.33683 \times \$20,248,872)$$

plus

$$(6,000/284,433) \times (0.10066 \times \$20,248,872)$$

plus

$$(28,000/595,673) \times (0.09648 \times \$20,248,872)$$

$$= \$188,176.67$$

**Example 3 – Assessable Pension Plan with 400,000 Beneficiaries**

$$(1,000/880,816) \times (0.41760 \times \$20,248,872)$$

plus

$$(5,000/779,483) \times (0.33683 \times \$20,248,872)$$

plus

$$(6,000/284,433) \times (0.10066 \times \$20,248,872)$$

plus

$$(48,000/595,673) \times (0.09648 \times \$20,248,872)$$

plus

$$(90,000/467,955) \times (0.04507 \times \$20,248,872)$$

plus

$$(250,000/970,189) \times (0.00336 \times \$20,248,872)$$

$$= \$446,821.85$$

**As noted above, the foregoing is provided for illustrative purposes only – the assumed numbers should not be considered indicative of the actual numbers upon which an assessment in respect of any assessment period will be calculated.**