

Draft FSCO 2017 Statement of Priorities

Message from the Chair and Chief Executive Officer

The financial services sector is Ontario's second largest industry. The economic growth and financial stability of both the province and the country depend on it. As such, the regulation of this sector, and the more than 89,000 individuals and corporations licensed by the Financial Services Commission of Ontario (FSCO), is a significant responsibility.

Last year, the expert advisory panel appointed by the government to review the mandates of FSCO, the Financial Services Tribunal (FST) and the Deposit Insurance Corporation of Ontario (DICO) submitted its final report to the Minister of Finance.

The report recommended some important and positive changes for the future of financial services regulation in Ontario, such as enhanced powers for the regulator that would strengthen its ability to enforce regulations.

In the fall of 2016, the government passed legislation to create and establish the initial parameters of the Financial Services Regulatory Authority (FSRA) – a new independent and flexible regulator that would be “more consumer-focused and improve protections for consumers, investors and pension plan beneficiaries.”

Since then, the government has created a temporary Secretariat responsible for supporting FSRA's implementation. However, this is a complex project that will take time, and there are still many decisions to be made by the government.

In the meantime, FSCO remains the financial services regulator in Ontario, and the FST will continue to hear cases on financial services matters. We will work diligently to continue to improve our effectiveness and responsiveness, while also being flexible and adaptable to change. FSCO's priorities for the coming year reflect our intention to focus on enabling innovation and reinforcing expectations to treat consumers and pension plan beneficiaries fairly – important themes that address the needs of today and align with those of the future.

This statement is an opportunity for our stakeholders and the public to comment and provide input on FSCO and the FST's strategic direction for the year ahead. We look forward to reading your submissions as we work to protect the public interest and enhance public confidence in our regulated sectors.

About FSCO

FSCO's legislative mandate is to provide regulatory services that protect the public interest and enhance public confidence in the sectors it regulates.

Using a risk-based approach to enforce legislation, FSCO regulates the insurance sector, including service providers who invoice auto insurers for statutory accident benefit claims; pension plans; credit unions and caisses populaires; the mortgage brokering sector; co-operative corporations; and loan and trust companies.

FSCO's approach to fulfilling its legislated regulatory responsibilities is outlined in greater detail in its Regulatory Framework. Accountable to the Minister of Finance, FSCO also seeks approval for its projects and direction through the Agency Business Plan and reports back on its core activities through its Annual Report.

FSCO Priorities

Section 11 of the Financial Services Commission of Ontario Act, 1997, requires that FSCO publish a statement each year setting out its proposed priorities and the reasons for adopting these priorities.

The 2017 Statement of Priorities provides a snapshot of FSCO objectives over the coming fiscal year. In 2017-18, FSCO will continue to focus its efforts on core activities and initiatives in seven priority areas to:

- 1.Ensure financial services industry compliance with laws and regulations.
- 2.Provide adequate disclosure of information to enable informed decisions by consumers and pension plan members.
- 3.Raise awareness of FSCO's actions in the financial services marketplace.
- 4.Create common and integrated processes enabled by integrated technology solutions.
- 5.Enhance the collection, use and sharing of market intelligence.
- 6.Be an agile and adaptable organization.
- 7.Influence the development of provincial, national and international regulatory policy.

While FSCO has made important progress on these priorities, this year, FSCO sees an opportunity to advance its work by focusing on the themes of treating consumers fairly and enabling innovation.

Treating Consumers Fairly

In today's complex and interconnected financial services marketplace, the fair treatment of consumers across all financial sectors – and the related stability and strength of the overall financial marketplace – is fundamental.

Treating consumers fairly means putting the interests of consumers first. It means taking the time to understand their needs and putting in the extra effort to make sure they understand the risks and their responsibilities. This concept is nothing new, but it is of utmost importance because financial services touch every Ontarian's life.

FSCO recognizes the need to empower consumers and pension plan beneficiaries so they have the information they need to make decisions about their financial futures. This year, FSCO will place a strong emphasis on industry compliance with laws and regulations specifically relating to disclosure of risk and responsibility for consumers. FSCO will develop new tools and partnerships to help increase the level of financial literacy among Ontarians and help them identify and reject fraud.

FSCO and industry partners have a shared responsibility to treat consumers and pension plan beneficiaries fairly. Which is why FSCO will also be raising awareness of its actions and expectations in this regard by continuing to issue guidance and bulletins and by hosting additional symposiums and stakeholder meetings. These opportunities will also provide a forum for sharing market intelligence on trends and areas for improvement that will help industry participants take action to increase consumer protection.

FSCO will also continue to support discussions, policies and projects at the national level through its participation in the:

- Canadian Association of Pension Supervisory Authorities (CAPSA)
- Canadian Automobile Insurance Rate Regulators Association (CARR)
- Canadian Council of Insurance Regulators (CCIR)
- Canadian Insurance Services Regulatory Organizations (CISRO)
- General Insurance Statistical Agency (GISA)
- Mortgage Broker Regulators' Council of Canada (MBRCC)

A number of these groups are engaging in work that will empower consumers and pension plan beneficiaries through clearer disclosure documents, increased awareness and education, and a greater emphasis on the consumer experience. We support many of these initiatives. One example is FSCO's work to support CCIR in the development of a new account statement for segregated funds that would address identified gaps in consumer protection and enable investors to make more informed decisions.

Finally, we note that the mandate review panel, the International Monetary Fund and Ontario's Auditor General have highlighted the importance of consumer protection as a focus of regulating financial services.

Enabling Innovation

The marketplace drives the creation of new and innovative products, services and delivery models. While emerging financial technology (fintech) provides new opportunities, it also brings new challenges for everyone involved.

In her September 2016 mandate letter to the Minister of Finance [New Window], the Premier of Ontario outlined that she wants the province to “foster a dynamic, innovative and growing economy.” With industry showing interest in discussing and implementing innovative solutions, FSCO recognizes the need to find ways to modernize the regulation of financial services to accommodate the rapidly evolving digital sphere.

As the regulator, FSCO must balance moving quickly enough to support product and service innovation, with taking the time to ensure consumer interests are protected and legislative and regulatory requirements are met. That is why FSCO’s relationships with industry, fellow Canadian regulators and lawmakers are so important. Many industry partners have excelled at raising early awareness of their innovative work and sharing market intelligence with us. By increasing efforts to work together in the early stages of product and service advancements, FSCO will be better positioned to support and adapt to new opportunities.

This year for example, FSCO is working to enable the broader use of electronic proof of automobile insurance. This is a modernization in the insurance industry that is already available in some jurisdictions, such as the United States. Last year, by working with industry and regulatory partners, FSCO provided limited approval of electronic pink slips as part of the interim insurance solution for ridesharing. Following consultations held by CCIR and recommendations from industry stakeholders, FSCO will now be moving forward with this important initiative along with other Canadian regulators.

While the Ontario government makes decisions about the overall regulation of financial services in the province, FSCO will continue to invest in ways to modernize and sustain its operations through changes to technology and business practices, creating common and integrated processes wherever possible. This work will increase industry compliance and allow FSCO to be a more efficient and responsive regulator in this current climate of change.

About the Financial Services Tribunal

The Financial Services Tribunal (FST) [New Window] is an independent, decision-making body that, at the request of affected persons, hears appeals from decisions and proposed decisions of the Superintendent of the Financial Services Commission of Ontario (FSCO) and of the Deposit Insurance Corporation of Ontario (DICO).

FST has exclusive jurisdiction to exercise the powers conferred under the Financial Services Commission of Ontario Act, 1997 [New Window] and other acts that confer powers on or assign duties to it.

FST Priorities

Maintain a pool of qualified members to adjudicate hearings

The tribunal will continue to work with the Ministry of Finance and the Public Appointments Secretariat to ensure the appointment of additional qualified members sufficient to meet the tribunal's expected caseload. The FST will continue to provide adequate training (internal and external resources) to ensure that tribunal members have the appropriate education and expertise to hear tribunal matters to which they are assigned.

Dialogue with members of the legal profession

The FST will continue its dialogue with members of the legal profession through its Legal Advisory Committee to address matters related to its hearing rules, practices and procedures. The tribunal will continue to receive an annual report from the committee chair.

Update Tribunal rules, practices and procedures

The tribunal will review rules, practices and procedures as required to reflect changes to its mandate and other legislated change. The tribunal will review and revise performance standards as needed to ensure that adjudicative services are delivered effectively by available resources.

Send us your comments

FSCO invites interested parties to make written submissions regarding FSCO's Draft 2017 Statement of Priorities.

Interested parties may send submissions by May 26, 2017, to:

Chief Executive Officer and

Superintendent of Financial Services

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To request a paper copy, please call (416) 250-7250 or toll-free: 1-800-668-0128.

FSCO's 2017 Statement of Priorities will be submitted to the Minister of Finance in June 2017 and will be published in The Ontario Gazette shortly thereafter.