

Regulatory Issues And Trends Newsletter

Table of Contents

Manitoba Launches On-line License Renewal For Agents	Page 2
Agent Code of Conduct Quizzes Available In Manitoba	Page 2
New Brunswick Appoints Acting Ombudsman	Page 2
Victims of Financial Crime Get Support from AMF	Page 2
WorkSafeBC's Bullying in Workplace Policies Take Effect November 1	Page 3
Ursula Menke To Step Down As FCAC Commissioner At End Of May	Page 3
OSFI Says Cyber Security A Major Concern	Page 4
OSFI Releases Results Of Satisfaction Survey On Its Work	Page 5
Canadian Banks Stronger Than They Appear: OSFI	Page 5
Multiple Banking Arbitration Services Challenge Consumers: PIAC	Page 5
Financial Services Industry Has Many Concerns About OBSI	Page 6
U.S. And International Regulators Advance Global Framework	Page 7
NAIC White Paper Series Examines State Of Life Insurance Industry	Page 7
UK Consumer Panel Calls For Straightforward Products	Page 8
UK Simple Financial Products Initiative Takes Next Step	Page 8
UK Panel Launches Four Pillars To Improve Consumer Protection	Page 9
New UK Regulator Sets Out Business Plan	Page 9
Advocates Welcome New UK Financial Regulator	Page 10

PROVINCIAL ISSUES AND TRENDS

Manitoba

Manitoba Launches On-line License Renewals For Agents

In April, the Insurance Council of Manitoba announced its launch of web-based license renewal functionality. Agent licenses can now be renewed 24/7 via a new online portal. For further information, visit <http://www.icm.mb.ca/>.

Agent Code Of Conduct Quizzes Available In Manitoba

The Insurance Council of Manitoba's Life Council and General Council have developed quizzes to help agents test their practical knowledge of their appropriate Code of Conduct, using questions and typical situations that an agent might encounter.

Knowledge of the appropriate Code of Conduct – Life Insurance and Accident and Sickness Agent's Code of Conduct; or General Insurance Agent Code of Conduct – is one of the licensing requirements for insurance agents in the province.

Each quiz consists of 10 multiple choice questions with four answer options. All 10 questions must be answered correctly to complete a quiz successfully and receive one (1) continuing education credit. While completing the relevant quiz is not mandatory for licensing, there is no charge for taking a quiz and no limit on the number of attempts. For further information, visit <http://www.icm.mb.ca/>.

New Brunswick

New Brunswick Premier Appoints Acting Ombudsman

New Brunswick has a new Acting Ombudsman, whose appointment was announced just two days after the province's Consumer Advocate For Insurance argued in his Annual Report that [his office's duties should remain separate from the ombudsman's office](#).

New Brunswick's Premier David Alward recently announced that Jennifer Murray has been appointed Acting Ombudsman, effective immediately. Murray was most recently the director of legal and corporate services in the Office of the Ombudsman, which has a mandate to conduct independent investigations of complaints.

To read more, click here: <http://www.canadianunderwriter.ca/news/new-brunswick-premier-appoints-new-acting-ombudsman/1002236872/>.

Quebec

Victims Of Financial Crime Get Support From AMF

The Autorité des marchés financiers (AMF) has signed an agreement with Montreal Crime Victims Assistance Centre (CAVAC) that aims to enhance support to victims of financial crime.

The agreement allows AMF staff to refer victims directly to the CAVAC, in an effort to bolster the support offered to victims of economic crime.

Mario Albert, President and CEO of the AMF, said that "through a closer relationship with Montréal CAVAC, a recognized organization with specialized caseworkers, victims of economic crime will have better access to services and support adapted to their needs."

"Our caseworkers are trained to offer front-line psycho-socio-legal services to victims of financial crime," said Jenny Charest, the head of Montréal CAVAC. "This agreement with the AMF will allow us to reach and assist sometimes vulnerable clients who may be reluctant to ask for help despite the impacts of victimization."

British Columbia

Bullying In The Workplace - WorkSafeBC's New Policies To Take Effect November 1

In 2012, BC's [Bill 14](#) (the *Workers' Compensation Amendment Act*, 2011) introduced amendments to British Columbia's [Workers' Compensation Act](#) (the *WCA*), to specifically address bullying and harassment in the workplace.

[WorkSafeBC](#), tasked with the implementation of the *WCA*, has now approved three [Occupational Health and Safety Workplace Bullying and Harassment Policies](#) (the Policies), which will take effect on November 1, 2013.

The Policies address the general duties of employers, employees, and supervisors regarding preventing and minimizing bullying and harassment in the workplace.

To read more, click here: http://www.canadianemploymentpensionlaw.com/human-rights/bullying-in-the-workplace---worksafebcs-new-policies-to-take-effect-november-1-2013/?utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+CanadianEmploymentPensionLaw+%28Canadian+Employment+%26+Pension+Law%29.

FEDERAL ISSUES AND TRENDS

Finanacial Consumer Agency of Canada (FCAC)

Ursula Menke To Step Down As FCAC Commissioner At End Of May

In the May issue of FCAC's Financial Literacy Newsletter, Commissioner Ursula Menke announces that she will be leaving her position at the end of May.

In her *Word From FCAC's Commissioner*, Menke also

- thanks all stakeholders, including members of the financial industry, for their contributions to FCAC's work during her five and a half years as Commissioner;

- lauds the federal Government for enhancing its commitment to financial literacy by expanding FCAC's mandate and resources, noting in particular the **Financial Literacy Leader Act**, which received Royal Assent on March 27. This legislation (Bill C-28) provides for the appointment of a Financial Literacy Leader within FCAC, whose mandate will be to collaborate and coordinate activities with stakeholders to support and contribute to initiatives that strengthen the financial literacy of Canadians;
- advises that the Government is working towards selecting her successor and the first Financial Literacy Leader;
- notes that FCAC's new Research Division is working on projects in the following areas: mobile payments; banking fees; the relationship between/among numeracy, literacy, and financial literacy; and a financial literacy program assessment;
- indicates that the Research Division is assessing the extent to which the current Canadian regulatory framework protects mobile payment users, such that this work will help inform the development of federal consumer protection policies; and
- invites industry organizations to add their names to the list of those willing to participate in the next Financial Literacy Month – November 2013 – by organizing related initiatives and events.

For further information, visit <http://www.fcac-acfc.gc.ca/eng/resources/newsletters/201304f/newsletter-1-eng.asp>.

Office of the Superintendent of Financial Institutions (OSFI)

OSFI Says Cyber Security A Major Concern

Julie Dickson, Canada's Superintendent of Financial Institutions, says that cyber security has become a top priority for the Office of the Superintendent of Financial Institutions (OSFI), along with more traditional risks facing banks.

In a recent speech to an industry conference in Cambridge, Ontario, Dickson said that cyber risk has become one of OSFI's top concerns. She said that a growing number of North American banks have been hit with denial of service attacks, which are both costly to deal with but, more importantly, can also presage a more serious attack.

"Our concern is growing due to the rapid evolution of cyber attacks in terms of frequency, fire power and targets," she said, stressing that all financial institutions need to focus on this threat.

To view the text of Ms. Dickson's prepared remarks, click here: http://www.osfi-bsif.gc.ca/app/DocRepository/1/eng/speeches/jd20130502_e.pdf.

OSFI Releases Results Of Satisfaction Survey On Its Work

OSFI recently released the results of its latest stakeholder satisfaction survey, which gives it generally good marks but notes that there's still room for improvement.

The Strategic Counsel, an independent research firm and member of the Marketing Research and Intelligence Association, conducted the latest review with deposit-taking institutions in the fall of 2012, to explore perceptions of OSFI's performance carrying out its mandate. It reports that the overall impressions of OSFI are extremely positive in most areas.

However, it did find some areas for improvement, including calls for: better communication of OSFI's international activities; increased timeliness in providing written supervisory reports; more consultation with small institutions when developing guidance; and, it also noted concerns about the impact of relationship manager turnover.

Outside of those concerns, the study found that OSFI is perceived as fair and reasonable to deal with; willing to engage in dialogue with individual institutions; and, focuses on appropriate areas of risk. It also concluded that OSFI is seen to be highly effective in monitoring and supervising deposit-taking institutions; that its guidance is effective; and, that most participants feel their institution is able to discuss issues of concern before OSFI makes a decision, and they believe that it is responsive to concerns raised.

OSFI says it has developed an action plan to deal with a number of the areas identified as needing improvement.

Canadian Banks Stronger Than They Appear: OSFI

Canadian banks will be enhancing disclosure in the months ahead, said a senior federal banking regulator while calling for better disclosure from banks in other jurisdictions.

In a speech on Tuesday, May 6 to an industry conference, Mark Zelmer, Assistant Superintendent with the Office of the Superintendent of Financial Institutions (OSFI), argued that the capital ratios of the Canadian banks are stronger than they may appear, as the don't rely on any transitional arrangements, which other banks may be using before fully adopting the new Basel III capital adequacy rules.

To read more, click here: http://www.investmentexecutive.com/-/canadian-banks-stronger-than-they-appear?redirect=%2Fnews%2Ffrom-the-regulators%3Futm_source%3Dnewsletter%26utm_medium%3Dnl%26utm_content%3Dinvestmentexecutive%26utm_campaign%3DINT-EN-morning.

Public Interest Advocacy Centre (PIAC)

Multiple Banking Arbitration Services Challenge Consumers: PIAC

The Public Interest Advocacy Centre (PIAC) singles out the federal Government's decision to allow banks to choose their own arbiters of client disputes as one of key consumer issues facing Canadians, and calls on consumers to become more active in public consultations on these sorts of issues.

Friday, March 15 was World Consumer Rights Day, which the PIAC says represents an opportunity to mark the improvements made on behalf of Canadian consumers over the past year, and the many challenges they still face. Among the major challenges, it points to "the evolving issue of allowing multiple consumer banking arbitration services"; along with the implementation of anti-spam rules; implementing the report of Task Force for the Payments System Review, and improving the relationship between consumers and their wireless providers.

Ombudsman For Banking Services And Investments (OBSI)

Financial Services Industry Has Many Concerns About Giving OBSI More Power And Its Campaign To "Name And Shame" Firms

The financial services industry has been critical of the **Ombudsman for Banking Services and Investments (OBSI)** and doesn't back the regulators' proposal to declare OBSI the sole dispute-resolution mechanism for all firms. Yet, there also is broad support for giving OBSI tougher enforcement powers.

Investment Executive (IE) sought the industry's views on the current state of dispute resolution in two supplemental questions in its 2013 Regulators' Report Card and found that, by and large, what the industry truly wants is a more effective ombudservice.

After operating in the background for years, OBSI has come under increasing criticism from the industry over the past couple of years - and it's facing growing resistance to its recommendations. Late last year, OBSI felt compelled to deploy its only enforcement power - publicly naming firms and detailing their cases - against several firms in cases in which it was unable to secure acceptance of its recommendations.

Around the same time, the **Canadian Securities Administrators (CSA)** proposed that all firms be required to use OBSI to resolve customer disputes. Currently, only firms that belong to the **Investment Industry Regulatory Organization of Canada (IIROC)** and the **Mutual Fund Dealers Association of Canada (MFDA)** are obliged to use OBSI.

Although some other types of securities firms (such as exempt-market dealers and scholarship plan dealers) use OBSI's services, the CSA proposal would make it mandatory for all firms. The goals are to minimize confusion for clients and shore up OBSI's status.

Yet, those surveyed by IE were split over whether this is a good idea. To read more, click here: <http://www.investmentexecutive.com/-/a-more-effective-obsi-is-much-needed?redirect=%2Fsearch>.

INTERNATIONAL/GLOBAL

National Association of Insurance Commissioners (NAIC)

U.S. And International Regulators Advance Global Framework

The National Association of Insurance Commissioners (NAIC) in the U.S. will host the 6th annual International Insurance Forum May 9-10 in Washington, D.C. The forum brings together U.S. and international insurance regulators, consumer advocates, academics and industry leadership.

Jim Donelon, NAIC President and Louisiana Insurance Commissioner, will welcome the forum's 200+ attendees. NAIC Chief Executive Officer Ben Nelson is scheduled to offer perspectives on the impact of international regulatory developments on the U.S. supervisory framework of state-based insurance regulation.

Discussion topics during the two-day forum include:

- Components of Effective Group Supervision
- Longevity Risk and the Search for Solutions
- Role of Insurance as a Disaster Risk Management Tool
- CEO Perspectives on International Developments
- Effective Resolution Regimes and the Role of Policyholder Protection Structures
- Addressing Financial Stability in the Insurance Sector

Other featured speakers and panelists include current chief state insurance regulators as well as representatives from the International Monetary Fund (IMF), the Federal Reserve Board and CEOs from internationally active insurance companies.

NAIC White Paper Series Examines State Of Life Insurance Industry

The National Association of Insurance Commissioners (NAIC) in the U.S. released the first installment of a white paper on the state of the life insurance industry and the implications of emerging trends on April 4. This is the first release in a series of three.

Written and developed by the NAIC's Center for Insurance Policy and Research (CIPR), *State of the Life Insurance Industry* explores how the industry has evolved, the nature of regulatory responses, changes in product offerings and technology, and challenges of the economic climate.

The first installment of the white paper includes "Historical Evolution of Life Insurance," which traces the history of life insurance from the 18th century to the present, and "Meeting the Risks of the New Environment," which explores risk management in the context of the changing and complex market.

"The unique nature of life insurance requires regulators to keep pace with changes and to anticipate trends in the market," said Julie Mix McPeak, Chair of the NAIC Life Insurance and Annuities Committee and Tennessee Insurance Commissioner. "The white paper provides an important framework to assist regulators in assessing which changes have been successful, identifying areas that may need improvement, and considering future needs."

The second installment will feature "Life Insurer Balance Sheets" and "Implications of Economic and Market Changes on Life Insurers" sections. The third installment will include "Current and Emerging Trends in Life Insurance Products" and "Technology." Click [HERE](#) to view the first installment of the white paper.

UK Financial Services Consumer Panel (FSCP)

UK Consumer Panel Calls For Straightforward Products That Consumers Can Trust

Britain's Financial Services Consumer Panel (FSCP) is calling on bankers to change their culture to give consumers a fair deal and restore trust in the financial industry.

The FSCP notes that it has highlighted a lack of professional ethics, and blamed an ethical failure for many of the recent banking scandals. In response, it has called for the adoption of a new set of professional standards for bankers, and stresses that there's a need for straightforward products that consumers can trust.

"Consumers need the right products at the right price. This should mean an end to inducements related to product choice and sales volumes. It should also be accompanied by firms offering straightforward outcome products that do what they say on the tin," said Mike Dailly, FSCP working group chair at a recent industry conference.

Dailly also noted that the new industry regulator, which has new consumer protection and competition duties, "will be an important driver for progressive change." However, he stressed that, "Regulation alone will not be enough."

"Only organizational leadership in the industry coupled with a commitment to cultural change and the adoption of a new set of consumer values will be key to restoring trust," he said.

UK Simple Financial Products Initiative Takes Next Step

An independent review in Britain examining the prospect for the creation of simple financial products released its final report on Wednesday, March 13, which includes a set of recommendations setting out the initiative's future.

Back in July 2010, the Financial Secretary to the UK Treasury announced the government's intention to help develop a new range of simple financial products, designed to help people take responsibility for their finances and to make better choices.

Following its initial consultation on the issue, in October 2011, the government created an independent steering group to continue work on the proposal. On Wednesday, that group published its final report, following consultation with a wide range of consumer groups and industry representatives.

The report recommends the first set of simple financial products to be developed should include: an easy access savings account; a 30-day notice savings account; a regular savings account; and a fixed term life insurance product.

It says that a whole life insurance product should be the next product added, and the Association of British Insurers (ABI) will lead further work on a simple income replacement product. Credit unions will also be invited to develop their own line of simple products.

To read more, click here: <http://www.investmentexecutive.com/-/uk-simple-financial-products-initiative-takes-next-step?redirect=%2Fsearch>.

UK Panel Launches Four Pillars To Improve Consumer Protection

The UK's Financial Services Consumer Panel (FSCP) is proposing "four pillars" of consumer protection, which it says should be used to guide policy-making, particularly in the European Union (EU).

The FSCP is marking World Consumer Rights Day by launching its new framework aimed at enabling more effective assessment of legislation, standards and supervision, based around four principles of: access, value, redress and policing, which it says could be used to test any new regulatory measures. "If applied consistently, they could enshrine the consumer perspective in new and developing legislation," it says.

In particular, the principles call for: consumers to have real, universal access to the financial services they need; financial services to offer value to the customer, and that charges and costs must be fair, transparent and proportionate; that consumers must have practical access to binding redress; and, the policing of financial services rules must be effective, with tough enforcement and appropriate penalties.

"We envisage our four pillars of consumer protection stimulating a debate on consistent thinking on consumer protection across the EU," said Adam Phillips, chair of the FSCP. "We would urge legislators and regulators to test everything they do against these four principles."

UK Financial Conduct Authority (FCA)

New UK Regulator Sets Out Its Business Plan

The new financial regulator being established in Britain, the Financial Conduct Authority (FCA), recently set out its plans to embrace a new, more activist approach to regulation.

The FCA, which is being created out of the UK's Financial Services Authority (FSA) and is due to start operations in April 2013, published a business plan and risk outlook, noting that in the year ahead it plans a renewed focus on consumers; tackling market abuse by taking strong enforcement action; building a new competition department to embed competition analysis in its work; continuing to address ongoing misconduct, and taking on existing major policy initiatives.

It said that the main risks for the coming year are: firms not designing products and services that respond to real consumer needs, or are in consumers' long-term interests; insufficient transparency for consumers; inadequate oversight of payment and product technologies; shifts toward more innovative, complex or risky funding strategies or structures that lack oversight, posing risks to market integrity and consumer protection; and, excessive consumer risk taking due to poor understanding of risk and return and the intensified search for yield.

The FCA said it will take a risk-based approach to supervision, that it will be much more proactive than the FSA, and that it will focus on issues that have wider, longer-term effects on consumers and market integrity. The new regulator will employ almost 3,000 people, and plans to spend £445.7 million in 2013-2014.

Separately, the FCA set out its approach to emergency product intervention today, which is a new power that will allow it to restrict or completely ban products that it deems as too risky. Temporary product intervention is a process that will allow it to make emergency rules to protect consumers without public consultation. This would occur in circumstances where the FCA identifies a significant risk to consumers which requires prompt action.

In practice, the rules will allow it to take action such as restricting the use of certain product features, requiring that a product not be promoted to certain types of customers, or requiring that a product not be sold altogether. It says it would consider these sorts of actions in instances where: complex or niche products are sold to the mass market; a non-essential feature of a product seems to be causing serious problems for consumers; and, products that are inherently flawed. These sorts of rules would expire after 12 months and could not be renewed, but would give the FCA time to either consult on a permanent remedy, or resolve the problem another way.

"The creation of the FCA is our opportunity to reset conduct standards. This power, along with our other new powers, helps define how we will regulate going forward," said FCA Chief Executive Martin Wheatley. "We know that some in the industry are concerned about us using this power too hastily; I want to be clear that we know proportionate judgment is needed, and that is what we will exercise. I do not expect us to use this power frequently, but both industry and consumers need to be clear that we will not hesitate to use these powers where we have serious concerns."

Advocates Welcome New UK Financial Regulator

Consumer advocates in Britain are heralding the creation of a new financial regulator, the Financial Conduct Authority (FCA), as part of a response to regulatory failures experienced during the financial crisis.

The Financial Services Consumer Panel, which is a statutory body in the UK mandated to represent consumer interests, "strongly welcomed" the introduction of the FCA.

The FCA is being created out of the UK's Financial Services Authority (FSA), which had championed lighter touch regulation in the years leading up to the crisis. The new FCA focuses entirely on firms' conduct, with the FSA's prudential regulation responsibilities spun off into another authority.

The Consumer Panel said today that it "believes that the FCA has the powers needed to introduce an era of more effective regulation as its operational objectives give it a strong consumer protection mandate."

As a result, the panel is expecting: a "renewed and meaningful focus" by the FCA on ensuring the industry treats its customers fairly; higher penalties to remove firms' incentive to engage in practices that damage consumers, and to act as a clear deterrent; greater use of analytical resources, rule-making and enforcement powers to promote effective competition; a commitment to ensuring access to financial services; and, more effective prioritization, so that the new regulator is not overstretched and can focus on key emerging risks and the root causes of consumer detriment.

To read more, click here: http://www.investmentexecutive.com/-/advocates-welcomes-new-uk-financial-regulator?redirect=%2Fsearch%3Fp_p_id%3Dsearch_WAR_search10%26p_p_lifecycle%3D0%26p_p_state%3Dnormal%26p_p_mode%3Dview%26p_p_col_id%3Dcolumn-1%26p_p_col_count%3D1%26_search_WAR_search10_search%3Dgeneric .