



Joint Forum of Financial Market Regulators

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Forum conjoint des autorités de réglementation du marché financier

# STRATEGIC PLAN 2009 - 2012

April 2009

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# Joint Forum of Financial Market Regulators

## STRATEGIC PLAN 2009 - 2012

### I. Foreword

I am pleased to introduce the Joint Forum of Financial Market Regulators' Strategic Plan for the period from April 1, 2009 to March 31, 2012. With input from stakeholder groups, the Joint Forum has reviewed its existing and planned strategic initiatives to ensure that they are focussed on the current priorities of financial services regulators.

The Joint Forum was founded in 1999 by the members of the Canadian Association of Pension Supervisory Authorities (CAPSA), the Canadian Council of Insurance Regulators (CCIR) and the Canadian Securities Administrators (CSA) to pro-actively facilitate and coordinate the development of harmonized cross-sectoral and cross-jurisdictional solutions to financial services regulatory issues.

Over the last three years, the Joint Forum accomplished many of the objectives of our previous strategic plan.

**CONSUMER REDRESS** – We released “The Financial Services OmbudsNetwork; A Framework for Collaboration” in August 2007, which sets out the architecture for the ongoing relationships of the OmbudServices and regulators. The Framework also includes guidelines that set out public interest objectives for the OmbudServices. Since the release of the Framework, all three financial OmbudServices have taken actions to implement the Framework’s guidelines. All three OmbudServices have revised their terms of reference to meeting the guidelines. Two of the OmbudServices had external assessments conducted and the third one has engaged an organization to conduct its assessment. Regulators now meet periodically with the OmbudServices to discuss progress in implementing the guidelines.

**HARMONIZATION OF POINT OF SALE DISCLOSURE FOR IVICS AND MUTUAL FUNDS** - We released a paper, “Point of Sale Disclosure for Mutual Funds and Segregated Funds” in October 2008. We have turned the framework over to the CCIR and the CSA to implement within their sectors.

**INVESTMENT RULES** – During our consultations on guidelines for capital accumulation plans, a number of stakeholders identified problems arising from the differences in investment rules that apply to pension funds, mutual funds, segregated funds and other pooled investment products. In Spring 2007, the Joint Forum and its

constituencies approved recommendations that would eliminate two of these differences. The recommendations will be implemented by CAPSA and CCIR.

**CONSUMER INFORMATION AND EDUCATION** – The Joint Forum completed a survey of consumer information and education activities of insurance, pension and securities regulators. The Joint Forum was a partner with the Financial Consumers Agency of Canada (FCAC) and the Social and Enterprise Development Innovations (SEDI) in a financial literacy conference that took place in Montreal on September 9th and 10th, 2008.

**INTERMEDIARY REGULATION** – The Joint Forum is in the process of completing a review of the regulation of financial services intermediaries to assess whether there is equivalent protection and identify possible conflicts and undue burden across sectors. The Joint Forum's Intermediary Regulation Committee will present a report to the Joint Forum in June 2009 that will recommend further steps, if necessary.

In developing the 2009-2012 Strategic Plan, the Joint Forum took into consideration feedback from stakeholders on criteria for determining priorities including:

- All stakeholders of the financial services industry, including consumers, investors and firms, are benefited by regulation that is streamlined and harmonized across sectors and jurisdictions.
- Differences in regulatory approaches do not, in themselves, create the necessary condition for a Joint Forum project.
- We should focus on identified cross-sectoral problems that pose real risks to consumers.
- We can provide significant benefits to the Canadian financial services regulatory system by broadening regulators' knowledge and understanding of the financial services industry through sharing of information.

We look forward to working with our stakeholders in the implementation of this strategic plan.

Bob Christie  
Chair, Joint Forum of Financial Market Regulators

## **II. Mission**

**The mission of the Joint Forum is to be...**

**An effective forum representing CAPSA, CCIR and CSA that pro-actively facilitates and coordinates the development of harmonized cross-sectoral and cross-jurisdictional solutions to financial services regulatory issues.**

## **III. Vision**

**The vision of the Joint Forum is...**

**An effective, coordinated, harmonized and simplified financial services regulatory system in Canada.**

We rely on our vision to establish the overall direction for our work.

In pursuing our vision, we support the regulatory system administered by the members of CAPSA, CCIR and the CSA by exchanging information, dealing with common issues and addressing the gaps and overlaps in that system. We do this to protect consumers of financial services and pension plan beneficiaries, and to enhance the integrity of the Canadian marketplace. Our goal is to continue to improve the financial services regulatory system through greater harmonization, simplification and coordination of regulatory approaches.

## **IV. The Environment**

Prompted by adverse developments in financial markets, the regulatory environment is in a state of flux. Fundamental regulatory changes are in the works both in Canada and other countries with international fora being active in coordinating and developing solutions to common problems. Some jurisdictions are looking beyond changes in regulatory regimes and are reviewing their existing regulatory structures.

In setting out our strategic priorities for the next three years, we have taken the following three challenges in the environment into account. These three challenges reaffirm the need for cross-sectoral regulatory coordination.

### **1. CONSUMER CONFIDENCE**

Developments in financial markets have left consumers uneasy about whether they can meet their financial objectives, and whether investment products should play a role in meeting their objectives. Confidence in the integrity of the providers of investment products and services helps ensure that these products are a viable option.

Regulators can continue to make strides in sharing information on enforcement and potential risks that may warrant further attention. Greater awareness and understanding of redress mechanisms and compensation schemes can also contribute to consumer confidence.

### **2. PRODUCT COMPLEXITY**

There are many factors driving the introduction of new products in the marketplace. These include financial innovation, increased cross-sectoral competition amongst both product manufacturers and intermediaries, and the changing needs of consumers as Canadians live longer.

The range of investment products and services that consumers can choose from is increasing. Some new products are complex in nature with risks not easily understood by consumers themselves or the intermediaries that advise them. The need for consumers to purchase suitable products with a full understanding of the features of these products and associated risks is of critical importance. Product manufacturers, intermediaries, and investors themselves all bear responsibility in meeting this objective.

### **3. CONSUMER ENGAGEMENT**

Being well informed on the concerns of consumers assists regulators in determining priorities. Regulators also need to understand the best ways to reach consumers and to promote awareness about the responsibilities of consumers in making informed decisions.

### **V. Strategic Priorities**

In order to meet our goal, we have decided to focus on the following strategic priorities:

- Product Disclosure and Regulation
- Consumer Awareness and Engagement
- Consumer Information and Education, and
- Regulatory Mechanisms

In pursuing these strategic priorities, we will work to:

- Simplify regulation, by promoting new laws or rules only where there is clearly a cross-sectoral problem that poses real risks to consumers,
- Promote the elimination of outdated or unnecessary regulation,
- Encourage streamlining of regulation, by using plain language and reducing the complexity and level of detail in regulatory requirements, and
- Facilitate cross-sectoral communication among our constituent organizations as well as with other regulators and stakeholders.

We recognize that not all regulators will choose to participate in all of the strategic priorities of the Joint Forum. Each jurisdiction has unique laws and structures in place that may, from time to time, preclude its regulators from participating in initiatives that, for example, duplicate or conflict with existing programs.

## **VI. 2009 - 2012 Strategic Initiatives**

The Joint Forum will complete the following initiatives over the next three years:

### **1. PRODUCT DISCLOSURE AND REGULATION**

- Examine the responsibilities of investment product manufacturers, intermediaries and consumers in ensuring that consumers are offered suitable products and that consumers are able to make informed decisions. This initiative will include:
  - Developing governance standards for product manufacturers on the identification and disclosure of risks to consumers of new products.
  - Examining existing standards that are intended to ensure intermediaries understand and explain the products they sell to consumers including the risks of the products.
  - Develop and disseminate a publication on the responsibilities of consumers.
- Monitor implementation of the Joint Forum Point of Sale Framework released in October 2008 and promote the vision and principles underlying the Framework.

### **2. CONSUMER AWARENESS AND ENGAGEMENT**

- Examine ways for the Joint Forum to consult and engage consumers, its constituencies and individual regulators.
- Work with the financial OmbudServices and other stakeholders to improve public awareness of the OmbudServices.
- Develop and disseminate a publication that will provide information on the various compensation funds for the purchase of financial products and services.

### **3. CONSUMER INFORMATION AND EDUCATION**

- Coordinate regulatory efforts on consumer information and education including exchanging information on best practices in delivering information and partnering with other organizations.

**4. REGULATORY MECHANISMS**

- Develop mechanisms to exchange information, with other regulators and Joint Forum stakeholders, on risks to consumers within the financial system
- Develop mechanisms to allow for more effective sharing of information on regulatory enforcement issues and actions across sectors and jurisdictions.

**VII. Ongoing Joint Forum Responsibilities**

**1. CONSUMER REDRESS**

- The Joint Forum Dispute Resolution Standing Committee will continue to work with the financial OmbudServices to ensure that defined public interest objectives are met.

**2. JOINT FORUM CAPITAL ACCUMULATION PLAN GUIDELINES**

- The Joint Forum will establish a Standing Committee to address emerging issues related to CAPs.