

Joint Forum of Financial Market Regulators

Forum conjoint des autorités de réglementation du marché financier

GUIDELINES FOR CAPITAL ACCUMULATION PLANS BACKGROUND

Joint Forum of Financial Market Regulators

- The Joint Forum of Financial Market Regulators (Joint Forum) was established in January 1999 by the Canadian Securities Administrators (CSA), the Canadian Council of Insurance Regulators (CCIR) and the Canadian Association of Pension Supervisory Authorities (CAPSA), as a mechanism for addressing issues of common interest arising from the growing integration of the financial services sector. The Joint Forum includes representation from the Canadian Insurance Services Regulatory Organizations (CISRO).
- The mandate of the Joint Forum is to pro-actively facilitate and coordinate the development of harmonized, cross-sectoral and cross-jurisdictional solutions to financial services regulatory issues.
- The Joint Forum is chaired by David Wild, Chair of the Saskatchewan Financial Services Commission and Superintendent of Pensions.

Goals and Scope of Capital Accumulation Plans Initiative

- The Joint Forum Committee on Capital Accumulation Plans was established in 1999 to examine the adequacy of investment information and assistance provided to members of capital accumulation plans (CAPs) where members are able to make investment choices. The goals of the initiative were to:
 - ▶ Outline and clarify the rights and responsibilities of CAP sponsors, service providers and CAP members.
 - ▶ Ensure that CAP members have the information and assistance they need to make informed investment decisions in a capital accumulation plan.
 - ▶ Ensure that there is a similar regulatory result for all CAP products and services regardless of the regulatory regime that applies to them.

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- A capital accumulation plan is a tax assisted investment or savings plan that permits the members of the CAP to make investment decisions among two or more options offered within the plan. A CAP may be established by an employer, trade union, association or any combination of these entities for the benefit of its employees or members. Examples of CAPs include defined contribution pension plans, group registered retirement savings plans, deferred profit sharing plans and group registered educational savings plans.
- Over three million Canadians belong to CAPs. CAP plans have approximately \$60 billion in assets. Service providers include insurance companies, trust companies and mutual fund companies. Over eighty per cent of these plans allow members to make investment choices.

Development of the Guidelines

- The Joint Forum Committee on Capital Accumulation Plans prepared and consulted on regulatory principles for capital accumulation plans in April 2001. The Joint Forum approved revised principles, based on the consultations, in spring 2002.
- Based on the revised principles, proposed guidelines for capital accumulation plans were developed with the assistance of an industry task force and published for comment in April 2003. The comment period closed on August 31, 2003. Twenty-six written responses were received.
- The Committee also conducted focus group sessions across Canada with plan sponsors, service providers and plan members. In addition, the Committee met with representatives of industry associations throughout the consultation period. Separate but parallel consultations were held in Quebec using a “roundtable” format.
- The response to the proposed guidelines was generally positive. The Committee reviewed the comments received and made changes to the proposed guidelines, to address the issues raised and suggestions made during the consultation.
- The revised guidelines were reviewed with members of the industry task force, who expressed strong support for the proposals and praise for the collaborative process.

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Implementation of the Guidelines

- The *Guidelines for Capital Accumulation Plans* were approved for publication by the CSA on March 26, 2004, by CAPSA on March 30, 2004, by CCIR on April 2, 2004, and by the Joint Forum on March 31, 2004.
- The guidelines reflect the expectations of regulators and industry best practices. They are intended to support the improvement of industry practices in the operation of capital accumulation plans.
- While the guidelines are being released today, May 28, 2004, a 19-month transition period has been established for plan sponsors and service providers to make any necessary revisions to the operation of their capital accumulation plans. Regulators expect the guidelines to be followed in full by December 31, 2005. It is hoped that plan sponsors and service providers will take the measures necessary to follow the guidelines as soon as practical during the transition period.
- The guidelines will be implemented through the Joint Forum's constituent groups and industry associations:
 - ▶ CAPSA has adopted the guidelines for registered defined contribution pension plans.
 - ▶ The CSA is issuing a request for comment on a proposed securities exemption based on the guidelines.
 - ▶ The Canadian Life and Health Insurance Association (CLHIA) will initiate a process to have the guidelines adopted by December 31, 2004, and will expect its member companies to follow the guidelines by December 31, 2005.