

# **Joint Forum of Financial Market Regulators**

## **Forum conjoint des autorités de réglementation du marché financier**

**NEWSLETTER**

**FALL/WINTER 2003**

### **CANADIAN ASSOCIATION OF PENSION SUPERVISORY AUTHORITIES**

David Wild  
Chair of the Joint Forum  
Chair, Financial Services Commission, and  
Superintendent of Pensions  
Saskatchewan

Gail Armitage  
Executive Director, Financial Sector Policy  
Alberta

Bryan Davies  
CEO & Superintendent of  
Financial Services  
Ontario

Ross Gentleman  
Superintendent of Pensions (Acting)  
British Columbia

### **CANADIAN SECURITIES ADMINISTRATORS**

Doug Hyndman  
Chair  
British Columbia Securities  
Commission

Guy Lemoine  
Vice Chair  
Quebec Securities Commission

Les O'Brien  
Vice Chair  
Nova Scotia Securities  
Commission

Howard Wetston  
Vice Chair  
Ontario Securities Commission

### **CANADIAN COUNCIL OF INSURANCE REGULATORS**

Jim Hall  
Superintendent of Insurance and Financial  
Institutions  
Registrar of Credit Unions  
Saskatchewan

Jacques Henrichon  
Deputy Inspector General of  
Financial Institutions  
Quebec

Winston Morris  
Superintendent of Insurance and  
Pensions  
Newfoundland & Labrador

James Scalena  
Superintendent of Financial  
Institutions  
Manitoba

### **CANADIAN INSURANCE SERVICES REGULATORY ORGANIZATIONS**

Jeffrey A. Bear  
Chief Executive Officer  
Registered Insurance Brokers of Ontario

### **BUREAU DES SERVICES FINANCIERS**

Louise Champoux-Paillé  
President

## **NEWS FROM THE 2002 BUSINESS SESSIONS**

This is the fourth newsletter published by the Joint Forum of Financial Market Regulators (Joint Forum) to inform interested stakeholders about cross-sectoral, cross-jurisdictional developments and initiatives taking place in Canada through the Joint Forum. This edition focuses on news from the spring meeting, held in Montreal on April 10, 2002, and the fall meeting held in Winnipeg on October 28, 2002.

### **Joint Forum Chair**

At the fall 2002 meeting, David Wild, Chair of the Saskatchewan Securities Commission (now the Saskatchewan Financial Services Commission) and Superintendent of Pensions, was appointed Chair of the Joint Forum for a one year term through to fall 2003.

Mr. Wild became Chair on an interim basis after Sherralyn Miller stepped down in August 2002 as British Columbia's Superintendent of Pensions and as Joint Forum Chair to move to the private sector. Ms. Miller has been a driving force in many of the Joint Forum's projects and accomplishments. Her contribution will be missed.

### **Joint Forum Sub-committees and Working Groups – Key Contributors**

At the spring meeting, Sherralyn Miller, then Chair of the Joint Forum, remarked that the Joint Forum's quarterly meetings are the "tip of the iceberg." She was referring to the extensive work that goes on between meetings, around the tables – virtual or otherwise – by the members of sub-committees and working groups.

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The Joint Forum recognizes with gratitude and appreciation the dedication these individuals have shown over the past year in advancing the Joint Forum's agenda in a significant way. The recent successes of the Joint Forum in fostering streamlined and harmonized regulation of financial services across sectors and jurisdictions in Canada are directly related to the work of staff from securities, insurance and pension regulatory agencies from coast to coast.

### **Establishment of Joint Forum Project Office**

The Joint Forum now has its own home. The Joint Forum Project Office was established to support implementation of the Joint Forum's first strategic plan. Constituent members of the Joint Forum approved the business case and funding for the Project Office in April 2002. The Project Office has been set up at the Financial Services Commission of Ontario (FSCO) in Toronto. It is in close proximity to the Secretariats for the Canadian Council of Insurance Regulators (CCIR) and the Canadian Association of Pension Supervisory Authorities (CAPSA), so that synergy can be achieved in the work of these three national organizations.

Establishment of the Joint Forum Project Office is the culmination of a process that began when Joint Forum members, at their fall 2000 meeting, sought to strengthen the Joint Forum's role so that it could continue to enhance regulatory coordination and harmonization efforts, and respond to new issues and opportunities.

### **Strategic Plan 2002-2005**

To enhance the Joint Forum's effectiveness, members have established a Strategic Plan for 2002-2005 which outlines the organization's goals. With the approval of members of CAPSA, CCIR and CSA, the Strategic Plan has now been finalized and will be sent to external stakeholders. It will subsequently be available on the websites of CCIR, CAPSA and CSA, or through the Joint Forum Project Office.

The plan sets out four priorities: improve, harmonize and simplify product disclosure in regulated sectors; advance intermediary proficiency and licensing initiatives; promote consumer protection initiatives; and increase the effectiveness of the Joint Forum. At the fall 2002 meeting, the Joint Forum endorsed a draft implementation plan and set target dates for the proposed initiatives.

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## **Pioneering Work of Joint Forum's First Chair Recognized**

At the spring 2002 meeting, Dina Palozzi, first chair of the Joint Forum, was presented with a gift in appreciation for her work in the Joint Forum. Ms. Palozzi had vigorously pursued her vision to bring together regulators from the different sectors and jurisdictions. As a result, the Joint Forum of Financial Market Regulators was formed in January 1999, paving the way for Canadian securities, insurance and pension regulators to address issues of common interest arising from the growing integration within the financial services sector.

## **Point of Sale Consultation Paper**

As part of the Joint Forum's long term effort to harmonize the regulation of segregated funds and mutual funds, a consultation paper *Rethinking Point of Sale Disclosure for Segregated Funds and Mutual Funds*, was released for comment on February 13, 2003.

The intention is to solve the disconnect between current point-of-sale regulatory requirements and what actually happens at the point-of-sale. The consultation paper recommends a four-part disclosure system consisting of a foundation document, a continuous disclosure record, a short fund summary and a consumers' guide.

Point-of-sale disclosure is one of the four categories of recommendations for harmonization identified in the Joint Forum's May 1999 comparative study on IVICs and mutual funds.

Research is now underway to identify the legislative and rule changes that would be necessary if the recommendations were implemented. The Joint Forum Standing Committee on the Regulatory Harmonization of IVICs and Mutual Funds is co-chaired by Rebecca Cowdery, Manager, Investment Funds Regulatory Reform at the Ontario Securities Commission (OSC), and Grant Swanson, Director, Licensing and Compliance at FSCO.

## **Progress on Investment Disclosure Guidelines for Capital Accumulation Plans**

At the fall 2002 meeting, the Working Committee on Capital Accumulation Plans, co-chaired by Nurez Jiwani, Director, Regulatory Coordination, OSC/FSCO and Ann Leduc, Manager of the Regulation Department at the Quebec Securities Commission, reported on the development of detailed guidelines for

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implementing the Joint Forum's principles for investment disclosure in capital accumulation plans (CAPs).

The Working Committee's first major task was to develop proposed regulatory principles for all CAPs, regardless of the applicable regulatory regime. These principles were revised as a result of industry consultation and approved by the Joint Forum and its constituent groups in April 2002. The revised principles have been posted on the websites of the Joint Forum's constituent groups - - CCIR, CAPSA and the Canadian Securities Administrators (CSA).

Since then, the revised principles have been the basis for the development of draft guidelines. This work is being pursued in collaboration with an Industry Task Force. Consultation with the industry took place in December 2002 and January 2003. It is expected that the guidelines will go to the Joint Forum and its constituent groups for approval at the spring meeting in April 2003.

Currently, three million Canadians have accumulated more than \$60 billion in more than 40,000 capital accumulation plans. CAPs include: defined contribution plans that permit members to make their own investment choices (as opposed to "traditional" defined contribution pension plans in which the administrator makes the investment decisions); group RRSPs; deferred profit sharing plans; and employee profit sharing plans.

The Joint Forum's goal is to coordinate and harmonize the treatment of CAPs to give similar protection to investors in these functionally similar products. Currently, the regulation of CAPs is neither harmonized across Canadian jurisdictions, nor across the insurance, pension and securities sectors within each jurisdiction. As a result, individual investors in CAPs receive varying degrees of regulatory protection, depending on the investment product they purchase and the regulatory framework that applies to it.

Québec has completed a parallel but separate consultation on the proposed regulatory principles for capital accumulation plans.

### **Financial Services OmbudsNetwork**

The Financial Services OmbudsNetwork (FSON), an independent, integrated complaint management and dispute resolution service for financial services consumers which became fully operational in November 2002, is a shining example of what the Joint Forum is capable of doing, said Chair David Wild at the fall 2002 meeting.

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FSON's mandate is to provide prompt, courteous, fair and consistent consumer recourse to consumers who have concerns or complaints. Funded by industry groups, the FSON originated when the Joint Forum recognized that a harmonized approach to consumer dispute resolution would provide clear benefits to consumers, financial services organizations and regulators.

The Joint Forum believes that consumers should have access to the same level of independent and inexpensive service through a dispute resolution system that is easily accessible, regardless of the product or service purchased.

The FSON has three components:

- individual financial services providers and their company-level consumer complaint management processes;
- three new industry-level ombudservices, for banking services and investments, life and health insurance, and general insurance, which will provide impartial and independent resolution of complaints, based on industry best practices, and operate independently of their respective industry associations; and
- the Centre for the Financial Services OmbudsNetwork (CFSON), which will set and monitor standards for the ombudservices and provide single-window access to the network for financial services consumers.

While most complaints will be resolved within the individual financial institutions, financial consumers can now take unresolved complaints to the industry-level ombudservices.

The network's founding industry associations are the Investment Dealers Association of Canada, the Canadian Bankers Association, the Canadian Life and Health Insurance Association, the Insurance Bureau of Canada, The Investment Funds Institute of Canada and the Mutual Fund Dealers Association.

The Joint Forum Nominating Committee was asked to develop a slate of independent directors for the CFSON. The appointment of the Board, with University of Ottawa Chancellor Huguette Labelle as Chair, and the creation of the CFSON were announced in July 2002.

Two major pieces of unfinished business remain: service standards for dispute resolution and information-sharing protocols between Joint Forum members and the CFSON. The Joint Forum will be leading work on developing the information-sharing protocols, through a sub-committee chaired by Jim Hall, Superintendent of Insurance in Saskatchewan and Chair of CCIR.

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Québec regulators indicate that Québec did not participate in this Joint Forum initiative but have been conducting a parallel review of consumer complaint management and dispute resolution for the institutions under their jurisdiction.

### **Financial Consumer Agency of Canada (FCAC)**

William Knight, Commissioner of the Financial Consumer Agency of Canada (FCAC), met with the Joint Forum at the spring 2002 meeting to discuss the Agency's two-part mandate: (1) to educate financial consumers; and (2) to regulate compliance by federally-incorporated financial institutions with legislative obligations in dealing with consumers.

Mr. Knight said his agency's key compliance matters include:

- access to banking services
- branch closures
- the prohibition on coercive tied selling
- the requirement for financial institutions to join a third-party dispute resolution process
- disclosure requirements
- the cost of borrowing
- filing requirements
- codes of conduct, where the federal government has agreement on a range of banking issues, and
- public accountability commitments.

Regarding FCAC's consumer education program, Mr. Knight stressed that his agency intends to avoid duplication, to be sensitive to jurisdictional issues and to seek partnering opportunities.

The Joint Forum agreed to maintain a dialogue with the FCAC in order to streamline efforts and avoid duplication.

### **Financial Services Council of Canada**

Mark Daniels, inaugural Chair of the Financial Services Council of Canada (FSCC), joined the spring 2002 meeting to talk about the marketplace changes and regulatory reforms that led to the creation of the Council.

The FSCC was formed in 2002 by the Canadian Bankers Association, the Canadian Life and Health Insurance Association, the Insurance Bureau of

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Canada, the Investment Dealers Association of Canada, and The Investment Funds Institute of Canada to better coordinate their efforts on legislative, regulatory and policy issues in which they have a common interest. Mr. Daniels noted that members of the industry recognize that they must manage the public interest as part of their respective business models and that strong relationships between the industry and governments contribute to this goal. Joint Forum members urged Mr. Daniels to come forward in the future with any ideas or projects that lend themselves to the Joint Forum's and FSCC's shared community of interest.

Representatives of the Financial Services Council of Canada joined the fall 2002 meeting to talk about the regulatory environment and to share information on key issues facing both the Joint Forum and the FSCC.

### **Practice Standards Project**

The Joint Forum project on *Principles and Practices for the Sale of Products and Services in the Financial Sector* began as the first in a four-part cluster of initiatives that could potentially lead to the harmonization of intermediary proficiency and licensing.

A sub-committee, chaired by Jim Hall, has developed a consultation package that includes a draft set of common principles and practices for the sale of products and services by all financial registrants and sector-specific examples for deposit agents, financial planners, life insurance agents, loan brokers, property and casualty insurance agents and securities registrants. In addition, a draft consumer's guide provides information about what consumers should expect during their financial services transactions.

This project's purpose is to provide guidance on the elements that should be included in codes for intermediaries and market participants across the financial services sector. The principles reflect current statutory requirements and best practices in key areas.

The consultation package will be released for comment in March 2003. Although Québec is not participating in this consultation, regulatory staff from that province have been monitoring the project's progress.

### **Spring Meeting April 2, 2003 in Toronto**

The spring Joint Forum meeting is scheduled for April 2, 2003 in Toronto at the Le Royal Meridien King Edward Hotel. The fall 2003 meeting will take place in

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Regina on October 17, 2003. We look forward to communicating with you again following the Toronto sessions.

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As noted in earlier issues, our intention with this newsletter is to keep interested stakeholders abreast of the Joint Forum's initiatives and plans, and to foster an important and continuing dialogue among those with an interest in Canada's financial services sector.

Toward that end, we would be pleased to hear any views, comments or questions you might have about the role of the Joint Forum, and any suggestions you have for future collective initiatives. Your comments can be directed to any Joint Forum member or to Isabel Wegg [(416) 590-7107; e-mail: [iwegg@fSCO.gov.on.ca](mailto:iwegg@fSCO.gov.on.ca) ], or Stephen Paglia [(416) 590-7054; e-mail: [spaglia@fSCO.gov.on.ca](mailto:spaglia@fSCO.gov.on.ca) ] at the Joint Forum office.

Electronic copies of this newsletter are available in English and French, in PDF format only, on the websites of CCIR [www.ccir-ccrra.org](http://www.ccir-ccrra.org) CAPSA [www.capsa-acor.org](http://www.capsa-acor.org) and CSA [www.csa-acvm.ca](http://www.csa-acvm.ca), as well as the website of the Financial Services Commission of Ontario at [www.fSCO.gov.on.ca](http://www.fSCO.gov.on.ca). Look under "Publications/Joint Forum Releases".

*Ce bulletin est aussi disponible en français.*