



NEWSLETTER

SPRING 2006

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This is the sixth newsletter prepared by the Joint Forum of Financial Market Regulators (Joint Forum). This Spring 2006 Newsletter includes information on our current strategic priorities and initiatives based on our 2005-2008 Strategic Plan, as well as a brief review of key initiatives from our 2002-2005 Strategic Plan.

ABOUT THE JOINT FORUM

OUR MEMBERS

The Joint Forum was established by the Canadian Securities Administrators (CSA), the Canadian Council of Insurance Regulators (CCIR), and the Canadian Association of Pension Supervisory Authorities (CAPSA). Since its inception, the membership of the Joint Forum has expanded to include participation by the Canadian Insurance Services Regulatory Organizations (CISRO).

Several federal government bodies also participate in various Joint Forum initiatives, including the Office of the Superintendent of Financial Institutions, the Canada Revenue Agency and the Financial Consumer Agency of Canada.

The current Chair of the Joint Forum is David Wild, who is also Chair of the Saskatchewan Financial Services Commission and the Saskatchewan Superintendent of Pensions.

WHAT WE DO

The Joint Forum facilitates and coordinates the development of harmonized solutions to cross-sectoral and cross-jurisdictional financial services regulatory issues. We have quarterly meetings each year to discuss the progress of our strategic initiatives and to evaluate emerging financial services regulatory issues that are important to our members and other stakeholders.

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STRATEGIC PLAN 2005-2008

In the spring of 2005, we adopted our second strategic plan, for the period from April 1, 2005 to March 31, 2008. With input from financial services regulators and various stakeholders, we have established the following strategic priorities for the next three years:

- Intermediary Regulation
- Consumer Redress
- Regulatory Mechanisms for Improved Information Sharing
- Consumer Information and Education
- Product Regulation

Our Vision is a coordinated, harmonized and simplified financial services regulatory system in Canada.

Our Mission is to be an effective forum representing CAPSA, CCIR and CSA, pro-actively facilitating and coordinating the development of harmonized cross-sectoral and cross-jurisdictional solutions to financial services regulatory issues.

OUR PROCESS

Joint Forum members have formed committees to work on projects related to each of the Joint Forum's strategic initiatives for the next three years. Each Committee consists of a Steering Committee or an Executive Sponsor, a Chair, and representatives from CSA, CCIR, CAPSA and CISRO, as are required for each project. Each Committee must first develop Terms of Reference that will guide the Committee's work; all of our Committees have completed this step.

Each of the Committees has developed, or is currently in the process of developing, detailed project plans to guide work on their projects. As their work progresses, the Committees will engage stakeholders so that the Committees' work remains relevant and addresses stakeholders' and regulators' concerns.

OUR COMMITTEES

1. INTERMEDIARY REGULATION

Executive Sponsor: Jean St. Gelais, Autorité des marchés financiers

Chair: Jim Hall, Saskatchewan Financial Services Commission

While there has been increasing convergence within the financial services industry over the last decade, financial services continue to be regulated along sectoral lines. Currently, insurance and securities intermediaries are subject to different regulatory regimes, even though a single intermediary may be licensed to sell both insurance and securities products.

Consequently, one of our strategic initiatives will be to examine the regulation of financial services intermediaries in order to recommend ways to minimize possible conflicts or undue burden, while promoting equivalent consumer protection. Given the potentially large scope of this initiative, the initial focus will be on intermediaries who sell mutual funds and IVICs.

2. CONSUMER REDRESS

Executive Sponsor & Chair: David Wild, Chair of the Joint Forum,
Saskatchewan Financial Services Commission

The Financial Services OmbudsNetwork (FSON) was created out of a need for a one-window complaint handling and dispute resolution system in the financial services sector. In our view, there needed to be a central outlet whereby consumers could report complaints or disputes regarding financial services providers, and receive equivalent service in resolving these complaints or disputes, irrespective of where the consumer lives, the type of financial product

purchased, the organization from which the financial product was purchased, or the distribution channel used.

We continue to work with the FSON and the members of the Financial Services Council of Canada to develop a system where consumers and regulators will have a high level of confidence in the system. More specifically, we continue to strive towards the definition of appropriate performance standards for dispute resolution services, the building of suitable measurement and reporting systems around these standards, and the resolution of other outstanding issues pertaining to these services.

3. REGULATORY MECHANISMS FOR IMPROVED INFORMATION SHARING

Executive Sponsor: Michael Grist, Financial Institutions Commission of British Columbia

The financial services sector in Canada is made up of a diverse group which includes insurers and insurance agents, banks, securities dealers and exchanges and pension fund managers. This initiative will explore ways in which financial services regulators across Canada can share information on regulatory enforcement and other issues and actions, across sectors and jurisdictions, in a more efficient and effective manner.

4. CONSUMER EDUCATION AND INFORMATION

Executive Sponsor: Debbie Lyon, Manitoba Pension Commission

Chair: Anne-Marie Poitras, Autorité des marchés financiers

The increased range and complexity of financial products and services available to Canadian consumers makes it extremely important to provide consumers with access to information that will educate them about these products and services and about the financial services industry in general. Information directed at consumers should be clear, independent and impartial. Our goal is to create an inventory of existing resources and content, and to review the efforts of other jurisdictions on the issue of consumer information and education, with the end result of developing recommendations for improvements in cross-sectoral consumer information and education in Canada.

5. HARMONIZATION OF POINT OF SALE DISCLOSURE FOR MUTUAL FUNDS AND IVICS

Steering Committee: David Wild, Chair of the Joint Forum and Saskatchewan Financial Services

Commission

Bob Christie, Financial Services Commission of Ontario

Paul Moore, Ontario Securities Commission

Co-Chairs: Susan Silma, Ontario Securities Commission

Grant Swanson, Financial Services Commission of Ontario

The Joint Forum is committed to continuing and completing its work on the harmonization of point of sale disclosure for mutual funds and Individual Variable Investment Contracts (IVICs) so that investors in these different, yet functionally similar, products are offered the same protections. This Joint Forum Committee is working on a harmonized model for point of sale disclosure in the insurance and securities sectors.

6. INVESTMENT RULES FOR FUNDS

Executive Sponsor: Bob Christie, Financial Services Commission of Ontario

Chair: Nurez Jiwani, Financial Services Commission of Ontario

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. As a result, one of our current priorities is to identify these differences and address the resulting issues.

FUTURE UPDATES

As progress is made on the strategic initiatives outlined above, the Joint Forum will provide further updates in future editions of this newsletter.

REVIEW OF INITIATIVES FROM OUR 2002-2005 STRATEGIC PLAN

The Joint Forum's first strategic plan outlined its priorities and strategic initiatives for the period from April 1, 2002 to March 31, 2005. Outlined below is a brief overview of key initiatives from the 2002-2005 Strategic Plan that were completed.

1. REGULATORY HARMONIZATION OF MUTUAL FUNDS AND IVICS

One of the Joint Forum's strategic priorities was, and continues to be, to improve, harmonize and simplify product disclosure in regulated sectors. We continue to strive towards the harmonization of the regulatory regimes governing individual variable insurance contracts (IVICs) and mutual funds, to the extent possible, in order to provide investors with similar protections in these different, yet functionally similar products.

Based on our previous work in this area, in December 1999, we published *Recommendations for Changes in the Regulation of Mutual Funds and Individual Variable Insurance Contracts*. The paper contained fifteen areas where harmonization between mutual fund and IVIC regulation was appropriate and warranted; an additional recommendation was added later. These recommendations have been implemented by securities and insurance regulators. We continue to work toward further harmonization through Joint Forum and other sectoral initiatives such as the development of a harmonized point of sale disclosure model for mutual funds and IVICs, as discussed above.

2. RELEASE OF "PRINCIPLES AND PRACTICES FOR THE SALE OF PRODUCTS AND SERVICES IN THE FINANCIAL SECTOR"

In January 2005, after extensive industry involvement and the assistance of an industry task force, we released practice standards for the sale of products and services by financial services intermediaries. *The Principles and Practices for the Sale of Products and Services in the Financial Sector* (the "Practice Standards") articulate standards of professionalism and fair conduct that Canadian consumers should be able to expect in their dealings with financial services intermediaries.

We also released *A Consumer's Guide to Financial Transactions*, which interprets the Practice Standards for consumers and provides benchmarks by which consumers can assess the conduct of any financial

intermediary with whom they have a relationship, or are considering establishing a relationship.

The Practice Standards consist of eight principles that are focused on the core values of integrity, honesty, professionalism, clarity and putting clients' interests first.

We encouraged industry groups to adopt these standards on a voluntary basis, and continue to promote their adoption. We are pleased to see that some industry groups have adopted them. We hope that these standards will improve the overall level of service to consumers of financial products and services.

Copies of *Principles and Practices for the Sale of Products and Services in the Financial Sector* and *A Consumer's Guide to Financial Transactions* are available online at www.jointforum.ca.

3. RELEASE OF THE “GUIDELINES FOR CAPITAL ACCUMULATION PLANS” (CAPs)

On May 28, 2004, the Joint Forum released guidelines for the operation of CAPs. The guidelines outline and clarify the rights and responsibilities of CAP sponsors, members and service providers, and offer CAP members the information and assistance they may need to make investment decisions on assets they are accumulating for retirement and other purposes.

The guidelines were published after an extensive consultation and review process among regulators and industry participants, where we received considerable input from many different stakeholders.

A 19-month transition period was in place for CAP sponsors and service providers to make any necessary revisions to the operation of their capital accumulation plans. CAP sponsors and service providers were given until December 31, 2005, to ensure that their plans operated in accordance with the Guidelines.

Various Joint Forum members and stakeholders have implemented the guidelines:

- CAPSA adopted the CAP Guidelines in May 2004, as *CAPSA Guideline No. 3, Guidelines for Capital Accumulation Plans*. CAPSA expected registered pension plans having CAP components to operate in accordance with the CAP Guidelines by December 31, 2005.
- CSA members have issued blanket orders, or are issuing discretionary orders, exempting trades in mutual funds that occur in CAPs that comply with key elements of the guidelines from the prospectus and registration requirements of securities legislation. CSA expect to eventually include these exemptions in its national prospectus and registrations exemption rule (National Instrument 45-106).
- The Canadian Life and Health Insurance Association (CLHIA) also adopted the Guidelines, and expected all of its member companies to follow the guidelines by December 31, 2005.

The Joint Forum plans to conduct a review of the CAP Guidelines, starting this Fall, to assess the success of this initiative in meeting its objectives.

CONTACT INFORMATION

The Joint Forum has established a website to enhance communications with stakeholders. Visit us at www.jointforum.ca for more information on the Joint Forum or to access any of our publications.

If you have any questions or comments, you can reach us at jointforum@fsco.gov.on.ca

Ce bulletin est aussi disponible en français.