



Joint Forum of Financial Market Regulators

Forum conjoint des autorités de réglementation du marché financier

CANADIAN ASSOCIATION OF PENSION SUPERVISORY AUTHORITIES

Robert Christie
Chair of the Joint Forum
Chief Executive Officer &
Superintendent of Financial Services
Ontario

Debbie Lyon
Superintendent of Pensions
Manitoba

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

Dennis Gartner
Superintendent of Financial Institutions
Alberta Finance

Julian McCarthy
Deputy Superintendent of Pensions
Newfoundland & Labrador

CANADIAN SECURITIES ADMINISTRATORS

Jean St-Gelais
President & Chief Executive Officer
Autorité des marchés financiers
Québec

Stephen Murison
Vice Chair
Alberta securities Commission

Doug Hyndman
Chair
British Columbia Securities Commission

Les O'Brien
Chair
Nova Scotia Securities Commission

Lawrence Ritchie
Vice Chair
Ontario Securities Commission

CANADIAN COUNCIL OF INSURANCE REGULATORS

C. Michael Grist
Deputy Superintendent of Insurance
British Columbia

James Scalena
Superintendent of Financial Institutions
Manitoba

Suzanne Bonnell-Burley
Assistant Deputy Minister
New Brunswick

Danielle Boulet
Superintendent de l'encadrement de la
solvabilité
Autorité des marchés financiers
Québec

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

CANADIAN INSURANCE SERVICES REGULATORY ORGANIZATIONS

Gerry Matier
Executive Director
Insurance Council of British Columbia
British Columbia

July 7, 2008

Honourable Thomas A. Hockin, P.C.

Chair

Expert Panel on Securities Regulation

Ottawa, Ontario, K1A 0G5

Dear Honourable Hockin,

Thank you for your invitation to make a formal representation to the Expert Panel. On behalf of the Joint Forum of Financial Market Regulators (Joint Forum), I would like to share some insights on the importance of collaboration amongst financial regulators across sectors.

The Joint Forum was founded in 1999 by the Canadian Council of Insurance Regulators (CCIR), the Canadian Securities Administrators (CSA), and the Canadian Association of Pension Supervisory Authorities (CAPSA). It also includes representation from the Canadian Insurance Services Regulatory Organizations (CISRO). The Joint Forum was established as a mechanism through which pension, securities and insurance regulators could co-ordinate, harmonize and streamline the regulation of financial products and services in Canada.

I would like to focus my comments on how collaboration and ongoing information sharing amongst regulators from different sectors as well as jurisdictions can be effective in achieving shared objectives in securities, insurance and pension regulation. To this end, I will highlight three of the Joint Forum's major accomplishments and provide some background on the Joint Forum's current projects.

Guidelines for Capital Accumulation Plans

Capital Accumulation Plans (CAPs) are tax assisted investment or savings plans offered by employers and trade unions that permit the members of the CAPs to make investment decisions among two or more options offered within the plan. Examples of CAPs are defined contribution pension plans and group RRSPs.

The development of the CAP Guidelines originated from recognition by financial regulators that the regulation of CAPs was not harmonized across Canadian jurisdictions, nor across the insurance, pension and securities sectors in each jurisdiction. To address this problem, the Joint Forum established the CAP Guidelines to (a) outline and clarify the rights and responsibilities of CAP sponsors, service providers and CAP members; (b) ensure that CAP members are provided the information and assistance that they need to make investment decisions in a capital accumulation plan; and (c) ensure there is a similar regulatory result for all CAP products and services regardless of the regulatory regime

The Canadian Life and Health Insurance Association has adopted the CAP Guidelines as a standard which its member companies are required to meet. CAPSA has adopted the CAP Guidelines, and expects that registered pension plans that have CAP components will operate in accordance with them. CSA members allow exemptions from prospectus requirements where CAP plans comply with the Guidelines.

The Joint Forum is in the process of reviewing the CAP Guidelines to determine their effectiveness in meeting the objectives described above. The review will help us assess how well the voluntary approach is functioning.

Principles and Practices for the Sale of Products and Services in the Financial Sector

In 2005, the Joint Forum published the Principles and Practices for the Sale of Products and Services in the Financial Sector (Practice Standards). The practice standards set standards of professionalism and fair conduct that Canadian consumers should be able to expect in their dealings with financial services intermediaries. The Joint Forum expects financial industry associations to reflect or incorporate the Practice Standards into their codes of conduct and that intermediaries not attached to any association will implement them as best practices.

Financial Sector OmbudsNetwork

There are three industry OmbudServices to address consumer disputes with Canadian financial institutions: the Canadian Life and Health Insurance OmbudService (CLHIO), the General Insurance OmbudService (GIO), and the Ombudsman for Banking Services and Investments (OBSI). The Joint Forum took the lead in bringing together leaders from the public and private sectors in the design of the existing complaint handling and dispute resolution services framework for financial services consumers, which was announced in December 2001 by the six trade associations representing banks, life and health insurers, property and casualty insurers, investment dealers and the mutual fund industry.

Since its inception, the Joint Forum has sought to address various issues relating to the OmbudServices including the development of measurable performance standards for, and consistency of service provided by, the industry-level OmbudServices.

In August 2007, the Joint Forum published, ‘The Financial Services OmbudsNetwork – A Framework for Collaboration’ that articulates the expectations of regulators including a set of guidelines for assessing the OmbudServices against defined public interest objectives in areas such as independence, accessibility, accountability and transparency. The Framework was developed in consultation with the OmbudServices. The Joint Forum also established a Dispute Resolution Committee, which is composed of senior representation from provincial insurance and securities regulators as well as the Financial Consumer Agency of Canada. The Committee’s responsibilities include reviewing the independent assessments of the OmbudServices, and meeting the Boards of each OmbudService to discuss governance and material operating issues.

Since publication of the Framework all three Financial OmbudServices are engaged in meeting the standards of the new framework. The Dispute Resolution Committee is meeting with the Boards of each OmbudService, as well as the Heads and Chairs of all three to discuss relevant matters as specified in the Committee's Terms of Reference.

A copy of the Joint Forum’s current Strategic Plan is enclosed. It describes the various projects the Joint Forum is currently undertaking. These projects cover matters related to improving disclosure and consumer protection, harmonizing rules, and enhancing information sharing across regulators. I would like to highlight developments on a few of these projects.

Point of Sale Disclosure for Mutual Funds and Segregated Funds

In June 2007, the Joint Forum published for public comment, “Proposed Framework 81-406: Point of Sale Disclosure for Mutual Funds and Segregated Funds.” The impetus for this project is that many investors have trouble finding and understanding the information they need because it is included in long and complex documents, and investors may not receive the documents before they make their purchase decision.

The Proposed Framework is intended to address this problem by focusing on three principles:

- providing investors with key information about a fund
- providing the information in a simple, accessible and comparable format
- providing the information before investors make their decision to buy.

A key element of this project is a two page disclosure document called Fund Facts that will provide investors with key information about a fund in plain language.

The Joint Forum received 87 comment letters and is in the process of finalizing the Framework based on the comments.

Investment Rules for Funds

Pension, segregated and mutual funds are each subject to their own sets of investment rules. Industry brought to the Joint Forum's attention that differences in the concentration restrictions in these sets of investment rules were problematic in certain circumstances. For instance, if a pension fund invests its assets through a retail mutual fund, both mutual fund and pension fund concentration restrictions would apply thus creating a higher compliance burden.

The Joint Forum developed recommendations to harmonize two of the five concentration restrictions in the three sets of investment rules identified by industry. The Joint Forum concluded there were policy reasons underlying the differences in the other three rules. The recommendations will be implemented through CAPSA and the CCIR.

Information Sharing

The Joint Forum is exploring methods to more effectively communicate regulatory action across both financial services sectors and jurisdictions in order to enhance enforcement, to alert regulators to serious issues which could have an immediate impact on consumers, and to facilitate the development of policy issues.

In the summer of 2006, the Joint Forum Information Sharing Committee distributed a survey to securities, insurance and pension regulators. The survey was intended to determine what kind of information is currently being shared, how it is shared, when it is shared and with whom.

The Committee also reviewed an existing 1999 CSA-CCIR Memorandum of Understanding (MOU) comparing with international MOUs, and concluded the CSA-CCIR MOU is robust. The Committee is preparing a final report with recommendations to further strengthen information sharing towards objectives such as more effective enforcement.

Coordination of regulatory initiatives across sectors is challenging. Regulators in the three financial sectors have different legislative frameworks, processes and philosophies. In addition, regulators must deal collectively with a broader range of stakeholders. We are quite pleased

with the success the Joint Forum has had in addressing regulatory issues to date.

Critical to this success is a strategic planning process that includes identifying key priorities for our members. The Joint Forum's success has been with initiatives that address issues on a long-term basis. These initiatives fit with the Joint Forum's approach which includes building consensus with our members and extensive stakeholder consultation.

Regardless of how securities regulation will be structured in Canada in the future, collaboration with regulators in other sectors will continue to pay dividends in the form of more harmonized and streamlined regulation of financial products and services in Canada as well as consistency in the level of protection consumers have when acquiring regulated financial products. Cross-sectoral information sharing will also continue to be important.

Yours truly,

Original signed by

Bob Christie
Chair,
Joint Forum of Financial Market Regulators

Enclosure