

Navigating Ontario's Financial Services Regulatory Landscape



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Financial Services Regulatory
Authority of Ontario

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Speaker:

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The views expressed here are those of the speaker, and do not necessarily represent the views of FSRA, its board or its employees



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Agenda

1. Who is FSRA?
2. Real estate valuations and FSRA's regulated sectors
3. Regulatory changes to the mortgage brokering sector
4. Supervision focus for the mortgage brokering sector



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Who is FSRA?

What do we do and whom we regulate



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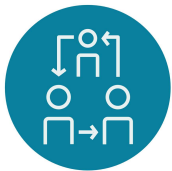
FSRA's Mandate



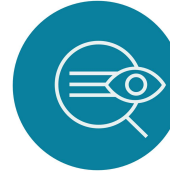
Regulate and generally supervise



Contribute to public confidence and public education



Cooperate and collaborate with other regulators



Promote transparency and disclosure of information



Monitor and evaluate developments & trends



Deter deceptive or fraudulent conduct, practices and activities

How FSRA Operates



Vision

- Safety
- Fairness
- Choice



Mission

Public service through dynamic, principles-based and outcomes-focused regulation



Key Enablers

- Principles-based
- Rule making
- Clear guidance
- Risk-based, evidence-driven and outcome-focused
- Dynamic; use discretion
- Collaborative, consultative and transparent culture
- Operational independence from, and continuous collaboration with, government

Sectors We Regulate



Property and Casualty Insurance

Auto insurance rate regulation;
conduct and prudential*
supervision



Co-operative Corporations

Review of offering
statement



Credit Unions and Caisse Populaires

Conduct and prudential
supervision, including Deposit
Insurance Reserve Fund



Financial Advisors and Planners

Title Protection,
Qualifications and
Credentialing Bodies



Health Service Providers

Conduct in auto insurance
service provision



Life and Health Insurance

Conduct and prudential*
supervision



Loan and Trust Companies

Registration



Mortgage Brokers

Conduct supervision



Pensions

Conduct and prudential
supervision, including Pension
Benefits Guarantee Fund

* For Ontario's provincially incorporated insurance companies and reciprocals

Real Estate Valuations and FSRA Regulated Sectors



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Mortgage Brokering Sector:

Valuations support assessment of risk of mortgage investments

MBs are expected to provide a mortgage investor with:

- an objective value of the property being mortgaged, preferably an appraisal.

Loan-to-value ratio helps determine whether a syndicated mortgage investment is considered high risk (i.e., NQSMI) and, therefore should be regulated under securities laws.



Credit Union Sector:

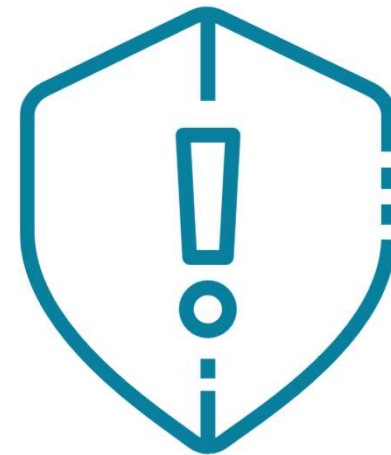
Valuations support prudent lending

CUs are expected to:

- identify acceptable valuation tools and methods to prudently evaluate collaterals, and
- re-evaluate collateral values periodically.

Risks Noted in Some Appraisals Provided to Lenders / Investors

- Outdated appraisals
- Unreasonable comparables (different property types, different areas)
- Appraisals used by individuals who are not the “authorized users”



FSRA’s expectations on mortgage brokers:

- Provide appraisals or valuations that are objective and reasonable, and
- Disclose and explain the risk of relying on an appraisal that wasn’t prepared specifically for the client

Recent Regulatory Changes to the Mortgage Brokering Sector



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New Licensing Classes Effective April 1, 2023

Different licences allow individuals to deal in different mortgage types and to carry out different activities.



Brokers

- Can deal with mortgages from ALL lenders
- Can supervise mortgage agents (level 1 and 2)
- Can be appointed as principal brokers



Agents Level 2

- Can deal with mortgages from ALL lenders



Agents Level 1

- Can deal with mortgages from financial institutions and NHA-approved lenders

Reference: [FSRA Guidance New Mortgage Agent and Broker Licensing Requirements](#)

FSRA Guidance on Mortgage Product Suitability

Appraisals are important documents used by mortgage brokers in the “know your product” step of ensuring product suitability.

1. Know your client
2. Know your product
3. Assess options and make suitable recommendations
4. Clearly communicate and explain rationale of the recommended option
5. Ensure adequate oversight and accountability
6. Document suitability assessment and oversight



Reference: [FSRA Guidance](#) Mortgage Product Suitability Assessment

FSRA Guidance on Detecting and Preventing Mortgage Fraud



Legal Obligations

- Prohibition against giving, or assisting in providing, false or deceptive information when conducting mortgage business
- Prohibition against acting, or failing to act, to facilitate fraud or illegal conduct where it ought to know
- Duty to verify customer's identity.
- Duty re: borrower's legal authority to mortgage a property
- Duty to establish and implement policies and procedures



Purpose

- Clarify legislative business conduct requirements to prevent facilitating dishonesty, fraud or any other illegal conduct.
- Provide common business practices, fraud red flags and reasonable steps to combat mortgage fraud.



Scope

- Mortgage agents (Levels 1 and 2)
- Mortgage brokers
- Principal brokers
- Mortgage brokerages
- Mortgage administrators

Reference: [FSRA Guidance Detecting and Preventing Mortgage Fraud](#)

Supervision Focus for the Mortgage Brokering Sector



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Private Mortgage Brokering

Are recommended mortgages to consumers suitable and do they understand the recommendation?



Annual Percentage Rate of Borrowing (APR)

Were APRs calculated and disclosed properly?



Mortgage Investments

Are mortgage investments sold and administered properly throughout its life cycle?



Brokerage Supervision

Are brokerages and their principal brokers adequately supervising their licensees to ensure fair treatment of consumers?

Questions?