



The Honourable Charles Sousa,
Ontario Minister of Finance,
7 Queen's Park Crescent, 7th floor
Toronto, Ontario
M7A 1Y7

July 07, 2016

Dear Mr. Sousa,

Re: Syndicated Mortgages

Recently, a number of our members have approached our Board of Directors asking for a public position regarding the regulation and oversight of syndicated mortgages in Ontario.

The Ontario Ministry of Finance recently appointed an expert panel to review the mandates of the Financial Services Commission of Ontario (FSCO), the Financial Services Tribunal (FST), and the Deposit Insurance Corporation of Ontario (DICO). One of the recommendations is to amalgamate FSCO and DICO and create a new Financial Services Regulatory Authority (FSRA). The review panel report also recommends that through the transition of regulatory authority, the exemption for syndicated mortgage activity be removed from the Securities Act and effectively transfer the regulation of syndicated mortgages to the Ontario Securities Commission (OSC).

To better understand the implications of this suggestion, Mortgage Professionals Canada has created a panel of its own, comprising of members who transact in syndicated and single investor mortgages, mortgage investment corporations, legal experts, private lending specialists and association staff. The panel's mandate is to create a Standards of Practice that Mortgage Professionals Canada will expect its members and affiliates to adopt once finalized. In our early discussions, the proposed Standards of Practice will investigate possibilities for tiered licensing, educational requirements, additional consumer protections through enhancements in the Know Your Client requirements, with a focus on areas of investor disclosures, business best practices, consumer protections, and regulatory compliance.

As we undertake this exercise, and with the panel's proposals in development, we support the FSCO mandate review panel's recommendation that either the OSC oversee syndicated mortgages, or that FSCO continue to do so albeit with equivalent investor protection mechanisms as found with similar entities currently overseen by the OSC.

At this preliminary stage in our discussions, the panel's preference would be for FSCO, or the proposed newly created FSRA, to oversee this activity. In the absence of clarifications around the topics of licensing, possible regulatory duplication and business practice requirements, enacting changes to the existing Mortgage Brokerages, Lenders and Administrators Act regulations in order to meet the desired



outcome appears to be the simpler option.

In this scenario, FSCO/FSRA would maintain oversight of the entire mortgage broker marketplace and therefore continue to benefit from their expertise in all areas of practice. A single regulatory body also ensures less confusion for consumers when attempting to bring forward a complaint. For practicing brokers, it greatly simplifies their legislative compliance requirements if they are accountable to a single regulatory authority.

Should the Ministry of Finance determine that the OSC is better equipped to manage the oversight, we would ask that Mortgage Professionals Canada be permitted to work collaboratively with the OSC to communicate any changes in required practice to our membership well in advance of them being implemented.

We would like to offer the Standards of Practice proposal, once finalized, for consideration by the Ministry of Finance as discussion material for regulatory guidelines. It is our expectation that these proposed Standards of Practice will begin as a voluntary code of conduct for our members. Having been created by individuals operating within this business space, we are confident these proposed Standards of Practice will make consumer protection paramount while eliminating onerous administrative burdens on our members' business operations.

We look forward to receiving updates on this important process. Should you have any questions, please do not hesitate to contact me.

Sincerely,

Paul Taylor
President and CEO
Mortgage Professionals Canada

CC: Maria Cece, Director, Financial Services Policy Division
Dan Padro, Senior Policy Advisor, Financial Services Policy Division
Brian Mills, Superintendent of Financial Services, FSCO
Anatol Monid, Executive Director, Licensing and Market Conduct, FSCO