



**Financial Services
Commission
of Ontario**

**Commission des
services financiers
de l'Ontario**

Supervision of Business Conduct



A Few Notes Before We Get Started

- **Minimum Screen Resolution - 1024 x 768**
- **How to Ask Questions**
 - Type in your question in the “Question” field
 - Send an email to infosessions@fsco.gov.on.ca
- **When and How Questions Will be Answered**
- **Webinar Recording**



Webinar Overview

- **Desired Outcome**
- **What does supervision mean?**
- **Things that require supervision**
- **MBLA Act and regulations in today's webinar**
 - Principal brokers: powers & duties
 - Duty to establish policies & procedures
- **Approach of the regulator**
- **Your next steps**



Desired Outcome

- High standards of ethical conduct and business practices are achieved through effective supervision of brokers and agents.



What does Supervision Mean?

- The mortgage brokerage is responsible for all business done in its name.
- Oversight is the responsibility of the principal broker.
- Regulation alone cannot achieve best practices.
- Determine the extent of the brokerage's responsibilities.



What does Supervision Mean?

- **Step 1: Hire the right people.**
- **Step 2: Establish policies and procedures.**
- **Step 3: Train your brokers and agents.**
- **Step 4: Monitor your brokers and agents.**



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- **Step 1: Hire the right people.**
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- **Step 4: Monitor your brokers and agents.**
 - Complaints
 - Suitability of the broker or agent for licensing



What does Supervision Mean?

- **Duty to establish a complaints process** (*Mortgage Brokerages: Standard of Practice* regulation, sec. 41)
 - The brokerage shall establish a process for resolving complaints from the public.
 - Designate an individual within brokerage or administrator.
 - Provide written responses to written complaints.
 - Maintain records for all written complaints and responses.
- For Administrators, refer to *Mortgage Administrators: Standards of Practice* regulation, sec. 26.



What does Supervision Mean?

- **Duty to notify the Superintendent if a broker or agent is not suitable for licensing** (*Mortgage Brokerages: Standard of Practice* regulation, sec. 43)
 - You must believe there may be reasonable grounds.
 - Use your common sense.
 - Refer to section 10 of the *Mortgage Brokers and Agents: Licensing* regulation.
 - Promptly report to FSCO.



Things that Require Supervision

- Public relations
- Customer relations
- Information about the brokerage
- Information about fees & other payments
- Duties in particular transactions



Things that Require Supervision

- Disclosure requirements
- Payments
- Managing the brokerage
- Managing deemed trust funds



What does Supervision Mean?

- What are some approaches or methods that you might recommend to improve the supervision of business conduct in mortgage brokerages?



Principal Brokers: Powers & Duties

- **Duty regarding compliance** (*Principal Brokers: Eligibility, Powers and Duties* regulation, sec. 2(2))
 - Take reasonable steps to deal with any contravention of a requirement established under the MBLA Act:
 - by the mortgage brokerage,
 - by a broker, or
 - by a mortgage agent authorized on its behalf.



Principal Brokers: Powers & Duties

- **Duty regarding policies and procedures** (*Principal Brokers: Eligibility, Powers and Duties* regulation, sec. 3)
 - Review the brokerage's policies and procedures to ensure the brokerage, and each broker and agent:
 - Comply with every requirement under the Act.
 - Is adequately supervised.
 - You may need to recommend changes to ensure that the above is achieved.



Principal Brokers: Powers & Duties

- Principal broker needs to be able to show that reasonable steps were taken in the supervision of brokers and agents.
- The principal broker and the brokerage are accountable, along with the broker/agent, for contraventions of the Act or regulations.
- Consider ways to avoid, prevent and control misconduct.



Duty to Establish Policies & Procedures

- **Duty to establish policies and procedures** (*Mortgage Brokerages: Standard of Practice regulation, sec. 40*)
 - The brokerage shall establish and implement policies and procedures:
 - That are reasonably designed to ensure the brokerage and every broker and agent comply with the requirements under the MBLA Act.
 - For the adequate supervision of its brokers and agents.



Duty to Establish Policies & Procedures

- **Step 1: Identify what the law requires you to do.**
 - Consider your type of business.
 - Use common sense.
- **Step 2: Write policies and procedures.**
 - Use plain language that is clear and concise.
- **Step 3: Make them available to brokers & agents.**
 - Provide an explanation.
 - Ensure brokers and agents understand.



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Duty to Establish Policies & Procedures

- **Mortgage administrators** are not required to have a principal broker.
- **Mortgage administrators** are required to establish and implement policies & procedures that:
 - ensure compliance with the Act, and
 - provide for adequate supervision.
- Refer to *Mortgage Administrators: Standards of Practice* regulation, sec 25.



Duty to Establish Policies & Procedures

- What are examples of some of the types of practices, activities and/or standards that you will be including in your policies and procedures, over and above, the legal requirements for your Mortgage Brokerage or Administrator?



Approach of the Regulator

- It is the responsibility of each brokerage and principal broker to ensure that an effective compliance program is in place.
- Compliance program should support the brokerage's approach to supervision within the organization.
- The government makes the law.
- FSCO's role is to ensure the industry is complying with its legal requirements.
- You have a right to a hearing by the FST about non-compliance matters.



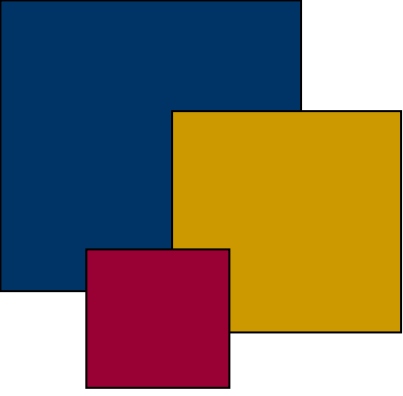
Your Next Steps

1. Do you know what your obligations are under the MBLA Act for supervising the brokerage and its brokers and agents?
2. Have you made arrangements to ensure there is adequate supervision of the brokerage, brokers and agents, considering the size, scope, complexity of business and geographic distribution?
3. How do you ensure that your brokers and agents are complying with the requirements of the MBLA Act and regulations?



Conclusion

- High standards of ethical conduct and business practices are achieved through effective supervision of brokers and agents.



Questions and Answers



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Thank You