

August 11, 2020

Ref. No.: 0435

To: Mortgage Broker Registrants

RE: New Regulatory Guidance Terminology

As part of its commitment to clear and consistent communications, BCFSA is standardizing regulatory guidance terminology across all of the entities and individuals it regulates. Effective August 15, 2020, the BCFSA will use the following terminology:

- *Rules* to create legal requirements with which regulated entities and individuals **must** comply;
- *Regulatory Statements* to provide details on **how** regulated entities and individuals **must** comply with legislation;
- *Guidelines* to establish practices/principles that regulated entities and individuals are **expected** to implement or follow; and
- *Advisories* to communicate BCFSA news/updates and other relevant **information** to sector participants.

BCFSA is undertaking a project, expected to be completed by April 1, 2021, to clarify where prior regulatory communications fall within the new terminology. Also, by September, 2020, BCFSA will release a Regulatory Roadmap that sets out its regulatory priorities and timelines for specific initiatives for the fiscal year ending March 31, 2021. The Roadmap will help regulated entities and individuals to understand the expected timing for the development and release of new Rules, Regulatory Statements and Guidelines and allow them to time to plan and respond as appropriate.

Please see the attached table for further details. If you have questions regarding BCFSA's new regulatory guidance terminology, please contact Rob O'Brien Manager, Policy at (604) 505-5896 or by email at Rob.O'Brien@bcfsa.ca.

Regards,

Chris Carter
Deputy Registrar, Mortgage Brokers

Regulatory Guidance

Type	Definition/Example of Use	What is the impact of the Guidance on regulated entities and individuals?
Rule	<p><i>The Financial Institutions Act (FIA)</i> was recently amended to provide BCFSAs with the authority to make Rules with which regulated entities must comply. Rules have the same legal weight as those contained in an Act or Regulation created by the Government.</p> <p>As BCFSAs do not have Rule making authority under the <i>Mortgage Brokers Act</i> at this time, there are no Rules that apply to Mortgage Brokers.</p>	<ul style="list-style-type: none"> Regulated entities and individuals are legally obligated to comply with Rules. In the case of the non-compliance with a Rule, BCFSAs can apply regulatory sanctions.
Regulatory Statement	<p>Regulatory Statements provide instructions on how Mortgage Brokers must comply with legislation. While both Rules and Regulatory Statements legally require compliance, Regulatory Statements are used by BCFSAs to provide further details/direction related to a Government established requirement.</p> <p>For example, Section 6 of the <i>Mortgage Brokers Act</i> Regulations provides that the Registrar may specify “statements and records” required to be filed. Those requirements are contained in Information Bulletins (for example, MB12-001) that have been issued by the Registrar.</p>	<ul style="list-style-type: none"> Mortgage Brokers must follow the instructions/directions, including using the prescribed templates/forms, that are set out in a Regulatory Statement when complying with their reporting requirements. In the case of the non-compliance with a Regulatory Statement, BCFSAs can refuse to process applications, not authorize entities to conduct a regulated activity or apply regulatory sanctions.
Guidelines for Licensees/Registrants	<p>Guidelines establish principles/practices that regulated entities are expected to implement or follow. Guidelines assist Mortgage Brokers in complying with legislative requirements.</p> <p>For example, the Mortgage Broker Conflict of Interest Disclosure Guidelines assist Mortgage Broker firms and individual sub-mortgage brokers in meeting their conflict of interest disclosure obligations under the <i>Mortgage Brokers Act</i>.</p>	<ul style="list-style-type: none"> Mortgage Brokers are expected to follow Guidelines. While not legally binding, where a Mortgage Broker does not follow a guideline, BCFSAs can encourage adoption of the expectations through education, voluntary compliance, escalated warnings, and ultimately regulatory sanction for non-compliance with the Act.

Advisory	<p>Advisories communicate general information/topics of interest to Mortgage Brokers. Advisories <u>do not, as a general matter</u>, mandate action by a Mortgage Broker.</p> <p>For example, a notice of an upcoming consultation would be included in an Advisory.</p>	<ul style="list-style-type: none">• Mortgage Brokers should monitor Advisories for topics of interest including news related to consultations.
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