



MBRCC Mortgage Broker Regulators'
Council of Canada

CCARCH Conseil canadien des autorités de
réglementation des courtiers hypothécaires

Strategic Plan

2020 – 2023

Table of Contents

Foreword	3
Mandate.....	4
Vision	4
Mission.....	4
Values	5
Structure	6
Environment.....	7
Strategic Priorities.....	9
Strategic Initiatives.....	10
Members.....	11

Foreword

On behalf of the Mortgage Broker Regulators' Council of Canada ("MBRCC"), it is my pleasure to present our 2020-23 Strategic Plan. Established in 2012, the MBRCC has developed into an effective, cooperative forum, bringing together member jurisdictions to discuss regulatory issues, learn from each other and develop national regulatory solutions.

Guided by our 2016-19 Strategic Plan, the MBRCC:

- published an [Errors & Omissions Coverage for Mortgage Brokering Report](#);
- developed and published anti-mortgage fraud resources for both [industry](#) and [consumers to help enhance consumer protection](#);
- published [Mortgage Broker Licensing Education Standards](#), setting out appropriate standards for the development and accreditation of licensing education; and
- implemented an internal mechanism to identify current and emerging regulatory and supervisory issues.

These key accomplishments were possible through substantial engagement with key industry stakeholders and the collaborative efforts of our members. We remain committed to serving as a forum for Canadian mortgage broker regulators to collaborate, engage with industry and promote regulatory consistency to serve the public interest.

While financial services sectors vary, we recognize that there are many common challenges and opportunities on the horizon, including the adoption of new business models enabled by technological advancements. As a result, MBRCC has been actively engaging with other regulatory associations, including the Joint Forum of Financial Market Regulators (Joint Forum), to better understand emerging issues and leverage best practices being adopted by other regulators to enhance consumer protection while supporting an innovative marketplace.

Finally, on behalf of all members of the MBRCC, I would like to express my appreciation to all of the stakeholders who provided their input during the development of our 2020-23 Strategic Plan. We look forward to working collaboratively on these important projects.

Alaina Nicholson
Chair

Mandate

To be a forum for Canadian mortgage broker regulators to collaborate and promote greater regulatory consistency to serve the public interest.

Vision

Effective mortgage broker regulation that balances consumer protection and an open and fair marketplace.

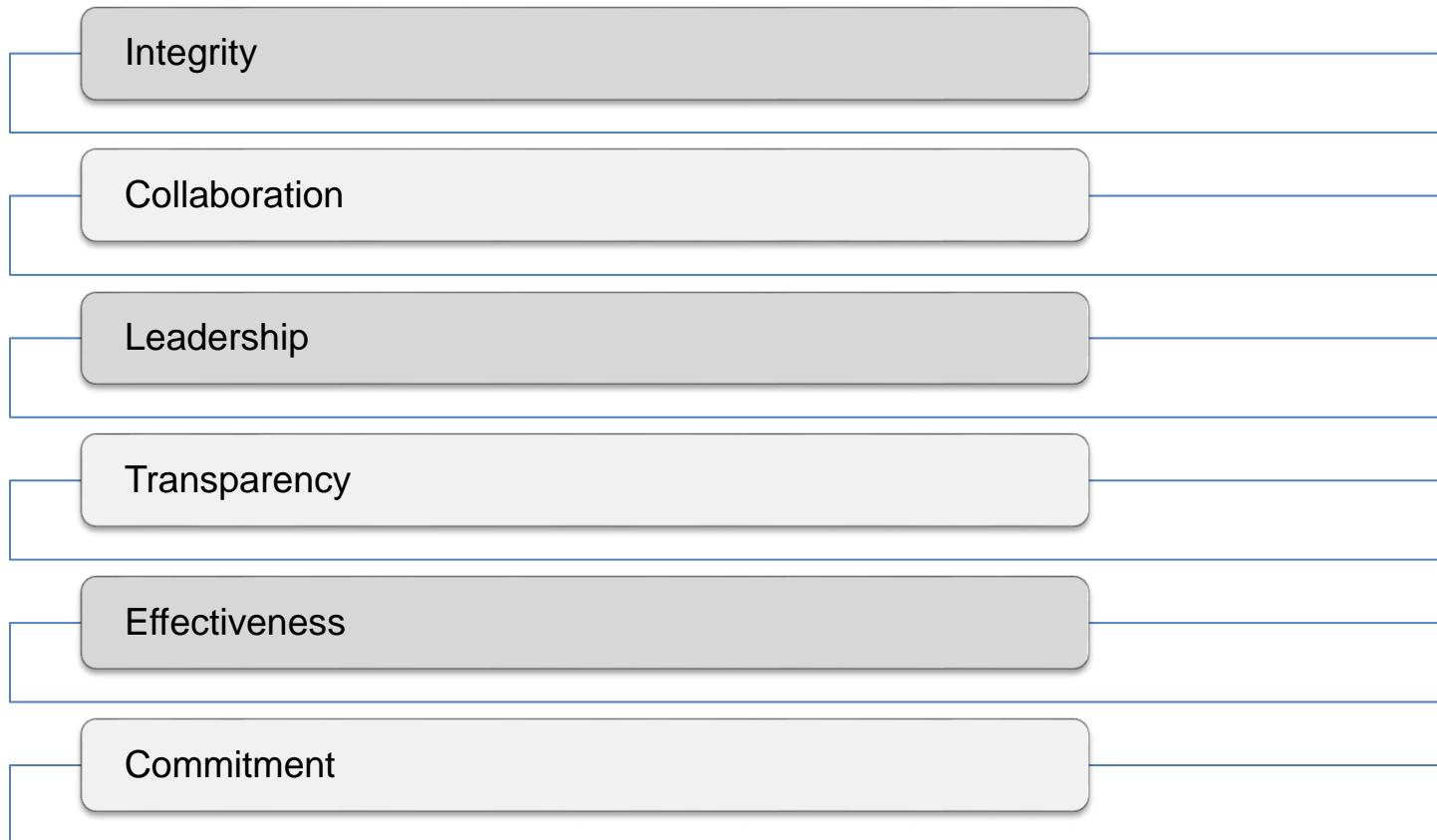
Mission

To work cooperatively to strengthen mortgage broker regulation in Canada.

Values

Organizations are driven by the shared values of their members. These values define how members relate to one another and to stakeholders.

The members of the MBRCC have a shared commitment to the following core values:



Structure

The MBRCC functions through a secretariat, standing committees and working groups, operating under the direction of the MBRCC Executive Committee:

Chair

Ms. Alaina Nicholson

Director, Consumers Affairs (Division)

Financial and Consumer Services Commission of New Brunswick

Vice-Chairs

Mr. Chris Carter

Vice President and Deputy Superintendent, Market Conduct

BC Financial Services Authority

Mr. Huston Loke

Executive Vice President, Market Conduct

Financial Services Regulatory Authority of Ontario

The MBRCC Secretariat is responsible for coordinating, monitoring and reporting on all MBRCC projects and policy initiatives, as well as administering the MBRCC's operational activities, including strategic planning and budgeting. It also provides project management support for the MBRCC strategic initiatives.

Environment

The MBRCC recognizes that Canadian mortgage brokers operate in a dynamic environment due to shifting economic conditions, ongoing technological change, and evolving sector business models and products. These trends influence broker behaviour that, in turn, impacts consumer protection.

Shifting business models in response to competitive pressures, technology and consumer preferences also profoundly impact regulatory models. Changes to broker business models like the integration of brokers and lenders, as well as national brokerage networks replacing smaller, localized brokerages, increase the potential for conflicts of interest. The way brokers and clients interact through electronic commerce options, such as virtual brokers, increase not only risks to consumers but could also facilitate fraudulent activity.

As part of its 2016-2019 Strategic Plan, MBRCC made identifying current and emerging issues a Strategic Priority. The Emerging Issues committee was subsequently formed and given the mandate to establish a mechanism by which MBRCC could identify current and emerging regulatory and/or supervisory issues on an ongoing basis.

The committee's research identified three key themes: industry convergence, industry diversification and compensation models. The following is a high-level summary of some of the issues related to these themes:

Convergence

There is trend toward smaller brokerages amalgamating, resulting in fewer, larger brokerages participating in the Canadian market. The brokerage model appears to be under pressure due to high overhead and shrinking profit margins.

The continued advancement of FinTech means new types of organizations are now participating in the mortgage market. In some cases these new services are not directly competing with mortgage brokers, but are changing the way consumers approach mortgages.

There is also convergence between mortgage brokerages and other participants in the real estate and mortgage markets. In some incidences, mortgage brokerages are taking on profoundly new roles.

Diversification

Diversification in the mortgage brokering industry relates to mortgage brokers offering expanded services, such as selling insurance products or offering debt consolidation services. A related trend is mortgage brokers forging partnerships with other financial services providers or even working within the same organization offering “one-stop shopping” for those in the market for more than one type of financial service.

Effective internal management of conflicts of interest is an important theme. While the MBRCC recognizes that people can be competent in multiple fields at the same time, our concern is how to ensure that the public receives advice that is always in their best interest.

Syndicated mortgages and private lending are other examples of industry diversification as the skills and expertise required are generally more sophisticated than those entailed in a typical mortgage transaction.

Compensation Models

MBRCC's interest in compensation models relates to the possibility of mortgage brokers being incentivized to provide anything other than advice that is truly in their clients' best interest. Brokers can influence lender behaviour and vice versa. In an environment characterized by consolidation, it is important to understand how these relationships work for and against consumers and what behaviours incentives drive. This issue also relates to how consumers' expectations align with reality in terms of how their broker interacts with lenders on their behalf (e.g. a consumer's perception that their broker is accessing the entirety of the marketplace when researching mortgage options when in fact they may be working with a very limited number of lenders).

Conclusion

The strategic priorities and initiatives included in this Plan were developed in response to these realities and are intended to position MBRCC's member regulators to address these trends effectively and efficiently over the short and long term.

The Members of the MBRCC understand and expect that the environment that mortgage brokers operate in will continue to evolve, and that, therefore, the continued monitoring of emerging issues remains a key strategic focus in this Strategic Plan.

Strategic Priorities

In setting its overall direction and strategic priorities for the next three years, the MBRCC considered and assessed the relative risks of the various challenges / trends identified to focus its efforts.

As a result, we have established four equally important strategic priorities:

- **Enhance consumer confidence**
Enhancing consumer confidence entails ensuring that mortgage brokers have the proper education and supervisory support to offer trustworthy advice to their clients, and that these competencies are reliably upheld across the country.
- **Establish appropriate industry practice and education standards**
Establishing appropriate industry practice and education standards remains a priority. MBRCC Members believe that a nationally consistent set of conduct standards would be an effective next step in the maturation of the industry.
- **Enhance the practice of professional regulation**
Enhancing the practice of professional regulation means embracing collaboration, sharing best practices and forging clear paths for regulators in different jurisdictions to work together in an efficient and effective manner.
- **Strengthen the MBRCC through enhanced regulatory coordination and information sharing**
The MBRCC sees strategic value in strengthening the MBRCC through enhanced regulatory coordination and information sharing as we to address broader challenges within the financial services regulatory landscape. These challenges include the management of conflicts of interest, provision of appropriate disclosures to consumers, ensuring product suitability for clients, the emergence of digital service models, Fintech and, of course, the increasing complexity of products, including Syndicated Mortgage Investments, to name a few.

Strategic Initiatives

The MBRCC will pursue its strategic priorities by working with stakeholders to undertake the following strategic initiatives:

1. Oversee the implementation of the MBRCC's Licensing Education Accreditation Standards.

MBRCC is committed to developing a national framework for the development and accreditation of mortgage broker licensing education that supports consumer confidence, industry mobility, and reduces the risks of regulatory arbitrage.

2. Develop nationally consistent conduct standards.

MBRCC is committed to providing consistent standards of conduct for brokers and consumer expectations for broker conduct and strengthening regulatory practices.

3. Conduct research into private lending practices across jurisdictions and make recommendations if appropriate.

MBRCC is committed to better understanding the scope, scale and risks related to mortgage broker industry engagement in private lending, and opportunities to reduce those risks.

4. Establish processes to coordinate approaches and activities between regulators.

MBRCC is committed to strengthening the integrated financial services consumer protection safety net through enhanced cooperation and collaboration with provincial, national, and international regulators and other partners.

5. Develop principles-based guidance for consumer disclosure based upon industry best practices.

MBRCC is committed to identifying opportunities to strengthen informed decision making by consumers including through improved disclosure.

6. Monitor current and emerging issues, including technology trends and the management of actual/potential conflicts of interest.

MBRCC is committed to monitoring emerging trends, identifying risks to consumers, and intervening when necessary to strengthen industry practices or otherwise mitigate emerging risks.

Members

