Guide

Title	Applying for a Licence to be a Pooled Registered Pension Plan Administrator
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Introduction

The Office of the Superintendent of Financial Institutions (OSFI) is responsible for administering the federal *Pooled Registered Pension Plans Act* (PRPP Act), which came into force on December 14, 2012. The PRPP Act provides that the Superintendent may issue a licence authorizing a corporation to be an administrator of a pooled registered pension plan (PRPP) if the prescribed conditions set out in section 7 of the Pooled Registered Pension Plans Regulations (PRPP Regulations) are satisfied.

Only a corporation can apply for a licence. Before entering into a contract with any person (including an employer) with respect to a PRPP, the administrator must provide proof to the person that it has a valid PRPP licence and that the plan is registered with OSFI. In addition, the plan must be registered with the Canada Revenue Agency. Information concerning the legal and regulatory obligations of a PRPP administrator can be found in the PRPP Act and the PRPP Regulations.

This Guide provides information on the process for applying for a federal PRPP licence, including the conditions that a corporation must satisfy in order to be issued a licence and the information that should be submitted to OSFI in order to demonstrate that the corporation satisfies these conditions.

Federal and Provincial PRPP Multilateral Agreement

Federal and provincial PRPP legislation, as well as legislation covering voluntary retirement savings plans in Quebec, authorize governments to enter into an agreement with respect to the regulation and supervision of PRPPs across the country. In June 2016, the Governments of Canada, British Columbia, Saskatchewan, Québec and Nova Scotia entered into the Multilateral Agreement Respecting Pooled Registered Pension Plans and Voluntary Retirement Saving Plans (Multilateral Agreement), which reduces the regulatory burden on PRPPs that operate in more than one jurisdiction. Other provincial governments may sign the Multilateral Agreement in the future once they have PRPP legislation in place.

The Multilateral Agreement provides that, except in Quebec, a federally-licensed administrator that registers a PRPP under the federal PRPP Act is exempt from the requirement to register that PRPP under the applicable provincial PRPP legislation.

The Multilateral Agreement also provides that a corporation that holds an authorization granted by the Autorité des Marchés Financiers (AMF) to act as administrator of a voluntary retirement savings plan (VRSP) is exempt from the requirement to obtain a licence under the federal PRPP Act. This means that authorized VRSP administrators may apply to register a federal PRPP without obtaining a PRPP administrator licence. In addition, an administrator that holds a federal PRPP licence or an authorization to act as a VRSP administrator issued by the AMF is also exempt from the requirement to obtain a licence under the applicable provincial PRPP legislation. Finally, under the PRPP MLA the holder of a federal PRPP licence may apply to the AMF for an authorization to act as a VRSP administrator under a simplified approval process.

1. Information to be submitted for a PRPP administrator licence

Section 7 of the PRPP Regulations sets out, for the purposes of subsection 11(1) of the PRPP Act, the conditions that must be satisfied prior to the Superintendent issuing a licence authorizing a corporation to be an administrator of a PRPP. These conditions are described more fully below and relate to the corporation's business plan, financial resources, risk management procedures, operational capability, and the suitability of its officers and directors.

In addition to the information related to the conditions for licensing, OSFI expects the applicant's submission to include the following:

- Legal name and address of the applicant corporation
- Name(s), position(s) and telephone number(s) of principal officer[1](s) and contact person(s) of the applicant corporation
- Current organizational chart for the applicant corporation and its ultimate parent corporation, if applicable
- A summary of the activities carried on by the applicant corporation and its affiliates, including a list of jurisdictions in which they operate

1.1 Five-year business plan

The corporation must submit a five-year business plan that addresses the plan's sustainability and cost structure. The PRPP Regulations also require that the business plan include the number of plans that the corporation intends to have registered as PRPPs.

Sustainability

The business plan should explain the reasons why the corporation believes that the PRPP(s) that it intends to administer will be sustainable over the course of the business plan. OSFI expects the following information to be included to assist OSFI in determining whether the applicant meets this condition:

- Scenarios that project the expected growth and profitability of the PRPP business, including an estimate of the expected scale of the corporation's PRPP business, for example, the expected number of employers and members in the plan(s) and an estimate of the annual contributions that will be received from members and participating employers
- How long it will take for the corporation's PRPP business to become profitable and whether the corporation has adequate resources to support the PRPP during that time
- Capital should be sufficient to support the proposed PRPP business, including if there is a period during which the business will not be profitable
- How the applicant will deal with start-up costs

- A description of the proposed distribution channels and marketing focus

Cost structure

The PRPP Act requires an administrator to provide the PRPP to its members at a "low cost". Costs are defined in the PRPP Regulations as "all fees, levies and other charges that reduce a member's return on investment other than those that are triggered by the member's actions". Such costs would generally include a fund's investment management fee, its fund operating expenses, and any other such fund-specific fees or charges.

The PRPP Regulations provide that these costs must be at or below the costs incurred by the members of defined contribution pension plans that provide investment options to groups of 500 or more members. The PRPP Regulations also require that costs be the same for all members of the PRPP and be disclosed to the members of the PRPP. Cost information (as defined in the PRPP Regulations) will be shared with the Financial Consumer Agency of Canada and posted on their website.

Low cost requirement for PRPPs

The PRPP Act requires that the business plan include a description of how the corporation intends to meet the requirement to provide the PRPP to its members at a low cost.

The following information should be included to assist OSFI in determining whether the applicant meets the low cost requirement:

- A description of the proposed cost of each proposed investment option and indicate whether the proposed cost is net of taxes (investment management fees plus fund operating expenses and any other such fund-specific fees or charges)
- A description of how the costs related to the PRPP will be at or below those incurred by members of defined contribution plans that provide investment options to groups of 500 or more members

Costs triggered by member actions

The business plan is to also include an estimate and description of the fees, levies or other charges that would be triggered by the actions of a member. Fees, levies or other charges could include the following:

- plan administration
- duplicate statements
- frequent trading
- transferring funds to a prescribed savings vehicle

1.2 Financial resources required to administrator a PRPP

The corporation must submit a description of its financial resources required for the administration of a PRPP. The following information would assist OSFI in determining whether the applicant corporation has the financial resources required for the administration of a PRPP:

- A description of the financial strength of the corporation that includes the following:
    - A copy of the corporation's audited financial statements for the last three years (including balance sheets, income statements and copies of annual reports)
    - The level of initial capitalization and the corporation's ability to access additional financial resources
    - The corporation's credit rating
- A demonstration of the adequacy of those resources described above in relation to the applicant's assessment of its initial and ongoing expenditures required to act as a PRPP administrator
- A demonstration of the adequacy of capital or liability insurance relative to risks associated with acting as a PRPP administrator
- Whether the corporation has other lines of business or forms of revenue that would help support the PRPP business

1.3 Procedures to identify, manage and control PRPP risks

An overview of the following information, together with supporting documents, would assist OSFI in determining whether the applicant corporation has sufficient procedures in place to identify, manage and control operational risks associated with a PRPP:

- Overall governance framework for the management of operational risks

- Key operational management controls to prevent and detect risk events (e.g. approval and authorization, management information and exception monitoring, segregation of duties, etc.)
- Key operational process flows and supporting technology
- How technology is used to support the business
- Current and proposed material outsourcing arrangements, and the approach to managing outsourcing risk in accordance with OSFI's Guideline B-10 Outsourcing
- The magnitude and nature of confidential information to be administered, and the approach to managing privacy and information security risks
- Processes and procedures for managing internal and external fraud risks
- Alternate arrangements for the continuity of critical business processes in the event of an interruption
- Record retention requirements to ensure compliance with all relevant legislation
- A description of any liability insurance coverage

1.4 Operational capability to administer a PRPP

The following information would assist OSFI in determining whether the applicant corporation has the operational capability to administer a PRPP:

- The projected staff complement and an organization chart showing reporting lines for senior positions and key responsibilities in the administration of the PRPP and a description of the functions the individuals will perform
- Information that demonstrates a proven track record in administering retirement savings plans and investing assets for retirement savings or selecting investment managers for that purpose
- A description of the process for collecting contributions
- A description of the process for following up on late remittances

Investment options

The PRPP Act provides that a PRPP may permit a member to make investment choices from among the investment options offered by the administrator. Sections 16 and 17 of the PRPP Regulations sets out some specific

requirements concerning investment options offered and the default option for members, including the following:

- A PRPP administrator must offer no more than six investment options including a default option
- A PRPP administrator must offer the same default option for all of the PRPPs that it administers
- The default option must be a balanced fund or a portfolio of investments that takes into account a member's age

In assessing the corporation's operational capability to administer a PRPP, OSFI will review the proposed investment approach and investment options that may be offered. The submission should therefore also include the following:

- Whether the administrator intends to offer investment options to PRPP members or intends to invest members' assets on their behalf
- If investment options are offered to members, a description of the type of investment option and the name of the proposed investment manager for the default option and the non-default investment option(s)
- If investment options are not offered to members, a description of how the administrator intends to invest the member's assets

1.5 Assessing the suitability of the corporation's officers and directors

Section 7 of the PRPP Regulations requires that "the officers and directors of the corporation are of good character, having demonstrated honesty, integrity and ethical behavior in all of their professional activities". The following information would assist OSFI in reviewing the application with respect to this requirement:

- Contact information for each officer and director
- A description of their role with respect to the oversight and management of the PRPP
- The officers' and directors' qualifications and expertise, demonstrating that they have the experience to manage and oversee the proposed PRPP business
- Details of whether the individual, and/or any entity in which the individual is or was a senior officer, have been the subject of any criminal proceedings or administrative sanctions

Please note that a security background check on officers and directors with direct and indirect authority or responsibility over the PRPP may be requested by OSFI. OSFI will advise applicants whether the OSFI Security

Information Form (PDF, 1.12 MB) is required.

2. Acknowledgment of application

Once OSFI has received an application, OSFI will send a letter to acknowledge receipt of the application to the individual identified as the contact for the applicant corporation. OSFI will review the application to determine whether the application includes all of the required information as set out in the PRPP Act, the PRPP Regulations and this Guide.

For an application to be considered by OSFI, it must be complete and be accompanied by the required documentation as detailed in this Guide. If the application is not complete, OSFI will inform the applicant of any outstanding information that must be submitted. OSFI may also request additional information throughout the course of the application review process.

Applications are not to be submitted using the Regulatory Reporting System (RRS). Please mail your application to:

Private Pension Plans Division
Office of the Superintendent of Financial Institutions
255 Albert St., Ottawa ON
K1A 0H2

Alternatively scanned copies of original documents may be submitted to Pensions@osfi-bsif.gc.ca

For further information, visit our website or contact us at: information @osfi-bsif.gc.ca

1 Senior officers and individuals responsible for the affairs of the corporation in respect of the PRPP, including those involved with direct oversight of the PRPP.