



# STRATEGIC PLAN

2012 | 2017



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## MESSAGE FROM THE PRESIDENT AND CEO



I am very pleased to present to you the 2012–2017 Strategic Plan of the *Autorité des marchés financiers* (the “AMF”).

The year 2012 marks the AMF’s eighth year of operations, a period during which its organizational structure was consolidated by integrating all of the regulatory functions of Québec’s financial sector and their related expertise. Although it is a young organization, the AMF is now recognized in Québec, by Canada’s other regulators and by many international bodies. It has become a unique organization in Canada thanks to all that its employees have accomplished since 2004.

This integrated financial regulatory framework model is more relevant today than ever before. Indeed, the recent financial crises have resulted in many initiatives for a more comprehensive oversight of markets and institutions. In this regard, it is advisable to continue the full deployment of the integrated regulator model to ensure efficiency in the markets and better protect the public.

By leveraging the organization’s assets, namely, its staff and its tradition of openness and accessibility vis-à-vis partners and financial sector participants, the AMF is putting forward a new strategic plan to better structure its actions. This plan was developed taking into account the uncertainty of financial markets amid fragile economic conditions around the world and the growing complexity of the markets. Against this backdrop, the AMF will therefore have to stay in the forefront of trends and reforms in tandem with other national and international regulators to strengthen oversight and meet consumers’ high expectations.

The AMF is also putting forth a new vision—addressing the four key issues identified in this plan—to better delineate the expected results at the conclusion of the 2012–2017 Strategic Plan.

The next five years therefore hold much promise, and our team has a lot of work to do. The AMF will also continue to count on the support of the *Conseil consultatif de régie administrative* (Advisory Board) for its insight into governance matters, and I personally wish to thank the Board in this regard.

A handwritten signature in black ink that reads "Mario Albert". The signature is fluid and cursive, with a large, sweeping initial "M".

Mario Albert

## MESSAGE FROM THE CHAIR OF THE ADVISORY BOARD

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As Chair of the Advisory Board of the *Autorité des marchés financiers* (the “AMF”), I would like to underscore the disciplined approach taken by the AMF President and Chief Executive Officer and senior management in developing the 2012–2017 Strategic Plan. This exercise was conducted over several months, and allowed participants to take stock of the organization, assess the challenges it faces going forward and, most importantly, determine how to meet them. The Board was kept informed throughout the process and fully supports the Plan.

Management’s contribution is a testament to the organization’s commitment to putting everything in place to meet the challenges of tomorrow.

The AMF has succeeded in becoming a regulatory body with a solid reputation not only here in Québec but elsewhere as well. The Board’s mission is to support the AMF in its administration and in the application of its governance framework.

I wish to conclude by thanking the members of the Board, as well as senior management and the President and Chief Executive Officer, Mario Albert, for their invaluable co-operation in making the AMF an ever more relevant organization.

A handwritten signature in black ink, appearing to be 'BM' followed by a long horizontal stroke that tapers to a point on the right.

*Bernard Motulsky*

# PRESENTATION OF THE AUTORITÉ DES MARCHÉS FINANCIERS

**Established under An Act respecting the *Autorité des marchés financiers* (the “AMF”) on February 1, 2004, the AMF is the body mandated to regulate and oversee Québec’s financial sector and provide assistance to consumers of financial products and services.**

With a head office in Québec City and major offices in Montréal, the AMF sees to the protection of consumers through various activities that pertain to registration, regulation, supervision, inspection, investigation, education and compensation.

With a staff of nearly 700, the AMF ensures that financial sector regulations are observed by companies and individuals operating in the following areas: securities, insurance, distribution of financial products and services, and deposit institutions. The AMF also supervises exchanges and clearing houses, as well as self-regulatory organizations that oversee certain market participants more directly.

With respect to **governance**, the President and CEO is responsible for the administration and direction of the AMF within the scope of its by-laws and policies. He is vested with all the powers relating to the application of the laws governing financial sector participants. In addition, he oversees the development of the regulatory framework. The AMF Advisory Board assists the President and CEO with the administration and governance of the AMF, the whole in accordance with the mandate assigned to it.

The organizational structure of the AMF is composed of the *Direction de l’encadrement des marchés de valeurs* (Securities Markets), the *Direction de l’encadrement de la solvabilité* (Solvency), the *Direction de l’encadrement de l’assistance à la clientèle, de l’indemnisation et de la distribution* (Client Services, Compensation and Distribution), the *Direction générale du contrôle des marchés et affaires juridiques* (Enforcement and Legal Affairs), the *Direction générale de l’administration* (Administration), the *Direction des ressources humaines* (Human Resources) and the (Corporate Secretariat).

## MISSION AND OBJECTIVES

The AMF’s mission and objectives are set out in its constituting Act.

### AMF must:

- provide assistance to consumers of financial products and services;
- ensure that financial institutions and other regulated entities of the financial sector comply with the solvency standards applicable to them as well as with the obligations imposed on them by law;
- supervise the activities connected with the distribution of financial products and services;
- supervise stock market and clearing house activities and monitor the securities market;
- supervise derivatives markets, including derivatives exchanges and clearing houses;
- see to the implementation of protection and compensation programs for consumers of financial products and services and administer the compensation funds set up by law.

### The AMF performs its functions and exercise its powers so as to:

- foster the confidence of the public and of the business community as regards financial institutions and practitioners in the financial sector as regards solvency and the competence of agents, advisers, brokers, representatives and other practitioners in the financial sector;
- promote the availability of high-quality, competitively priced financial products and services for individuals and enterprises in all regions of Québec;
- see to the establishment of an effective and efficient regulatory framework that promotes the development of the financial sector and facilitates innovative management and commercial practices;
- grant the public and the business community access to reliable, accurate and complete information on the financial institutions and practitioners in the financial sector and on the financial products and services offered;
- protect consumers against unethical, abusive or fraudulent practices and give individuals and enterprises access to various dispute resolution mechanisms.

## ORGANIZATIONAL VALUES

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### **Mobilization**

The AMF draws on a corporate culture that fosters the adoption of its institutional objectives by its employees, as reflected in its organizational model and its innovative management practices. It relies on the leadership of senior management and its team of managers to clearly communicate its orientations to employees, secure their commitment to institutional objectives and establish a work environment conducive to the fulfillment of human resources to ensure their retention and facilitate recruitment.

### **Openness and accessibility**

The AMF is an organization that is continuously focused on meeting the expectations of its various clienteles and partners. It is therefore responsive to the needs of consumers as well as suppliers and distributors of financial products and services, its employees, its partners such as self-regulatory organizations (SROs) and the Québec government.

### **Thoroughness**

The AMF is responsible for applying and enforcing 12 sector-based laws, in addition to its constituting Act. To remain credible, it must assume this responsibility with thoroughness, fairness and consistency.

### **Client approach**

As a financial sector regulatory body, the AMF seeks to provide the services which its various clients and partners are entitled to expect, and do so on an ongoing basis and in accordance with its quality criteria.

## GOVERNANCE PRINCIPLES

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### **Team spirit**

Ensure co-operation among employees to create a united effort for the purpose of fulfilling the organization's mission.

### **Consistency**

Contribute to the efficiency of operations by being proactive and establishing a harmonious approach to ideas and decisions at every organizational level where exchanges and actions are carried out.

### **Transparency**

Communicate in a clear manner within a climate of mutual trust. Demonstrate openness and attentiveness during work sessions to ensure that dossiers move forward in the interests of the AMF.

### **Accountability**

Act responsibly and discharge results-oriented and reporting obligations.

### **Focus**

Concentrate activities on priorities and work with a view to continuous improvement and the achievement of expected results.

# BACKGROUND TO THE 2012–2017 STRATEGIC PLAN

The year 2012 marks the eighth anniversary of the AMF as well as the beginning of its third Strategic Plan. The result of a collective effort by AMF management and supervisory staff, this Plan reflects a common understanding of the AMF's mission and of the context in which it will be carried out. As such, the Plan sets out the four key issues facing the AMF over the 2012–2017 period.<sup>1</sup>

## MAJOR CHALLENGES

The AMF will be called upon to meet several major challenges in the coming years. Indeed, it will work with other regulators to provide oversight and implement measures to enhance the resilience of the financial markets that have been shaken by the 2008 financial crisis and the recent sovereign debt crisis. The AMF will also strive to meet the challenges posed by constant innovation in the markets and the growing complexity of products, as well as high consumer expectations regarding financial fraud prevention and the various assistance programs under its responsibility. The AMF will have to meet these challenges at a time when the growth in revenue derived from the financial sector is limited.

## MARKET RESILIENCE

The 2008 financial crisis had a tremendous impact on the financial sector and the world's major industrialized economies. Though not spared, Canada and Québec managed to avoid the worst of it and, unlike a number of jurisdictions, managed to avoid the collapse of financial institutions.

The crisis raised awareness among the world's regulatory authorities about the weaknesses in the financial system. This prompted the G20 countries to propose and launch a series of reforms aimed at increasing the resilience of the financial sector. Co-ordinated by the Financial Stability Board, these reforms affect all spheres of the financial world: banks and deposit institutions, deposit insurance programs, securities and insurance.

Moreover, while most jurisdictions are in the process of implementing the necessary reforms, some countries have recently seen their public debt explode and reach untenable levels. In Europe, Greece, Italy, Portugal and Ireland face especially tough challenges in the near term. Other countries, such as the United States and Japan, also have to deal with debt levels that are unsustainable in the medium term. The sovereign debt crisis is therefore putting additional pressure on the financial sector. It is increasing market volatility and, to a certain extent, underscoring the need for timely action to ensure the sector is on solid footing.

Given the complex nature and scope of the proposed reforms, their implementation will take years and will likely remain a top priority for regulators. The AMF will therefore continue to contribute and allocate significant resources in this regard.





More specifically, the AMF will continue to actively participate and provide leadership—while always keeping the characteristics of Québec’s financial sector in mind—in international forums where the broad parameters of the reforms are being defined as well as in forums that ensure the orderly development of regulations in Canada, including the Heads of Agencies, the Canadian Securities Administrators (CSA) and the Canadian Council of Insurance Regulators (CCIR). The AMF will adapt the resulting reforms to its own regulatory framework, before ensuring their implementation in Québec and performing its supervisory tasks.

In this regard, the AMF is concerned about the number and scope of reforms. It remains mindful that oversight should foster rather than hinder the development of the financial sector. The AMF will therefore aim for a streamlined yet effective and transparent approach to regulation.

Beyond the many reforms required, the recent financial crisis also highlighted the need for financial regulators to ensure greater monitoring of markets and product offerings. It also demonstrated, more than ever, the interdependence of the various market segments and the need to identify and mitigate systemic risks. The AMF must therefore keep a closer watch over the financial markets and new financial products that could pose risks to consumers and jeopardize market stability.

It bears mentioning that securities reforms in Canada have become more complicated to implement due to the federal government’s proposal to create a national securities commission. In December 2011, the Supreme Court of Canada unanimously ruled that the federal proposal, as presented, was unconstitutional. However, the federal government still seeks to have a say in securities regulation, now citing its responsibility for financial stability as justification. Consequently, the AMF will have no choice but to allocate resources to assist the Québec government in maintaining its powers.

Regardless of the outcome of the federal government’s proposal, the AMF will work hand-in-hand with other provincial regulators to ensure an effective securities framework. While respecting the powers conferred by the Canadian Constitution, the AMF will also work with federal authorities to foster financial stability in Canada.

## GROWING COMPLEXITY OF MARKETS AND PRODUCTS

Financial markets are becoming increasingly sophisticated. Innovation is ubiquitous and new products are being introduced almost daily.

For example, new strategies such as high-frequency trading and algorithmic trading have emerged in recent years, and these strategies place the markets at risk. The industry has also seen the advent of alternative trading systems (ATSs), which provide an alternative to traditional stock exchanges. The growing popularity of some investment and risk management products is giving rise to special challenges, particularly with respect to securitized products, exchange traded funds and derivatives such as credit default swaps (CDSs). Moreover, mirroring the widespread trend in the economy, on-line transactions are on the rise in the financial sector, especially in the insurance industry.

The pace at which the markets are evolving and the increasing complexity of financial products present a definite challenge for the AMF and its counterparts. The regulatory community must therefore have a solid grasp of new market trends and the features of new products in order to propose, if necessary, appropriate regulation. This calls for, among other measures, improved monitoring, as previously mentioned.

## HIGH EXPECTATIONS FOR DETERRING FINANCIAL CRIMES

Like other jurisdictions, Québec has had its share of front-page financial scandals. As a result of the heavy personal and financial toll on victims generated by these scandals, the public is increasingly looking to the AMF to deter financial crimes.

In fact, according to a recent poll, two out of three Quebecers maintain that the AMF should be able to detect and prevent all financial fraud. While this is an unrealistic expectation and consumers themselves have to become more vigilant, the AMF is taking the public's high expectations for fraud prevention seriously and will place paramount importance on this aspect of its mandate over the coming years. That said, the AMF would like to reiterate that no regulator can prevent all fraudulent schemes.

Over the past few years, the AMF has significantly boosted its efforts to combat financial crime. It has tripled the size of the teams dedicated to this task and set up new units specialized in market surveillance and cybersurveillance. As well, with the support of its partners, the AMF has established an integrated financial information team to better protect investors and enhance confidence in the markets. These resources have helped the AMF better understand and thwart financial schemes, identify sources of market manipulation and deter illegal investment offers.

The AMF's efforts have led to an increase in the number of administrative and legal proceedings as well as sterner prison sentences, fines and penalties. The CSA's 2011 Enforcement Report shows that this trend is continuing and that the AMF is already a leader among Canadian jurisdictions in enforcement action. And likewise with respect to cease trade and freeze orders. The number of proceedings commenced (40/126) and cases concluded in Québec (40/124) for violations of securities laws in 2011 represents one third of all such activity in Canada.<sup>2</sup>

Given the public's high expectations, the AMF will propose to the government further improvements to existing laws, regulations and sanction regimes, and will adopt best practices pertaining to inspections and investigations. The AMF will identify areas and products where the potential for fraud is greatest and will sharpen its oversight activities. In this regard, it will pay close attention to the possible emergence of issuers in the context of the *Plan Nord*, the Québec government's plan to build northern Québec.

This plan, which represents tremendous economic development potential, could attract unscrupulous individuals who might be tempted to set up fraud schemes that are well known to the mining industry.

## CONSUMER AWARENESS AND VIGILANCE

An important aspect of the AMF's mission is to provide assistance to consumers of financial products and services, a task that in many respects complements the AMF's market regulation activities.

Financial literacy among Quebecers remains quite low and improving such knowledge is a priority for the AMF. As part of the same poll referred to above, 50% of the 1,006 respondents said they knew little about financial products and services and 59% expressed an interest in learning more.

Enhancing the financial literacy of Quebecers would certainly help more people to make informed decisions and better achieve their financial goals while making them less vulnerable to fraud. In this regard, the AMF considers its initiatives to help make consumers more knowledgeable about financial products and services to be an integral part of its efforts to combat financial crimes.

<sup>2</sup> Data are subject to further validation by the CSA and the AMF and therefore may subsequently be adjusted.

As well, the heavy losses incurred by victims of financial fraud have sparked a debate on victim compensation. This is a complicated matter that directly concerns the AMF, both in terms of defining compensation rules and administering related programs.

Finally, a debate currently under way among Canadian regulators pertains to consumer complaint examinations and dispute resolution mechanisms. Although the AMF is not directly involved in these discussions, any changes to these mechanisms carried out elsewhere in Canada could very well affect the approach adopted in Québec.

### LIMITED RESOURCES

Overall, the environment in which it operates greatly affects the AMF and its human resources. In response to the pressures of the past few years, the AMF has expanded its staff and will likely continue recruiting in the future. As well, the AMF is under pressure with respect to expenses, particularly as a result of the recent agreement between the government and the *Association des juristes de l'État* (association of government lawyers), the difficulties recruiting and retaining specialists (such as derivatives experts and actuaries) and the urgent need to upgrade business systems.

The AMF derives its funding from fees and contributions collected from the industry. Revenue growth has been modest in recent years and is expected to remain so due to a combination of cyclical and structural factors. On the cyclical side, the financial crisis has limited activity in the financial sector, which in turn has applied downward pressure on the AMF's revenues. It could be several years before the situation returns to normal.

Structurally, the constant introduction of new business models and products, many of which are not subject to the AMF's fee and contribution schedules, also restricts revenue growth.

Over the past few years, the AMF has managed to cope with this situation by tightly controlling expenses, notably, by applying the provisions under Bill 100.<sup>3</sup> However, in the future, it will have to find ways to better match revenues and expenses.



<sup>3</sup> An Act to implement certain provisions of the Budget Speech of 30 March 2010, reduce the debt and return to a balanced budget in 2013–2014

## LEVERAGING MAJOR ASSETS

The coming years will bring major challenges for the AMF. The issues defined in response to these challenges make up the thrust of the 2012–2017 Strategic Plan. To successfully implement this Plan, the AMF will be able to count on leveraging major assets.

First, the organization's integrated regulatory framework model is a definite advantage in the current context. In fact, the myriad reforms that are in the pipeline or being deployed will impact all segments of the financial sector. The AMF's integrated model provides a comprehensive view of these reforms, eliminates much of the interregulator co-ordination costs incurred by other jurisdictions and provides the AMF with a highly diverse talent pool.

The benefits of this model can be leveraged further by enhancing synergies within the organization. To do so will require a management approach that calls for regular collaboration among organizational units as well as tools (IT, office automation, etc.) to achieve these synergies and ensure effective information and knowledge sharing.

Second, the AMF is counting on a team of young, competent and motivated employees. Financial regulations are only as good as the teams that develop and enforce them. Considering the rapid changes and complexity of the dossiers in the financial sector, the AMF must continue to attract and recruit top talent, encourage the acquisition of new skill sets and value initiative, creativity and commitment at all levels of the organization.

In the complex world of financial regulation, quantity is rarely a substitute for quality. The challenge is to create a work environment where the whole is greater than the sum of its parts.

Finally, the AMF will build on the special relationship it has forged with the financial sector and its partners. Since its establishment, the AMF has maintained open communication with industry players to be able to develop an appropriate regulatory framework that is as responsive as possible to their business models. Moreover, the AMF's accessibility is often recognized by entities that also operate in other jurisdictions and are in a position to compare different regulatory approaches. In light of the number and complexity of the reforms that will have to be introduced in the coming years, the AMF's ability to maintain open dialogue with industry players will certainly contribute to its success.

# 2012–2017 STRATEGIC PLAN

## VISION

### OVER THE NEXT FIVE YEARS, THE AMF IS AIMING TO:

- BECOME THE TOP-OF-MIND RESOURCE FOR CONSUMERS
- PRESENT A FULLY INTEGRATED APPROACH TO FINANCIAL SECTOR REGULATION
- BE AN INFLUENTIAL AND HIGH-PERFORMING ORGANIZATION

The 2012–2017 Strategic Plan essentially aims to achieve the AMF’s vision of what it should be and should accomplish by the end of 2017.

This vision revolves around three main elements. As such, over the next five years, the AMF seeks to:

**Become the top-of-mind resource for consumers** – Consumers will instinctively and confidently turn to the AMF when they need useful information about financial products and services, as well as related regulations. The AMF’s awareness and education initiatives will help protect investors, and the AMF will provide leadership in this regard. The public will also have a high level of confidence in the AMF’s ability to deter financial crimes, compensate fraud victims and respond to complaints.

**Present a fully integrated approach to financial sector regulation** – The AMF will be able to deliver all regulatory development projects in an integrated and consistent manner, regardless of the area in which they originate (securities, insurance, distribution, etc.) thanks to its business processes and systems (inspections, investigations, IT, administration, client services, etc.). An integrated system for monitoring new trends and market risks will be in place.

**Be an influential and high-performing organization** – To outsiders, the AMF will be recognized for its efforts within the financial sector and at national and international forums in which it will participate. Internally, the AMF will be recognized for its qualified staff, its efficiency and its innovative practices.



## ISSUES, ORIENTATIONS AND AREAS OF INTERVENTION

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The Strategic Plan outlines the AMF's activities for the next five years based on four major, interrelated and equally important issues that will help guide the AMF in achieving its mandate and vision.

### Issue 1

**More vigilant consumers** so they can protect themselves against financial fraud and acquire a better understanding of personal finances as well as of available assistance and compensation programs

### Issue 2

**Stronger regulatory framework** to improve market resilience, address the growing complexity of financial products and market structures, and meet high consumer expectations for preventing financial fraud.

### Issue 3

**An influential organization** to foster the development and efficiency of Québec's financial markets.

### Issue 4

**A high-performing organization** to increase the AMF's ability to take action and effectively meet its challenges.

The success of this Plan will require the determination and commitment of the AMF's entire staff. As such, it calls for a major culture shift within the organization. It covers five years to ensure that the planned changes take hold gradually and in a manner that is mindful of existing teams and of the services to be delivered to clients.

As well, with respect to many of the strategic orientations in this Plan, the AMF will at the outset assess the current situation and define indicators, targets and strategies that will be implemented in subsequent years.

All four issues in the 2012–2017 Strategic Plan have been broken down based on strategic orientations and areas of intervention to determine benchmarks for implementing the AMF's five-year Plan.

## 1 MORE VIGILANT CONSUMERS

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The AMF's consumer assistance activities, including financial education, compensation and complaint examinations, along with the Information Centre, complement market regulation activities.

The AMF believes that well-informed consumers, who ask the right questions and understand what they are being offered on financial markets, are better able to manage their money as well as detect and avoid fraud. Thus, the first line of defence against fraud is consumer vigilance.

Despite an enviable reputation as a public body, the AMF is not consulted often by consumers, who still do not view the AMF as the preferred source of information vis-à-vis the financial markets. This is surprising considering its objective role with respect to the financial markets and the usefulness of the information prepared and issued by the AMF.

At the conclusion of this Strategic Plan, the AMF seeks to be the top-of-mind resource for Québec consumers, be they investors, savers, depositors or insurance policyholders, to make them aware of the importance of vigilance, equip them to make sound financial decisions and actively support them when filing complaints or applying for compensation.

## STRATEGIC ORIENTATION 1.1

**Better equip consumers to make sound financial decisions and become their top-of-mind resource**

### **Area of intervention 1.1.1 – Promote consumer vigilance through awareness initiatives and the development of information tools**

As part of the Strategic Plan, the AMF will pursue its awareness efforts and develop information tools to promote consumer vigilance and better equip consumers to make sound financial decisions.

The AMF currently does not have an adequate indicator for measuring the financial literacy of Quebeckers. In the first year of the Plan, the AMF will develop its own financial literacy index based on simple concepts and vigilant consumer behaviours. It will then measure the knowledge and behaviour of consumers in relation to the index to set continuous improvement targets for the remainder of the Plan.

Once this is completed, the AMF will be in a better position to define strategies aimed at continually improving this index as of 2014.

### **Area of intervention 1.1.2 – Advance the field of financial education together with its partners and position the AMF as the top-of-mind resource for consumers**

A number of educational institutions, research groups, community organizations and financial institutions are becoming more involved in financial education. Going forward, the AMF will continue to play an active role in this field, co-ordinating the actions of various stakeholders in order to improve financial literacy.

The AMF also intends to develop partnerships, particularly with certain financial institutions, to ensure the distribution of information material developed on the basis of its findings as a regulator. The AMF will take advantage of every opportunity to disseminate such information.

In this regard, it bears mentioning that, according to surveys, consumers are more receptive to financial information when they are looking for a specific service or product, and that financial institutions are a preferred source of information on how to make sound investments.

To help determine the effectiveness of its actions, the AMF will measure how readily consumers identify the AMF as their top-of-mind resource and will seek continuous improvements as of 2014.

### **Area of intervention 1.1.3 – Increase the use of electronic media as the tool of choice for disseminating information**

In light of the proliferation of electronic media, the AMF will step up use of e-communication (websites, e-mail information, social media) for its awareness and information activities. Ever more popular with the AMF's clientele, electronic media offer greater reach and flexibility for disseminating information.

The AMF already delivers information via its website, and it recently started to make use of social networks to circulate useful information and issue investor warnings based on its findings as a financial regulator. The AMF's surveys show that many members of the general public (83%) who visit its site find what they are looking for, but few (6%) actually consult the site. Since the use of traditional websites is declining, the AMF will have to include a social media strategy when disseminating information. It is worth noting that the AMF received a perfect score from the International Organization of Securities Commissions for its information-related activities.

According to CEFRIQ, a centre specializing in the use of information and communication technology to drive research and innovation, in 2011, 73% of Québec Web surfers used social media at least once a month and 69.9% of surfers listed content browsing as a favourite pastime.

Although the use of social media decreases with age, the fact remains that they are used at least by two out of three (69%) Québec Web surfers between the age of 45 and 54, by just over half (55%) in the 55 to 64 age group, and by more than one third (39%) in the 65 and over group.

Nearly one third of Québec Web surfers (31%) who use social media have already followed a brand, a company, an agency or a government department. Given this backdrop, it is difficult for the AMF to ignore such a popular means of communication among its clientele.

Consequently, earlier this year, the AMF undertook a shift to social media, which, going forward, will be adopted for awareness and information activities aimed at on-line consumers of financial products and services.

As of 2014, the AMF will aim for a continuous progression in the use of electronic communication to reach consumers.

## STRATEGIC ORIENTATION 1.2

### Actively support consumers who turn to the AMF for assistance

The AMF administers a number of consumer assistance programs that are especially important in that they are often geared to individuals in serious difficulty as a result of fraud, litigation or, in some cases, bankruptcy. These programs are delivered through:

- The *Fonds d'indemnisation des services financiers* (financial services compensation fund), which pays financial indemnities to victims of fraud, fraudulent tactics or embezzlement;
- The *Fonds d'assurance-dépôts* (deposit insurance fund), which protects deposits made in an institution registered with the AMF in the event it fails;
- The *Service du traitement des plaintes* (AMF Complaints Examinations), a single point of contact for consumer inquiries and complaints. Services include mediation and conciliation.





### Area of intervention 1.2.1 – Improve the AMF’s consumer assistance, complaint examination and compensation programs

In order to effectively support consumers who turn to the AMF for assistance, the AMF has set 2015 as the deadline for completing a thorough review of its compensation, complaint examination and deposit insurance programs, as well as for formulating recommendations for improvements. With respect to compensation, a review is under way via a public consultation launched in December 2011.

As well, the AMF is actively following the activities of the International Association of Deposit Insurers (IADI), which is in the process of developing new deposit insurance standards. The IADI’s work is an integral part of an international effort to strengthen the safety net for depositors and improve the resilience of financial institutions.

## 2 STRONGER REGULATORY FRAMEWORK

The AMF is unique among Canada’s regulators in that all of the regulatory functions pertaining to Québec’s financial sector and its related expertise are housed within a single organization. Hence, the AMF is responsible for the prudential oversight of financial institutions, as well as the supervision of the securities market, including derivatives, and that of the distribution of financial products and services where market intermediaries, individuals and firms conduct business. It also supervises the self-regulatory organizations, exchanges and clearing houses that support the AMF in its role as financial regulator.

The strength of this integrated model lies in the comprehensive view it gives the AMF of its clientele, thereby giving rise to more consistent, effective and timely action, as well as a regulatory framework that is better suited to changing markets.

Although there are undeniable advantages and benefits to this integrated model, even more can be derived by expanding and, more importantly, pooling knowledge and extending this integrated approach to other regulatory functions such as regulatory amendments and compliance.

### STRATEGIC ORIENTATION 2.1

Leverage the full potential of the AMF’s integrated model

#### Area of intervention 2.1.1 – Expand knowledge and encourage knowledge poolin

Financial markets and products are complex and constantly changing. Much of the AMF’s ability to effectively perform its mission and set itself apart depends on identifying major developments and potential risks and implementing measures to mitigate risks to consumers and to market stability.

As such, by 2015, the AMF intends to set up:

- An integrated strategic monitoring and analysis group responsible for tracking national and international market trends and regulatory developments;
- An integrated dossier monitoring framework, which will require an overhaul of management indicators;
- An integrated risk management framework and a mechanism for regular follow-up.

Moreover, beginning in 2013, the AMF will structure the pooling of knowledge arising from these developments and from activities already in place, such as the results of investigations, complaints and legal proceedings, as well as the outcomes of regular discussions with partners and government authorities. This structured pooling of knowledge will promote meaningful synergies and ultimately improve the relevance of the AMF’s actions. This responsibility will be assigned to the new strategic monitoring and analysis group.

### Area of intervention 2.1.2 – Complete the integrated regulator model

Beyond the pooling of knowledge, other areas where activities can be better integrated within the AMF have been identified.

As such, by 2013, the AMF will present its vision of the changing regulatory landscape (legislative, normative and regulatory) in a more integrated and structured manner by formulating a three-year plan that reflects the characteristics of the Québec and Canadian markets as well as broad international trends. The three-year scope will allow the AMF to establish its intentions over a longer period and in so doing keep the lines of communication open with its clientele and partners. In fact, experience shows that reforms take more than a year to develop and implement. That being said, the plan will be updated annually to ensure that outlooks are in line with reality.

Furthermore, in the first year of the 2012-2017 Plan, the AMF will review its inspection and supervisory approaches with a view to better integrating these functions within the organization. A plan in this regard will be developed for the following years. The AMF believes that it can improve the efficiency and relevance of its oversight interventions by integrating certain compliance practices, particularly with respect to clientele governed by more than one statute.

## STRATEGIC ORIENTATION 2.2

### Strengthen oversight practices

#### Area of intervention 2.2.1 – Maintain best oversight practices, particularly those aimed at preventing and deterring financial crimes

The AMF has greatly bolstered its efforts in recent years to deter financial crimes. Still, consumer expectations are very high in this regard and the AMF is well aware that it must pursue its efforts relentlessly and continue improving on this front. To this end, it must quickly adapt to new products and practices and develop new ways to detect fraud and other financial crimes in a timely manner.

As well, new mandates are assigned every year in response to reforms arising from international and national forums, and the AMF must implement them in Québec and explain them to the clientele concerned.

Many initiatives are planned for the coming years, and the AMF's goal is to innovate on an annual basis. Without giving a complete list of oversight initiatives ahead for the AMF, they include forming a team specializing in sophisticated products, improving the regulation and surveillance of the derivatives market, implementing the requirements of Basel III, as well as deploying a regulatory framework governing money-services businesses. Finally, the AMF will keep a close eye on the arrival of any issuers within the context of the Québec government's *Plan Nord* project.

## 3 AN INFLUENTIAL ORGANIZATION

To address the various challenges facing it, the AMF must be able to advance the interests of Québec's financial sector at the national and international forums in which it participates. It must also maintain regular, effective dialogue with all stakeholders (investors, issuers, financial institutions, etc.) in order to better grasp their concerns and explain the whys and wherefores of the reforms being adopted.

The AMF will therefore continue its tradition of openness and accessibility with its partners and financial sector participants. The search for a regulatory framework that strikes a balance between protecting the public and developing the financial sector must be fuelled by constructive and quality exchanges. Moreover, such exchanges will foster greater compliance since registrants will acquire a better understanding of the regulator's expectations, thereby facilitating regulatory enforcement.

## STRATEGIC ORIENTATION 3.1

Make the AMF a more influential body with its partners and financial sector participants

### Area of intervention 3.1.1 – Enhance exchanges between the AMF and its partners and financial sector participants

In the coming years, the AMF plans to increase exchanges with financial sector participants based on the results of its monitoring activities and regulatory development projects. Beginning in 2013, it will submit to the government a three-year regulatory development plan. This plan will be discussed with financial sector participants to ensure it is properly aligned with the different objectives pursued.

Moreover, to help build a reflex for constructive and quality exchanges on a regular basis, the AMF will, by 2014, improve its mechanisms for exchanges with the industry, financial sector participants and partners, notably self-regulatory organizations and universities. Topics of discussion will include market performance and developments, major changes impacting the markets, current issues, financial innovations, the regulatory landscape, feedback on new regulations, opportunities to inform and educate the public on financial matters, and consumer satisfaction.

### Area of intervention 3.1.2 – Take a leadership role at national and international regulator forums

Now more than ever, the AMF must continue to actively participate in national and international forums where key trends are discussed and reforms take shape. Throughout the course of its Plan, the AMF will do precisely that in order to stay abreast of reforms and influence them in the making by drawing on its integrated expertise and knowledge of the Québec financial sector. Participation in these forums will allow the AMF to identify best regulatory practices, adapt them to the markets under its purview and generate continuous improvements in this regard.

## 4 A HIGH-PERFORMING ORGANIZATION

The AMF is a young organization. The critical efforts to integrate the founding agencies since the AMF's establishment have been successful with respect to its operational units (inspections, investigations, securities, solvency and distribution). It is now time to address other aspects that will allow the AMF to improve its performance in a context of limited resources, in particular, the building of its own corporate culture, organizational development and optimization of support functions.

To meet its challenges, the AMF is relying on dynamic, competent and committed employees. The AMF's goal is to create a work environment that takes full advantage of the skills and abilities of each staff member, thereby creating a high-performing team.

## STRATEGIC ORIENTATION 4.1

Build a new corporate culture focused on innovative management

To accomplish its mission in the most effective manner possible, the AMF seeks to strengthen its corporate culture by underscoring innovative management practices. This change in culture is a long-term project that will be supported by the implementation of collective intelligence principles that are based essentially on knowledge acquisition, collaboration, transformational leadership and emotional communication.

A financial regulator is in essence a knowledge-based organization where the acquisition and updating of knowledge are pillars. As such, the AMF must provide its employees with the means to enhance their skills and talents.

The AMF believes that fostering collaboration and greater interaction among corporate units can increase staff mobilization and give employees a better sense of accomplishment. This in turn will improve mobility within the organization, providing employees with meaningful career paths in line with the expectations they have conveyed.

The findings of the organizational survey conducted in fall 2011 confirm the need to realign the AMF's management style with the projected model and substantiate the relevance of management's vision. To be repeated on a regular basis, this survey will be of invaluable assistance to the AMF for monitoring the situation and measuring the progress achieved for each area of intervention defined.

**Area of intervention 4.1.1 – Offer a work environment that recognizes the contribution of AMF employees by encouraging initiative, collaboration and knowledge sharing, and support the culture change with a comprehensive approach to internal communication**

This new work environment will emerge from the renewed corporate culture. To bring about this new culture and ensure it takes firm hold, the AMF will devise, in the first year of its Plan, a change management process that will be implemented in the following years.

The AMF will also introduce a new internal communication approach that will make it easier to share information among the organization's strategic players and help employees better understand the AMF's priorities, expectations, key decisions and targeted results. For example, a higher-performance intranet will be available to AMF employees.

Moreover, for each issue defined, the AMF will seek to broaden its outside partnerships so as to enhance its performance capacity, improve financial literacy, strengthen the framework with self-regulatory organizations and gain greater insight into the financial sector. The AMF will therefore have to properly prepare staff for such external collaboration, and steps will be taken to this end in the first year of the Plan.

**Area of intervention 4.1.2 – Attract and retain competent employees by fostering knowledge, skill and talent development**

To ensure its staff is abreast of the latest trends and market changes, the AMF will, by 2014, develop and implement a knowledge management strategy. It will also improve its skill development mechanisms.

In addition, the AMF will, during the first year of its Plan, define the issues and challenges in the area of talent and succession management, a prerequisite for developing an action plan for the following years. More specifically, in the subsequent year, the AMF will identify talents and staff succession for purposes of future development. This component is extremely important given that the AMF will be called on to assume new mandates as a result of anticipated major reforms whose successful implementation will hinge on the suitability of human resources.

**Area of intervention 4.1.3 – Develop programs and policies in response to employee expectations and concerns so as to foster commitment and maintain a high level of employee mobilization**

Individual commitment and employee mobilization are key factors of success for any organization, and the AMF is no exception. In an effort to remain attentive to staff concerns, the AMF will routinely conduct internal surveys and develop other mechanisms to encourage productive dialogue. It will regularly adjust its programs and policies.

Although the AMF has a compensation policy that is generally competitive, attracting and retaining employees also depend on its ability to offer a fulfilling and challenging work environment through innovative programs and policies.

#### **Area of intervention 4.1.4 – Ensure managers develop the requisite leadership skills to support the changes brought about by the new corporate culture**

In order to carry out the anticipated reforms, the involvement and leadership of AMF's managers will be essential. In the first year of the Plan, senior management will clarify the leadership style and skill sets (soft skills, expertise, knowledge) required of managers and then define the appropriate training plan.

The AMF's managers will then be equipped and more comfortable implementing the principles of collective intelligence management.

### **STRATEGIC ORIENTATION 4.2**

**Build on recognized high performance by leveraging information and communication technologies (ICT), integrated risk management and a review of the governance framework**

ICT is key to improving operational performance. Major challenges face the AMF in this regard.

#### **Area of intervention 4.2.1 – Optimize key operational processes to increase the AMF's capacity to take action (registration, disclosure filings, compliance monitoring, analyses, investigations, inspections, supervision of financial institutions, legal proceedings, etc.)**

In its earlier years, the AMF focused on its divisional operations for the implementation of industry-based reforms; the focus in the current Plan will help optimize key operational processes. An analysis of the targeted processes is expected to be completed by 2015.

The main goal is to improve the AMF's capacity to take action. This optimization exercise, which will be based on a methodology agreed on in advance, should allow the organization to free up and redirect resources where needed.

The AMF is in the midst of a major upgrade to its legacy information systems (MISA). Phase 1 will deliver on-line services to distribution clients and create a database which will eventually serve other clients such as financial institutions and securities firms. Other phases have therefore been planned to integrate the business systems intended for these clientele. In addition, other aspects of the AMF's activities, for instance, evidence management and surveillance of derivatives transactions, will have to be supported by technology solutions, and analyses are currently under way.

#### **Area of intervention 4.2.2 – Develop and implement, in accordance with best practices, a plan to optimize human, information, financial and material resources to support the new corporate culture**

The strategic importance of administrative services was frequently mentioned during the preliminary discussions for this Plan. This aspect is essential to increasing the organization's performance. In year 1, a more comprehensive vision of administrative resources and services will be defined to support the new corporate culture. This vision will be used to develop a more specific action plan and targets for the following years. By 2015, 60% of this action plan will have been implemented.

#### **Area of intervention 4.2.3 – Adjust the governance framework based on best practices**

The AMF adheres to the key management principles of accountability, reporting and integrated risk management. As such, it recently enhanced its integrated risk management program in order to more effectively accomplish its mission and to acquire new indicators to better track its performance. The AMF will also review its governance framework to bring it in line with best practices and to ensure the autonomy needed to perform its functions.

In this regard, the AMF and its Advisory Board are currently examining various proposals to adjust its governance framework to give the AMF greater autonomy in light of the challenges it is facing. Proposals in this regard will be fine-tuned and submitted by 2015.

With respect to governance, the AMF must also have adequate financial resources to carry out its mission. As it stands, the financial framework is limited as regards the AMF's ability to meet the challenges ahead and to execute its Strategic Plan. The AMF will therefore have to look for ways to better match revenues and expenses as well as to ensure sufficient reserves.

### STRATEGIC ORIENTATION 4.3

#### Develop consistent business practices while respecting the needs of clients

One of the challenges facing the AMF over the coming years is to develop consistent business practices that are respectful of the needs of all its clientele, in accordance with its integrated oversight model. Currently, large AMF units such as those dedicated to securities, financial institutions and distribution services all use different client approaches. This basically reflects the practices used by the founding agencies before the AMF was established. This divergence can sometimes hamper the organization's effectiveness by delaying integrated action and is an irritant for some clients.

While uniformity is not an absolute objective and divergence may sometimes be justified, it would be preferable for an integrated organization to have more consistent approaches.

As well, a high-performing organization must be able to measure client satisfaction from time to time and encourage regular dialogue so as to continually improve its practices.

#### Area of intervention 4.3.1 – Develop and deploy across all teams a client approach that is unique to the AMF and appropriate for all clienteles: consumers, injured parties, financial sector participants, partners and others

Since the AMF's clients are varied in nature and have different expectations, it makes sense to develop a more comprehensive approach to clients, keeping in mind the AMF's tradition of openness and accessibility.

The AMF's concern about the consistency of its business practices and client approach will be taken into account during the course of this Plan. More specifically, the client approach will be defined in year 1, before the adoption of a plan for implementation in subsequent years. The new client approach will be deployed across all units by 2015.

Throughout the Plan, the AMF will strive to maintain or continually improve client satisfaction.

## 2012-2017 STRATEGIC PLAN SUMMARY TABLE

ISSUES	ORIENTATIONS	AREAS OF INTERVENTION
<b>1</b> More vigilant consumers	<b>1.1</b> Better equip consumers* to make sound financial decisions and become their top-of-mind resource  * Investors, depositors, savers, insurancepolicyholders	<b>1.1.1</b> Promote consumer vigilance through awareness initiatives and the development of information tools <b>1.1.2</b> Advance the field of financial education together with its partners and position the AMF as the top-of-mind resource for consumers <b>1.1.3</b> Increase the use of electronic media as the tool of choice for disseminating information
	<b>1.2</b> Actively support consumers who turn to the AMF for assistance	<b>1.2.1</b> Improve the AMF's consumer assistance, complaint examination and compensation programs
<b>2</b> Stronger regulatory framework	<b>2.1</b> Leverage the full potential of the AMF's integrated model	<b>2.1.1</b> Expand knowledge and encourage knowledge pooling <b>2.1.2</b> Complete the integrated regulator model
	<b>2.2</b> Strengthen oversight practices	<b>2.2.1</b> Maintain best oversight practices, particularly those aimed at preventing and deterring financial crimes
<b>3</b> An influential organization	<b>3.1</b> Make the AMF a more influential body with its partners and financial sector participants	<b>3.1.1</b> Enhance exchanges between the AMF and its partners and financial sector participants <b>3.1.2</b> Take a leadership role at national and international regulator forums
<b>4</b> A high-performing organization	<b>4.1</b> Build a new corporate culture focused on innovative management	<b>4.1.1</b> Offer a work environment that recognizes the contribution of AMF employees by encouraging initiative, collaboration and knowledge sharing, and support the culture change with a comprehensive approach to internal communication <b>4.1.2</b> Attract and retain competent employees by fostering knowledge, skill and talent development <b>4.1.3</b> Develop programs and policies in response to employee expectations and concerns so as to foster commitment and maintain a high level of employee mobilization <b>4.1.4</b> Ensure managers develop the requisite leadership skills to support the changes brought about by the new corporate culture
	<b>4.2</b> Build on recognized high performance by leveraging information and communication technologies (ICT), integrated risk management and a review of the governance framework	<b>4.2.1</b> Optimize key operational processes to increase the AMF's capacity to take action (registration, disclosure filings, compliance monitoring, analyses, investigations, inspections, supervision of financial institutions, legal proceedings, etc.) <b>4.2.2</b> Develop and implement, in accordance with best practices, a plan to optimize human, information, financial and material resources to support the new corporate culture <b>4.2.3</b> Adjust the governance framework based on best practices
	<b>4.3</b> Develop consistent business practices while respecting the needs of clients	<b>4.3.1</b> Develop and deploy across all teams a client approach that is unique to the AMF and appropriate for all clienteles: consumers, injured parties, financial sector participants, partners and others







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