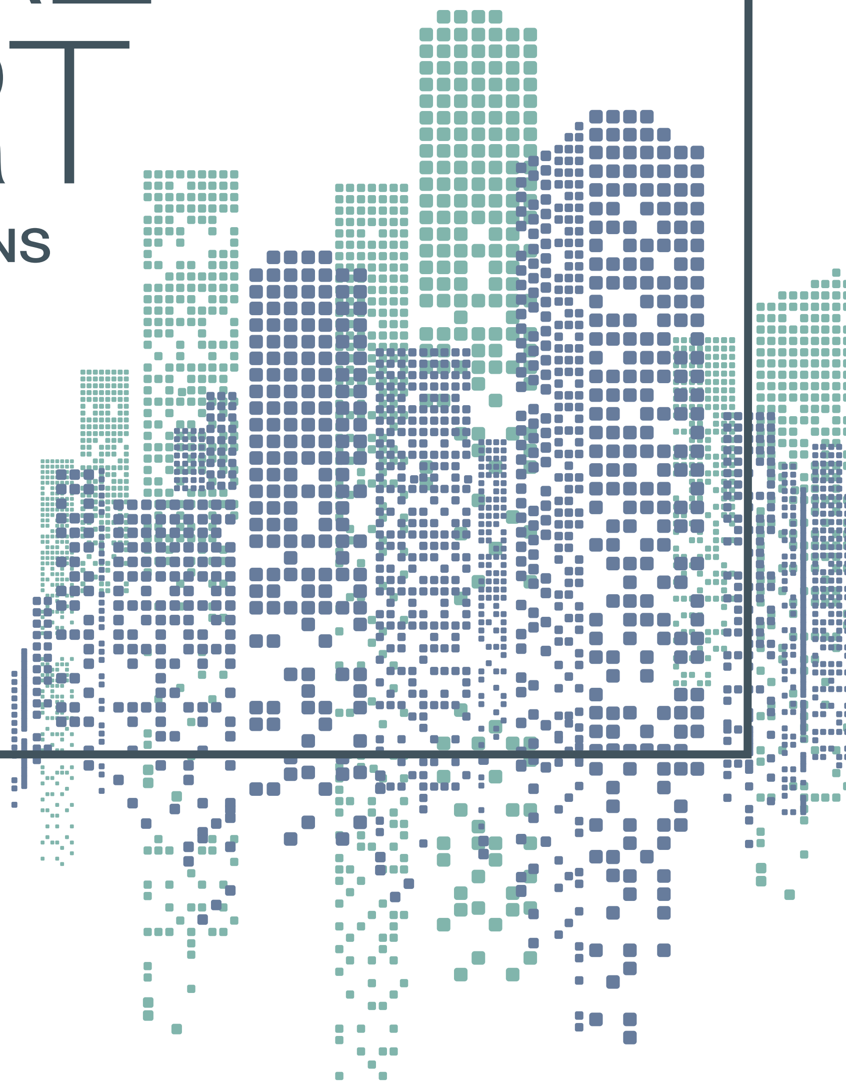
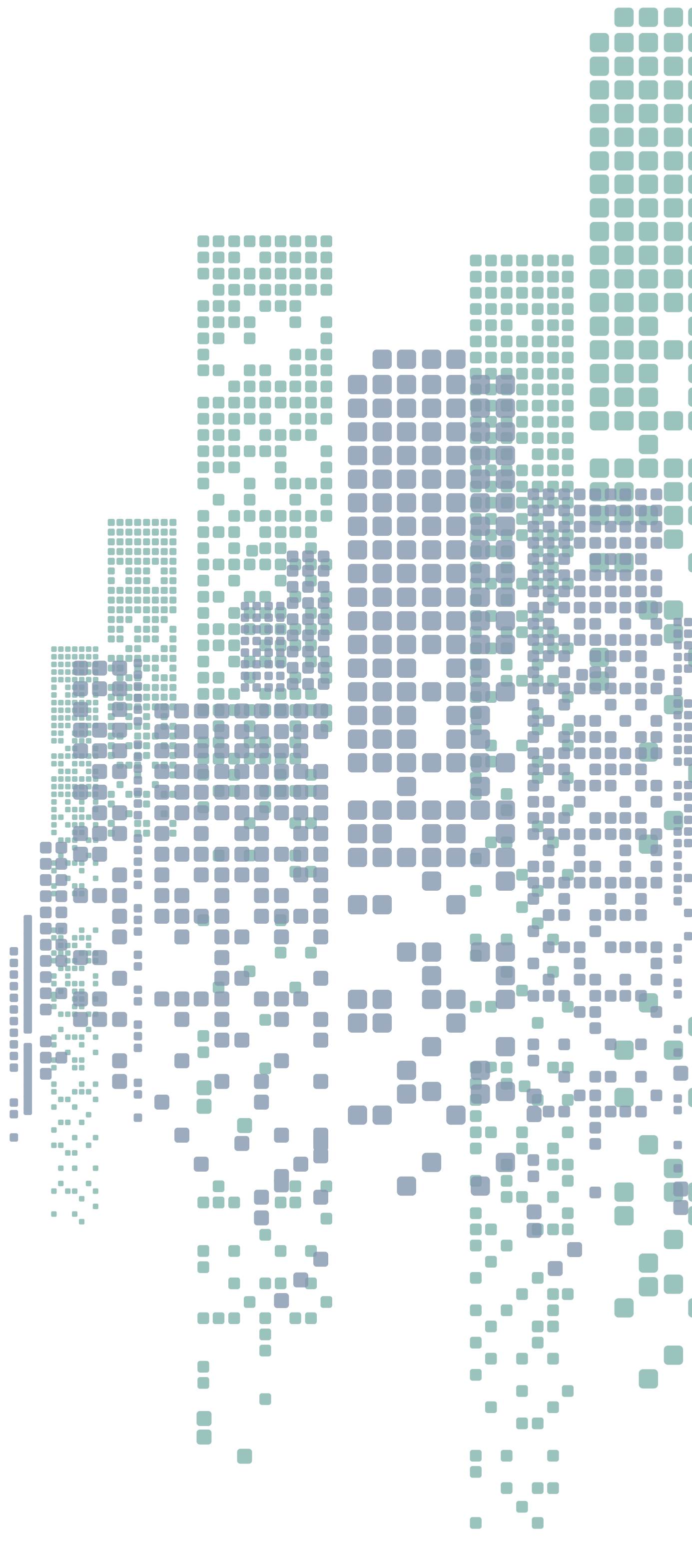
EXCERPT FROM THE

2016 ANNUAL REPORT

ON FINANCIAL INSTITUTIONS



AUTORITÉ DES MARCHÉS FINANCIERS



This document is an excerpt from the *2016 Annual Report on Financial Institutions* that presents only quick facts about Québec's financial sector and discusses the challenges and issues facing financial institutions and the regulatory environment.

The full report contains a complete statistical and financial picture of the industry as well as detailed data for each financial institution. It was produced in French only and is available on the AMF's website at www.lautorite.qc.ca as are the registers of insurers and deposit institutions.

AUTORITÉ DES MARCHÉS FINANCIERS

TABLE OF CONTENTS

PREAMBLE

As a mandatary of the State whose mission is to administer the various laws related to the financial sector, the *Autorité des marchés financiers* (the "AMF") is publishing the information required under the laws governing financial institutions with the release of the *2016 Annual Report on Financial Institutions*.[1]

In addition to providing statistics[2] relating to financial services cooperatives, trust companies, savings companies, insurers of persons and damage insurers, including automobile insurers, the first part of the report discusses the major issues faced by financial institutions carrying on business in Québec.

Whether they afford risks or opportunities, the AMF analyzes these issues and presents the actions taken as well as the oversight measures applied to support market growth and protect consumers of financial products and services.

This report, as well as the registers for insurers and deposit institutions, is available on the AMF's website at www.lautorite.qc.ca.

QUICK FACTS ABOUT QUÉBEC'S FINANCIAL SECTOR

Québec's financial sector plays a key role in economic activity and employment and has a major impact on individuals and businesses.

In Québec, the finance and insurance industry[3] represents 6.5% of gross domestic product (GDP), a contribution of $20.7 billion to Québec's economy. Deposit and insurance institutions alone account for 80% of that contribution. Québec represents over 17.3% of Canada's finance and insurance industry.

In Québec, deposit institutions are mostly represented by banks, cooperatives and, to a lesser extent, trust companies and savings companies.

The GDP of the finance and insurance industry was up 3.9% in 2016. Over the past five years, it has grown by an annual average of 3.5% while Québec's economy gained an average of 1.4% during that time. However, in recent years, growth in the finance and insurance industry has been slower in Québec than in the rest of the country.

Although on a slight decline since 2011, the number of people employed in the finance and insurance industry in 2016 totalled almost 147,000, or 4.1% of all jobs in Québec. The decline is due in part to consolidation in the industry as a result of corporate reorganizations, mergers and acquisitions and partnership agreements. The changes under way within financial institutions can also be explained by the need to meet new challenges, particularly those related to technological innovations.

DESJARDINS GROUP

With more than 47,600 employees,[4] Desjardins Group is the largest employer in Québec's financial sector.

Designated by the AMF as a domestic systemically important financial institution (D-SIFI) in June 2013, Desjardins Group is a key player of Québec's financial sector. Despite its expansion to other Canadian provinces, Desjardins Group remains primarily concentrated in Québec. That said, it is Canada's largest cooperative financial group and the sixth largest in the world in terms of income.[5]

Desjardins Group's status as a D-SIFI has led the AMF to adjust its expectations regarding this institution. In compliance with international best practices established by organizations such as the Basel Committee on Banking Supervision, both the AMF's oversight and regulatory frameworks have proven to be appropriate and sufficiently robust to allow Desjardins Group to properly position itself in the marketplace on the provincial and national levels.

To comply with the AMF's requirements, Desjardins Group has continued to deploy measures, including the implementation of various processes as well as a recovery plan. In parallel, the AMF has pursued its development of a resolution plan for Desjardins Group in the event of the institution's default. The plan provides for an effective and orderly resolution in order to limit potential adverse effects on Québec's financial system.

1 *Act respecting insurance*, CQLR, c. A-32, section 321; *Automobile Insurance Act*, CQLR, c. A-25, section 182; *Act respecting financial services cooperatives*, CQLR, c. C-67.3, section 597; *Act respecting trust companies and savings companies*, CQLR, c. S-29.01, section 313.

2 Unless otherwise indicated, results presented in the report are as at **December 31, 2016**. Since the annual report is released in mid-year following that date, the AMF outlines the concerns and issues that it has identified by including some developments that occurred in early 2017, primarily those resulting from efforts deployed in 2016.

3 As defined by the *Institut de la statistique du Québec* (ISQ), this category covers deposit institutions (including banks), insurance and securities.

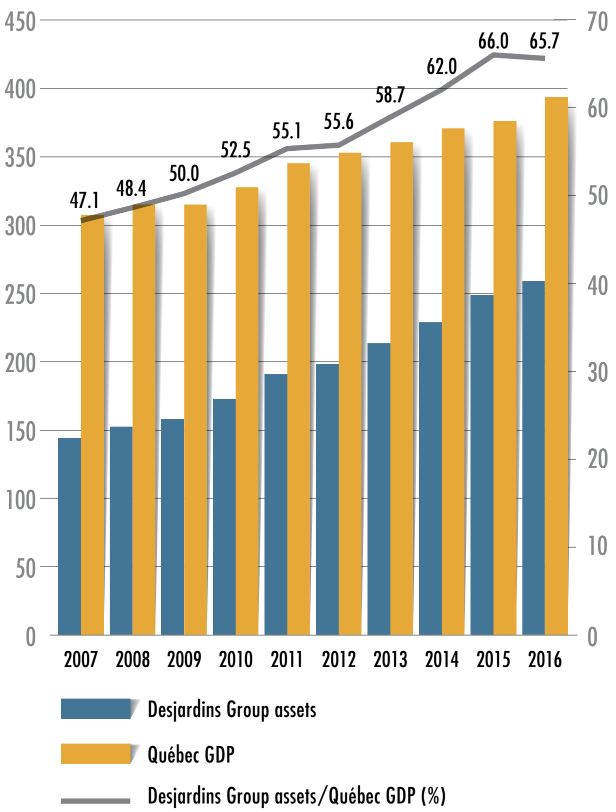
4 Source: Desjardins Group.

5 Source: 2016 World Co-operative Monitor Report – Exploring the Co-operative Economy.

Graph 1 illustrates the value of Desjardins Group's assets as a proportion of Québec GDP from 2007 to 2016, reflecting its importance in Québec's economy. During that period, Desjardins Group's assets and Québec GDP grew on average 7.2% and 3.3%, respectively. Currently, the Group's assets represent 65.7% of the province's GDP, compared with 47.1% ten years ago. In the past year, the ratio of Desjardins Group's assets to Québec GDP grew by 0.6%.

Graph 1

Evolution of Desjardins Group assets and Québec GDP in billions of dollars[6]

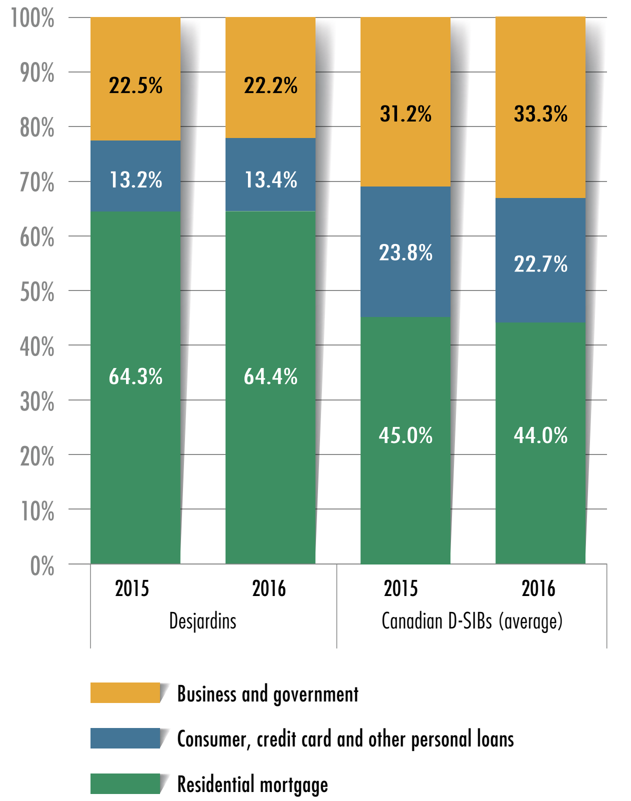


In addition to its presence in the deposit market, Desjardins Group plays a predominant role in the consumer credit sector. Compared with Canada's six large domestic systemically important banks (D-SIBs), Desjardins Group's loan portfolio comprises a larger proportion of mortgage (hypothecary) loans than that of its competitors. Graph 2 shows that, in 2016, most of the Desjardins loan portfolio (64.4%) consisted of residential mortgage loans, versus 44% on average for the six Canadian D-SIBs.

6 Sources: ISQ and the AMF.

Graph 2

Loan portfolios of Desjardins Group and Canadian D-SIBs[7]



The AMF pays particular attention to credit risk due to its significance at Desjardins Group. Credit risk accounts for over 80% of its risk-weighted assets and is covered by the capital ratio. To date, both Desjardins Group and the other deposit institutions operating in Québec carry ratios that exceed the minimum capital requirements set by the AMF.

The Tier 1A capital ratio of Desjardins Group meets the 8% minimum requirement, which includes a 1% surcharge on account of its designation as a D-SIFI. Likewise, its total capital ratio meets the minimum requirement of 11.5%.[8] The AMF also closely monitors the evolution of Desjardins Group's leverage and liquidity ratios, both of which exceed the minimum requirements.

7 Sources: 2015 and 2016 annual reports of Canadian D-SIBs as at October 31 and the Financial Report of Desjardins Group for the quarter ended September 30, 2016.

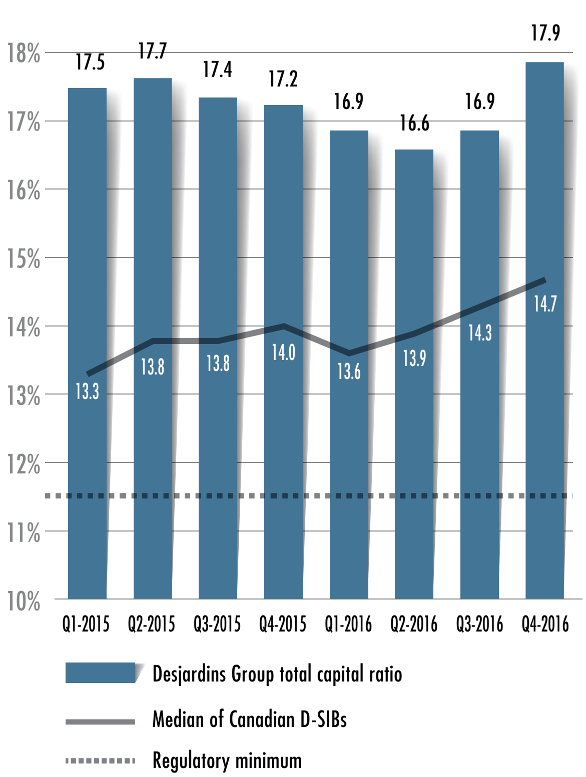
8 These minimum requirements are set out in the *Ligne directrice sur les normes relatives à la suffisance du capital de base* (AMF guideline on capital base adequacy requirements; available in French only), which is based on the standards issued by the Basel Committee on Banking Supervision.

Graphs 3 and 4 respectively represent the total capital ratio and leverage ratio of Desjardins Group compared with those of Canadian D-SIBs.

Desjardins Group's total capital ratio is well above the minimum requirement of 11.5%. Standing at 17.9% at the end of 2016, the ratio was up from 17.2% in the last quarter of 2015. Graph 3 also illustrates that Desjardins Group is favourably positioned compared with Canadian D-SIBs. In fact, its total capital ratio is historically higher than the median ratio of Canada's six large banks.

Graph 3

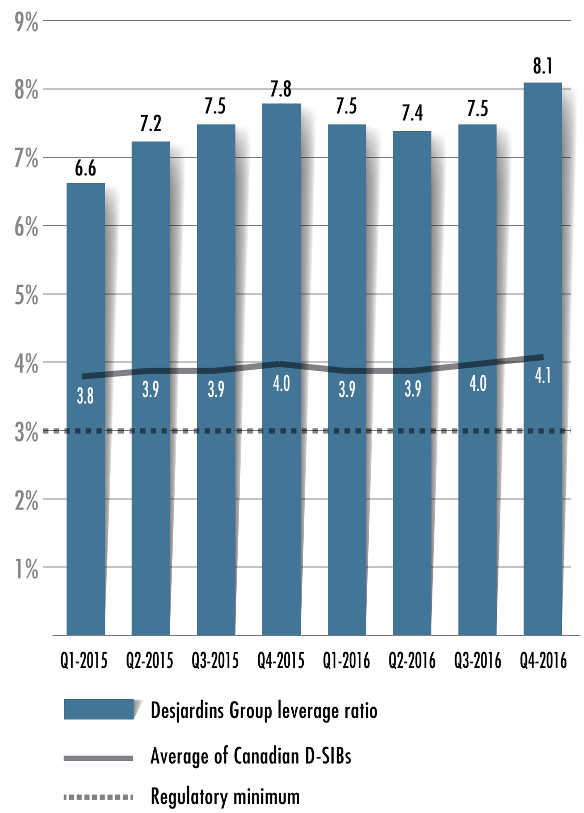
Evolution of total capital ratio – Desjardins Group v. Canadian D-SIBs[9]



Graph 4 presents Desjardins Group's leverage ratio as well as the average ratio of the six large Canadian banks. The leverage ratio, the minimum requirement of which is set at 3%, is determined by dividing the capital measure[10] by the exposure measure.[11] At 8.1%, Desjardins Group's leverage ratio at the end of 2016 was nearly twice as high as the average of Canadian D-SIBs (4.1%).

Graph 4

Evolution of leverage ratio – Desjardins Group v. Canadian D-SIBs[12]



9 Source: 2015 and 2016 annual reports of Canadian D-SIBs.

10 Includes Tier 1A and Tier 1B capital.

11 The exposure measure corresponds to the balance sheet carrying amount adjusted for off-balance sheet items.

12 Source: 2015 and 2016 annual reports of Canadian D-SIBs.

OVERVIEW OF CHANGES IN FINANCIAL SECTOR

Table 1 presents key statistics showing changes in Québec's financial sector between 2006 and 2016.

Table 1

Key statistics – Québec financial institutions, 2006 to 2016

Industries	2006	2016	Change
Insurance			
Number of insurers	311	257	-17.4%
Market share of companies incorporated in Québec • insurance of persons • damage insurance	 48.7% 47.8%	 53.4% 44.7%	 9.7% -6.5%
Direct written premiums • insurance of persons • damage insurance	 $9.7B $7.1B	 $16.0B $9.4B	 64.9% 32.4%
Automobile insurance			
Number of vehicles insured in "private passenger vehicle" category	4,256,789	5,090,154	19.6%
Market share of insurers incorporated in Québec	59%	55%	-6.8%
Average premium under "private passenger vehicle"	$568	$542	-4.6%
Financial services cooperatives			
Number of financial services cooperatives in Québec	530	303	-42.8%
Total personal deposits (ISQ)	$57.1B	$89.8B	57.3%
Total mortgage loans (ISQ)	$52.8B	$102.7B	94.5%
Trust companies			
Number of trust companies	37	36	-2.7%
Total deposits in Québec	$11.7B	$15.3B	30.8%
Total mortgage loans in Québec[13]	$6.2B	$1.1B	-82.3%
Savings companies			
Number of savings companies	7	8	14.3%
Total deposits in Québec	$8.5B	$12.0B	41.2%
Total mortgage loans in Québec[14]	$12.4B	$6.7B	-46.0%

13 The decline in mortgage loans in Québec is primarily due to the fact that Canadian bank-affiliated trust companies and savings companies transferred their loan portfolios to their parent company. Conversely, the development of the covered bond market caused banks to transfer low-risk loans to entities within their bank group in order to carry out the transactions.

14 Source: Ibid.

The financial sector is changing quickly due to the combined effect of new technology and the speed at which information is disseminated. Although technological innovation provides many opportunities for all financial market players, it also brings new challenges. As a result, financial institutions are changing the way they interact with their clients, especially by modifying their product and service offerings and placing clients at the centre of their concerns. Product offerings, pricing and underwriting are some of the activities that benefit from technological innovation.

In the face of this ever-changing market, the AMF must remain vigilant and update its regulatory frameworks. Considered as the pillars of the AMF's prudential framework, governance, integrated risk management and compliance (GRC) help it set its expectations for financial institutions regarding sound and prudent management and sound commercial practices.

In recent years, changes to international guiding principles have been significant enough for the AMF to update its Governance Guideline in 2016. In particular, the changes led to a review of its governance framework, including formally introducing a three lines of defence approach. The AMF also strengthened its disclosure provisions, emphasizing the importance of being sufficiently transparent toward all interested parties.

In the past year, the AMF drew on its updated expectations to work with institutions whose governance models were inadequate based on their size and complexity.

Active participation in the Governance Working Group of the International Association of Insurance Supervisors (IAIS) was an opportunity for the AMF to exercise influence at an early stage on changes to international GRC guiding principles.

Based on these changes, the AMF undertook to update its framework. In addition to the Integrated Risk Management Guideline, which was updated in 2015, and the Governance Guideline, the Compliance Guideline required an update. The changes made also reflect some of the AMF's observations in the course of its supervisory activities.

These changes to the AMF's framework take into account external factors such as persistently low interest rates, the high level of household debt and the higher frequency of catastrophic events.

The main challenges and issues of 2016 as well as the AMF's efforts to adequately regulate and oversee the financial sector and ensure that it functions efficiently are presented below.

ECONOMIC ISSUES

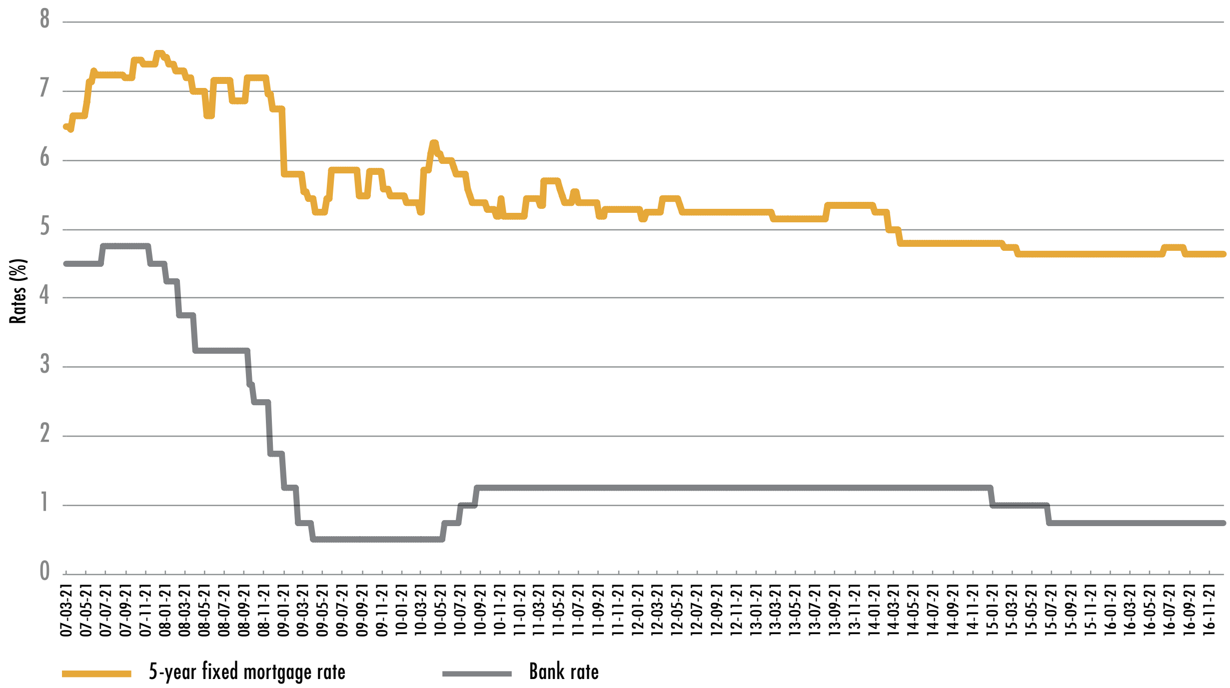
A number of major events engaged the world's attention in 2016, including the U.K.'s surprise pro-Brexit vote and the election of the new U.S. president. They have heightened the uncertainty pervading the global economy. Plans to deregulate the U.S. financial system and the protectionism advocated by some countries are factors that contribute to the uncertainty. These are some of the developments that might impact Canadian monetary policy, financial institutions and consumers of financial products and services.

Interest rates

Given the slowdown in the global economy, the Bank of Canada has maintained its policy interest rate at an accommodative level to help boost the economy. Most of the world's central banks, other than the U.S. Federal Reserve, which raised the federal funds rate in December 2016, increased monetary easing in 2016. Graph 5 shows a 10-year history of the Bank of Canada's bank rate, which is closely related to the policy interest rate (Target for the Overnight Rate), as well as the five-year benchmark rate offered to consumers by financial institutions.

Graph 5

Canadian interest rates[15]



Changes in interest rates impact all financial institutions. Accordingly, deposit institutions need to be agile and prudent in order to minimize the detrimental effects of lower lending margins on financial stability.

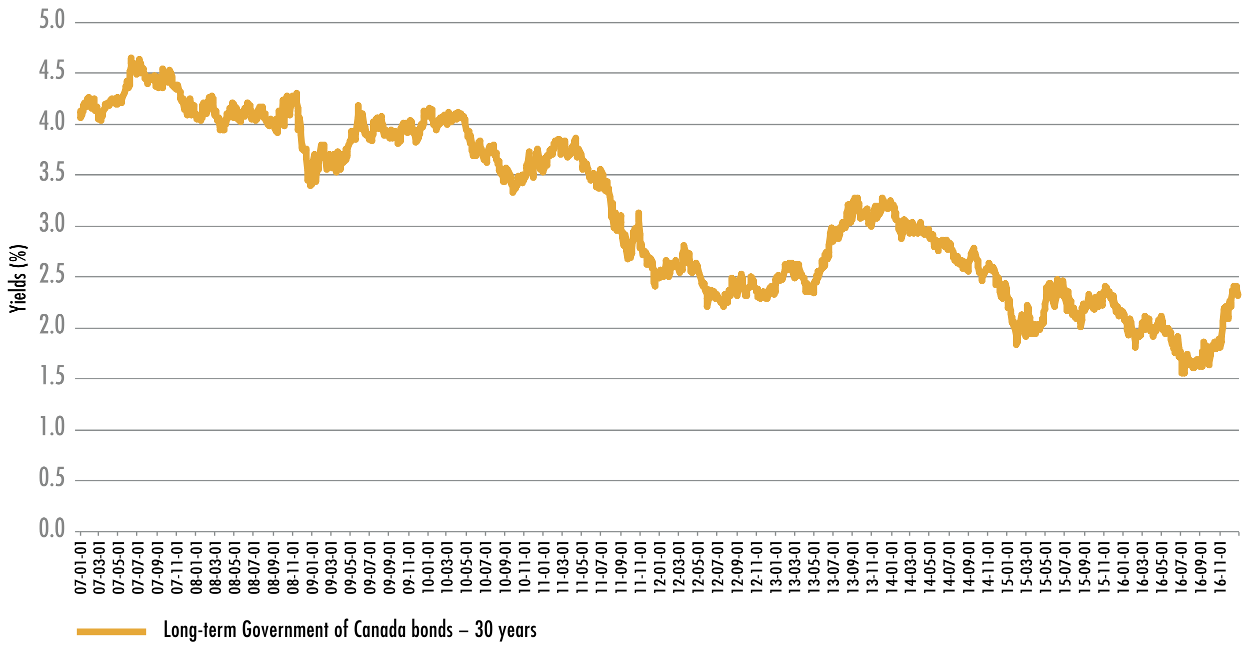
Graph 5 shows the Bank of Canada's 5-year benchmark (conventional mortgage) rate offered by financial institutions for consumer mortgages. This rate has dropped by close to three percentage points since 2008. The second indicator is the bank rate used by institutions. Having declined significantly following the financial crisis, this rate is applied by financial institutions to set the rates offered to clients. The bank rate has remained relatively stable since 2009. Despite this stability, an upward interest rate shock could have a significant impact on the financial ecosystem, especially on financial institutions and consumers. Although highly unlikely in the short term, a sharp rise in interest rates could put pressure on consumers' ability to make payments and could have an impact on parts of the credit portfolios of financial institutions.

Like deposit institutions, insurers must deal with fluctuations in interest rates. A number of their products sold in Canada are intended to provide insureds with whole-life or, at least, long-term coverage. In order to match their investments against their commitments, insurers prefer bonds with long maturities. In 2016, yields for long-term (30-year) Government of Canada bonds fell once again following the pro-Brexit vote. This trend reversed following the U.S. presidential election, with long-term Government of Canada bond yields ending the year up 16 basis points year over year.

15 Source: Bank of Canada. The promotional interest rates of financial institutions may differ from those provided by the Bank of Canada.

Graph 6

Yields for long-term (30-year) Government of Canada bonds[16]



In general, increases in bond yields are welcomed by insurers of persons as these movements, however small, can have a positive impact on liabilities. However, despite the uptick at the end of 2016, long-term yields remain extremely low compared with their historical average. In addition to having a negative impact on the returns of short-term investments, persistently low yields could eventually lower insurers' forecasts and require an adjustment to their actuarial liabilities.

Insurers have modified their investment portfolios in response to the low-yield environment in order to maximize their returns, shifting from investments in government bonds, which are considered more secure, to riskier assets such as equities, real estate, infrastructure and corporate bonds.

The low yields have also prompted some insurers to adjust their pricing, withdraw products or create new ones. Others have relied more on products with adjustable premiums or on participating (with-profit) products for which the insured and the insurer share the risk.

16 Source: Bank of Canada.

As part of its supervisory work, the AMF pays close attention to changes made to the investment policies of registrants as these changes are likely to alter their risk profile assessments.

In addition, the AMF is constantly monitoring new products marketed by insurers on the basis of sound commercial practices and continued solvency. The AMF regularly discusses these matters with financial institutions.

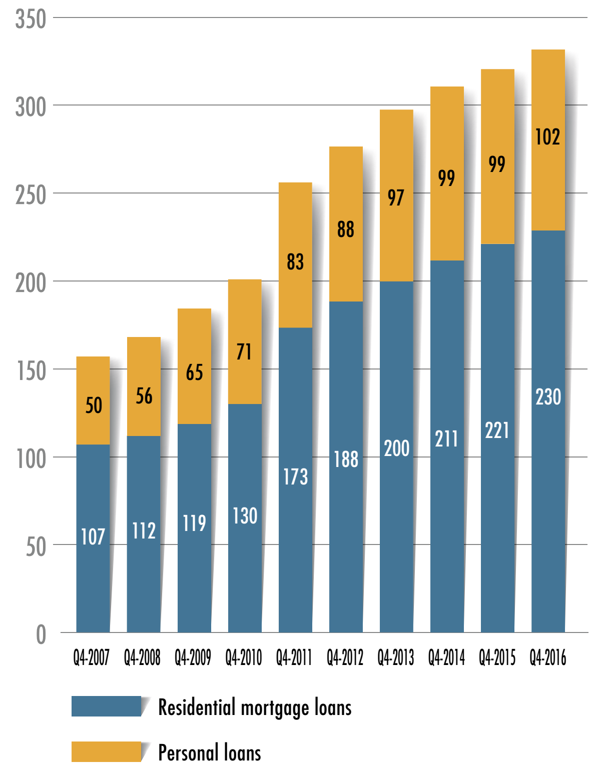
Household debt

In recent years, low interest rates have helped fuel the rise of household indebtedness, which is closely tied to the credit risk of financial institutions and has reached worrisome levels. In Canada, consumer debt has grown to nearly 170% of total available income.[17] The attractive conditions offered by lenders, not only through low interest rates but also flexible amortization terms on consumer loans, are contributing to higher household debt. The combination of these financial factors gives borrowers an artificially strong sense of their ability to pay back debts. These have reached considerable proportions, thus making borrowers vulnerable to a jump in interest rates or to any other factor that could negatively affect household incomes.

Graph 7 clearly shows this increase in residential mortgage and consumer loans held by the major banks and Desjardins Group in Québec. These institutions hold a significant proportion of the consumer financing market. Statistics show that the consumer loan portfolios of financial institutions have more than doubled in size over the past 10 years, both in terms of residential loans and all other types of consumer financing.

Graph 7

Value of consumer loans held by deposit institutions in Québec (billions)[18]



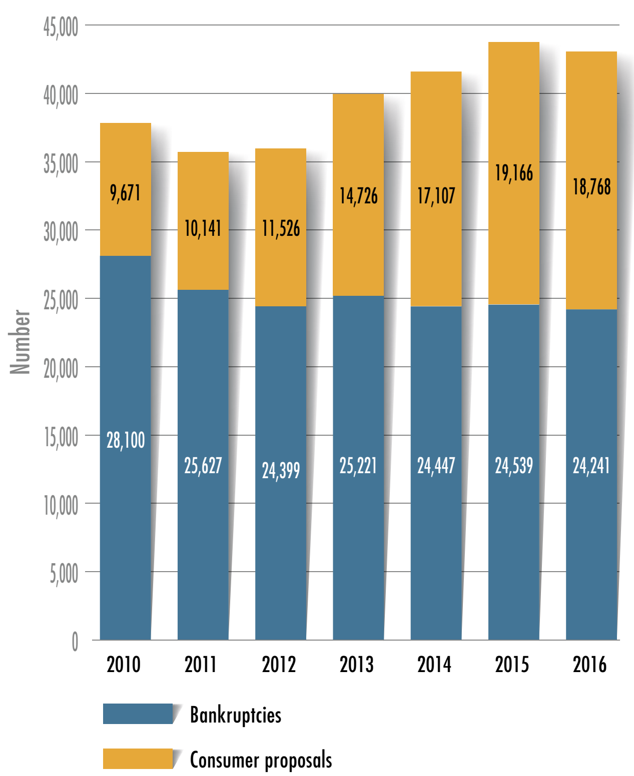
Likewise, according to a report by the Office of the Superintendent of Bankruptcy Canada, although bankruptcies in Québec have declined since 2010, the number of consumer proposals has doubled. A consumer proposal is an arrangement whereby consumers in financial difficulty pay a portion of what they owe to their creditors. As highlighted in Graph 8, while the overall number of insolvencies in Québec fluctuated between 35,000 and 38,000 cases per year from 2010 to 2012, the number has reached record levels in recent years, surging to 43,000 and 44,000 in the past two years.

17 Sources: Statistics Canada and the AMF.

18 Source: ISQ.

Graph 8

Insolvencies filed by consumers in Québec[19]



The AMF therefore considers it necessary to set out its expectations with respect to consumer credit for lending institutions. It plans on issuing a new guideline that deals specifically with sound lending practices centred on the fair treatment of consumers.

Real estate market

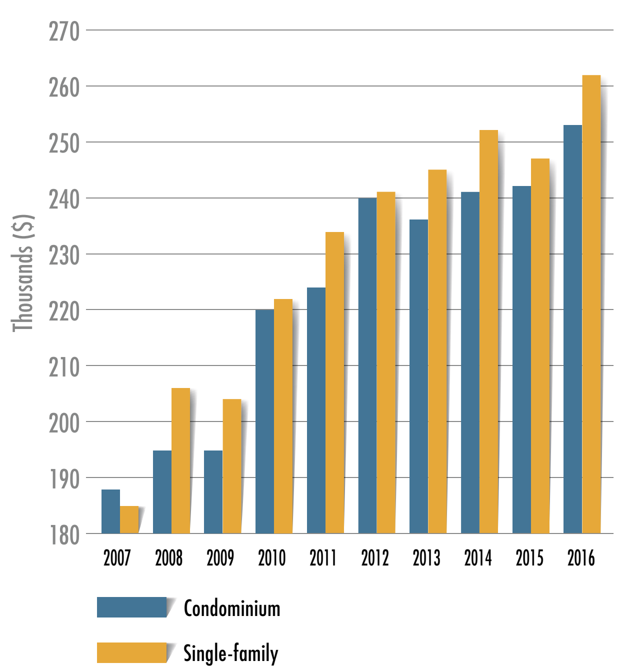
Real estate market volatility is another key factor taken into account by institutions when managing credit risk. In 2016, real estate sales gained 6% in Québec year over year.[20] As well housing starts inched up, from 37,926 units in 2015 to 38,935 units in 2016.[21]

Across the country, the risk of a correction in real estate prices continues to rise, as property prices in the Toronto and Vancouver areas steadily grew in recent years. In contrast, market conditions in Québec tightened somewhat at the end of 2016. Signs of overheating in Québec are weak and the market is trending toward a balance even though property supply still outpaces demand.[22] Despite potential stagnation, the average property price remains high in relation to Québec household income, particularly in major urban centres.

In 2016, the federal government announced the implementation of macro-prudential measures by the Canada Mortgage and Housing Corporation (CMHC) and others, with the aim of reducing froth in the residential sector. The impact of these measures should be felt in 2017.

Graph 9

Variation of average residential property prices in Québec[23]



19 Source: Government of Canada, Insolvency Statistics in Canada – December 2016.

20 Sources: Québec Federation of Real Estate Boards (QFREB) and the AMF.

21 Source: Statistics Canada.

22 Sources: QFREB and the AMF.

23 Source: QFREB.

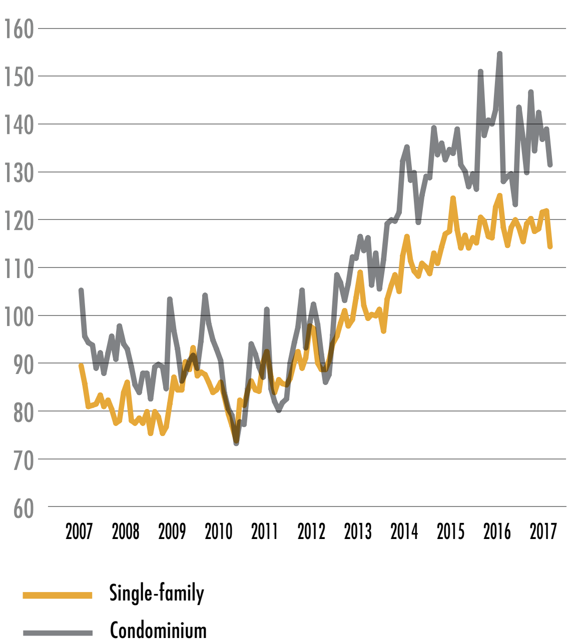
Residential property prices soared over the past 10 years in Québec. The average price of properties, including condominiums and single-family homes, ranged between $250,000 and $265,000 at the end of 2016, up from between $180,000 and $190,000 in 2007. The combination of high prices and the above-mentioned federal government efforts to balance the real estate market, particularly through more stringent qualification rules, could persuade first-time buyers to postpone property acquisitions. This new environment should have an impact on lending institutions, which could experience a slowdown in financing for this segment of buyers.

The CMHC announced that it was increasing its homeowner mortgage loan insurance premiums effective March 2017. According to the CMHC, this measure reflects the more stringent capital standards imposed on financial institutions in a bid to improve the long-term stability of the financial system.

In Québec, these new measures are expected to have a greater impact in major urban centres, where average property prices are higher than in rural areas. The tangible results of these measures are not yet known. However, new buyers will probably be at a disadvantage; some could postpone, or even curtail, their acquisition plans.

Graph 10

Average selling time of residential properties in Québec (days)[24]



In recent years, the Québec real estate market has absorbed a significant number of new housing units, primarily condominiums. Since 2010, the selling time of properties (single-family homes and condominiums) has extended steadily from a low of 75 days in 2010 and 2011. According to the QFREB, selling times in March 2017 for single-family homes and condominiums stood at 113 days and 126 days, respectively.[25] Despite a slight downturn from the peak reached in 2015 and 2016, the high number of unsold properties still represents a significant vulnerability for the real estate market. The residential market is closely tied to the main risk for Québec lending institutions—credit risk.

In the event of a sharp correction in the real estate market, loan-to-value ratios could exceed the benchmarks set by authorities and jeopardize a portion of loans granted by financial institutions. This is all the more worrisome given the growth in recent years of home equity lines of credit, on which consumers are only required to pay interest.

Given the sizable market shares of certain lenders in the consumer credit sector, the AMF is constantly monitoring changes in the real estate market as they could impact Québec's financial system. The monitoring will enable the AMF to intervene in the event of a gradual or sudden decline in the quality of the credit portfolios of lending institutions.

In 2016, the AMF paid particular attention to ensure compliance with the principles outlined in its Residential Hypothecary Lending Guideline. It also asked financial institutions to conduct stress tests that reflect their activity profiles and the nature of the risks to which they are exposed.

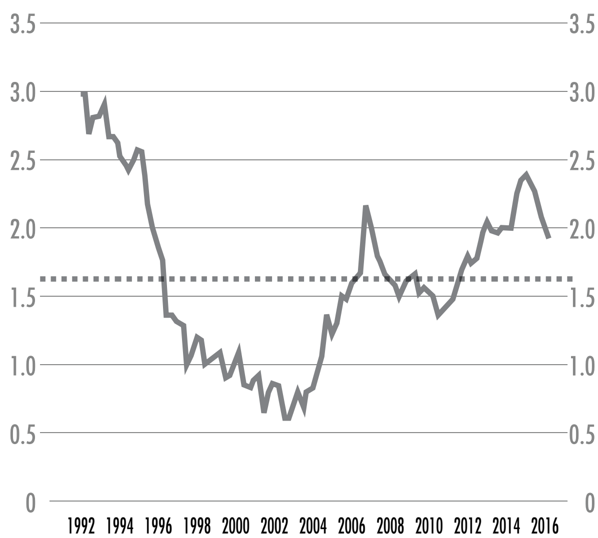
Moreover, the ratio of completed and unsold properties is one of the indicators tracked by the AMF as it illustrates the vulnerability of Québec's real estate market. Although the number of properties completed and unsold has declined recently, the indicator points to an increase since 2012 that may be cause for concern, particularly in the condominium segment.

24 Sources: QFREB and the AMF.

25 Source: QFREB.

Graph 11

Ratio of properties completed and unsold per 1,000 people in Québec[26]



In 2016, the AMF paid greater attention to real estate market conditions by enhancing its monitoring and published the vulnerability assessment shown in Table 2. Overheating, price acceleration, overvaluation and overbuilding are indicators taken into account for this assessment. Overall, the main sources of vulnerability in the Québec real estate market are overvaluation of property prices and, consequently, the price paid by consumers in relation to their disposable income. Another source of vulnerability is supply in excess of demand in the construction sector.

Table 2

Vulnerability assessment of the Québec real estate market[27]

	Risk level
Overall assessment	
Overheating	
Ratio of houses for sale to houses sold	
Vacancy rate	
Price acceleration	
Average home price (annual growth)	
Overvaluation	
Ratio of property prices to income	
Housing affordability index	
Overbuilding	
Housing starts	
Ratio of completed and unsold properties per 1,000 people	

Legend:

Low	Moderate	High

In 2016, the AMF furthered its dialogue with financial institutions in order to raise awareness of issues and risks in the current economic environment. It also asked them to assess the impacts on their risk profiles of changes in interest rates, rising household debt and geopolitical events such as Brexit.

26 Sources: CMHC, Statistics Canada and the AMF.

27 Source: *Revue économique et financière*, 3rd quarter 2016, AMF.

TECHNOLOGICAL ISSUES

Cyber risk

In addition to the conventional risks faced by financial institutions, the digital revolution has spawned a new threat, namely, cyber risk. For example, the SWIFT interbank payment system was hit with a series of cyberattacks in 2016[28] and over one billion Yahoo! user accounts were the victim of hackers. Clearly, cyberattacks pose significant risks to governments, businesses and individuals.

It's not surprising therefore that cybersecurity ranks among the top board level priorities of major financial institutions.[29] Initially considered an emerging risk, recent statistics on the matter confirm that cyberattacks around the world are on a sharp rise in terms of frequency and severity. The probability of a large-scale cyberattack is now greater than ever for all financial institutions, regardless of their size or business line.

The relevance of maintaining cybersecurity as a central concern of the AMF was confirmed by the findings of a survey conducted in 2015 with 80 financial institutions operating in Québec. Cyber risk was considered to be very important by 62% of respondents and important by 38%. As well, respondents were almost unanimous in stating that cyber risk would become more serious in the next three years.[30]

In response to the concerns regarding the growing exposure of financial institutions to cyber risks, particularly because of their holistic and unpredictable nature, the AMF, like other regulators around the world, implemented an Operational Risk Management Guideline that came into effect on December 1, 2016.

The AMF also demonstrated its leadership by helping to draft the Issues Paper on Cyber Risk to the Insurance Sector, published by the IAIS in 2016.

Moreover, in 2016, the AMF focused on the development of preventive measures to be implemented by financial institutions and the adoption of best cybersecurity practices. To that end, the AMF is gradually incorporating these principles in its oversight activities.

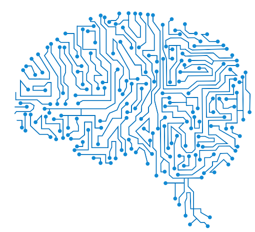
Cyberinsurance

Cyber risk constitutes not only a threat but also a business opportunity for damage insurers. According to Lloyd's of London, the global costs of cybercrime are estimated at US$400 billion annually and growing.[31]

However, numerous challenges in the cyberinsurance market are proving to be a lucrative niche for the insurance industry. In this promising but highly risky sector, insurers will have to acquire the appropriate expertise and resources to adequately assess and price cyber risks.

Fintech

Industry renewal through fintech represents both a challenge and an opportunity for the AMF, the traditional financial sector and consumers.



28 Source: "SWIFT Banking System was hacked at least three times this summer," Fortune, September 26, 2016.

29 Source: Moody's Investors Services, "Cybersecurity a top priority for North American Insurers," Investment Executive, February 13, 2017.

30 Source: "Financial institutions concerned about cyber risks," AMF notice, May 18, 2016.

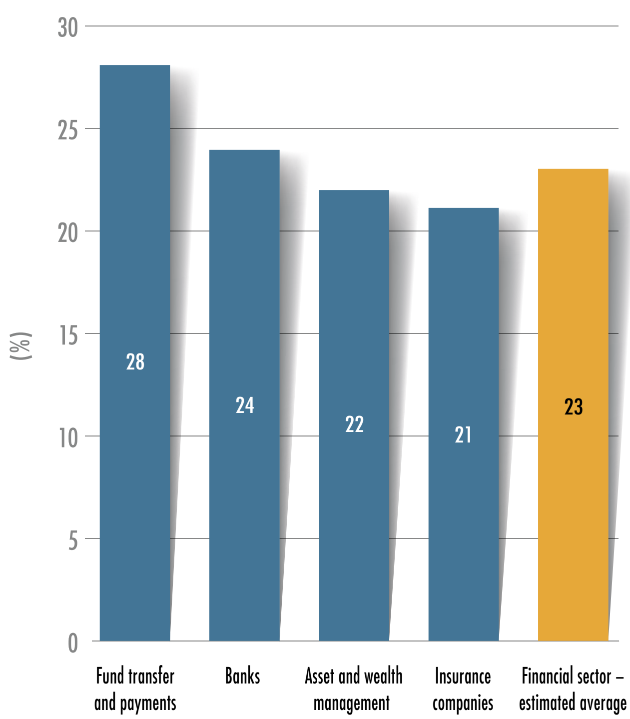
31 Source: "Latest Industry Trends in Cyber Security and Cyber Insurance," Symantec, 2016.

In 2016, PricewaterhouseCoopers (PwC)[32] conducted a global survey of major financial institutions for their perception of the impacts that fintech will have on the traditional financial sector by 2020. According to the survey, 83% of traditional financial institutions believe that part of their business will be affected. In the case of banks, the percentage reaches 95%.

According to that same survey, financial institutions estimate that they could lose from 21% to 28% of their market share to standalone fintech companies by 2020, as shown in Graph 12. Given the pace of changes, technology could radically transform the traditional financial services industry, like other industries, within the next few years.

Graph 12

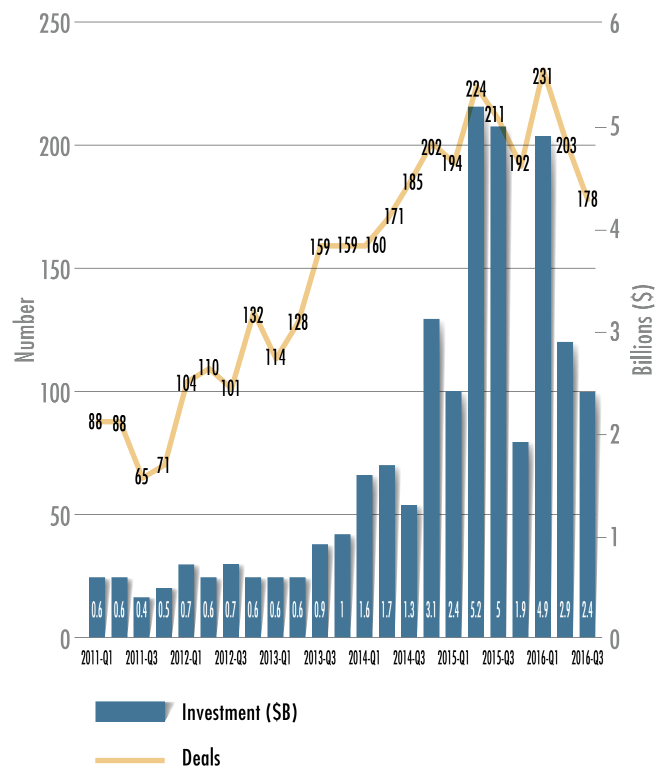
Share of business at risk to standalone fintech by 2020[33]



The scope of the transformation is confirmed by the global increase in the number and size of financing deals for fintech start-ups. As illustrated in Graph 13, the growth shows how dynamic the sector has become, particularly since 2014. Financing around the world reached a high of over US$5 billion in the second quarter of 2015.[34]

Graph 13

Quarterly global financing trends to VC-backed fintech companies[35]



According to a report produced by Ernst & Young and Finance Montréal,[36] while growth in fintech investments in Canada was limited from 2012 to 2014, rising from $139 million to $225 million, investments more than tripled from 2014 to 2015, reaching $695 million (see Graph 14). In Québec, investments totalled $46 million in 2014 and $106 million in 2015.[37]

32 Source: PwC Global fintech report published in March 2016: "Blurred lines: How FinTech is shaping financial services."

33 Source: Ibid.

34 Source: CB Insights.

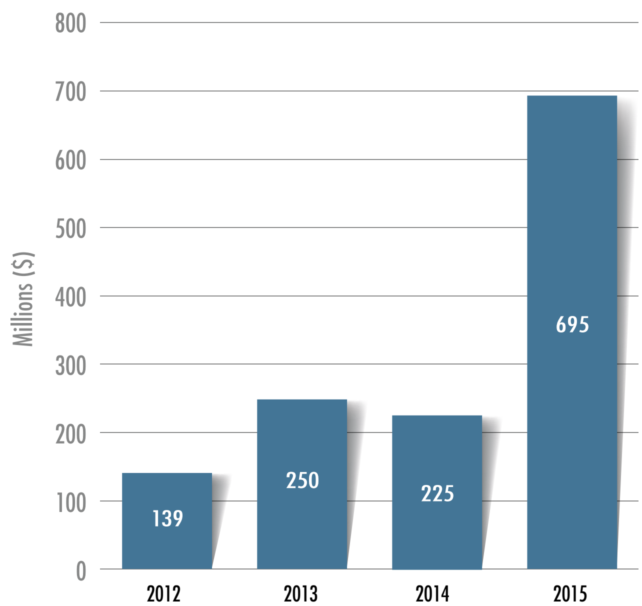
35 Source: Ibid.

36 Source: Ernst & Young and Finance Montréal report, "Accelerating development in Montréal's FinTech Ecosystem," 2016.

37 Source: Ibid.

Graph 14

Investment in Canadian fintech



High-tech and the substantial financial resources available to Google, Apple, Facebook and Amazon (collectively known as "GAFA") enable these Web giants to develop new business models with such innovations as apps for on-line payment and financing services, which have been traditionally offered by financial institutions.

The arrival of these new players is putting pressure on traditional financial institutions. The incumbents have no other choice but to adapt to transformations in the industry by entering into new partnerships, acquiring start-ups or reaching agreements for sharing expertise and technology.

Financial institutions must integrate fintech in their strategies in order to offset competitive threats and seize business opportunities. Whether through the mining of Big Data, the operation of connected devices or the development of platforms to facilitate interaction with their clientele, fintech is changing the way industry players are doing business. In some cases, it can help them assess risks more accurately. Usage-based insurance (UBI) in the automobile insurance industry is but one example.

In the course of its supervisory work, the AMF specifically addresses these matters and pays particular attention to changes and risks relating to technological innovations.

The transformation of the financial sector also garners the interest of regulators. The operations of fintech are challenging the established regulatory and oversight framework. To enable an orderly development of the sector and ensure consumer confidence and protection, regulators must demonstrate an openness to innovation and new ways of designing and delivering financial products and services.

The AMF is closely monitoring changes in fintech. In 2016, it consolidated its actions by creating a dedicated working group in order to remain abreast of major fintech trends.

Additionally, the AMF set up the Technological Innovation Advisory Committee (TIAC) composed of experts, practitioners, researchers and other industry stakeholders. The TIAC supports the AMF in analyzing trends related to technological innovation in the financial sector in order to gain insight into related regulatory and consumer protection issues.

Sharing economy

Digital platforms have not only become part of the financial sector but have also led to the emergence of a sharing economy. A key feature of these platforms is the bypassing of traditional financial intermediaries across all sectors.

The growing popularity of the sharing economy is disrupting traditional business models. According to a recent bulletin released by Statistics Canada, from November 2015 to October 2016, spending by Canadians on peer-to-peer ride services and private accommodation services totalled $1.3 billion. During the same period, nearly 2.7 million people are reported to have participated in the sharing economy. These figures clearly indicate that this new model is playing an increasingly important role in the economy.[38]

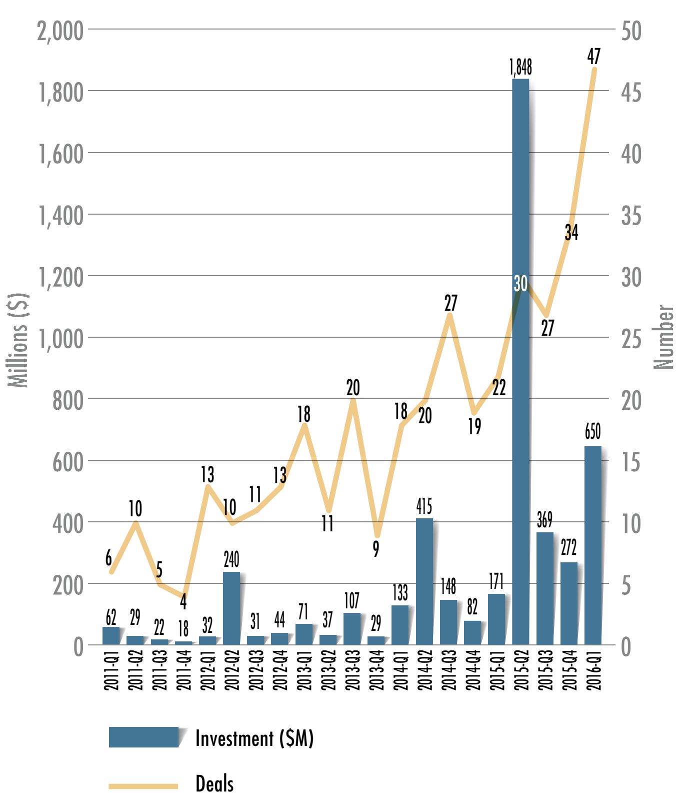
38 Source: Statistics Canada.

In the insurance industry, peer-to-peer insurance platforms are gradually being marketed. In general, the platforms provide reciprocal agreements that cover property against risk by pooling the risk among all members of a group.

Graph 15 presents the recent trends in investment to peer-to-peer insurance platforms and the number of deals signed.

Graph 15

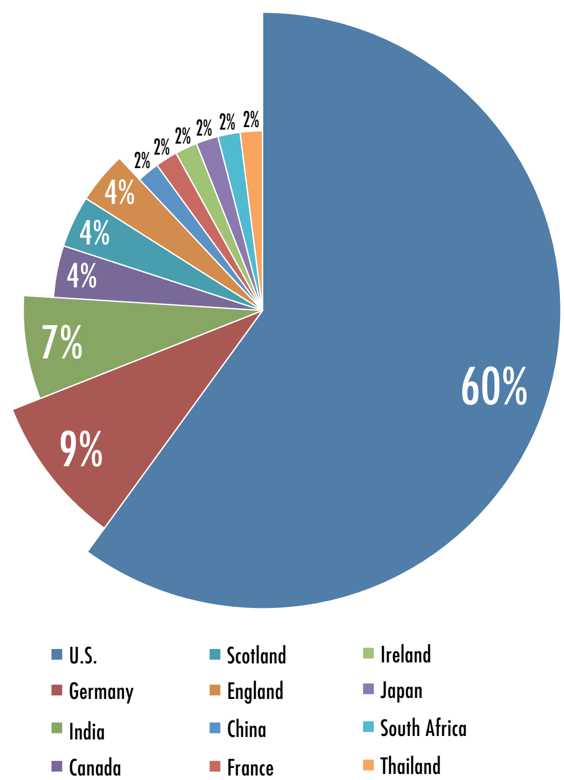
Quarterly global financing trends to VC-backed peer-to-peer insurance platforms[39]



Graph 16 presents peer-to-peer insurance platforms by geography in the first quarter of 2016.

Graph 16

Peer-to-peer insurance platforms by geography[40]



Although there are relatively few of these new models currently in the Québec market, peer-to-peer insurance platforms are challenging insurance practices and the role of intermediaries. As in other jurisdictions, Québec's insurance industry will likely be affected by these new trends in the near future.

> *On April 19, 2016, the AMF issued an investor warning urging consumers to be cautious about peer-to-peer insurance platforms, particularly by reminding them that any offering of insurance products or services, whether through a Web-based platform or in person, is a regulated activity and that any firm seeking to market an insurance product in Québec must hold a licence issued by the AMF.*

39 Source: CB Insights.

40 Source: CB Insights.

In Québec, Uber was the sharing platform that attracted the most attention in 2016. On September 30, 2016, the Minister of Transport, Sustainable Mobility and Transport Electrification published a ministerial order[41] authorizing the implementation of the *Pilot project concerning remunerated passenger transportation services requested exclusively using a mobile application*.[42] This pilot project came into force on October 15, 2016 and will end on October 14, 2017.

> *As part of this pilot project, the AMF helped implement an automobile insurance program intended specifically to ensure adequate coverage to people wishing to provide remunerated transportation exclusively using a mobile application. On October 27, 2016, the AMF issued a notice which set out the insurance conditions it was imposing during the pilot project.*

Autonomous vehicles

Other changes that are likely to affect the automobile insurance industry include the upcoming arrival of autonomous or semi-autonomous vehicles on our roads.

The automation of vehicles raises a host of questions and risks. In response to this new reality, Québec will, like certain European countries that have begun a process to develop the necessary legal framework for the use of autonomous vehicles, have to consider regulatory amendments, in particular to the *Highway Safety Code* and[43] the *Automobile Insurance Act* as well as to the concepts of liability.

The coexistence of conventional and so-called autonomous vehicles will pose a number of challenges for legislators, regulators and insurers. In a related development, Volvo Car Group clearly announced its position in 2015, saying it will accept full liability whenever any of its cars is in autonomous mode[44] and is considering extending that liability to all of its semi-autonomous vehicles. In fact, its president and chief executive officer noted the following: "When you drive manually, the driver is responsible. When it's automatic, we as the manufacturer are liable. If you're not ready to make such a statement, you're not ready to develop autonomous solutions."[45]

The potential impacts on insurance premiums will stem primarily from the frequency and severity of claims. Currently, according to various media sources, approximately 90% of collisions are caused by human error. Many observers are of the opinion that the emergence of autonomous vehicles will increase road safety and, consequently, will reduce the frequency of collision-related claims. However, the related technological components could likely generate higher repair costs, resulting in higher-severity claims in the early years.

According to a white paper published by KPMG in 2015, the average cost per accident involving semi-autonomous and autonomous vehicles will surge 40% by 2040. Over the next 10 years, KPMG forecasts a 25% to 30% increase in the severity of claims and a 35% to 45% decrease in claim frequency. Therefore, a smaller number of collisions combined with a higher cost of repairs could, over a 10-year period, keep overall automobile claims relatively stable and result in very little change in premiums.[46] These forecasts were corroborated by research conducted by Swiss Re[47] and PwC.[48]

> *The AMF is closely following developments regarding the introduction of autonomous vehicles on our roads as it may have to review and amend its automobile insurance forms. The AMF is also holding useful discussions with damage insurers in order to keep pace with the industry's analysis of developments.*

41 Source: Order number 2016-16 regarding the *Pilot project concerning remunerated passenger transportation services requested exclusively using a mobile application* (2016), 148 G.O. II, No. 39A, 3469A.

42 CQLR, c. S-6.01, r. 2.3.

43 CQLR, c. C-24.2.

44 Source: Volvo Group, "U.S. urged to establish nationwide federal guidelines for autonomous driving" and Kirsten Korosec, "Volvo CEO: We will accept all liability when our cars are in autonomous mode."

45 Source: Lexology, Hanno Delp, "Volvo's liability stance is positive for the industry – but may not be all it seems."

46 Source: KPMG, "Marketplace of change: Automobile insurance in the era of autonomous vehicles".

47 Source: Sebastiaan Bongers, Swiss Re, "Re/Insurance risk landscape: The Swiss Re perspective".

48 Source: PwC, "Potential impacts of automated driver assistance systems (ADAS) and autonomous car technologies on the insurance industry".

ENVIRONMENTAL ISSUES

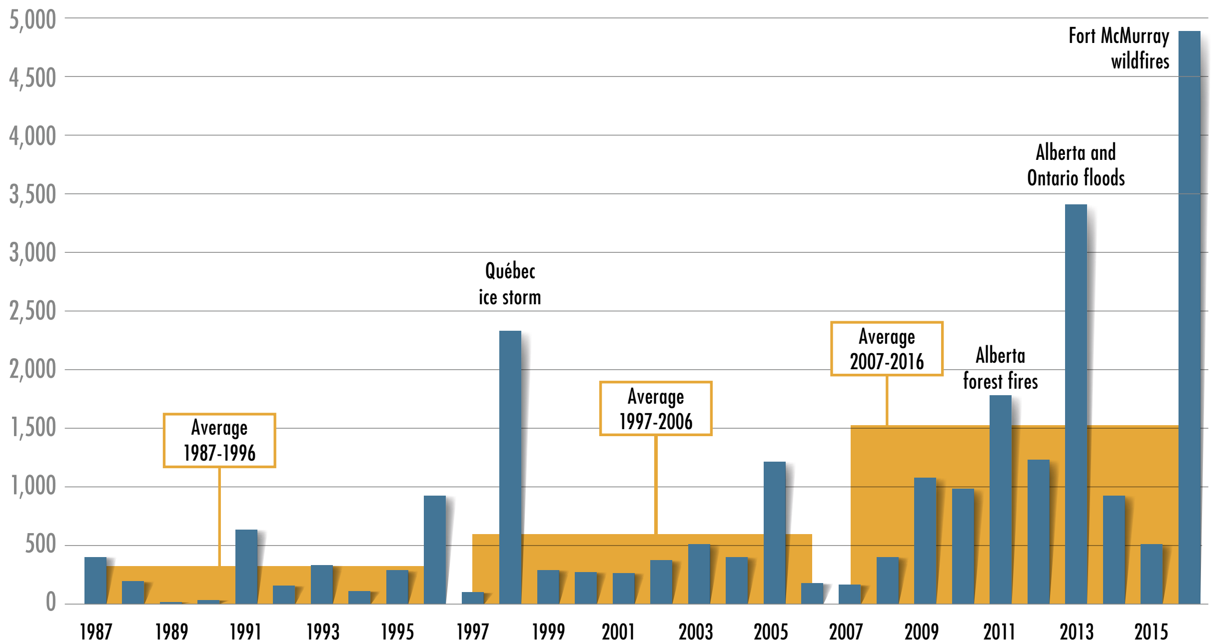
Natural catastrophes

Natural catastrophes set forth issues of increasing concern for damage insurers. This is all the more true following the wildfires that destroyed part of Fort McMurray and contributed to making 2016 the costliest year in history for Canadian insurers. In 2016, losses related to natural catastrophes totalled close to $5 billion in Canada, including over $3.7 billion for the Fort McMurray tragedy alone. These figures surpassed the $3.2 billion record losses attributable to natural catastrophes in 2013.[49]

The evolution of catastrophic losses indicated in Graph 17 is quite compelling as the upward trend in costs shows no sign of abating, and even seems to be accelerating.

Graph 17

Evolution of catastrophic losses in Canada over the past 30 years (millions of dollars)



Property Claim Services Canada designated nine catastrophe events in Canada in 2016, over 50% above the Canadian historical average.[50] This growing trend in catastrophes is a worldwide phenomenon.

49 Source: Insurance Bureau of Canada (IBC) and Property Claim Services Canada, 2016.

50 Source: "Beyond Fort McMurray," Canadian Underwriter, January 2017.

Climate change

Losses due to climate change increase the frequency, severity and cost of catastrophe-related claims faced by the industry. The impact of global warming on our climate is undoubtedly one of the aggravating factors that financial institutions must consider in their risk management.

To date, the Paris Agreement, which went into effect on November 4, 2016, has been ratified by 141 countries, including Canada.[51] The agreement basically requires signatories to take the measures needed to hold the increase in global temperature to below 2°C above pre-industrial levels. Signatories are responsible for over 80% of global greenhouse gas emissions. However, despite the efforts deployed, many experts estimate that the objectives of the Paris Agreement will probably not be reached soon enough to limit the damage. Unless efforts are intensified to cap the rise in temperature to 1.5°C, severe weather events are expected to multiply.

Although damage insurers are more directly affected by property damage, financial institutions are also concerned by the risk related to a shift from a carbon-based economy to a greener, renewable energy-based economy.[52] Investors, lenders and insurers must consider the risks and opportunities related to climate change. In this regard, the Financial Stability Board (FSB) established a task force in order to measure these risks and develop consistent risk disclosures for use by companies in providing information to investors. The task force released its first recommendations report on December 14, 2016 and launched a public consultation.[53] Its final report is expected to be published during the first half of 2017.

> *The AMF believes that financial institutions should consider FSB developments and recommendations in order to measure the impacts of climate change on their organizations.*
>
> *For its part, the AMF will continue to closely monitor the results of FSB initiatives and, as some regulators from other countries have done, could consider incorporating provisions in its prudential framework and adjusting its oversight actions to assess institutions' related efforts.*

Given the increase in natural catastrophes in recent years and media attention on their negative impacts on consumers, the Canadian Council of Insurance Regulators (CCIR) set up the Property Insurance Working Group in 2015. The purpose of this working group is to determine the ramifications of such disasters on the insurance coverage offered to consumers. To this end, an issues paper presenting the main catastrophe-related issues was released for consultation in summer 2016.[54] Following an analysis of submissions received, a report containing the CCIR's principal conclusions, expectations and recommendations will be published in 2017.

> *As an active member of this working group, the AMF closely examines catastrophe-related issues and, once the report is released, will look to adapt its expectations and oversight as need be.*

In addition to the damage caused directly by the greater number and severity of catastrophe-related events, several factors contribute to the number and cost of claims. These include urban densification without upgrades to existing municipal infrastructure, the issuance of construction permits in flood-prone zones and non-compliance with the Building Code.

51 Source: United Nations, March 28, 2017.

52 Transition risk is tied to the asset impairment that may result from the transition towards a greener economy.

53 Source: Task Force on Climate-Related Financial Disclosures, www.fsb-tcfd.org.

54 Source: Property Insurance Working Group, www.ccir-ccra.org.

A particularly sensitive issue for insurers and consumers is the flooding and water damage related to these risks. The greater frequency of heavy precipitation in recent years, particularly events that caused flooding in the Montérégie area after Lake Champlain overflowed its banks in spring 2011 and over $3.2 billion in damage in Calgary and Toronto in summer 2013, as well as events that occurred in several areas of Québec during the preparation of this report,[55] led the industry to step up efforts to complete the mapping of the most hazardous zones. Since this exercise was completed in 2015, some insurers have issued new endorsements intended to extend their insurance coverage offering. However, the insurance offering remains very limited in zones located near waterways and most at-risk sectors.

In order to extend the market offering, in fall 2016, the Insurance Bureau of Canada (IBC) announced the creation of a new endorsement, "Water damage – Ground water, sewers and overflow of body of water," intended to provide coverage for flooding caused by an overflowing body of water. This endorsement comes into force on June 1, 2017.

Earthquake

As noted in the 2015 Annual Report on Financial Institutions, the probability of a high-magnitude earthquake occurring in Québec in the Québec City-Montréal-Ottawa corridor over the next 50 years is between 5% and 15%.[56] However, [translation] "although the risk of an earthquake in Québec is quite real, only 8% of Quebeckers consider this risk to be high or very high […]. In underestimating the risk, they see less of a need to be well prepared and are therefore more vulnerable."[57]

Two recent reports have confirmed the importance of this risk in Canada. The C.D. Howe Institute published a report in August 2016 concluding that a major earthquake could have a systemic impact on the insurance industry and that regulators should take steps to avert this chain of events.[58]

A report by the Conference Board of Canada released in November 2016[59] estimates the probability of a major earthquake in British Columbia at 30% over the next 50 years as well as the ensuing macro-economic impact over a 10-year period. In its simulation of a large-magnitude earthquake in the Vancouver area, the Conference Board estimates total economic losses of $127.5 billion, of which some $42 billion would be insured, i.e., an amount above the Canadian industry's current capitalization levels. Because all insurers doing business in Québec would be held liable for any companies that become insolvent,[60] the entire industry is threatened with insolvency. Accordingly, insolvencies would spread across other industries and affect business flows and the availability of financial services from coast, to coast, to coast. In terms of economic costs, the number of person-years of lost employment is estimated at 437,000 over 10 years, which would reduce consumer spending by some $133 billion during that time.

> *After revising its Earthquake Exposure Risk Management Guideline in 2013 and capital adequacy requirements in 2015, the AMF remains proactive by formally addressing this risk in its 2017-2020 Strategic Plan and actively participating in certain industry- and other stakeholder-led initiatives.*

AMF ACTIONS WITH RESPECT TO INSURERS' COMMERCIAL PRACTICES

Changes under way in the financial sector, especially those brought on by the emergence of new technology, are prompting insurers to review how they interact with consumers, e.g., in terms of disclosures, in order to position them at the centre of their business strategies.

In order to effectively regulate insurers operating in Québec, the AMF therefore works with other Canadian and international organizations and regulators for the purpose of importing best practices into its oversight.

55 According to Urgence Québec, as of May 10, 2017, 166 municipalities were hit by the flooding, with 3,882 homes and 2,721 persons evacuated and 557 roads affected.

56 Source: "Study of Impact and the Insurance and Economic Cost of a Major Earthquake in British Columbia and Ontario/Québec," Air Worldwide, July 2013.

57 Source: « *Perception des risques au Québec - Baromètre CIRANO 2017* », Nathalie de Marcellis-Warin and Ingrid Peignier, February 2017 (available in French only).

58 Source: "Fault Lines: Earthquakes, Insurance, and Systemic Financial Risk," C.D. Howe Institute.

59 Source: "Canada's Earthquake Risk, Macroeconomic Impacts and Systemic Financial Risk," Conference Board of Canada, November 2016.

60 According to the Regulation under the Act respecting insurance, CQLR, c. A-32, r.1, all damage insurers doing business in Québec must be a party to the Property and Casualty Insurance Compensation Corporation (PACICC), whose mission is to protect eligible policyholders in the event that a member insurer becomes insolvent.

On the international level, as a member of the IAIS, the AMF is actively helping to revise two insurance core principles (ICPs) focused on commercial practices, namely, ICP 18, in respect of intermediaries, and ICP 19, which governs conduct of business. Updated versions of these IAIS core principles are expected at the end of 2017. The AMF will revise its own frameworks in accordance with the new principles. These revisions, as well as the AMF's involvement, reflect its pursuit of ensuring sound commercial practices in the financial sector.

On the national level, the CCIR, of which the AMF is an active member, has committed to improving co-operation and information sharing among its members in order to enhance consumer protection and ensure harmonization with best practices. Such collaboration is specifically aimed at overseeing market conduct risk in the insurance industry.

In the work leading up to the operationalization of the Framework for Cooperative Market Conduct Supervision in Canada in 2017, the AMF has played a leading role in the implementation of an annual statutory disclosure in respect of commercial practices. A disclosure statement ("Annual Market Conduct Statement") will be used to gather information on the management and evolution of insurers' commercial practices, and will help regulators identify trends, promote proactive risk identification and optimize regulatory and oversight activities with respect to consumer protection. The AMF will lead the information gathering and management process on behalf of CCIR members. The new disclosure is expected for May 1, 2017.

Mindful of assessing insurers' commercial practices, the AMF implemented appropriate oversight tools during the past year and conducted several oversight actions in respect of insurers. A number of AMF findings point to the need for enhanced transparency regarding disclosures to consumers and the management of incentives.

> *On this last point, the AMF is still reviewing the risks of conflicts of interest related to incentive schemes. A consultation document on this matter will be published in spring 2017. Information gathered during this consultation will be used in particular to help the AMF in its oversight activities.*

CHANGES TO STANDARDS...

This part of the report presents changes that had an impact on the industry and consumers and on which the AMF focused its attention in 2016.

Accounting standards review

On September 12, 2016, the International Accounting Standards Board (IASB) issued "Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts* (Amendments to IFRS 4)."

This document contains temporary amendments to address concerns about the mismatches that may arise because of the different effectives dates of IFRS 9, *Financial Instruments* and the forthcoming insurance contracts standard (which will be issued as IFRS 17 during the first half of 2017). These standards will come into effect in 2018 and 2021, respectively.

Insurers welcomed the amendments issued by the IASB in September 2016, allowing them to defer the application of IFRS 9 until 2021.

The implementation of IFRS 9 and IFRS 17 raises a number of challenges, including the need to review credit loss measurement methods, data management, information systems, governance models and internal controls. Moreover, uncertainty remains as to the impact that IFRS 17 will have on insurers' product offering.

> *Once IFRS 17 is issued, the AMF will carry out empirical work in collaboration with industry members in Québec and the rest of Canada to identify and quantify its impacts, particularly as regards capital adequacy.*

.... AND THE OVERSIGHT OF FINANCIAL INSTITUTIONS

Guideline Governing Risk Data Aggregation and Risk Disclosure

During the last financial crisis, many systemically important institutions struggled with the disclosure of their risk data, which was often required with little lead time by regulators or other market participants. The inadequacy of the information technology used by D-SIFIs with respect to the financial risks they faced, as well as the capability of said institutions to incorporate all the information on risks from the various business lines, were seriously questioned.

In order for risk disclosures to be effectively aggregated and communicated in a timely manner, on February 1, 2016, the AMF issued the Guideline Governing Risk Data Aggregation and Risk Disclosure. For the time being, this guideline only applies to Desjardins Group, but it may cover other financial institutions in the medium term as it sets out expectations with respect to sound and prudent management practices.

Updating of capital adequacy requirements for insurers of persons

In 2016, the AMF updated the capital adequacy requirements for insurers of persons (life and health). The review of the requirements related to segregated fund guarantees resulted in an additional option that allows insurers to recognize their hedging strategy when calculating those requirements. Moreover, the AMF clarified the process for granting and maintaining authorization to use internal models and set out the expectations concerning the management and governance of these models. The changes came into force on January 1, 2017.

In October 2016, the AMF issued the Capital Adequacy Requirements Guideline – Insurance of Persons (Life and Health), which will replace the current capital adequacy requirements as of January 1, 2018. This new guideline is not expected to have a significant impact on the overall level of capitalization in the industry. However, the AMF expects insurers to carry out a detailed review of their current processes, which could lead some to make changes, especially to their products, investment choices and capital allocation. The use of new calculations under the guideline will also require that insurers invest in human resources and technology.

The revised approach should lead to a better matching of risk measures against the economic reality faced by life insurers, the goal being to ensure that they can better manage risk and make more fully informed business decisions.

Work on automobile insurance forms

In 2014, a committee composed of representatives from the AMF, the *Groupement des assureurs automobiles* (GAA) and the industry was established with the mandate to rewrite automobile insurance policy *Q.P.F. No. 4 – Garage Form* and endorsements in plain language. Their work follows the drafting in plain language of forms *Q.P.F. No. 1 – Owners' Form* and *Q.P.F. No. 5 – Complementary Insurance for Damage Caused to Insured Vehicle (Replacement insurance)*.

The committee's work on Q.P.F. No. 4 concluded in late 2016, and the AMF issued a notice in its Bulletin of April 27, 2017 announcing the coming into effect of this plain language form and its endorsements. This is another initiative by the AMF to improve the financial literacy of consumers.

CONTRIBUTION BY THE AMF TO WORK BY NATIONAL AND INTERNATIONAL BODIES

Canadian Council of Insurance Regulators (CCIR)

The AMF chairs the Electronic Commerce Committee (ECC), whose mandate is to focus on the electronic commerce of insurance products, specifically as it relates to legislative and regulatory issues that arise from current and possible future information technology applications and their inherent risks.

The CCIR tasked the ECC with coordinating efforts to implement electronic proof of automobile insurance (EPAI). To that end, a consultation paper was published in May 2016. After analyzing the comments received, the ECC recommended authorizing the implementation of EPAI across Canada.

As a member of the Segregated Funds Working Group, the AMF played a key role by proposing an annual statement for consumers holding investments in segregated funds. Consumers will be consulted on this matter in 2017. The proposed statement will indicate the fees paid by consumers, the returns on their investments and the value of their guarantees. Following consultations, both on the annual statement and the paper produced by the working group, the AMF will undertake a review of its framework for segregated funds.

International Association of Insurance Supervisors (IAIS)

Like other international organizations, the IAIS periodically reviews its insurance core principles (ICPs) to take into account developments in the insurance market and reflect the recommendations issued by the G20 and the Financial Stability Board. These reviews consider the conclusions drawn from financial crises as well as the assessments of the International Monetary Fund's Financial Sector Assessment Program (FSAP). This program is a comprehensive and in-depth analysis of a country's financial sector. In its analysis, the FSAP team reviews the quality of financial institution supervision and financial market infrastructure oversight against accepted international standards.

As part of its reviews, the IAIS solicits its members to conduct thematic self-assessments and peer reviews. In addition to providing participating regulators with a picture of their level of ICP observance, these exercises contribute to the IAIS's understanding of regulatory practices around the world and promote the development and implementation of ICPs that effectively reflect existing frameworks and practices.

> *In 2016, the AMF completed two thematic self-assessments and peer reviews, one focusing on information exchange and supervisory cooperation and coordination (ICP 3 and ICP 25) and the other on macro-prudential surveillance and reinsurance (ICP 13 and ICP 24). The AMF draws on this work to assist it in proposing changes during legislative and regulatory reviews and updating its frameworks and oversight methods.*

The AMF also participated actively in preparing the *Application Paper on Approaches to Supervising the Conduct of Intermediaries*, published in November 2016 by the Market Conduct Working Group. Based on the results of a survey conducted with more than 60 IAIS members, this paper provides details about the various frameworks implemented within the members' jurisdictions. It can therefore be used as a tool to support jurisdictions that seek to implement new supervisory frameworks for intermediaries or to update existing ones.

International Association of Deposit Insurers (IADI)

In 2016, the Subcommittee on Resolution Issues for Financial Cooperatives (SRIFC), chaired by the AMF since its creation in 2014, drafted an initial report on issues relating to the adaptation of resolution tools to financial cooperatives.

The report, whose approval by the IADI bodies is currently pending, is the result of concerted work by the 17 subcommittee members, which are deposit insurers from various jurisdictions around the world, as well as collaboration from the National Association of German Cooperative Banks and the World Bank.

The work carried out by the SRIFC is an opportunity for the AMF to share its expertise in overseeing and regulating Desjardins Group, a D-SIFI and the largest cooperative group in North America. Exchanges among SRIFC members also help the AMF in formulating a plan for the orderly resolution of this institution in the event of default.

In addition, the SRIFC is planning on drafting a second report that will adapt crisis management and resolution tools developed internationally for traditional banks and apply them to financial cooperatives. This report will serve as a guide for the resolution of financial cooperatives.

> *In 2016, the AMF continued to self-assess its supervisory framework for financial institutions doing business in Québec, based on the Basel Committee's core principles for effective banking supervision, the insurance core principles developed by the IAIS and the core principles for effective deposit insurance systems adopted by the IADI. This work demonstrates the AMF's keen interest in remaining current on regulatory developments and adopting best practices.*