



Financial Services
Commission
of Ontario

Report on FSCO's 2015 Mandatory Information Return for Co-operatives

August 2016

*Applicable to co-operatives incorporated
before December 31, 2014 and not dissolved*

Financial Services Commission of Ontario
Licensing and Market Conduct Division

Table of Contents

Executive summary 2

 About FSCO 2

 Background 2

 Information return process..... 3

Compliance rate 3

Response to low compliance rate..... 3

Observations of responses..... 4, 5

Questions 5

Executive summary

In 2015, the Financial Services Commission of Ontario (FSCO) launched a Mandatory Information Return for co-operatives, which was designed to obtain and compile data on the sector in Ontario in order to support policy-making in this area.

Under section 142(1) of the [Co-operative Corporations Act, R.S.O. 1990, c. C.35](#) (the Act), all co-operatives incorporated before December 31, 2014 in Ontario and not dissolved were required to complete the information return. The information return included questions about the co-operatives' contact information, financial information and governance practices.

The information return revealed that only 50 per cent of the co-operatives on FSCO's registry were active and in operation. In light of this key finding, FSCO will take the following measures:

- **Appropriately dissolve or cancel the registration of co-operatives that are no longer in operation.**
- **Update the status of co-operatives on FSCO's registry.**

ABOUT FSCO

FSCO is an agency of Ontario's Ministry of Finance. Among other duties, FSCO is responsible for incorporating and regulating co-operatives in the province of Ontario. It is also responsible for regulating the insurance sector, pension plans, credit unions, caisses populaires, loan and trust companies, the mortgage brokering sector and service providers who invoice auto insurers for statutory accident benefit claims. FSCO is accountable to the Minister of Finance.

BACKGROUND

FSCO is responsible for the incorporation and maintenance of co-operatives under the Act and has the authority to issue a receipt for an offering statement of co-operatives that are raising capital for their business. FSCO collaborates with Service Ontario to ensure that co-operative incorporations, updates to articles of incorporation and dissolutions are reflected in the provincial registry of corporations.

FSCO also provides a listing on its website of co-operatives that have not been dissolved. This listing includes over 1,700 co-operatives. The Co-operative Information Return was created to assess whether co-ops in Ontario were still active and operating. It was also created in order to ensure the accuracy of co-operatives' contact information, and obtain other information to assist in future policy development in this sector. The information collected will support decisions on the direction and type of ongoing monitoring activities conducted by FSCO, using an evidence-based approach.

In addition to the findings from the information submitted by respondents, this document also contains the compliance rate of co-operatives that completed and submitted the information return.

INFORMATION RETURN PROCESS

A total of 1,760 letters were mailed on October 27, 2015 to the co-operatives as listed on FSCO's co-operatives registry. Co-operatives were required to complete the information return by December 15, 2015. A reminder letter and past due letter for the information return were also issued to 842 and 639 co-operatives respectively.

Unless it was formally dissolved, every co-operative incorporated before December 31, 2014 was required to complete the information return, regardless of whether or not they conducted any business.

The information return and a set of accompanying FAQs were made available on FSCO's website. The information return and key documents were also shared with the associations that support the sector, in order to ensure the message could be broadcast across multiple touch points.

COMPLIANCE RATE

The compliance rate for the information return was as follows:

	Number	%
Received responses to the online information return	939	53
No response of any kind received	367	21
Letters mailed were returned to FSCO undelivered	396	23
Received responses other than through the online information return	58	3
Total	1,760	100

Forty-four per cent of co-operatives did not respond to the information return. This indicated that either the contact information for the co-operative was out of date, the co-operative was no longer active, or the co-operative failed to respond to the Superintendent as required by law.

RESPONSE TO LOW COMPLIANCE RATE

In light of the low compliance rate, FSCO will take the following actions:

- FSCO will appropriately take the necessary steps to dissolve or cancel the registration of those co-operatives no longer in operation.
- FSCO will update its registry of co-operatives to identify those that are confirmed as active.
 - The co-operatives' current confirmed address will be posted on the registry.
 - The co-operatives' status will be reflected in the information on the registry.
 - Co-operatives themselves often request confirmation of registration as a key document when they enter into a financial loan agreement with financial institutions or private lenders, a Feed-in Tariff contract, or funding agreement with the federal, provincial or municipal government or agencies.

- FSCO will delay requests for a receipt of an offering statement or other type of approval until the co-operative has provided appropriate documentation and responses to the Superintendent to update its status and contact information.

OBSERVATIONS OF RESPONSES

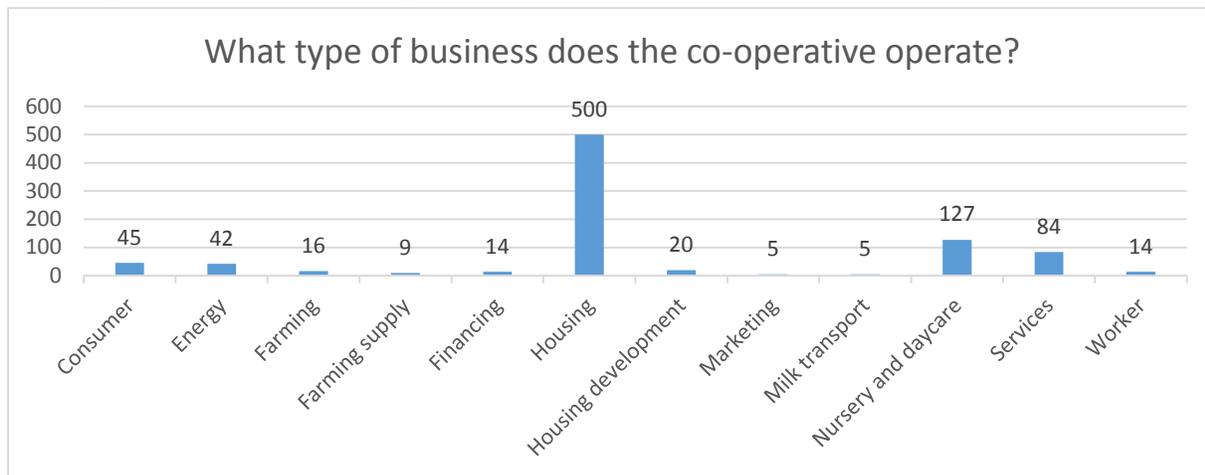
Responses to the information return have given rise to the following observations:

Active versus inactive

A respondent could choose either active (currently conducting business) or inactive (no longer in operation). Of the 939 responses received for this question, 881 co-operatives (94 per cent) indicated they were active; 58 co-operatives indicated they were inactive. Therefore, 50 per cent of the co-operatives listed on FSCO's registry, which is 881 of the 1,760, were confirmed as active.

Types of co-operatives

Co-operatives were asked to identify what type of business they operate, from a list of 12 options. Summary results for the 881 co-operatives that identified themselves as 'active' are as follows:



50 per cent rule

Co-operatives are subject to the rule that 50 per cent of their business activities must be conducted with their own members, or an equivalent measure, unless the co-operative is exempted under the Act. Approximately 56 per cent of the active co-operatives that responded indicated they were not subject to this requirement. This suggests that either those co-operatives did not understand the question, or were not clear on this requirement.

Business activities with members

Only 41 per cent of co-operatives indicated what percentage of business activities they conducted with their own members during their last fiscal year. However, of those, the average percentage of business activities conducted with their own members was 90 per cent – well above the 50 per cent requirement.

Location of operation

Eleven co-operatives (just over one per cent of respondents) responded that in addition to Ontario, they also operate in other Canadian provinces or territories, including Alberta, Québec, Manitoba and British Columbia.

Board of directors

The information return assessed the average size of the respondents' board of directors, in order to ensure that each board had at least three directors. The co-operatives that met the minimum requirement had an average of seven directors, with the size of the board of directors ranging from seven to 15.

Number of members

Almost 97 per cent of active co-operatives reported that, in aggregate, they had almost 168,000 members at the end of their last fiscal year. The largest co-operative had more than 11,000 members.

Type of co-operative	Total number of members reported	Highest number of members reported per type	Number of co-operatives per type
Consumer	44,714	11,289	44
Energy	9,258	2,004	39
Farming	5,228	3,959	14
Farming supply	9,072	5,000	9
Financing	1,097	600	13
Housing	55,655	3,026	490
Housing development	948	164	19
Marketing	822	679	5
Milk transport	491	165	5
Nursery and daycare	5,937	400	121
Services	34,443	6,274	81
Worker	82	10	14

Questions

For questions related to this report, please contact FSCO by email at contactcentre@fSCO.gov.on.ca or by telephone at (416) 250-7250.