

Strategic Direction & Business Plan for 2019-2022



regulation • education • protection

Regulatory Excellence and Innovation

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FINANCIAL AND
CONSUMER SERVICES
COMMISSION



COMMISSION DES SERVICES
FINANCIERS ET DES SERVICES
AUX CONSOMMATEURS

Overview of the Commission

Introduction

The Financial and Consumer Services Commission (FCNB) is New Brunswick's financial and consumer services regulator. Financial services are crucial to the functioning of an economy. Their importance and the need to foster trust among providers and consumers are among the reasons we oversee the provision of financial services. Regulation is at the heart of safeguarding consumers. However, it requires a balance between business interests and the public interest or it runs the risk of dampening competition and innovation. Intrusive regulation can impose costs on business, push up prices and limit consumer choice – even if the intention is to protect consumers.

As a regulator, we must create an environment that balances a regulatory framework that supports confidence in our provincial financial and commercial markets with the need to protect consumers from disreputable behaviour and fraud. This is complicated since today's environment is rapidly changing with new products, new services and new technologies. We need to be able to adapt to these changes. Our strategic focus is on ensuring we have the correct balance in New Brunswick.

As an educator, we strive to increase consumers' awareness of their rights and the methods they can use to inform their financial decisions. We offer training and opportunities for school age children through to seniors to learn more about financial fitness. Our focus is to protect consumers from fraud and deceptive practices by improving the level of New Brunswick's financial literacy.

Our Corporate Profile

We are an arm's length, self-funded Crown Corporation under Part IV of the *Public Service Labour Relations Act*. We are responsible for the regulation of securities, insurance, pensions, credit unions, mortgage brokers, payday lenders, loan and trust companies and a wide range of consumer protection legislation. We have prescribed rule-making authority in the administration of this legislation. We are unique among many of our peers because we have an integrated responsibility for most financial services and consumer protection.

The Acts administered by the Commission include the:

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|---|---|
| • <i>Auctioneers Licence Act</i> | • <i>Consumer Product Warranty & Liability Act</i> |
| • <i>Collection and Debt Settlement Services Act</i> | • <i>Cost of Credit Disclosure and Payday Loans Act</i> |
| • <i>Commissioners for Taking Affidavits Act</i> | • <i>Co-operative Associations Act</i> |
| • <i>Credit Reporting Services Act</i> | • <i>Credit Unions Act</i> |
| • <i>Direct Sellers Act</i> | • <i>Franchises Act</i> |
| • <i>Gift Cards Act</i> | • <i>Insurance Act</i> |
| • <i>Loan and Trust Companies Act</i> | • <i>Mortgage Brokers Act</i> |
| • <i>Nursing Home Pension Plans Act</i> | • <i>Pension Benefits Act</i> |
| • <i>Pre-arranged Funeral Services Act</i> | • <i>Real Estate Agents Act</i> |
| • <i>Securities Transfer Act</i> | • <i>Securities Act</i> |
| • <i>Financial and Consumer Services Commission Act</i> | |

Our board of directors consists of an independent Chair with nine independent members. The Commission, acting as a board, needs to be diverse and have the appropriate mix of background, skills, and experience to guide our strategy and ongoing business operations and to establish the rules governing our regulated sectors. Members need to be free of conflict of interest and have a reputation for integrity in order to maintain public confidence in the Commission.

The Financial and Consumer Services Tribunal provides adjudication services as required under the various statutes for which the Commission is responsible. Hearings take place before the Tribunal, which is adjudicatively independent, but is administratively supported and funded by the Commission. Tribunal members need to have the appropriate expertise, be free of conflict of interest and have a reputation for integrity in order for the Tribunal to be effective.

The Chair and members of both the Commission and Tribunal are appointed by the Lieutenant-Governor in Council for terms up to five years and may be reappointed.

Our Strategic Planning

The Commission's mandate and its authority are derived from legislation and regulation. It is also articulated in its By-laws and Governance Policy. The Commission members, acting collectively as the board of directors, have overall responsibility for setting the strategic direction of the organization which describes how we will conduct our business and fulfil our role in accordance with the mandates established in the various pieces of legislation for which we are responsible.

We are continuously evaluating the New Brunswick landscape for matters of importance to our key stakeholders. Our planning approach incorporates strategic issue identification and a development process that involves staff, management and Commission members to consider and address these issues. Our strategic goal is excellence in regulation, education and consumer protection. The mandate, vision and values defined in our strategic direction support this goal. The Commission reviews and updates our strategic outlook annually, looking forward in a rolling three-year timeframe.

Our Strategic Direction

Our Mandate (from the Legislation)

- Protect consumers and enhance public confidence in the financial and consumer marketplaces through the provision of regulatory and educational services.

Our Vision (what we want to see because of our efforts)

- **For the Province** - Confident, dynamic financial marketplaces and well-informed consumers.
- **For the Organization** –A leading financial and consumer services regulator promoting excellence in consumer protection and education.

Our Values (what guides our actions)

- **Leadership:** *we adhere to best practices and high standards to ensure regulatory and organizational excellence.*
- **Integrity:** *we are fair, ethical, transparent and accountable for our actions.*
- **Responsiveness:** *we provide proactive, efficient and timely services; we listen to understand and address the needs of our stakeholders and staff.*
- **Commitment:** *we invest in our staff by encouraging innovation and developing expertise and leadership.*

Being an Effective Regulatory Agency

As a regulator, we set standards for the industries we regulate. In order to instill confidence and credibility in the regulatory environment, we must hold ourselves to high standards. We strive to be a leading-edge, innovative regulator in the Province and a leader among regulators in the smaller jurisdictions in Canada.

The world is changing rapidly around us. The sectors we regulate are adopting new technologies and offering new products and new services. The challenge for us as a regulator is how to keep up with and adapt to this pace of change. The current regulatory framework needs to become more responsive and constantly change in order to keep pace.

Our research on regulatory models and governance practices from other jurisdictions, as well as from sources including the Organization for Economic Cooperation and Development (OECD) and Harvard University's *Strategic Management of Regulatory and Enforcement Agencies* program highlighted three key elements to an effective regulatory framework and structure.

3 requirements for an effective regulator:

- legislated and legitimate foundation to achieve its public purpose
- sustainable operational and financial capacity to deliver its mandate
- creates and delivers value to the public

Our strategic direction is focused on developing our capacity and expertise in these three key areas. It is only by establishing ourselves as an effective regulatory agency that we can execute on our public purpose of effective consumer protection and education.



Strategic Priorities

We see three strategic priorities. These are:

- **Strengthen Our Regulatory Capability** - to excel as an effective, independent, self-funded regulator.
- **Enhance Our Operational Effectiveness** - to implement the most effective organizational structures and work processes.
- **Deliver Regulatory and Educational Value to the Public** - to provide innovative programs to regulate, educate and protect.

The Strategic Business Plan is presented visually below.

STRATEGIC BUSINESS PLAN



Factors Affecting our Operations

We are conscious of our strengths, challenges, opportunities and threats which have the potential to impact us. A wide variety of external and internal factors influence how we operate. The external factors predominantly relate to emerging issues such as changing technology; the proliferation of fraud; evolving demographics and their characteristics; public engagement; and changes occurring in the sectors we regulate. Internal factors include our structure and our ability to respond to regulatory challenges and a changing environment.

We analyse these factors to consider how we can use our strengths to take advantage of opportunities and mitigate threats and weaknesses. We operate collaboratively with other financial and consumer services regulators in Canada and North America in order to be effective.

Emerging Issues

Business (legitimate and otherwise) operates in an increasingly borderless and technologically advanced world. The rising predominance of the Fintech industry (robo-advisors, on-line lending, on-line payment systems, cryptocurrencies, etc.) and cybersecurity threats are good examples of this. Many of these developments have the potential to fundamentally change the traditional geography-based way we regulate and compel us to be more flexible and proactive.

Fraud takes many forms and is increasingly more sophisticated and refined. The use of electronic platforms subjects consumers to increased vulnerability to financial loss with little chance of recovery. We know that the impact of being a victim of fraud goes well beyond its financial implications by affecting mental and physical health. Consumer awareness and fraud prevention are critical to consumer protection.

New Brunswick is not isolated from these developments. As a regulator, we have to keep current. We keep abreast of global developments and trends in these sectors, as well as related technological developments, by being active participants in national and international regulatory organizations and committees.

Demographics

Aging demographics in New Brunswick raise the likelihood for seniors to be financially abused. As the 'baby boomers' age, they are migrating their associated wealth into retirement savings. Seniors may be more vulnerable than others because of increased reliance and trust on others, potential diminished mental capacity and less time to recover from a financial loss.

Combatting financial abuse of seniors will require focused and coordinated consumer protection initiatives that extend beyond our mandate. It will require the concerted and coordinated efforts of a number of stakeholders. We are committed to continuing our active involvement in this initiative to help counter the devastating effects of this kind of financial abuse.

Literacy

The overall state of reading literacy and financial literacy in New Brunswick is low. This presents a challenge to the effectiveness of our educational initiatives on consumer protection and fraud prevention. Consumers need to reach a minimum level of reading and comprehension of basic financial matters before more complex educational topics can be introduced and understood. Improving the state of financial literacy in the province will continue to require the coordinated efforts of a number of stakeholders. We are dedicated to taking an active role in improving the awareness of financial literacy as an important issue while working towards solutions with other stakeholders.

Social Media

Social media is the predominant method of finding information and social interaction among certain sectors of the population. The volume and nature of messaging is competing for an increasingly more selective and shortened consumer attention span. Getting important and relevant information out that will cut through the communication clutter and capture the attention of the intended audiences presents a challenge. This requires us to constantly evaluate how we develop, package and distribute our educational material to meet the needs of diverse and distinct audiences.

Consumer Protection

Consumers face an ongoing barrage of new products and services, all vying for a piece of their wallets. Many of these new offerings fall outside or attempt to fall outside of existing regulatory structures. New Brunswick consumers would benefit from comprehensive consumer protection legislation.

Changes in Regulated Sectors

Several regulated sectors under our jurisdiction are undergoing fundamental changes; either to the way they are regulated or changes within their sector that will result in changes to how they are regulated. It is critical for our regulatory framework to be modernized and responsive to developments in these sectors. In addition, many of the changes contemplated in one sector have equivalent application to another sector. As an integrated regulator, we are sensitive to the advantages of consistency and harmonization, not only across jurisdictions but also across sectors. For example, the concept of a best interest standard may have application across many of the sectors we regulate. These sectors involve firms and individuals who make their living from using consumers' money in various financial services. To a large extent, consumers expect that those working in these sectors are acting in their best interest as they carry out their business. As the regulator, we have to consider if a regulatory requirement for a best interest standard in one sector should be required across all sectors.

Credit Unions

The amalgamation of 15 caisses populaires and their transfer from provincial regulation to federal regulatory oversight resulted in the complete dismantling of that system in New Brunswick. This is a developing trend for provincially-regulated financial institutions across the country. Not only does this affect our operations, it has a significant impact on the Province's 10 credit unions in an increasingly more competitive environment with federally regulated banks and on-line financial institutions. Long-term sustainability and competitiveness are critical for their survival. We have developed a legislative proposal to significantly streamline the regulatory structure, reduce the cost of regulation and modernize the legislation for credit unions in New Brunswick. We will need to apply our regulatory skills for a successful transition and implementation of this new model.

Cooperatives

The cooperative sector is an important component of New Brunswick's economic landscape. The rise of co-operative social enterprises is a key part of economic development, particularly in smaller centres or rural areas. The *Cooperatives Act* has not kept pace with the needs of this sector. We have developed a legislative proposal to significantly modernize the legislation for this sector in New Brunswick.

Insurance

The Insurance sector is facing many challenges both provincially and nationally. The *Insurance Act* is woefully out of date and has not kept pace with the needs of this industry and its consumers. We have several legislative and regulatory proposals to address some immediate concerns but a complete overhaul of the Act is needed. Given the state of insurance legislation across Atlantic Canada, this might present a unique opportunity for Atlantic harmonization.

Suppliers of Credit

The proliferation of on-line financial services presents new challenges for regulators across the country. New legislation to regulate mortgage brokers, payday lending and credit reporting services has recently come into effect in New Brunswick. Industry continues to adjust to this new reality. This requires effort on our part to ensure stakeholders understand and comply with the new requirements. We will continue to apply our regulatory and educational skills to effectively ensure compliance with these new regulatory regimes and address these new challenges.

Cooperative Capital Markets Regulatory System

One of the most significant changes results from New Brunswick's decision to join British Columbia, Saskatchewan, Ontario, Prince Edward Island, Yukon Territory and Canada to establish a cooperative capital markets regulatory system (CCRS) for securities. The remaining provinces and territories have been invited to participate in this system. The decision to proceed will have a significant impact on the Commission, as an integrated regulator, more than any other participating jurisdiction. Should this cooperative system proceed, it will ultimately result in the transfer of staff and revenue related to securities to the new cooperative capital markets regulator (CCMR). Significant developments are occurring with this initiative; however, a definitive implementation timeline has not been finalized. While the initial implementation date was expected to be in the Fall of 2015, now implementation is contemplated for 2020/21.

We have made significant contributions to the design and development of this new regulatory regime for securities. Our reason for taking a leadership role is to ensure that the new structure adequately represents the needs of New Brunswick's capital markets and by extension, other similar sized Canadian markets. Our ultimate objective is to ensure that under this new model a competent, capable, responsive presence continues to exist in the Province for the regulation of securities and the protection of New Brunswick investors.

The fundamental impact of the move to a new cooperative regulatory structure for securities is substantial, particularly from a revenue perspective. The absence of a definitive timeline presents challenges for organizational planning and creates staff uncertainty. Our planning for the transition continues and we have designated significant resources to this undertaking. In the remaining areas of our mandate, our objective is to ensure that a competent capable, independent, self-funded regulator exists to protect consumers in New Brunswick. We have identified a number of key initiatives to be implemented in order for this to happen. Some of the more critical components require the cooperation of Government.

Government Relations

The Commission reports through the Department of Finance. As with any reporting relationship, while respecting our independence, attention must be directed towards creating an understanding of our legislated mandate and the roles we play with respect to financial and consumer protection.

We have advised the new Government of our willingness to work with them on initiatives that will streamline the regulatory structure and further protect consumers. There are opportunities both within the Province and across the Region.

Risk Analysis

Members and staff identify and assess risk on an ongoing basis. Understanding and considering the risks associated with our operating environment helps us to manage these risks and shape our overall plan. The risk management process includes identifying events or situations that would prevent us from achieving our mandate; evaluating the likelihood and timing of occurrence; and determining what strategic response, if any, we need to take to minimize the impact.

**We assess risk in 5 key areas:
Business Operations (including cybersecurity), Finances, Human Capital, Reputation and Litigation**

Overview and Approach

We constantly examine our core business of regulation, education and protection in the context of our strategic direction and ask how we may better concentrate our resources to make a significant difference in New Brunswick. In our planning, we evaluate not only resource implications but also:

- the impact that a key strategic issue may have on our mandate;
- the immediacy of a key strategic issue and its required response;
- our ability to take a leadership, supportive or reactionary approach to a key strategic issue; and
- the role of our strategic partners in assisting us to address a key strategic issue.

The changing environment has a significant impact on our organizational structure and our operational budget, both of which must adapt to meet the challenge. As an integrated financial and consumer services regulator, we have been working to preserve the underlying rationale and advantage of being an effective, independent, self-funded regulator.

Even though the potential for a cooperative capital markets regulatory system for securities will change the overall scope of our regulatory responsibilities, the vision and mandate to regulate, educate and protect New Brunswick consumers will still apply. We believe that our history as an independent commission and an innovative and responsive regulator stands us in good stead to adapt and meet the challenges ahead.

Our Business Plan

Overview

Our business plan addresses how we will build on the initiatives previously started to meet the expected challenges and support our overall strategic direction for the period 2019 to 2022.

Since the creation of FCNB in July 2013, our focus has been on integrating the staff of the founding organizations into one integrated regulator and providing a full range of services across all regulated sectors. Our continued focus over the next three years is three-fold:

- complete the legislative and technological infrastructure needed to operate effectively as a multi-sector regulator;
- concentrate on strategic regulatory and educational initiatives that will have a significant positive impact on the public good; and
- position us for the successful transition to a regulatory environment with a separate cooperative capital markets regulatory system for securities.

We have focused on the key elements required for a modern and responsive regulatory model. These are our key initiatives:

- updating the legislative framework across all regulated sectors, including the ability to make rules affecting operational issues in order to be responsive to changes;
- building a modern technological platform for regulated sectors and our organization;
- building an effective organizational structure able to adapt to the challenges ahead;
- ensuring revenue stability, including modernizing the revenue structure so as to remain viable; and
- expanding our core competencies to other areas requiring regulation.

Core Competencies

We have built a critical mass of regulatory expertise. As an effective regulator, we continue to develop and maintain solid skills and competencies in these areas:

- corporate governance
- regulating
- policy development and rule-making
- licensing and registration
- compliance and enforcement
- education

The foundation that we have established in these core competencies enables us to assume other regulatory responsibilities related to financial and consumer protection, either in the Province or in the Region. As we move forward with our current mandate, we need to be positioned to face future challenges and take advantage of potential opportunities presented by the creation of the Cooperative Capital Markets Regulator (CCMR) for securities. This organization has to continue to operate as an effective, independent, self-funded regulator.

Initiatives and Indicators

We have planned several multi-year initiatives and programs for each of our identified strategic priorities. Emphasis is placed on the implementation of those initiatives or programs that will have a major impact and support the fulfilment of our organizational responsibilities and mandate. The Business Plan is presented visually in Table 1.0 and identifies the indicators we will use to determine our performance in meeting our overall mandate. We use an annual work planning process to identify the specific undertakings, assigned responsibilities and associated timeframes. This phase of planning gets underway in January of each year for the start of the fiscal year in April.

Priority	Objective	Initiative/Program	Timing	Indicator
Strengthen our Regulatory Capability	to excel as an effective, independent, self-funded regulator	Modernize our regulatory framework to include updated investigative, compliance, enforcement and rule-making authority in all regulatory sectors	Multi-year By March 2020	Consistent regulatory platform in place for all regulatory sectors, including rule-making
		Modernize <i>Credit Unions Act</i> to reflect restructured regulatory framework	Multi-year By March 2019	Legislative proposal submitted to Government for approval
		Modernize <i>Cooperative Associations Act</i>	Multi-year By March 2019	Legislative proposal submitted to Government for approval
		Develop legislative proposal to implement an unclaimed property regulatory regime	Multi-year By July 2019	Legislative proposal submitted to Government for approval
		Develop legislative proposal for a new <i>Consumer Protection Act</i>	Multi-year By March 2021	Legislative proposal submitted to Government for approval
		Develop legislative proposal for a new <i>Insurance Act</i>	Multi-year By March 2021	Legislative proposal submitted to Government for approval
		Implement new fee rules and revenue neutral self-funding structure	Multi-year By March 2021+	New fee rules and assessment models in place
		Develop legislative or regulatory proposals as needed to respond to the needs of the regulated sectors	Multi-year By March 2022+	Legislative or regulatory proposals submitted to Government for approval
Enhance our Operational Effectiveness	to implement effective organizational structures and work processes	Implement revised organizational structure to meet challenges of FCNB	Multi-year By March 2020	New organizational structure in place
		Implement staff training, development and succession plan	Multi-year By March 2022	Competent, well-trained staff
		Transition designated staff to cooperative Capital Markets Regulator	By March 2021	Staff operating under new Capital Markets Regulator
		Implement electronic licensing systems in all regulatory sectors	Multi-year By March 2021+	Fully functional electronic systems operational
		Identify and respond to emerging issues through the Emerging Issues Working Group	Multi-year By March 2022	Appropriate responses developed for addressing impact of issue
		Improve internal and external work processes	Multi-year By March 2022	Operational efficiencies and standards in place
		Enhance model for regulatory adjudication	Multi-year By March 2022	Legislative or regulatory proposals submitted to Government for approval
Deliver Regulatory and Educational Value to the Public	to provide innovative programs to regulate, educate and protect	Implement regulatory compliance strategy	Multi-year By March 2022	Compliance reviews in all sectors in accordance with plan
		Develop recommendations and initiatives to address financial abuse of seniors	Multi-year By March 2022	Implement recommendations within our mandate, forward others to Government
		Advance multi-stakeholder initiative to address financial literacy	Multi-year By March 2022	Increase awareness of the issue and expand the reach of financial literacy materials as measured by survey results
		Deliver effective consumer fraud awareness and prevention education programs	Multi-year By March 2022	Increase awareness of consumer protection information as measured by survey results

Table 1.0 Strategic Initiatives

Revenue Sources, Challenges, Cost Structure and Key Resources

Overview

We have a legislated mandate with respect to each of our regulated sectors. We are expected to have the operational and financial capacity to accomplish our mandate and deliver value to our key audiences: New Brunswick's consumers, industry participants, other regulators and the provincial government.

The Financial and Consumer Services Tribunal submits its budget annually to the Commission. The Commission allocates adequate funding for the Tribunal's operations.

Revenue Sources

The underlying principle is that the cost to regulate is recovered from the industries being regulated as opposed to taxpayers. Self-funding is a key element for the independence of a regulator. Under the *Financial and Consumer Services Commission Act* the Commission has the ability to make rules relating to fees and assessments. As a self-funded regulator, our revenues are generated through regulatory fees and annual assessments paid by financial and consumer market participants.

Approximately 78% of our budgeted revenues are associated with the securities sector. This has generated a surplus for the Commission of \$6 - 9 million dollars annually. This surplus is contributed to the Province's Consolidated Fund.

Revenue Challenges

Potential changes discussed in our plan for some of our regulated sectors will place significant challenges on revenues for the organization. The Commission's surplus contributions to the Consolidated Fund will cease with the transfer of responsibility for securities regulation to the Capital Markets Regulator (CMR). This loss of securities revenue (and associated expenses) will leave us in a deficit position, mainly because securities revenue has been cross-subsidizing part of the cost to regulate other industries. In recognition of this loss, the financial agreement on the CMR provided for a lump-sum payment of \$45.8 million by the Federal Government to the Province to compensate for this lost revenue. This amount was paid to the Province in August 2014.

As a result, the Commission is planning to move towards a more revenue-neutral cost recovery model. This move requires us to review our current fee structures and assessment models. These need to be updated and alternative assessment structures considered.

The fees in many of the regulated sectors have not been updated for decades. They no longer reflect the cost of regulation and are out of step with similar fees charged in other jurisdictions. We have developed new fee schedules. We will continue to work with the Government to have the existing outdated fee regulations repealed so that our fee schedules can be implemented. The delays in implementing new fee rules have a number of consequences that impact our operations. Currently, some sectors are not covering the full cost of regulation and are being cross-subsidized by others. The failure to implement new fee schedules also represents a lost opportunity for revenue that will have a significant impact on the Commission in a post- Capital Markets Regulator environment.

The Commission has subsidized its assessment to the credit union sector by approximately 60% as a result of the transfer of the caisses populaires system to federal jurisdiction. This has been done to cushion the financial impact on the remaining New Brunswick credit unions. The proposal to restructure the credit union regulatory framework is expected to reduce the overall cost of regulation while modernizing the legislation and streamlining oversight. In the interim, this subsidy is expected to continue until the new legislation comes into effect.

We are also exploring a number of other options to make up for this lost revenue, such as operational efficiencies and new revenue sources in other potential areas of regulation or service delivery. These are critical to our future financial viability. As an example, we are exploring the administration of an unclaimed property regulatory regime to support our consumer protection and financial literacy initiatives.

The process to make these changes is underway, but the transition to full cost-recovery is expected to take up to five years and will require ongoing discussions with Government. We have built a Transitional Reserve to carry us through this period. As such, we do not intend to seek transitional funding from the Government. Our ability to self-fund this transition to a revenue-neutral cost-recovery model going forward has allowed the Federal Government's payment of \$45.8 million to be available to the Consolidated Fund. In addition, our intention is that once the Commission has determined that we have achieved stable self-funding, any residual amount in our Transitional Reserve would be transferred to the Consolidated Fund.

Cost Structure

The major assumption inherent to the preparation of our budget is that the implementation of the cooperative capital markets regulator is now assumed to take place on 1 April 2021. While an actual date is unknown, adjustments to our budgets can be made once we have definitive information.

There are developments in other regulated sectors that impact our budget. These include the restructuring of the regulatory framework for credit unions. This is a result of the transfer of the amalgamated caisse populaire entity to the federally regulated system in the summer of 2016. A legislative proposal to reduce the regulatory burden on the credit unions is being developed with a view to implementation in 2019. Organizational and budgetary impacts have been made on the assumption that the Commission will assume responsibility for the inspection of credit unions as well as the oversight of the deposit protection fund.

Approximately 2/3 of our total expenses relate to staff, Commission and Tribunal member costs. Other discretionary items related to accomplishing the proposed objectives and initiatives are included. As well, our budget includes IT systems developments that will lead to efficiency improvements for our organization and the sectors we regulate.

The budget projections for the year ending 31 March 2021 include revenue and expenses for the full organization. After 1 April 2021, revenue and expense figures reflect the organization without securities, based on the assumption that the cooperative capital markets regulator for securities is operational. As such, after this date we no longer budget for an annual contribution to the Consolidated Revenue Fund after the implementation of the CMR. Transitional deficits will be funded from our Transitional Reserve. While this date has been set as the target for planning purposes, the potential exists to see it change. An earlier or delayed launch in the implementation will require budget adjustments.

The following table is a summary budget of the Commission's projected revenues and expenses for the three-fiscal periods ending 31 March 2020, 2021 and 2022. The revenue budget has been developed based upon expected market activity and recent trends while expenses have been budgeted to allow the Commission to address its business plan needs.

As indicated, there are a number of external developments in play and other factors with impacts that have not yet been fully determined. These present a challenge for accuracy in the preparation of our budget. As these become clearer, we will adjust accommodate. As such, our budget is developed with the best information available at the time.

	FY 2019/2020	FY 2020/2021	FY 2021/2022
Revenue Sources			
Securities	16,635,332	17,007,700	-
Consumer Affairs	465,900	475,000	798,400
Pensions	256,500	256,500	256,500
Insurance	3,284,004	3,343,791	4,370,430
Financial Institutions	847,762	866,703	970,328
Unclaimed Property		299,675	1,536,061
Other Income	434,000	449,000	436,000
Total Revenue	21,923,498	22,698,369	8,367,719
Expense Sources			
Commissioner Expenses	514,297	514,297	307,067
Tribunal Expenses	355,918	330,500	234,807
Staff Salary and Benefits	9,486,038	9,928,146	6,670,030
General & Administrative	4,043,373	4,111,268	2,658,261
Total Expenses	14,399,626	14,884,211	9,870,165
Net Income	7,523,872	7,814,158	(1,502,444)
Contribution (to)/from Transitional Reserve			1,502,444
Subsequent Net Income	7,523,872	7,814,158	-

Key Resources

The Commission has identified its staff, brand, national and proprietary systems, audience relationships, effective processes, educational materials, website and revenue sources as its key resources.

We recognize that our biggest and most valuable resource is our highly-specialized staff. Commission staff are in two offices, one in Fredericton and one in Saint John.

The organizational structure includes a complement of 90 staff organized into nine divisions that align with our core business. These are:

- Securities
- Pensions and Insurance
- Consumer Affairs
- Financial Institutions
- Enforcement
- Information Technology & Regulatory Informatics
- Education & Communications
- General Counsel and Secretary
- Corporate Services

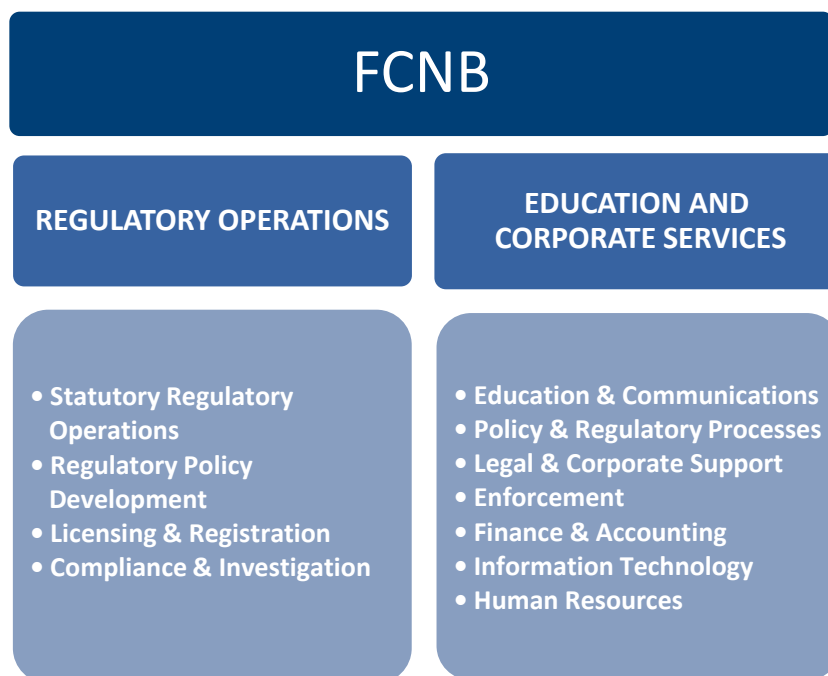
We expect to transfer 37 positions related to the regulation of securities to the cooperative capital markets regulator. This will create a full-service capability for that organization with its office in Saint John. The new capital markets regulator will assume full responsibility for the costs associated with this group.

In order to prepare for this transition we have to ensure that both organizations have the skill sets needed to fulfill their respective mandates. As a result we are investing in our staff resources as we prepare to meet this need.

The Financial and Consumer Services Commission in a post CMR environment is expected to have a smaller staff organized into two streamlined divisions with offices in Saint John and Fredericton. These are:

- Regulatory Operations
- Education and Corporate Services

The Commission will be a smaller organization. However, it is expected that with the two organizations (FCNB and CMR) operating in the province there will be a net add of positions to the work force.



Annual Deliverables

The Chair and CEO have the responsibility to see that the following specific deliverables are developed on an annual basis for the members' consideration and approval, and to ensure that they are submitted to the Minister of Finance and Treasury Board within the legislated timeframes.

Business Plan - The Business Plan is updated each fiscal year and integrates with our strategic direction which covers a period of three fiscal years. It outlines our broad objectives and priorities in all functional areas. The Business Plan is submitted to the Minister for approval by 31 December of each year.

Budget - The budget is derived from the Business Plan and covers a period of one year. It outlines the amounts required for our proposed operations for the next fiscal year. The budget is submitted to Treasury Board for its information by 31 December each year.

Annual Audit - The accounts and financial statements are required to be audited at least once a year by the Auditor General, or an Auditor approved by the Auditor General.

Annual Report and Financial Statements - The Annual Report describes our progress against our strategic plan and highlights our performance against our mandate. Our Annual Report also serves the dual purpose of being a stakeholder report. The Annual Report and audited Financial Statements are required to be delivered to the Minister by 30 September each year.

Crown Corporations Review - The Commission is typically called before the Legislative Standing Committee on Crown Corporations to respond to questions on the activities reported in its Annual Report. The Chair and CEO appear at the review as scheduled by the Committee, after the Annual Report has been submitted.