

FINANCIAL AND
CONSUMER SERVICES
COMMISSION

regulation • education • protection



COMMISSION DES SERVICES
FINANCIERS ET DES SERVICES
AUX CONSOMMATEURS

réglementation • éducation • protection

Strategic Direction & Supporting Business Plan for 2020-2021

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OVERVIEW OF THE COMMISSION

Introduction

The Financial and Consumer Services Commission (FCNB) is New Brunswick's integrated financial and consumer services regulator. With offices in both Fredericton and Saint John, FCNB is responsible for the administration and enforcement of provincial legislation regulating mortgage brokers, payday lenders, real estate, securities, insurance, pensions, credit unions, trust and loan companies, cooperatives, and a wide range of consumer legislation.

Regulation is at the heart of safeguarding consumers and FCNB believes in adopting a balanced approach to regulation. 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 helps create confident provincial financial and commercial markets while protecting consumers from harms in those markets. This is complicated in a world of constant changes in products, services and, last but not least, technologies. These changes require constant and vigilant monitoring of potential harms. Our strategic focus is on continuous intelligence gathering to allow us to properly identify the harms that may impact our markets. With this information in hand, we target vulnerable areas and thereby aim to strike the correct balance between business interests and the public interest.

We continue to see our education role as critical to the achievement of our mandate. We believe that protecting consumers from harms will only be achieved if we are successful in improving the level of New Brunswick's financial literacy. Through a variety of methods, we are steadfast in our efforts to increase New Brunswickers' financial knowledge. The ultimate goal is for New Brunswick consumers to have the tools available to be able to make informed financial decisions. We offer educational sessions on the topic of financial fitness for audiences ranging from school age children through to seniors.

Our Corporate Profile and Legislated Mandate

We are an arm's length, self-funded Crown Corporation under Part IV of the *Public Service Labour Relations Act*. Our legislated mandate as contained in the *Financial and Consumer Services Commission Act* is to protect consumers and enhance public confidence in the financial and consumer marketplaces through the provision of regulatory and educational services. More specifically, the Acts administered by the Commission are:

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

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. Our board of directors currently consists of an independent Chair and eight independent members. One additional member will be joining the Commission effective 1 January 2020, bringing the full complement of members to nine, inclusive of the Chair.

The Financial and Consumer Services Tribunal provides adjudication services as required under the various statutes administered by the Commission. The Tribunal is adjudicatively independent but is administratively supported and funded by the Commission. Tribunal members are required to have relevant expertise, be free of conflict of interest and have a reputation for integrity.

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 Strategy Setting and Business Planning Process

The Chair and the CEO have the responsibility to see that certain 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/or Treasury Board within the legislated timeframes. The Business Plan forms part of these deliverables. It is required to be submitted to the Minister for approval by 31 December of each year and must contain a proposed budget for the next three fiscal years.

The Commission members, acting collectively as the board of directors, have overall responsibility for setting the strategic direction of the organization. This strategic direction reflects their expectations as to how the organization is to fulfil its legislated mandates as established in the various pieces of legislation administered by our organization. The strategic direction has traditionally been prepared with a rolling three-year timeframe and was accompanied by a business plan intended to align and support the strategic direction.

While much progress has been accomplished toward the strategic priorities set for the period 2019-2022 (i.e, strengthening our regulatory capability, enhancing our operational effectiveness and delivering regulatory and educational value to the public), we felt that a continued focus on the timely completion of the initiatives and programs in progress remained essential to fully realizing our mandate with regulatory excellence and innovation. Accordingly, having confirmed that the strategy was still relevant, this year's process was dedicated to business planning for the ensuing year.

The Commission's traditional process for strategic planning and business plan development has involved both employees and Commission members. Consistent with tradition, this year's process, also began with employees. In order to stay abreast of issues surfacing not only within the industries regulated by the Commission but also more broadly in the financial technology ecosystem and with cybersecurity, the Commission formed an Emerging Issues Working Group. Chaired by our Chief Information Officer, this group had representation from each of our regulatory divisions and from our support services. Its mandate was to identify developments that may impact or have an influence on our organization or the sectors we regulate, assess the potential impacts of these developments and, as appropriate, develop recommendations for action where a response was deemed to be warranted. The Emerging Issues Working Group's first report was assembled with a view to informing this year's business planning process. A summary of this working group's findings is included in the **Opportunities and Challenges** section of this document.

Where Are We At Present

We recognize that our most valuable resource is our highly-specialized staff. The organizational structure includes a complement of over 90 staff in two offices, Saint John and Fredericton. In June 2019, we restructured our organization to bring together core competencies, facilitate divisional collaboration through a more integrated model, leverage the power of information technology and better align with our business strategy. We are now organized into five main areas:

- Securities
- Regulatory Operations
- Unclaimed Property Program Development
- Information Technology and Regulatory Informatics
- Legal, Education and Regulatory Support Services

In addition, the adjudicatively independent Financial and Consumer Services Tribunal, which is funded by the Commission, has two full time staff.

FCNB				
Securities	Regulatory Operations	Unclaimed Property Program Development	Information Technology & Regulatory Informatics	Legal, Education and Regulatory Support Services
Statutory Regulatory Operations	Statutory Regulatory Operations	Once regime implemented:	Regulatory systems development and maintenance	Legal Services Education & Communications
Regulatory Policy Development	Regulatory Policy Development	Statutory Regulatory Operations	Data and records management and security	Corporate Secretariat
Licensing & Registration	Licensing & Registration	Regulatory Policy Development	Cybersecurity	Enforcement
Compliance	Compliance	Compliance		Strategic Planning, Finance, Accounting, Facilities & Procurement
				Human Resources

Table 1.0

OPPORTUNITIES AND CHALLENGES

Emerging Issues

In an effort to create a measure of useful foresight, the Emerging Issues Working Group conducted research into the major regulatory, consumer, economic and technological trends, which would have an impact on our various regulated communities. The working group then conducted an analysis of the current and emerging influencers of change. Among those, the working group concluded that those most likely to impact our regulatory sphere are computational capacity, climate change, demographics, market volatility, privacy issues arising from large data set aggregation and the related analysis, cybersecurity risk for consumers and businesses, a rapid increase in artificial intelligence and financial technology innovation. More precisely, the working group commented that:

- Consumers will continue to grow increasingly concerned about their privacy interests and will demand that those collecting and using their data do so within appropriate parameters.
- Cybersecurity risk will continue to grow and will likely drive increasingly mandated/regulated standards for businesses and individuals storing sensitive data.



Canada had the third most cyber incidents worldwide.* 6,515 publicly disclosed attacks exposed over 5 billion sensitive records in 2018.**

*Canadian Underwriter, *Where Canada ranks worldwide in cyber breaches*. (Press Release). Retrieved from: <https://www.canadianunderwriter.ca/technology/canada-ranks-worldwide-cyber-breaches-1004136764/>

**Risk Based Security, *Over 6,500 Data Breaches and More Than 5 Billion Records Exposed in 2018* (Press Release). Retrieved from: <https://www.riskbasedsecurity.com/2019/02/over-6500-data-breaches-and-more-than-5-billion-records-exposed-in-2018>

- The move away from personal interaction to inform consumer decisions will continue to place greater importance on improving personal financial literacy generally. New Brunswick, in particular, continues to have material challenges with general literacy.
- More evident climate change effects may cause greater concern about economic stability.

- Younger generations with more debt and less economic capacity, in an environment with greater economic uncertainty, will make financial literacy for this audience increasingly important.
- The permeation of technology throughout the numerous activities within our regulated communities will require regulators to be technologically knowledgeable to effectively understand their regulated communities.
- As our regulated communities look at expanding their traditional roles and activities, we will need to assess whether and to what extent these new roles and activities are, or should become, regulated.
- The use of artificial intelligence and novel mobile based technologies will become pervasive, and will be used to collect data about, analyze and influence all aspects of consumer behaviour.



119 fintech deals generated \$1.2 billion worth of investment in 2018 in Canada.*


*KPMG, *Global fintech investment rockets to a record \$111.8B in 2018, driven by mega deals: KPMG Pulse of Fintech* (Press Release). Retrieved from: <https://home.kpmg/xx/en/home/media/press-releases/2019/02/global-fintech-investment-hits-record-in-2018.html>

FCNB is committed to optimizing its capacity to be able to proactively address issues that may arise from the identified trends and emerging issues, while making the most of the opportunities that the changes will present. Our ability to stay abreast of developments in the area of financial technology innovation and cybersecurity will be critical to our ability to remain relevant as a regulator.

Demographics

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.

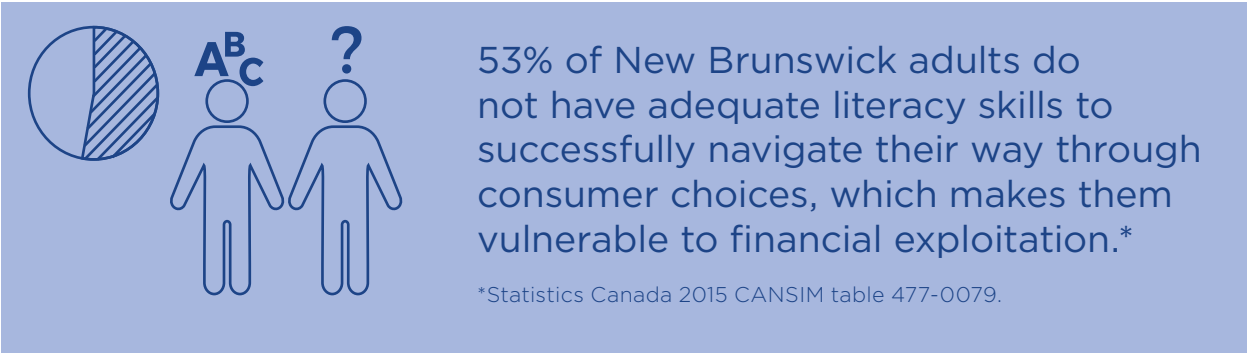


Seniors make up 19.9% of New Brunswick's population - the highest percentage in the country.*

*Statistics Canada, statcan.gc.ca

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 toward solutions with other stakeholders.



53% of New Brunswick adults do not have adequate literacy skills to successfully navigate their way through consumer choices, which makes them vulnerable to financial exploitation.*

*Statistics Canada 2015 CANSIM table 477-0079.

Consumer Protection

Consumers face an increasing barrage of new products and services, all vying for a piece of their wallets, yet New Brunswick is one of the few jurisdictions in Canada without comprehensive consumer protection legislation. The purpose of such legislation is to protect consumers from unfair business practices. More specifically, a consumer protection act would establish a legal framework for a consumer market that is fair, accessible, efficient, sustainable and responsible. This legal framework would contain:

- protections for consumers from deceptive, misleading or other fraudulent conduct;
- social and economic responsibility in consumer markets;
- consumers' legal rights and remedies; and
- a means to improve consumer awareness and information and to encourage responsible and informed consumer choice and behaviour.

We believe that New Brunswick consumers would benefit from a comprehensive consumer protection legislation and we are committed to pursuing research to advance such proposal.

750,000 CONSUMERS

We protect over 750,000 New Brunswick consumers through regulation and financial education.

34,000 INDUSTRY PARTICIPANTS

We regulate industries and individuals who make their living working with New Brunswickers' money.

30 BILLION DOLLARS

Industry participants that we regulate handle over \$30 billion of New Brunswick consumers' money.

Credit Unions

The Province's nine credit unions operate in an increasingly competitive environment with federally regulated banks and online financial institutions. Long-term sustainability and competitiveness is critical for their survival. FCNB developed a legislative proposal, which will significantly streamline the regulatory structure and modernize the legislation for credit unions in New Brunswick, all while reducing the cost of regulation. The legislative proposal was assented to in June 2019 and is expected to come into force on 1 January 2020. Upon the effective date:

- the front-line oversight functions of the Brunswick Credit Union Stabilization Board Limited, which operates as the "Risk Management Agency" (RMA) will be assumed by FCNB;
- the Stabilization Fund within RMA and the Deposit Insurance Fund will be consolidated into a deposit protection fund maintained by the New Brunswick Credit Union Deposit Insurance Corporation (NBCUDIC);
- RMA's existing mandate to provide financial assistance to credit unions for the purposes of stabilization will be consolidated in NBCUDIC, and
- RMA will be dissolved.

FCNB and NBCUDIC will be implementing a supervisory framework to effectively manage and oversee the prudential supervision of the Credit Union system in our Province. We believe that our regulatory skills and financial expertise will permit us to achieve a successful transition to, and implementation of, this new model.

Cooperative Associations

The cooperative sector is an important component of New Brunswick's economic landscape. The rise of cooperative social enterprises is a key part of economic development, particularly in smaller centres or rural areas. The New Brunswick cooperative sector had been lobbying for modernized legislation since the 1990s, motivated in those earlier days by the "model act" project which led to the introduction of the *Canada Co-operatives Act* in 1999. Over the past few years, following a thorough review of the cooperative associations sector's proposal, of various provincial acts and of the federal cooperatives act, the Commission developed a proposal for a new *Act*. The new *Act* was developed, consistent with Canadian cooperative legislation, to support a business model that is characterized by self-regulation which is rooted in democratic control and worldwide accepted cooperative principles. In summary, most powers remain with members and the board of directors. The regulators have some, but more limited, intervention powers.

The new *Cooperatives Act* received Royal Assent on 14 June 2019 and is targeted to be proclaimed on 1 January 2020. It will modernize the regulatory environment, namely by:

- enhancing capitalization capacity by allowing the issuance of various classes of investment shares and a class of membership shares;
- maximizing the use of technology for meetings of cooperatives and filings with the regulator;
- providing opportunities for enhanced governance practices such as allowing non-member directors;
- including modern corporate law approaches such as providing cooperatives with the capacities of a natural person;
- reducing certain required approvals by the regulator by filings or notice requirements by cooperatives, and
- recognizing the specific needs of the different types of cooperative models, such as continuing housing cooperatives, worker cooperatives and federations.

We anticipate the need for educational initiatives as we transition to this more traditional 'self-regulatory' model for cooperative associations. FCNB will also be updating its work processes in the regulatory compliance sphere to adjust to the new legislative and regulatory framework for these associations. Once again, dedicated efforts will be required to ensure a successful transition.

Insurance

The current version of the *Insurance Act* was introduced in 1968. It has not kept pace with the needs of the industry and its consumers. We have developed a plan to modernize this legislation and related regulations. To allow proper consultation on this substantive undertaking, we are proceeding with targeted consultation on elements of the regime as research is completed and proposals are assembled. Thus far, we have consulted on the agent and broker licensing regime, the adjuster and damage appraiser regime and most recently on the restricted licensing regime. Consultation on other components of the proposal will be continuing with the hopes of submitting a proposal for an updated act and regulations during fiscal year 2020-21.

Unclaimed Property

Programs to administer unclaimed property have been in existence in North America since the early 1930s and were among the very first consumer protection programs. The goal of unclaimed property programs is to assist consumers in being reunited with their property, which has been unintentionally forgotten. There are programs in place in every American state, and in the provinces of Quebec, Alberta and British Columbia. In New Brunswick, our Commission has been asked to develop an unclaimed program proposal that addresses the needs of the business organizations and consumers in the Province. We assembled a proposal, which aims to ensure that unclaimed property is dealt with in a fair and responsible manner that both benefits consumers and minimizes the burden on holders. The property covered by our proposal is limited to unclaimed intangible property, which would include, as examples, amounts due under insurance policies, securities, uncashed payroll cheques, deposits on utilities, dormant credit union accounts, and unused service retainers, to name a few. The program under consideration does not include tangible property such as vehicles or real estate. The target implementation of this program would be late 2021.



57% of New Brunswickers say they would not know where to go to retrieve unclaimed property.

66% believe the province needs a system or program to connect owners with their unclaimed property.

2018 FCNB awareness survey

Cooperative Capital Markets Regulatory System

New Brunswick has joined British Columbia, Saskatchewan, Ontario, Prince Edward Island, Yukon Territory, Canada and more recently Nova Scotia to establish a cooperative capital markets regulatory system (Cooperative System) for securities. The remaining provinces and territories have been invited to participate in this system. The decision to join this initiative will have a significant impact on the Commission, as an integrated regulator, when the Cooperative System proceeds. It will ultimately result in the transfer of 37 positions and revenue related to the regulation of securities to this new cooperative capital markets regulator. The intent is to create a full-service capability for that organization with its office in Saint John.

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.

Participating jurisdictions are reviewing the timelines for the launch of the Cooperative System. The uncertainty of the timeline does present challenges for FCNB's organizational planning but we continue to prepare for this transition and have assigned significant resources to this undertaking.

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. Our strategy and business plan review process highlighted the efficient working relationship with the Department and its representatives on a number of important legislative and regulatory initiatives intended to further modernize our regulatory frameworks, increase operational and administrative efficiencies and further protect consumers.

OUR VISION AND VALUES

Every year, as we undertake the review of our strategy and accompanying business plan, we take the time to reflect on the vision and values that have guided our organization over the past years to ensure they still reflect the fundamental beliefs that should direct our actions. This year, again, we confirmed that the following vision and values remain central for the fulfilment of our mandate.

Our Vision

- 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

- 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.

The infographic consists of several colored boxes. On the left, a white box with a blue border contains the text 'OUR VISION'. To its right is a dark blue box with white text: 'For the Province' followed by 'Confident, dynamic financial marketplaces and well-informed consumers'. Below these is another dark blue box with white text: 'For the Organization' followed by 'A leading financial and consumer services regulator promoting excellence in consumer protection and education'. On the right side, there is a large orange box containing the text 'Leadership', 'Integrity', 'Responsiveness', and 'Commitment'. At the bottom right, there is a white box with an orange border containing the text 'OUR VALUES'.

OUR STRATEGIC PRIORITIES

The research, data-gathering and analysis process described above and intended to inform the yearly review of our three-year rolling strategy has confirmed that the opportunities and challenges identified in the previous two fiscal years remain for the near term. The process did accentuate the need to stay abreast of innovations in technology and to build technical capacity in the use of such technology. Furthermore, the process emphasized that cybersecurity risk will continue to grow and will likely call for additional regulatory interventions for businesses and individuals storing sensitive data. Our business plan addresses how we are preparing internally to be ready to preemptively meet these challenges.

The following graphic representation demonstrates the three strategic priorities that will continue to guide our organization in its mandate to 2021:



OUR BUSINESS PLAN

Overview

We constantly examine our core business of regulation, education and protection in the context of our strategic direction and ask ourselves how we may better concentrate our resources to make a significant difference in New Brunswick. In our business planning process, 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;
- the ability to take a leadership approach to a key strategic issue; and
- the role that strategic partners may play in assisting us to address a key strategic issue.

Even though an implementation of a cooperative capital markets regulatory system for securities will change the overall scope of our regulatory responsibilities, the mandate to regulate important industries such as mortgage brokers, payday lenders, real estate, insurance, pensions, credit unions, trust and loan companies, cooperatives will still apply. And so will our mandate to educate and protect New Brunswick consumers. We believe that our history as an independent, self-funded and innovative commission will keep us in good stead to adapt and meet the challenges ahead.

Our business plan for the period 2020-2021 addresses how we intend on supporting the overall strategic direction and meeting the challenges outlined in this document. Over the next year, we intend to:

- implement a supervisory framework to effectively manage and oversee the prudential supervision of the restructured credit union regulatory structure in our province;
- update work processes in the compliance sphere to adapt to the new legislative and regulatory framework for cooperative associations;
- complete the work to update the legislative framework across all regulated sectors, including research on a consumer protection act;
- subject to legislation being assented to, implement the infrastructure needed for the establishment of an unclaimed property program;
- continue the substantive progress made toward modernizing our technological platform for regulated sectors and our organization;
- expand our core competencies especially in the areas of financial technology innovations and cybersecurity; and
- progress toward ensuring revenue stability, including modernizing the revenue structure so as to remain self-funded.

Initiatives/Programs and Performance Indicators

The Business Plan presented visually in Table 2.0 has been updated to reflect:

- multi-year initiatives/programs that are ongoing; and
- updated and new initiatives/programs intended to address this year's review of our strategy, more specifically the updated opportunities and challenges we face.

The table also contains the indicators we will use to determine our performance on the business plan. The next step in the process is to develop a detailed annual work plan for FCNB staff starting in January, in time for the start of the fiscal year in April.

Priority	Objective	Initiative/Program	Anticipated Timeline	Performance 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 2021	Consistent regulatory platform in place for all regulatory sectors, including rule-making
		Implement restructured legislative and regulatory framework for credit unions	By March 2021	Effective prudential supervision of credit unions
		Implement updated legislative and regulatory framework for Co-operative Act	By March 2021	Effective compliance processes for Co-operative Associations
		Subject to passing of legislation for an unclaimed property regulatory regime, implement infrastructure for such regime.	Multi-year By March 2022	All components of infrastructure in place to receive first claims.
		Develop legislative proposal for a new Consumer Protection Act	Multi-year By March 2022	Legislative proposal submitted to Government for approval
		Develop legislative proposal for a new Insurance Act	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 2022+	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	Maintaining a strong organizational cybersecurity posture	Multi-year By March 2022	Compliant with CyberNB certification standards for crown corporations
		Continue staff education, professional development and succession planning	Multi-year By March 2022	Competent, well-prepared staff and updated succession plans
		Implement electronic licensing systems in all regulatory sectors	Multi-year By March 2021+	Fully functional electronic licensing systems operational
		Address recommendations of Emerging Issues Working Group including expansion of core competencies especially in the areas of financial technology innovations and cybersecurity	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	Update regulatory compliance strategies	Multi-year By March 2021	Compliance reviews in all regulatory sectors being conducted in accordance with updated strategies
		Develop recommendations and initiatives to address financial abuse of seniors	Multi-year By March 2022	Recommendations within our mandate being implemented, forward others to Government
		Advance multi-stakeholder initiative to address financial literacy	Multi-year By March 2022	Increased awareness of the issue and expanded reach of financial literacy materials as measured by survey results
		Update consumer prevention education programs to transition from provision of information/knowledge to changes in consumer behavior.	Multi-year By March 2022	Adoption of appropriate consumer protection behaviours as measured by survey results

Table 2.0

Reporting

The Annual Report is used to report progress against our strategic plan and provides highlights of our performance against our mandate. Along with the audited Financial Statements, it is required to be delivered to the Minister by 30 September each year.

The Commission is also 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.



Budget

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

Our revenues are generated through regulatory fees and annual assessments paid by the industries we regulate as opposed to taxpayers. This self-funding model 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. 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

New Brunswick's participation in the cooperative capital markets regulatory system (Cooperative System) will shift responsibility for securities regulation from FCNB to the Cooperative System. It will also require the transfer of FCNB staff to the Cooperative System. FCNB's revenue will be significantly affected as FCNB will no longer collect fees from the securities sector which represents almost 78% of its revenue. The Commission will therefore no longer be in a position to contribute a surplus to the Consolidated Fund when the Cooperative System proceeds.

The loss of securities revenue (and associated expenses) will leave us in a deficit position, mainly because securities revenue has, thus far, largely contributed to our ability to develop and deliver consumer protection initiatives in all of our regulated sectors. The fees in many of our 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 and will continue to work with the Government to have the existing outdated fee regulations repealed so that our fee schedules can be implemented. Also, since the transfer of the caisses

populaires system to federal jurisdiction, the Commission has, with the concurrence of government, subsidized its assessment to the credit union sector by approximately 60%. This has been done to cushion the financial impact on the remaining New Brunswick credit unions. The restructuring of the credit union regulatory framework to be effective on 1 January 2020 will reduce the overall cost of regulation and will allow the Commission to conclude its subsidy to the sector at the end of the current fiscal year.

Although the process to make the changes above has begun, the transition to a full cost-recovery model of regulation across our regulated sectors is expected to continue for a few years and will require ongoing discussions with Government. We are exploring a number of other options to make up for the anticipated loss of securities revenue, such as operational efficiencies and new revenue sources in other potential areas of regulation or service delivery. We have also built a Transitional Reserve to carry us through this period. As such, we do not intend to seek transitional funding from the Government. This has allowed the Federal Government's previous payment of \$45.8 million in connection with the Cooperative System 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

Approximately 70 percent of our total expenses relate to staff, Commission and Tribunal member costs. Other items relate to accomplishing the proposed objectives and initiatives. There are developments in our regulated sectors or potential new areas of regulation that impact our budget. These include, among others, the restructuring of the regulatory framework for credit unions which will see the Commission assume responsibility as the front-line regulator of credit unions effective on 1 January 2020, our efforts to continue updating our IT systems, which will lead to efficiency improvements for FCNB and the sectors we regulate, our strategic focus on expanding our core competencies in the areas of financial technology innovations and cybersecurity and our proposal to implement an unclaimed property program in 2021.

The budget projections for the three-fiscal periods ending 31 March 2021, 2022 and 2023 include revenue and expenses for the full organization, based on the assumption that the cooperative capital markets regulator for securities will not yet be operational. An earlier launch in the implementation would 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 2021, 2022 and 2023. 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 make adjustments to accommodate. As such, our budget is developed with the best information available at this time.

	FY 2020/21	FY 2021/22	FY 2022/23
Revenue Sources			
Securities	\$ 16,784,599	\$ 17,072,050	\$ 17,358,350
Consumer Affairs	475,000	484,200	493,500
Pensions	256,500	256,500	256,500
Insurance	3,462,711	3,487,445	3,501,166
Financial Institutions	1,109,193	991,813	833,818
Unclaimed Property	-	-	344,360
Other Income	476,137	457,060	449,000
Total Revenue	22,564,140	22,749,068	23,236,694
Expense Sources			
Commissioner Expenses	423,650	423,980	424,370
Staff Salary and Benefits	10,351,860	10,627,032	10,541,359
General & Administrative	3,592,865	3,628,622	3,551,176
Total Commission Expenses	14,368,375	14,679,633	14,516,905
Tribunal Expenses	271,403	295,087	295,366
Tribunal Staff Salary and Benefits	215,518	224,976	232,465
Tribunal General & Administrative	210,960	236,147	240,172
Total Tribunal Expenses	697,881	756,210	768,003
Total Expenses	15,066,256	15,435,844	15,284,908
Net Income	\$ 7,497,884	\$ 7,313,224	\$ 7,951,786

Table 3.0

