



Strategy and Business Plan

2021-2022



**FINANCIAL AND
CONSUMER SERVICES
COMMISSION**

Overview of the Commission

Role and Mandate

The Financial and Consumer Services Commission (the Commission) is New Brunswick's integrated financial and consumer services regulator. 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 provide regulatory services that protect the public interest while enhancing public confidence in the regulated sectors and to promote understanding of the regulated sectors through educational programs.

With offices in both Fredericton and Saint John, the Commission is responsible for the administration and enforcement of the following provincial legislation:

- *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 Homes Pension Plans Act*
- *Pre-Arranged Funeral Services Act*
- *Securities Transfer Act*
- *Financial and Consumer Services Commission Act*
- *Consumer Product Warranty and Liability Act*
- *Cost of Credit Disclosure and Payday Loans Act*
- *Cooperatives Act*
- *Credit Unions Act*
- *Franchises Act*
- *Insurance Act*
- *Mortgage Brokers Act*
- *Pension Benefits Act*
- *Real Estate Agents Act*
- *Securities Act*

In addition to administering the above legislation, the Commission has been asked to implement an unclaimed property program that addresses the needs of business organizations and consumers in the province. The objective of the program is to reunite consumers with their unclaimed property. The property covered will be limited to unclaimed intangible property, which includes amounts due under insurance policies, uncashed payroll cheques, deposits on utilities, dormant credit union accounts, and unused service retainers, to name a few. Proclamation of the *Unclaimed Property Act* is expected in 2021 following a comprehensive public consultation process on the rules needed to establish the program.

Also, the *Pooled Registered Pension Plans (PRPP) Act* received Royal Assent on December 20, 2017 and will be proclaimed when the accompanying regulations are completed. Once in force, this new legislation will provide employees of small- to medium-sized businesses and self-employed New Brunswickers with a new retirement planning option. A PRPP is a type of deferred income plan designed to provide retirement income for employees (of small- to mid-size businesses) and self-employed individuals who do not have access to a workplace pension. Once the PRPP regime is in place, New Brunswick will sign an agreement with the Federal Government, as has been done by several other provinces, which will assign the responsibility for regulatory oversight to the federal Office of the Superintendent of Financial Institutions.

Corporate Profile and Organizational Structure

Our board of directors currently consists of an independent Chair and eight independent members. The Chair and members of the Commission are appointed by the Lieutenant-Governor in Council for terms of up to five years and may be reappointed. While they may be reappointed for a second term, they are not eligible to serve as members of the Commission for more than 10 years.

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. Because of the technical complexity of our mandate, expertise in a related area is essential. Members of the Commission also need to have a reputation for integrity to maintain public confidence in the Commission and be free of conflict of interest.

The Commission has a complement of over 90 staff in two offices. We recognize that our most valuable resource is our highly specialized staff. Our organization brings together core competencies, facilitates divisional collaboration through an integrated model and leverages the power of information technology. We are organized into four main areas:

- Regulatory Operations (Licensing/Registration, Compliance, Regulatory Policy Development and Operations)
- Unclaimed Property Program Development (Regulatory Policy Development and Operations, Compliance)
- Information Technology and Regulatory Informatics (Regulatory Systems Development, Data and Records Management, Cybersecurity)
- Legal, Education and Regulatory Support Services (Legal Services, Education and Communications, Human Resources, Corporate Secretariat, Enforcement, Strategic Planning, Finance, Accounting, Facilities and Procurement)

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

During fiscal year 2020-2021, the Commission engaged an external governance consultant to review the governance structure of our organization. This review is intended to identify best practices while considering the nature, scope and complexity of our mandate as a financial and consumer services regulator in our province, our risk profile, and the need for administrative sustainability for an organization of our size. We anticipate receiving the perspective and recommendations of the consultant during fiscal year 2021-2022.

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 year to ensure they still reflect the fundamental beliefs intended to drive our actions. Since the inception of the Commission in 2013, we have been driven by the following vision:

- For the province: a confident and dynamic financial marketplace, and well-informed consumers.
- For the organization: a leading financial and consumer services regulator promoting excellence in consumer protection and education.

and the following 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.

Since its establishment seven years ago, the Commission has seen substantial increases in the breadth of the sectors it regulates, including more recently by assuming the front-line regulation of credit unions and the establishment of unclaimed property legislation, and also important changes in the environment in which it operates. Also, a new Chief Executive Officer was appointed effective January 2020. We have identified the need to reflect on our fundamental vision and values to determine whether any adjustments are needed to align with the current state of our organization and our environment. However, given that the Commission is in the midst of a comprehensive governance review and that it is also currently dedicating efforts to respond efficiently to the pandemic, the holistic review of our vision, values and brand to confirm that their application is still relevant given our current circumstances will take place over the next year. In the meantime, we will continue to be guided by our existing vision, which remains very applicable during these unprecedented times.



Strategy Setting, Business Planning and Reporting Processes

The Chair and the CEO see that certain deliverables are prepared 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. This business plan forms part of these deliverables. It is submitted in satisfaction of section 24 of the *Financial and Consumer Services Commission Act* and section 4 of the *Accountability and Continuous Improvement Act*.

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 on how the organization is to fulfil its legislated mandates as established in the various pieces of legislation administered by our organization.

As the principles of our existing vision remain applicable during the pandemic, this year's process was focused on 1) pandemic preparedness, 2) ongoing important initiatives and programs in progress which remain essential to fully realizing our mandate, and 3) future initiatives that will support our priority of regulatory excellence.

The Commission will report on its progress against the strategy and business plan in its Annual Report, which will provide highlights of our organizational performance against our mandate. Along with the audited Financial Statements, it is required to be delivered to the Minister by September 30 each year.

The Commission is also typically called before the Standing Committee on Public Accounts to respond to questions on the activities reported in its Annual Report. The Chair and CEO appear at this review, after the Annual Report has been submitted.

Alignment of Priorities and Goals With Corporate Policy Objectives of Provincial Government

The *Accountability and Continuous Improvement Act* was implemented in 2014 to greater align the corporate priorities and goals of Crown corporations with those of government. The legislation provides clarity around the provincial government's relationship with Crown corporations and sets out the legislative framework for the oversight by the provincial government of the performance of Crown corporations. Pursuant to this legislation, the Minister responsible for the Commission is to provide annually to the Commission a mandate letter that sets out any strategic and corporate direction, the performance expectations and any other pertinent information that the Minister deems required. The mandate letter is intended to guide the Commission as it formulates a business plan and ultimately assists government in attaining its objectives.

For the fiscal year 2021-22, the mandate letter provides that the Commission is to:

Regulatory policy development initiatives	Continue development of a legislative proposal for a new Insurance Act.
	Implement new fee rules in our regulated sectors.
	Finalize rules and develop infrastructure for an unclaimed property regime.
	Implement the Pooled Registered Pension Plans Regulation.
	Advance research toward development of a new Consumer Protection Act.
	Develop a legislative proposal for the title protection of financial professionals.
	Support government's efforts to enhance the model for regulatory adjudication of sectors administered by the Commission.
Senior Financial Abuse and Financial Literacy initiatives	Pursue ongoing initiatives intended to address senior financial abuse and improve financial literacy in the province.
Wage Mandate	Follow wage mandate direction as issued to the Commission.
Agencies, Boards, and Commissions	Participate in a mandate review of agencies, boards, and commissions and support the implementation of improvements, as appropriate.
COVID-19 operational plans (where applicable)	Maintain a COVID-19 Health and Safety Operational Plan and an updated pandemic business continuity plan.
Annual plan	Prepare the Commission's 2021-2022 Business Plan meeting the requirements listed in the <i>Financial and Consumer Services Commission Act</i> and the <i>Accountability and Continuous Improvement Act</i> , deliver to the Minister no later than March 15, 2021 for approval and publish on Commission website no later than June 30, 2021.
Annual report	Prepare the Commission's 2020-2021 Annual Report meeting the requirements listed in the <i>Financial and Consumer Services Commission Act</i> and the <i>Accountability and Continuous Improvement Act</i> including an update on the status of Auditor General recommendations provided to the Commission in the past 5 years and deliver to the Minister no later than September 30, 2021 and file with the Clerk of the Legislature in the proper timeframe.

The Commission has also entered into a three-year Memorandum of Understanding (MOU) with the Department of Finance effective January 31, 2020. The purpose of this MOU is to provide a framework to enhance the parties' abilities to meet their respective legislative and policy objectives in a collaborative and effective manner. The terms of the [MOU](#) delineate the relationship between the parties, clarify the parties' roles and responsibilities and ensure complete and full disclosure of information.

A Changing Environment

The Impact of the COVID-19 Pandemic and Emerging Issues

Introduction

The COVID-19 pandemic has upended the economy, bringing both change and challenges. Businesses have adapted to continue to provide service while ensuring the safety of their employees and customers. Concurrently, consumers have also altered their behaviours, changing how they work, shop and seek entertainment.

While the pandemic has transformed the business landscape, certain experts say some changes will be temporary as consumers revert to their old purchasing habits once the crisis subsides. Others believe the changes are here to stay. For example, many companies have bolstered their e-commerce operations and found new ways to use technology to improve their business functions.

All of this societal uncertainty is causing decision-makers across our regulated sectors to act decisively for the wellbeing of their employees and their families, for the resilience of their organizations and for the viability of their businesses.

Cybersecurity

Proactive management of cyber risk is critical to the stability of market participants, market integrity and consumer and investor protection. By law, our regulated sectors are required to keep their books, records and documents in a safe location and in a durable form and must take precautions to maintain their records' integrity. Even before the pandemic, they were facing increased risk with more transactions taking place electronically and more data being stored electronically. For example, the [Mortgage Broker Regulators' Council of Canada](#) recognizes that the way brokers and clients interact through electronic commerce options increase not only risks to consumers but could also facilitate fraudulent activity.

The pandemic heightened cyber risk as the global workforce vacated offices and worked from home. Many New Brunswickers, including members of our regulated sectors, continue to still access work information through virtual private networks (VPNs) and cloud computing solutions on their personal devices and home Wi-Fi networks. According to [Canadian Centre for Cyber Security](#), hackers are increasingly attempting to exploit the devices of people working from home as well as video-conferencing platforms that would enable cyber espionage.

The Commission made available to industry some best practice standards for cybersecurity risk management. This information identifies important first steps organizations in our regulated sectors can take toward maintaining the integrity and security of their systems and records. Regulated industries will need to continue to be vigilant. The Commission intends to continue to monitor this issue and provide guidance to its regulated communities on cybersecurity risk management.

Consumer Fraud

Fraudsters also found ways to take advantage of the crisis. From March to the end of September, nearly 4,000 Canadians reported [losing \\$6.2 million](#) to COVID-19 fraud. Recent data from [Statistics Canada](#) indicates 42 per cent of Canadians reported being the victim of at least one online security incident – such as phishing, malware, cyber fraud or hack attacks – since the pandemic began in March.

During the pandemic, as part of its efforts to increase awareness among consumers of financial products, our organization formed an internal fraud prevention messaging task force to monitor COVID-19 related scams and alert New Brunswickers. A wealth of resources related to COVID-19 fraud were made available through our website, social media platforms, radio and television campaigns. As Canada is experiencing its second wave of COVID-19 cases, we will not let our guard down. We will continue to deploy efforts to assist consumers of financial products in New Brunswick in remaining vigilant.

Digitization and Diversification of Operations

Lockdowns due to COVID-19 have accelerated the growing need to find digital and virtual operational solutions. Pre-pandemic, many of our regulated sectors conducted face-to-face meetings with clients to finalize documents, sign contracts and show real estate to prospective buyers. Following the outbreak, companies and businesses were forced to shift to increasingly virtual business practices to safeguard their employees, customers and the general public. [Recent data](#) indicates consumers and businesses have vaulted five years forward in digital adoption in a matter of eight weeks. This trend has prompted the Insurance Bureau of Canada, for example, to call for an update to motor vehicle-related laws so more provinces can allow automobile drivers to receive their proof of insurance digitally. Presently, drivers in Ontario, Nova Scotia and Newfoundland and Labrador can receive their proof of insurance digitally; and Alberta allows consumers to choose to receive all insurance documents digitally.

COVID-19 is also reshaping the real estate industry, according to the [Canadian Real Estate Association](#) and the [Real Estate Regulators of Canada](#). Real estate agents are relying further on virtual 3D home tours, web forms and e-signature service providers and some are even using artificial intelligence for data input. Some of these solutions may be here to stay.

For [mortgage brokers](#), competitive pressures have shifted business models by the integration of brokers and lenders and the creation of national brokerage networks replacing smaller localized brokers. Mortgage brokers are diversifying their services, selling insurance products, offering debt consolidation services or offering one-stop shopping by forging partnerships with other financial services providers. Syndicated mortgages and private lending are other examples of industry diversification.

The digitization of processes was followed by an increase in consumer expectations of privacy and data security. Even before the pandemic, consumers were already growing increasingly concerned about their privacy interests and demanding that those collecting and using their data do so appropriately.

Shifting Consumer Demands and Behaviours

Changing demographics are reshaping the customer base and consumer preferences. Technology is raising consumer expectations for personalized, immediate service at affordable prices. Keeping up with shifting consumer demands is posing a significant challenge for businesses around the world, especially since March when consumers [have become more mindful](#) of how they spend and save money. Consumers have adopted various contactless, self-serve habits and digital activities they may maintain after the pandemic, which will require businesses to adapt.

For example, the pandemic altered how [credit union members](#) use their money, moving from contact payment methods (chip and cash) to digital payment options, like mobile, e-transfer and Interac Online Payment (IOP). From March to May, the use of ATMS among credit union members declined by 46 per cent over the same period the previous year, while the use of e-transfer and IOP increased by 50 and 150 per cent respectively for the same period. With a shift to online and in-app purchasing, debit card usage by credit union members is down 17 per cent.

At the outset of the pandemic, insurers were quick to provide consumers with rebates and re-rating to reflect that many people were – and still are – not driving much due to telecommuting. That move has since prompted the Insurance Bureau of Canada (IBC) to call on some provinces to amend their rules to allow for pay-per-km insurance. A usage-based system, which includes pay-per-km coverage, would have allowed some consumers to save money during the pandemic as a result of driving less. Currently, there are no restrictions with respect to usage-based insurance in New Brunswick. In Ontario, Alberta, Nova Scotia and Newfoundland, regulators restrict usage-based insurance to discounts only and don't allow for per-km coverage. IBC would like to see all regulators modernize their approach to usage-based insurance to allow for per-km coverage, which could lead to savings for some consumers. Other consumers could see higher premiums as usage-based insurance measures several factors in addition to distance driven (for example, hard braking, acceleration etc.) so all aspects should be considered before developing a position.

On the real estate side, COVID-19 has shifted the market to a sellers' market. The average home price in the province jumped 31.4 per cent from \$172,000 in 2019 to \$227,000 in October 2020. New Brunswick is seeing frequent multiple offer situations, a trend not previously seen. A multiple offer situation leads buyers to act quickly and results in offers without conditions and quick closing times. Consumers are exposing themselves to added risk when putting in offers without financing, disclosure, or inspection conditions. The Commission is currently doing some research on this topic in areas where multiple offers situations are more common with the goal of developing informational materials for New Brunswick consumers.

The Economy

The Canadian economy changed dramatically in March, impacting businesses, including those in our regulated sectors. These businesses were already operating in a dynamic environment due to shifting economic conditions, ongoing technological change and evolving sector business models and products. The Atlantic Provinces Economic Council is projecting a 4.5 per cent decline in real GDP this year with a rebound of 2.8 per cent in 2021. While New Brunswick recouped about 78 per cent of the job losses since March, unemployment is still expected to end the year at 10 per cent and improve to 8.7 per cent next year.

Low interest rates are affecting many of our regulated sectors. The rates – the lowest in recent history – have expanded the buying power for aspiring mortgage holders. However, low interest rates have some concerned. Buyers may use the realized savings to take on more debt than they can afford. At the same time, mortgage brokers and credit unions may see more homeowners with existing mortgages refinancing in favour of lower rates. Mortgage arrears are also expected to increase once payment deferral programs end. By the second half of 2021, mortgage arrears could double those of the 2008 financial crisis ([Better Dwelling](#)). Low interest rates will also require insurance companies and pension funds to adjust.

The pandemic sent the investment world into a tailspin much like in previous pandemics. To help preserve investor confidence in Canada's capital markets, the Canadian Securities Administrators and the Investment Industry Regulatory Organization of Canada (IIROC) issued a joint statement in April stating they were working to ensure the markets continued to operate in a fair and orderly fashion through market monitoring and surveillance for short selling and abusive and manipulative trading.

Like other industries, the pandemic changed how investors interact with their advisers and how they felt about their financial future given the volatility in the stock markets. In New Brunswick, only 27 per cent of those surveyed in the CSA NB Investor Index indicated they were optimistic about economic growth and the investment environment, slightly higher than the national figure of 23 per cent.

Many firms and public companies are examining the impact on their operating performance, financial position, liquidity and prospects. For issuers of securities, it means they need to provide clear disclosure to market participants and investors on how COVID-19 has impacted their business.

With savings running out and payment deferrals ending, a growing number of Canadians are concerned about their ability to pay their bills. According to [TransUnion](#), 28 per cent of impacted households had to dip into their savings during the pandemic to make ends meet. At the end of August, 72 per cent of impacted household were concerned about paying bills and loans. While advocates have called for debt relief and forgiveness, debt collection and repayment have not been suspended entirely.

Financial Literacy

Studies show New Brunswickers continue to lag behind the national average when it comes to improving literacy rates. More than half of New Brunswick adults do not have the necessary literacy levels to navigate through consumer choices. The Commission is a founding member of The Financial Education Network. This group, made up of private, public and non-profit organizations, government departments and interested individuals, works to provide improved access to a variety of financial literacy tools and resources for New Brunswickers at all stages of their financial journey. Working with stakeholders, we are committed to helping New Brunswickers gain the knowledge, skills and confidence to make informed financial decisions through our educational initiatives.

Demographics

New Brunswick's percentage of the population over the age of 65 is the second highest in the country. Seniors are often the target of investment frauds because they are more likely to have built up assets (such as retirement savings or property). Seniors may also be more vulnerable than other demographics because of their increased reliance on and trust of others, a situation exacerbated by the pandemic, potential diminished capacity, and less time to recover from a financial loss. Accordingly, as the province's population of seniors continues to increase, we anticipate that without prevention programs, incidents of fraud and financial abuse against seniors will increase. The Commission will continue to work with national and international counterparts on legislative projects, education and prevention. We are committed to continuing our active involvement in this focused area to help counter the devastating effects of financial abuse.

Our Regulatory Sectors

Consumer Affairs

Last year, in our 2020-21 Strategic Direction and Supporting Business Plan, we reported that New Brunswick is one of the few jurisdictions in Canada without comprehensive consumer protection legislation. We remain committed to pursuing this important multi-year project and are currently in the research phase. The purpose of such legislation is to 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.

Credit Unions

Early this year, New Brunswick implemented modern legislation that streamlined the regulatory structure for credit unions in the province. Pursuant to the legislation which came into force on January 1, 2020, FCNB assumed the front-line oversight functions of the Brunswick Credit Union Stabilization Board Limited, which operated as the “Risk Management Agency” (RMA), and consolidated the Stabilization Fund previously within RMA and the Deposit Insurance Fund into a deposit protection fund maintained by the New Brunswick Credit Union Deposit Insurance Corporation (NBCUDIC).

FCNB and NBCUDIC have implemented a supervisory framework to effectively manage and oversee the prudential supervision of the credit union system in our province. Our regulatory skills and financial expertise have allowed us to successfully transition to, and implement, this new model.

In recent years, deposit-taking financial institutions and regulatory bodies have focused their attention on liquidity, capital and cybersecurity risk management. With the pandemic, regulators are now concentrating attention on the important issue of declining capital in the system. Although we do not anticipate an issue with capital meeting statutory requirements through to the end of 2020, regulators around the world are currently working at developing an effective supervisory response to the pandemic’s impact on capital. The Commission will be monitoring those efforts with a view to developing an effective and orderly supervisory response based on industry best practices. We are also observing with interest the movement toward system consolidation, such as the recently announced merger proposal being explored by four Prince Edward Island credit unions. Further, in response to the pandemic, regulators reviewed their inspection programs and developed alternative procedures to conduct inspections remotely rather than on site. Many of these activities will continue once onsite inspections resume as they have streamlined the inspections process and reduced regulatory costs to the system.

Securities

In addition to its own initiatives and in reaction to the unprecedented COVID-19 pandemic, the Commission participated in CSA initiatives aimed at granting market participants (reporting issuers, registrants and other regulated entities) exemptive relief (through blanket orders and specific exemptive relief) permitting an extension of time to submit their regulatory filings and comply with certain regulatory requirements. This relief was used by a number of market participants during the initial stages of the COVID-19 pandemic; however, most of this relief is no longer in effect. The last of the relief, relating to certain Annual General Meeting disclosure and materials, will expire on December 31, 2020.

Insurance

The Commission will continue its project to modernize the *Insurance Act*, which has not seen a significant update since it was introduced in 1968. A modern *Act* will strengthen the Commission's ability to oversee the changing insurance marketplace and to protect consumers while allowing insurance companies and insurance intermediaries to innovate. The Commission has developed proposals for updating the regulatory framework for insurance intermediaries and is developing proposals for the other parts of the *Act* dealing with oversight of insurance companies, substantive law for the different classes of insurance, automobile rate approval processes and new diagnostic and treatment protocols for accident victims. The Commission is carrying out targeted consultation with key stakeholders as the project progresses and hopes to submit the final proposal for an updated *Act* and regulations in the fall of 2021.

The work of the Insurance Division will be further updated and streamlined once the modernization of the *Insurance Act* and its *Regulations* are complete. The organization would also benefit greatly from the ability to impose administrative penalties for the more routinely occurring violations of the *Insurance Act* and its *Regulations*.

Insurance licensing staff continue to identify opportunities for enhancement to both the online licensing system and our internal processes to reduce common application errors and increase efficiency and productivity of staff. The Insurance compliance staff have developed and are currently testing a risk-based matrix that will be used to help determine the location of future site visits. A regular schedule of site visits and trust account reviews is being established to better ensure compliance with the *Insurance Act* and its *Regulations*.

Pensions

In response to the pandemic and interruptions to businesses, various pension regulators across Canada announced measures to provide guidance and/or relief to sponsors and administrators of registered pension plans and to protect member benefits. The Commission provided extensions and guidance as follows:

- extension of the time limit for certain required filings;
- extension of the time limits to provide annual statements to members;
- guidance regarding the Minister of National Revenue's waiver of normal minimum contributions to defined contribution pension plans for the remainder of 2020;
- guidance on commuted values where there is reason to believe that the transfer ratio or termination value funded ratio has been reduced by more than 10 per cent overall due to market conditions; and
- guidance on forms requiring a signature before a Commissioner of Oaths or Notary Public.

In addition to the above, the Pension Division also provided policy assistance to the Department of Finance and Treasury Board regarding changes to the solvency funding rules in the *General Regulation* under the *Pension Benefits Act*. The amendments, which came into effect on October 22, 2020, offer solvency funding relief to employers with defined benefit pension plans by balancing the financial security of plan members with the sponsors' ability to invest in their business. An amendment was also made to allow individuals with Life Income Funds (LIFs) to take advantage of a federal relief measure related to the minimum withdrawal rate from Registered Retirement Income Funds (RRIFs). The amendments also exempt Individual Pension Plans from the *Pension Benefits Act* and its *Regulations*, which will reduce the administrative burden on some small businesses and professional corporations.

The pension regulators across Canada have been meeting throughout the pandemic to try to provide a coordinated and harmonized response to the challenges associated with the pandemic whenever possible. The regulators have also been meeting with industry to discuss the challenges. Early on, the concern was over the sharp drop in market values, however that trend did not continue. The concern going forward is the impact on pension plans of the potential sustainability challenges faced by plan sponsors due to the disruptions associated with the pandemic. The effects of the pandemic could be felt long term in the pension sector, just as the economic downturn in 2008/2009 still impacts decisions by plan administrators and sponsors.

Cooperative Capital Markets Regulatory System

New Brunswick has joined Canada, British Columbia, Saskatchewan, Ontario, Prince Edward Island, Yukon Territory, Nova Scotia and, more recently, Newfoundland and Labrador 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 as 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 size 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.

However, there is uncertainty as to when the Cooperative System will be launched. New Brunswick was a party to the Amended Agreement-in-Principle in 2014 with an operational launch expected in 2015. Most work related to the advancement of this initiative by the participating regulatory authorities, such as the Commission, has been paused for some time due to the unknown timeline. If there is renewed interest and commitment to this initiative (by relevant governments), the transition to the Cooperative System will likely take several years to achieve.

Strategic Direction and Priorities

This strategy is being developed as Canada is facing a second wave of COVID-19 and businesses remain unsettled. The pandemic requires regulators of financial marketplaces to continuously assess the evolving landscape, and the horizon as it relates to the disruption remains uncertain.

The Commission remains committed to effectively addressing the effects of the pandemic on our regulated sectors and our stakeholders. Our strategy is intended to recognize the unprecedented situation we face and the need for flexibility in how the Commission fulfils its vision during a time of change.

To help us prioritize our work, the Commission has identified two strategic priorities for the fiscal year 2021-2022:

- Priority 1: Pandemic vigilance and response
- Priority 2: Excelling in our regulatory capacity through:
 - expertise, accountability and transparency;
 - strategic and flexible policy development responsive to market changes;
 - continuous process improvements; and
 - collaboration and teamwork.

These priorities include the priority areas set out in the Mandate Letter and will form the foundation of our day-to-day work and provide structure for our goals and performance measurements. They can only be accomplished through effective teamwork and by leveraging the unique talents of each team member. The result is an organization that continually improves its work; builds expertise and tools; and is responsive, effective and efficient.



Business Plan

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.

This section describes the Commission's work toward achieving our mandate through our two strategic priorities for 2021-22 and meeting the challenges and opportunities outlined previously. We align objectives and related initiatives under each priority to demonstrate how the Commission's work supports these priorities.

PRIORITY 1: Pandemic Vigilance and Response

Although we were able to advance to a large extent our business plan for the 2020-2021 fiscal year, some initiatives were started later in the fiscal year than anticipated and will require continued efforts during fiscal year 2021-2022. And as we continue to perform our core oversight functions, we will do so while taking into account the changed and changing environment. We will continually assess how we may best adapt our regulatory approach and processes to provide the most effective oversight regime in the emerging circumstances.

We also recognize the need to prepare for the post-pandemic era. As it is difficult to predict with accuracy the end state of our marketplace in a post-pandemic phase, we will continue to monitor the economy and emerging trends within our regulated industries. Our work to monitor the evolving landscape will be informed by our continued dialogue with our regulatory counterparts and industry participants.

PRIORITY 2: Excelling in Our Regulatory Capacity Through:

- **expertise, accountability and transparency;**
- **strategic and flexible policy development responsive to market changes;**
- **continuous process improvements; and**
- **collaboration and teamwork.**

Our important work as a regulator of the financial and consumer services sectors in New Brunswick requires us to:

- review applications for registration or licensing from participants who operate within our regulated industries;
- review mandatory disclosure that must be provided to us as a regulator or to consumers in the regulated sectors;

- take action against those who contravene financial and consumer services laws; and
- educate industry participants on compliance requirements and consumers across our regulated sectors about how to make informed decisions.

The organization's goal of excellence in its regulatory capacity touches on all facets of our mandate.

The 'expertise, accountability and transparency' segment of this priority refers to the organization's commitment to delivering on its mandate through sectoral expertise, a well-understood set of expectations for the organization, the regulated sectors and stakeholders, and disclosure of how the organization will conduct itself and how the policy contributes to the regulatory outcomes. This segment also embeds the organization's desire to see that its regulatory activities achieve the desired outcomes.

As it relates to the 'strategic and flexible policy development responsive to market changes' segment, it denotes the Commission belief that proactively identifying, assessing and considering evolving markets and evolving risks in those markets is critical to having an efficient and effective marketplace.

With respect to the 'continuous improvement process' segment, it embeds the organization's commitment to continue to modernize its operational and regulatory systems and processes, where needed, to be able to continue to respond to changing regulatory needs. It includes finding areas that may benefit from further efficiencies and implementing best practices in our systems and processes.

The 'collaboration and teamwork' segment reflects the collaborative approach that involves stakeholders to inform our direction. It includes our cooperation with other regulators to identify opportunities for improvement and harmonization and our educational initiatives addressed to industry participants and consumers across our regulated sectors. This segment is reflective of how we expect to work collaboratively internally and with stakeholders in the pursuit of better overall outcomes.

Strategic Initiatives and Programs

Priority	Objective	Initiative/Program	Timing	Indicator
Pandemic vigilance and response		Monitor regulated sectors to proactively identify risk areas and respond efficiently	By March 2022	Proactive identification of pandemic issues impacting Commission/Regulatory Sectors/Consumers
		Continued collaboration with fellow regulators to develop harmonized approaches where appropriate	By March 2022	Effective supervision of regulated sectors
		Maintain a COVID-19 health and safety operational plan, an updated pandemic business continuity plan and active pandemic management teams in place, including strategic communications team and fraud prevention messaging team	By March 2022	Continuity of all essential services, proactive and effective management of the pandemic, including effective communications with stakeholders
		Develop legislative or regulatory proposals as needed to respond to the needs of the regulated sectors	By March 2022	Legislative or regulatory proposals submitted to Government for approval
Excelling in our Regulatory Capacity through	Expertise, accountability and transparency	Conduct vision, values and brand strategy exercise	By March 2022	Refreshed vision, values and brand reflective of expanded mandate and aspirations while connecting employees
		Implement recommendations from 2020-2021 Governance Review	By March 2022	Best practices governance adapted to size and mandate of organization
		Continue leadership and professional development of employees	By March 2022	Employees excelling in their areas of expertise and in leadership
		Maintain a strong organizational cybersecurity posture	Multi-year By March 2024	Compliant with CyberNB certification standards for Crown corporations
		Prepare 2021-2022 Business Plan meeting the requirements listed in the <i>Financial and Consumer Services Commission Act</i> and the <i>Accountability and Continuous Improvement Act</i>	Delivery by March 15, 2021 Publication by June 30, 2021	Delivered to Minister and published on Commission website within timeline set in Mandate Letter
		Prepare the 2020-2021 Annual Report meeting the requirements listed in the <i>Financial and Consumer Services Commission Act</i> and the <i>Accountability and Continuous Improvement Act</i> , including any Auditor General recommendations provided to the Commission in the past 5 years	Delivery by September 30, 2021 File with Clerk of the Legislature in proper timeframe.	Delivered to Minister and filed with the Clerk of the Legislature in compliance with the <i>Financial and Consumer Services Commission Act</i>

Priority	Objective	Initiative/Program	Timing	Indicator
Excelling in our Regulatory Capacity through (continued)	Strategic and flexible policy development responsive to market changes	Continue development of a legislative proposal for a new <i>Insurance Act</i>	By March 2022	Legislative proposal submitted to Government for approval
		Implement new fee rules in our regulated sectors and revenue neutral self-funding structure	Multi-year By March 2022+	New fee rules and assessment models in place
		Finalize rules and develop infrastructure for unclaimed property regime	By March 2022	All components of infrastructure in place to receive first holder filings
		Implement <i>Pooled Registered Pension Plans Regulation</i>	By March 2022	New regulation in place
		Advance research toward development of a new Consumer Protection Act	Multi-year By March 2023	Legislative framework in place
		Develop a legislative proposal for title protection of financial professionals	By March 2022	Legislative proposal submitted to government for consideration
		Support government's efforts to enhance the model for regulatory adjudication of sectors administered by the Commission	By March 2022	Draft legislation in progress
	Continuous process improvements	Pursue implementation of electronic licensing systems in all regulatory sectors	Multi-year By March 2024	Fully functional electronic licensing systems operational
		Update internal Sage accounting system and implement human resources information system	By March 2022	New or updated system in place
		Complete the updates/enhancements to internal enforcement tools	By March 2022	Updated tools in place
		Participate in a mandate review of agencies, boards and commissions and support implementation of improvements, as appropriate	By March 2022	Draft legislation in progress
		Implement project management approach to operational projects	Multi-year By March 2024	Effective operational projects
		Deliver transparent, consistent and accessible communications that increases internal and external stakeholders' understanding and trust in the role of the Commission	By March 2022	Appropriate processes in place to support efficient, effective and consistent communications

Priority	Objective	Initiative/Program	Timing	Indicator
Excelling in our Regulatory Capacity through (continued)	Collaboration and teamwork	Pursue ongoing initiatives intended to address senior financial abuse	Multi-year By March 2024	Recommendations within our mandate being implemented
		Pursue ongoing initiatives to improve financial literacy in the province	Multi-year By March 2024	Increased awareness of the issue and expanded reach of financial literacy initiatives as measured by survey results
		Pursue provincial, national and international committee work in our regulated sectors	Multi-year By March 2024	Successful implementation of various initiatives being developed
		Re-activate cross-divisional Emerging Issues Working Group	By March 2022	Appropriate responses developed for addressing impact of issues identified
		Develop and conduct educational programs with respect to financial and consumer services in collaboration with regulated sectors	By March 2022	Appropriate responses developed for addressing impact of issues identified

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

The Commission has been established with a self-funding model, which provides a strong foundation for the Commission as an independent regulator. Under the *Financial and Consumer Services Commission Act*, the Commission has been given the authority to make rules relating to fees and assessments. Accordingly, our revenues come from regulatory fees and annual assessments paid by the industries we regulate as opposed to taxpayers. And from those industries, the securities sector generates approximately 73.6 per cent of our budgeted revenues.

Our budget has generated a surplus of \$6 to 9 million dollars annually. This surplus is contributed to the province's Consolidated Fund.

Revenue Considerations

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.

Cost Structure

Approximately 70 per cent 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 and new areas of regulation that impact our budget. These include, among others,

- the restructuring of the regulatory framework for credit unions effective in January 2020 which has seen the Commission assume responsibility as the front-line regulator of credit unions;
- our continued efforts to update our information technology systems and some operational systems;
- the need to implement regulatory systems for new areas of regulation, such as for unclaimed property;

- our continued expansion of our core competencies in the areas of financial technology innovations and cybersecurity; and
- public relations campaigns to implement the unclaimed property program in 2021.

The budget projections for the three-fiscal periods ending March 31, 2022, 2023 and 2024 include revenue and expenses for the full organization, based on the assumption that the cooperative capital markets regulator for securities discussed in this document will not be operational in that time frame. An earlier implementation would require budget adjustments.

	FY 2021/2022	FY 2022/2023	FY 2023/2024
Revenue Sources			
Securities	\$ 16,632,010	\$ 16,881,200	\$ 17,134,000
Consumer Affairs	484,200	493,500	502,900
Pensions	256,500	256,500	256,500
Insurance	3,490,000	3,603,900	3,568,300
Financial Institutions	1,162,000	1,193,000	1,211,700
Unclaimed Property	280,710	417,683	429,075
Other Income	284,600	292,670	300,730
Total Revenue	22,590,020	23,138,453	23,403,205
Expense Sources			
Commissioner Expenses	424,770	425,000	425,180
Staff Salary and Benefits	10,638,071	11,270,970	11,630,070
General & Administrative	3,616,420	3,546,960	3,481,190
Total Commission Expenses	14,679,261	15,242,930	15,536,440
Tribunal Expenses	291,340	312,420	335,550
Tribunal Staff Salary and Benefits	223,540	231,910	238,940
Tribunal General & Administrative	234,899	242,346	246,183
Total Tribunal Expenses	749,779	786,676	820,673
Total Expenses	15,429,040	16,029,606	16,357,113
Net Income	7,160,980	7,108,847	7,046,092