



Regulatory Excellence in Uncertain Times

2020-2021 Annual Report



FINANCIAL AND
CONSUMER SERVICES
COMMISSION

Contents

Transmittal Letter	3
Who We Are	4
What Guides Us	5
How We Work	6
Who We Serve	8
Our Highlights	9
Our Board of Directors	10
Letter from the Chair	12
Letter from the CEO	14
Purpose of the Annual Report	16
Strategic Priorities Report Card	20
Our Leadership	42
Our Activity	43
Management's Discussion and Analysis	49
Financial Statements	63

Financial and Consumer Services Commission (FCNB)

General Information:

Toll Free: 1 866-933-2222
Facsimile: 506-658-3059
info@fcnb.ca
fcnb.ca

Mailing Address:

Financial and Consumer
Services Commission
85 Charlotte Street, Suite 300
Saint John, NB E2L 2J2

Office Locations:

85 Charlotte Street, Suite 300
Saint John, NB E2L 2J2
225 King Street, Suite 200
Fredericton, NB E3B 1E1

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Transmittal Letter

July 20, 2021

Minister of Finance and Treasury Board,

I am pleased to be able to present the annual report describing the operations of the Financial and Consumer Services Commission for the fiscal year April 1, 2020 to March 31, 2021.

We would be pleased to answer any questions that you may have and to provide you with any additional information that you may require.

Yours very truly,

Original signed by Peter Klohn

Peter Klohn, LL.B, ICD.D
Chair

Who We Are

We are New Brunswick's Financial and Consumer Services Regulator

FCNB is an independent, arm's length, self-funded Crown corporation.

We administer the following Acts:

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

Our Strategic Priorities



What Guides Us

● ● ● ● ● **Our Mandate**

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

● ● ● ● ● **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.

How We Work

At FCNB, we have six main activities that help us to build and maintain your trust in New Brunswick's financial and consumer markets.

Licensing and Registration

We license and register more than 36,000 entities and individuals in New Brunswick across a wide variety of industries to make sure they are suitable for our marketplace.

Policy Development

When developing regulatory proposals, we consult industry and stakeholders, and work collaboratively with provincial, national and international regulatory and industry associations on global regulatory concerns, trends and initiatives. The Minister of Finance and Treasury Board provides oversight by consenting to the rules made by FCNB.

Reviews and Compliance

We regularly conduct compliance reviews on the operations of businesses and individuals operating in our regulated sectors to make sure they are abiding by New Brunswick's laws and regulation and meeting their obligations to consumers and investors. Our regulators each have their own team of compliance officers, who receive operational assistance from our Enforcement Division and, where needed, Legal Services staff on compliance and licensing or registration issues.

Complaint Handling

Every month, we receive around 250 consumer and investor inquiries and complaints. Not all of them fall under legislation for which we have a mandate. Those that do, we review to determine whether rules or requirements have been violated and if further action is needed. We regularly use the opportunity to provide New Brunswickers with direction on how to resolve their complaint and advise them on their rights and responsibilities as consumers.

Enforcement

Sometimes, the information we receive from complaints, audits and compliance activities, or from other sources, leads to investigations. These investigations may indicate that people or entities have violated the requirements set out in New Brunswick's financial and consumer services legislation. If they do, we use our legislated authority to hold them accountable through the legislated hearing processes or by collaborating with law enforcement and/or other regulators. If sanctions or financial penalties are warranted, we have the option to take a case before the Financial and Consumer Services Tribunal or the provincial courts, depending on the circumstances.

Education

We believe New Brunswickers are better equipped to protect themselves from frauds and scams and to make informed financial and consumer decisions when they have easy access to unbiased information, understand their rights and responsibilities, and know where to turn for help. We share consumer and industry resources and information online through social media, our website and our email subscription service. We offer in-person and virtual financial literacy presentations, professional development webinars, educational brochures, videos and online tools on a wide range of topics in the areas of financial literacy and fraud prevention. All of our resources and programs are free and available in both official languages.

Who We Serve

Our impact

780,000 New Brunswickers

We aim to protect over 780,000 New Brunswickers through regulation and financial education.

36,000 Industry Participants

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

34 Billion Dollars

Industry participants that we regulate handle over \$34 billion of New Brunswick consumers' money.

Our provincial footprint as of March 31, 2021^[1]

2,392 Collection Agency and Collector Licences
36 Auctioneers' Licences
537 Commissioners of Oaths Appointments
758 Cost of Credit Registrations
643 Direct Sellers Licences
112 Pre-arranged Funeral Licences
1,304 Real Estate Licences
167 Mortgage Broker Licences
193 Cooperatives
9 Credit Unions and 62,328 Members
47 Loan and Trust Companies
210 Insurance Companies
12,594 Licensed Individuals in Insurance
232^[2] Registered Pension Plans and
96,688 Active Members (not including retirees)
5,478 Reporting Issuers in Securities
12,225 Registered Individuals in Securities
6 Payday Lender Licences
2 Credit Reporting Licences



1. Due to COVID-19, some licences and registrations that were valid until the end of March 2020 were extended to remain valid until July 31, 2020. This extension resulted in a slight reduction in the number of licences and registrations issued at the end of the fiscal year.

2. Individual pension plans were exempted from the *Pension Benefits Act* and *Regulations* effective Oct. 22, 2020.

Our Highlights

Staff participated in more than **100** different regulatory committees with provincial, national and international groups.

14 businesses and agencies submitted comments on the proposed rules for the Unclaimed Property program.

Developed COVID-19 fraud prevention campaign ads that appeared on television, radio and social media in May 2020.

4,040^[1] people viewed our eight videos on investing and **49** people attended our webinars on hot topics in securities regulation during Investor Education Month.

1. One-minute views.

Shared **59** consumer and investor alerts through press releases, email notifications and social media.

1,093 compliance reviews across **8** different sectors (see page 43).

Developed a financial literacy video series for high school co-op class curriculum viewed by **1,625** registered students.

26 Policy projects advanced internally, resulting in
1 Legislative amendment introduced,
2 Regulatory amendments approved, and
6 Local rules/rule amendments for comment.

Maintained essential services throughout the pandemic and provided appropriate regulatory flexibility to assist our industries in their response to the pandemic.

Modernized the credit union prudential supervisory framework.

31% increase in email subscribers and
10% increase in social media followers.

Our Board of Directors



Peter Klohn (Chair), LL.B, ICD.D

Residence: Rothesay
Term: Jan. 1, 2014 - Dec. 31, 2023
(Reappointed Jan. 1, 2019)



Yves Gagnon (Vice Chair), BBA, PMP, ICD.D

Residence: Campbellton
Term: Feb. 6, 2014 - Aug. 15, 2021
(Reappointed Aug. 16, 2018)



Michael D. Wennberg, LL.B

Residence: Rothesay
Term: Aug. 21, 2013 - Aug. 20, 2022
(Reappointed Aug. 21, 2018)



Vincent L. Duff, CA

Residence: Hampton
Term: Aug. 16, 2018 - Aug. 15, 2021



Norma Kelly, CPA, CMA, CIA

Residence: Saint John
Term: Oct. 31, 2019 - Oct. 30, 2022



Paul Van Iderstine, CPA, CA, CISSP, GSEC, GCCC

Residence: Moncton
Term: Oct. 31, 2019 - Oct. 30, 2021



Donald French, CA, FCA, FCPA

Residence: Dieppe
Term: Oct. 31, 2019 - Oct. 30, 2023



Marilyn Evans Born, LL.B.

Residence: Fredericton
Term: Jan. 1, 2020 - Dec. 31, 2021



Gérald Lévesque, LL.B.

Residence: Saint-Basile
Term: Jan 21, 2021 - Jan. 20, 2024

The term of Céline Robichaud-Trifts ended on January 21, 2021. She served as a Commission member for an overall tenure of 10 years.

Governance

Commission Members, led by the independent chair, are accountable to the government through the Minister of Finance and Treasury Board for the proper administration of New Brunswick's financial and consumer services legislation for which FCNB is responsible. Members act as the board of directors: they approve policies, recommend changes to legislation, set and oversee the Commission's strategic direction and budget, and are responsible for management oversight. They place a high value on transparent disclosure practices and create an annual report on governance practices

to reflect that value. For further details regarding members' ethical standards and obligations, continuing education, attendance, remuneration as well as committee activities, see the full report on our [website](#)^[1].

This past year, our board of directors 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

1. <https://fcnb.ca/en/about-the-fcnb/governance>

sustainability for an organization of our size. During fiscal 2021-22, the board will focus on implementing some of the recommendations contained in the consultant's preliminary report, received in February.

Standing Committees

The Audit and Risk Management Committee is responsible for financial reporting and public disclosure, internal controls, audits and risk management of the Commission. It meets at least five times each year. Members included: Norma Kelly (chair), Yves Gagnon, Paul Van Iderstine, Marilyn Evans Born and Peter Klohn (*ex officio*).

The Human Resources and Governance Committee is responsible for compensation and human resources policies and procedures. It is also responsible for governance-related matters. It meets at least four times each year. Members included: Michael D. Wennberg (chair), Vincent L. Duff, Donald French, Gerald Levesque and Peter Klohn (*ex officio*).

Official Languages

We are committed to providing quality services to members of the public in their official language of choice, and to promoting a balanced use of both official languages within the workplace. In 2020-21, we translated or coordinated the translation of half a million words. We are striving to meet the spirit of the

Province of New Brunswick's Language of Work Policy and Guidelines. Although language of work and language of service have separate applications, we view their connection as essential to the overall commitment of the organization to official languages matters. We received no complaints under the *Official Languages Act* in the past year.

Public Interest Disclosure

The *Public Interest Disclosure (PID) Act* encourages employees in the provincial public service to report any wrongdoing that has occurred or is about to occur in the workplace that is potentially unlawful, dangerous to the public or harmful to the public interest. The *PID Act* protects employees from reprisal for disclosing these wrongdoings and provides a fair and objective process for those employees who are alleged to have committed a wrongdoing. We are pleased to report there were no disclosures or claims made against any employee of the Commission under the *PID Act* in 2020-2021.

Summary of recommendations from the Office of the Auditor General

We are required to report on the status of Auditor General recommendations for the past five years. We are pleased to report we have no outstanding recommendations at the time of publication of this annual report.

Letter from the Chair

In 2008, we saw the financial crisis shake our regulated sectors with the collapse of the stock market and the ensuing recession, which was unlike anything since the Great Depression. Over the past year, we have experienced something even more far-reaching – a pandemic that has affected the entire world and changed it permanently. It has exacted a human toll and transformed the way we live – how we work, interact, shop, learn, share information and so much more.

It has also prompted a global contraction and the sharpest one day fall in equity markets since 1987. While some industries have suffered, others, like the real estate industry in New Brunswick, have flourished. Still, unemployment remains up, the economy has shrunk and many businesses have permanently closed their doors. Unfortunately, the pandemic's full economic and social impact remains to be seen.

At FCNB, I am pleased to report, we moved forward notwithstanding the challenges of the last year. This was largely due to our Business Continuity Plan and our extraordinary staff who persevered, despite the extraordinary impact the pandemic had on their personal lives, to keep our critical functions operating remotely from the very outset of COVID-19.

In May, we were fortunate to be able to safely reopen our offices unlike many of our Canadian regulatory counterparts who were sadly forced to continue to work remotely. That we were able to do so is thanks in large part to the citizens of New Brunswick who made sacrifices and adopted new

behaviours, which allowed the province to safely move forward in its recovery plan and reopen large portions of the economy. Our staff skillfully adapted to the public health protocols, which have required us to change how we interact at work and with our stakeholders. Virtual meetings are now a normal part of our routine.

I would like to thank and acknowledge our Commission members, who live throughout the province and who displayed good humour and flexibility as they adapted to virtual meetings and continuing education online.

Through all these changes and uncertain times, one thing remained constant: our commitment to regulatory excellence. I am proud to report that FCNB continued to deliver – without interruption – on our mandate to protect consumers and enhance public confidence in the financial and consumer marketplace through regulation and education throughout the past year.

When fraudsters began trying to capitalize on the crisis by trying to steal New Brunswickers' hard-earned money, we moved quickly and collectively with others to make New Brunswickers aware of COVID-19 scams and to exercise caution when making financial decisions during economic uncertainty. Thanks to a collaborative effort among our regulators, enforcement staff and our education and communications division, we were able to monitor COVID-19 scams circulating in the province and to warn New Brunswickers through radio, social media and television.

A lot of other things happened as well. During the past year, we worked with government to quickly bring forward proposals for draft amendments to pension regulations to allow more flexibility in funding solvency deficits in defined benefit pension plans. We monitored the impacts of the pandemic on the financial position of our New Brunswick credit unions. We worked with government on responding to the operational challenges that the pandemic posed for the people and sectors we regulate to grant necessary relief.

But, in addition to pandemic matters, we remained focused on our larger agenda, such as getting out for comment our proposed rules for the province's new unclaimed property program, pursuing enhanced consumer protection initiatives, making recommendations for updated insurance legislation and reviewing our governance model and human resource processes.

Our work did not stop because of the pandemic; nor has our vision for the province changed.

Our new strategy and business plan, which will guide us into 2022, considers the many issues arising from the pandemic and ensures that our strategic priorities respond as best

as possible to the changing environment. I expect the repercussions of the pandemic have not yet run their course; so we must continue to be responsive and adaptable – skills our staff have shown in abundance over the last year.

The flexibility and resourcefulness displayed by everyone at FCNB in responding to an ever-changing environment deserves recognition. I want to thank them for the dedication, persistence and positive attitude they have demonstrated during these uncertain times.

Lastly, I want to thank Céline Robichaud-Trifts, whose term as a Commission member ended in January 2021. Her dedication and commitment to our work and her participation on our board over her tenure have been invaluable.



Original signed by
Peter Klohn

Peter Klohn
Chair

Letter from the CEO

This annual report looks at our activities over the past fiscal year, an extraordinary year as the world confronted a pandemic that brought heartache, change and challenges. When I took up my role as CEO in January 2020, my focus was on three things: regulatory and educational excellence, teamwork, and execution and accountability. Over the last 12 months, I saw all three on vivid display.

Our Strategic Direction and Supporting Business Plan for the fiscal year, submitted to government in December 2019, laid out an ambitious agenda of initiatives, including implementing a restructured regulatory framework for credit unions and cooperatives, developing the requisite infrastructure to support an unclaimed property regime, and ambitiously developing legislative proposals for both a new consumer protection act and a new *Insurance Act*.

The detection of COVID-19 in Canada last March, however, required a rapid reassessment of those priorities and a redeployment of resources to focus on our critical functions. Working with government, industry and our peer regulators, we developed measures to ensure the financial system remained safe and stable and gave the industries we regulate the best opportunity to support their clients.

From the outset, we adjusted with an articulated purpose in mind: protect New Brunswickers, be there for our stakeholders and regulated sectors, and continue our path toward regulatory excellence.

We worked quickly to launch our Business Continuity Plan and expanded our remote technology capacity so our operations continued uninterrupted – from equipping our employees with the tools needed to work from home and converting to an online system to pay suppliers to granting numerous relief orders to market participants and conducting virtual compliance reviews.

Any disruption to our regulatory and support services would have caused adverse economic effects to our stakeholders or general harm to the public's confidence in the financial services industries that we regulate. We were able to maintain our core critical functions, including:

- Licensing so that our participants could continue to earn a livelihood.
- Registration and reporting so that capital markets and financial institutions could continue to operate and our pension plans could continue to be overseen.
- Responding to serious misconduct issues within any of our industries.

In addition, we 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.

Thankfully, New Brunswick case counts remained low throughout 2020, which allowed the province to reopen the economy much quicker than other provinces. We were able to safely reopen our two offices in May and continue our work on our initiatives for the fiscal year.

Among them were amendments to the *General Regulation* under the *Pension Benefits Act*, which significantly changed the solvency funding rules for defined benefit pension plans. In other jurisdictions, similar legislation has taken two or more years to implement. We were able to accomplish it in 10 months – from the beginning of our research to the regulations coming into force.

We also continued our project to modernize the province’s *Insurance Act*, which has not seen a significant update since 1968. A modern *Act* will strengthen our ability to oversee the changing insurance marketplace and to protect consumers while allowing insurance companies and insurance intermediaries to innovate. Our strategy is to accomplish this significant initiative in two phases. In March 2021, our Phase 1 amendments received first and second reading in the Legislature.

Furthermore, we took on additional work in response to industry needs. When the government made changes last year to the *Motor Vehicle Act* to allow ride sharing in New Brunswick, we saw an opportunity for harmonization. We worked with our Maritime counterparts to develop a standard insurance policy for transportation network companies, which will ensure those that decide to operate in New Brunswick will have appropriate insurance to protect their drivers, passengers and others.

Looking ahead, the long-term impact of COVID-19 on the economy and on consumer behaviour is not known. Certain experts say some changes will be temporary as consumers revert to their old purchasing

habits. Others believe the changes are here to stay. Whatever the outcome, we will be there to make sure financial consumers and investors are treated fairly while ensuring the financial markets work well for the recovery. We will continue to look for opportunities to enhance our regulatory framework to benefit all New Brunswickers. Over the next year, I look forward to delivering on our new mandate letter and advancing our new Strategy and Business Plan and its two priorities: pandemic vigilance and response and excelling in our regulatory capacity.

We’ve already shown in the last 12 months what we can achieve during uncertain times. If there is a silver lining to the pandemic, it is that it makes me even more optimistic about the direction of FCNB. The actions we took to respond to the crisis were built on the collective efforts of our staff. I would like to conclude by thanking all of them for their unwavering commitment, resilience and professionalism throughout the very challenging year. The year was trying on many fronts, but FCNB’s people worked together to ensure FCNB’s mandate – to protect consumers and enhance public confidence in the financial and consumer marketplace through regulation and education – was achieved.



Original signed by
Kevin Hoyt

Kevin Hoyt
CEO

Purpose of the Annual Report

This annual report is designed to meet the requirements of both the *Financial and Consumer Services Commission Act* and the *Accountability and Continuous Improvement Act*, which was implemented in 2014 to greater align the corporate priorities and goals of Crown corporations with those of the Province. It reports our performance results on the initiatives documented in our [2020-21 Strategic Business Plan](#).

Strategic Direction

Our legislated mandate as contained in the *Financial and Consumer Services Commission Act* and expanded upon in the 2020-2021 Mandate Letter, received from the Minister of Finance and Treasury Board, shaped our 2020-21 Strategic Business Plan. This plan was delivered to the Minister on December 20, 2019 and was published on our website.

How We Align with Provincial Priorities

Our key initiatives aligned with several of the Province’s main priorities as described in the Mandate Letter issued to the Commission and as summarized in the chart below.

GNB Priorities	FCNB Initiatives/Projects That Aligned with These Priorities as set out in our Mandate Letter
<p>Affordable and responsive government</p> <ul style="list-style-type: none"> • Eliminate deficits and reduce debt • Optimize value for customers 	Develop legislative or regulatory proposals as needed to respond to the needs of our regulated sectors (See Priority 1, page 20)
	Develop legislative proposal for a new <i>Insurance Act</i> (Phase 1) (See Priority 1, page 23)
	Develop legislative proposal for a new consumer protection act (See Priority 1, page 24)
	Implement electronic licensing systems in all regulatory sectors (See Priority 2, page 32)
	Implement new fee rules and revenue neutral self-funding structure (See Priority 1, page 27)
	Improve internal and external work processes (See Priority 2, page 28)
	Modernize our regulatory framework to include updated investigative, compliance, enforcement and rule-making authority in all regulatory sectors (See Priority 1, page 26)
	Maintaining a strong organizational cybersecurity posture (See Priority 2, page 32)
	Enhance model for regulatory adjudication (See Priority 2, page 33)
	Implement infrastructure for an unclaimed property regulatory regime (See Priority 1, page 26)
Update regulatory compliance strategies (See Priority 3, page 35)	

GNB Priorities	FCNB Initiatives/Projects That Aligned with These Priorities as set out in our Mandate Letter
<p>Dependable Public Health Care</p> <ul style="list-style-type: none"> • Improve access to health care • Enhance aging care • Build a safe, sustainable health-care system 	<p>Develop recommendations and initiatives to address financial abuse of seniors (See Priority 3, page 34)</p> <p>Develop legislative proposal for a new <i>Insurance Act</i> (Phase 1), including new diagnostic and treatment protocols for accident victims (See Priority 1, page 23)</p>
<p>World-class Education</p> <ul style="list-style-type: none"> • Improve educational outcomes • Enhance language learning opportunities 	<p>Advance multi-stakeholder initiative to address financial literacy, including virtual school presentations, a video for how credit works for Grade 11 and 12 co-op class curriculum and a series of online videos to assist educators during this challenging school year (See Priority 3, page 36)</p>
<p>Energized private sector</p> <ul style="list-style-type: none"> • Ensure competitive tax and regulations • Ensure responsible development of our natural resources • Grow the labour force • Grow companies 	<p>Implement updated legislative and regulatory framework for <i>Cooperatives Act</i>. (See Priority 1, page 25)</p> <p>This initiative also addresses Item 1 in our Mandate Letter:</p> <ul style="list-style-type: none"> • Implement the regulatory regime as per the new <i>Cooperatives Act</i> upon Proclamation. <p>Implement restructured legislative and regulatory framework for credit unions. (See Priority 1, page 25)</p> <p>This initiative also addresses Items 2 and 3 in our Mandate Letter:</p> <ul style="list-style-type: none"> • Implement the regulatory regime as per the new <i>Credit Unions Act</i> upon Proclamation • Protect credit unions against financial losses and insolvency and provide deposit insurance for credit union depositors by establishing and maintaining a deposit protection fund in accordance with the new <i>Credit Unions Act</i>. <p>Developed a standard insurance policy for transportation network companies. (See Priority 1, page 21)</p> <p>Address recommendations of Emerging Issues Working Group, including expansion of core competencies, especially in the areas of financial technology innovations and cybersecurity (See Priority 2, page 33)</p> <p>Continue to work with CSA colleagues on policy initiatives to promote growth and vibrant capital markets, including pursuing projects to provide new capital raising opportunities (for example, start-up crowdfunding and at-the-market offerings), as well as numerous projects to reduce regulatory burden (See CSA 2019-2022 Business Plan – Interim Progress Report^[1]).</p> <p>Enhance local rule on Community Economic Development Corporations and Association^[2] to simplify the application process for local businesses to raise capital in New Brunswick.</p>

1. www.securities-administrators.ca/uploadedFiles/General/pdfs/CSA_INTERIM_PROGRESS_REPORT_2020.pdf

2. www.fcnb.ca/sites/default/files/2020-10/2020-10-01-RC-Notice-45-509-E.pdf

GNB Priorities	FCNB Initiatives/Projects That Aligned with These Priorities as set out in our Mandate Letter
Vibrant and sustainable communities <ul style="list-style-type: none"> • Financially independent communities • Resilient communities • Enhanced quality of life • Healthy natural environment 	Implement infrastructure for an unclaimed property regulatory regime (See Priority 1, page 26)
	Develop recommendations and initiatives to address financial abuse of seniors (See Priority 3, page 34)
	Continue to work with CSA colleagues on policy initiatives to promote growth and vibrant capital markets, including pursuing projects to provide new capital raising opportunities (for example, start-up crowdfunding and at-the-market offerings), as well as numerous projects to reduce regulatory burden (See CSA 2019-2022 Business Plan - Interim Progress Report ^[1])
	Enhance local rule on Community Economic Development Corporations and Associations ^[2] to simplify the application process for local businesses to raise capital in New Brunswick
	Advance multi-stakeholder initiative to address financial literacy, including virtual presentations to outside agencies, financial literacy videos and online resources (See Priority 3, page 36)
	Update consumer prevention education programs to transition from provision of information/knowledge to changes in consumer behaviour by tracking specific behaviours through surveys and consumer/investor trends (See Priority 3, page 38)
	Develop legislative proposal for a new consumer protection act (See Priority 1, page 24)
	Developed COVID-19 fraud prevention campaign ads that appeared on television, radio and social media in May 2020 and targeted campaigns on: payday lender licensing requirements; common questions about gift cards; navigating multiple offers in New Brunswick's hot real estate market and the importance of working with licenced insurance and mortgage professionals (See Priority 3, page 40)
	Continue work with CSA colleagues on an issue-oriented review of reporting issuers' climate change-related disclosure and on a proposed rule on disclosure of climate-related matters
	Initial discussions held with colleagues at CSA on conducting consultations on Environmental, Social and Governance (ESG) factors in investment decisions as well as colleagues at the Canadian Association of Pension Supervisory Authorities on integrating ESG factors in pension fund investment and risk management ^[3]
	Enforcement opened 17 cases (See Priority 3, page 41 and page 46)
	Worked with our national partners at the CSA to develop investor education and protection messaging in a new COVID-19 & Investment Fraud webpage and social media messaging.
	Signed onto the 2020 Agreement Respecting Multi-Jurisdictional Pension Plans (See Priority 1, page 21)
Developed online guide for seniors and their families on how to remain socially connected during the pandemic (See Priority 3, page 40)	

1. www.securities-administrators.ca/uploadedFiles/General/pdfs/CSA_INTERIM_PROGRESS_REPORT_2020.pdf

2. www.fcnb.ca/sites/default/files/2020-10/2020-10-01-RC-Notice-45-509-E.pdf

3. www.capsa-acor.org/CommitteeonIntegratingEnvironmental,SocialandGovernanceFactorsinPensionPlanSupervision

GNB Priorities	FCNB Initiatives/Projects That Aligned with These Priorities as set out in our Mandate Letter
High-performing Organization <ul style="list-style-type: none"> • Accountable and customer focused • Results driven workforce • Health and safety culture 	Improve internal and external work processes, including strengthening our project management methodologies and applying them to many of our initiatives (See Priority 2, page 28)
	Maintaining a strong organizational cybersecurity posture (See Priority 2, page 32)
	Continue staff education, professional development and succession planning (See Priority 2, page 29)
	Implement electronic licensing systems in all regulatory sectors (See Priority 2, page 32)
	Address recommendations of Emerging Issues Working Group, including expansion of core competencies, especially in the areas of financial technology innovations and cybersecurity (See Priority 2, page 33)
	Review and update some of our operational policies and directives (See Priority 2, page 29)

Strategic Priorities Report Card



Strengthen our Regulatory Capability

To excel as an effective, independent, self-funded regulator

Why it's important

Today's financial markets are rapidly changing with new products, services and technologies. The current regulatory framework needs to become more responsive to keep pace. Our continuing research on regulatory models and governance practices highlighted three key elements to be an effective regulator:

- A legislated and legitimate foundation to achieve its public purpose.
- Sustainable operational and financial capacity to deliver its mandate.
- Ability to create and deliver value to the public.

Below are some of the initiatives and projects we've undertaken toward achieving this priority.

Initiative: Develop legislative or regulatory proposals as needed to respond to the needs of the regulated sectors

Multi-year, by March 2022+

Performance Indicator: Legislative or regulatory proposals submitted to government for approval



Completed

Pandemic response

The detection of COVID-19 in Canada last March required a rapid reassessment of our priorities and a redeployment of resources to focus on our critical functions. Working with government, industry and our peer regulators, we developed measures to ensure New Brunswick's financial system remained safe and stable and to ease administrative burdens on industry stakeholders so they could service their clients' increased needs.

We provided guidance and notices to our various regulated sectors related to required courses, annual general meetings, registered mail, notice periods, disclosure obligations, cybersecurity risks and more. We extended time periods for some of our industries to send statements to members and clients, and assisted market participants by granting numerous relief orders, including 11 Canadian Securities

Administrators (CSA) blanket orders and three local blanket orders. We supported the credit union system early in the pandemic so credit unions could offer loan payment relief to their members.

In addition, we worked with the province's Department of Finance and Treasury Board on changes to the *General Regulation* under the *Pension Benefits Act* to:

- Offer solvency funding relief to employers with defined benefit pension plans.
- Allow New Brunswickers 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).
- Exempt individual pension plans from the *Pension Benefits Act* and its *Regulations*, which reduced the administrative burden on some small businesses and professional corporations.

Harmonizing pension regulation in Canada

New Brunswick signed onto the 2020 Agreement Respecting Multi-Jurisdictional Pension Plans. While the agreement was reached in January 2020, its signing took place during the pandemic. The new agreement, with New Brunswick as a signatory, came into force on July 1, 2020.

Paving the way for transportation network companies

We worked with our Maritime counterparts as well as the insurance industry to develop a standard automobile insurance policy that

will help pave the way for transportation network (ride-sharing) companies to operate in New Brunswick. Work to create the policy was prompted by changes introduced by the Department of Public Safety to the *Motor Vehicle Act* and a related regulation to permit transportation network companies to operate in the province. A common, standard policy will lead to more harmonization and help ensure better understanding of the policy by all stakeholders.

Responding to evolving capital market conditions

Working with our provincial and territorial colleagues at the CSA, we undertook a number of initiatives during the past year, including:

- Publishing a consultation paper seeking input on the framework for self-regulatory organizations (SROs) in Canada, which play a key role in the oversight of the Canadian securities industry. The CSA requested general feedback on how innovation and the evolution of the financial services industry has impacted the current regulatory framework, as well as specific comments on issues and targeted outcomes set out in the consultation paper, published June 25, 2020.
- Publishing final amendments to the syndicated mortgage regime, which substantially harmonize the regulatory framework for syndicated mortgages in Canada. In conjunction with the CSA publication, we published for comment proposed local amendments to clarify the definition of “qualified syndicated

mortgage” and to expand the proposed exemptions to include syndicated mortgages sold to permitted clients. The local amendments came into effect March 1, 2021.

- Publishing proposed amendments to the offering memorandum exemption in National Instrument 45-106 *Prospectus Exemptions* on September 17, 2020. The proposed amendments set out new disclosure requirements for issuers that are engaged in real estate activities or issuers that are collective investment vehicles.
- Adopting final rules that implement a trailing commissions ban to prohibit the payment of trailing commissions by fund organizations to dealers who do not make a suitability determination, such as order-execution-only (OEO) dealers. The OEO trailer ban will take effect on June 1, 2022.
- Publishing for comment on February 4, 2021 proposed amendments to modernize registration information requirements, clarify outside activity reporting and update filing deadlines. The changes are expected to result in a more efficient registration and oversight process.

In addition, we sought comment on several local securities rules. In October, we published for comment the repeal and replacement of Local Rule 45-509 *Community Economic Development Corporations and Associations*. The proposed new rule will continue to provide a registration and prospectus exemption for community economic development

corporations and cooperatives in New Brunswick and will contain modern updates that address issues raised by stakeholders since the existing rule was first implemented. This was followed in February with the publication of the proposed repeal and replacement of Local Rule 91-501 *Derivatives*. The proposed rule will be more harmonized with similar blanket orders and/or local rules regarding over-the-counter derivatives in other provinces.

Memoranda of Understanding

We have over the years signed Memoranda of Understanding (MoUs) with several foreign regulators. These agreements express our willingness to work with each other, particularly in protecting investors, maintaining confidence in financial markets and enhancing supervisory cooperation. This past fiscal year, we signed three new international MoUs:

- *Co-operation Agreement with the Financial Supervisory Commission of Taiwan (FSC)*: The agreement extends the work of the CSA Regulatory Sandbox Initiative and the FSC FinTech Regulatory Sandbox, and aims to promote financial innovation, enhance supervisory cooperation, and facilitate market access for fintech businesses between the jurisdictions. The CSA Regulatory Sandbox is an initiative to support fintech businesses seeking to offer innovative products, services and application in Canada. It allows firms to register and/or obtain exemptive relief from securities laws requirements, under a faster and more flexible process.


- *Memorandum of Understanding for Oversight of Exchanges and Quotation and Trade Reporting Systems*: The revised MoU to add FCNB uses the Lead Regulator Model, which has a lead regulator responsible for coordinating the oversight program for an exchange or quotation and trade reporting system.
- *Memorandum of Understanding with the Securities and Exchange Board of India (SEBI)*: The agreement establishes a framework for mutual cooperation and to facilitate enforcement or compliance regarding the regulators' respective securities laws and regulatory requirements.

Mutual Fund Dealers Association of Canada Investor Protection Corporation (MFDA IPC), along with the amended and restated MoU with CIPF and the new MoU with the MFDA IPC. These compensation funds ensure that clients of insolvent firms receive their property held by the member firm at the date of insolvency.

We also approved a CSA project to streamline and modernize the Recognition Orders and MoUs for both the Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Fund Dealers Association of Canada (MFDA). The revised Recognition Orders and MoUs are scheduled to come into effect on April 1, 2021.

We also have MoUs and formal agreements with a variety of domestic partners to advance investor protection. In January, we approved the variation and restatement of the Approval Orders for both the Canadian Investor Protection Fund (CIPF) and the

In addition, we signed a MoU with the Bank of Canada for the purpose of sharing information on deposit-taking financial institutions.

<p>Initiative: Develop legislative proposal for a new <i>Insurance Act</i> (Phase 1)</p>	<p>Performance Indicator: Legislative proposal submitted to Government for approval</p>
<p>Multi-year, By March 2021</p>	<p> Completed</p>

Modernizing the *Insurance Act*

Over the last year, we continued our project to modernize the *Insurance Act*, which has not seen a significant update since it was introduced in 1968. A modern *Act* will strengthen our ability to oversee the changing insurance marketplace and to protect consumers while allowing insurance

companies and insurance intermediaries to innovate. This significant initiative will be conducted in two phases. Phase 1 amendments, as proposed in Bill 33, received first and second reading in March 2021. They involve new diagnostic and treatment protocols for accident

victims and updating the regulatory framework for insurance intermediaries (adjusters, agents, and brokers). When in place, these changes will:

- Ensure all individuals involved in the marketing and selling of insurance are held to the same standards.
- Ensure a consistent process for the review and issuance of various types of licences and the appeal of licensing decisions.
- Introduce licensing of agencies, adjusting firms, managing general agents and third-party administrators.

- Close a regulatory gap by requiring individuals who sell insurance collaterally to their primary business to be licensed (for example, car dealerships and banks who sell life or disability insurance to cover loans).
- Eliminate the requirement that damage appraisers be licensed while maintaining authority over them.

Work in Phase 2 will focus on developing proposals for other parts of the *Act*. Targeted consultations with key stakeholders will take place as the project progresses.

Initiative: Develop legislative proposal for a new consumer protection act

Multi-year, by March 2022

Performance Indicator: Legislative proposal submitted to government for approval



Completed

Enhancing consumer protection

Policy research continued to help us develop a legislative proposal for a new consumer protection act. New Brunswick is one of the few jurisdictions in Canada without comprehensive consumer protection legislation. 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 and enhance:

- Protections for consumers from deceptive, misleading or other unfair conduct.
- Social and economic responsibility in consumer markets.
- Consumers' legal rights and remedies.
- A means to improve consumer awareness and information and to encourage responsible and informed consumer choice and behaviour.

Initiative: Implement restructured legislative and regulatory framework for credit unions

By March 2021

Performance Indicator: Effective prudential supervision of credit unions



In progress

New supervisory framework for credit unions

We implemented a supervisory framework to effectively manage and oversee the prudential supervision of the credit union system in the province. Our supervisory efforts were focused on liquidity, capital and cybersecurity risk management. We

oversaw the implementation of liquidity policies, issued guidance to the credit unions in the development of their capital policies, and issued cybersecurity guidance to the system, all of which were predicated on industry best practices.

Initiative: Implement updated legislative and regulatory framework for *Cooperatives Act*

By March 2021

Performance Indicator: Effective compliance processes for Cooperative Associations



Completed

Helping Cooperatives understand new legislation

The new *Cooperatives Act*, which came into effect on January 1, 2020, replaced the *Co-operative Associations Act*. The new legislation increased the ability of cooperatives to raise capital with the introduction of investment shares, reduced red tape, gave cooperatives the ability to use technology when issuing notices and during meetings and introduced a comprehensive dispute resolution process.

To accompany this new *Act*, we updated our compliance strategy, developed educational materials and provided a self-serve online tool to help cooperatives develop their bylaws. Plans to deliver in-person education sessions on the requirements of the new legislation were cancelled due to the pandemic. In lieu, we recorded the session and made the video available to our stakeholders on our website.

Initiative: Implement infrastructure for an unclaimed property regulatory regime

Multi-year, By March 2022

Performance Indicator: All components of infrastructure in place to receive first claims



In progress

Comments invited on new Unclaimed Property program

In the fall 2020, we sought comment on proposed rules for a new program intended to help connect New Brunswickers with their lost or forgotten financial property. The program will require businesses and government entities holding unclaimed property to attempt to locate the owners and, if unsuccessful, to report and remit the financial property to the program. FCNB will administer the program. Fourteen businesses and stakeholder organizations

provided input during the 60-day comment period. In response, we intend to hold a second comment period on amendments to the proposed rules in the coming year. Meanwhile, we've started work on the design and development of an information technology system to support the program as well as research for an accounting system capable of tracking the unclaimed property and payment of claims.

Initiative: Modernize our regulatory framework to include updated investigative, compliance, enforcement and rule-making authority in all regulatory sectors

Multi-year, by March 2021

Performance Indicator: Consistent regulatory platform in place for all regulatory sectors, including rule-making



In progress

Responding to sector changes

Several regulated sectors under our jurisdiction are undergoing fundamental changes. It is critical for our regulatory framework to be modernized and responsive to these developments. Along with the amendments to the *Insurance Act* ([page 23](#)), we undertook a substantive

review of the *Pension Benefits Act* over the past few years and have provided recommendations to government on ways to modernize the *Act*. The addition of rule-making powers is a key component in both the *Insurance Act* and *Pension Benefits Act* proposals. In the securities sector, we

adopted Local Rule 25-501 *Designation as a Market Participant*, which came into force on March 1, 2021. The local rule designates certain non-reporting issuers as “market participants” under the *Securities Act*, subjecting them to various *Securities Act*

requirements, including record-keeping and compliance reviews. And in tandem with our policy work on a new consumer protection act ([page 24](#)), we will be looking to modernize some of our current regulatory areas in consumer protection.

Initiative: Implement new fee rules and revenue neutral self-funding structure

Multi-year, By March 2022+

Performance Indicator: Legislative or regulatory proposals submitted to government for approval



In progress

Working toward rule-making authority across all regulated sectors

The legislative framework in the *Financial and Consumer Services Commission Act (FCNB Act)*, and in many other *Acts* we administer, provides FCNB with specific rule-making authorities, including the authority to make rules governing fees and other charges. Comprehensive fee reviews were undertaken several years ago to update fee rules in the insurance and consumer affairs sectors. *Insurance Act* amendments introduced in March 2021 ([page 23](#)) included the ability

to implement fee rules for this sector. Proposals have been sent to government to replace outdated fee regulations with updated fee rules in various consumer affairs sectors, where fees have not been updated for several years (often decades). Work continues to ensure we have the most up-to-date information to support these proposals. Recently implemented or updated legislation for other sectors we oversee include fee rules.

2

Enhance our Operational Effectiveness

To implement effective organizational structures and work processes

Why it's important

As a regulator, we set standards for the industries we regulate. To instill confidence and credibility in the regulatory environment, we must hold ourselves to high standards, always striving to be a leading-edge, innovative regulator in the province and a leader among regulators in the smaller jurisdictions in Canada. This requires us to have the people, the processes and the systems in place to achieve our regulatory goals.

Below are some of the initiatives and projects we've undertaken toward achieving this priority.

Initiative: Improve internal and external work processes

Multi-year, by March 2022

Performance Indicator: Operational efficiencies and standards in place



In progress

Pandemic prompted process improvement

The pandemic impacted every aspect of our operations. With employee safety and well-being top of mind, we worked quickly to launch our Business Continuity Plan and expanded our remote technology capacity so our operations continued uninterrupted. This included everything from equipping our employees with the tools needed to work from home and converting to an online system to pay suppliers to conducting compliance reviews and providing human resources support to our employees virtually. We developed a

protocol for conducting virtual interviews during the pandemic for our ongoing investigative files and revised our approach for in-person interviews to protect both our investigators and our interviewees. Further, we reviewed our inspection and compliance programs for our regulated sectors and developed alternative procedures to conduct inspections remotely - many of which we have continued as they streamlined the inspections' process and provided efficiencies to the system.

Continuous improvement

We are constantly reviewing our systems and processes to see where we can realign, improve or upgrade them. Over the past year, we strengthened our project management methodologies and applied them to many of our initiatives, helping us to prioritize major projects, set realistic time lines and focus on improvement. This assisted us on everything from scoping out our IT requirements to improving our regulatory policy development.

In 2020-21, we also:

- Enhanced our internal processes within our insurance division to reduce common application errors and increase efficiency.
- Reviewed and improved our Agile approach to software development by growing our software quality assurance capacity, formalizing code review processes, and simplifying and improving the coding standards for our IT team, among others.
- Developed a new desk exam program, new service standards, and intervention protocols for credit unions to identify early areas of concern.
- Reviewed templates and forms to harmonize enforcement processes and initiated the process to acquire a new case management system for enforcement.
- Reviewed and updated some of our operational policies and directives.
- Developed process documentation for the Customer Relationship Management (CRM) licensing systems.
- Redesigned our commission workplan and how we report to our board.
- Eliminated paper files in our credit union inspections.

Initiative: Continue staff education, professional development and succession planning

Multi-year, by March 2022

Performance Indicator: Competent, well-prepared staff and updated succession plans



In progress

Leadership development and training

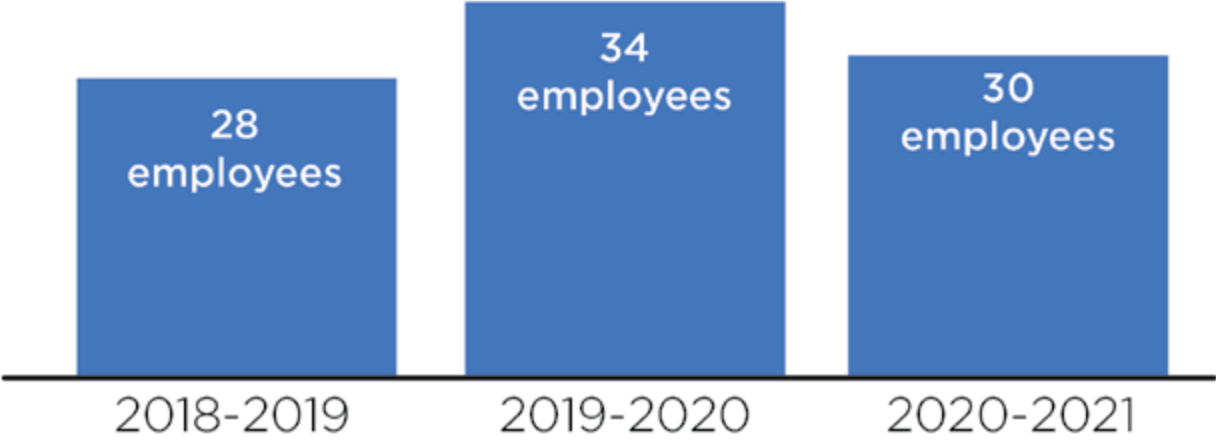
We recognize our most valuable resource is our highly specialized staff of more than 90 employees in our two offices in Saint John and Fredericton. We invest in training and professional development to cultivate the diverse set of skills required to achieve our mandate and our strategic priorities.

Despite the pandemic, many of our learning and development initiatives continued through a virtual setting. Over the last year:

- Our IT division participated in SCRUM methodology and Quality Assurance training.

- Six employees completed the Modern Day Management program in March through the Université de Moncton; one employee will complete the UNB Management Development Program in May.
- Our developing leaders' cohort participated in two virtual development sessions in January on difficult discussions at work and leading virtual and remote teams.
- Our division heads and Executive Management Committee members participated in a 360-degree review exercise.
- 15 staff and commission members participated in the CFA Institute Investment Foundations Program.
- All employees completed Government of New Brunswick virtual online training on the prevention of workplace violence and respectful workplaces.
- New employees participated in Insights Discovery® sessions; existing staff participated in Insights Resilience® sessions.
- All employees participated in a half-day training session on various FCNB policies.
- Employees over the age of 45 participated in two sessions on preparing for your retirement.
- 65 employees enrolled in more than 212 individual training sessions across a range of disciplines – from ethics, risk management and governance to compliance, accounting, adjudication and human resources – for ongoing skill development and experience-based learning.
- 30 employees participated in our Second Language Program through online training programs tailored to their language needs. The program continues to be popular among staff.

Figure: Second Language Training Participation (both offices combined).

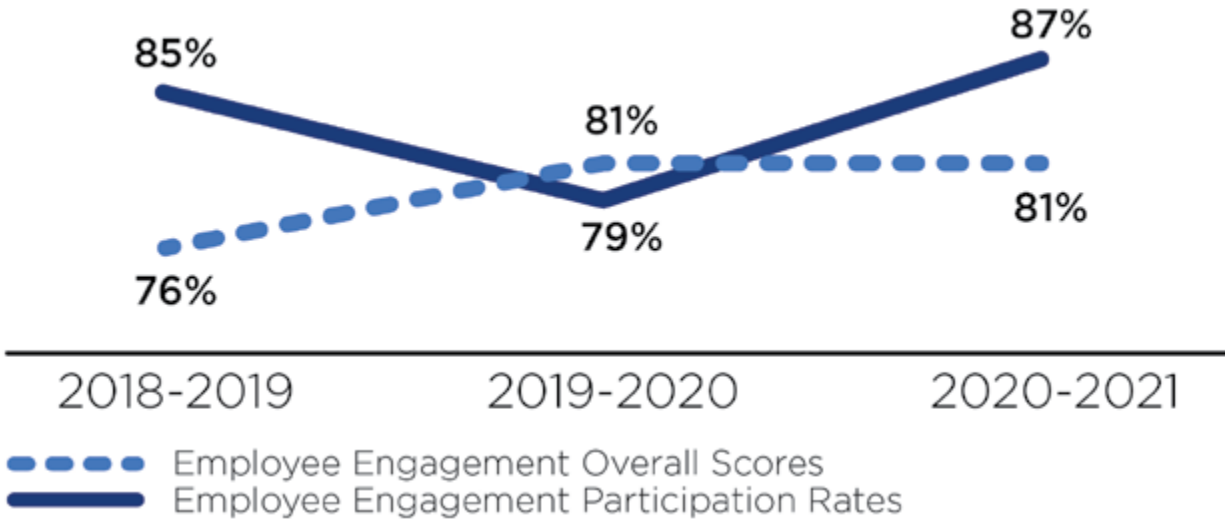


Employee engagement

Engaged employees understand how their role is central to achieving our mandate and our vision, both for the province and

for our organization. In 2021, our employee engagement survey scored 81% with a participation rate of 87%.

Figure: Employee Engagement.



Internal promotions

With retirements and staffing changes over the last year, we promoted four qualified internal professionals, including a promotion to the director level.

Succession planning

After completing comprehensive research on succession planning best practices, we have begun a review of our current process and are in the midst of updating our succession planning framework.

Compensation and benefit review

Following a comprehensive request for proposals, our Human Resources and Governance Committee retained the services of an external compensation and benefits consultant to review the Commission's compensation structure and benefits. Work with the consultant on this broad review is ongoing.

Initiative: Maintaining a strong organizational cybersecurity posture

Multi-year, by March 2022

Performance Indicator: Compliant with CyberNB certification standards for Crown corporations



In progress

Operating safely in a cyber world

Information technology and cybersecurity are increasingly critical to our mandate and reputation. In 2020-21, we recruited a cybersecurity officer to keep our electronic assets, IT systems and employees as safe as possible from cybersecurity threats and risks. We introduced a password manager

for all employees, issued cyber alerts when warranted, kept staff apprised of emerging issues and trends and completed audits of our electronic payment processing system and software development life cycle system.

Initiative: Implement electronic licensing systems in all regulatory sectors

Multi-year, By March 2021+

Performance indicator: Fully functional electronic licensing systems operational



In progress

Online licensing portal expanded and improved

We launched a self-serve electronic licensing system to allow real estate salespeople, managers and agents to apply or renew their licence or to submit other information as part of the licensing process. We also made more than 50 feature improvements to our mortgage brokers

licensing portal and our pension portal. The result is higher user satisfaction both internally and externally. In addition, we simplified our password reset process for our online portals and began plans to launch a portal solution for collection agencies.

Initiative: 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

Performance Indicator: Appropriate responses developed for addressing impact of issue



In progress

Pandemic required constant response on emerging issues

In 2019-20, our Emerging Issues Working Group issued its first report with a view to informing the business planning process. While the group provided recommendations to address fintech innovations and cybersecurity, it could not have predicted what unfolded this past year. Instead of

addressing the recommendations, our energies and resources over the last year were deployed on rapidly emerging issues stemming from the pandemic ([see Pandemic response, page 20](#)).

Work on the report recommendations will resume in the new fiscal year.

Initiative: Enhance model for regulatory adjudication

Multi-year, by March 2022

Performance Indicator: Legislative or regulatory proposals submitted to government for approval



In progress

Examining regulatory adjudication

We continued researching and assessing various means of enhancing the commission's regulatory adjudication abilities. This work will continue in the new fiscal year.

3

Deliver Regulatory and Educational Value to the Public

To provide innovative programs to regulate, educate and protect

Why it's important

Through enforcement, compliance and education, we strive to maintain public confidence in the financial and consumer marketplaces. In our existing environment, fraudsters and scam artists employ sophisticated techniques to attempt to steal investors' and consumers' hard-earned money. Thanks to our collaborative efforts, we work to detect and disrupt scams, investigate files, and inform and educate investors and consumers throughout New Brunswick on making smart investing and spending decisions.

Initiative: Develop recommendations and initiatives to address financial abuse of seniors

Multi-year, by March 2022

Performance Indicator: Recommendations within our mandate being implemented, forward others to government



In progress

Protection from financial abuse

We continued to advance the protection of seniors from financial exploitation in a year that saw more of them socially distance to protect themselves from COVID-19. Our approach was double-faceted: raising awareness of the signs of financial abuse and working with other regulators to address the issue.

In March 2020, as co-lead with our counterparts in Ontario and under the CSA's seniors and vulnerable investors initiative, we and other CSA jurisdictions published proposed amendments to clearly outline how registrants can

address situations involving diminished mental capacity or the potential financial exploitation of vulnerable clients. The proposed amendments increase investor protection and provide certainty and clarity to firms on how to act in these situations while preserving client autonomy. Since the comment period closed in July, we've reviewed and considered the comments in furthering the initiative.

We remain involved and connected with provincial, national and international committees that are addressing the issue. One of our employees chairs the

North American Securities Administrators Association's Senior Issues and Diminished Capacity Committee and participates on the CSA's seniors and vulnerable investors initiative.

To raise awareness, we launched an outreach campaign in June 2020 in recognition of World Elder Abuse Awareness Day. The campaign empowered seniors and their families to recognize the

signs of financial abuse, encouraged them to remain socially connected throughout the pandemic, and provided them with an updated brochure with information to help them understand the province's new enduring Power of Attorney legislation. The campaign formed part of our two-year seniors' outreach strategy to raise awareness of senior financial exploitation and fraud targeting seniors and the importance of estate planning.

Initiative: Update regulatory compliance strategies

Multi-year, by March 2021

Performance Indicator: Compliance reviews in all regulatory sectors being conducted in accordance with updated strategies



In progress

Promoting a culture of compliance

New Brunswickers are better protected if individuals and companies operating in our regulated sectors understand and comply with their regulatory obligations. We regularly conduct reviews and take appropriate action to correct non-compliance when needed. The pandemic, however, required us to alter how we conduct these reviews. As such, we developed a COVID-19 operational plan for onsite visits for our compliance officers across all divisions. Furthermore, we developed and continue to test a risk-based matrix to help determine the location of future site visits for our insurance sector.

In conjunction, we established a regular schedule of site visits and trust account reviews to better ensure compliance with the *Insurance Act* and its *Regulations*. We also modernized the credit union risk-based prudential supervisory framework and adapted the cooperative compliance strategy to reflect the new *Cooperatives Act*. We continue to update our compliance programs for pre-arranged funeral providers, mortgage brokers and payday lenders and assist the New Brunswick Real Estate Association in improving its inspection program.

Initiative: Advance multi-stakeholder initiative to address financial literacy

Multi-year, by March 2022

Performance Indicator: Increased awareness of the issue and expanded reach of financial literacy materials



Completed

Delivering financial literacy in the wake of COVID-19

Recognizing the importance of financial literacy in making informed spending and investing decisions, we regularly develop information tools and programs to increase New Brunswickers' financial literacy. In the wake of COVID-19, however, our traditional ways to share these tools and programs through in-person outreach halted.

To continue to deliver our content to investors, consumers and our regulated sectors, we moved more broadly online. For example, we provided consumer information, fraud awareness and financial literacy presentations to outside agencies and New Brunswick schools using virtual platforms. We developed a new series of financial literacy videos on 10 topics to help New Brunswickers better understand various aspects of their financial wellness. The topics of these Spend Smart NB videos range from creating an emergency fund and working with a financial professional to

understanding house and life insurance and more. Shared through social media, they generated 1,957 visits to our website and 1,035 social media engagements (reactions, comments or shares).

During Investor Education Month (October), we produced eight videos featuring young New Brunswickers answering questions about investing. The videos, which generated more than 100,000 video views, also featured our securities staff providing information in plain language about what it means to be an investor, who can help you build a financial plan, steps you can take to protect your investments and more. In addition, our securities division hosted a webinar in both French and English on hot topics in securities regulation to help investment professionals understand their regulatory requirements. Forty-nine people participated in the webinars.

During Financial Literacy Month (November), we launched a series of online videos adapted from *Make it Count – An instructor’s guide to youth money management* to assist educators during this challenging school year. Teachers will be able to use these bite-sized modules in the classroom, or as part of virtual learning, to supplement their financial literacy lessons.

During Fraud Prevention Month (March), we provided online resources, including videos and guides, to help New Brunswickers recognize the red flags of fraud with a special focus on understanding the risks associated with private mortgages. We also shared tips, facts and red flags of fraud on social media.

Collaboration

We regularly collaborate with other organizations focused on financial literacy. For example:

- We work with CPA New Brunswick to coordinate delivery of financial literacy presentations and share each others’ resources. In November, to mark Financial Literacy Month, we partnered on a “coffee chat” video to promote our outreach and financial literacy messaging in response to a request from Laubach Literacy NB.

- We are a founding member of the Financial Education Network of New Brunswick, a group of individuals, organizations and government departments that have shared interest in improving the financial literacy of New Brunswickers and improving access to unbiased and impartial financial literacy resources. We regularly met over the past year to share resources in response to the financial crisis caused by the pandemic.
- We have been an active member on the Financial Consumer Agency of Canada (FCAC) national working group on financial literacy. In 2020-21, we provided feedback to the FCAC’s *Consultation Paper: Renewing the National Strategy for Financial Literacy 2021-2026*.
- In partnership with the Department of Education and Early Childhood Development, we developed a video on how credit works for their Speaker Series initiative within their co-op class curriculum for Grade 11 and 12 students across the province. During the September to January semester, 425 students were registered in the program with 100 views to our video. For the February to June 2021 semester, 1,200 students were registered in the program.

Initiative: Update consumer prevention education programs to transition from provision of information/knowledge to changes in consumer behaviour

Multi-year, by March 2022

Performance Indicator: Adoption of appropriate consumer protection behaviours as measured by survey results



Completed

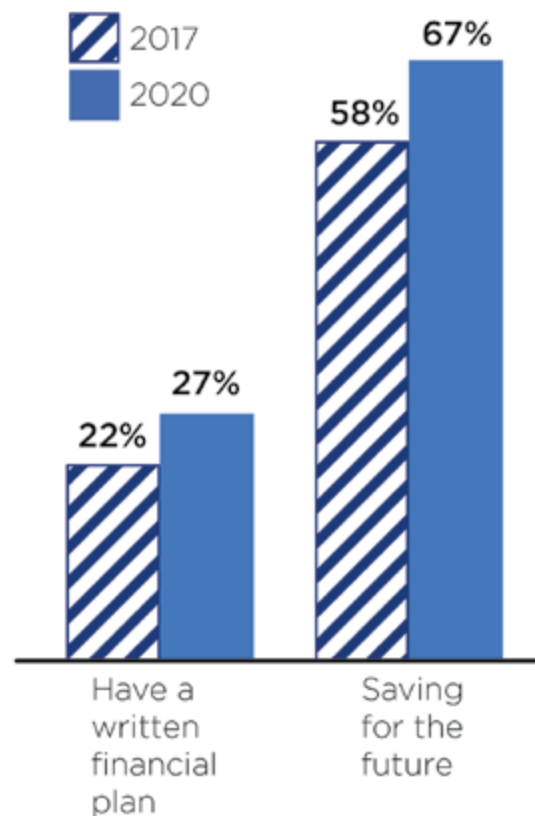
Responding to consumer and investor trends

Research indicates that even armed with the information they need, individuals do not always translate this information into habits that could ultimately improve their financial situation. As a result, the Commission's efforts with respect to financial education have transitioned to the broader notion of financial well-being. Financial well-being is determined by the following factors: behaviours, knowledge and skills, attitudes and confidence, along with income and a range of environmental and other economic factors. Simply put, it is the result of the income you have and how you use that income, subject to outside societal influences.

As a result, we track consumer behaviours through surveys and stay attune to consumer and investor trends to provide effective, unbiased and relevant information New Brunswickers can use in their financial decision-making. Our surveys^[1] measure the following behaviours as progress indicators toward our goals:

Saving for the future: We share information that supports New Brunswickers in planning, budgeting, saving and investing for the future. The number of New Brunswickers who reported having savings set aside for their future is up nine percentage points since 2017 while those who have a written financial plan is up five percentage points.

Figure:
Saving for the Future.



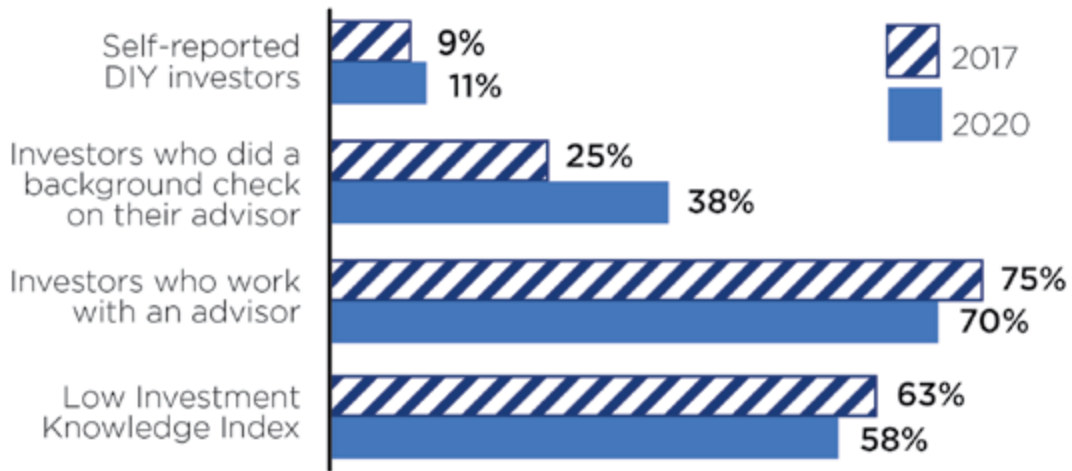
1. 2020 Investor Index: New Brunswick Custom Report (Innovative Research Group)

Making informed financial choices:

We provide unbiased financial, consumer and investor information to help increase financial literacy and thereby enable New Brunswickers to make informed decisions and understand their consumer rights and responsibilities. We make it

available across a variety of channels and formats on- and off-line in both official languages. The number of New Brunswickers who failed a financial literacy and investment knowledge quiz is down five percentage points since 2017.

Figure: Making Informed Financial Choices.



Recognizing and reporting frauds and scams: We educate New Brunswickers on the warning signs of fraud, which tend to remain the same even though frauds and scams are continuously evolving. We also encourage them to report fraud when they recognize it to help stop any further harm

to New Brunswickers. The number of New Brunswickers who recognize promises of high returns with little or no risk as a sign of fraud is up three percentage points from 2017; the number of New Brunswickers who reported investment fraud attempts is up five percentage points.

Figure: Recognizing and Reporting Fraud.



Responding to consumer needs

Over the past year, we developed targeted campaigns to address key focus areas. As part of our response to an increase in calls regarding unlicensed payday lender activity, we launched an information campaign about licensing requirements in the province. During the holidays, we ran a campaign to help answer common questions about gift cards. In response to the hot real estate market in New Brunswick over the last year, we launched a campaign on navigating multiple offers to raise awareness of the risks and considerations for home buyers and sellers when encountering this scenario. Throughout this campaign, we also provided targeted messaging on the importance of working with licenced insurance and mortgage professionals.

Addressing COVID-19 challenges

As the magnitude of COVID-19 became apparent, we quickly pivoted to address what was most important for New Brunswick consumers and investors. We formed an internal fraud prevention messaging task force to monitor COVID-19 related scams and to alert New Brunswickers. A wealth of resources related to COVID-19 fraud prevention were made available through our website, social media platforms, radio and television campaign. We also worked with our national partners at the CSA to develop investor education and protection messaging in a new COVID-19 & Investment Fraud webpage and social media messaging. We also created an online guide for seniors and their families on how to remain socially connected during the pandemic as well as a guide on navigating your financial wellness during COVID-19. As the pandemic continues, we will continue to deploy efforts to help consumers of financial products and services in New Brunswick remain vigilant.

Other initiatives

Acting decisively against misconduct

Our enforcement division focuses on cases with a strong New Brunswick connection. These may include cases of fraud, market misconduct, non-compliance, unregistered activity and more. When we detect misconduct, we use our legislated authority to hold individuals and companies accountable through our legislation's hearing processes or by collaborating with law enforcement.

In August 2020, an unlicensed direct seller agreed to stop conducting further business in New Brunswick until a matter before the Financial and Consumer Services Tribunal was resolved. The undertaking followed our application to the Tribunal for an order requiring the company to cease direct selling activities in the province. We also issued two news alerts about high-pressure sales tactics by door-to-door sellers offering home inspections and mould removal services.

In August 2020, we filed a statement of allegations with the Tribunal alleging an Edmundston-area funeral home was failing to transfer contracts for pre-arranged funerals to other funeral homes upon the purchasers' request.

In January 2021, we filed a statement of allegations with the Tribunal seeking cease and desist orders as well as financial penalties against a Quispamsis man and a numbered company for alleged unlicensed real estate, mortgage brokering and investment activity. Enforcement began an investigation following a complaint about a 2016 real estate transaction involving the sale of two Saint John homes.

Enforcement was also busy advancing work on two New Brunswick Court of Appeal files. We appeared as an intervenor in a case in which the Investment Industry Regulatory Organization of Canada appealed a decision of the Tribunal. We also represented the Superintendent of Pensions as a co-appellant of a Tribunal decision on a municipal pension matter.

In addition, we issued three Investor Alerts on unregistered companies that were soliciting New Brunswickers. The companies were not registered to solicit investments, nor trade in, or advise on, securities or derivatives in New Brunswick. And we shared numerous Canadian Anti-Fraud Centre alerts throughout the year as well as a news release warning New Brunswickers about a rental scam circulating in the province.

Our Leadership

Name	Title	Start Date
Kevin Hoyt	Chief Executive Officer	October 12, 2004 (New Brunswick Securities Commission)
Manon Losier	Vice President, Legal, Education and Regulatory Support Services	April 25, 2005 (New Brunswick Securities Commission)
Angela Mazerolle	Vice President, Regulatory Operations; Superintendent of Insurance, Pensions, Credit Unions and Loan and Trust Companies; Director of Mortgage Brokers, Consumer Affairs and Cooperatives	April 26, 2002 (Department of Training and Employment Development with GNB. In 2005, transferred to Department of Justice with GNB.)
Jake van der Laan	Director, Information Technology and Regulatory Informatics and Chief Information Officer	March 20, 2006 (New Brunswick Securities Commission)
Alaina Nicholson	Director, Consumer Affairs Division	October 5, 2005 (Department of Justice with GNB)
Jeff Harriman	Director, Corporate Services Division	June 25, 2007 (New Brunswick Securities Commission)
Marissa Sollows	Director, Education and Communications Division	July 17, 2006 (New Brunswick Securities Commission)
Susan Powell	Director, Enforcement Division	February 28, 2005 (New Brunswick Securities Commission)
Étienne LeBoeuf	Director, Financial Institutions Division	April 13, 2015
Erin Toole	Director, Legal Services Division	April 10, 2006 (New Brunswick Securities Commission)
Jennifer Sutherland Green	Director, Pensions and Insurance Division	January 13, 2014
To-Linh Huynh	Executive Director, Securities Division	February 17, 2014
Andrew Nicholson	Director, Unclaimed Properties	August 23, 1999 (Department of Justice with GNB)

FCNB was created in July 2013. The New Brunswick Securities Commission and Divisions of the Department of Justice were predecessor organizations of FCNB.

Our Activity

Compliance Reviews

Related Act	Completed Reviews	Focus of Review
<i>Collection and Debt Settlement Services Act</i>	49	Financial statement reviews
<i>Pre-arranged Funeral Services Act</i>	5	Trust account inspections
<i>Mortgage Brokers Act</i>	16	Reviews for general adherence to legislation
<i>Insurance Act</i>	64	Compliance reviews
	6	Solvency reviews of provincially licensed insurers
	2	Review of insurance brokerage's trust account
<i>Securities Act</i>	2	Investment Fund Manager, Portfolio Manager and/or Exempt Market Dealer
	1	Scholarship plan dealer (NB location) compliance review
	1	Mutual fund dealer compliance review
	3 ^[1]	Continuous disclosure reviews
	737	Report of exempt distribution reviews
	5	Annual Filing reviews for NB registrants, cooperatives and CEDCs
<i>Direct Sellers Act</i>	75	Compliance reviews of direct seller contracts
<i>Credit Unions Act</i>	9	Compliance examinations ^[2]
<i>Cost of Credit Disclosure and Payday Loans Act</i>	115	Compliance reviews of cost of credit disclosure contracts
	3	Payday lender licensing reviews

1. Includes one issue-oriented disclosure review.
2. Includes one onsite and eight desk exams.

Cooperatives Summary

Eleven cooperatives were newly incorporated in 2020. Only one cooperative was dissolved in 2020.

In previous years, this table included information on total assets, total revenue, member equity to assets, and number of employees and members. Due to the pandemic, cooperatives were unable to hold annual general meetings (AGMs). An extension was given to all cooperatives to hold AGMs 90 days after the end of the province's state of emergency. Previous legislation did not allow for virtual meetings; current legislation does, but this allowance must be included in the cooperative's by-laws. Most cooperatives were unable to amend their by-laws to hold virtual meetings as a meeting of members would be required to make such an amendment. As a result, virtual meetings were not an option for most cooperatives.

Category	2020-2021
Agriculture/Forestry	25
Consumer	23
Fishery	8
Housing	16
Services	106
Forestry	6
Worker	9
Total	193

Pensions

Pensions and Related Submissions	2020-2021
Pension Plan Registrations	8
Pension Plan Amendment Registrations	137
Pension Plan Wind-Up Approvals	11
Annual Information Returns Reviewed	295
Actuarial Valuation Reports Reviewed	67
Standard Contract Registrations	18
Standard Contract Amendment Registrations	9
LIF/RRIF Transfer Approvals	728

Consumer Affairs

Industry	Licence Type	2020-2021	2019-2020	2018-2019
Auctioneers	Auctioneers Licence ^[1]	36	52	62
Collections	Agency Licence	58	52	62
	Branch Licence	52	51	52
	Collector Licence ^[1]	2,282	3,007	3,144
Commissioner of Oaths	Provincial	536	656	619
	Foreign	1	0	1
Cost of Credit Disclosure	Company Registration	386	418	459
	Branch Registration	358	296	353
	Individual Registration	14	18	7
Payday Lenders	Payday Lenders Licence	6	6	7
Credit Reporting	Agency Licence ^[1]	2	2	2
Direct Sellers	Vendor Licence ^[1]	73	86	90
	Salesperson Licence ^[1]	570	650	766
Mortgages	Mortgage Brokerage Licence	33	39	38
	Mortgage Associate Licence	52	51	38
	Mortgage Broker Licence	70	82	77
	Mortgage Administrator Licence	12	10	8
Pre-arranged Funerals	Provider Licence	50	52	52
	Manager Licence	62	59	61
Real Estate	Agent Licence	89	93	102
	Branch Licence	41	34	38
	Manager Licence	154	154	165
	Salesperson Licence	1,020	989	980
All Industries	Total Licences	5,957	6,857	7,181

1. Due to the COVID-19 pandemic, many of these numbers are lower than in previous years.

Enforcement activity

Investigations	Regulatory Area	2020-2021	2019-2020
Number of cases opened	All areas	17	26
Number of cases concluded	All areas	16	24
Cases opened by regulatory area	Direct Sellers	1	2
	Financial Institutions	0	0
	Insurance	1	0
	Mortgage Brokers	2	0
	Pensions	0	0
	Pre-arranged Funerals	0	1
	Real Estate	2	4
	Securities (including MFDA/IIROC)	10	16
	Matters involving 2+ regulatory areas	1	2
Investigation orders issued	All areas	2	7

Enforcement	2020-2021	2019-2020
Proceedings commenced before the Tribunal	3	1
Hearings held before the Tribunal	2	not applicable ^[1]
Decisions/Orders issued by the Tribunal	2	not applicable ^[1]
Other matters before the Tribunal	1	11
Staff appeals to the Court of Appeal	1	not applicable ^[1]
Decisions of the Court of Appeal	2	not applicable ^[1]
Matters held before the Court of Appeal	1	2 ^[2]

1. Newly measured statistics.

2. Includes one matter to which the Commission was an intervenor.

Loans and Trust companies summary

Primary Jurisdiction	2020-2021	2019-2020	2018-2019
Total Provincial	0	0	0
Alberta	1	1	1
Quebec	1	1	1
Federal	45	45	44
Total Extra-Provincial	47	47	46

Insurance companies operating in New Brunswick

Category	Our Role	2020-2021	2019-2020	2018-2019
Companies based in NB	Primary regulator (licensing, solvency and market conduct)	6	6	6
Companies that were federally or internationally headquartered	Licensing and market conduct	167	171	172
Companies based in another province	Licensing and market conduct	37	39	40

Insurance

Licence Type	2020-2021	2019-2020	2018-2019
Life insurance agents/brokers	2,567 ^[1]	2,503 ^[1]	2,222 ^[2]
Other than life agents/brokers	1,922	1,783	1,551
Non-resident brokers	3,570	3,506	2,955
Accidental and sickness agents	279	374	408
Travel agents	200	299	363
Special insurance brokers	13	9	12
Damage appraisers	105	104	115
Adjusters	2,042	1,873	1,900
Total number of licences produced	10,698^{[2][3]}	10,451^{[2][3]}	9,526^{[2][3]}
Total number of licensees	12,594	11,643	10,789^[4]

- Life Agents
2018-2019: Resident - 1,075; Non-Resident - 1,147
2019-2020: Resident - 1,116; Non-Resident - 1,387
2020-2021: Resident - 993; Non-Resident - 1,574
- Includes intermediaries holding more than one licence and licence transfers.
- Number of licences produced reflects the number of licences issued from April 1-March 31, 2021. The number is less than the total number of intermediaries, as some intermediaries hold two-year licences issued in the previous year.
- This number was previously reported as 8,669 licensees for 2018-2019 fiscal year.

Securities

Corporate Finance Activity	2020-2021	2019-2020	2018-2019
Reporting issuers	5,478	5,298	5,256
Reporting issuers (New Brunswick-based)	9	8	8
Prospectus filings (non-mutual funds)	675	305	399
Mutual fund prospectus filings	4,028	3,919	3,732
Annual information forms	1,165	1,020	1,018
Reports of exempt distribution	737	467	446
Exemption applications (non-passport)	8	7	4
Cease-trade order	0	0	0
Management cease-trade order	0	0	0

Registration Activity	2020-2021	2019-2020	2018-2019
Registered firms	458	448	440
Registered firms (New Brunswick-based)	4 ^[1]	5 ^[2]	5 ^[3]
Branches/Sub-branches in New Brunswick	489	483	494
Registered individuals	12,225	11,681	11,419
Registered individuals (New Brunswick residents)	1,616	1,607	1,586

1. As of March 31, 2021, one firm is in process of surrendering registration.
2. As of March 31, 2020, one firm is in process of surrendering registration and one firm is suspended.
3. As of March 31, 2019, one firm is suspended.

Management's Discussion and Analysis

For the fiscal year ended March 31, 2021

Dated June 23, 2021

This Management's Discussion and Analysis (MD&A) is intended to help the reader understand the Financial and Consumer Services Commission (FCNB), our operations, financial performance and the present and future regulatory environment. While the financial statements reflect actual financial results, the MD&A explains these results from management's perspective and sets out FCNB's plans and budget for the year ahead.

This MD&A should be read in conjunction with FCNB's 2021 financial statements, including related notes, for the fiscal year ended March 31, 2021. Unless otherwise noted, reference to a year means FCNB's year ending March 31. For example, "2021" means the fiscal year ending March 31, 2021. All financial information related to 2020 and 2021 has been prepared according to International Financial Reporting Standards (IFRS).

The terms "we", "us", "our", "Commission" and "FCNB" refer to the Financial and Consumer Services Commission and references to the "Act" refer to the *Financial and Consumer Services Commission Act*.

Assumptions made throughout this MD&A, although reasonable at the date of publication, are not a guarantee of future performance. Certain statements outlining 2022 expectations are forward-looking and subject to risks and uncertainties.

Overview

FCNB is an independent regulatory agency, responsible for administering a broad range of financial and consumer legislation in New Brunswick. With offices in Saint John and Fredericton, FCNB's operations are funded through a variety of fees and assessments paid by those we regulate. We are accountable to the New Brunswick legislature through the Minister of Finance and Treasury Board.

FCNB staff maintains accounting and internal control systems to provide reasonable assurance that financial information is complete, reliable and accurate, and that assets are adequately protected.

The 2020-21 fiscal year was difficult for many organizations due to the current pandemic. Notwithstanding the challenges the last year presented, we were able to maintain our core critical functions, transition safely back into our offices in May 2020, and continue work on our initiatives for the fiscal year. In addition, our overall financial results were positive for the year. We were able to exceed our budgeted net income expectations due to an increase in revenue and our ability to maintain costs control.

Financial Highlights

Selected Financial Information

Revenue	Source	Year	Amount
Fees	Prospectus and distribution filings	2021	\$10,772,400
		2020	\$10,158,300
	Registrations	2021	\$4,380,478
		2020	\$4,314,523
	Financial filings	2021	\$2,136,800
		2020	\$1,951,800
	Licences and fees	2021	\$1,999,321
		2020	\$1,942,016
Exemptions and orders	2021	\$22,600	
	2020	\$24,150	
Other	2021	\$17,870	
	2020	\$24,145	
Assessments		2021	\$2,858,653
		2020	\$2,400,699
Investment income		2021	\$267,749
		2020	\$446,082
Miscellaneous		2021	\$153,711
		2020	\$136,098

Expenses	Year	Amount
Salaries and benefits	2021	\$9,867,805
	2020	\$9,434,785
Administration	2021	\$1,068,975
	2020	\$1,479,311
Professional services	2021	\$741,816
	2020	\$488,363
Travel	2021	\$18,156
	2020	\$385,790
Premises	2021	\$383,383
	2020	\$368,554
Depreciation and amortization	2021	\$662,083
	2020	\$652,712

Selected Financial Information

	Budget 2022	Actual 2021	Actual 2020	Actual 2019
Revenue	\$22,590,020	\$22,609,582	\$21,400,813	\$21,059,487
Expenses	15,429,040	12,742,218	12,812,515	12,237,694
Excess of revenue over expenses	7,160,980	9,867,364	8,588,298	8,821,793
Total assets		24,250,097	23,791,484	21,869,408
Total liabilities		7,874,982	7,235,690	5,930,041
Total equity balance		16,375,115	16,555,794	15,939,367
Distributions to government		\$10,048,043	\$7,971,871	\$9,007,458

Net income for the year ended March 31, 2021 was \$9.9 million, a \$1.3 million increase over the previous year. This was due to an \$839,153 increase in our securities revenue, and the impact of a full year of administering the *Credit Unions Act* on behalf of the New Brunswick Credit Union Deposit Insurance Corporation (NBCUDIC). Revenues were in line with expectations, reaching \$22.6 million, slightly over budget by \$45,442. Though overall revenue remained in line with expectations, variances occurred within individual revenue categories. Securities, as noted, had a significant increase, along with additional revenue from Consumer Affairs, which provided staffing to the province to assist with New Brunswick’s pandemic response. This was offset somewhat by a significant decrease in our interest revenue due to declining interest rates. Expenses of \$12.7 million were well below budget by \$2.3 million. The items making up this variance include:

- Salaries and benefits costs impacted by the timing of new staff hires and staff turnover.
- In-person outreach efforts throughout the year impacted by the pandemic and a reduction in spending on media campaign.
- Tribunal’s hearing activity, which was not as active as budgeted, thus reducing its costs.
- Travel and training, which were directly impacted by the pandemic as staff were unable to travel for work or training opportunities.
- Governance and general administration expenses, which were notably lower than budget.

Revenue

FCNB's revenue comes from four sources:

- Filing, registration, license and application fees paid by regulated entities and persons.
- Assessments charged to the insurance sector and costs and expenses billed to the Deposit Protection Fund held within the New Brunswick Credit Union Deposit Insurance Corporation.
- Administrative penalties, recoveries of costs and other monetary orders from the Tribunal.
- Investment income and miscellaneous charges.

In fiscal 2021, revenue totalled \$22.6 million – a 5.6% increase from 2020 revenue of \$21.4 million. The securities sector represents FCNB's largest source of revenue, at 76.6% of total revenue.

A direct relationship exists between revenue and expenses for the insurance sector. According to the *Insurance Act*, all costs for administering the *Act* must be assessed and recovered from licensed insurers. When expenses are budgeted or incurred for this sector, an equivalent amount of revenue is budgeted or incurred. A reduction in expenses produces an equivalent drop in revenue, therefore, the net impact is neutral. So, although the insurance sector assessment was below budget for 2020-21, this corresponds to an equivalent decrease in insurance sector expenses. This relationship also applies to the administration of the *Credit Unions Act* as FCNB recovers costs associated with work required to administer the regulatory system for credit unions.

Analysis of Total Revenue

Category	Description	2021 Amount	2020 Amount	Change
Prospectus and distribution filings	Paid by securities issuers when filing distribution documents. Most of this is paid by mutual funds for their ability to be sold in New Brunswick.	\$10,772,400	\$10,158,300	\$614,100
Registration fees	Paid by individuals and firms registering with FCNB to sell or advise on securities.	4,380,478	4,314,523	65,955
Financial filing fees	Paid by companies and mutual funds when filing annual financial statements and annual information forms.	2,136,800	1,951,800	185,000
Licences and fees	Paid by a variety of sectors to be registered or compliant with legislation, including fees from insurance agents, loan and trust companies, pension filings, as well as a variety of consumer affairs fees.	1,999,321	1,942,016	57,305
Exemptions and orders	Paid by market participants primarily to request exemptions from <i>Securities Act</i> requirements.	22,600	24,150	(1,550)
Other fees	Paid by regulated entities for late filing and other miscellaneous fees.	17,870	24,145	(6,275)
Total fees		\$19,329,469	\$18,414,934	\$914,535
Assessments/ Costs and expenses recovery	Paid by licensed insurers to administer the <i>Insurance Act</i> and by the Deposit Protection Fund to administer the <i>Credit Unions Act</i> .	\$2,858,653	\$2,400,699	\$457,954
Disgorged funds	Paid subsequent to a hearing panel ruling.	0	3,000	(3,000)
Investment Income	Earned on bank balances and short-term investments.	267,749	446,082	(178,333)
Miscellaneous Income	Primarily a secondment to the cooperative capital markets regulatory system (Cooperative System) and cost recovery related to a shared articling student.	153,711	136,098	17,613
Total revenue		\$22,609,582	\$21,400,813	\$1,208,769

Expenses

In 2020-21, our total expenses were \$12.74 million, down \$67,296 (0.5%) from \$12.81 million in 2019-20. Details by expense category follow.

Category	2021	% of 2021 Expenses	2020	% of 2020 Expenses	Change
Salaries and benefits	\$9,867,805	77.5%	\$9,434,785	73.7%	\$433,020
Administration	1,068,975	8.4%	1,479,311	11.5%	(410,336)
Professional services	741,816	5.8%	488,363	3.8%	253,453
Travel	18,156	0.1%	385,790	3.0%	(367,634)
Premises	383,383	3.0%	368,554	2.9%	14,829
Depreciation and amortization	662,083	5.2%	652,712	5.1%	9,371
Disgorged funds	0	0.0%	3,000	0.0%	(3,000)
Total expenses	\$12,742,218	100.0%	\$12,812,515	100.0%	\$70,297

Salaries and benefits

Compensation expenses increased 4.6% to \$9.9 million from the year before and were 77.5% of operating costs (73.7% in 2020). At year end, 96 staff were on payroll compared to 91 last year. The staff increase arose from filling vacant positions, and the creation of new positions in our information technology and regulatory informatics and corporate services divisions.

Administration

Administration expenses dropped significantly to \$1.1 million in 2021 from \$1.5 million in 2020, representing 8.4% of operating costs (11.5% in 2020). COVID-19 had a direct impact on our administrative costs throughout the year. Our education and communications expenses dropped to \$210,007 (\$463,995 in 2020), due mainly to fewer in-person outreach events as a result of COVID-19.

Development

Members and staff development costs were \$74,651 (\$305,322 in 2020), and funded group leadership and professional development as well as individual development. For the first half of our fiscal year, much of our employee development efforts were postponed due to COVID-19. However, we were able to refocus our efforts in the second half and virtual events were held, reducing training costs.

Professional Services

Professional services expenses increased by \$253,453 (51.9%) to \$741,816 for 2021. These costs cover general consulting, translation, legal and other expenses. General consulting reached \$296,014 for 2021 (\$174,897 in 2020). This increase was due to work involving professional support for staff while reviewing our governance, HR practices and our system requirements. Legal fees reached \$265,041 as a result of a number of regulatory matters that required outside counsel. External translation expenses decreased to \$28,432 in 2021 from \$79,475 in 2020 as FCNB's internal staff completed the vast majority of our translation needs. Other expenses captured under this line item include information technology consulting, the financial audit and other consulting activities associated with regulatory matters.

Travel

Travel costs were \$18,156, which is significantly lower than the previous year due to travel restrictions created by the pandemic.

Premises

Due to changes in accounting rules related to leases in the previous year, the premises costs relate only to our Fredericton office, where we currently do not have a long-term lease. Costs associated with our Saint John office are included in depreciation and amortization. We continue to explore the opportunity to sign a long-term lease in Fredericton, which would change the status of that lease into a right-of-use asset and the lease value would then be capitalized and costs would flow through depreciation and amortization and interest expenses. Our premises costs have remained similar to the previous year.

Depreciation and amortization

Depreciation and amortization expenses were \$662,083, similar to the previous year as we are in the second year of a long-term lease related to our premises in Saint John.

Financial Assets and Liquidity

Market enhancement and consumer protection reserve

Funds in the market enhancement reserve (\$158,208) come from administrative penalties and are to be spent only on endeavours or activities that enhance the financial marketplace or consumer protection in New Brunswick. These funds are maintained in a separate bank account and generate their own bank interest. No administrative penalties were assessed in 2021 (\$0 in 2020).

Liquidity and financial position

FCNB has sufficient liquidity to fund its 2021-22 operations and capital purchases with cash of \$5.1 million (\$5.4 million in 2020).

Disposition of surplus operating funds

FCNB made a series of payments totaling approximately \$10 million to the Province of New Brunswick.

Stabilization reserve

FCNB has a fully funded \$4 million stabilization reserve to absorb revenue shortfalls or unexpected expenditures that could arise from assuming a large regulatory mandate. Revenue generated from the reserve is moved into general operations. The reserve was invested in a one-year guaranteed investment certificate.

Restructuring reserve

New Brunswick has played an important advisory role in working toward developing a cooperative capital markets regulatory system (Cooperative System). When implemented, this initiative will see the securities division begin working on behalf of the Cooperative System. To help FCNB transition should this occur, FCNB maintains a \$10 million reserve. This fund would allow FCNB time to develop operational efficiencies, review our revenue model and consult with the Province and our regulated sectors for rule changes necessary to maintain our self-financing legislative requirements.

As of March 31, 2021, however, the organization working toward the Cooperative System, known as the Capital Markets Authority Implementation Organization (CMAIO), has paused following consultations with participating governments and its board. While this will not have an immediate impact on FCNB's operations, it does indicate the Cooperative System will not proceed in the near term.

Accounts receivable

Assessments to the insurance industry and costs and expense recovery to the Deposit Protection Fund largely make up the accounts receivable. These amounts are assessed subsequent to year-end and appear as accrued revenue with a corresponding receivable. This accounts for 79.6% of the receivable balance in 2021 (79.2% in 2020). General fee receivables and HST receivables make up the majority of the remaining balance.

Lease obligations

FCNB renewed its Saint John office space lease for 10 years beginning March 1, 2021. The lease provides an early termination clause granting FCNB the option to terminate the agreement after the 5th year of the agreement. FCNB's lease obligations have reached \$1.7 million, and FCNB has additional right-of-use assets due to the lease totalling \$1.6 million.

Risks and uncertainties

Securities regulatory reform

The Cooperative System, which is currently on pause, certainly has the potential to impact FCNB as an integrated regulator. The near-term impact, due to the noted pause, is limited; however, the organization will continue to look for additional revenue sources while enhancing its operational efficiencies so as to be prepared in the event the Cooperative System was to proceed.

Risk Assessment and Mitigation

The Commission has in place a Risk Management Policy, which sets out the Commission's approach for identifying, assessing and managing risk. The process involves identifying the risk and associated issues in the following five key areas: business operations, finances, human capital, reputation and litigation. The Commission evaluates the potential impact of each risk on the ability of the organization to meet its strategic objectives, evaluates the probability of occurrence, develops a strategy of how to respond, and prioritizes each area of risk. The process for identifying and assessing risk forms part of the annual strategic and budgeting process and the assessment shapes the Commission's strategy and business plan. Risk assessments are then performed on an ongoing basis throughout the year and updates provided to the Audit and Risk Management Committee at least on a quarterly basis.

During the fiscal period, we focused our efforts on reviewing risk in the context of the pandemic and developed an associated pandemic continuity plan. Key risks for FCNB related mostly to the pandemic's impact on personnel and disruption and loss of computing systems. FCNB's current risk assessment is that all reasonable steps have been taken, or are in the process of being taken, to mitigate risks to the extent they are within the control of the organization.

FCNB is involved in a few legal actions arising from the conduct of our business. Settlements, if any, concerning these contingencies will be accounted for in the period in which the settlement occurs. The ultimate dispositions of these actions are not determinable at this time.

Fee revenue

We fund operations primarily from filing fees paid by market participants and regulated entities. Fee revenue is generally not sensitive to market conditions, which held true this year despite COVID-19 as we saw an overall increase in our annual fees collected.

National electronic filing system for the securities sector

Under various agreements with the Canadian Securities Administrators (CSA), CGI Information Systems and Management Consultants Inc. (CGI) operates the following electronic systems:

- System for Electronic Document Analysis and Retrieval (SEDAR), an electronic system for securities market participants to file regulatory documents and pay fees
- National Registration Database (NRD), an electronic system for registrants to register and pay fees
- System for Electronic Disclosure by Insiders (SEDI), an Internet-based system for insiders to report their trades

About 76.5% of our total revenue is collected through SEDAR and NRD. CGI maintains a comprehensive business continuity plan for each system and the CSA requires a third-party audit report (CSAE 3416 *Reporting on Controls at Service Organization*) each year. In 2018, CGI began a multi-year renewal project to replace the CSA National Systems (SEDAR, SEDI, Cease-Trade Order Database, National Registration Database, National Registration Search and Disciplined List) with a modernized solution. The name of the

new system is SEDAR+. The plus (+) signifies the move to an up-to-date, integrated and comprehensive system that better serves all market participants, as well as the CSA. SEDAR+ will be rolled out in phases, with the first phase focused on issuer filings. It will include replacing the Cease Trade Order Database, Disciplined List, SEDAR, local exempt distribution reporting and issuer exemptive relief system. The CSA is targeting to launch the first phase in late 2021.

Critical accounting estimates

Management must make estimates and assumptions when preparing our financial statements. Management makes those assumptions based on experience and current conditions and believes that they are reasonable. However, actual results may differ from management's estimates. In our financial statements, management has estimated the portion of accounts receivable we will receive, the useful lives of our capital assets and the value of employee leave liabilities.

We accrue expenses incurred and amounts due when they meet generally accepted revenue recognition criteria. We have not recognized any provisions for legal challenges in the financial statements.

Changes in accounting policies

Management is responsible for selecting the significant accounting policies and preparing the financial statements, including the accompanying notes, according to the generally accepted accounting principles (GAAP).

The following standards have been reviewed by FCNB for the first time in the year beginning April 1, 2020 and none have had a material impact on the financial statements or presentation.

- IFRS 3 Business Combinations (definition of a business)
- IFRS 16 Leases (COVID-19 lease concession)
- IAS 1 Presentation of FS (definition of material)

2022 outlook

Revenue and Expenses

Budgeted revenue is \$22.6 million for 2022. The budgeted revenue is an increase over our 2021 budget; however, it is in line with our 2021 actual revenue. The budgeted increase year-over-year represents our expectation that revenue will return to a normal growth pattern of approximately 1.5%, with some additional revenue due to various cost recoveries.

Operating expenses are budgeted to be \$15.4 million for 2022. This is an increase from our 2021 budget of \$15.1 million.

The additional budget expenses relate to additional staff needed to help plan for the new *Unclaimed Property Act* and major IT and organizational infrastructure needs. We also anticipate working on several major education initiatives, including branding and awareness campaigns to introduce our new Unclaimed Property regime.

Liquidity

Our budgeted surplus for 2022 is about \$7.2 million. Given the funded stabilization and restructuring reserves, although not precluding any subsequent determinations by the Commission to increase these reserves, we intend to transfer ongoing surpluses to the Province of New Brunswick until the implementation of a Cooperative System.

MD&A supplement – Compensation disclosure – Senior management remuneration

Senior management includes the Chief Executive Officer (CEO), two Vice Presidents, Chief Information Officer (CIO) and nine division heads. Their compensation and benefits are determined by FCNB and are based on an independent consultant's advice. Senior management also receive the same employment benefits received by all staff, which includes health, dental and life insurance, pension, leave and parking. The CEO receives a vehicle allowance.

Senior management remuneration

Position	Salary range (\$) as at March 2021
Chief Executive Officer	\$153,102 - \$191,378
Vice Presidents (2) and Director (1) of Information Technology and Regulatory Informatics and Chief Information Officer	\$133,615 - \$175,368
Directors (9)	\$114,343 - \$142,928

Financial Statements

Management's responsibility and certification

Management is responsible for the integrity, consistency and reliability of the financial statements and other information presented in the Annual Report. The financial statements have been prepared by management in accordance with International Financial Reporting Standards.

We certify that we have reviewed the financial statements and other information contained in the annual report. Based on our knowledge:

- a) The financial statements do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the financial statements and annual report; and
- b) The financial statements and financial information contained in the Annual Report fairly present in all material respects the financial condition, results of operations and cash flows of the Financial and Consumer Services Commission as at the dates and for the periods presented.

The preparation of financial statements involves transactions affecting the current period, which cannot be finalized with certainty until future periods. Estimates and assumptions upon which the financial statements have been prepared are based on historical experience and current conditions, and are believed to be reasonable.

The Commission maintains an accounting system and related controls designed to provide the Commission with reasonable assurance that reliable financial information is available on a timely basis. The members of the Commission ensure that management fulfils its responsibility for financial information and internal control.

The financial statements and Annual Report have been reviewed by the Audit Committee and approved by the Commission.

The report of the independent auditor, Deloitte LLP, outlines the scope of the Auditor's examination and opinion on the financial statements.

Original signed by Kevin Hoyt

Kevin Hoyt, FCPA, FCGA, CPA (DE)
Chief Executive Officer

Original signed by Manon Losier

Manon Losier,
Vice President, Legal, Education and
Regulatory Support Services

June 23, 2021

Independent Auditor's Report

To the Members of
Financial and Consumer Services Commission

Opinion

We have audited the financial statements of Financial and Consumer Services Commission (the "Commission"), which comprise the statement of financial position as at March 31, 2021, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Commission in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements for the year ended March 31, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on July 10, 2020.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the

preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Commission or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Commission's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants

Saint John, New Brunswick
June 22, 2021

Financial and Consumer Services Commission

Statement of Financial Position as at March 31, 2021 (in Canadian \$)

	2021 March 31	2020 March 31
ASSETS		
Current Assets		
Cash (Note 8)	\$ 4,976,054	\$ 5,287,277
Accounts receivable (Note 10)	2,942,692	3,390,956
Prepaid expenses	165,497	133,482
	8,084,243	8,811,715
Cash held for designated purposes (Notes 8, 11)	158,398	157,221
Investments held for designated purposes (Notes 9, 11)	14,000,000	14,000,000
Property and equipment (Note 12)	1,845,215	533,040
Intangible assets (Note 13)	162,241	289,508
	\$ 24,250,097	\$ 23,791,484
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (Note 19)	\$ 497,462	\$ 1,491,223
Accrued salaries and benefits	535,536	485,505
Current portion of employee future benefits (Note 18)	19,510	45,882
Accrued vacation liabilities	191,391	133,213
Current portion of lease obligations (Note 14)	341,817	361,237
Deferred revenue	4,458,841	4,251,282
	6,044,557	6,768,342
Lease obligations (Note 14)	1,367,718	17,672
Employee future benefits (Note 18)	462,707	449,676
	1,830,425	467,348
Total Liabilities	7,874,982	7,235,690
Equity Balances		
General	2,216,717	2,398,575
Restructuring reserve (Note 11)	10,000,000	10,000,000
Stabilization reserve (Note 11)	4,000,000	4,000,000
Market enhancement and consumer protection reserve (Note 11)	158,208	157,029
Disgorgement reserve (Note 11)	190	190
	16,375,115	16,555,794
	\$ 24,250,097	\$ 23,791,484

Commitments and contingencies (Note 17)

The accompanying notes are part of these financial statements.

APPROVED BY THE COMMISSION

Original signed by Peter Klohn

Chair

Original signed by Norma Kelly

Member

Financial and Consumer Services Commission

Statement of Comprehensive Income (by nature) for the year ended March 31, 2021 (in Canadian \$)

	2021	2020
REVENUE		
Fees		
Prospectus and distribution filings	\$ 10,772,400	\$ 10,158,300
Registrations	4,380,478	4,314,523
Financial filings	2,136,800	1,951,800
Licences and fees	1,999,321	1,942,016
Exemptions and orders	22,600	24,150
Other	17,870	24,145
Assessments	2,858,653	2,400,699
Disgorged funds	-	3,000
Investment income	267,749	446,082
Miscellaneous	153,711	136,098
	22,609,582	21,400,813
EXPENSES		
Salaries and benefits (Note 20)	9,867,805	9,434,785
Administration (Note 21)	1,068,975	1,479,311
Professional services	741,816	488,363
Travel	18,156	385,790
Premises	383,383	368,554
Depreciation and amortization	662,083	652,712
Disgorged funds	-	3,000
	12,742,218	12,812,515
COMPREHENSIVE INCOME	\$ 9,867,364	\$ 8,588,298

The accompanying notes are part of these financial statements.

Financial and Consumer Services Commission

Statement of Changes in Equity for the year ended March 31, 2021 (in Canadian \$)

	General	Restructuring reserve	Stabilization reserve	Market enhancement and consumer protection reserve	Disgorge-ment reserve	Total
Balance, March 31, 2019	1,785,553	10,000,000	4,000,000	153,624	190	15,939,367
Comprehensive income	8,588,298	-	-	-	-	8,588,298
Disposition of surplus operating funds (Note 15)	(7,971,871)	-	-	-	-	(7,971,871)
Investment income reallocation	(3,405)	-	-	3,405	-	-
Allocation from general (Note 11)	(3,000)	-	-	-	3,000	-
Allocation to general (Note 11)	3,000	-	-	-	(3,000)	-
Balance, March 31, 2020	2,398,575	10,000,000	4,000,000	157,029	190	16,555,794
Comprehensive income	9,867,364	-	-	-	-	9,867,364
Disposition of surplus operating funds (Note 15)	(10,048,043)	-	-	-	-	(10,048,043)
Investment income reallocation	(1,179)	-	-	1,179	-	-
Balance, March 31, 2021	\$ 2,216,717	\$ 10,000,000	\$ 4,000,000	\$ 158,208	\$ 190	\$ 16,375,115

The accompanying notes are part of these financial statements.

Financial and Consumer Services Commission

Statement of Cash Flows for the year ended March 31, 2021 (in Canadian \$)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Comprehensive income	\$ 9,867,364	\$ 8,588,298
Adjustment for depreciation and amortization	662,083	652,712
Gain on disposal of property, plant and equipment	(8,649)	-
	10,520,798	9,241,010
Changes in non-cash working capital		
Accounts receivable	448,264	(259,864)
Prepaid expenses	(32,015)	32,537
Accounts payable and accrued liabilities	(993,761)	640,328
Accrued salaries and benefits	50,031	148,411
Employee future benefits	(13,341)	23,722
Accrued vacation liabilities	58,178	43,312
Deferred registration fee revenue	207,559	105,735
	10,245,713	9,975,191
CASH FLOWS FROM FINANCING ACTIVITIES		
Disposition of surplus operating funds	(10,048,043)	(7,971,871)
Repayment of lease liability	(391,141)	(348,917)
	(10,439,184)	(8,320,788)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment and intangible assets	(148,075)	(124,462)
Proceed on disposal of property, plant and equipment	31,500	-
	(116,575)	(124,462)
NET (DECREASE) INCREASE IN CASH	(310,046)	1,529,941
CASH, BEGINNING OF YEAR	5,444,498	3,914,557
CASH, END OF YEAR	\$ 5,134,452	\$ 5,444,498
Represented by:		
Cash	\$ 4,976,054	\$ 5,287,277
Cash held for designated purposes	158,398	157,221
	\$ 5,134,452	\$ 5,444,498
	2021	2020
Note: Cash flow from interest received is included in comprehensive income.	\$ 216,023	\$ 317,528

The accompanying notes are part of these financial statements.

Notes to the Financial Statements for the year ended March 31, 2021 (in Canadian \$)

1. Nature of the corporation

The Commission is a body corporate without share capital under the name Financial and Consumer Services Commission (FCNB) as of July 1, 2013 under the provisions of the *Financial and Consumer Services Commission Act (New Brunswick) (Act)*.

The *Act* enables FCNB to be 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.

FCNB will develop and conduct educational programs on financial and consumer services and administers financial and consumer services legislation.

Financial and consumer services legislation means the:

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

In support of the regulatory endeavours associated with the financial and consumer services legislation, the *Act* sets out a Commission and an adjudicatively independent Tribunal.

Certain comparative figures have been reclassified to conform with the financial presentation adopted for the current year.

The financial statements for the year ended March 31, 2021 (including comparatives) were approved by the board of directors on June 23, 2021.

FCNB maintains its registered office at 85 Charlotte Street, Suite 300, Saint John, New Brunswick, E2L 2J2.

As a Crown corporation, FCNB is exempt from income taxes.

2. Basis of preparation and statement of compliance with International Financial Reporting Standards (IFRS)

Management have prepared these financial statements according to IFRS as issued by the International Accounting Standards Board (IASB).

The financial statements are presented in Canadian dollars, which is also the functional currency of FCNB.

The financial statements have been prepared under the historical cost basis, as modified by financial assets and financial liabilities reported at fair value through the statement of comprehensive income.

The principal accounting policies applied in the preparation of these financial statements are set out in Note 3 below. These policies have been consistently applied to all the years presented.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying FCNB's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

3. Summary of significant accounting policies

a) Revenue recognition

FCNB recognizes revenue to depict the transfer of promised services to market participants in an amount that reflects the consideration to which FCNB expects to be entitled in exchange for those services by applying the following steps:

- Identify the legislation and regulation, i.e. contract with the market participant;
- Identify the performance obligations in the legislation and regulation, i.e. contract;
- Determine the transaction price;
- Allocate the transaction price; and
- Recognize revenue when, or as, FCNB satisfies a performance obligation.

Assessments are recognized in the period in which the costs to administer the specific financial and consumer services legislation are incurred.

Licensing and registration fees are deferred and recognized as revenue over the year to which they relate.

Activity fees are triggered by certain activities requested of staff by market participants (prospectus and private placement filings), by pension plans (registration of pension plans) and by loan and trust companies (review and issue of letters patent). The activities undertaken are normally completed in a relatively short period of time and are recognized as revenue when the associated services have been rendered.

Cost recovery of investigations and administrative penalty revenue are recognized at the decision date unless management determines no reasonable assurance as to ultimate collection exists, in which case they are recognized when cash is received.

Investment income is recorded as earned.

b) Property and equipment

Property and equipment are stated at cost less accumulated depreciation/ amortization and impairment allowances. Cost includes expenditures that are directly attributable to the asset's acquisition. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to FCNB and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statement of comprehensive income during the period in which they are incurred.

Depreciation is calculated to write off the cost, less estimated residual value, on a straight-line basis over the expected useful economic lives. The rates used are:

- Office furniture and equipment: 4 years
- Information technology infrastructure: 4 years
- Software: 4 years
- Automobile: 5 years
- Leasehold improvements: over term of lease
- Office equipment lease: over term of lease
- Right-of-use assets: over term of lease

FCNB allocates the amount initially recognized in respect of an item of property and equipment to its significant parts and depreciates separately each such part. Residual values, the method of depreciation, and the useful lives of the assets are reviewed annually and adjusted, if appropriate.

Gains and losses on disposals of property and equipment and intangible assets are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the statement of comprehensive income.

c) Intangible assets

FCNB's internally-generated intangible assets arising from development (or from the development phase of an internal project) is recognized if all of the following conditions have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use;
- The intention to complete the intangible asset and use it;
- The ability to use the intangible asset;
- How the intangible asset will generate probable future benefits;
- The availability of adequate technical, financial and other resources to complete the development and use of the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Amortization is calculated to write off the cost, less estimated residual value, on a straight-line basis over the expected useful economic lives. The rates used are:

Website: 4 years

Regulatory information data system (internally generated): 5 years

d) Impairment of property and equipment and intangible assets

At each financial year end, FCNB reviews the carrying value of its property and equipment and intangible assets to determine whether those assets have suffered any impairment loss. If so, the asset's recoverable amount is estimated to determine the extent of the impairment loss.

The recoverable amount is the higher of fair value less costs to sell and value in use. An impairment loss is recognized as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

e) Provisions

Provisions are recognized when FCNB has a present legal or constructive obligation as a result of past events. It is more likely than not that a resource outflow will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material.

On occasion, legal proceedings are threatened or initiated against FCNB. FCNB provides for the estimated full cost of any such challenges where at the end of the year it is more likely than not that there is an obligation to be settled. The amount provided is discounted to present value.

f) Cash

Cash includes cash on hand and deposits held with banks.

g) Financial instruments

Financial assets and liabilities are recognized when FCNB becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and FCNB has transferred substantially all risks and rewards of ownership.

FCNB recognizes financial instruments based on their classification. Depending on the financial instruments' classification, changes in subsequent measurements are recognized in net income or comprehensive income.

Financial assets

Financial assets are measured at amortized cost if both of the following criteria are met: the object of FCNB's business model for these financial assets is to collect their contractual cash flows; and the asset's contractual cash flows represent solely payments of principal and interest on the principal amount outstanding. They are initially measured at the amount expected to be received less, when material, a discount to reflect the time value of money. Subsequent to initial measurement, they are carried at amortized cost using the effective interest method less appropriate provisions for impairment.

FCNB applies the simplified method of the expected credit loss (ECL) model required under IFRS 9. Under this method, FCNB estimates a lifetime expected loss allowance for all receivables. Receivables are written off when there is no reasonable expectation of recovery. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

Financial assets are measured at fair value through other comprehensive income (FVTOCI) if both of the following criteria are met: the objective of FCNB's business model is achieved by both holding financial assets in order to collect contractual cash flows and selling financial assets; and the contractual terms of the financial asset gave rise on specified dates to cashflows that are solely payments of principal and interest on the principal amount outstanding. They are initially recognized at fair value and transaction costs are expensed. Subsequent to initial measurement, they are carried at fair value and all gains and losses realized and unrealized are recognized in the statement of comprehensive income.

FCNB assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor is experiencing significant financial difficulty and where observable data indicate that there is a measurable decrease in the estimated future cash flows.

Financial assets are derecognized when their rights to receive cash flows have expired or have been transferred and FCNB has transferred substantially all risks and rewards of ownership.

Financial liabilities

Financial liabilities measured at amortized cost are initially recognized at fair value less directly attributable transaction costs and after initial measurement are recognized at amortized cost. The difference between the initial carrying amount of the financial liabilities and their redemption value is recognized in the statement of income over the contractual term using the effective interest rate method.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

The fair value of a financial instrument is the amount of which the financial instrument could be exchanged in an arm's length transaction between knowledgeable and willing parties under no compulsion to act. Fair values are determined by reference to quoted bid or ask prices, as appropriate, in the most advantageous market for that instrument to which FCNB has immediate access. If market prices are not available, fair value is based on prevailing market rates for instruments with similar characteristics and risk profiles or internal or external valuation models that require inputs.

FCNB's financial instruments comprise cash, cash held for designated purposes and investments held for designated purposes, accounts receivable, accounts payable and accrued liabilities, accrued salaries and benefits, accrued vacation liabilities and lease obligations.

FCNB's financial assets were included in "fair value through income" and all FCNB's financial liabilities were carried at amortized cost.

Fair value hierarchy

Financial assets and liabilities that are recognized on the statement of financial position at fair value are to be classified into a hierarchy of three levels based on the significance of the impacts used in making the measurement:

Level 1 - quoted prices (unadjusted) in active markets for identical assets and liabilities

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (as prices) or indirectly (i.e. derived from prices)

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs)

h) Recently adopted accounting standards

The following standards have been reviewed by FCNB for the first time in the year beginning April 1, 2020 and none have had a material impact on the financial statements or presentation.

- IFRS 3 Business Combinations (definition of a business)
- IFRS 16 Leases (COVID-19 lease concession)
- IAS 1 Presentation of FS (definition of material)

i) Future accounting and reporting changes

The IASB is continually working toward improving and developing new accounting standards. The IASB has issued a number of exposure drafts of new standards that are expected to come into effect within future reporting periods. FCNB monitors the IASB work plans and publications to assess any potential impact on the organization. There are no standards issued but not yet adopted that are expected to have a significant impact on FCNB.

4. Significant accounting estimates and judgments

FCNB makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. The following are management's estimates and judgments that most significantly affect FCNB's financial statements. These estimates and judgments have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

a) Significant accounting estimates

Property and equipment and intangible assets

Management estimates the useful lives of property and equipment and intangible assets based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for depreciation of property and equipment and amortization of intangible assets for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of FCNB's property and equipment and intangible assets in the future.

Sick leave credits benefit

Upon retirement, FCNB employees are eligible to receive 20 per cent of the accumulated sick leave balance to a maximum of 48 days as a payout. The significant accounting estimates used to determine the liability are outlined in Note 19 (c).

Supplemental pension benefit

FCNB estimates the defined benefit liability for a retired Chief Executive Officer associated with a supplemental pension benefit. The estimate is reviewed at least annually. FCNB does not use a qualified actuary in the calculation of this estimate.

Assessments

Management estimates the amount of indirect administrative overhead and indirect support cost required to administer the *Insurance Act* and the *Credit Unions Act*, and includes these amounts in an assessment to these specific sectors, as is authorized in those two pieces of financial and consumer services legislation.

b) Significant accounting judgments

Management exercises its judgment in the process of applying FCNB's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions are significant to the financial report have been disclosed above. The determination of the collectability of administrative penalty and disgorgement revenue represents a significant policy judgment area.

5. Financial risk management

Financial risk factors

FCNB's objectives are to protect itself against various financial risks. These include credit, liquidity and interest rate risks.

Credit risk

FCNB's financial assets exposed to credit risk consist of cash, cash held for designated purposes, investments held for designated purposes and accounts receivable. This risk is minimal since the majority of FCNB's revenue is received when due. Accounts receivable are current and collectable. Its three bank accounts are held with a Schedule 1 Canadian financial institution.

Liquidity risk

All financial liabilities, except for the lease obligations, are due within one year and have been classified as current and presented as such on the statement of financial position. FCNB generates enough cash from operating activities to fund its operations and fulfil its obligations as they become due. FCNB has a stabilization reserve and a restructuring reserve in place in the event that cash requirements exceed cash generated from operations.

Interest rate risk

This risk is minimal since FCNB did not incur any interest-bearing long-term debt except on the lease obligations during the year. Cash deposits earn interest at a floating rate, and this revenue is impacted by the current low, short-term interest rates, while cash held for designated purposes and investments held for designated purposes earn interest at a fixed rate, and this revenue is impacted by the interest rate paid on one-year guaranteed investment certificates. A 25-basis-point change in the interest rate would have an immaterial impact on the financial statements.

6. Capital management

FCNB's objective when it manages capital is to ensure it continues as a going concern to fulfil its mandate. FCNB has established a stabilization reserve of \$4,000,000 (\$4,000,000 in 2020) and a restructuring reserve of \$10,000,000 (\$10,000,000 in 2020) to manage its capital risk. FCNB ensures that any payment of surplus funds to the Province of New Brunswick will not impair FCNB's ability to pay its liabilities, to meet its obligations as they become due or to fulfil its contractual commitments.

7. Financial instruments

FCNB's financial instruments consist of cash, accounts receivable, cash held for designated purposes, investments held for designated purposes, accounts payable and accrued liabilities, accrued salaries and benefits, accrued vacation liabilities and lease obligations. These financial instruments do not include any rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The fair values of these financial instruments approximate their carrying values due to their short-term nature and negligible credit losses.

8. Cash and cash held for designated purposes

FCNB maintains three separate bank accounts. The first is comprised of the operating account and those monies attributable to the reserves and not otherwise invested and monies received from disgorgement orders. The second account is maintained for the market enhancement reserve. The third account is maintained for monies held in trust, as securities for licences issued under various financial and consumer services legislation. The balance for the third account as of March 31, 2021 was \$18,046 (\$17,936 in 2020) and is included in cash. Under the terms of FCNB's banking agreement, these accounts earn interest at prime less 1.70 per cent.

9. Investments held for designated purposes

FCNB invested \$14,000,000, \$10,000,000 attributable to the restructuring reserve and \$4,000,000 attributable to the stabilization reserve (\$14,000,000 in 2020, \$10,000,000 attributable to the restructuring reserve and \$4,000,000 attributable to the stabilization reserve) in one-year guaranteed investment certificates. The interest earned on these investments varies from 0.55 per cent to 2.34 per cent. The amounts attributable to the restructuring reserve and stabilization reserve have been disclosed on the statement of financial position as investments held for designated purposes.

10. Accounts receivable

FCNB charges assessments as per specific financial and consumer services legislation to the credit union system and to insurance sector participants. The outstanding assessments owing totalled \$2,343,074 of the total accounts receivable as of March 31, 2021 (\$2,684,917 in March 31, 2020).

No provision for allowance for doubtful accounts is required.

11. Reserve

Restructuring reserve

FCNB has established a reserve consistent with section 21(8) of the *Financial and Consumer Services Commission Act* to allow the Commission to meet its revised mandate following the establishment of the proposed cooperative capital markets regulatory system, while providing sufficient time to develop operational efficiencies and to consult with its regulated sectors for any required fee rule changes necessary to maintain its self-financing legislative requirements. The reserve was funded in 2015 through a one-time charge of \$10,000,000 to the general fund. The value of the reserve is \$10,000,000 (\$10,000,000 in 2020).

Stabilization reserve

FCNB has established a reserve consistent with subsection 21(8) of the *Financial and Consumer Services Commission Act* to finance extraordinary expenses for isolated and unanticipated purposes that are regulatory in nature, and for changes in market activity affecting revenue. The reserve is funded through charges to the general fund. The maximum value of the reserve has been set at \$4,000,000 (\$4,000,000 in 2020).

Market enhancement and consumer protection reserve

FCNB collects administrative penalties under section 186 of the *Securities Act* and under subsection 21(5) of the *Financial and Consumer Services Commission Act*. Consistent with subsection 21(5) of the *Financial and Consumer Services Commission Act*, these amounts are not used for FCNB's normal operating expenditures. Instead, they are used for endeavours or activities that enhance New Brunswick's capital markets or consumer protection. Market enhancement reserve funds are maintained separate from FCNB's normal operating funds and generate their own investment revenue. The value of the reserve is \$158,208 (\$157,029 in 2020).

Disgorgement reserve

FCNB can issue disgorgement orders under section 184 of the *Securities Act*, or the Court of Queen's Bench may do so under section 187 of the *Securities Act*. Disgorgement orders permit FCNB to order a person be divested from the benefits obtained as a result of failure to comply with securities law. These amounts are not used for FCNB's normal operating expenditures as described in subsection 21 (6) of the *Financial and Consumer Services Commission Act* and will generally be used to return funds to negatively impacted investors consistent with Local Rule 15-502, *Procedure for the Distribution of Disgorged Funds*. During the period, no funds were collected (\$3,000 was collected and paid to nine investors as a result of a 2008 decision in 2019) and the value of the reserve is \$190 (\$190 in 2020).

12. Property and equipment

	Office furniture and equipment	Office equipment lease	Information technology infrastructure	Software	Auto-mobile	Leasehold improvements	Right-Of-Use Asset	Total
Cost								
As at March 31, 2019	\$ 439,146	\$ 64,395	\$ 362,724	\$ 11,780	\$ 32,775	\$ 799,029	\$ -	\$ 1,709,849
Additions	-	-	43,616	-	35,155	-	693,057	771,828
Dispositions	-	-	188,620	-	32,775	-	-	221,395
As at March 31, 2020	\$ 439,146	\$ 64,395	\$ 217,720	\$ 11,780	\$ 35,155	\$ 799,029	\$ 693,057	\$ 2,260,282
Additions	63,209	-	58,600	-	-	90,538	1,587,479	1,799,826
Dispositions	-	-	15,728	-	35,155	-	-	50,883
As at March 31, 2021	\$ 502,355	\$ 64,395	\$ 260,592	\$ 11,780	\$ -	\$ 889,567	\$ 2,280,536	\$ 4,009,225
Accumulated Depreciation								
As at March 31, 2019	\$ 434,594	\$ 28,690	\$ 255,028	\$ 11,780	\$ 32,775	\$ 737,443	\$ -	\$ 1,500,310
Depreciation	3,956	8,618	41,645	-	5,859	32,132	356,117	448,327
Dispositions	-	-	188,620	-	32,775	-	-	221,395
As at March 31, 2020	\$ 438,550	\$37,308	\$ 108,053	\$ 11,780	\$ 5,859	\$ 769,575	\$ 356,117	\$ 1,727,242
Depreciation	4,065	8,618	47,494	-	6,445	34,780	363,398	464,800
Dispositions	-	-	15,728	-	12,304	-	-	28,032
As at March 31, 2021	\$ 442,615	\$ 45,926	\$ 139,819	\$ 11,780	\$ -	\$ 804,355	\$ 719,515	\$ 2,164,010
Net Book Value								
As at March 31, 2020	\$ 596	\$ 27,087	\$ 109,667	\$ -	\$ 29,296	\$ 29,454	\$ 336,940	\$ 533,040
As at March 31, 2021	\$ 59,740	\$ 18,469	\$ 120,773	\$ -	\$ -	\$ 85,212	\$ 1,561,021	\$ 1,845,215

13. Intangible assets

	Website	Regulatory information data system (internally developed)	Total
Cost			
As at March 31, 2019	\$ 55,210	\$ 1,018,397	\$ 1,073,607
Additions	45,691	-	45,691
Dispositions	-	-	-
As at March 31, 2020	\$ 100,901	\$ 1,018,397	\$ 1,119,298
Additions	-	70,016	70,016
Dispositions	42,122	-	42,122
As at March 31, 2021	\$ 58,779	\$ 1,088,413	\$ 1,147,192
Accumulated Amortizaion			
As at March 31, 2019	\$ 47,155	\$ 578,251	\$ 625,406
Amortization	705	203,679	204,384
Dispositions	-	-	-
As at March 31, 2020	\$ 47,860	\$ 781,930	\$ 829,790
Amortization	10,609	186,674	197,283
Dispositions	42,122	-	42,122
As at March 31, 2021	\$ 16,347	\$ 968,604	\$ 984,951
Net Book Value			
As at March 31, 2020	\$ 53,041	\$ 236,467	\$ 289,508
As at March 31, 2021	\$ 42,432	\$ 119,809	\$ 162,241

14. Lease obligations

FCNB entered into a 10-year lease for office space in Saint John effective February 15, 2006. On August 11, 2014, this lease was extended to February 28, 2021. This lease was renewed for 10 years beginning March 1, 2021. The lease provides an early termination clause granting FCNB the option to terminate the agreement after the 5th year of the agreement. FCNB is required to provide nine months prior written notice to exercise said option. FCNB has assessed the term of the lease to be five years for the purposes of calculating its right of use asset and lease liability since it is not reasonably certain it will not exercise the early termination clause.

FCNB's leases entered into in 2020 for office equipment had terms of five and a half years. FCNB has an option to purchase the equipment for a nominal amount at the end of the lease term. The lease liability is effectively secured as the rights to the leased assets revert to the lessor in the event of default.

	Minimum lease payments		Present value of minimum lease payments	
	2021	2020	2021	2020
Not later than 1 year	\$ 368,336	\$ 367,736	\$ 341,817	\$ 361,237
Later than 1 year and not later than 5 years	1,414,351	18,371	1,367,718	17,672
	\$ 1,782,687	\$ 386,107	1,709,535	378,909
Less: Current portion			341,817	361,237
Lease obligations			\$ 1,367,718	\$ 17,672

15. Disposition of surplus operating funds

The disposition of surplus operating funds consists of payments to the Consolidated Fund of the Government of New Brunswick subject to the approval of the Treasury Board and consistent with subsection 21(7) of the *Financial and Consumer Services Commission Act*. FCNB paid \$10,048,043 in 2021 (\$7,422,407 in 2020). All amounts owing were paid as of March 31, 2021. There was a payable in the prior year of \$549,464.

16. Provisions

A provision is recognized if, as a result of a past event, FCNB has a present, legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. FCNB has no provisions recorded at March 31, 2021 (\$0 at March 31, 2020).

17. Commitments and contingencies

New Brunswick Securities Commission (which was continued as FCNB) was named as a defendant in two statements of claim, filed in 2011 and 2013 respectively. The 2011 claim has progressed slowly, but it has been set down for trial in October 2022. Aside from the filing of the pleadings, there has been no activity in the 2013 action. The outcome and ultimate disposition of these actions are not yet determinable. An expense, if any, concerning this contingency will be accounted for in the period in which the payment or provision occurs.

18. Employee future benefits

a) Pension plan

FCNB provides pension benefits to its employees through participation in the Public Service Shared Risk Plan (the “Plan”), which is a shared risk pension plan. Annually, FCNB receives notification of the required contributions from the Board of Trustees of the Plan, which administers the Plan.

Pension costs included in these financial statements comprise the cost of employer contributions for current service of employees during the year. For the year ended March 31, 2021, FCNB expensed contributions of \$937,659 (\$879,491 in 2020) under the terms of the Plan.

b) Supplemental pension benefit

A retired Chief Executive Officer receives a supplemental pension benefit in which supplemental pensionable service of one year for each year of service as Chief Executive Officer to the maximum of five years was earned. This benefit is unfunded as no assets have been set aside in a separate legal entity, and payments are made as they become due. For the year ended March 31, 2021, these statements reflect a liability of \$149,737 (\$143,611 in 2020). FCNB recovered expenses of \$22,731 (recovered expense of \$6,106 in 2020) under the terms of the Supplemental Benefit Agreement and paid out benefits of \$16,605 (\$16,287 in 2020).

c) Sick leave credits

In concert with the elimination of the retiring allowance program, changes were made to the sick leave policy such that employees could receive a payout of 20 per cent of their unused sick leave credits at layoff, retirement or death. These statements reflect a liability of \$332,480 (\$351,947 in 2020) for this benefit and a current year expense of \$18,737 (\$46,116 in 2020). This liability is discounted as follows: employees over the age of 50, FCNB applies a three per cent discount factor to adjust for the age of each eligible employee for each year that the employee is under the age of 55; and for employees under the age of 50, FCNB applies a three per cent discount factor to adjust for the age of each eligible employee for each year that the employee is under the age of 65. For liability calculation purposes, management estimates that half of employees under the age of 40 will retire from FCNB, 75 per cent of employees between the ages of 40 and 50 will retire from FCNB, and all employees over the age of 50 will retire from FCNB.

19. Related party transactions

Service New Brunswick (SNB), a related party to FCNB, provides certain services in the normal course of operations that are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. SNB provided information technology services to FCNB, such as data storage, data backup, data protection and support. FCNB expensed \$125,875 (\$118,821 in 2020) during the reporting period on these services. As of March 31, 2021, an accounts payable of \$127,915 (\$103,691 at March 31, 2020) was owed to SNB and was subject to normal terms. This amount is included in accounts payable and accrued liabilities.

The Translation Bureau for the Government of New Brunswick provides services to FCNB that are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Total expenditures during the period were \$9,232 (\$41,997 in 2020). As of March 31, 2021, an accounts payable of \$0 (\$3,590 at March 31, 2020) was owed to the Translation Bureau and is subject to normal terms. This amount is included in accounts payable and accrued liabilities.

New Brunswick Credit Union Deposit Insurance Corporation (NBCUDIC) utilizes the resources of the Financial Institutions Division of the Commission to provide human resource and administration support for administering the *Credit Unions Act*. The Commission assumes the salaries and overhead costs, which are billed to the NBCUDIC. Prior to 2020, NBCUDIC was responsible for their human resource costs and administration costs, however, required support from the Commission. NBCUDIC expensed \$772,209 as of March 31, 2021 (for the three months ended March 31, 2020, \$204,466).

On October 1, 2014, FCNB entered into an agreement with the Department of Transportation and Infrastructure (“DTI”) for leased office space. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. FCNB expensed \$310,356 (\$290,196 in 2020). As of March 31, 2021, an accounts payable of \$65,785 (\$23,039 at March 31, 2020) was owed to DTI and subject to normal terms.

The Chair of FCNB has a personal services contract with FCNB that is measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. This is in-lieu of an employment contract and facilitates the Chair’s independence from the operations of the Commission. FCNB expensed \$152,317 (\$152,317 in 2020) during the reporting period. As of March 31, 2021, an accounts payable of \$0 (\$19,327 at March 31, 2020) was owed to the Chair and subject to normal terms.

FCNB provides certain administrative services for the Government of New Brunswick associated with assessments or recoveries from the insurance sector and that are for the benefit of the Consolidated Revenue Fund of the Government of New Brunswick. These services include the invoicing and updating receivables under the *Premium Tax Act* (\$65,351,881 in 2021, \$60,970,944 in 2020); the invoicing and updating receivables under the *Medical Services Payment Act*, the *Hospital Services Act* and the *Family Services Act* (\$39,672,243 in 2021, \$39,046,256 in 2020); and the updating receivables under the *Fire Prevention Act* (\$4,919,025 in 2021, \$4,360,565 in 2020). These transactions do not flow through FCNB’s financial statements and are recorded directly in the financial information system of the Government of New Brunswick. FCNB performs these functions without any financial consideration or payment from the Government of New Brunswick. Effective January 1, 2018, FCNB is no longer responsible for the depositing function associated with these activities.

In addition, FCNB recovers costs incurred by the Government of New Brunswick when it intervenes at insurance rate hearings. In 2021, these costs were \$53,924 (\$403,009 in 2020). FCNB now treats these costs as a recoverable from the insurance sector. Prior to 2018, FCNB recorded professional services expenses and equivalent assessment revenue.

Key management personnel

Key management of FCNB includes members of the board of directors and the executive committee:

	2021	2020
Salaries and other short-term employment benefits	\$ 1,122,431	\$ 1,091,838
Post-employment benefits	87,779	87,459
	\$ 1,210,210	\$ 1,179,297

The salary amount includes the relevant expenses associated with the Chair's personal services contract.

20. Salaries and benefits

	2021	2020
Salaries	\$ 8,049,945	\$ 7,711,911
Benefits	880,201	843,383
Pension expenses (Note 19)	937,659	879,491
	\$ 9,867,805	\$ 9,434,785

21. Administration

	2021	2020
Investor protection and education	\$ 210,007	\$ 463,995
Member and staff development	242,653	383,045
Information technology	213,720	185,918
Other administration	402,595	446,353
	\$ 1,068,975	\$ 1,479,311

22. Alternative presentation - Income statement by function

	2021	2020
REVENUE		
Securities	\$ 17,326,467	\$ 16,487,314
Insurance	3,248,540	3,189,465
Financial Institutions	921,511	511,943
Consumer Affairs	539,895	482,817
Pensions	271,239	268,809
Investment income	268,390	450,291
Miscellaneous	33,540	10,174
	22,609,582	21,400,813
EXPENSES		
Governance and Corporate Management	4,700,611	4,396,085
Insurance	2,031,146	2,038,925
Education and Communications	842,241	1,090,373
Securities	1,452,788	1,511,598
Enforcement	799,495	852,590
Financial Institutions	677,682	729,994
Consumer Affairs	1,223,958	1,094,888
Pensions	618,800	723,108
Tribunal	395,497	374,954
	12,742,218	12,812,515
COMPREHENSIVE INCOME	\$ 9,867,364	\$ 8,588,298

23. COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 to be a pandemic. Governments have imposed measures to contain the outbreak, including business closures, travel restriction, quarantines and social distancing measures. The spread of the COVID-19 virus has resulted in a sharp decline in global economic growth and has caused increased volatility in financial markets. If the COVID-19 pandemic is prolonged, the adverse impact on the global economy could worsen. Accordingly, the full impact of the COVID-19 is uncertain, but there has been no material adverse impact on FCNB for the fiscal year ended March 31, 2021.