

# Charting a new course

## 2013-2014 ANNUAL REPORT

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FINANCIAL AND  
CONSUMER SERVICES  
COMMISSION

regulation • education • protection



COMMISSION DES SERVICES  
FINANCIERS ET DES SERVICES  
AUX CONSOMMATEURS

réglementation • éducation • protection



**COMING TOGETHER**  
*IS A BEGINNING.*

**KEEPING TOGETHER**  
*IS PROGRESS.*

**WORKING TOGETHER**  
*IS SUCCESS.*

- Henry Ford



**FCNB**

regulation • education • protection  
réglementation • éducation • protection

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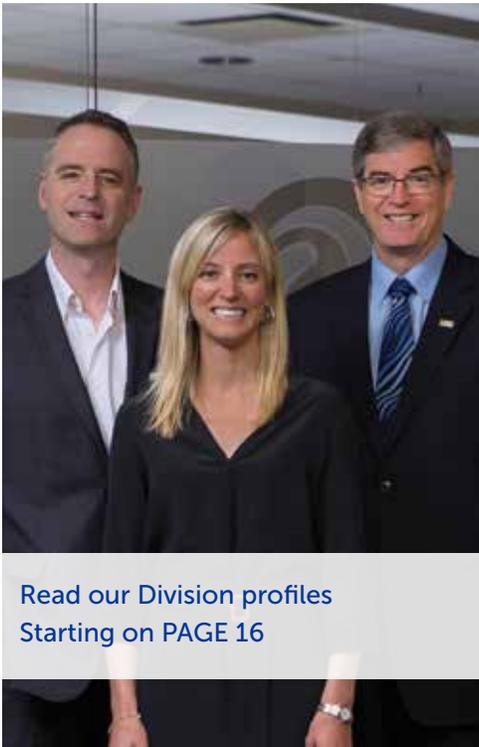
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# TABLE OF CONTENTS:

4	We are the FCNB	 <p>Meet our new Chair Peter Klohn PAGE 12</p>	23	Division profile: Pensions and Insurance
7	Upfront updates		27	Division profile: Securities
12	Letter from the Chair		30	Division profiles: Education & Communications General Counsel Enforcement Human Resources
13	Letter from the CEO		35	Pillar 1: Regulation
14	Board members	 <p>Read our Division profiles Starting on PAGE 16</p>	37	Pillar 2: Education
16	Division profile: Consumer Affairs		39	Pillar 3: Protection
20	Division profile: Financial Institutions		40	Management's Discussion and Analysis
			48	Financial Statements

# WE ARE THE FCNB

The following staff list is complete and current as of 31 March 2014. For the most up-to-date list, please consult our website. To contact any of the individuals below, use the email format [firstname.lastname@fcnb.ca](mailto:firstname.lastname@fcnb.ca).

## *CEO's Office*

Rick Hancox  
CEO

Gisèle Allard  
Executive Assistant

## *Corporate Services*

Rick Hancox/Kevin Hoyt  
Acting Directors

Pierre Thibodeau  
Controller

Margaret Thompson  
Payroll/Accounting Officer

Catherine Guerrier  
Accounting Officer

Brodie Shannon  
Technology Specialist

Jackie Gomes  
Human Resources Officer

Leanne Kinnear  
Information and Records Management Coordinator

Julie Lewicki  
Receptionist/ASO, Saint John

## *Education and Communications*

Andrew Nicholson  
Director

France Bouchard  
Senior Administrative Support Officer

Wendy Connors-Beckett  
Senior Communication Specialist

Michelle Robichaud  
Communications and Media Relations Specialist

Sara Wilson  
Stakeholder Relations Specialist

Jeff Harriman  
Capital Market Specialist

Marissa Rignanesi  
Senior Education Coordinator

Samantha Richard  
Education Coordinator

## *Enforcement*

Jake van der Laan  
Director

Mark McElman  
Legal Counsel

Brian Maude  
Legal Counsel

Linda Rickard  
Case Management Officer

Norm Lewicki  
Investigator

Gordon Fortner  
Senior Investigator

## *General Counsel*

Manon Losier  
General Counsel and Secretary

Suzanne Ball  
Associate General Counsel

Christine Bernard  
Legal Counsel, Policy

Véronique Long  
Legal Counsel, Policy

Caterina Corazza  
Regulatory Policy Coordinator

Carol Parkinson  
Administrative Support Officer

Erin Toole  
Acting Registrar, Tribunal

Lise Noël  
Assistant Registrar

*Securities*

Kevin Hoyt  
Executive Director

Susan Powell  
Deputy Director

Jason Alcorn  
Legal Counsel

Ella-Jane Loomis  
Legal Counsel

Wendy Morgan  
Legal Counsel

To-Linh Huynh  
Senior Analyst

Kelly Franklin  
Compliance Officer

Alex Wu  
Senior Securities Officer

Nathalie Thibodeau  
Systems Officer

Janique Vallis  
Registration Officer

*Insurance and Pensions*

Angela Mazerolle  
Director

Julie Gabriel  
Administrative Support Officer

Jennifer Sutherland Green  
Deputy Director, Pensions

Lynne Martin  
Compliance Officer

Ellen Mashtalyar  
Compliance Officer

John McCue  
Compliance Officer

Florence Paisley  
Compliance Officer

Barbara Bélanger  
Registration Officer

David Weir  
Deputy Director of Insurance

Kathryn Finn  
Legal Counsel, Policy

Joleen Richards  
Compliance Officer, Insurance

Jane Kidney-Hermelin  
Financial Analyst

Wanda McCann  
Financial Officer

Gert Lawlor  
Senior Regulatory Officer

Shauna Hey  
Senior Licensing Officer

Kevin Morin  
Licensing Officer

Caroline Dable  
Administrative Support Officer

*Financial Institutions*

Pierre LeBlanc  
Director

Jean-Guy LeBlanc  
CEO and Corporate Secretary for NBCUDIC

Erin Spencer  
Administrative Support Officer

Janice Golden  
Senior Compliance Officer

Angela Ross  
Compliance Officer

Benjamin Trifts  
Compliance Officer

Claire Gagnon  
Senior Regulatory Officer

Jennifer Betts  
Regulatory Officer

*Consumer Affairs*  
Suzanne Bonnell-Burley  
Director

Suzanne Cormier  
Senior Administrative Support Officer

Ann Sparkes  
Senior Licensing Officer

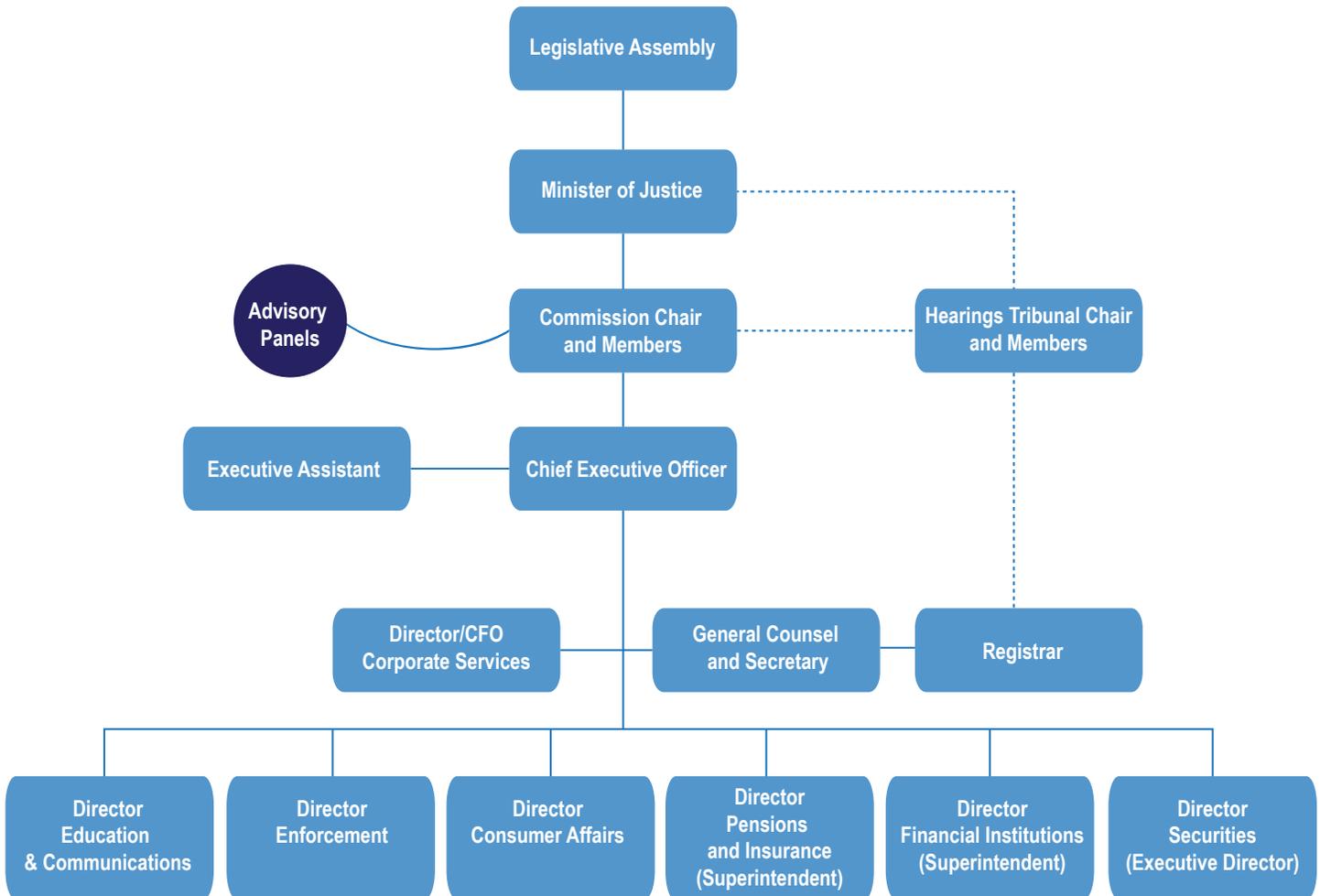
Gisèle Thébeau  
Licensing Officer

Alaina Nicholson  
Compliance Officer

Catherine Haines  
Compliance Officer

# ORGANIZATIONAL CHART

as at March 31, 2014



## WHO WE ARE

New Brunswick's Financial and Consumer Services Commission (FCNB) is responsible for the administration and enforcement of provincial legislation that regulates the following sectors: securities, insurance, pensions, credit unions, caisses populaires, trust and loan companies, co-operatives, and a wide range of other consumer legislation.

We are an arm's length self-funded independent Crown Corporation established by the provincial government on 1 July 2013, tasked with protecting consumers and enhancing public confidence in New Brunswick's financial and consumer marketplaces through the provision of regulatory and educational services.

The Financial and Consumer Services Tribunal is an independent adjudicative body established on 1 July 2013, pursuant to Section 29 of the *Financial and Consumer Services Commission Act*. The Tribunal is tasked with exercising the powers imposed upon it by New Brunswick financial and consumer services legislation, which includes holding hearings and appeals, and the revocation or variation of decisions. The Tribunal has jurisdiction over all questions of fact or law arising in the course of a hearing, review or appeal. Decisions and orders issued by the Tribunal are a matter of public record and are available at [FCNBtribunal.ca](http://FCNBtribunal.ca).

# UPFRONT *UPDATES*

**FINANCIAL AND  
CONSUMER SERVICES  
COMMISSION**

regulation • education • protection



**COMMISSION DES SERVICES  
FINANCIERS ET DES SERVICES  
AUX CONSOMMATEURS**

réglementation • éducation • protection

The three swooshes in our logo stylise how the three words in our tagline - regulation, education and protection - work together to achieve our vision of a confident, dynamic and informed financial and consumer marketplace for New Brunswick.



**FCNB**

regulation • education • protection  
réglementation • éducation • protection

Representing the FINANCIAL regulation aspects of our operation.

Representing our CONSUMER focus.

Reminding our audiences who we serve and where we are located.

## OUR VISION

A confident, dynamic and informed financial and consumer marketplace for New Brunswick.

## OUR MANDATE

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

## BUILDING A BRAND

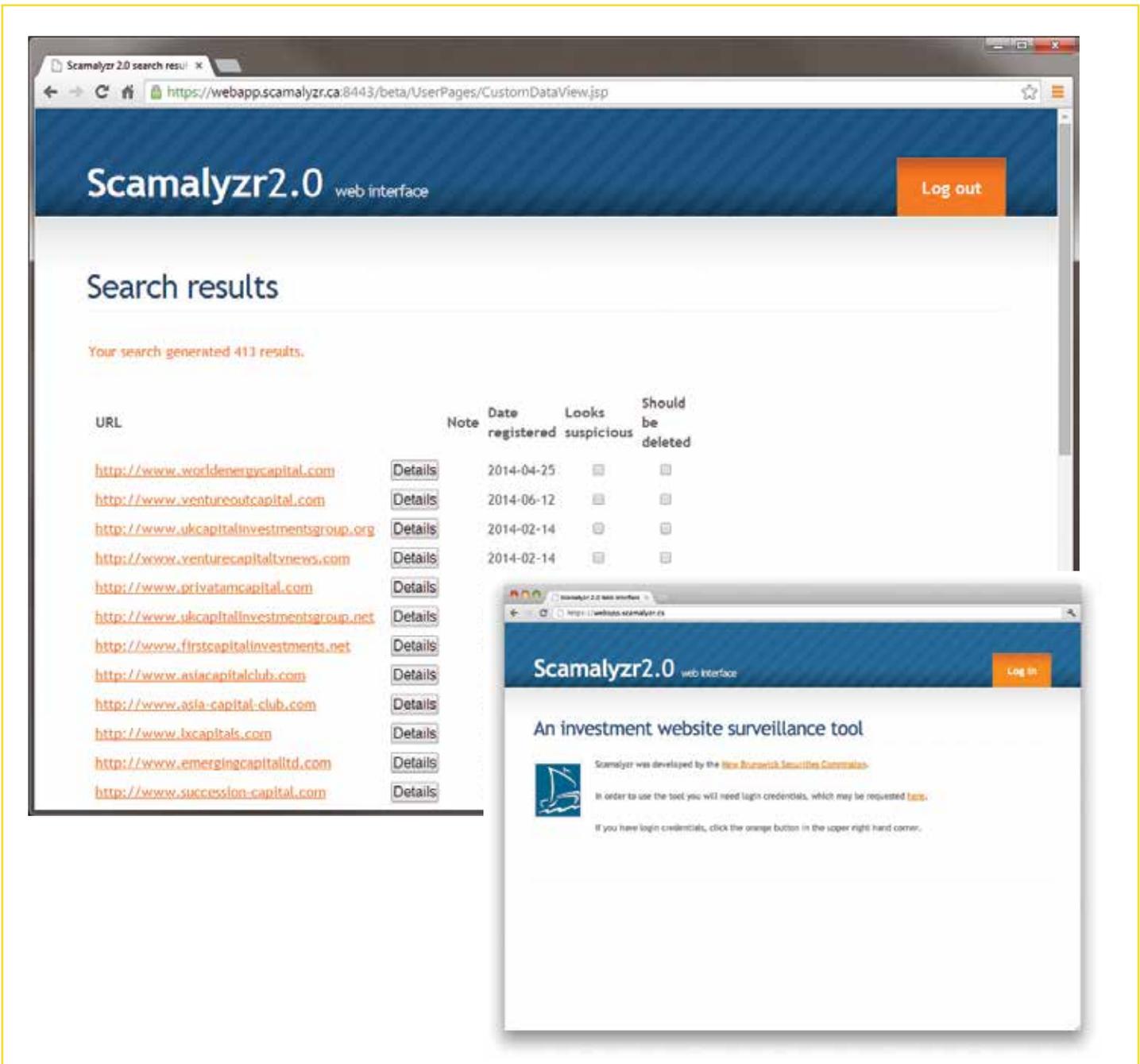
When building the FCNB brand, there were some difficult questions raised. How do we capture the various responsibilities of this new multi-sector regulator and provider of educational services? What brand will be effective in communicating with both our consumer and our industry audiences?

“Developing a name, tagline and logo that would be memorable and effective in both official languages was our ultimate goal,” says Andrew Nicholson, Director of Education and Communications. “We formed an inter-divisional working committee to review the options presented to us by our branding agency, and to develop our own options. From there, a tagline was developed along with a concept logo to assist our branding agency

with their development process. During the focus testing process, all staff were invited to contribute.”

The F in FCNB represents the financial regulation aspects of our operation while the C demonstrates our focus on the consumer. The NB reminds both of our audiences who we serve and for our national audiences, helps them understand where we are located.

The three swooshes in our logo stylise how the three words in our tagline – *regulation, education and protection* – work together to achieve our vision of a confident, dynamic and informed financial and consumer marketplace for New Brunswick.



## NUMEROUS NASAA MEMBERS ADOPT *Scamalyzr* AS SECURITIES FRAUD PREVENTION TOOL

Members of the North American Securities Administrators Association (NASAA) have adopted the FCNB's Scamalyzr tool to help them identify online securities fraud operations.

"The Scamalyzr is a tool that identifies websites offering potentially fraudulent investment schemes," says Jake van der Laan, Director of Enforcement. "The system may flag the site as a potential risk requiring review. It is not a silver bullet, but it is another tool regulators can use to help them be more proactive in their work."

The tool was prototyped by van der Laan in 2009, and then further developed by van der Laan and Brodie Shannon, Technology Specialist. In 2011 they added a browser-based application to allow other jurisdictions to access the tool online; and in 2012 they added a crowdfunding watch feature, and the ability to focus a search on a specific jurisdiction.



## BUILDING THE FCNB'S ONLINE PRESENCE

The creation of the FCNB on 1 July 2013 kicked off a full-scale website development project designed to communicate the new organization's mandate, consolidate content and effectively reach New Brunswickers.

"Because the new site would combine the resources of a wide variety of sites, our first step was to establish a temporary site pointing users to existing resources," says Michelle Robichaud, Communications and Media Relations Specialist. "Ensuring continuity of service was very important to us."

Content experts were identified in each division, to prioritize messages and write new content as required.

"Perhaps the biggest challenge – apart from the sheer volume of content – was the fact that we have two distinct audience groups for our website: consumers looking for educational information, and professionals looking for industry information," explains Robichaud. "The site needed to have two areas to allow us to meet the needs of these groups and provide value over time."

The new site, launched in December 2013, establishes the FCNB as the authority in each of its regulated sectors.

"We are continuing to develop the site's collection of automated functions," says Robichaud. "Right now users can download electronic forms, check if their investment advisor is registered or if their insurance broker is licensed, and watch our latest capital markets videos."

Visit the site at [www.FCNB.ca](http://www.FCNB.ca).

## FORMS AUTOMATION

Running alongside the FCNB's website project is an extensive forms automation initiative, which will have a significant positive impact on reducing staff workloads and improving customer experience.

More than 100 forms – including licence applications, registration forms, records requests and many others – will be consolidated onto the website.

"Prior to the forms automation project, we were processing and storing our forms in paper format," says Ann Sparkes, Senior Licensing Officer, Consumer Affairs. "With approximately 7,000 licences issued per year in Consumer Affairs alone, this project will streamline processes and allow us the time to be more proactive and strategic."

When the project is complete, users will be presented with two options for completing and submitting a form. They will be able to download and print a PDF form, fill it in and then mail it to us – or, they will fill in an online version of the form and submit it digitally. All the forms will be stored in a central location, which will also simplify the process of updating and managing them over time.

"Part of the forms automation initiative involved taking a close look at the kind of information we're tracking," says Sparkes. "For example, many of our forms did not include a field allowing us to capture email addresses. Making this change will make communicating with our stakeholders a whole lot easier."

The forms automation process will be complete by the end of 2014.



An increase in the number of agents and brokers gives consumers more choice, which is great – but it is still important to do your research and make sure you're dealing with a licensed individual.



David Weir,  
*Deputy Director of Insurance.*



## GROWTH IN INSURANCE LICENSING

In New Brunswick, all agents, brokers, adjusters and companies wishing to carry on the business of insurance must be licensed. Over the past ten years, we have seen significant growth in this area.

In 2013-14 the division issued a total of 7,532 licenses.

“This increase coincides with an increase in call centres where individuals are licensed to sell into many jurisdictions,” says David Weir, Deputy Director of Insurance. “An increase in the number of agents and brokers gives consumers more choice, which is great – but it is still important to do your research and make sure you’re dealing with a licensed individual.”

New Brunswickers can check to see if their agent or broker is licensed using the Insurance License Search tool at [www.FCNB.ca/licensees](http://www.FCNB.ca/licensees).

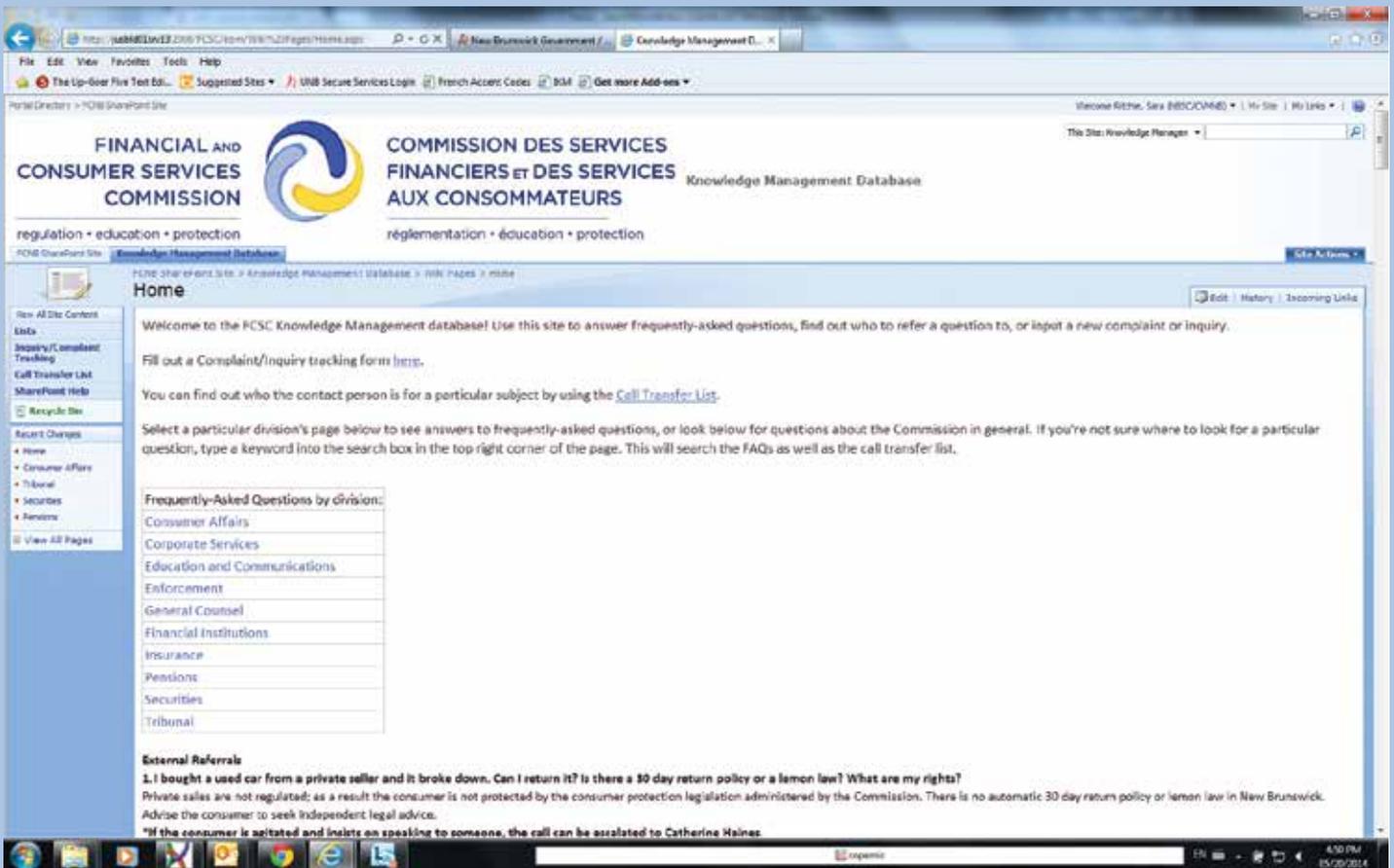
Many insurance-related licences must be renewed on an annual basis, and each renewal requires due diligence and care. In 2013, the Pension and Insurance division began reviewing their processes for ways to reduce the workload, and exploring opportunities for automation.

## CUSTOMER CONTACT TRENDS

In January 2014, the Consumer Affairs division began managing its call logs using an online tracking system, which will give them new ways to manage their data over time.

The division notes that the most frequent calls relate to collection agency complaints, used car purchases and miscellaneous purchases where the product did not live up to expectations.

Since 1 July 2013, the division has received 3,112 calls.



# KNOWLEDGE DATABASE PROJECT IMPLEMENTED

The first of January saw us re-position our 1-800 number as our main contact number, and develop a knowledge database designed to create an easily accessible information resource for front-line staff.

“Given the broad scope of industries regulated by the FCNB, ensuring clarity for the public and stakeholders who want to connect with us is paramount,” says Sara Wilson, Stakeholder Relations Specialist. “It is important that best practices – from the telephone system we select to the processes we use – are in place to help callers reach the right person within the organization, and to ensure the public is able to easily find the information they need.”

One of the main goals of the initiative was to utilize the time of our subject matter experts as efficiently as possible.

“We developed the database by consulting with our divisions on the calls they receive most often,” says Wilson. “Then we grouped the responses by topic and contact person, and made them searchable.”

The knowledge database is designed to be a living tool that can be added to and edited over time. Front-line staff members have already received training on how to use it.

“Our sessions covered the procedures involved in using the database, but also the basics of customer care,” says Wilson.

Front-line staff will be expected to provide general information, but also to refer certain questions to the subject matter expert in question.

“The database gives the person answering the call the ability to be an informed resource. It gives them the tools to answer many questions right on the spot,” says Wilson. “It will also have a terrific impact on the consistency of the information delivered.”

# LETTER FROM THE CHAIR



On behalf of the Members of the Commission, I am pleased to present the 2013-2014 Annual Report for the Financial and Consumer Services Commission (FCNB).

I joined the FCNB as its independent Chair in January 2014, due in large part to encouragement received from outgoing Chair David Barry. I am very grateful to him for his support and advice, and am excited about joining a team with such enormous potential.

The separation of the roles of Chair and Chief Executive Officer (a role now ably filled by former New Brunswick Securities Commission Executive Director Rick Hancox) is a move that ensures the Commission embraces the highest standards of good governance, and is just one aspect of the restructuring that has taken place over the past year.

It has indeed been a year marked by change – change that has seen the consolidation of the province’s financial and consumer regulatory expertise into one arm’s length Crown Corporation, the introduction of an independent Tribunal, and the addition of six new Commission members – all professionals dedicated to exercising good oversight and providing exceptional guidance in a dynamic environment.

The FCNB now stands as New Brunswick’s “one window” on financial and consumer topics, serving both participants and the public equally. We are committed to completing the integration of our new responsibilities, improving uniformity of service and access to information while effectively regulating financial and consumer services in New Brunswick.

The recent decision by the New Brunswick government to participate in the Cooperative Capital Markets Regulator creates additional opportunities for our staff and our stakeholders.

An environment of continuous improvement and a commitment to professional change management will help us roll out significant new initiatives, restructure our current operational environment and confirm our position as a leading regulator in Canada.

I’d like to thank members with terms expiring during this past fiscal year, for their commitment and service. And once again I’d like to thank outgoing Chair David Barry for his hard work and vision.

I look forward to meeting the challenges and realizing the many opportunities that lie ahead.

A handwritten signature in black ink, reading "Peter Klohn". The signature is written in a cursive style.

Peter Klohn  
Chair

# LETTER FROM THE CEO



The Financial and Consumer Services Commission (FCNB) was created on 1 July 2013 by bringing the regulators for consumer affairs, financial institutions, insurance, pensions and securities together into one organization. Our mandate is to protect New Brunswick consumers and enhance public confidence in our financial and consumer market places. We do this through *regulation, education and protection*. This strategic consolidation of core expertise has solidified our abilities and allows us to take advantage of operational synergies.

From a regulatory perspective, we've been working to modernize the 18 pieces of legislation under our jurisdiction and improving the regulatory framework across this portfolio of responsibilities.

From an education perspective, we cover a broad range of initiatives, from going into schools to talk to kids about money, engaging with the community at home shows and community events, to posting on our Blog For What It's Worth. We have been developing a variety of tools to provide our stakeholders with the information they need to make informed financial decisions and to help protect them from fraud. We firmly believe that being informed is the best way for New Brunswickers to protect themselves and we are working hard to become a trusted source of information for them.

From a protection perspective, in addition to our information resources, we've been improving compliance and enforcement capabilities across all of our regulatory sectors. We have also improved sharing information between regulators for better consumer protection. The ability to pool our regulatory expertise helps us to better protect New Brunswickers.

It has been a challenging year, and as with any organizational transition, there can be a certain degree of uncertainty and anxiety. I'm particularly pleased with how

we made the transition. The cooperation, involvement and insight from staff helped make it a smoother transition. We are truly charting a new course together. I am pleased to be part of this group – our staff in Fredericton and Saint John are experts at what they do, and it's obvious that they are committed to fulfilling our mandate.

This year, we saw two of our long-serving staff members retire. Suzanne Ball, Associate General Counsel and Ed LeBlanc Senior Investigator have had a long history in the regulation of securities in New Brunswick. Both had been with the former Securities Commission since inception, and I am very fortunate to have had the opportunity to work with and learn from them. I would also like to take this opportunity to welcome our new Chair, Peter Klohn. It has been 13 years since he authored the report recommending the creation of the New Brunswick Securities Commission, and he's now helping us guide the ship once more.

We are here to help protect New Brunswickers – it's the goal that fundamentally drives all that we do through regulation and education. This report provides an overview of our initiatives across our regulatory spectrum. If you haven't already, I encourage you to visit our website ([www.fcnb.ca](http://www.fcnb.ca)), watch our videos, review our materials and give us a call if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Kenrick Hancox". The signature is written in a cursive, slightly slanted style.

Kenrick Hancox  
Chief Executive Officer

# BOARD MEMBERS



**PETER KLOHN**  
Residence: Rothesay  
Appointed:  
1 January 2014  
Term expires:  
31 December 2019

Mr. Klohn was a senior partner at Stewart McKelvey, with a diverse national practice in securities law, regulated industries, corporate law and corporate finance. He has acted as consultant to the New Brunswick government in providing recommendations for new securities legislation, and his report entitled Responding to the Challenge of Borderless Markets: Recommendations for Reform of Securities Law in New Brunswick, resulted in the establishment of the New Brunswick Securities Commission in 2004. Mr. Klohn also represented New Brunswick as a member of the Advisory Committee to the Canadian Securities Transition Office responsible for reviewing proposals for federal regulation of securities in Canada.



**YVES GAGNON, PMP**  
Residence:  
Campbellton  
Appointed:  
6 February 2014  
Term expires:  
5 February 2018

Mr. Gagnon is the President of Consultation Gagnon Strategix Consulting Inc. He has worked as an auditor, and has served for many years as Chief Administrative Officer for the City of Campbellton. He has worked in the resources sector and in the private, public and not-for profit sectors as a project management consultant. He currently serves as a member of the Board of Governors of the Université de Moncton and is Chair of its Audit Committee.



**J. DOUGLAS BAKER, CA**  
Residence: Riverview  
Appointed:  
6 February 2014  
Term expires:  
5 February 2017

Mr. Baker is a chartered accountant who has worked in public practice for over fifty years. He has served as manager of audit services and was a partner with KPMG. In more recent years he established an accounting practice focused on the needs of emerging New Brunswick entrepreneurs and businesses. He has specific knowledge of current corporate governance, risk and compliance practices.



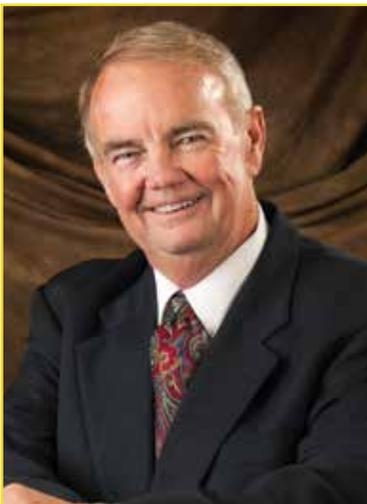
**CÉLINE  
ROBICHAUD-TRIFTS**  
Residence: Moncton  
Appointed:  
16 August 2007  
Term expires:  
29 June 2014

Ms. Robichaud-Trifts is a retired pharmacist/manager/lecturer, having worked for more than 30 years in the health care sector. She is a Past President of the New Brunswick Branch of the Canadian Society of Hospital Pharmacists and was a member of the Task Force on Standards for Hospital Pharmacy Practice, and the Task Force for Membership Structure for the Canadian Society of Hospital Pharmacists. She is also a former member of the board of directors of the Rexton Area Health Care Foundation.



**PAULETTE ROBERT**  
 Residence:  
 Losier Settlement  
 Appointed:  
 21 August 2013  
 Term expires:  
 20 August 2017

Ms. Robert has retired from her post as Executive Director of the Community Business Development Corporation of the Acadian Peninsula. Ms. Robert is a former member of the New Brunswick Securities Commission. She has also served for three years as a member of the board of directors of the New Brunswick Credit Union Deposit Insurance Corporation.



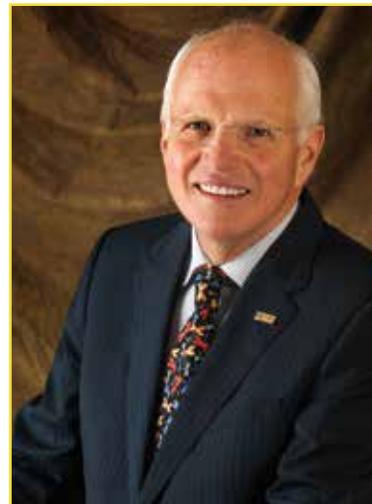
**KEN SAVAGE**  
 Residence:  
 Fredericton  
 Appointed:  
 16 August 2007  
 Term expires:  
 30 June 2015

Mr. Savage is a Chartered Accountant and a Certified Financial Planner. Prior to Mr. Savage's retirement as a partner from the accounting firm KPMG, he served in public practice for over 40 years. He served as Treasurer of the Fredericton Chamber of Commerce and was a member of the board of directors of Via Rail Canada Inc. where he served as Chair of the Audit and Risk Committee and as a member of the Planning and Finance Committee and the Investment Committee.



**IAN PURVIS, Q.C.**  
 Residence: Woodstock  
 Appointed:  
 21 August 2013  
 Term expires:  
 20 August 2017

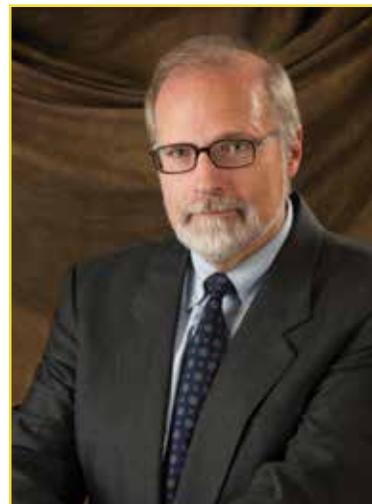
Mr. Purvis is a senior partner at Purvis Law. He has practised law for over 40 years and was appointed Queen's Counsel in 1997. He served as solicitor for the Town of Woodstock, and for the Carleton Memorial Hospital, and was a member and chair of the Board of Trustees for School District #23.



**HON. GREG THOMPSON, P.C.**  
 Residence: Bayside  
 Appointed:  
 6 February 2014  
 Term expires:  
 5 February 2016

Mr. Thompson is a former Member of Parliament and Cabinet Minister who served as Minister of Veterans Affairs and Regional Minister for the Province of New Brunswick. Prior to his appointment to the Privy Council, Mr. Thompson served

on the Standing Committee on Finance and the Standing Committee on Scrutiny of Regulations. Mr. Thompson retired from politics in 2011.



**MICHAEL WENNBERG**  
 Residence: Rothesay  
 Appointed:  
 21 August 2013  
 Term expires:  
 20 August 2018

Mr. Wennberg practised law with Stewart McKelvey for thirty years. He served as the firm's Corporate-Commercial Practice Manager, Managing Partner and was on the firm's Atlantic Canada Partnership Board. In 2012, Mr. Wennberg

was awarded the Queen Elizabeth II Diamond Jubilee Medal for his involvement in the community.



## DIVISION PROFILE: *Consumer Affairs*

“

We have made great strides in terms of automation and communications this year. These investments allow us to be increasingly proactive in our efforts to protect New Brunswick consumers.

”

Suzanne Bonnell-Burley,  
Director

### ACT(S) ADMINISTERED

- *Auctioneers Licence Act and Regulations*
- *Collection Agencies Act and Regulations*
- *Commissioners for Taking Affidavits Act and Regulations*
- *Consumer Product Warranty and Liability Act*
- *Cost of Credit Disclosure Act and Regulations*
- *Direct Sellers Act and Regulations*
- *Franchises Act and Regulations*
- *Gift Cards Act and Regulations*
- *Pre-arranged Funeral Services Act and Regulations*
- *Real Estate Agents Act and Regulations*

### MEMBERSHIP

- Consumer Measures Committee
- Canadian Motor Vehicle Arbitration Plan
- New Brunswick Real Estate Association
- Canadian Association of Mortgage Professionals

### SCOPE OF RESPONSIBILITIES

The FCNB's consumer affairs mandate is focused primarily on transactions that occur between a business and an individual (consumer).

The Consumer Affairs division provides day-to-day administration and enforcement of legislation. Activities include investigating consumer complaints, providing advice and direction to the public on how to resolve their complaints, educating consumers and businesses on their rights and responsibilities, and issuing and administering licences, registrations and/or appointments for the regulation of businesses under consumer legislation.

## STATISTICS

### Call logs

Year	Inquiries	Complaints
2013-2014	4,288	162
2012-2013	6,496	182
2011-2012	6,316	137



## DO YOU? DO KNOW?

Contrary to what many consumers may think, insurance brokers are generally not able to shop the whole market in recommending insurance products.

Brokers sell the products of insurance companies they have contracts with. Some brokers have contracts with many companies while others may only have contracts with a few.

This can limit the consumer's choice.

Therefore, when shopping around, a consumer may wish to contact several different brokers and ask about the companies they deal with.

## Licences, registrations and appointments

Licence Act	Licence Type	Requested	Issued
<i>Auctioneer's Licence Act</i>	TOTAL	59	59
	Auctioneers Licence	59	59
<i>Collection Agencies Act</i>	TOTAL	3,917	3,825
	Agency Licence	65	64
	Branch Licence	70	70
	Collector Licence	3,782	3,691
<i>Commissioners for Taking Affidavits Act</i>	TOTAL	671	669
	Commissioner of Oaths (Foreign)	2	2
	Commissioner of Oaths (Provincial)	669	667
<i>Cost of Credit Disclosure Act</i>	TOTAL	821	821
	Branch Licence	313	313
	Company Licence	498	498
	Individual Licence	10	10
<i>Direct Sellers Act</i>	TOTAL	523	519
	Salesman Licence	453	451
	Vendor Licence Company	69	67
	Vendor Licence Individual	1	1
<i>Pre-arranged Funeral Services Act</i>	TOTAL	136	136
	Branch Licence	10	10
	Manager Licence	68	68
	Provider Licence	58	58
<i>Real Estate Agents Act</i>	TOTAL	1,295	1,294
	Agent Licence	110	110
	Branch Licence	41	41
	Manager Licence	191	190
	Sales Person Licence	953	953
<b>Grand Total</b>		<b>7,422</b>	<b>7,323</b>

## 2013/2014: KEY INITIATIVES

- **FORMS STANDARDIZATION**

We participated in the FCNB's forms automation project, converting 15 essential forms – including licence, registration, and appointment applications – from paper to digital format. The first stage of the project – bringing the forms up to date – is complete. When complete, this initiative will have an enormous positive impact on our data management processes, and our ability to serve our customers in an efficient and timely manner.

- **PAYDAY LOANS LEGISLATION**

Working alongside the General Counsel division, we participated in the development of a proposal to introduce amendments to un-proclaimed payday loans legislation (An Act Respecting Payday Loans) to create an effective regulatory regime for payday lenders. Upon enactment of the legislation, the amendments will provide the FCNB with the tools necessary to effectively regulate payday lenders in New Brunswick, enhancing consumer protection.

- **COMPLIANCE INITIATIVES**

In 2013, inspections revealed a number of compliance issues related to filing requirements within the pre-arranged funeral industry. We took steps to remedy the situation, and are working with the industry as a whole to communicate the findings of our inspection reports, explain the reasons for compliance requirements, and to help them focus on the information we require.





## DIVISION PROFILE: *Financial Institutions*



This year our team of professionals took the lead in a major review of legislation. We provided guidance and advice to stakeholders and Government.

Pierre LeBlanc  
Director



### ACT(S) ADMINISTERED

- *Co-operative Associations Act and Regulations*
- *Credit Unions Act and Regulations*
- *Loans and Trust Companies Act and Regulations*

### KEY STAKEHOLDER GROUPS

- La Fédération des caisses populaires Acadiennes limitée
- L'Office de stabilisation de la Fédération des caisses populaires Acadiennes limitée
- Atlantic Central
- Brunswick Credit Union Stabilization Board (Risk Management Agency)
- The New Brunswick Credit Union Deposit Insurance Corporation (NBCUDIC)

### SCOPE OF RESPONSIBILITIES

Under its mandate of depositor protection, the Financial Institutions division provides corporate registry services for, and oversees the financial stability and solvency of, credit unions and caisses populaires.

The Financial Institutions division also oversees the financial stability and solvency of provincially incorporated loan and trust companies, and regulates the licensing of extra-provincial loan and trust companies operating in the province. In addition, the Financial Institutions division is responsible for the regulation and the incorporation of co-operatives in the province.

The Superintendent of credit unions sits as a non-voting member of the Risk Management Agency and of the Office de stabilisation de la Fédération des caisses populaires Acadiennes Ltée. He also sits as a voting member of NBCUDIC.

## STATISTICS

### Co-operatives: 2013-2014 summary table

Category	Reporting	Total assets (\$)	Total revenue (\$)	Members equity to assets	Employees	Members
Agriculture-Forestry	16	37,541,420	77,785,185	84.33 %	235	1,422
Fishery	1	39,985,751	45,603,909	71.59%	408	143
Consumer	18	67,865,695	258,780,424	47.92%	974	75,797
Housing	18	24,302,949	7,143,333	8.23%	5	737
Services	36	8,450,316	6,192,868	47.54%	93	6,923
Workers	2	421,851	1,679,726	86.75%	72	156
<b>TOTAL</b>	<b>91<sup>(1)</sup></b>	<b>\$178,567,982</b>	<b>\$397,185,445</b>	<b>N/A</b>	<b>1,787</b>	<b>85,178</b>

(1) There were 180 co-operatives in New Brunswick as of 31 December 2013. In 2013, three new co-operatives were incorporated in the service sector.

### Credit Unions and Caisses Populaires: 2013-2014 summary table (unaudited)

	Credit Unions	Caisses Populaires	TOTAL
Number	10	15	25
Members	71,000	155,000	226,000
Assets	\$0.9 billion	\$3.1 billion	\$4.0 billion
Deposit protection funds equity – CU/CP	\$59.5 million	\$242.4 million	\$301.9 million
Stabilization funds	\$18.1 million	\$87.4 million	\$105.5 million
NBCUDIC funds	0	0	\$4.3 million
Total protection funds	\$77.6 million (8.5%)	\$329.8 million (10.6%)	\$407.4 million (10.2%)

### Loan and Trust Companies: 2013-2014 summary table

Location	Number
TOTAL PROVINCIAL	0
Alberta	1
Québec	1
Federal	47
TOTAL EXTRA-PROVINCIAL	49



## 2013/2014: KEY INITIATIVES

- **FIVE-YEAR REVIEW OF THE *CREDIT UNIONS ACT***

As stipulated by legislation, last year we completed a five-year review of the *Credit Unions Act*. Consultation with key stakeholders (including the Fédération des caisses populaires acadiennes limitée, Atlantic Central, the Office de stabilisation de la Fédération des caisses populaires acadiennes limitée, the Risk Management Agency, and the New Brunswick Credit Union Deposit Insurance Corporation (NBCUDIC) resulted in proposals for more than 125 changes to legislation.

We established a framework for evaluating each suggestion, and then consolidated the proposals into four major topics: equity, increased powers of a federation, increased powers of credit unions, and amendments to deposit insurance provisions. The completed report was submitted to the legislature on 20 November 2013.

- **SUPERVISION**

In 2013-2014, one credit union was under voluntary supervision due to human resources issues related to filling a key role within the company. The Division keeps in regular communication with the Risk Management Agency to monitor progress of the credit union.

- **REVIEW OF THE *CO-OPERATIVE ASSOCIATIONS ACT***

The *Co-operative Associations Act* has been in force since 1978, and a new legislative framework is needed to provide co-operatives with modern legislation. In 2013-2014, the industry led Co-operative Ambassador Committee accepted the challenge of preparing a proposal for a new legislative framework for cooperatives, and established a working committee for that purpose. The Committee expects to complete its proposal in 2014 and file it with Government and the Commission for consideration. The Division's Senior Regulatory Officer acted in an advisory capacity to the Committee on an as needed basis.



## DIVISION PROFILE: *Pensions and Insurance*



We continue to operate in a dynamic economic and regulatory environment, providing continuity of service and ongoing consumer protection.

Angela Mazerolle  
Director



### ACT(S) ADMINISTERED

- *Insurance Act and Regulations*
- *Nursing Homes Pension Plans Act and Regulations*
- *Pension Benefits Act and Regulations*

### MEMBERSHIPS

- Canadian Council of Insurance Regulators (CCIR)
- Canadian Insurance Services Regulatory Organizations (CISRO)
- General Insurance Statistical Agency (GISA)
- Canadian Association of Pension Supervisory Authorities (CAPSA)

### SCOPE OF RESPONSIBILITIES

The Pensions and Insurance Division provides day-to-day administration of the *Insurance Act* through the regulation, oversight and licensing of insurers and insurance intermediaries (adjusters, agents, brokers and damage appraisers) in New Brunswick. Staff monitor solvency of insurers and strive to ensure insurers and intermediaries are following the provisions in the Act and Regulations.

The division is also responsible for the enforcement of standards prescribed under the *Pension Benefits Act* and for the investigation of alleged violations. This includes reviewing and registering documents that create and support pension plans, providing requested information about pension plans and retirement savings arrangements, and monitoring private pension plans to ensure compliance with the Act and its Regulations.



## STATISTICS

### *Insurance companies operating in NB:*

Category of company	Our role	Number
Companies based in NB	Primary regulator (solvency and market conduct)	7
Companies that are federally- or internationally-headquartered	Licensing and market conduct	183
Companies based in another province	Licensing and market conduct	41

### *Licences issued – 2013-2014*

Licence type	2013-2014
Life Insurance Agents/Brokers	2,598 <sup>(1)</sup>
Other Than Life Agents/Brokers	1,677
Non-Resident Brokers	2,524
Accident & Sickness Agents	364
Travel Agents	304
Special Insurance Brokers	13
Damage Appraisers	69
Adjusters	1,122
Total number of Licensees	8,671
Total number of licences produced	7,532 <sup>(2)(3)</sup>

Note (1) Life Agents: Resident(s) - 1470; Non-Resident(s) - 976

Note (2) Includes intermediaries holding more than one licence and licence transfers.

Note (3) The number of licences produced reflects the number of licences issued from 1 April to 31 March. This number is less than the total of intermediaries as some of the intermediaries hold two-year licenses which were issued in the previous year.

## INSURANCE

### • INFORMATION MANAGEMENT

The Insurance area has developed a project charter for the development of a new software system that will move the licensing functions from a paper-based system to a digital one, allow for online applications and payments, produce customizable reports using data analysis tools, and allow us to implement better internal financial controls. This new information management system has been incorporated into the Commission's IT strategy.

### • PERSONAL INJURY CAP AMENDMENTS

In 2003, Government determined that the primary factor behind rising premiums was the rising cost of settling injury claims - particularly pain and suffering awards - for less serious soft tissue injury claims. The Injury Regulation (N.B. Reg. 2003-20) defined "minor personal injury" and set the limit on non-pecuniary general damage awards at \$2,500. In 2013, Government introduced changes to the Injury Regulation following significant consultation with accident victims and other stakeholders. For individuals injured in motor vehicle accidents after 1 July 2013, the cap on non-pecuniary general damages has increased from \$2,500 to \$7,500.

Further:

- The cap amount will be indexed each year commencing in 2015 based on the Consumer Price Index;
- Injuries that do not fall within the definition of "minor personal injury" are not subject to the cap and the victim can receive full non-pecuniary damages;
- The cap does not limit other damages such as loss of income or cost of future care; and
- The cap does not affect a claimant's right to collect Accident Benefits under Section B of the Standard Automobile Insurance Policy.

We are monitoring the situation to determine the impact of this change.

### • UPDATING AGENT/BROKER LICENSING REGIME

In August 2013, we released a discussion paper seeking stakeholder feedback on how to update the licensing regime for agents and brokers. We solicited feedback on several topics including the levels of licences, educational requirements, trust accounts, and errors and omissions insurance. We received eleven responses, and are currently summarizing these into a position paper.

### • LIFE LICENSE QUALIFICATION PROGRAM (LLQP) UPDATE PROJECT

An individual hoping to sell life insurance or accident and sickness insurance in New Brunswick must first complete the Life License Qualification Program (LLQP). The program, adopted in 2003, provides for a mandatory pre-licensing training course and an enhanced licensing examination.

Since 2010, insurance regulators, now including the FCNB, have been working on proposed changes to the LLQP program, including:

- a national focus;
- an effective governance model, reporting to Canadian Insurance Services Regulatory Organizations (CISRO);
- a user-pay funding mechanism; and
- updated curriculum, standardized course material and a new exam format.

The project commenced with Occupational Analysis Workshops involving over 80 agents from across the country. Online stakeholder surveys were also conducted. CISRO is very pleased with the level of stakeholder engagement and the project has truly benefited from the input obtained through this extensive consultation process.

The implementation date for the updated LLQP is 1 January 2016, and course material is expected to be ready for distribution to course providers in the next fiscal year.

### • FIRST CHANCE DISCOUNT – SCHEDULE A UPDATES

The Recently Licensed Driver Rate Reduction Regulation (commonly known as First Chance Discount) provides new drivers with driving experience credit to provide them lower automobile insurance rates. Under the First Chance Discount, a driver becomes ineligible for the experience credit if he or she has an at-fault accident, is convicted of a Criminal Code offence related to the operation of a motor vehicle, or is convicted of one of the *Motor Vehicle Act* offences enumerated in Schedule A to the Act. We are developing recommendations to update Schedule A with new offences that have been added to the *Motor Vehicle Act* since the First Chance Discount was implemented.

## PENSIONS

### • INFORMATION MANAGEMENT

The Pensions Database/Pension Information System was evaluated this year, and was identified for priority replacement, to ensure continuity of service and mandate fulfillment.

### • SHARED RISK PLANS

In July 2012, Government introduced shared risk legislation, making shared-risk pension plans a design option under the *Pension Benefits Act*, available to both private and public plans. All pension plans that convert to this new model fall under the jurisdiction of the *Pension Benefits Act*, as administered by the Superintendent of Pensions. On 1 January 2014, the Public Service Superannuation Plan was converted. This, combined with the earlier conversions of the hospital plans, represents approximately 35,000 members. The Provincial Government continues to work on converting their plans, with the Teachers Plan set to convert on 1 July 2014.

We have been invited to speak on the legislative aspects of the Shared Risk model at a variety of events and conferences, including:

- The Canadian Institute's 14th Annual Advanced Forum on Pension Law, Governance & Solvency – Keynote Regulatory Panel: What's in Force and What's Not?;
- Canadian Police Association's General Meeting;
- International Pension & Employee Benefits Lawyers Association (IPEBLA);
- Canadian Institute of Actuaries (CIA) Annual General Meeting;
- Canadian Pension and Benefits Institute (CPBI) Atlantic Regional Conference;
- International Foundation of Employee Benefit Plans (IFEBP) 46th Annual Canadian Employee Benefits Conference; and
- Lancaster House 1st Annual Pension Conference.



**D YOU?  
D KNOW!**

In our 2013 Capital Markets Report, we reported that there were 19 merger and/or acquisition deals in 2012, involving New Brunswick-based businesses.

These deals, including New Brunswick companies acquiring other companies and New Brunswick companies being acquired, were worth a total of \$215.98 million.



# DIVISION PROFILE:

## Securities

“  
The Securities division continues to protect investors and foster healthy capital markets in New Brunswick.  
”  
Kevin Hoyt  
Executive Director

### ACT(S) ADMINISTERED

- *Securities Act and Regulations*
- *Securities Transfer Act*

### MEMBERSHIPS

- Canadian Securities Administrators (CSA)
- North American Securities Administrators Association (NASAA)
- Council of Securities Regulators of the Americas (COSRA)

### MANDATE AND SCOPE OF RESPONSIBILITIES

The Securities Division provides day-to-day administration of the *Securities Act* through the regulation and oversight of registrants, securities issuers and self-regulatory organizations. Securities Division staff review offering documents, continuous disclosure documents and applications to ensure these filings comply with securities laws.

Staff also review applications for registration from dealers and advisors who are in the business of trading or advising in New Brunswick. Compliance staff regularly conduct compliance reviews on the operations and practices of registered firms and the disclosure of issuers. Staff participate on national committees of the Canadian Securities Administrators respecting the development and drafting of securities laws and policies.



## STATISTICS

Corporate Finance Activity	2013-2014	2012-2013	2011-2012
Reporting issuers	4,757	4,696	4,581
Reporting issuers (New Brunswick-based)	8	8	8
Prospectus filings (Non-Mutual Funds)	401	436	467
Mutual fund prospectus filings	216	207	217
Annual information forms <sup>(1)</sup>	1,256	1,100/1,180	1,224
Exempt distribution reports	454	398	404
Exemption applications (Non-Passport)	83	84	83
Cease-trade order	-	1	-
Management cease-trade order	-	1	-
<b>Registration Activity</b>			
Registered firms	398	392	392
Registered firms (NB head office)	3	5	5
Branches/sub-branches in New Brunswick	546	522	536
Registered individuals	9,781	9,406	9,200
Registered individuals (NB residence)	1,749	1,724	1,725

Note (1) Includes 80 filed on 1 and 2 April 2013 due to filing deadline for 2012-2013 fell on Sunday.

## 2013/2014: KEY INITIATIVES

### • SECURITY HOLDER EXEMPTION

In February 2014, the Commission adopted Blanket Order 45-505 [In the matter of an Exemption from the Prospectus Requirement for Certain Trades to Existing Security Holders](#) which came into force on 14 March 2014. This rule enables TSX, TSX-V and Canadian Securities Exchange (CSE) issuers to distribute securities to their existing holders, upon the filing of a press release and reliance on the issuer's continuous disclosure record. Being an existing security holder provides a form of investor protection, as it indicates that the investor has previously made an investment decision about the issuer and suggests that the investor has some familiarity with the issuer, including its trading record and its continuous disclosure.

### • PROPOSED LEGISLATION FOR MORTGAGE BROKERS

A collaborative effort is underway at the Commission to support the anticipated implementation of legislation regulating the mortgage broker industry. During this fiscal year, the Securities division, along with Enforcement, General Counsel and Consumer Affairs supported Government in advancing this proposed legislation. This initiative was in keeping with Government's commitment to enhance consumer protection in relation to predatory lending practices. The purpose of the Act would be to impose standards on individual brokers, enhance disclosure requirements, place restrictions on upfront fees, and provide minimum educational standards, enhancing both consumer and investor protection.

### • LEGISLATIVE AMENDMENTS TO THE SECURITIES ACT: DERIVATIVES

In December 2013, legislative amendments were added to the *Securities Act* providing the Commission with increased authority to regulate derivatives markets. Specifically, the amendments separate out the definitions of "derivatives" and "securities" and provide the Commission authority to require that:

1. trades in derivatives be reported to a trade repository;
2. persons dealing or advising in derivatives be registered with the Commission;
3. derivatives be cleared through a clearing agency; and
4. derivatives be traded on exchanges or electronic trading platforms, where appropriate.

### • EXEMPT MARKET ACTIVITIES: CROWDFUNDING

Crowdfunding is emerging as a potential means for small and medium-sized businesses to raise capital through the issuance of securities. On 20 March 2014, the Commission, along with securities regulators in Quebec, Saskatchewan, Nova Scotia and Manitoba, published two proposed exemptions for crowdfunding, designed for issuers who are at different stages of development and have different capital needs and capital-raising resources.

#### *The Crowdfunding Exemption*

Upon acceptance, this exemption would be available to both reporting issuers and non-reporting issuers, and would involve an exemption from prospectus requirements on the condition that, among other things, investments are made through a registered funding portal.

#### *The Start-up Exemption*

Upon acceptance, this exemption would be available to non-reporting issuers and is aimed at providing an alternative source of capital for issuers at a very early stage of development. The Start-up Exemption would involve a prospectus exemption and a registration exemption for portals if they comply with the requirements.

### • EXEMPT MARKET ACTIVITIES: OFFERING MEMORANDUM

On 20 March 2014, we published proposed amendments to the Offering Memorandum Prospectus Exemption and two new proposed forms for Exempt Distribution reporting.

#### *The OM Exemption*

The Offering Memorandum is designed to facilitate early stage and small business financing. The Commission's proposed amendments, which modify *National Instrument 45-106 Prospectus and Registration Exemptions*, contemplate several changes, including caps on amounts that can be sold to individual investors, new requirements for financial statement disclosure, and a net asset test for an "eligible investor" that does not include the value of the individual's principal residence.

#### *New forms for Exempt Distribution reporting*

The two new forms of exempt distribution reports enhance our ability to monitor the use of capital-raising prospectus exemptions. The Commission is proposing one form for investment funds and another form for other types of issuers.



## DIVISION PROFILES:

*Education & Communications  
General Counsel  
Enforcement  
Human Resources*



Moving quickly to support our internal clients, helping them reach their goals with sage advice, seasoned expertise and technical support.

Andrew Nicholson  
*Director, Education and Communications*



### MANDATE AND SCOPE OF RESPONSIBILITIES

We have a number of divisions that support our regulatory functions, and are responsible for providing investigation and enforcement services; legal advice and legislative review services; communications, public relations and education; and finally research services to the organization.

### MEMBERSHIPS

- Financial Education Network (FEN)
- Canadian Securities Administrators (CSA)
- North American Securities Administrators Association (NASAA)
- The Crime Prevention Association of New Brunswick (CPANB)
- National White Collar Crime Centre (NW3C) – Member
- High Tech Crime Investigation Association – Member
- New Brunswick Association of Chiefs of Police – Associate Member
- International Law Enforcement Association – Member
- Law Society of New Brunswick
- The Canadian Bar Association
- The Canadian Corporate Counsel Association
- Council of Securities Regulators of the Americas (COSRA)

## STATISTICS

### Education

E & C Presentations and Events	Attendance	Total events
Investor Education	732	26
Booth/Trade Shows*	525	5
Engagement Events	210	7
Registrant Engagements	25	3
Capital Markets	569	21
TOTAL	2,061	62

\*The Commission was in front of an additional 21,000 people (per Master Promotions reporting) at the Moncton and Fredericton Home Shows.

### Enforcement activities

	2013-2014	2012-2013	2011-2012
Complaints Received	15	10	25
New files from other sources (referrals, surv., etc.)	19	17	22
Requests for assistance from other regulators	1	3	1
New matters	35	29	48
Matters concluded	25	35	41
Matters dealt with by Commission			
Interim cease-trade orders	1	2	3
applicable to # of parties	4	10	9
Permanent/ final cease-trade orders	4	5	2
applicable to # of parties	12	12	4
Reciprocal cease-trade orders	1	1	0
applicable to # of parties	2	3	0
Reprimands	1	0	0
applicable to # of parties	4	0	0
Exemption bans	4	7	4
applicable to # of parties	12	14	12
Registrants limited/banned from market	1	2	2
Settlements approved	2	3	1
Hearing days (Commission only)	9	10	18
Matters dealt with in Provincial Court			
Quasi-criminal charges laid	0	13	0
# individuals charged	0	3	0
Findings of guilt or guilty pleas	0	10	0
Jail sentences imposed	0	10	0
Financial remedies			
NBSC costs levied	\$3,660	\$14,000	\$30,325
NBSC costs recovered	\$500	\$4,000	\$5,000
Administrative penalties levied	\$7,000	\$75,000	\$1,523,500
Administrative penalties recovered	\$7,000	\$25,000	\$50,000
Disgorgement ordered	\$594,997	\$1,787,000	\$22,600
Disgorgement received	\$12,000	\$24,000	\$12,000

## Awareness campaign

Awareness campaign research numbers have been compiled. These numbers will act as a baseline for our survey, which we will use for comparison in future years.

Of note:

- approximately four in ten (41%) New Brunswickers are aware that there is a provincial agency in New Brunswick that exists to protect consumers and empower consumers to make the right financial decisions.

- 13% of respondents named the Financial and Consumer Services Commission or FCNB as the agency that exists to protect consumers in New Brunswick.

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## 2013/2014: KEY INITIATIVES

### • AWARENESS CAMPAIGN

The FCNB Awareness Campaign has three important goals: to communicate who we are, what we do and why our audience might want to connect with us.

Our 2013-2014 campaign addresses the question of who we are and what we do by answering five sector specific questions in five separate 15-second ads. Answering the questions demonstrates immediately why the audience would connect to us without sounding self-promoting. It establishes our relevance quickly and clearly.

The campaign has utilized an integrated approach, presenting TV ads, social media ads, Google ads, and online television “pre-roll” ads – each directing audience members to our website for more information.

### • SENIORS PROJECT

In 2013-2014, the FCNB delivered the Elder Investment Fraud and Financial Exploitation program to health care professionals across New Brunswick. These presentations were delivered to seniors groups, community organizations and at senior expos and events throughout the province.

### • FINANCIAL EDUCATION NETWORK INITIATIVES

The Financial Education Network (FEN), is a group of government, non-profit, and private organizations that have come together to provide New Brunswickers with better access to the knowledge, skills and tools needed to help them make responsible and informed financial decisions.

This fiscal year, FEN members worked together to create a set of new resources to help New Brunswickers develop and improve their financial knowledge, including:

- an infographic outlining financial literacy milestones to support parents and teachers of children aged K-12 as they set learning goals; and

- a series of “Financial Literacy Foundations” tip sheets for New Brunswickers aged 18 and older, providing an introduction to or a reminder of important financial concepts.

These resources were launched in November, to celebrate Financial Literacy Month.

### • IT PROJECT

A preliminary information technology (IT) needs survey, conducted in fall 2013, revealed a variety of opportunities to enhance the Commission’s IT tools and structures, which will lead to more effective and efficient execution of core processes and other activities. A plan was developed to harmonize and improve the IT tools utilized by staff.

Priority areas include:

- Standardizing IT practices;
- Updating the Pension Division’s IT system for tracking and managing pension plan data;
- Updating registration and licensing systems, and introducing a web-based self-serve system for use by regulated parties and the public (“eRegulation”); and
- Updating financial transaction and time tracking systems.

### • NEW FCNB WEBSITE

In December 2013, the FCNB launched a new web platform, combining both consumer and industry information for each of our regulated sectors. The initiative was spearheaded by the Education and Communications team, and relied on content contributions and expertise from all areas of the Commission.

### • LEGISLATIVE REVIEW

Leading up to the transition date of 1 July 2013, the General Counsel division conducted a thorough review of every piece of legislation attributed to the Commission’s mandate, to identify all amendments required to support the transition to the FCNB. This work was done in cooperation with the relevant experts in each of the domains.



This included:

- continuing the former NBSC and the insurance, pensions, consumer affairs and financial institutions areas formerly of the Department of Justice as the FCNB;
- transferring to the Commission the authority in the various acts to make appointments and to exercise certain powers that were previously with the Lieutenant Governor in Council, the Minister of Justice, or the Attorney General;
- establishing rule-making authority for the Commission with respect to fees, assessments, forms, conflicts of interest in the regulated sectors and with respect to the Tribunal hearing processes;
- setting up an independent Administrative Tribunal to adjudicate enforcement matters and to hear appeals of the regulatory decisions of Commission staff; and
- developing and implementing processes and procedures supporting the Commission's expanded mandate.

We are now embarking upon the next phase of this process, where we will consider the amendments required to have consistent compliance, enforcement and rule-making across all the legislation for which we are responsible.

#### • **MERGERS AND ACQUISITIONS RESEARCH**

For the first time this year, our annual Capital Markets Report included data on mergers and acquisitions (M&A) involving New Brunswick companies.

M&A in any form has positive implications: if New Brunswick companies are purchasing other entities, it shows they are growing and prospering. If, on the other hand, we see that New Brunswick companies are being

purchased by other entities, one could infer that we are producing world-class companies and intellectual property that other entities need to grow their business. Both scenarios have the ability to grow our capital markets.

To collect this data, we first worked with Thomas Reuters, and then we did independent work – searching public databases and reviewing press releases.

#### • **FULLSAIL MENTORING EVENT**

More than 150 people registered to attend our Fullsail mentoring event on 12 March 2014, with more than 100 attending the morning Bootcamp portion of the curriculum. The event featured an opening presentation and two panel discussions: one focused on the benefits of mentorship from the mentor's point of view, and the second focused on using a mentor from the entrepreneur's perspective.

The event ended with the announcement by Tech SE of a new provincial mentorship organization called The Mentra Co-operative Ltd.

#### • **CAPITAL MARKETS REPORT**

This year's Capital Markets Report is the fourth in a series. In this year's report we:

- included information on mergers and acquisitions activity in the province, highlighting 19 deals in 2012, worth \$215.98 million;
- revealed that New Brunswick trends below other provinces in economic activity;
- observed an increase in exempt markets activity; and
- illustrated a downward trend in venture capital money in the province.



# Leading the way in a dynamic environment



Our ability to show this kind of leadership is greatly enhanced by giving the right people the right tools.



Rick Hancox  
CEO

# PILLAR I: REGULATION

**W**e are a regulator. Implementing and enforcing the legislation we are responsible for is central to what we do.

Our last fiscal year was not the business as usual activities related to a given Act or a given set of Regulations. It was instead an all-hands-on-deck review of 18 distinct pieces of legislation, the introduction of a new *Financial and Consumer Services Commission Act*, and significant work toward the creation of two new Acts that will have a positive impact on our ability to protect consumers and investors.

"In partnership with government, we introduced a new *Financial and Consumer Services Commission Act* and structure, and that had an impact on all the other Acts under our mandate," says Rick Hancox, CEO.

The formation of the FCNB in July 2013 was a strategic consolidation of New Brunswick's financial and consumer services regulatory expertise – a move that has created a variety of opportunities.

"We are taking the opportunity to modernize the legislation we are responsible for. Make no mistake: updating the regulatory framework so it accurately represents the needs of our stakeholders and the environment in which they are operating requires leadership," says Hancox. "This will be a multi-year process that will have a significant, long-term impact on how we go about the business of protecting New Brunswickers. We are up to the task."

The creation of a legislative framework to accommodate New Brunswick's shared risk model for pensions is an excellent example of this kind of leadership.

The shared risk model, an idea that sees the risks of poor performance shared between employers and employees, was introduced into the *Pension Benefits Act* in 2012.

Since that time a number of plans have converted to the new model, including a number of provincially sponsored pension plans like those for New Brunswick hospital workers and the public service.

"This move brings these provincially sponsored pension plans under the oversight of the

Superintendent of pensions," explains Angela Mazerolle, Superintendent of Pensions.

Our work on derivatives is another example of leadership in the regulatory space.

In December 2013, we introduced legislative amendments to the *Securities Act*, increasing our authority to regulate derivatives markets. Derivatives are a financial instrument whose value is derived from price fluctuations related to one or more underlying assets.

"These amendments were necessary to obtain the legal authority to enact rules – rules necessary to effectively implement the commitments Canada has made to the G-20, in reference to their request for increased oversight on these markets," says Kevin Hoyt, Executive Director of Securities.

The Commission has been working with the Canadian Securities Administrators (CSA) – specifically the CSA Derivatives Committee – for the past number of years, in an effort to drive inter-jurisdictional harmonization of rules, leading to a nationwide regime for the regulation of derivatives markets.

"The securities landscape isn't bound by provincial borders, so participation and collaboration on the national level is vitally important," says Hoyt. "It goes to the core of Canada's securities regulatory structure."

What it boils down to is the ability to be proactively strategic – anticipating future needs, monitoring trends, and identifying the tools – legislative or otherwise – required to do the job.

"Our ability to show this kind of leadership is greatly enhanced by giving the right people the right tools," says Hancox. "Ensuring our regulatory processes are properly resourced and supported is our primary goal."

# Becoming a trusted resource

“

We're adopting the one-window approach to serving our audiences.

”

Andrew Nicholson  
Director of Education  
and Communications



# PILLAR 2: EDUCATION

Awareness is an important component of our work – because our effectiveness grows as our constituents are better acquainted with who we are and what we do. But we want to push beyond simple awareness, becoming instead a trusted resource for New Brunswickers.

“We’re adopting the one-window approach to serving our audiences,” says Andrew Nicholson, Director of Education and Communications. “We want them to see us as their resource of choice for information relating to their financial lives.”

That breadth of messaging is deliberate. It’s about trust.

“If we can get them the information they need quickly and simply, even if it’s not directly related to our regulatory responsibilities, they’ll come back when they need answers the next time,” says Nicholson.

That’s why a lot of effort has gone into building an integrated awareness campaign and website that tells a diverse but interrelated story.

This past year we launched an integrated marketing campaign including a new series of commercials illustrating the various components of the FCNB. After they aired, we tested their effectiveness and discovered that although the baseline information was encouraging for a new organization, there is more work to be done to raise awareness of the FCNB.

“When we get a complaint referred to us, we need to make an assessment as to whether it is related to an actual fraud, or if the individual really has a customer service issue that needs to be resolved,” says Linda Rickard, Case Management Officer. “If it’s

the latter, we put them in touch with the appropriate ombudsperson, and help them understand what their next steps are.”

Making sure that person understands that the FCNB is here to help is what it’s all about, and that level of commitment to communication and follow-through can be seen throughout the organization.

“We look at the inspection reports for licence holders, and if we see a disturbing trend, we reach out to the organizations involved,” says Suzanne Bonnell-Burley, Director of Consumer Affairs. “We ask questions, we explain our context, and work with them to help them understand the value of compliance. It’s a useful dialogue, but it’s really about relationship building and trust.”

The bottom line is this: trust in the Commission and trust in the system as a whole are two fundamentally related concepts.

“The most important thing people should know about provincially regulated financial institutions is that in New Brunswick we have deposit insurance,” says Pierre LeBlanc, Superintendent of Financial Institutions. “Once you know it’s there, you feel differently – more confident – about the system as a whole. So it’s our job to get that message out there.”



# Breaking new ground

“

Ensuring our legislation has the required investigative, compliance and enforcement powers is our top priority.

Manon Losier  
General Counsel

”



# PILLAR 3: PROTECTION

Investor and consumer protection is a central component of our mandate. It is infused into everything that we do.

"Our legislative review process is well underway, and one of the key components of that exercise is to create a consistent, effective regulatory framework for both compliance and enforcement in each of our areas of responsibility," says Rick Hancox, CEO.

Breaking new ground like this is not a small task.

"Ensuring our legislation has the required investigative, compliance and enforcement powers is our top priority," says Manon Losier, General Counsel. "The General Counsel division is working closely with subject matter experts in each of our other divisions, looking for opportunities to develop synergies as we proceed."

One of those synergies just might be the work done during this fiscal year to support the development of legislation to regulate the Mortgage Broker industry.

"This is an area that has cross-functional implications," says Suzanne Bonnell-Burley, Director of Consumer Affairs. "Staff from Securities, Enforcement, and Consumer Affairs collaborated on the project, and it's been a good merger. I expect there will be aspects of the finished legislation that will be portable – that we can include in other Acts as we move forward."

The FCNB is working with stakeholders in all sectors to identify best practices, and collaborating within the Commission to provide protection in areas that were previously beyond our reach.

"Breaking down the barriers between regulated sectors is a definite value-add for New Brunswickers," says Kevin Hoyt, Executive Director of Securities. "The regulation of entities with integrated business models crossing regulatory lines is made easier if the regulated is also integrated."

The Enforcement Division has an effective toolkit of investigative powers on the securities side, and are actively supporting the initiative to apply these same

powers to the Acts and Regulations governing all FCNB divisions.

"As our abilities expand – particularly with respect to consumer affairs, insurance and pensions – our division expects to see an increased case load," says Jake van der Laan, Director of Enforcement. "At present we continue to liaise with the RCMP, municipal police and other regulatory and law enforcement agencies on specific files, and are pursuing some cases through the courts."

One terrific example where the FCNB is breaking new ground through collaboration is with our education initiatives. After all, protection starts with prevention.

"Because of the demographic shift we're seeing in New Brunswick, our division wanted to address the needs of our seniors by giving health care providers the information they need to recognize and prevent the financial abuse of seniors," says Marissa Rignanesi, Senior Education Coordinator. "In 2009, we customized a resource developed by a state regulator – a fellow member of the NASAA – that gives these professionals tips on what to watch for, and how to start the conversation."

The program has since taken off – and Rignanesi is getting requests from around the province. As well, the North American Securities Administrators Association (NASAA) asked her to come and speak on the subject at their recent enforcement conference.

"The Securities division has come to the table, and we're looking to see how they can contribute to the prevention of the financial abuse of seniors from a regulatory standpoint," says Rignanesi. "It has become a multi-disciplinary discussion, and that's just what we need to do – use all the tools at our disposal to protect New Brunswickers."

# MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fiscal year ended 31 March 2014

Dated 29 September 2014

This Management's Discussion and Analysis (MD&A) contains management's interpretation of the Financial and Consumer Services Commission's (FCNB) financial performance for the 2014 fiscal year ended 31 March 2014. While the financial statements reflect actual financial results, the MD&A explains these results from management's perspective and sets out the FCNB's plans and budget for the year ahead.

This MD&A should be read in conjunction with the FCNB's 2014 Financial Statements and related notes. Together, the MD&A and financial statements provide key information about the FCNB's performance and ability to meet its objectives.

Unless otherwise noted, references to a year indicates the Commission's year ending 31 March. For example 2014, means the fiscal year ending 31 March 2014. All financial information related to 2013 and 2014 has been prepared in accordance with International Financial Reporting Standards (IFRS).

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

Assumptions made throughout this section, although reasonable at the date of publication, are not a guarantee of future performance. Certain statements outlining 2015 expectations are forward-looking and subject to risks and uncertainties.

## OVERVIEW

The Financial and Consumer Services Commission is a corporation without share capital. It was established under the *Securities Act* (New Brunswick) and began operations on 1 July 2004 and was continued under the *Financial and Consumer Services Commission Act* (New Brunswick) as the Financial and Consumer Services Commission on 1 July 2013. The Commission functions as an independent regulatory agency and administrative tribunal, responsible for overseeing a broad range of financial and consumer legislation in New Brunswick.

The changes on 1 July 2013 were much broader than a mere name change. It brought together the previous securities sector regulatory functions being performed by the New Brunswick Securities Commission with the regulatory functions that were being performed by the Justice Services Division

of the Department of Justice and Attorney General. These functions include the insurance, pensions, credit union, loan and trust company, and cooperatives sectors as well as a wide variety of consumer legislation. See Note 1 of the Notes for a complete list of financial and consumer services legislation.

We now have offices in Saint John and Fredericton.

Commission operations are funded through a variety of fees and assessments paid by those we regulate. We have rule-making power for the securities sector under the *Securities Act* and anticipate obtaining broader rule-making power for other financial and consumer services legislation. We operate under the direction of appointed Commission members who oversee the regulators and administer financial and consumer services legislation.

The Act also established an adjudicative independent Tribunal that may exercise powers and hold hearings on matters imposed on the Tribunal by financial and consumer services legislation. We reflect the results of operations for the Tribunal in our financial statements. As a provincial Crown corporation, we are exempt from income taxes.

The Commission is not an appropriation-dependent Crown corporation and had no borrowings from the Government of New Brunswick at 31 March 2014 or at any time in its existence.

For the reporting period, the Commission budgeted to generate a surplus and to distribute \$5.5 million of that surplus to the Government of New Brunswick. Budgeted surpluses going-forward will be constrained by inter-provincial securities regulatory reform initiatives, which include New Brunswick's participation, and a consequent loss of revenue to the Commission.

Operational staff at the Commission maintain accounting and internal control systems to provide reasonable assurance that financial information is complete, reliable and accurate, and that assets are adequately protected. The Commission members, in conjunction with the Audit Committee, have an oversight role regarding the integrity of reported information.

### Limitations Regarding Comparing Financial Information

There are some limitations in comparing financial information between fiscal periods arising from the transition to the FCNB. Financial information prior to 2014 reflects the results of operations for the New Brunswick Securities Commission (NBSC). The FCNB is a larger organization and operates in 2 locations. As well, the result of operations for 2014 reflects the former NBSC for 12 months and the other sectors, staff and locations for nine months. From a budgeting

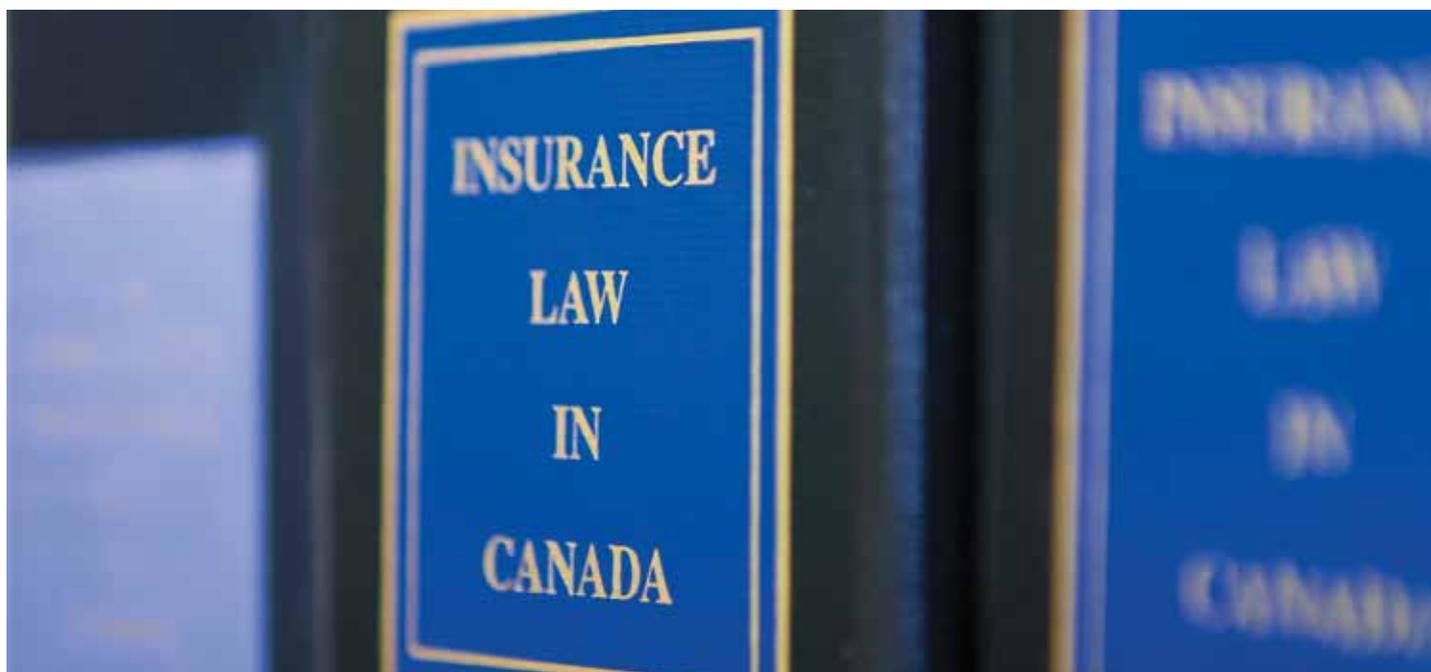
perspective, the original FCNB budget was prepared for a full 12 month integration and operation. When the establishment of the FCNB was subsequently confirmed for 1 July 2013, the original budget was adjusted for certain direct costs like staffing and premise costs but other impacts arising from the timing delay were not reflected. This has created significant variance in 2014 from budget to actual results.

### SELECTED FINANCIAL INFORMATION

	BUDGET 2014	ACTUAL 2014	ACTUAL 2013	ACTUAL 2012
Revenue	\$17,644,176	\$17,424,344	\$13,458,390	\$13,201,389
Expense	11,207,744	7,971,022	5,577,824	5,335,948
Excess of revenue over expenses	6,436,432	9,453,322	7,880,566	7,865,441
Total assets	-	12,603,638	7,503,815	4,939,863
Total liabilities	-	5,108,453	3,515,957	3,240,087
Total equity balance	-	7,495,185	3,987,858	1,699,776
Distributions to government	\$5,500,000	\$5,500,000	\$5,592,484	\$7,308,765

There is an interesting dynamic with respect to the Commission's budget, revenues and expenses for the insurance sector. The *Insurance Act* provides that all of the costs associated with administering that Act shall be assessed and recovered from licensed insurers. Inasmuch as 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, although the net impact is neutral.



## REVENUES

The Commission's revenues consist of:

- filing, registration and application fees paid by regulated entities and persons;
- assessments charged to the insurance and credit union sectors;
- amounts collected from administrative penalties, disgorgement orders and settlements for breaches of the *Securities Act*, as well as associated cost recoveries; and

- investment income and miscellaneous charges.

The securities sector represents the largest source of revenue for the Commission at over 82%. On an on-going basis, this is slightly over-stated as the other sectors were only included for a nine month period.

## ANALYSIS OF TOTAL REVENUE (by nature)

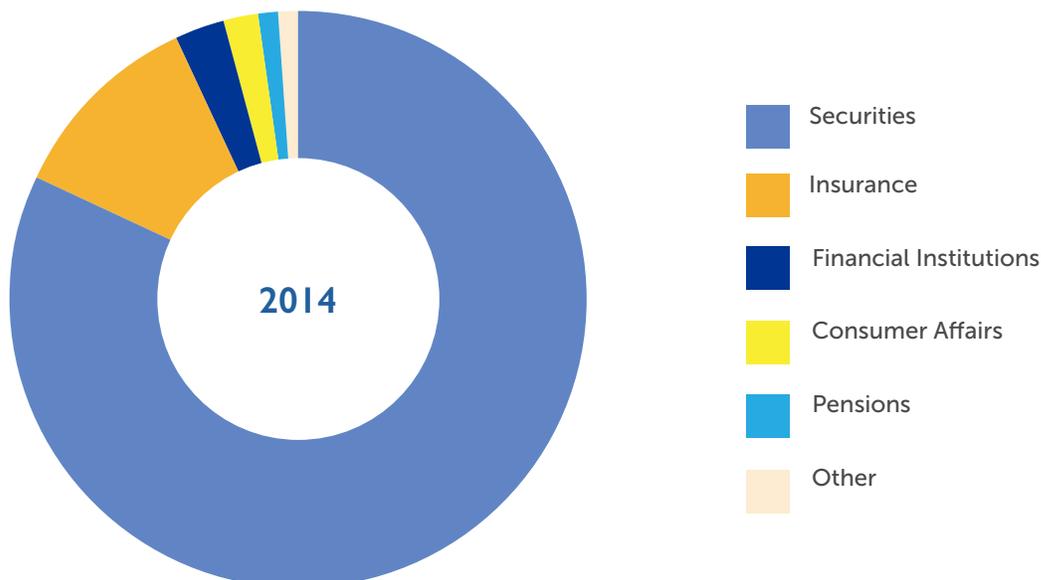
Category	Description	2014 Amount	2014 % of revenue
Prospectus and distribution filings	Paid by securities issuers when filing distribution documents. Most of this is paid by mutual funds for their ability to be sold in New Brunswick.	\$8,556,400	49.1%
Registration fees	Paid by individuals and firms to register with the Commission to sell or advise on securities.	3,709,032	21.3%
Financial filing fees	Paid by companies and mutual funds when filing annual financial statements and annual information forms.	2,076,100	11.9%
Licences and fees	Paid by a variety of sectors in order to be registered or compliant with legislation. Insurance agent fees, loan and trust company fees, pension filing fees and a variety of consumer affairs fees comprise this list in descending order.	1,097,256	6.3%
Exemptions and orders	Paid by market participants primarily to request exemptions from <i>Securities Act</i> requirements.	50,000	0.3%
Other fees	Paid by regulated entities for late filing and other miscellaneous fees.	27,159	0.2%
<b>Total fees</b>		<b>\$15,515,947</b>	<b>89.0%</b>
Assessments	Paid by licensed insurers to administer the <i>Insurance Act</i> (\$1,403,396) and by credit unions to administer the <i>Credit Unions Act</i> (\$353,308).	1,756,704	10.1%
Administrative penalties and settlements	Paid subsequent to a hearing panel ruling.	2,000	0.0%
Disgorged funds	Paid subsequent to a hearing panel ruling.	12,000	0.1%
Enforcement cost recoveries	Paid subsequent to a hearing panel ruling.	500	0.0%
Investment income	Earned on bank balances.	84,354	0.5%
Miscellaneous income	Primarily a recovery of costs for a legal articling student that was shared with two other government agencies and which was administered by the Commission.	52,839	0.3%
<b>Total revenue</b>		<b>\$17,424,344</b>	<b>100.0%</b>

## ANALYSIS OF TOTAL REVENUE (by function)

Division	Description	2014 Amount <sup>1</sup>	2014 % of revenue
Securities	Paid by market participants under the <i>Securities Act</i> for distributing mutual funds, issuing offering documents, making required financial filings and for the registration of firms and individuals. This revenue source is up by over \$1M year-over-year.	\$14,428,032	82.8%
Insurance	Paid by licensed insurers as an assessment for administering the <i>Insurance Act</i> (\$1,403,396) and for the provision of insurance licenses and miscellaneous minor revenue (\$565,079).	1,968,475	11.3%
Financial Institutions	Paid by credit unions as an assessment for administering the <i>Credit Unions Act</i> (\$353,308) and for fees paid by loan and trust companies (\$121,600) and fees paid by co-operatives and a minor miscellaneous fee (\$9,610).	484,518	2.8%
Consumer Affairs	Licenses and fees paid under a variety of consumer protection legislation such as collection agents (\$91,129), real estate agents (\$59,887), cost of credit disclosure (\$50,999), commissioner of oaths (\$36,900), pre-arranged funerals (\$27,041), direct sellers (\$26,118), auctioneers (4,832) and miscellaneous (\$75).	296,980	1.7%
Pensions	Paid by pension plans to register pension plans, amend pension plans, submit annual information forms, register standard contracts and other minor fees and charges.	133,519	0.8%
Investment and miscellaneous	Primarily investment income.	112,820	0.6%
Total revenue		\$17,424,344	100.0%

<sup>1</sup> The 2014 amount is for a 12-month period for the securities division and for a nine month period for all other divisions.

## SECTORAL REVENUES FOR 2014

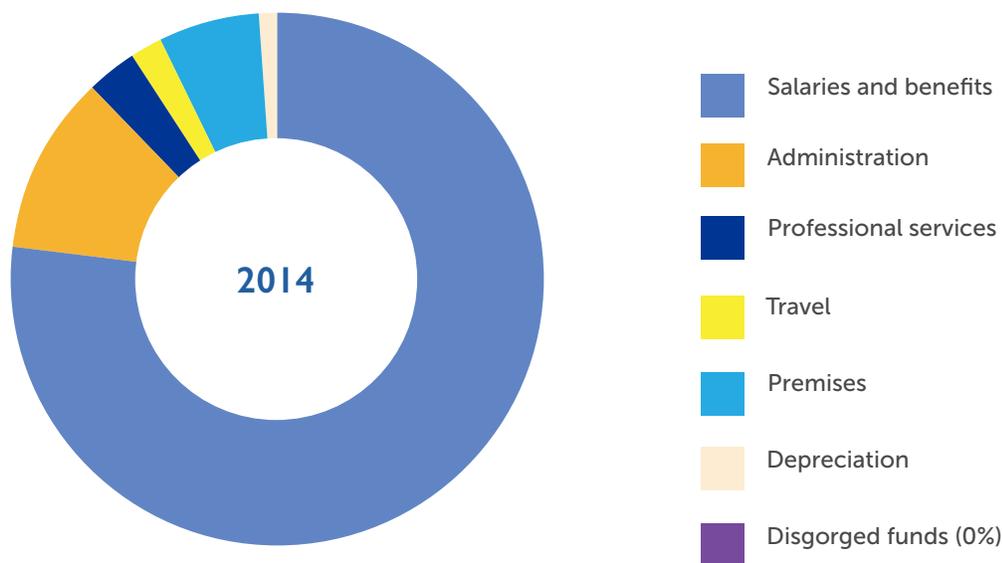


## EXPENSES BY NATURE<sup>2</sup>

Category	% of 2014 Expenses	2014	% of 2013 Expenses	2013	Change	% Change
Salaries and benefits	75.7%	\$ 6,037,794	71.5%	\$ 3,989,050	\$ 2,048,744	51.4%
Administration	11.7%	936,400	14.5%	807,925	128,475	15.9%
Professional services	2.9%	234,741	3.8%	209,375	25,366	12.1%
Travel	2.3%	180,666	2.5%	139,409	41,257	29.6%
Premises	5.9%	472,890	5.6%	312,877	160,013	51.1%
Depreciation and amortization	1.2%	96,531	1.7%	94,188	2,343	2.5%
Disgorged funds	0.2%	12,000	0.4%	25,000	(13,000)	-52.0%
<b>Total expense</b>	<b>100.0%</b>	<b>\$ 7,971,022</b>	<b>100.0%</b>	<b>\$ 5,577,824</b>	<b>\$ 2,393,198</b>	<b>42.9%</b>

<sup>2</sup> See Note 24 of the Notes for expenses by function.

## EXPENSES FOR 2014



### ANALYSIS OF TOTAL EXPENSES (by nature)

Managing expenses over the fiscal year is important to the Commission. Various measures are taken to drive fiscal responsibility, including:

- preparing an annual budget and strategic plan that is approved by the Commission members;
- converting the annual budget into monthly budgets;
- reporting actual versus budget amounts to management every month;
- providing a budget variance analysis each month to the Audit Committee and Commission members;
- preparing quarterly financial forecasts for management and Commission members;
- requiring Commission member approval of significant expenses or contracts; and
- continually improving our processes.

For the reporting period, these processes were challenged with the establishment of the FCNB part-way through the year.

Salaries and benefits expenses account for 75.7% of operating costs (71.5% in 2013) and increased \$2,048,744 from 2013. There were 74 staff on payroll at year-end (40 prior year) and on an annualized or person-year basis, there were 63.0 person-years of employment in 2014 (38.6 in 2013).

Administration expenses account for 11.7% of operating costs for 2014 (14.5% in 2013) and were \$128,475 higher than the prior year. These costs include investor education and awareness expenses, information technology, training, communication, printing, and other general office expense items. The Invest in Knowing More campaign was the largest expense for this category at \$223,739 (\$180,913 in 2013). Information technology costs were \$96,070 (\$78,579 in 2013) during the period, and were used for network support, data security and back-up, website costs and software licenses. The large positive variance to budget was aided by the deferral of several initiatives because of the

delayed implementation of the establishment of the FCNB when compared to the original budgeted target date.

Professional services expenses increased by \$25,366 year over year. Although external legal fees were down considerably (about \$38,000) there were significant increases in professional expenses, largely associated with a new area of responsibility that dealt with Insurance Board hearing matters. As well, translation costs were up over \$21,000.

Travel costs were \$41,257 higher than the previous year and were reflective of the significantly larger staff complement associated with the new Commission. Travel was primarily related to attendance at policy and other regulatory meetings of partners of the securities, insurance and pension regulators, and for training purposes.

Premises costs increased by about \$160,000 (51%). This represents 5.9% of total expenses, the same as the prior year. The increase is attributable to the assumption of two separate leased premises in Fredericton as a result of the Commission's expanded mandate.

Depreciation expenses increased by a modest \$2,343. The largest depreciable asset involves leasehold improvements, which are being amortized over ten years for the original Saint John space and about eight years for additional space acquired in 2009. This accounts for about 64% (\$61,258) of the total expense. Information technology hardware, vehicle, a photocopier capital lease and furniture make up the remainder of the amortization expense, in descending order. The premises that were assumed by the Commission in Fredericton were fully depreciated and the Commission will consolidate its Fredericton office space in one location in 2014.

Disgorged funds represent money recovered from individuals or companies arising from enforcement actions. This money is turned over to specific investors that were financially harmed by those found to have violated the *Securities Act*. In this case, \$12,000 was collected and paid to nine investors from a 2008 decision.

#### **MARKET ENHANCEMENT RESERVE**

This year no funds were transferred from the Market Enhancement Reserve towards eligible expenses. As required by the Act, funds in the Market Enhancement Reserve are to be spent only on endeavours or activities that enhance the financial marketplace or consumer protection in New Brunswick. The funds associated with the reserve are maintained in a separate bank account and generate their own bank interest. In 2014, administrative penalties totalling \$2,000 were assessed and determined to be collectible (\$25,000 in 2013). This amount was not collected until the following fiscal year, however, and shows as a receivable in the Commission's statements. No other administrative penalties were assessed in the year. The balance in the Market Enhancement Reserve stands at \$130,065.

#### **DISPOSITION OF SURPLUS OPERATING FUNDS**

The Commission made total payments of \$5,500,000 to the Government of New Brunswick during the year. The payment amount is calculated annually and is included in our strategic business plan and was budgeted. The contribution is payable each year provided that doing so does not impair the ability to pay liabilities, meet obligations as they become due or fulfill contractual commitments. Since the Commission was established in July 2004, contributions of \$58,636,980 have been made to the Government of New Brunswick.

#### **LIQUIDITY AND FINANCIAL POSITION**

The Commission has sufficient liquidity to finance its operations and capital purchases. During the fiscal year, the net increase in cash prior to the disposition of surplus operating funds was \$7,889,496. The combined cash balance at year end was \$9,611,652. This includes amounts from the Commission's reserves.

The Commission maintains a Stabilization Reserve. The maximum value of the reserve was increased in the year to \$3,000,000 from its previous value of \$1,500,000. The Stabilization Reserve allows us to maintain an operating contingency to absorb revenue shortfalls or unexpected expenditures. The increase reflects the significantly larger regulatory mandate assumed by the Commission during the year. Revenue generated from the reserve is moved into general operations. The reserve was fully-funded at year end.

#### **RISKS AND UNCERTAINTIES SECURITIES REGULATORY REFORM**

On 19 September 2013, the Ministers of Finance for Ontario, British Columbia and Canada announced that they had signed an Agreement in Principle (Agreement) to establish a cooperative capital markets regulatory system. The Agreement specifically contemplated the opportunity for participation by other provincial and territorial jurisdictions. On 9 July 2014, the Government of New Brunswick became a signatory to a revised Agreement for the same purpose (along with Saskatchewan). The revised Agreement contemplates an operational regulatory authority in the fall of 2015. The participation in this regulatory authority will impact the Commission as staff performing a securities function will transition to this new regulatory authority. In addition, the Commission will forgo revenue associated with administering the *Securities Act*. This revenue is material to the Commission and a transition plan will be developed in order to maintain the self-financing status of the Commission.

#### **OPERATIONAL AND INFRASTRUCTURE RISK**

Operational risk is the risk of direct or indirect loss resulting from the organizational environment or external events, or from inadequate internal processes, staff resources, or supporting systems. Management is responsible for the day-to-day control of operational risk through the use of appropriate procedures, internal controls and processes.

The Commission is exposed to many types of operational risks, including the risk of fraud by employees or others, unauthorized transactions by employees and operational or human error. There is also the risk that computer or telecommunications systems could fail, despite efforts to maintain these systems in good working order.

Shortcomings or failures of internal processes, employees or systems, including financial, accounting or other data processing systems, could lead to financial loss and damage to the Commission's reputation. The ability to conduct business may be adversely affected by a disruption in the infrastructure that supports our operations and the communities in which we do business. The Commission has policies and processes in place to manage and control these risks. Key components include:

- Commission members operating as a board of directors who place a priority on sound corporate governance;
- an active and effective Audit Committee;
- a strong internal control environment;
- an annual review of internal controls and legislative compliance;
- a Risk Management Policy with a quarterly review of risks facing the Commission;
- the effective communication of policies to staff and new members on matters such as conflict of interest and code of conduct with various channels for reporting concerns; and
- mitigation of risk to assets through insurance.

The Commission is involved in various legal actions arising from the ordinary course and conduct of business. Settlements, if any, concerning these contingencies will be accounted for in the period in which the settlement occurs. The outcome and ultimate disposition of these actions are not determinable at this time.

#### **REPUTATION RISK**

The Commission actively manages its reputational risk through its corporate governance practices, code of conduct and risk management practices. The activities of communications staff and General Counsel's office are key participants in managing reputation risk.

#### **PEOPLE RISK**

As a knowledge-based entity, the Commission's ability to attract and retain people is critical to its success. A range of measures are tracked (e.g., turnover and compensation surveys) to manage this risk. Knowledge management is a key focus and initiatives are continually pursued to improve the ability to retain corporate memory and to ensure effective knowledge transfer.

#### **FEE REVENUE**

The Commission funds operations primarily from filing fees paid by market participants and regulated entities. Fee revenue is generally not sensitive to market conditions.

#### **NATIONAL ELECTRONIC FILING SYSTEMS for the Securities Sector**

Under various agreements with the 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; and
- System for Electronic Disclosure by Insiders (SEDI), an Internet-based system for insiders to report their trades.

Over 80% of 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) each year.

#### **CRITICAL ACCOUNTING ESTIMATES**

Management must make estimates and assumptions when preparing the 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 that we will receive, the useful lives of our capital assets and the value of employee leave liabilities.

The Commission accrues amounts due when they meet generally accepted revenue recognition criteria. During the fiscal period 2014, a total of \$594,997.82 in disgorgements and \$3,610 in awarded costs were not recognized as revenue, as the amounts appeared to be uncollectible.

The Commission has not recognized any provisions for legal challenges in these financial statements.

#### **CHANGES IN ACCOUNTING POLICIES**

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

There were no significant accounting policy changes in 2014.

#### **2015 OUTLOOK**

Budgeted revenue is \$18.2 million for 2015. This represents an increase of about 4.6% from 2014 actual revenue of \$17.4 million. This increase is primarily attributable to a full 12 months of results of operations for the regulated sectors that were assumed by the Commission on 1 July 2013.

Operating expenses are budgeted to be \$11.8 million for 2015. This represents an increase of \$3.4 million over 2014 actual expenses. This increase is primarily attributable to a full 12 months of results of operations for the regulated sectors that were assumed by the Commission on 1 July 2013. The budgeted staff complement for 2015 is 82 as compared to the 74 that were on payroll on 31 March 2014.

The budgeted subsequent surplus for 2015 is about \$890,000 after the budgeted contribution of \$5.5 million to the Government of New Brunswick. The budgeted contribution is the same as 2014.

As a result of the Agreement of 9 July 2014 discussed in the Securities Regulatory Reform section, the Commission may undertake interim measures in 2015 to facilitate the Commission's transition into its post-securities responsibility model that may drive deviations of actual results to budget.

**MD&A SUPPLEMENT - COMPENSATION DISCLOSURE  
SENIOR MANAGEMENT REMUNERATION**

Senior Management includes the Chair, Chief Executive Officer (CEO), and the seven division heads. Their compensation and benefits are determined by the Commission based on the advice from an independent consultant. The CEO and the Division Heads are eligible for variable pay of up to 7.5% of base pay (10.0% for CEO).

The variable pay program was introduced in 2013. In addition to salary, senior management, with the exception of the Chair, receives the same employment benefits received by all staff, which includes health, dental and life insurance, pension, leave, and parking. The Chief Executive Officer also has the use of a vehicle. The Chair is not an employee of the Commission and is paid through a personal services contract. The Chair is specifically excluded, by legislation, from participating in the pension plan.

29 September 2014

*Senior management remuneration*

Position	Salary Range (\$) As at March 2014	Variable Pay (up to +)
Chair	up to \$137,000	-
Chief Executive Officer	129,795 - 162,269	10%
General Counsel and Secretary to the Commission	115,950 - 144,861	7.5%
Director, Securities and Chief Financial Officer	115,950 - 144,861	7.5%
Director, Enforcement	115,950 - 144,861	7.5%
Director, Pensions & Insurance	115,950 - 144,861	7.5%
Director, Education & Communications	99,153 - 123,992	7.5%
Director, Financial Institutions	99,153 - 123,992	7.5%
Director, Consumer Affairs	99,153 - 123,992	7.5%



# 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 fulfills 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 Auditor General of New Brunswick outlines the scope of the Auditor's examination and opinion on the financial statements.



Kenrick G. Hancox  
Chief Executive Officer



Kevin Hoyt, FCPA, FCGA, CPA (DE)  
Chief Financial Officer  
Director, Securities

September 29 , 2014



## INDEPENDENT AUDITOR'S REPORT

Chairperson and Members  
Financial and Consumer Services Commission

### Report on the financial statements

I have audited the accompanying financial statements of the Financial and Consumer Services Commission, which comprise the statement of financial position as at March 31, 2014, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the related notes including a summary of significant accounting policies.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

#### *Auditor's Responsibility*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### *Opinion*

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Financial and Consumer Services Commission as at March 31, 2014, and the results of its operations, changes in equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in black ink that reads "Kim MacPherson". The signature is written in a cursive, flowing style.

Kim MacPherson, CPA, CA  
Auditor General

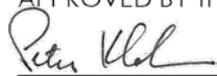
September 29, 2014

**FINANCIAL and CONSUMER SERVICES COMMISSION**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2014**  
**(in Canadian \$)**

<b>ASSETS</b>	<b>2014</b> 31 March	<b>2013</b> 31 March
Current Assets		
Cash (Note 8)	\$ 6,481,587	\$ 5,593,513
Accounts receivable (Note 9)	1,857,805	50,881
Due from Province of New Brunswick (Note 10, 16, 21)	903,171	-
Prepaid expenses	45,615	21,788
	<u>9,288,178</u>	<u>5,666,182</u>
Investments held for designated purposes (Notes 8, 11)	3,130,065	1,628,643
Property, plant and equipment (Note 12)	155,082	208,990
Intangible assets (Note 13)	30,313	-
	<u>\$ 12,603,638</u>	<u>\$ 7,503,815</u>
<b>LIABILITIES AND EQUITY</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 840,892	\$ 169,120
Accrued salaries and benefits	366,000	189,033
Current portion of accrued benefit liabilities (Note 20)	179,748	357,703
Accrued vacation liabilities	95,096	41,191
Current portion of obligation under finance lease (Note 14)	2,529	3,254
Deferred registration fee revenue	3,141,309	2,431,761
	<u>4,625,574</u>	<u>3,192,062</u>
Obligation under finance lease (Note 14)	9,605	12,940
Accrued benefit liabilities (Note 20)	473,274	310,955
	<u>482,879</u>	<u>323,895</u>
Total liabilities	<u>5,108,453</u>	<u>3,515,957</u>
Equity balances		
General	4,365,120	2,359,215
Stabilization reserve (Note 11)	3,000,000	1,500,000
Market enhancement reserve (Note 11)	130,065	128,643
Disgorgement reserve (Note 11)	-	-
	<u>7,495,185</u>	<u>3,987,858</u>
	<u>\$ 12,603,638</u>	<u>\$ 7,503,815</u>

The accompanying notes are part of these financial statements.

APPROVED BY THE COMMISSION

  
 Chair

  
 Member

**FINANCIAL and CONSUMER SERVICES COMMISSION**  
**STATEMENT OF COMPREHENSIVE INCOME (by nature)**  
**FOR THE YEAR ENDED 31 MARCH 2014**  
**(in Canadian \$)**

	<b>2014</b>	<b>2013</b>
<b>REVENUE</b>		
Fees		
Prospectus and distribution filings	\$ 8,556,400	\$ 7,797,350
Registrations	3,709,032	3,590,352
Financial filings	2,076,100	1,848,850
Licences and fees	1,097,256	-
Exemptions and orders	50,000	62,300
Other	27,159	19,275
Assessments	1,756,704	-
Administrative penalties and settlements	2,000	25,000
Disgorged funds	12,000	25,000
Enforcement cost recoveries	500	4,000
Investment income	84,354	76,382
Miscellaneous	52,839	9,881
	<u>17,424,344</u>	<u>13,458,390</u>
<b>EXPENSES</b>		
Salaries and benefits	6,037,794	3,989,050
Administration (Note 22)	936,400	807,925
Professional services	234,741	209,375
Travel	180,666	139,409
Premises	472,890	312,877
Depreciation and amortization	96,531	94,188
Disgorged funds	12,000	25,000
	<u>7,971,022</u>	<u>5,577,824</u>
<b>INCOME AND COMPREHENSIVE INCOME</b>	<u>\$ 9,453,322</u>	<u>\$ 7,880,566</u>

**FINANCIAL and CONSUMER SERVICES COMMISSION**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 MARCH 2014**  
**(in Canadian \$)**

	General	Fee Stabilization Reserve	Market Enhancement Reserve	Disgorgement reserve	Total
Balance, 31 March 2012	\$ 92,484	\$ 1,500,000	\$ 102,292	\$ 5,000	\$ 1,699,776
Comprehensive income	7,880,566	-	-	-	7,880,566
Disposition of surplus operating funds (Note 15)	(5,592,484)	-	-	-	(5,592,484)
Investment income reallocation	(1,351)	-	1,351	-	-
Allocation from general (Note 11)	(50,000)	-	25,000	25,000	-
Allocation to general (Note 11)	30,000	-	-	(30,000)	-
Balance, 31 March 2013	2,359,215	1,500,000	128,643	-	3,987,858
Comprehensive income	9,453,322	-	-	-	9,453,322
Establishment of the FCNB (Note 16)	(445,995)	-	-	-	(445,995)
Disposition of surplus operating funds (Note 15)	(5,500,000)	-	-	-	(5,500,000)
Investment income reallocation	(1,422)	-	1,422	-	-
Allocation from general (Note 11)	(1,512,000)	1,500,000	-	12,000	-
Allocation to general (Note 11)	12,000	-	-	(12,000)	-
Balance, 31 March 2014	\$ 4,365,120	\$ 3,000,000	\$ 130,065	\$ -	\$ 7,495,185

**FINANCIAL and CONSUMER SERVICES COMMISSION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2014**  
**(in Canadian \$)**

	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Comprehensive income	\$ 9,453,322	\$ 7,880,566
Adjustment for depreciation and amortization - property, plant and equipment and intangible	96,531	94,188
Accrued benefit liabilities	(187,933)	(169,334)
Gain on disposal of property, plant and equipment	(1,271)	-
	9,360,649	7,805,420
Changes in non-cash working capital		
Accounts receivable	(1,806,924)	(17,601)
Due from Province of New Brunswick	(903,171)	-
Prepaid expenses	(23,827)	20,271
Accounts payable and accrued liabilities	671,772	44,134
Accrued salaries and benefits	176,967	54,980
Accrued benefit liabilities	(177,955)	303,528
Accrued vacation liabilities	(41,838)	720
Deferred registration fee revenue	709,548	25,648
	7,965,221	8,237,100
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Disposition of surplus operating funds	(5,500,000)	(5,592,484)
Payment of finance lease liability	(4,060)	(801)
	(5,504,060)	(5,593,285)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment and intangible	(77,660)	(33,247)
Proceed on disposal of property, plant and equipment	5,995	-
	(71,665)	(33,247)
<b>NET INCREASE IN CASH</b>	2,389,496	2,610,568
<b>CASH, BEGINNING OF YEAR</b>	7,222,156	4,611,588
<b>CASH, END OF YEAR</b>	\$ 9,611,652	\$ 7,222,156
<b>Represented by:</b>		
Cash	\$ 6,481,587	\$ 5,593,513
Investments held for designated purposes	3,130,065	1,628,643
	\$ 9,611,652	\$ 7,222,156
	<b>2014</b>	<b>2013</b>
<b>Note:</b>		
Cash flow from interest received is included in comprehensive income.	\$ 84,354	\$ 76,382

**FINANCIAL and CONSUMER SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014  
(in Canadian \$)**

**1. Nature of the Corporation**

The body corporate previously constituted under the name New Brunswick Securities Commission was continued as a body corporate without share capital under the name Financial and Consumer Services Commission (FCNB) on 1 July 2013 under the provisions of the *Financial and Consumer Services Commission Act (New Brunswick) (Act)*.

The purpose of the Act is to enable the FCNB to provide regulatory services that protect the public interest and enhance public confidence in the regulated sectors, and to disseminate knowledge and promote understanding of the regulated sectors, and develop and conduct educational programs. The FCNB may develop and conduct educational programs with respect to financial and consumer services and shall administer financial and consumer services legislation.

Financial and consumer services legislation means the:

<i>Financial and Consumer Services Commission Act</i>	<i>Auctioneers Licence Act</i>
<i>Collection Agencies Act</i>	<i>Commissioners for Taking Affidavits Act</i>
<i>Consumer Product Warranty and Liability Act</i>	<i>Co-operative Associations Act</i>
<i>Cost of Credit Disclosure Act</i>	<i>Credit Unions Act</i>
<i>Direct Sellers Act</i>	<i>Franchises Act</i>
<i>Gift Cards Act</i>	<i>Insurance Act</i>
<i>Loan and Trust Companies Act</i>	<i>Nursing Homes Pension Plans Act</i>
<i>Pension Benefits Act</i>	<i>Pre-arranged Funeral Services Act</i>
<i>Real Estate Agents Act</i>	<i>Securities Act</i>
<i>Securities Transfer Act</i>	

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.

Prior to 1 July 2013, and within the reporting period of these financial statements, the business of the FCNB (as represented by the New Brunswick Securities Commission (NBSC)) was the regulation of the New Brunswick capital markets, including the administration of the *Securities Act*, the General Regulation and the New Brunswick Securities Commission rules.

The FCNB's staff and premises complements on 1 July 2013 included those associated with the former New Brunswick Securities Commission and the Justice Services Division of the Department of Justice and Attorney General that existed immediately before that date.

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

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

**FINANCIAL and CONSUMER SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014  
(in Canadian \$)**

**2. Basis of preparation and statement of compliance with IFRS**

Management have prepared these financial statements in accordance with International Financial Reporting Standards (“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 the FCNB.

The financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities 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 the 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**

Revenue is recognized when earned.

Assessments are recognized in the period in which the cost to administer the *specific financial and consumer services legislation, as may be amended*, are incurred.

Licensing fees and registration fees will be deferred and recognized in revenue over the year to which they relate.

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

Recovery of the costs of investigations and administrative penalty revenue are recognized upon the date of decision unless management determines there is no reasonable assurance as to ultimate collection, in which case recovery is recognized when cash is received.

Investment income is recorded using the effective interest method.

**FINANCIAL and CONSUMER SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014  
(in Canadian \$)**

**(b) Property, plant and equipment and intangible assets**

Property, plant and equipment and intangible assets are stated at cost less accumulated depreciation or accumulated amortization and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. 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 the 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 and amortization is calculated to write off the cost less estimated residual value on a straight-line basis over the expected useful economic lives. The principal useful economic lives used for this purpose are:

Office furniture and equipment: 4 years  
Information technology infrastructure: 4 years  
Software: 4 years  
Automobile: 5 years  
Leasehold improvements: over term of lease  
Finance lease: over term of lease  
Website: 4 years

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

Gains and losses on disposals of property, plant 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) Impairment of property, plant and equipment and intangible assets**

At each financial year end, the FCNB reviews the carrying value of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss.

**FINANCIAL and CONSUMER SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014  
(in Canadian \$)**

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.

**(d) Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are treated as operating leases.

Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the term of the lease. Benefits received and receivable, if any, as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

**(e) Provisions**

Provisions are recognized when the FCNB has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources 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.

Legal challenges – On occasion, legal proceedings are threatened or initiated against the FCNB. The 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.

**FINANCIAL and CONSUMER SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014  
(in Canadian \$)**

**(f) Employee benefits**

**Post-employment benefit obligations**

The 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. There is no contractual agreement or stated policy for charging the net defined benefit cost for the plan to the FCNB; accordingly the FCNB recognizes a cost equal to the contribution payable for the period. The FCNB receives from the board of trustees of the Public Services Shared Risk Plan, which is the administrator of the Public Service Shared Risk Plan, notification on an annual basis of the required contributions.

Up until 31 March 2013, the NBSC also provided supplemental benefits in the form of retirement allowances to certain employees. Employees who were participating in this program (hired prior to 1 April 2011) were offered a choice of a pay-out in lieu of a retirement allowance or, for those with more than five years of a service, an option to defer the pay-out until retirement. During the year the majority of employees chose a pay-out in lieu of a retirement allowance.

The FCNB provides for a cash pay-out of a 20% portion of unused sick leave at time of retirement.

**(g) Cash**

Cash includes cash on hand and deposits held with banks.

**(h) Financial instruments**

Financial instruments are initially recognized at fair value and their subsequent measurement is dependent on their classification. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the FCNB's designation of such instruments.

The FCNB's financial assets and financial liabilities are classified and measured as follows:

- I. Cash and investments held for designated purposes are classified as "fair value through income". These financial assets, carried at fair value, are marked-to-market through net earnings each period end.

**FINANCIAL and CONSUMER SERVICES COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2014**  
**(in Canadian \$)**

- II. Accounts receivable and amounts due from the Province of New Brunswick are classified as “loans and receivables”. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment. They are included in current assets, except for maturities greater than 12 months after the reporting period. These are classified as non-current assets.
- III. Accounts payable and accrued liabilities, accrued salaries and benefits, accrued vacation liabilities and obligation under finance lease are classified as “other financial liabilities”. These payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, these payables are measured at amortized cost using the effective interest method.

Accounts payable and accrued liabilities, accrued salaries and benefits and accrued vacation liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

**(i) Recently adopted accounting standards**

In December 2013 the IASB issued Annual Improvements to IFRS: 2010-2012 Cycle and Annual Improvements to IFRS: 2011-2013 Cycle, both of which are required to be applied for annual periods beginning on or after 1 July 2014, and, in our current instance, both of which had no effect on our financial performance.

The following standards are required to be applied for periods beginning on or after 1 January 2013 and, unless otherwise indicated, had no effect on our financial performance:

Amendments to IFRS 7 Financial Instruments: Disclosures require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The amendments to IFRS 7 are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods.

IFRS 13 (Fair Value Measurement), effective for financial years beginning after 1 January 2013, establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.

**FINANCIAL and CONSUMER SERVICES COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2014**  
**(in Canadian \$)**

IFRS 13 defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required by the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 (Financial Instruments: Disclosures) will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IAS 19 (Employee Benefits) was effective for financial years beginning after 1 January 2013. The amendments change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligation and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the statement of financial position to reflect the full value of the plan deficit or surplus.

**(j) Future accounting and reporting changes**

The IASB is continually working towards 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. The FCNB monitors the IASB work plans and publications to assess any potential impact on the FCNB.

IAS 32 (Financial Instruments: Presentation) amended 2011, offsetting, otherwise known as netting, takes place when entities present their rights and obligations to each other as a net amount in their statements of financial position.

In January 2011 the IASB and the FASB published the exposure draft Offsetting Financial Assets and Financial Liabilities. This was in response to requests from users of financial statements and recommendations from the Financial Stability Board to achieve convergence of the boards' requirements for offsetting financial assets and financial liabilities.

The offsetting model in IAS 32 Financial Instruments: Presentation requires an entity to offset a financial asset and financial liability when, and only when, an entity currently has a legally enforceable right of set-off and intends either to settle on a net basis or to realise the financial asset and settle the financial liability simultaneously.

**FINANCIAL and CONSUMER SERVICES COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2014**  
**(in Canadian \$)**

IAS 32 (Financial Instruments: Presentation) amended 2011, is required to be applied for periods beginning on or after 1 January 2014. It is not anticipated that the standard will have a material impact on the FCNB's financial statements.

The final version of IFRS 9, Financial instruments, was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. In addition, the own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. The FCNB is yet to assess the full impact of IFRS 9 and has not yet determined when it will adopt the new standard.

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers, which provides a comprehensive five-step revenue recognition model for all contracts with customers. The IFRS 15 revenue recognition model requires management to exercise more judgment and estimates than the current standard. IFRS 15 is effective for annual periods beginning on or after January 1, 2017, with earlier application permitted. It is not expected that this new standard will have a material impact on the financial statements.

**4. Significant accounting judgments and estimation uncertainties**

Critical accounting estimates and judgments

The FCNB makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. The following are the estimates and judgments applied by management that most significantly affect the 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.

**FINANCIAL and CONSUMER SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014  
(in Canadian \$)**

**(a) Critical accounting estimates**

**Property, plant and equipment and intangible assets**

Management estimates the useful lives of property, plant 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, plant 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 the FCNB's property, plant and equipment and intangible assets in the future.

**Retirement allowances**

The NBSC made changes to its retirement allowance program during the 2013 fiscal year and effective 31 March 2013 employees no longer accumulate retirement allowance credits. Employees who were participating in this program (hired prior to 1 April 2011) were offered a choice of a pay-out in lieu of a retirement allowance or, for those with more than five years of service, an option to defer the pay-out until retirement. The majority of employees elected to take the pay-out of \$483,183. Some employees elected to defer the pay-out of \$201,298 until retirement. Management estimates that these employees will work until retirement and be eligible for the pay-out and, therefore, a liability for the full amount has been reflected in the financial statements. These employees would forfeit their allowance if they leave the employ of the FCNB before retirement.

**Sick leave credits benefit**

Upon retirement, employees of the FCNB are eligible to receive 20% of the accumulated sick leave balance to a maximum of 48 days as a pay-out. For employees over the age of 50, the FCNB applies a 3% 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 the FCNB applies a 3% 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 50% of employees under the age of 40 will retire from the FCNB, 75% of employees between the ages of 40 and 50 will retire from the FCNB and all employees over the age of 50 will retire from the FCNB.

**FINANCIAL and CONSUMER SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014  
(in Canadian \$)**

**Supplemental pension benefit**

The 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. The 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) Critical accounting judgments**

Management exercises its judgement in the process of applying the 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 in Note 3. The determination of the collectability of administrative penalty and disgorgement revenue represents a significant policy judgment area.

**5. Financial risk management**

**Financial risk factors**

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

*Credit risk*

The FCNB's financial assets that are exposed to credit risk consist of cash, investments held for designated purposes and accounts receivable. This risk is minimal since the majority of the FCNB's revenue is received when due. Accounts receivable are current and collectable. Accordingly, no provision for allowance for doubtful accounts is required. Its three bank accounts are held with a Canadian financial institution which has a credit rating of AA or higher.

*Liquidity risk*

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

**FINANCIAL and CONSUMER SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014  
(in Canadian \$)**

*Interest rate risk*

This risk is minimal since the FCNB did not incur any interest bearing long term debt except on the finance lease during the year. Cash deposits earn interest at a floating rate and this revenue is impacted by the current low short-term interest rates. A 25 basis point change in the interest rate would have an immaterial impact on the financial statements.

*Foreign exchange risk*

The FCNB was not exposed to any significant foreign exchange risk since its operations are in Canada. From time to time, it receives payments and pays supplies in foreign currency. These amounts are minor.

**6. Capital management**

The FCNB's objective when it manages capital is to ensure it continues as a going concern in order to fulfill its mandate. The FCNB has established a stabilization reserve of \$3,000,000 (\$1,500,000 in 2013) to manage its capital risk. The FCNB ensures that any payment of surplus funds to the Province of New Brunswick will not impair the FCNB's ability to pay its liabilities, to meet its obligations as they become due or to fulfil its contractual commitments.

**7. Financial instruments**

The FCNB's financial instruments consist of cash, accounts receivable, amounts due from the Province of New Brunswick, investments held for designated purposes, accounts payable and accrued liabilities, accrued salaries and benefits, accrued vacation liabilities and obligation under finance lease. 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.

IFRS 7 "Financial Instruments: Disclosures" requires additional disclosure requirements about fair value measurement for financial instruments. These requirements include a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

Level 1 – inputs are unadjusted quoted prices of identical instruments in active markets.

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – one or more significant inputs used in a valuation technique are unobservable in determining fair values of the instruments.

**FINANCIAL and CONSUMER SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014  
(in Canadian \$)**

Determination of fair value and the resulting hierarchy require the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

The fair value of cash and investments held for designated purposes are considered level 1.

**8. Cash and investments held for designated purposes**

The FCNB maintains three separate bank accounts. The first is comprised of the operating account and those monies attributable to the stabilization reserve 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 licenses issued under various financial and consumer services legislation. The balance for the third account as of 31 March 2014 was \$0. Under the terms of the FCNB's banking agreement, these accounts earn interest at prime less 1.9% calculated daily. The amounts attributable to the stabilization reserve, disgorgement reserve and market enhancement reserve have been disclosed on the statement of financial position as investments held for designated purposes.

**9. Accounts receivable**

The FCNB charges assessments as per specific financial and consumer services legislation to the credit union system and to the insurance industry. The outstanding assessments owing totalled \$1,756,704 of the total accounts receivable as of 31 March 2014 (\$0 in 31 March 2013).

**10. Due from the Province of New Brunswick**

Certain payments that were the property of the FCNB were deposited to the Minister of Finance with the understanding that these amounts would be remitted to the FCNB after a reconciliation process. These payments were for services provided by the FCNB and have been collected in full subsequent to year end.

**11. Reserve**

*Stabilization reserve*

The 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 that have an effect on revenue. The reserve is funded through charges to the general fund. The maximum value of the reserve has been set at \$3,000,000 (\$1,500,000 in 2013).

**FINANCIAL and CONSUMER SERVICES COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2014**  
**(in Canadian \$)**

*Market enhancement reserve*

The FCNB collects administrative penalties under section 186 of the *Securities Act*. Consistent with subsection 21(5) of the *Financial and Consumer Services Commission Act*, these amounts are not used for the normal operating expenditures of the FCNB. Instead, they are used for endeavours or activities that enhance the capital markets in New Brunswick. Market enhancement reserve funds are maintained separate from the normal operating funds of the FCNB and generate their own investment revenue. The value of the reserve is \$130,065 (\$128,643 in 2013).

*Disgorgement reserve*

The FCNB has the authority to 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 the FCNB to order that a person be divested from the benefits obtained as a result of failure to comply with securities law. These amounts are not used for the normal operating expenditures of the FCNB 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*. The value of the reserve is \$0 (\$0 in 2013).

**12. Property, plant and equipment**

	Office furniture and equipment	Finance lease	Information technology infrastructure	Software	Automobile	Leasehold improvements	Total
<b>Cost</b>							
As at 31 March 2013	\$ 158,362	\$16,995	\$233,387	\$11,780	\$32,775	\$525,680	\$978,979
Additions	-	-	45,709	-	-	-	45,709
Dispositions	-	-	5,995	-	-	-	5,995
<b>As at 31 March 2014</b>	<b>\$ 158,362</b>	<b>\$ 16,995</b>	<b>\$ 273,101</b>	<b>\$ 11,780</b>	<b>\$ 32,775</b>	<b>\$ 525,680</b>	<b>\$1,018,693</b>
<b>Accumulated Depreciation</b>							
As at 31 March 2013	\$148,636	\$567	\$199,417	\$11,780	\$8,194	\$401,395	\$769,989
Depreciation	3,306	3,397	20,376	-	6,555	61,259	94,893
Dispositions	-	-	1,271	-	-	-	1,271
<b>As at 31 March 2014</b>	<b>\$ 151,942</b>	<b>\$3,964</b>	<b>\$ 218,522</b>	<b>\$ 11,780</b>	<b>\$ 14,749</b>	<b>\$ 462,654</b>	<b>\$ 863,611</b>
<b>Net book value</b>							
As at 31 March 2013	\$ 9,726	\$ 16,429	\$ 33,969	\$ -	\$24,581	\$ 124,285	\$ 208,990
<b>As at 31 March 2014</b>	<b>\$ 6,420</b>	<b>\$ 13,031</b>	<b>\$ 54,579</b>	<b>\$ -</b>	<b>\$18,026</b>	<b>\$ 63,026</b>	<b>\$ 155,082</b>

**FINANCIAL and CONSUMER SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014  
(in Canadian \$)**

**13. Intangible Assets**

	<b>Website</b>
<b>Cost</b>	
As at 31 March 2013	\$ 0
Additions	31,951
Dispositions	0
As at 31 March 2014	<u>\$ 31,951</u>
<b>Accumulated Amortization</b>	
As at 31 March 2013	\$ 0
Amortization	1,638
Dispositions	0
As at 31 March 2014	<u>\$ 1,638</u>
<b>Net Book Value</b>	
As at 31 March 2013	\$ 0
As at 31 March 2014	\$ 30,313

**14. Finance lease liability**

During the year ended 31 March 2013 the FCNB entered into a lease for photocopy equipment. The term of the lease is 5 years. The FCNB has an option to purchase the equipment for a nominal amount at the end of the lease term. Lease liability is effectively secured as the rights to the leased asset revert to the lessor in the event of default.

Gross finance lease liability – minimum lease payments

	<b>Minimum lease payments</b>		<b>Present value of minimum lease payments</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Not later than 1 year	\$2,717	\$3,623	\$2,509	\$3,254
Later than 1 year and not later than 5 years	9,984	13,587	9,625	12,940
Later than 5 years	-	-	-	-
	<u>12,701</u>	<u>17,210</u>	<u>12,134</u>	<u>16,194</u>
Less: future finance charges	( 567)	( 1,016)	-	-
Present value of minimum lease payments	12,134	16,194	12,134	16,194
Less: Current portion	2,529	3,254	2,529	3,254
Finance lease liability	<u>\$9,605</u>	<u>\$12,940</u>	<u>\$9,605</u>	<u>\$12,940</u>

**FINANCIAL and CONSUMER SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014  
(in Canadian \$)**

**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 Board of Management and consistent with subsection 21(7) of the *Financial and Consumer Services Commission Act*.

**16. Establishment of the FCNB**

The FCNB brought together the regulatory authorities for securities from the NBSC and insurance, pensions, consumer affairs, co-operatives, credit unions, caisses populaires, and loan and trust companies from the Department of Justice and Attorney General. On 1 July 2013, the FCNB assumed a retirement allowance liability of \$350,252 and a vacation pay liability of \$95,743 from the Department of Justice and Attorney General for the 31 employees transferred into the FCNB. The cost relating to these liabilities of \$445,995 assumed on 1 July 2013 are reflected in the statement of changes in equity. These employees now receive the same benefits received by the employees of the FCNB. This resulted in the recording of a sick leave liability on 1 July 2013 of \$127,409. The expense of \$127,409 relating to the sick leave liability is reflected in the statement of comprehensive income for the year ended 31 March 2014. In addition, the FCNB provided services for which payments were previously made to the Department of Justice and Attorney General. This resulted in the recording of a Due from the Province of New Brunswick and a deferred registration fee revenue on 1 July 2013 of \$594,668.

**17. Provisions**

A provision is recognized if, as a result of a past event, the 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. The FCNB has no provisions recorded at 31 March 2014 (\$0 at 31 March 2013).

**18. Operating lease commitments**

Operating lease commitments primarily relate to leases of the premises in Saint John. The FCNB entered into a ten-year lease for office space effective 15 February 2006.

Payments are recognized as an expense in the statement of comprehensive income:

	<b>2014</b>	<b>2013</b>
Minimum lease payments	\$253,214	\$255,290
Contingent rentals	-	-
Sub-lease payments received	-	-
	<u>\$253,214</u>	<u>\$255,290</u>

**FINANCIAL and CONSUMER SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014  
(in Canadian \$)**

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<b>2014</b>	<b>2013</b>
Not later than 1 year	\$253,214	\$253,214
Later than 1 year and not later than 5 years	232,113	485,327
Later than 5 years	-	-
	<u>\$485,327</u>	<u>\$738,541</u>

The FCNB is currently in an over-hold lease position for Fredericton office space and pays \$18,309 per month to the Department of Transportation and Infrastructure. The FCNB expects to secure a more permanent leasing arrangement for the Fredericton office in 2014-15.

**19. Commitments and contingencies**

Details of commitments to organizations outside the FCNB and legal actions are set out below. Any losses arising from the settlement of contingencies are treated as expenses in the year of settlement.

**(a) Legal actions**

The FCNB has been named as a defendant in two statements of claim. The claims are in the early stage and 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.

**20. Employee future benefits**

**(a) Pension 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 31 March 2014, the FCNB expensed contributions of \$420,869 (\$228,688 in 2013) under the terms of the Plan.

**(b) Supplemental pension benefit**

A retired Chief Executive Officer receives a supplemental pension benefit whereby 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 31 March 2014, the FCNB expensed \$8,656 (\$29,505 in 2013) under the terms of the Supplemental Benefit Agreement and made 11 monthly payments totalling \$13,935 (made 12 monthly payments totalling \$16,258 in 2013).

**FINANCIAL and CONSUMER SERVICES COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2014**  
**(in Canadian \$)**

**(c) Retiring Allowances**

Previously, the FCNB had an unfunded retirement allowance program for employees with five or more years of continuous service. This benefit was unfunded as no assets were set aside in a separate legal entity and payments were made as they became due, which was upon retirement, death or lay-off.

The program was structured such that each employee was entitled to receive five days of pay for each year of service up to a maximum of 125 days, plus an additional 20% of accumulated sick leave. In total, this benefit could not exceed 166 days. The employee's rate of pay was used to calculate the estimated allowance liability.

The estimated benefit was calculated on those employees with five or more years of service and was represented at the aggregate amount with the application of a 3% discount factor for each year that the eligible employee was below the earliest possible retirement age of 55.

The FCNB discontinued this program, effective 31 March 2013, and now employees no longer accumulate retirement allowance credits. Employees hired prior to 1 April 2011, who were participating in this program (eligible employees), were offered a choice of a pay-out in lieu of a retirement allowance or, for those with more than five years of a service, an option to defer the pay-out until retirement.

During the year most eligible employees took a pay-out in lieu of a deferral. The liability in the financial statements reflects eligible employees who deferred the pay-out until retirement. For the year ended 31 March 2014, the FCNB expensed \$364 for this program (\$138,361 in 2013). The FCNB paid out benefits of \$491,799 (\$32,038 in 2013).

**(d) 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 pay-out of 20% of their unused sick leave credits at lay-off, retirement or death. These statements reflect a liability of \$245,207 (\$114,409 in 2013) for this benefit and a current year expense of \$130,826 (\$16,399 in 2013). Previously this liability was discounted at 3% per year for each year that the eligible employee was below the early retirement age of 55 years. During the year, management changed this estimate. For employees over the age of 50, the FCNB applies a 3% 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 the FCNB applies a 3% 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 50% of employees under the age of 40 will retire from the FCNB, 75% of employees between the ages of 40 and 50 will retire from the FCNB and all employees over the age of 50 will retire from the FCNB. This change in accounting estimate resulted in liabilities and expenses decreasing by \$65,792.

**FINANCIAL and CONSUMER SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014  
(in Canadian \$)**

**21. Related party transactions**

As part of the transition arrangements associated with the transfer of responsibilities from the Department of Justice and Attorney General, certain payments totalling \$308,503 that were the property of the FCNB were deposited to the Minister of Finance with the understanding that these amounts would be remitted to the FCNB after a reconciliation process. These payments were for services provided by the FCNB. As of 31 March 2014 an account receivable of \$903,171 (\$0 at 31 March 2013) was owed to FCNB with no expectation of earning interest. This amount is included in due from Province of New Brunswick. The accounts receivable of \$903,171 consist of \$594,668 referred in note 16 and the \$308,503 deposited to the Minister of Finance.

The New Brunswick Internal Services Agency (NBISA), a related party to the 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. Information technology services were provided, such as data storage, data back-up, data protection and support for the FCNB. The FCNB expended \$108,299 (\$73,935 in 2013) during the reporting period on these services. As of 31 March 2014 an accounts payable of \$102,501 (\$72,814 at 31 March 2013) was owed to the NBISA 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 translation services to the 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 \$80,546 (\$68,595 in 2013). As of 31 March 2014 an accounts payable of \$27,435 (\$6,493 at 31 March 2013) was owed to the Translation Bureau for the Government of New Brunswick and is subject to normal terms. This amount is included in accounts payable and accrued liabilities.

The Department of Transportation and Infrastructure for the Government of New Brunswick provides office space in Fredericton on a month-to-month basis to the FCNB that is measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The FCNB expended \$164,778 (\$0 in 2013) during the reporting period. As of 31 March 2014 an accounts payable of \$186,199, which includes harmonized sales tax (\$0 at 31 March 2013) was owed to the Department of Transportation and Infrastructure and subject to normal terms. This amount is included in accounts payable and accrued liabilities.

The Chair of the FCNB has a personal services contract with the 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. The FCNB expended \$38,079 (\$0 in 2013) during the reporting period. As of 31 March 2014 an accounts payable of \$15,059 (\$0 at 31 March 2013) was owed to the Chair and subject to normal terms. This amount is included in accounts payable and accrued liabilities.

**FINANCIAL and CONSUMER SERVICES COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2014**  
**(in Canadian \$)**

**Key management personnel**

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

	<b>2014</b>	<b>2013</b>
Salaries and other short-term employee benefits	\$ 963,229	\$ 811,574
Post-employment benefits	55,569	64,004
	<u>\$ 1,018,798</u>	<u>\$ 875,578</u>

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

**22. Administration**

	<b>2014</b>	<b>2013</b>
Investor protection and education	\$ 409,239	\$ 373,966
Members and staff development	129,907	100,379
Payment to Department of Justice and Attorney General under Agreement	-	25,000
Contribution for <i>ABCs of Fraud</i>	-	50,000
Information technology	96,070	78,579
Other administration	301,184	180,001
	<u>\$ 936,400</u>	<u>\$ 807,925</u>

**23. Events after the reporting period**

On 9 July 2014, the Government of New Brunswick, as represented by the Minister of Justice, signed an "Amended Agreement in Principle to Move Towards a Cooperative Capital Markets Regulatory System" (Agreement) with the governments of British Columbia, Ontario, Saskatchewan and Canada. The Agreement sets forth the framework to develop a Cooperative Capital Markets Regulatory System (Regulator) that will include the five signatories. This Regulator will be delegated by the Province the securities regulatory functions currently performed by the FCNB. As such, certain employees of the FCNB will transition to this new Regulator. In addition, the FCNB will no longer charge Securities Act fees at the transition date, which is estimated to be in the Fall of 2015. This represents a significant revenue source for the FCNB. The FCNB will be required to develop and implement a Transition Plan to address this revenue loss in order to maintain its self-financing status.

The extent of the impact on these financial statements as a result of this event has not yet been determined.

**FINANCIAL and CONSUMER SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014  
(in Canadian \$)**

**24. Alternative presentation – Income statement by function**

	<b>2014</b>	<b>2013</b>
<b>REVENUE</b>		
Securities	\$14,428,032	\$13,372,127
Insurance	1,968,475	-
Financial Institutions	484,518	-
Consumer Affairs	296,980	-
Pensions	133,519	-
Investment income	84,115	76,382
Miscellaneous	28,705	9,881
	<u>17,424,344</u>	<u>13,458,390</u>
<b>EXPENSES</b>		
Governance and Corporate Management	2,559,191	2,725,047
Insurance	1,364,878	-
Education and Communications	1,053,538	1,126,606
Securities	956,039	949,780
Enforcement	642,829	776,391
Financial Institutions	434,648	-
Consumer Affairs	395,636	-
Pensions	441,806	-
Tribunal	122,457	-
	<u>7,971,022</u>	<u>5,577,824</u>
<b>INCOME AND COMPREHENSIVE INCOME</b>	<u>\$ 9,453,322</u>	<u>\$ 7,880,566</u>

The 2014 results reflect 3 months for the operation of the NBSC and 9 months of operations for the integrated regulatory authority (FCNB). The 2013 figures refer to the NBSC.

**25. Authorization of financial statements**

The financial statements for the year ended 31 March 2014 (including comparatives) were approved by the board of directors on 29 September 2014.

