

General Information:

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

Mailing Address:

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

Office Locations:

85 Charlotte Street, Suite 300
Saint John, NB
E2L 2J2

225 King Street, Suite 200
Fredericton, NB
E3B 1E1



Contents

About Us 3
Our vision, values and mandate; our provincial footprint;
and FCNB numbers at a glance

Letters from the Chair and CEO 8
How we are aiming for excellence and to make an impact

Our Strategic Direction 13
How we are establishing ourselves as an effective regulatory agency

Our Strategic Priorities 18
A brief review of our regulation, education and protection activities

Report on Governance Practices 71
Our division heads, commission members and governance practices

Financial Review 81
Management’s Discussion and Analysis and financial statements

References 121

The Financial and Consumer Services Commission (FCNB) is New Brunswick's financial and consumer services regulator. We are responsible for the regulation of securities, insurance, pensions, credit unions, mortgage brokers, loan and trust companies and a wide range of consumer protection legislation.

FCNB is an independent, arm's length, self-funded Crown Corporation. We administer the following *Acts*:

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

* *An Act to Amend the Collection Agencies Act* received Royal Assent on 5 May 2017, but has not yet been proclaimed. Once proclaimed, the *Collection Agencies Act* will be amended and become the *Collection and Debt Settlement Services Act*.

** Proclaimed on 1 January 2018.

*** Received Royal Assent on 5 May 2017, but has not yet been proclaimed.

The Big Picture

OUR MANDATE

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

OUR VISION

FOR THE PROVINCE

Confident, dynamic financial marketplaces and well-informed consumers.

FOR THE ORGANIZATION

A leading financial and consumer services regulator promoting excellence in consumer protection and education.

OUR VALUES

LEADERSHIP

We adhere to best practices and high standards to ensure regulatory and organizational excellence.

RESPONSIVENESS

We provide proactive, efficient and timely services; we listen to, understand and address the needs of our stakeholders and staff.

INTEGRITY

We are fair, ethical, transparent and accountable for our actions.

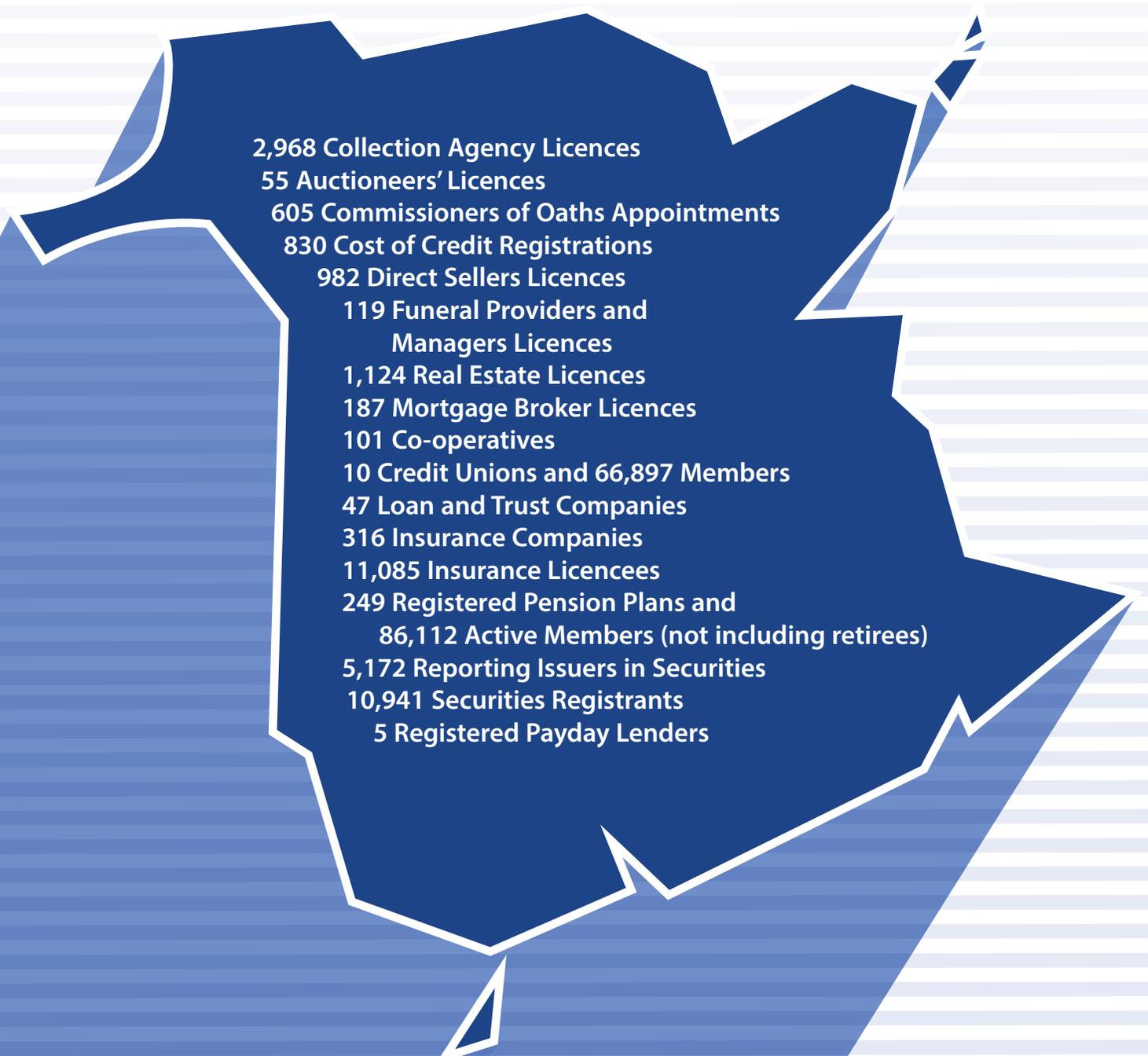
COMMITMENT

We invest in our staff by encouraging innovation and developing expertise and leadership.

Our Provincial Footprint

as of 31 March 2018

As part of protecting New Brunswick's nearly 750,000 consumers, we regulate:



- 2,968 Collection Agency Licences
- 55 Auctioneers' Licences
- 605 Commissioners of Oaths Appointments
- 830 Cost of Credit Registrations
- 982 Direct Sellers Licences
- 119 Funeral Providers and Managers Licences
- 1,124 Real Estate Licences
- 187 Mortgage Broker Licences
- 101 Co-operatives
- 10 Credit Unions and 66,897 Members
- 47 Loan and Trust Companies
- 316 Insurance Companies
- 11,085 Insurance Licencees
- 249 Registered Pension Plans and 86,112 Active Members (not including retirees)
- 5,172 Reporting Issuers in Securities
- 10,941 Securities Registrants
- 5 Registered Payday Lenders

Numbers at a Glance



4,577

attendees at 30 consumer and investor education events



18

events reaching 694 participants related to capital markets development



80 to **1,875**
classroom presentations students



27

Provincial, national and international groups/committees that have FCNB staff participation



7

Internal professional groups



93

Media mentions



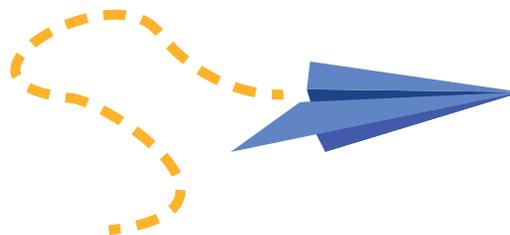
22,145

Consumer publications distributed



185,478

Website visits



1,065 & **43**

Social media posts & blog posts



46

News releases and alerts issued

Effective Consumer Protection & Education

From credit union accounts and mortgages to investments, payday loans, real estate transactions, insurance and pensions, virtually every New Brunswicker is a consumer of financial services. At FCNB, our focus is protecting New Brunswick consumers and fostering New Brunswick's financial services markets. We oversee some of the highest paid industries in the world and their employees, who work with the hard-earned money of New Brunswickers. The work we do requires the right balance of regulation, compliance and enforcement in combination with effective education and outreach to empower consumers to make decisions that improve their financial well-being. Time and again, our team rises to the occasion, demonstrating our commitment to our mandate, our vision and our values. Again, this year, we worked toward delivering effective consumer protection and education.

TODAY'S FEATURED ITEMS
RED FLAG BREW



Half high pressure
Demi-portion d'haute pression

Half scare tactics
Demi-portion de tactiques alarmistes

EN VEDETTE AUJOURD'HUI
CAFÉ VOL-UPTEUX

FCNB.ca

TODAY'S FEATURED ITEMS
UNCERTAIN-TEA

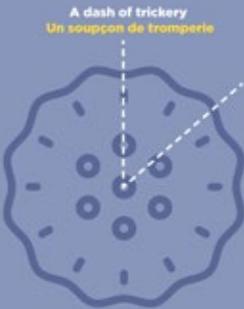


100% too good to be true
100 % trop beau pour être vrai

EN VEDETTE AUJOURD'HUI
AL-THÉ-RATION

FCNB.ca

TODAY'S FEATURED ITEMS
CON-ARTIST COOKIES



A dash of trickery
Un soupçon de tromperie

EN VEDETTE AUJOURD'HUI
BISCUITS À ES-CROQUER

FCNB.ca

Letter from the Chair

“The minute you’re satisfied with where you are, you aren’t there anymore.” – Baseball Hall of Famer Tony Gwynn

In 2018, FCNB celebrates its fifth anniversary. While our essential mandate remains the same as it was in 2013, since then, we have strengthened our foundation and expanded into new sectors – such as the regulation of mortgage brokers and payday lenders – in response to changes in New Brunswick’s financial and consumer marketplaces.

We have worked over the last five years to modernize the legislation that governs the sectors we regulate. We have equipped ourselves with tools and developed improved competencies in areas like policy development, rule-making, licensing and registration, compliance, enforcement and education. We have also been developing a proposal for an unclaimed property program for New Brunswick that would benefit both consumers and businesses.

We have built a solid foundation upon which to move ahead, and have developed the following key elements: a clear strategy and vision, a robust organizational structure, upgraded technology, and, most importantly, great people.

The work our employees do every day defines “public service.” Their commitment and passion is making a difference for our stakeholders. They may have come here following different paths, but they have all reached a common destination: a place where their work regulates, educates and protects New Brunswickers in meaningful ways. Each employee of FCNB – many of whom are featured on the pages of this annual report – plays an important role in fulfilling our mandate.

Now that we have a solid foundation, we are at a stage where we can challenge ourselves to be bold and innovative – especially in light of rapidly evolving financial and consumer marketplaces. Just look at distributed ledger technologies, peer-to-peer lending, robo advisors, innovative trading platforms, digital wallets and how these (and others) are disrupting traditional financial and consumer marketplaces. These technological innovations may bring benefits of lower costs, speed and automation to consumers, but they also pose substantial challenges for regulators providing consumer protection. In addition, there are societal changes and opportunities to lead in connection with issues involving financial literacy and the financial abuse of vulnerable groups.



We must stay in step with these changes – and evolve ourselves. We must be ready to respond to emerging threats and be proactive in tackling risks to consumers. We must ensure that firms and individuals operating within New Brunswick’s financial markets are financially sound, and that consumers’ interests are considered and protected. We must be prepared for any challenges on the road ahead, and be disciplined about the opportunities that present themselves.

We have worked over the last five years to build a solid foundation and to equip ourselves with a set of regulatory tools. The next five years are about making good choices in using those tools. This doesn’t necessarily mean only the choice between more regulation or less. What we must strive for is smart regulation, education and consumer protection based on all available evidence and data.

FCNB provides the right environment to develop smart regulation. We are nimble, independent and have good relations with government and the various stakeholder communities which we are privileged to serve. We are focused on innovation and excellence and, together with our stakeholders, the role of the regulator in society.

In the next five years, we want to be Canada’s leading integrated regulator.

The members of our Commission believe this is a goal well worth working toward for the benefit of our people and our province.

ORIGINAL SIGNED BY PETER KLOHN

Peter Klohn

Chair

Letter from the CEO

In the modern sense, consumer law in Canada is only a few decades old, part of the legacy of former Prime Minister Lester B. Pearson.

Notable for introducing the Canada Pension Plan, universal health care, student loans and the Canadian Flag, Pearson also created institutions to help protect Canadian consumers and recognized the consumer's centrality in the Canadian economy.

"Legislation in these areas must not merely record commercial rights but protect the national interest and the rights of individuals and act as an instrument in the promotion of social and economic goals," he said in 1966.



A lot has changed in the world since then, but consumers are still centric in today's fast-paced and ever changing technological world. But while new technological products and services are offering consumers more convenience, they are also exposing them to financial exploitation and fraud.

That is why we worked and continue to work to strengthen our regulatory framework with modernized investigative, compliance and enforcement powers that allow us to be responsive to changes in the marketplace. In addition, this year, we put in place new rules for New Brunswick's payday lenders; announced new legislation for Pooled Registered Pension Plans (PRPPs); and proposed legislative amendments that will protect innocent co-insureds in cases of intimate partner violence and property damage.

We also launched consultations across the province seeking solutions and possible legislative changes to prevent and respond to the financial abuse of New Brunswick's growing senior population; and we took a leading role in a Canadian binary options task force to disrupt this new online scheme that was bilking money from Canadians.

Financial services are crucial to the functioning of an economy. Their importance and the need to foster trust among providers and consumers are among the reasons we oversee the provision of financial services, which are among some of the highest paid industries in the world. Regulation is at the heart of consumer protection and safeguarding the hard-earned dollars of New Brunswickers. However, it requires the right balance between business interest and public interest, or it runs the risk of dampening competition and innovation. If too intrusive, regulation can impose costs on business, push up prices and limit consumer choice – even if the intention is to protect consumers.

One only has to look at New Brunswick's real gross domestic product (GDP) to understand the importance of balanced regulation. The province's GDP rose 1.2 per cent in 2016, driven by household expenditures (+1.5 per cent).¹ A market that serves consumers well is, therefore, an

important element to stimulating the province's economy. In the same token, consumers play a vital role in a free market economy: determining the prices of goods and services and what goods and services will succeed. The more fully consumers are informed, the better they are able to make smart purchasing decisions.

Effective consumer protection, therefore, cannot rely on regulation alone. We need to empower New Brunswickers to become questioning and informed consumers, reasoned and critical decision-makers and participating citizens. We need to help them improve their financial literacy as a way to avoid financial exploitation.

That's why we have made financial literacy a key priority. We want to give consumers the knowledge, skills, confidence and understanding of the information they receive so they can evaluate both the risks and rewards. Bad decisions from poor literacy skills can result in financial or material costs to the consumer, and make them vulnerable to fraud or credit mismanagement.

Over the last year, we have used innovative communication and education tools and tactics to reach New Brunswickers and maximize fraud awareness, some of which are featured on the pages of this annual report. We attended summer festivals and visited classrooms, workplaces, senior groups and wellness fairs across the province to teach healthy money skills. We launched our fraud awareness campaign on a number of communication platforms, and bolstered content on our website. Helping consumers to stay informed is especially important today when innovations in technology have made financial products and services more complex than ever before.

Times are changing, but our commitment to effective consumer protection and education is not. Our devotion to our mandate, vision and values remains steadfast. Progress comes through change, and the accomplishments recorded on the pages of this report reflect that. I look forward to 2018-19 as we move through the changes and work with our stakeholders to improve consumer protection and education in New Brunswick.

Sincerely,

ORIGINAL SIGNED BY KENRICK HANCOX

Kenrick Hancox

CEO

GUEST SPEAKERS

Explore the Possibilities

Community Economic Development Corporations

14 November 2017

Dieppe Centre of Arts & Culture

9 a.m. to 3 p.m.

Visit FCNB.ca/fullsail to register.

BONUS: How-to Session

Featuring staff from FCNB and the Department of Finance discussing steps required to create a CEDC.

3:30 p.m. to 4:30 p.m.

All events are offered free of charge but pre-registration is required. Simultaneous translation services available.

Rankin MacSween, New Dawn Enterprises

- President of Canada's oldest CEDC
- Employs 175 people
- Operates nursing homes, a college, rental properties and community-based services



Austen Hughes, Natural Forces

- Vice President Operations
- Leading expert in regional energy development
- Operating 10 wind farms in New Brunswick and Nova Scotia



Debra and Jeff Moore, Just Us Coffee

- Founders of Canada's first fair trade coffee roaster
- Winners of Better Business Bureau's Ethics Award (2005)
- Mentors and CEDC advocates



PRESENTERS, PANELISTS AND CONTRIBUTORS

Wendy Keats, Co-operative Enterprise Council of NB

Erika Shea, New Dawn Enterprises

Abel Lazarus, Nova Scotia Securities Commission

*Financial and Consumer Services Commission
Department of Finance*



Our Strategic Direction

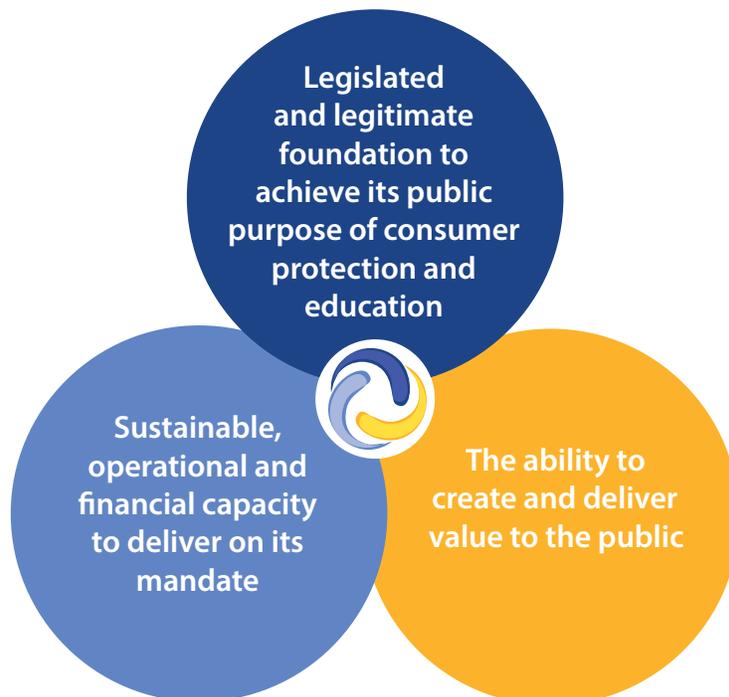
An effective regulatory agency

Effective consumer protection and education

As a regulator, we set standards for the industries we regulate. To instill confidence and credibility in the regulatory environment, we hold ourselves to high standards. We strive to be a leading-edge, innovative regulator and a leader among regulators both in the province and across the country.

Being an effective regulatory agency allows us to better protect and educate consumers. Having this focus allows us to determine how we may better concentrate our energy to make a significant difference in New Brunswick.

An effective regulatory framework and structure has three key requirements:



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



Factors Affecting our Operations

Since our consolidation in 2013, we have seen significant change in the financial landscape. The past year was no exception, and we expect more moving forward. These changes significantly impact our organizational structure and our operational budget, both of which must rise to meet the challenge. While evolving with this changing environment, we continue to preserve the underlying rationale and advantage of being an effective, independent, self-funded regulator. Though significant developments have affected the overall scope of our regulatory responsibilities, the vision and mandate to regulate, educate and protect New Brunswick consumers still apply.

We face a wide variety of external and internal factors that influence our operations.

Internal Factors

COOPERATIVE CAPITAL MARKETS REGULATORY SYSTEM (CMRA)



- Continuing to work on establishment of CMRA for securities with British Columbia, Saskatchewan, Ontario, Prince Edward Island and Yukon.
- Work to ensure new structure meets needs of capital markets.
- Work to ensure competent, capable presence exists in province for regulation of securities.

TRANSITION TO FCNB 2.0 IN A POST-CMRA ENVIRONMENT



- Will have a significant impact on organizational structure and budget.
- Significant planning underway to ensure smooth transition.
- Requires ensuring competent, capable, independent, self-funded regulator exists to protect consumers.

External Factors

SENIORS



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



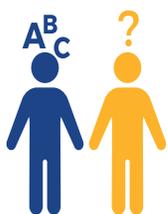
31% of New Brunswick's population will be over the age of 65 by 2038.²



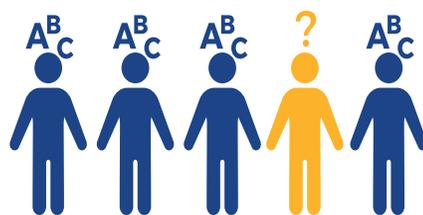
10% of Canadian seniors are the victims of crime each year. Financial abuse and exploitation appear to be among the most prevalent forms of abuse.³

It requires a coordinated effort among stakeholders to address.

LITERACY



53% of New Brunswickers over the age of 16 do not have the literacy skills they need to function in everyday life.⁴



One in five adults in New Brunswick (18.5%) have reading and writing skills that fall below the national average.⁵



This affects their ability to make smart financial decisions and makes them vulnerable to financial exploitation. It requires a coordinated effort among stakeholders to address.

CHANGING TECHNOLOGY



70% of small businesses have been the victim of a cyberattack.⁶

\$15,000

Average cost per incident.⁷



FinTech adoption in Canada increased from 8% to 18% since 2015.⁹



Cybercrime predicted to cost the world \$6 trillion dollars annually by 2021.¹⁰

\$3 Billion+

Annual cost of cyberattacks to Canadian businesses.⁸

Requires continuous need to adapt to new technology.

REGULATED SECTORS

SUPPLIERS OF CREDIT



173%

Canada's household debt-to-income is among the highest in the world.¹¹

Requires monitoring to ensure consumer protection.

New mortgage brokers legislation came into effect on 1 April 2016.

New payday lenders legislation came into effect on 1 January 2018.

Legislation passed to regulate credit reporting agencies and debt settlement companies, and to restrict the activities of credit repair companies.



CREDIT UNIONS



15 caisses populaires transferred to federal regulatory oversight.

10 credit unions in the province remain.

Requires streamlining the regulatory structure to remain competitive.

Our Strategic Priorities

We have planned a number of multi-year initiatives for each of our identified strategic priorities. Considerable emphasis is placed on implementing those critical initiatives that will impact and support our mandate.

These three priorities are the foundation of our day-to-day work and provide the structure for goals, performance measurement and multi-year initiatives.

We continue to develop and maintain competencies in these areas:

- Regulating
- Policy development and rule-making
- Education
- Licensing and registration
- Compliance and enforcement
- Corporate governance
- Administrative tribunal



Strengthen our regulatory capabilities

Position ourselves as an effective, independent, self-funded regulator.

Enhance our operational effectiveness

Implement an effective organizational structure and work processes.

Deliver on our mandate

Provide programs to regulate, educate and protect New Brunswickers.

The Plan

PRIORITY: Strengthen our regulatory capability

OBJECTIVE: To position ourselves as an effective independent, self-funded regulator.

INITIATIVES

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

Timing: Multi-year, by March 2019

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

Implement Mortgage Broker regulatory regime

Timing: Completed April 2016

Measure: Mortgage Broker legislation operationalized

Implement Payday Lender regulatory regime

Timing: By March 2018

Measure: Payday Lender legislation operationalized

Restructure Credit Union regulatory framework

Timing: By December 2017

Measure: Complete proposal submitted to Government for approval

Prepare proposal for updating *Co-operative Associations Act*

Timing: Multi-year, By March 2018

Measure: Complete proposal submitted to Government for approval

Implement new fee rules and revenue neutral self-funding structure

Timing: Multi-year, By March 2019+

Measure: Balanced budget without use of transitional fund

Work with Department of Finance to implement an unclaimed property regulatory regime

Timing: By March 2018

Measure: Complete legislated proposal submitted to Government for approval

The Progress

2017-2018
Year at a glance

- Legislation passed and rules created and posted to regulate credit reporting agencies and debt settlement companies in the province, and to restrict the activities of credit repair companies.
- Amendments to the *Pension Benefits Act*, which clarified language and strengthened member protections, came into effect 1 January 2018.
- Legislation passed but awaiting proclamation to provide for Pooled Registered Pension Plans as an investment option for New Brunswickers.
- Finalized enforcement regulatory operational framework.
- Continue to work with government to advance rule-making authority across all regulated sectors.
- A Bill to update the *Act Respecting the Financial and Consumer Services Tribunal* for operational efficiencies received Royal Assent in December.
- Enhancements made to the securities regulatory regime through adoption of two new rules, the adoption of amendments to four existing rules, and amendments to an existing blanket order. Also published for comment proposed amendments to six existing rules and two consultation papers respecting potential future regulatory developments.
- Payday lender regulatory regime rolled out across the province 1 January 2018.
- Completed policy analysis in support of the restructuring of the credit union regulatory framework and held stakeholder meetings.
- Participated in Credit Union Prudential Supervisors Association's working group on the development of risk management standards for central credit unions across Canada.
- Participated in the Federal, Provincial and Territorial working group currently working on the development of a Retail Payments Regulatory framework.
- Provided a report to and working with government to update the *Co-operative Associations Act*.
- Work continues to develop a neutral self-funding organizational structure to prepare for FCNB 2.0.
- Research continues on a proposed unclaimed property program for New Brunswick.

An In-Depth Look

Our Legislative Agenda

Being an effective regulator requires having a modern and responsive regulatory model that is able to meet the needs of consumers and business in a rapidly evolving marketplace.

Our competencies in a number of areas – including regulating, policy development and rule-making – lend themselves to assuming other regulatory responsibilities and to updating the regulatory regime for areas related to financial and consumer protection.

Over the past year, we conducted research to develop a proposal for an unclaimed property program in New Brunswick ([see page 29](#)) and developed a proposal to update the province's *Co-operative Associations Act*.

"We have been liaising with industry and government and have made substantial progress in moving these two projects forward," said Erin Toole, FCNB's associate general counsel.

Our rule-making authority was extended across several newly regulated sectors. Rule-making is a tool that allows a regulator to respond rapidly to changes in a regulated sector, such as new technology, products, processes or business practices. To date, we have extensive rule-making authority under the *Securities Act*, as well as in legislation governing mortgage brokers and payday lenders, and new legislation regarding credit reporting agencies. We also have rule-making abilities to set fees, forms and assessments in all financial and consumer services legislation.

"Equipping FCNB with extensive rule-making authority across all of our regulated sectors will ensure our effectiveness as an independent, flexible and responsive regulator," Toole said. "We continue to work with government to advance this initiative."

Work also continued over the last year on a proposal to modernize the regulatory framework overseeing New Brunswick's credit union system ([see page 26](#)).



“We aim to minimize the regulatory burden and cost to New Brunswick’s financial institutions, without diminishing oversight or public and taxpayer protection.”

– Étienne LeBoeuf, Director of Financial Institutions

Other legislative projects moved forward last year to enhance consumer protection, including new rules for payday lenders, which came into effect on 1 January 2018. Also, a new *Pooled Registered Pension Plans (PRPP) Act* received Royal Assent in December 2017, which will offer new options for pension coverage once it comes into force ([see page 27](#)). Amendments were made to the *Insurance Act* to support victims of domestic violence ([see page 28](#)) and to the *Pension Benefits Act* and the *Shared Risk Plans Regulation* to clarify language and strengthen member protections.

Amendments to the *Financial and Consumer Services Commission Act* were passed, which will provide operational efficiencies for the Financial and Consumer Services Tribunal. These amendments, which are awaiting proclamation, will increase efficiencies, streamline the appeal process under the financial and consumer services legislation and help ensure timely decision-making by the Tribunal.

“We continue working to build a modern legislative framework for New Brunswick,” Toole said. “This requires being tuned into changes in the financial and consumer marketplaces and in areas that affect our daily work.”

New rules for payday lenders strengthen and enhance consumer protection

New legislation, regulation and rules to protect New Brunswick consumers who take out payday loans came into effect on 1 January 2018.

The new legislation, regulation and rules require anyone offering, arranging or providing a payday loan in New Brunswick to obtain a licence from FCNB, and allow FCNB to take action on unlicensed activity and those not in compliance with the legislation.

The legislation, regulation and rules help consumers choosing to take out a payday loan by:

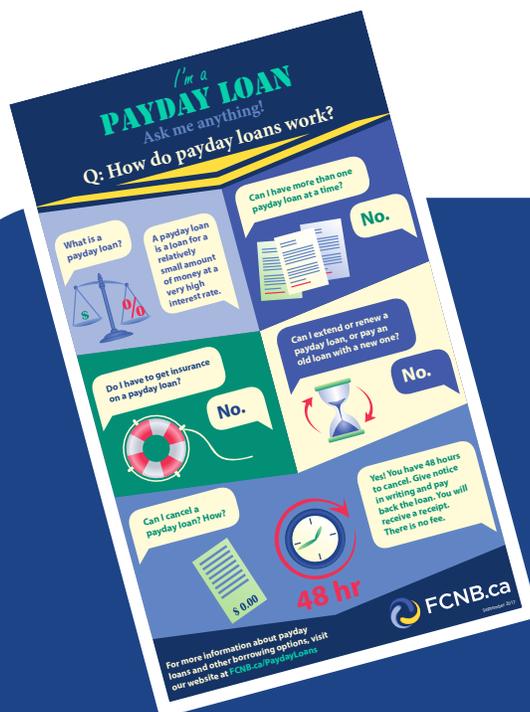
- setting a maximum rate of \$15 per \$100 they can be charged for a payday loan – among the lowest fees in Canada.
- requiring payday lenders to provide disclosure on the cost of borrowing.

- allowing consumers to change their minds and cancel a payday loan within 48 hours, without paying any charges.
- limiting payday lenders from issuing a consumer more than one loan at a time or extending or renewing a loan at an additional cost.
- limiting payday lenders from giving consumers a loan for more than 30 per cent of their net pay.
- making insurance on the loan optional.

The regulatory structure introduced is similar to changes implemented across the country for the payday lender industry. After consulting with stakeholders and industry, FCNB ensured that the rates being charged to consumers were reasonable while at the same time providing for the viability of the industry.

“We have the mandate to protect consumers through a combination of regulation and education,” said Alaina Nicholson, FCNB’s acting director of consumer affairs. “Some consumers experiencing financial hardship look to access short-term credit and may be susceptible to predatory lending practices. We want to ensure that consumers are better informed about the true cost of using these services and know to use the services of a licensed payday lender.”

FCNB launched a social media campaign, posted content on its website and created infographics and a two-minute video to inform consumers about the new rules, what is involved in taking out a payday loan and how to make informed credit decisions. FCNB will also publish an online registry of licensed lenders.



Only seven per cent of New Brunswickers say they have taken out a payday loan, usually, for an unexpected, necessary expense (like a car repair), according to the 2018 FCNB awareness survey.

Forty per cent of respondents are aware that payday lenders are licensed in New Brunswick.

Restructuring and Modernizing New Brunswick's Regulatory Framework for Credit Unions

Work continued with stakeholders on a proposal to restructure and modernize the regulatory framework overseeing New Brunswick's credit union system.

The current structure was designed in the early 1990s when the credit union and caisses populaires systems were provincially regulated. In July 2016, the larger caisses populaires system was transferred to federal jurisdiction, resulting in a regulatory framework disproportionate to the size of the provincial credit union system.

New Brunswick is the only province with three organizations performing credit union regulatory oversight activities – the Brunswick Credit Union Stabilization Board Ltd., the New Brunswick Credit Union Deposit Insurance Corporation and FCNB.

The cost of regulation had been shared between the caisses populaires and the credit unions, but the transfer of the caisses populaires system left the remaining 10 credit unions having to bear the full cost.

The proposed restructured model includes:

- consolidating all the regulatory functions of the stabilization board into those of FCNB, as the statutory regulator.
- consolidating the stabilization fund and the deposit insurance fund into one deposit protection fund.
- updating the responsibilities of the Superintendent, FCNB and the New Brunswick Deposit Insurance Corporation.
- modernizing the provisions of the *Credit Unions Act* as per the statutory five-year review.

The proposed model also leaves in place the deposit insurance coverage of \$250,000 for eligible deposits of credit union members.

“The objective is to reduce the regulatory burden and cost to the credit unions without diminishing oversight or public and taxpayer protection,” said Etienne LeBœuf, Director of Financial Institutions.

The consolidated model will fall under FCNB's oversight. The legislative proposal will provide the framework to implement this model, and is expected to be completed in 2018.

New Option for Pension Coverage

FCNB contributed to new legislation that offers self-employed New Brunswickers and employees of small- and medium-sized businesses an additional way to save for retirement.

In December, the provincial government passed the *Pooled Registered Pension Plans (PRPP) Act*, which reduces the administrative burden of operating a pension plan and makes offering a pension plan more attractive and affordable for small- and medium-sized businesses.

The *Act* allows a worker to join a PRPP and make contributions to a pension fund if they are self-employed or if their employer does not provide a pension plan. An employer may also contribute, but it is voluntary. Because the employee contributions would be pooled, the plan offers investment and savings opportunities with lower administration costs.

“Many self-employed New Brunswickers and employees of small- and medium-sized businesses do not have access to a workplace pension,” said Angela Mazerolle, FCNB’s director and superintendent of insurance and pensions. “As a result, many of these New Brunswickers may see their standard of living drop significantly during their retirement years. PRPPs will make retirement saving accessible for every working New Brunswicker.”

Once the *Act* is proclaimed and regulations are in force, New Brunswick will join other provinces in signing an agreement with the federal government to assign regulatory responsibility of PRPPs to the federal Office of the Superintendent of Financial Institutions.

“Many self-employed New Brunswickers and employees of small- and medium-sized businesses do not have access to a workplace pension. As a result, many of these New Brunswickers may see their standard of living drop significantly during their retirement years. PRPPs will make retirement saving accessible for every working New Brunswicker.”

– Angela Mazerolle, Director and Superintendent of Insurance and Pensions

Insurance Act Amendments Support Victims of Domestic Violence

Amendments to the *Insurance Act* introduced in December 2017 aim to protect innocent co-insureds in cases of property damage.

Most home insurance policies exclude payment for loss or damage caused by an intentional or criminal act by any person insured by the policy. This can be detrimental in the context of domestic violence if a spouse who is a co-insured deliberately sets fire or causes damage to the property. Although some insurance companies do pay innocent co-insureds in the case of domestic violence, notwithstanding the exclusion, no law required them to do so.

The amendments were developed in partnership with the Office of the Consumer Advocate for Insurance, FCNB and the Women's Equality Branch of the Government of New Brunswick. The amendments limit the exclusion found in most property insurance policies to the person who committed the intentional or criminal act. As a result, the amendments allow innocent co-insureds to receive their share of compensation.

"This change will help victims of intimate partner violence by reducing the financial loss to them as they begin rebuilding their lives," said Angela Mazerolle, FCNB's director and superintendent of insurance and pensions. "It will also bring New Brunswick into line with several other provinces. This is a positive step toward ensuring that victims of domestic abuse do not experience additional, unnecessary hardship after a traumatic incident."

"This change will help victims of intimate partner violence by reducing the financial loss to them as they begin rebuilding their lives. It will also bring New Brunswick into line with several other provinces. This is a positive step toward ensuring that victims of domestic abuse do not experience additional, unnecessary hardship after a traumatic incident."

– Angela Mazerolle, Director and Superintendent of Insurance and Pensions

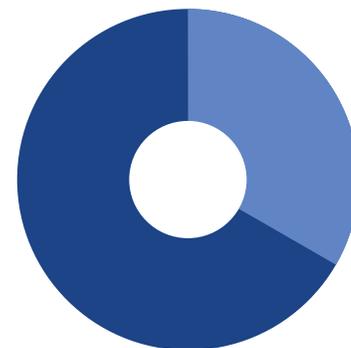
57%

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



66%

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



2018 FCNB awareness survey

Developing an Unclaimed Property Program

Unclaimed property programs aim to reunite consumers with money or other financial assets they have lost track of or forgotten in credit union accounts, uncashed cheques, security deposits, pension funds, and investments to name but a few examples.

In essence, these programs put money back where it belongs – in the hands of its rightful owners. At the same time, unclaimed property programs inject funds into the economy by returning money to consumers, and they benefit companies, agencies and organizations (holders) by relieving them of the expense and liability of carrying unclaimed property.

Unclaimed property programs are considered to be among the very first consumer protection programs and have been operating in the United States since the early 1930s. Similar programs exist in three Canadian provinces: Quebec, Alberta and British Columbia.

FCNB staff has started developing a proposal to implement an unclaimed property program in New Brunswick.

The program would require holders to attempt to locate the owners of any unclaimed funds and, if unsuccessful, turn forgotten funds over to the program. The program would safeguard the forgotten funds and provide a searchable database for consumers. Once a consumer's entitlement was verified, the funds would be paid to the consumer. Funds not claimed would be used to fund the program and other consumer protection initiatives in New Brunswick.

Securities Committee Work

Employees in our securities division participate on various national and international committees. We have 12 employees participating on 30 Canadian Securities Administrators (CSA) committees and three employees participating on North American Securities Administrators Association (NASAA) committees.

Some highlights from our CSA committee work:

- On 6 April 2017, the CSA published Consultation Paper 51-404 *Reducing Regulatory Burden for Non-Investment Fund Reporting Issuers*. The purpose of the paper is to identify and consider areas of securities legislation applicable to non-investment fund reporting issuers that could benefit from a reduction of undue regulatory burden, without compromising investor protection or the efficiency of the capital market.
- On 5 October 2017, the CSA published Multilateral Staff Notice 58-209 *Staff Review of Women on Boards and Executive Officer Positions – Compliance with NI 58-101 Disclosure of Corporate Governance Practices*. It showed the results of a compliance review of issuer disclosure regarding women on boards and in executive officer positions as prescribed in National Instrument 58-101 *Disclosure of Corporate Governance Practices* – intended to increase transparency for investors and other stakeholders regarding the representation of women on boards and in executive officer positions, and the approach that specific issuers take in respect of such representation. This transparency is intended to assist investors when making investment and voting decisions.



- We continued to work diligently with other regulators on proposals to reform the registration regime so as to enhance obligations of registrants toward their clients in the areas of conflicts of interest, know your client, suitability and others.
- The CSA continues to review responses to its January 2017 CSA Consultation Paper 81-048 *Consultation on the Option of Discontinuing Embedded Commissions*. The purpose of the consultation is to identify the potential effects of discontinuing embedded commissions, which include understanding the potential impact such a change may have on the accessibility and affordability of advice for Canadian investors, including lower-wealth investors, and identifying ways to minimize this impact. Ultimately, our goal is to ensure that any regulatory action we may decide to take will provide a Canadian solution to challenges specific to the Canadian market, which will result in more positive outcomes for Canadian investors and will minimize disruption for market participants.
- Throughout the year, the CSA Regulatory Sandbox Committee reviewed various potential regulatory sandbox applications in connection with innovative fintech business models. Additionally, it published CSA Notice 46-307 *Cryptocurrency Offerings*, which outlines how securities law requirements may apply to initial coin offerings (ICOs), initial token offerings (ITOs), cryptocurrencies, cryptocurrency investment funds and the cryptocurrency exchanges trading these products. The CSA Regulatory Sandbox is an initiative of the CSA to support fintech businesses seeking to offer innovative products, services and applications in Canada. It allows firms to register and/or obtain exemptive relief from securities laws requirements, under a faster and more flexible process than through a standard application, in order to test their products, services and applications throughout the Canadian market on a time limited basis.
- We joined other securities regulatory authorities across Canada in a number of cooperation agreements to provide mutual support to fintech startups that want to enter each other's markets. Over the past year, we signed agreements with the French Autorité des marchés financiers (French AMF) based in Paris, the Australian Securities and Investments Commission (ASIC) and the Financial Services Regulatory Authority (FSRA) of Abu Dhabi Global Market (ADGM). These agreements also allow FCNB and the other participating Canadian jurisdictions to exchange information on fintech trends and development with French AMF, ASIC and FSRA. These agreements extend the work of the CSA Regulatory Sandbox Initiative and provide a sound environment for businesses to develop innovative solutions in the financial sector. They will help these businesses navigate the regulatory systems in the participating countries, and monitor market developments to identify and propose ways to address emerging regulatory issues.

The Plan

PRIORITY: Enhance our operational effectiveness

OBJECTIVE: To implement an effective organizational structure and work processes.

INITIATIVES

Implement revised organizational structure

Timing: By January 2019

Measure: New organizational structure in place

Transition designated staff to Capital Markets Regulatory Authority

Timing: By January 2019

Measure: Staff operating under new Capital Markets Regulatory Authority

Implement electronic licensing system in all regulatory sectors

Timing: Multi-year, By March 2019+

Measure: Fully functional electronic systems operational

Implement staff training development and succession plan

Timing: Multi-year, By March 2020

Measure: Competent, well-trained staff

Improve internal and external work processes

Timing: Multi-year, By March 2020

Measure: Operational efficiencies and standards in place

The Progress

2017-2018
Year at a glance

- Working toward a revised organizational structure with staff participating in FCNB 2.0 and CMRA working groups. CMRA implementation rescheduled from October 2016 to December 2019.
- Developed and implemented in-house electronic system for mortgage brokers' and payday lenders' licensing.
- Implemented electronic system for pensions administration.
- Training to promote staff development has been established with multiple delivery channels available. Training includes: French language, leadership development, communication skills development and internal education sessions on regulatory changes.
- Online eLearning system with an upgraded system that includes more up-to-date training material. Employees can access the system 24/7 and modify their learning and development to meet their professional and personal objectives.
- Completed first cycle of organizational cybersecurity training and identified initiatives to further improve our cybersecurity posture for the upcoming fiscal year.
- Evaluation of internal and external work processes to establish standards and find operational efficiencies.
- Completed a review of Fintech's causes and drivers as well as anticipated impact on our regulatory functions, and presented preliminary findings to industry organizations and at the White Collar Crime Symposium.
- New features added to our employee self-service system.

Seven inter-divisional professional groups continued this year, meeting regularly to share best practices and improve operational policies, establish and implement service standards as well as find efficiencies. Groups include: legal professionals, administrative professionals, accountants, regulators, compliance officers, licensing and registration officers and IT professionals.

An In-Depth Look

Capital Markets Regulatory Authority (CMRA)

Work continues on the development of a cooperative capital markets regulatory system for securities.

A number of FCNB employees are working on different functional workstreams with their counterparts from British Columbia, Saskatchewan, Ontario, Prince Edward Island, Yukon and the federal government to ensure a smooth transition for market participants.

“New Brunswick is very much at the table in terms of developing the future CMRA entity,” said Kevin Hoyt, FCNB’s Executive Director of Securities.

Our reason for participating is to ensure the new structure represents the needs of our jurisdiction and our capital markets and, consequently, other similar sized markets. Under this new model, our ultimate objective is to ensure a superior presence exists in the province for the regulation of securities.

For FCNB, the decision to participate will result in the transfer of numerous FCNB employees to the new capital markets regulator. To prepare for this, we are working with the Capital Markets Authority Implementation Organization (CMAIO) to develop a total rewards strategy and benefit plan for the new entity.



“New Brunswick is very much at the table in terms of developing the future CMRA entity.”

– Kevin Hoyt, Executive Director of Securities

Education and Collaboration: The 2017 Directors' Forum

FCNB hosted the first education session for directors of Crown agencies, boards and commissions designed to strengthen governance practices in New Brunswick.

The 2017 Directors' Forum, held 11 May 2017 in Fredericton, was aimed at engaging the public sector in discussions around good governance, exchanging ideas on current governance topics, and addressing challenges within board governance structures.

Entitled "What Every Director Needs to Know," the event was attended by 125 people from across the province, making it the largest gathering of its kind in New Brunswick. Among the guest speakers were Carol Hansell, one of Canada's more prominent corporate governance advisors, as well as former New Brunswick Premier Camille Thériault, former Deputy Premier Aldéa Landry and former Labour Minister Claudette Bradshaw, who shared their experiences both in the boardroom and in the Cabinet Room.

Presentations were also given on cybersecurity, privacy, newest trends in governance, board composition and diversity and crisis management.

"While our stakeholders' expectations of public bodies increase and budgets for education of board members are under pressure, it can be challenging to stay up to date with the most modern governance practices," said Peter Klohn, Chair of the commission. "Collaborative education of directors overcomes these challenges."

The genesis for the event arose out of a discussion on continuing education for the commission's members, when it was pointed out that many common themes could be shared with similar boards and organizations.

Investing in Our People

We are committed to supporting the professional growth and development of our staff.

This year, we continued to provide an online eLearning system to supplement employees' professional and personal learning and development objectives. In addition, we offered second-language training programs across both offices. Programs were offered to help employees improve and/or maintain their French as well as to francophone employees who wanted to improve their English writing skills. A total of 24 employees participated in the programs.

We also supported our seven internal professional groups. These groups span divisions and routinely bring together like professionals – whether they be lawyers, accountants, compliance officers or administrative professionals – to learn about new regulations or changes that could affect their roles and develop consistency in approach across sectors.

Employees who are seeking relevant industry professional designation and certification are also supported.

“By supporting them through this process, we are broadening our employees' skills sets,” said Jackie Gomes, Human Resources Officer with FCNB. “Another benefit is that our employees know we are invested in their professional development and committed to helping them in their careers.”

We also invested in programs that support the overall well-being of employees.

“We are committed to supporting the health, safety and wellness of our employees and offer a comprehensive employee wellness program focused on the four pillars of wellness: psychological wellness, smoking cessation, physical activity and healthy eating.”

Both offices have active health and safety committees and wellness committees, which hold regular activities and events to promote the four pillars.

“We are committed to supporting the health, safety and wellness of our employees and offer a comprehensive employee wellness program focused on the four pillars of wellness: psychological wellness, smoking cessation, physical activity and healthy eating.”

– Jackie Gomes, Human Resources Officer

IT Systems Development

For the first time, we developed and implemented new online functionality completely in-house for both mortgage brokers and payday lenders.

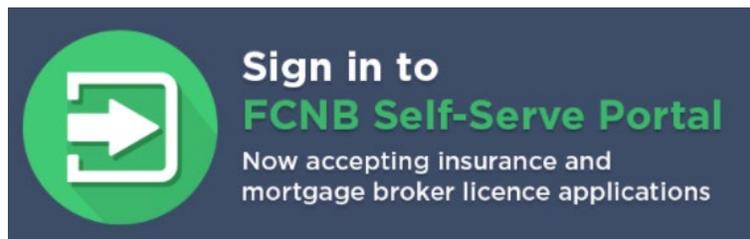
“We were able to do both without the need for an external vendor,” said Jake van der Laan, Chief Information Officer. “This resulted in a significant budgetary saving.”

For mortgage brokers, it means they can submit their annual filing requirements as part of their licensing agreements through the online FCNB portal. This is in addition to applying for a licence online – a feature that was made available to them last year.

Payday lenders, who came under FCNB’s regulation on 1 January 2018, can apply and renew a licence and submit their annual filings all online through FCNB’s portal.

Both projects further advanced FCNB’s information technology (IT) strategy, which focuses on developing electronic systems for our regulatory sectors and improving our internal and external delivery processes.

We also upgraded our Customer Relationship Management (CRM) system as part of the strategy.



Cybersecurity Awareness

Educating people about cybersecurity is the most effective first step in minimizing cybersecurity vulnerabilities, both personally and professionally.

In 2017, as part of our cybersecurity plan, we rolled out more advanced cybersecurity awareness training, using Beauceron Security Inc. The training required employees to complete online training modules and identify potential phishing email in their inbox.

STAY OUT OF FRAUD'S REACH! • ÉVITEZ LA FRAUDE!

It's scary the number of ways fraud can come at you – online, over the phone, even at your doorstep. In 2017, nearly 450 New Brunswickers reported losing a total of \$1.4 million to fraud.

SPOT THE RED FLAGS

On the Phone: If you get a call from someone pressuring you to send money, share personal information, or buy something you don't want, hang up.

In a Text Message: Government agencies, banks and other organizations won't text you for personal information. Don't respond to text messages from phone numbers you don't recognize.

At your Door: When someone shows up at your door with an offer, always ask to see their direct sellers licence.

In the Mail: Disregard any letters about a huge inheritance, a lottery win or an investment opportunity that sound too good to be true or come from an organization you do not recognize.

In an Email: Fraudsters create email messages with links to fake web pages that look like the real sites to try to collect your personal information. Don't reply to the email or click on a link until you confirm the source.

Online Classifieds: Scammers may post fake online classified ads and ask you to wire money. Follow the site's guidelines when buying or selling online.

La fraude est un danger aux mille visages qui frappe au moment où on s'y attend le moins. En ligne, au téléphone, chez soi. En 2017, 450 Néo-Brunswickois ont dit avoir perdu au total 1,4 million de dollars aux mains de fraudeurs.

REPÉREZ LES SIGNAUX D'ALARME

Au téléphone : Si vous recevez l'appel d'une personne qui vous pousse à lui envoyer de l'argent, à lui donner vos renseignements personnels ou à acheter quelque chose dont vous n'avez pas besoin, raccrochez!

Par message texte : Les agences gouvernementales, les banques ou autres organismes ne vous demanderont pas de renseignements personnels par texto. Ne répondez pas si vous ne reconnaissez pas le numéro de téléphone.

À la porte : Quand une personne se présente chez vous avec une offre, demandez toujours à voir son permis de démarcheur.

Par la poste : Jetez toute lettre au sujet d'un héritage considérable, d'un prix à la loterie ou d'un investissement trop beau pour être vrai, ou qui provient d'un organisme que vous ne connaissez pas.

Par courriel : Les fraudeurs insèrent dans leurs courriels des liens vers de faux sites Web qui imitent des sites légitimes dans le but de recueillir vos renseignements personnels. Ne répondez pas à ce type de courriel et ne cliquez sur aucun lien avant d'avoir confirmé l'identité de l'expéditeur.

Petites annonces en ligne : Les fraudeurs affichent parfois de fausses annonces et demandent un paiement par virement télégraphique. Suivez toujours les consignes de sécurité des sites de petites annonces lorsque vous faites des achats ou vendez des articles en ligne.



A third of New Brunswickers (33%) say they are aware they can report financial fraud and suspicious activity to FCNB – up from 24% in FCNB's 2017 awareness survey.

The Plan

PRIORITY: Deliver on our mandate

OBJECTIVE: To provide programs to regulate, educate and protect New Brunswickers.

INITIATIVES

Implement regulatory compliance strategy

Timing: By March 2018

Measure: Compliance reviews in all sectors in accordance with plan

Prepare proposal for multi-stakeholder initiative to address financial abuse of seniors

Timing: By March 2019

Measure: Complete proposal submitted to Government for approval

Advance multi-stakeholder initiative to address financial literacy

Timing: Multi-year, By March 2017

Measure: Increase reach of financial literacy materials

Deliver effective consumer fraud and prevention education programs

Timing: Multi-year, By March 2020

Measure: Increase awareness of consumer protection information

The Progress

2017-2018
Year at a glance

- Updated the regulatory compliance strategies to reflect updated investigative, compliance and enforcement authority.
- Published for comment and carried out consultations across the province on our paper, *Improving Detection, Prevention and Response of Senior Financial Abuse in New Brunswick*.
- Participated in the Financial Education Network (fcb.ca/FEN-objectives.html) promoting cooperation and sharing of resources among organizations delivering financial literacy programs.
- Hosted a Train the Trainer session on financial literacy for various organizations across the province.
- Promoted Fortune, our web-based financial literacy trivia game.
- Hosted a financial literacy booth at the 2017 Amazeatorium, an interactive learning playground for families.
- Delivered a financial literacy Train the Trainer workshop to middle and high school teachers during the New Brunswick Teachers' Association Subject Council Days.
- Provided financial support and resource materials to Réseau de développement économique et d'employabilité du Nouveau-Brunswick (RDEE) to support its financial literacy program for seniors in nine Northern New Brunswick communities.
- Became a resource for The Learning Partnership's "Entrepreneurial Adventures" classroom program.
- Launched a multi-media fraud awareness campaign and developed new fraud prevention and scam awareness material.
- Provided more than 24,800 New Brunswickers with fraud prevention tips and financial literacy materials through our Community Awareness Program and our Spend Smart Cafés.
- Launched a new video series called 3-Minute Money to help consumers make smart financial decisions.
- Launched a Fraud Alerts blog and email subscription service on current New Brunswick frauds and scams, and collaborated with the Canadian Anti-Fraud Centre and the Competition Bureau to share important fraud and financial crime alerts.
- Presented a Fullsail capital market development event on Community Economic Development Corporations (CEDCs).
- Researched and published the 2017 Capital Markets Report for New Brunswick.

An In-Depth Look

Compliance and Enforcement

Every month, we receive around 250 consumer inquiries and complaints. Not all fall under legislation we regulate. However, we still use the opportunity to provide direction to consumers on how to resolve their complaint and on their rights and responsibilities as consumers.

COMPLIANCE

For effective consumer protection, we regularly conduct compliance reviews on the operations and practices of businesses and individuals operating in our regulated sectors to ensure they are abiding with legislation and regulations. The primary goal of our reviews is to help our regulated entities and individuals be compliant with our legislation, regulations and best practices. Each of our divisions has its own team of compliance officers, who receive operational assistance from our enforcement staff and, where needed, general counsel staff on compliance and licensing or registration issues.

This past year, our Consumer Affairs Division completed an extensive review into the activities of two real estate salespeople that involved senior financial abuse. The review found the two salespeople and the real estate agency they owned took “outrageous and egregious advantage” of a vulnerable senior and determined they were unsuitable to be licensed.

Consumer Affairs also conducted a review of the activities of a Saint John-based real estate salesperson, which resulted in placing restrictions on his licence. In another matter, the Consumer Affairs division successfully filed an application seeking an order under provisions of the *Real Estate Agents Act* to pay back a victim whose money was misappropriated by a real estate salesperson. FCNB had cancelled the real estate salesperson’s licence in 2016 after finding him in violation of the *Act*. The \$5,100 paid to the victim was forfeited from a \$40,000 surety bond the real estate salesperson had posted as part of his real estate licence.



“We’ve provided better protection to consumers if they choose to take out a payday loan. At the same time, we want to educate them on their choices and protect them from entering costly cycles of debt.”

– Alaina Nicholson, Acting Director of Consumer Affairs

The Financial Institutions Division conducted solvency testing of two life insurance companies and five property and casualty insurance companies, as well as two field inspections of a life insurance company and a property and casualty insurance company. It also performed desk examinations of trust and loan companies, and field inspections of funeral homes' trust accounts for pre-arranged funerals. Several desk examinations and field inspections were also performed on mortgage brokerages.

Our Securities Division conducted compliance reviews of a scholarship plan dealer, a mutual fund dealer, and an exempt market dealer (desk review), all of whom have a branch or sub-branch in New Brunswick. Compliance staff also assisted the Ontario Securities Commission in a review of an Ontario-based exempt market dealer who was active in raising capital in New Brunswick. In addition, compliance staff participated in the Canadian Securities Administrators' oversight reviews of the Mutual Fund Dealers Association of Canada (MFDA) and the Investment Industry Regulatory Organization of Canada (IIROC). These reviews were conducted to evaluate if the selected regulatory processes were effective, efficient and applied consistently and fairly, and to determine if the MFDA and IIROC complied with the terms and conditions of the regulators' recognition orders.

For more information on compliance, see the [Compliance Reviews table on page 66](#).

ENFORCEMENT

Sometimes, the information we receive from complaints, audits and compliance activities, or from other sources, indicates that people or entities may have violated the rules under New Brunswick financial and consumer services legislation. We use our legislated authority to hold these persons accountable through our hearing processes or by collaborating with law enforcement.

Last year, our enforcement team investigated:

- 4 cases involving real estate agents**
- 1 case involving mortgage fraud**
- 3 cases involving insider trading**
- 20 cases of unlicensed activity**
- 1 case of trust account fraud**

For more information on enforcement, see the [Enforcement Activity table on page 68](#).

The background of the top section is a complex financial visualization. It features a world map composed of a grid of blue dots, overlaid on a dark blue background. In the foreground, there are several data series: a candlestick chart with orange and red bars, a line graph with a white and orange line, and various colored circles (red, yellow, purple) connected by thin lines, suggesting a network or data flow. The overall aesthetic is high-tech and data-driven.

FRAUD ALERT

Aidan Trading

Aidan Trading is not registered to trade in, or advise on, securities or derivatives in New Brunswick.

[READ MORE](#)

+11,00.00

CONSUMER AND INVESTOR ALERTS

To protect New Brunswick investors, we publish alerts cautioning consumers about unregistered companies promoting risky investments, such as cryptocurrencies. Bitcoin and cryptocurrency trading received a lot of attention in the last year through social media and other channels.

We also issue consumer alerts that provide New Brunswick consumers and businesses with useful information to help them recognize deceptive marketing practices, misleading advertising and scams.

Cooperative Market Conduct Supervision

In 2015, the Canadian Council of Insurance Regulators (CCIR), of which FCNB is a member, developed the *Framework for Cooperative Market Conduct Supervision in Canada*. The Cooperative Framework reflects CCIR members' commitment to greater collaboration and information sharing in the oversight of market conduct risk in the insurance industry.

As part of the Cooperative Framework, insurance regulators carry out joint examinations of insurance companies. This allows regulators to use resources better, to be more proactive in responding to concerns, and to provide similar levels of consumer protection across Canada. The primary focus of these examinations is to ensure the fair treatment of consumers throughout the life cycle of the insurance product. Fair treatment of consumers is an integral part of sound business practices and a fundamental issue for the reputation of any financial institution and for maintaining consumer confidence in the financial system.

This year, the Insurance Division of FCNB participated in a cooperative examination of a national life insurance company with the Autorité des marchés financiers of Quebec and the Financial Services Commission of Ontario. The Insurance Division also led a cooperative examination of a New Brunswick-based life insurance company. The Autorité des marchés financiers participated in this examination with FCNB.

The main objective of an examination is to assess the insurance company's compliance with the insurance legislation of the participating regulators. This includes following sound and prudent management practices, and ensuring that the company respects the Insurance Core Principles established by the International Association of Insurance Supervisors (IAIS). The examinations looked at several matters, including governance and corporate culture, distribution of products by agents and brokers, management of incentives for agents and brokers, treatment of consumer complaints and protection of personal information.

Cooperative examinations provide a great opportunity for regulators to share resources and expertise and for staff to learn from colleagues from other jurisdictions. FCNB will build upon these experiences as it participates in future cooperative examinations and carries out market conduct supervision of New Brunswick-based insurance companies.

FCNB Sought Input on Combatting Financial Abuse of Seniors

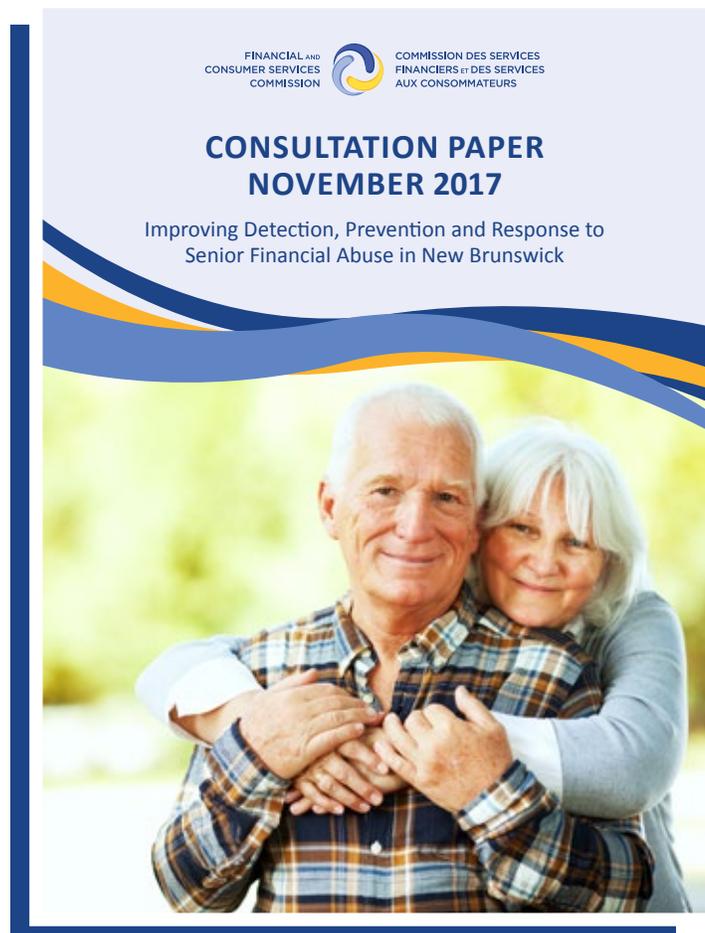
FCNB launched consultations across the province to find solutions to prevent and respond to the financial abuse of New Brunswick's growing population of seniors as part of our mandate to protect consumers.

Our consultation paper, entitled *Improving Detection, Prevention and Response to Senior Financial Abuse in New Brunswick*, examined how seniors are often targeted because of factors such as ageism, built-up assets, death of a spouse or family member, loneliness and isolation and cognitive impairment.

We received feedback on the paper during in-person sessions and through correspondence received during a 90-day comment period. Responders included representatives of nursing homes, the real estate industry, accounting firms, police forces, the health-care sector and the senior population.

The paper was organized around four key themes:

- Opportunities for legislative change that would provide increased safeguards against financial abuse of seniors.
- Addressing the challenges in reporting and investigating financial abuse of seniors.
- Improving best practices for industry, in particular those FCNB regulates, to guide them when they spot signs their clients are being financially abused.
- Building a more collaborative approach between government departments and agencies to address the issues surrounding financial abuse of seniors.





"Son, it's time for us to have the talk..."

Many seniors are uncomfortable talking about money with their adult children. But your children need to know about your financial situation, your plans and your wishes.

Have you had the family money talk yet?

Visit our website at www.fcnb.ca/estate for free tools to help you start the conversation.



"Sadly, we routinely hear stories of seniors who've been exploited financially," said Rick Hancox, CEO of FCNB. "These stories are far too common, and we anticipate they could multiply with our aging population."

Seniors now make up 19.9 per cent¹² of New Brunswick's population – the highest percentage in the country. By 2038, it's expected to grow to 31 per cent. Determining the true impact of financial abuse of seniors, however, is challenging because of how frequently it goes unidentified and unreported. In a 2018 FCNB provincial survey, 24 per cent of adults surveyed reported they personally know a senior who has or may have been a victim of financial abuse. However, 66 per cent of those who knew of or suspected financial abuse did not report it.

"We need to work together as a community to protect the seniors in our lives, and engage in a discussion about senior financial abuse and how we can combat it."

– Rick Hancox, CEO

“The challenges are great, but so is the urgency and the advantages of a co-ordinated effort,” Hancox said. “We need to work together as a community to protect the seniors in our lives, and engage in a discussion about senior financial abuse and how we can combat it.”

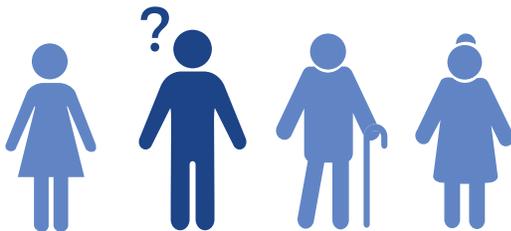
The paper is a part of our Seniors Initiative project, which started in 2014-15 and has led to a multi-year seniors’ strategy focused on preventing financial abuse. Since then, we have made strides in collaborating with numerous stakeholders and delivering education of the problem of senior financial abuse through presentations, toolkits and web resources. We have developed materials on how to recognize the signs of increased vulnerability and early decline in financial capabilities, as well as a Financial Fraud Checklist and The Record Keeper form to help families and professionals start the conversation if they have concerns about an individual’s financial well-being.

FCNB staff will be compiling feedback from the consultation paper to develop some concrete actions we can take as an organization to protect seniors as well as to make recommendations to address issues affecting seniors.

“We believe the opportunities for change we’ve outlined in our paper would position New Brunswick as a leader in Canada in effectively addressing financial abuse of seniors,” Hancox said.

24%

of New Brunswickers believe they personally know someone who has or may have been a victim of senior financial abuse.



2018 FCNB awareness survey

22% 34%

2017 2018

reported it to the authorities.

Those who chose not to report the incident say there were a number of challenges or barriers that prevented them from doing so.

Improving Financial Literacy

Today's growing complexity of financial products and services places a greater burden of financial responsibility on individuals. As a consequence, financial literacy has become more important in understanding and managing financial matters.

Studies show New Brunswick continues to lag behind the national average when it comes to improving literacy rates. More than half of New Brunswickers between the ages of 15 and 65 do not have the necessary literacy levels to compete in the workplace, according to Statistics Canada.¹³

Given that financial literacy is tied closely to overall literacy, this presents a challenge when we try to educate New Brunswickers on everything from budgeting and smart spending to fraud awareness. That's why we introduced new education and communication tools as well as events to both expand our audience and deliver the information they need in the ways they prefer.



“In essence, we target and deliver our content in areas where our audience can already be found, making it easier for people to engage with us,” said Marissa Sollows, acting director of Education and Communications. “Talking about money can be intimidating for some. If we can offer an opportunity to connect in a familiar setting, it makes having those difficult conversations a little more comfortable.”

For example, we attended community wellness fairs across the province. We held three Spend Smart Cafés at local coffee shops to provide patrons an opportunity to meet FCNB employees in an informal setting, ask questions, share experiences and learn ways to stay out of fraud’s reach. Through our Community Awareness Program, we engaged with more than 24,800 people at five summer festivals – in Caraquet, Edmundston, Bathurst, Saint John and Dieppe – to promote our tools and resources on fraud awareness and smart spending. In addition to our classroom and workplace visits, we hosted booths at the Amazeatorium, an interactive family event held in Saint John, as well as the Moncton Home Show.

The ability to post our educational resources on our website – and the ease with which consumers can access those materials – makes consumer education on the Internet particularly effective. This year, we created unique content based on the latest communication trends – infographics and videos. Our infographics on payday loans and our series on binary options, cryptocurrencies and initial coin offerings present concise information that can be interpreted quickly and easily shared on social media. Our video blog (vlogs) series on YouTube, called 3-Minute Money, targets millennials looking for financial information. Our blogs continue to cover a wide range of topics – from home equity loans to the science of investment behaviour – and our interactive web-based trivia game, Fortune, allows users to learn in a game setting.





Improving the overall state of financial literacy in New Brunswick requires a coordinated effort. To that end, we teamed with Prosper Canada to host a free two-day financial literacy facilitator training workshop to various organizations across the province. Participants received the tools and training to run financial literacy sessions for their audiences.

In addition, Andrew Nicholson, our former director of Education and Communications, was reappointed for his second term on the National Steering Committee on Financial Literacy. The committee is charged with implementing key findings from the *National Strategy for Financial Literacy – Count me in, Canada*.

Implementing the national strategy here in New Brunswick also serves to support the 77 action items developed last year by the province's Council on Aging. To further support the aging strategy, we also began an awareness campaign aimed at seniors and their families on financial matters. Our campaign involved participating in wellness fairs, providing resource material to senior literacy events, publishing articles in New Brunswick senior magazines

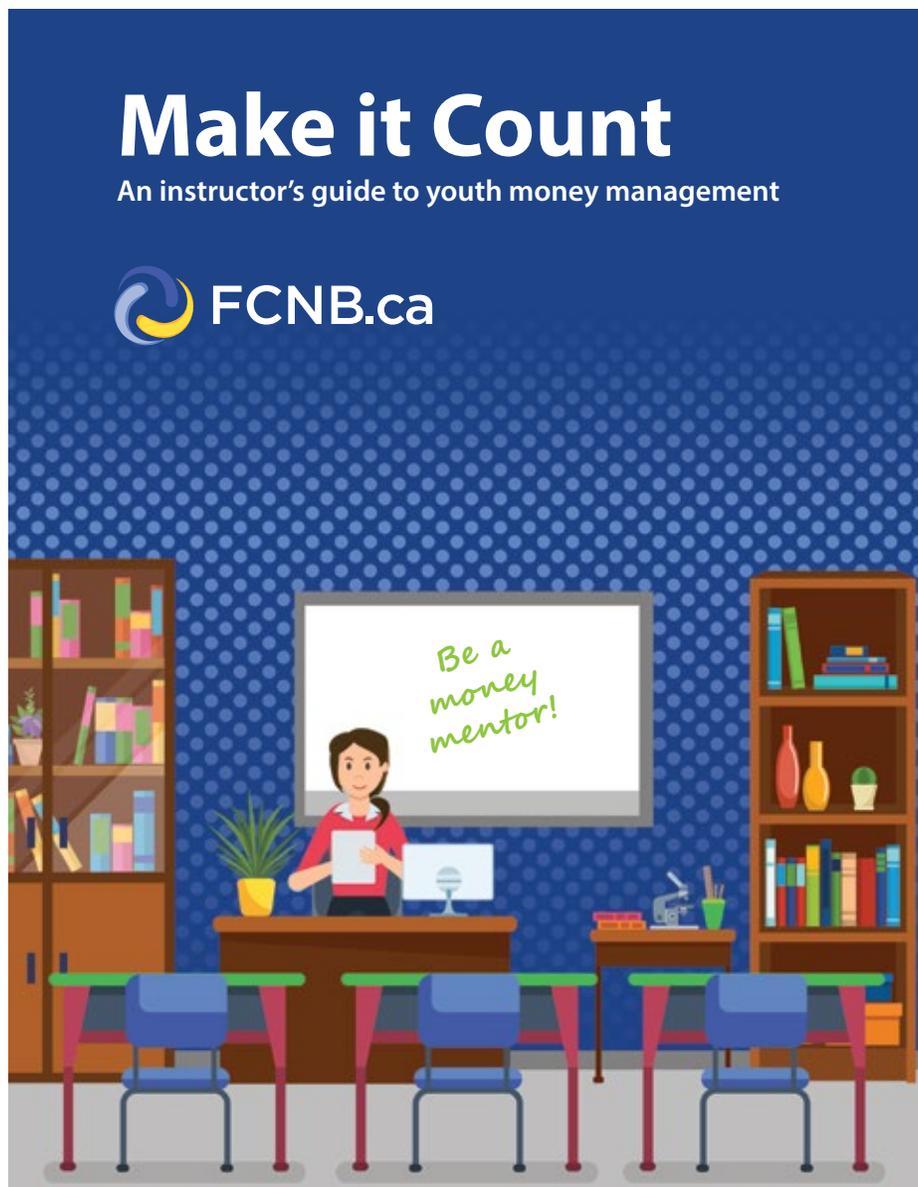
What is financial literacy?

It is the knowledge, skills and confidence a person needs to make informed financial decisions.

and boosting our online content and social media messaging on senior financial matters. Financial literacy is important for the financial well-being of individuals, but also for the economy as a whole. Understanding the basics about money is as essential today as numeracy and basic literacy. Helping consumers understand why they make the decisions they do is a holistic approach we believe can help them avoid repeating poor choices when it comes to money.

“That’s why we have made financial literacy a key priority,” Sollows said. “We see it as an important tool for consumer protection.”

Visit fcnb.ca/resources.html for our online tools and resources.



Presentations and Events

	2017-2018	
	Attendance	Total Events
Investor, Consumer and Student Education Presentations	6,452	110

Financial Literacy Education Offerings

We offer education sessions for both youth and adults in both official languages.

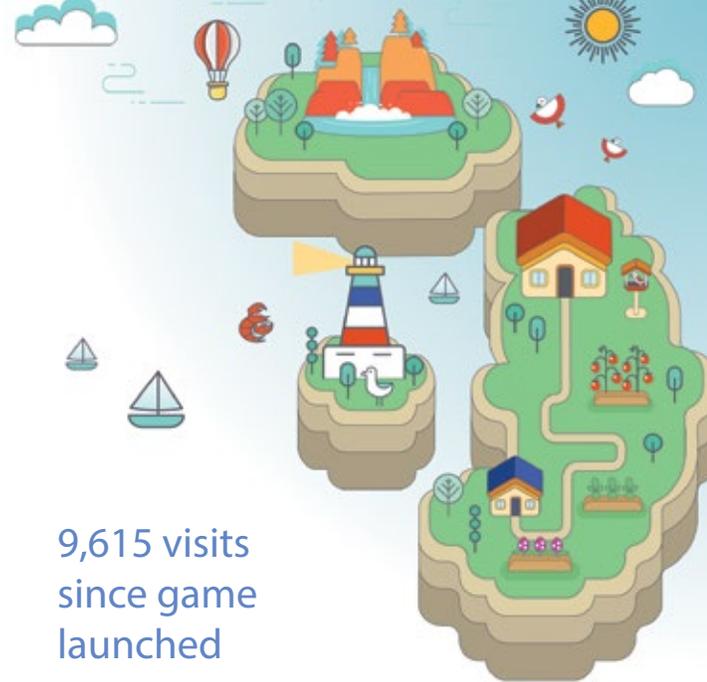
All of our presentations can be customized depending on the audience.

Financial Literacy	Fraud Prevention and Financial Abuse	Investing
<ul style="list-style-type: none"> • Making Money Make Sense (for elementary, middle and high school levels) • Budgeting 101 (for adults and students) • I'm Worth It (for women) • Credit Smarts (for students) • Smart Spending - Consumerism (for students) • Financial Literacy training session for teachers (delivered in collaboration with the Financial Education Network members) 	<ul style="list-style-type: none"> • Become a Master of Spotting Fraud (tailored frauds and scams presentation for newcomers) • Spotting Frauds and Scams (frauds and scams presentation for adults) • Recognize, Report, Respond – Addressing concerns of senior financial abuse in clients (for health-care and financial professionals) • The Anatomy of a Scam (recognize fraud and financial abuse presentation for seniors) 	<ul style="list-style-type: none"> • Smart Saving – Investing for your future (for adults) • Investing 101 Series (for adults) <ul style="list-style-type: none"> • Investing Basics • Working with a Financial Adviser • Recognizing Investment Frauds and Scams

Promoting Fortune

January marked the one-year anniversary for the launch of Fortune, our interactive web-based trivia game. The game makes learning about money topics and avoiding fraud engaging and accessible to New Brunswickers of all ages. Users can test their money smarts, compete against other players and challenge their friends.

Visit fortune.fcnb.ca/app



9,615 visits
since game
launched

Public Awareness Campaign on Financial Matters for Seniors

Participation in wellness fairs

Participated in 50+ Healthy Living and Aging Well Expo in Woodstock.

Publicity

Published ads and articles in two New Brunswick senior magazines and an ad in a brochure for the 55+ Seniors' Games.

Stakeholder support

Provided financial or in-kind support for senior-targeted initiatives in New Brunswick, including handouts for participants at nine seniors' literacy sessions organized by Réseau de développement économique et d'employabilité du Nouveau-Brunswick (RDEE) in northern New Brunswick.

Online content for senior audience

Posted website content, blog posts and social media messaging on: financial planning, having the money talk with senior parents and estate planning.



ONLINE...



THROUGH YOUR PHONE...



EVEN IN THE MAIL...

Increasing Fraud Awareness

New Brunswickers reported losing \$1.4 million last year to frauds and scams.¹⁴ The actual amount lost is likely higher because financial fraud is highly under-reported. A 2017 survey found seven-of-10 New Brunswickers who were approached by investment fraud did not report it.¹⁵

“Every year, hundreds of New Brunswickers fall victim to fraud, losing thousands of dollars,” said Samantha Saunders, Education Coordinator for the Financial and Consumer Services Commission. “Unfortunately, victims are often too ashamed to ask for help or report to authorities when they have lost money in a fraud.”

Fraud is a crime that threatens every New Brunswicker, regardless of their age, education or income. While scam artists continue to use traditional techniques such as telephone, mail and in person, they are also using social media and online resources. The best way to protect your money is to get to know the tactics and schemes scam artists use, and to be aware of the red flags of fraud. That’s why we continually focus our efforts on increasing fraud awareness by giving New Brunswickers the tools to both recognize and report fraud.

“Frauds and scams spread when people remain silent,” Saunders said. “Speaking up about fraud attempts – even if you don’t fall victim – protects not only you but your community too.”

Over the last year, we improved our website’s Frauds and Scams section. The new content highlights current fraud trends, encourages reporting and allows people to subscribe for fraud alerts. We introduced a home page slider to direct visitors to the frauds and scams content and added a new feature to the section – weekly Cybersecurity Tips to make consumers think about their activity whenever they are on the Internet.

In January, we launched our multi-media fraud awareness campaign focusing on the many different ways frauds and scams can reach New Brunswickers. Using television, social media and videos at SNB offices and Tim Hortons locations across the province, the campaign promotes FCNB as a resource to help consumers stay out of fraud's reach. During the campaign's first three months, we saw website traffic increase by 55 per cent and the number of subscribers to our fraud alerts increase by four per cent.

Across Canada, March is recognized as Fraud Prevention Month. Each year we use this opportunity to promote our tools and resources that help New Brunswickers recognize, avoid and report fraud. This year we delivered six presentations, organized a Spend Smart Café in Miramichi and hosted a booth at the Greater Moncton Home Show. These events provided us with the opportunity to reach nearly 12,300 people. We also ran social media ads to promote fraud awareness content on our website. Overall traffic to the content increased by 2033 per cent compared to the same month the year before.

Throughout all of our fraud awareness initiatives, our message to New Brunswickers is to remain vigilant, be suspicious, don't engage with scammers, do your research before handing over any personal or financial information, and report fraud.

Cybersecurity Tips posted: 23
Fraud Alerts issued: 22
Investor Alerts issued: 2



FCNB Participates in Binary Options Task Force

When it became apparent a more aggressive approach was required to stem the rising number of binary option complaints, FCNB was at the forefront in the creation of a multi-jurisdictional task force to tackle the threat.

The task force was struck by the Canadian Securities Administrators (CSA) in 2016 and vice-chaired by Jake van der Laan, FCNB's Director of Enforcement. Its goal was to eliminate or disrupt the ability of binary option scams, whose victims were growing in numbers, to target Canadians.

Despite no individual or firm registered to sell binary options in Canada, securities regulators across the country received more than 800 complaints in 2016 from investors who had lost millions of dollars. But the true number of victims is likely much higher.

The task force identified 10 proactive approaches to protect Canadians from losing money to binary option scams. FCNB led or played a significant role in half of them throughout 2017, including:

- raising awareness and coordinating action among more than 40 European and North American regulators as well as law enforcement agencies, including the Federal Bureau of Investigation.
- conducting Internet surveillance on binary options websites and providing summary observations.
- providing expertise to the CSA in support of a ban on binary options trading in Canada.
- raising awareness on the risks of binary options during a March 2017 education campaign, which included the launch of the www.binaryoptionsfraud.ca website and resulted in more than 500 news stories.
- writing cease and desist letters to 50 websites targeting Canadian residents.

What is a binary option?

An all-or-nothing bet on the value of a currency, stock, or other asset at a particular point in time (usually minutes or hours). The scams operate offshore, with no regulation or meaningful oversight, and are heavily promoted on social media, online ads, chats, unsolicited texts and cold calls.

This multi-vector approach paid off. The task force's work resulted in a CSA ban on binary options trading in Canada, which came into effect in December 2017. It also increased consumer awareness and resulted in the shutdown of more than 35 binary option websites that specifically targeted Canadians.

Protect yourself from Binary Options Scams

What is a Binary Option?

An all-or-nothing bet on the value of a currency, stock, or other asset at a particular point in time (usually minutes or hours).

You bet that the Canadian dollar will be worth .75 USD in 5 minutes. If you are wrong, you lose your money. Even if you're right, your money is nearly impossible to withdraw.

2016

- 800+ complaints across Canada
- Millions of dollars lost in Canada

No individuals or firms are registered to sell binary options in Canada. Binary options are therefore **ILLEGAL** here.

Binary Options Scams

- Operate offshore, with no regulation or meaningful oversight
- Ask you to fund your account with a credit card or other online payment method
- Accounts managed on offshore websites, leaving no audit trail
- Offer tips to "get you started", "bonus money" to trade with, or trial accounts
- Heavily promoted through social media, online ads, chats, unsolicited texts, and cold calls

Many binary options sites require you to trade 30x - 40x your proposed withdrawal balance before you can get your money out.

First they let you win to build your confidence

Then they look for more money from you

Gradually, you lose your money

If you become a victim of binary options fraud, here are some steps you can take:

- 01 Cancel any credit card or debit card used to fund a binary option account.
- 02 Contact your bank if you provided banking information, and change it.
- 03 Report the details to your provincial securities regulator.
- 04 Tell and warn your friends and family.

To learn more about binary options scams, visit FCNB.ca or BinaryOptionsFraud.ca

FCNB.ca July 2017

White Collar Crime Symposium

The emerging threat of binary options trading and the increasing importance of cybersecurity were just some of the topics at FCNB's 10th White Collar Crime Symposium in Fredericton.

The event, held 5 October 2017, was attended by around 70 participants representing the RCMP, municipal law enforcement agencies, insurance and pensions regulators and other provincial regulators. They heard presentations from FCNB staff as well as speakers from the Federal Bureau of Investigation and CyberNB.

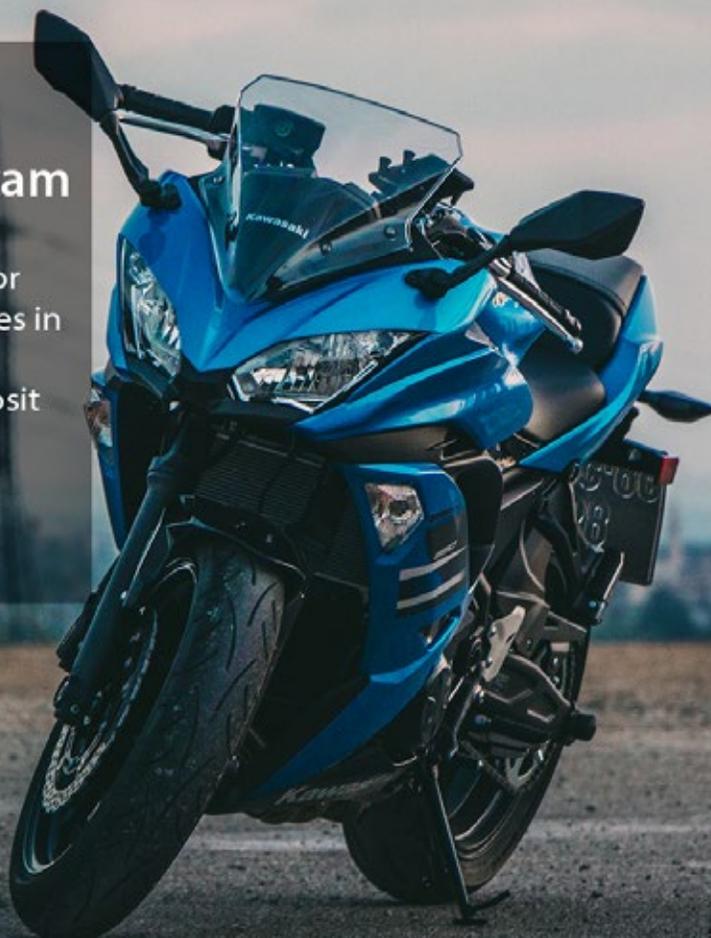
In addition to binary options and cybersecurity, topics covered included developments in the financial technology industry, cryptocurrencies and mortgage fraud.

"The symposium offers a great opportunity for these groups to network," said Jake van der Laan, FCNB's Director of Enforcement. "Networking in a complex world is critical to staying on top of emerging threats and trends, especially when there are so many dimensions to today's frauds and scams."

FRAUD ALERT Online Classifieds Scam

Scammers are posting items for sale on online classified services in New Brunswick and asking potential buyers to pay a deposit to hold the item.

[LEARN MORE](#)



Brainstorming Business Ideas to Serve Seniors

More than 300 ideas sprung from an ideation session sponsored by FCNB to come up with creative business concepts geared toward New Brunswick's aging population.

Among them were suggestions for businesses that focused on cooking parties, bike clubs, garden therapy and smart homes.

The ideation session, attended by 30 entrepreneurs, followed three FCNB-organized education events held in Fredericton, Saint John and Moncton. These events focused on helping entrepreneurs and community leaders understand the issues, challenges and barriers older New Brunswickers face when accessing and using financial products, services and benefits.

"These events also looked at how seniors are particularly at risk of becoming a victim of fraud and senior financial abuse, and how the consequences of victimization can be far reaching," said Deborah Gillis, who chairs FCNB's Seniors initiative. "Working together, we can find solutions that will protect our seniors and improve quality of life for all New Brunswickers."

Held in April 2017, the ideation session was organized by Sally Ng of the Triple Effect on behalf of FCNB.

"The session was designed to get start-ups to look at senior issues and was a prelude to Startup Weekend NB," said Jeff Harriman, Senior Analyst Capital Markets.

Developed by Colorado-based Techstars, Startup Weekend is a program that works with local groups to offer aspiring business owners a chance to hash out ideas together. Last year, the New Brunswick weekend event focused on the senior demographic and businesses that could benefit the province's growing aging population.

"Working together, we can find solutions that will protect our seniors and improve quality of life for all New Brunswickers."

– Deborah Gillis, Senior Legal Counsel

Capital Markets Education

This year was focused on strengthening our regional partnerships while continuing to develop our local capital markets.

FCNB staff participated in conferences in both Newfoundland and Nova Scotia, met with local capital market experts, presented to local entrepreneurs, and discussed ways of working together in the coming years.

Our local efforts focused on raising awareness about the new program called Community Economic Development Corporations (CEDCs). Introduced to the province 1 April 2016, CEDCs enable New Brunswickers to channel their investment dollars into their local community.

In 2017, New Brunswick saw its first CEDC proposals. Four entrepreneurial groups submitted offering documents for review, one of the first steps toward establishing a CEDC.





“Over the last two years, we’ve focused our Capital Markets development energies on CEDCS,” said Jeff Harriman, Senior Analyst Capital Markets. “Now we are seeing the realization of that work and we anticipate more CEDC proposals in the coming years.”

To raise awareness about CEDCs, we held a Fullsail event that featured four Maritime speakers with community economic development experience. Held in Dieppe, the event attracted entrepreneurs and business people across the province wanting to better understand how to create or even invest in a CEDC and the benefits and risks involved when pursuing these opportunities.

In addition, we held a number of Learning the Ropes face-to-face education sessions over the last year and produced a CEDC roadmap infographic to help investors understand how to navigate a CEDC offering.

Learning the Ropes is the name of our educational program offered as part of our Fullsail capital markets development initiative. Over the past year, we presented various capital market topics around the province in both official languages. These presentations focus on topics relevant to entrepreneurs.

Throughout the year, we continued our Making Headway newsletter (fcnb.ca/makingheadway), writing on topics of interest to our entrepreneurial and business community. As well, we published our 7th Annual Capital Markets Report. The 2017 report, which provides five years' worth of data and analysis on money raised by New Brunswick's public and private companies, highlighted two bright spots:

- A growing trend in Venture Capital investments moving toward later-stage development companies.
- A new high of \$103 million for capital raised by New Brunswick's publicly listed companies in the past five years.

Presentations	2017-2018	
	Attendance	Total Events
Capital Markets: <i>Learning the Ropes</i>	634	17
Capital Markets: <i>Fullsail</i>	60	1

Examples of Learning the Ropes presentations include:

- Are You Investment Ready?
- Crowdfunding
- Equity Financing
- Offering Memorandum Exemption
- Small Business Investor Tax Credit
- Community Economic Development Corporations (CEDCs)

Making Headway

Reporting on the Financial and Consumer Services Commission's Fullsail Capital Markets Initiative

Scaling
New Brunswick
Businesses



FINANCIAL AND
CONSUMER SERVICES
COMMISSION

October 2017

Compliance Reviews

Related Act	Completed Reviews	Focus of Review
<i>Collection Agencies Act</i>	46	Financial statements reviews
<i>Pre-arranged Funeral Services Act</i>	20	Trust account inspections
<i>Mortgage Brokers Act</i>	19	Reviews for general adherence to legislation
<i>Insurance Act</i>	7	Solvency desk examinations of NB insurance companies
	2	Governance, Risk Management and Internal Control field inspection of 2 NB insurance companies
	36	Compliance reviews
	2	Solvency testing of life insurance companies
	5	Solvency testing of property and casualty insurance companies
	2	Field inspections of a life insurance company and a property and casualty insurance company
<i>Securities Act</i>	1	Review of a scholarship plan dealer
	1	Review of a mutual fund dealer
	1	Desk review of an exempt market dealer (EMD)
<i>Real Estate Agents Act</i>	1	Compliance review of a real estate company
	1	Closing inspection of a real estate company
<i>Direct Sellers Act</i>	91	Compliance reviews of Direct Seller contracts
<i>Cost of Credit Disclosure and Payday Loans Act</i>	188	Compliance reviews of Cost of Credit Disclosure contracts

Consumer Affairs

License Type	2017-2018	2016-2017	2015-2016
Auctioneers License	55	61	64
Collection Agency Licence	66	63	66
Collection Agency Branch Licence	49	47	48
Collection Agency Collector Licence	2,853	2,811	3,485
Commissioner of Oaths (Foreign)	1	1	0
Commissioner of Oaths (Provincial)	664	632	651
<i>Cost of Credit Disclosure and Payday Loans Act:</i> Branch Registration	388	428	406
<i>Cost of Credit Disclosure and Payday Loans Act:</i> Company Registration	439	449	457
<i>Cost of Credit Disclosure and Payday Loans Act:</i> Individual Registration	3	0	1
Payday Lenders Licence	5	n/a	n/a
<i>Direct Sellers Act:</i> Salesperson Licence	895	1,232	859
<i>Direct Sellers Act:</i> Vendor Licence	87	81	75
<i>Pre-arranged Funeral Services Act:</i> Manager Licence	63	65	68
<i>Pre-arranged Funeral Services Act:</i> Provider Licence	56	56	58
Real Estate Agent Licence	90	94	103
Real Estate Branch Licence	31	33	32
Real Estate Manager Licence	154	155	168
Real Estate Salesperson Licence	849	795	768
<i>Mortgage Brokers Act – Mortgage Brokerages</i>	34	38	n/a
<i>Mortgage Brokers Act – Mortgage Associates</i>	60	41	n/a
<i>Mortgage Brokers Act – Mortgage Brokers</i>	87	88	n/a
<i>Mortgage Brokers Act – Mortgage Administrators</i>	6	7	n/a
Total	6,935	7,177	7,309

Mortgage Brokers Act only came into effect 1 April 2016.

Cost of Credit Disclosure and Payday Loans Act only came into effect 1 January 2018.

Enforcement Activity

Enforcement Activity	2017-2018	2016-2017	2015-2016
Complaints received	22	12	19
New files from other sources (referrals, surveillance, etc.)	7	10	14
Requests for assistance from other regulators	6	3	1
Requests for internal legal/investigative assistance	5	8	2
New matters	40	39	34
Matters concluded	33	47	8
Matters dealt with in Provincial Court			
Quasi-criminal charges laid	0	0	0
Individuals charged	0	0	0
Findings of guilt or guilty pleas	0	0	1
Jail sentences imposed	0	0	0
Financial Remedies (\$)			
Costs levied	0	2,500	0
Costs recovered	0	2,500	0
Administrative penalties levied	0	0	0
Administrative penalties recovered	0	0	0
Disgorgement ordered	0	0	0
Disgorgement received	12,000	12,000	12,000

Co-operatives Summary

Category	Reporting	Total Assets (\$)	Total Revenue (\$)	Members equity to assets (%)	Employees	Members
Agriculture/ Forestry	16	10,233,910	10,233,418	64.69%	59	828
Consumer	13	48,272,661	182,294,525	19.9%	776	69,051
Fishery	0					
Housing	14	36,935,309	9,191,629	25.49%	4	708
Services	56	13,526,944	8,789,835	46.36%	162	12,177
Worker	2	153,055	440,901	57.58%	4	9
Total	101	109,121,879	210,950,308	N/A	1,005	82,773



Subscribe for Fraud Alerts

Get alerts about the latest frauds and scams targeting New Brunswickers.

[SUBSCRIBE NOW](#)

Loans and Trusts Companies Summary

Location	2017-2018	2016-2017	2015-2016
Total Provincial	0	0	0
Alberta	1	1	1
Quebec	1	1	1
Federal	45	44	46
Total Extra-Provincial	47	46	48

Insurance Companies Operating in New Brunswick

Category	Our role	2017-2018	2016-2017	2015-2016
Companies based in NB	Primary regulator (licensing, solvency and market conduct)	6	7	7
Companies that were federally or internationally headquartered	Licensing and market conduct	171	179	181
Companies based in another province	Licensing and market conduct	39	38	41

Insurance

Licence Type	2017-2018	2016-2017	2015-2016
Life Insurance Agents/Brokers	2,919 ¹	2,940 ¹	2,711 ¹
Other than Life Agents/Brokers	1,910	1,939	1,852
Non-resident Brokers	3,538	3,490	3,003
Accidental and Sickness Agents	472	551	508
Travel Agents	432	298	279
Special Insurance Brokers	16	14	14
Damage Appraisers	97	101	87
Adjusters	1,701	1,750	1,630
Total Number of Licencees	11,085	11,083	10,084
Total Number of Licences Produced	8,865 ^{2 3}	9,355 ^{2 3}	8,871 ^{2 3}

1. Life Agents
2015-2016: Resident – 1,491; Non-Resident – 1,220
2016-2017: Resident – 1,591; Non-Resident – 1,349
2017-2018: Resident – 1,505; Non-Resident – 1,421
2. Includes intermediaries holding more than one licence and licence transfers.
3. Number of licences produced reflects the number of licences issued from 1 April-31 March. The number is less than the total number of intermediaries as some intermediaries hold two-year licences issued in the previous year.

Securities

Corporate Finance Activity	2017-2018	2016-2017	2015-2016
Reporting issuers ¹	5,172	5,058	4,987
Reporting issuers (New Brunswick-based)	8	8	8
Prospectus filings (non-mutual funds)	332	394	305
Mutual fund prospectus filings	3,837	3,725	3,680
Annual information forms	1,047	1,103	1,155
Exempt distribution reports	431	479	390
Exemption applications (non-passport)	2	26	72
Cease-trade order	0	0	0
Management cease-trade order	0	0	0
Registration Activity	2017-2018	2016-2017	2015-2016
Registered firms	430	413	399
Registered firms (New Brunswick Head Office)	4	4	3
Branches/Sub-branches in New Brunswick	508	516	531
Registered individuals	10,941	10,523	10,113
Registered individuals (New Brunswick residents)	1,651	1,705	1,745

1. The number reported is as of 31 March of each fiscal year.

Report on Governance Practices

Role of Commission Members

Commission Members, through the independent Chair, are accountable to the government through the Minister of Finance for the proper administration of the financial and consumer services legislation, including policy matters and the governance of the Commission. Members apply their expertise in the areas of management oversight and policy development. They review the Commission's annual strategic business plan and annual budget, resource allocation, risk management, financial reporting policies and the effectiveness of internal controls and management information systems. Further details of this oversight are contained in the Governance Policy, which can be found on the Commission's website.

Independence

Members, including the Chair, are independent of the staff of the Commission. Members do not have a direct or indirect association with the Commission's operations, which would interfere with exercising their independent judgment.



Financial and Consumer Services Commissions Members

The Commission's Members for 2017-2018 were:



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

Residence: Rothesay
Appointed: 1 January 2014
Term Expires:
31 December 2018

Professional and industry experience:

- Securities law
- Corporate law
- Franchise law
- Pension law



Paulette Robert
(Vice-Chair)

Residence: Losier
Settlement
Appointed: 21 August 2013
Reappointed:
27 September 2017
Term Expires:
27 September 2019

Professional and industry experience:

- Banking
- Securities law



Michael D. Wennberg,
LL.B

Residence: Rothesay
Appointed: 21 August 2013
Term Expires:
20 August 2018

Professional and industry experience:

- Commercial
- Business/industrial contracting
- Insolvency
- Technology/outsourcing



Yves Gagnon, PMP,
ICD.D

Residence: Campbellton
Appointed: 6 February 2014
Term Expires:
5 February 2018

Professional and industry experience:

- Financial
- Accounting
- Auditing
- Management



Ginette Verret-Morin

Residence: Edmundston
Appointed: 12 July 2016
Term Expires: 11 July 2019

Professional and industry experience:

- Accounting
- Auditing
- Management

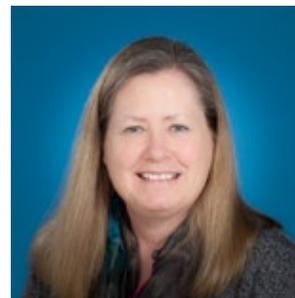


Jim Dunlap

Residence: St. Stephen
Appointed: 12 July 2016
Term Ends: 11 July 2019

Professional and industry experience:

- Financial services
- Hospitality
- Automotive sales



Lisa Taylor

Residence: Upper Kingsclear
Appointed:
27 September 2017
Term Ends:
27 September 2022

Professional and industry experience:

- Accounting
- Auditing
- Management
- Corporate governance
- Conflict resolution
- Business planning



Céline Robichaud Trifts

Residence: Moncton
Appointed:
27 September 2017
Term Expires:
27 September 2020

Professional and industry experience:

- Governance and human resources
- Risk management
- Strategic planning
- Health care
- Regulation

The term of Mr. J. Douglas Baker, who had been a member of the Commission since 2014, ended on 27 September 2017.

The term of Mr. Ian S. Purvis, Q.C., who had been a member of the Commission since 2013, ended on 27 September 2017.

For full bios, visit FCNB.ca/Commission-Members_1.html

Code of Conduct

The Commission's *Governance Policy* states that the highest ethical standards are expected of our Members and staff. In addition, the Commission has a *Conflict of Interest Rule* (CO 001) and a *Code of Conduct and Conflict of Interest Policy* in place. These stipulate that all Members and staff must act in a manner that ensures that public confidence and trust in the integrity, objectivity and impartiality of the Commission are conserved and enhanced.

Members and staff are exposed to confidential information. As such, they are required to immediately report actual or perceived conflicts that might be seen to influence decisions. Each year, Members and staff are provided with an annual reminder of the requirements contained in the rule and in the policy. They must provide written confirmation to their supervisor, or the Chair in the case of Members, that they have received the reminder and reviewed the rule and its supporting policy.

Disclosure

The Commission places high value on transparent disclosure practices and produces an annual *Report on Governance Practices*, which is published on its website to reflect that value. In addition, the Commission publishes its various governance-related policies, including the *Governance Policy and Conflict of Interest Rule*, as well as the Members' biographies.

Public Interest Disclosure

The *Public Interest Disclosure (PID) Act* encourages employees in the provincial public service to report any wrongdoing that has occurred or is about to occur in the workplace that is potentially unlawful, dangerous to the public or harmful to the public interest. This *Act* protects employees from reprisal for disclosing these wrongdoings and provides a fair and objective process for those employees who are alleged to have committed a wrongdoing.

As a Crown corporation, we are obligated to disclose in our annual report the number of complaints received and the action taken; the number of investigations begun as a result of a disclosure; the number of claims referred from the Ombud and the action taken; and, the number of investigations begun as a result of such claims.

We are pleased to report that there were no disclosures or claims made against any employee of the Commission under the *PID Act* in 2017-2018.



Member Orientation and Continuing Education

New Members must participate in an extensive orientation program. This mandatory orientation provides an overview of the Canadian and New Brunswick financial and consumer services regulatory, compliance and enforcement landscape. The program includes a detailed overview of our operations, financial affairs, legal framework, including privacy and right to information, governance practices, and current trends and issues in the financial services marketplace. The two-day session is provided in half-day modules for flexibility. Members receive detailed documentation about our operations. They also meet senior management and tour our offices in Saint John and Fredericton. Two new Members underwent an orientation in the 2017-2018 fiscal year.

The Commission places high value on continuing education and its programs are comprised of mandatory individual and common education sessions. Over the years, Members have taken courses that enhance their knowledge of the areas regulated by the Commission and their performance in the boardroom.

In May 2017, the Commission hosted the 2017 Directors' Forum. This inaugural event brought together leading governance experts and practitioners; as well as, directors of Crown agencies, boards and commissions from across the province of New Brunswick for a full day of education and collaboration. This distinctive event provided an opportunity to exchange ideas on current governance topics and offer guidance in addressing challenges that may be encountered within a board's governance structure. All members of the Commission attended this event. **(See page 36)**

A description of the common education sessions offered to Members during fiscal year 2017-2018 is set out below:

Continuing Education			
Date	Topic	Presenters	Attendees
10 May 2017 (1 hour)	Embedded Commissions and the Best Interest Standard	Monica Kowal, OSC	Peter Klohn Paulette Robert Michael D. Wennberg Yves Gagnon Ginette Verret-Morin Jim Dunlap Ian S. Purvis, Q.C. J. Douglas Baker
11 May 2017 (2017 Directors' Forum – Full Day)	A chief information officer's view on cybersecurity and a director's view on the "digital director"	Jake van der Laan Yves Gagnon, Gagnon Strategix Consulting	Peter Klohn Paulette Robert Michael D. Wennberg Yves Gagnon Ginette Verret-Morin Jim Dunlap Ian S. Purvis, Q.C. J. Douglas Baker
	Privacy and Risk Management	Bruce Lowe, PwC	
	Update on board composition and diversity	Carol Hansell, Hansell LLP Amanda Harpelle, ABCs Unit GNB Cathy Simpson, NBIF Monica Kowal, OSC Charles Gervais, Assumption Life	
	Newest trends in governance	Carol Hansell, Hansell LLP	
	What Everyone Needs to Know About Reputation, Risk Management and Crisis Response	Jamie Watt, Navigator Ltd.	
	The view from the boardroom and the cabinet room	Manon Losier Camille Thériault, Former Premier Aldéa Landry, Landal Inc. and former Deputy Premier and Cabinet Minister (NB) Claudette Bradshaw, Former Cabinet Minister (Can)	
26 January 2018 (3 hours)	EDC Trends & SBITC Program	Jeff Harriman	Peter Klohn Paulette Robert Michael D. Wennberg Yves Gagnon Ginette Verret-Morin Jim Dunlap Lisa Taylor Céline Robichaud-Trifts
	The Impact Economy and Social Ventures	Karina LeBlanc, Pond-Deshpande Centre	
	Cybersecurity 101, Trends, Regulatory Landscape & Managing Cyber Risk	David Shipley, Beauceron Security	
	Cybersecurity Best Practices, Frameworks & FCNB Strategy	Jake van der Laan	

The total amount of hours allocated to group sessions for fiscal 2017-2018 was 10 hours and is in addition to educational topics, which are also covered from time to time at regular Commission meetings.

In addition to the group sessions offered by the Commission, Members are encouraged to pursue individual learning initiatives that are relevant to the work of the Commission. Our Professional Development for Members Policy provides a yearly allotment of \$3,500 per Member to support Members' learning activities. Below is a list of the courses that Members attended throughout the year:

Member	Date	Course
Peter Klohn	4–6 April 2017	CSA Joint Forum
	8 May 2017	NACO Conference
	23–25 May 2017	London City Week
	30 May–1 June 2017	2017 Biennial CSA Commissioners Conference
	11–15 July 2017	ICURN Conference
	15–17 November 2017	Northwind Conference
Paulette Robert	11 October 2017	CPA New Brunswick - Directors & Officers Liability Insurance Best Practices and Horror Stories
	12 October 2017	CPA New Brunswick – Revue des concepts fondamentaux en contrôle interne
Michael D. Wennberg	17 October 2017	Institute of Corporate Directors – Boards and Diversity
	21 February 2018	Institute of Corporate Directors – Board of Directors and Conflicts of Interest
J. Douglas Baker	1–3 June 2017	Institute of Corporate Directors – Enterprise Risk Oversight for Directors
	8 June 2017	Institute of Corporate Directors – Directors & Officers Liability Insurance Best Practices
	21 July 2017	CPA New Brunswick – Trends and Key Issues in Corporate Governance
Lisa Taylor	28–29 March 2018	CPA Canada – Canadian Conference on IT Audit Governance and Security
Céline Robichaud-Trifts	1 January 2018 – 31 December 2018	Institute of Corporate Directors – Directors Education Program
	2 October 2017	Learning the Ropes – Community Economic Development Corporations (CEDC)
Ginette Verret-Morin	2 October 2017	Learning the Ropes – Community Economic Development Corporations (CEDC)
Yves Gagnon, PMP, IAS.A/ICD.D*	1–3 November 2017	Institute of Corporate Directors – Directors Education Program Alumni Course

*Mr. Gagnon is enrolled in the HEC Montreal, « École des dirigeants - enjeux et défis de la gouvernance créatrice de valeurs » conference, which took place 2–4 May 2018.

Attendance

Attendance at Commission and committee meetings is reflected in the chart below:

Members	Meetings				
	Commission (6)	Special (5) ¹	Audit and Risk Management Committee (4)	Human Resources and Governance Committee (HRG) (7)	Joint Committee (1)
Peter Klohn	6	5	4	7	1
Paulette Robert	6	5	4	n/a	1
Ian S. Purvis, Q.C. ²	2	3	0	2	n/a
Michael D. Wennberg ³	6	5	n/a	6	1
Yves Gagnon ⁴	5	4	4	n/a	1
J. Douglas Baker ⁵	3	3	2	n/a	n/a
Ginette Verret-Morin ⁶	6	5	3	4	1
Jim Dunlap	6	5	n/a	7	1
Lisa Taylor	2	2	1	0	1
Céline Robichaud-Trifts	3	2	1	0	1

1. Special meetings included ad hoc Commission meetings and strategic planning sessions. In addition to these sessions, Ms. Taylor and Ms. Robichaud-Trifts were appointed on 27 September 2017 and, as a result, also attended three New Member Orientation sessions.
2. Mr. Purvis's term expired on 27 September 2017. For the period of 1 April 2017 to 27 September 2017, Mr. Purvis attended two Commission meetings, three special meetings and two HRG Committee meetings. Mr. Purvis was unable to attend the September Commission meeting.
3. Mr. Wennberg did not attend a Special HRG Committee meeting to avoid a Conflict of Interest.
4. Mr. Gagnon became acting chair of the Audit and Risk Management Committee in October 2017.
5. Mr. Baker's term expired on 27 September 2017. For the period of 1 April 2017 to 27 September 2017, Mr. Baker attended three Commission meetings, three special meetings and two Audit and Risk Management committee meetings.
6. Ms. Verret-Morin attended her last Audit and Risk Management Committee meeting in October 2017 before becoming a member of the HRG Committee.

Committees

The Commission's structure is comprised of two standing committees: Audit and Risk Management; and Human Resources and Governance. The terms of reference for each of the committees are available in our *Governance Policy*. Committee Members are expected to have the time, experience and education to serve on a committee. A member's ability to participate must not be compromised by service on other external boards or committees. Members of the standing committees are all independent. The Chair attends committee meetings as an *ex officio* member.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee is responsible for financial reporting and public disclosure, internal controls, audits and risk management.

The Members of the Audit and Risk Management Committee are required to be financially literate and have the ability to understand the financial statements of the Commission. All committee Members have attested to their financial literacy. During the fiscal year of 2017-2018, the Audit and Risk Management Committee held four regular meetings and one joint meeting with the Human Resources and Governance Committee. For a full report of this committee's activities for the fiscal year 2017-2018, please refer to the *Report on Governance Practices* on our website.

HUMAN RESOURCES AND GOVERNANCE COMMITTEE

The Human Resources and Governance Committee is responsible for compensation and human resources policies and procedures. It is also responsible for the following governance-related matters: Commission succession planning, performance assessment of the Commission, its committees and individual Members, including the Chair and corporate governance practices and procedures.

During the fiscal year of 2017-2018, the Human Resources and Governance Committee held four regular meetings, three special meetings, and one joint meeting with the Audit and Risk Management Committee. For a full report of this committee's activities for the fiscal year 2017-2018, please refer to the *Report on Governance Practices* on our website.

Remuneration

Bylaw No. 3, *Commission and Tribunal Remuneration*, provides the remuneration, retainers and service fees, as applicable, for the Chair, Members, Vice Chair and committee Chairs as set out below:

	Remuneration	Annual Retainer	Service Fees
Chair	Up to \$137,000	N/A	N/A
Members	N/A	\$10,000	\$350

Note: The Vice Chair and committee Chairs each receive an additional retainer of \$2,000 per year.

CHAIR

Mr. Klohn received a remuneration of \$137,000 for the period 1 April 2017 to 31 March 2018. He is eligible to be reimbursed by the Commission for a health and dental plan up to the amount that the Commission pays for an employee's participation in the Commission's health and dental plan. In lieu of pension, he received a payment of \$12,330 (on an annual basis, nine per cent of the total annual compensation earned for the period to a maximum of 50 per cent of the registered retirement savings plan annual contribution limit as established by the Canada Revenue Agency for the taxation year). The Chair's expenses, which mainly include business travel and training, were in the amount of \$15,695.

MEMBERS' REMUNERATION AND EXPENSES

The Members' retainers, service fees and expenses related to travel, meals, hotel, parking and education for the fiscal year 2017-2018 are included below. Members receive a service fee for each activity performed on behalf of the Commission, which includes preparation for each Commission meeting.

Members	Appointed or reappointed	Term end	Retainer	Service fees	Allotment for travel time	Total remuneration ¹	Expense reimbursement and allowances
Paulette Robert (Losier Settlement)	21 August 2013, reappointed on 27 September 2017	27 September 2019	\$12,000	\$10,850	\$1,800	\$24,650	\$5,405
Ian S. Purvis, Q.C. (Woodstock)	21 August 2013	27 September 2017	\$5,000	\$4,550	\$500	\$10,050	\$1,157
Michael D. Wennberg (Rothesay)	21 August 2013	20 August 2018	\$12,000	\$12,250	\$800	\$25,050	\$2,788
Yves Gagnon (Campbellton)	6 February 2014	5 February 2018 *continuing until reappointed, resigns or replaced	\$10,989	\$9,450	\$1,600	\$22,039	\$8,997
J. Douglas Baker (Riverview)	6 February 2014	27 September 2017	\$6,000	\$5,250	\$400	\$11,650	\$2,968
Ginette Verret-Morin (Edmundston)	12 July 2016	11 July 2019	\$10,000	\$11,900	\$1,000	\$22,900	\$2,278
Jim Dunlap (St. Stephen)	12 July 2016	11 July 2019	\$10,000	\$11,900	\$1,600	\$23,500	\$2,707
Lisa Taylor (Upper Kingsclear)	27 September 2017	26 September 2022	\$5,109	\$5,250	\$500	\$10,859	\$3,172
Céline Robichaud-Trifts (Moncton)	27 September 2017	26 September 2020	\$5,109	\$6,650	\$1,000	\$12,759	\$5,533

1. Variation in expense may reflect the location of the Commission member.

Division Heads

Name	Title	Start date
Rick Hancox	Chief Executive Officer	1 September 2004 (New Brunswick Securities Commission)
Kevin Hoyt	Executive Director, Securities and Chief Financial Officer	12 October 2004 (New Brunswick Securities Commission)
Manon Losier	General Counsel and Secretary to the Commission	25 April 2005 (New Brunswick Securities Commission)
Angela Mazerolle	Director and Superintendent of Insurance and Pensions	26 April 2002 (Department of Training and Employment Development with GNB. In 2005, transferred to Department of Justice with GNB.)
Jake van der Laan	Director, Enforcement and Chief Information Officer	20 March 2006 (New Brunswick Securities Commission)
Marissa Sollows	Acting Director*, Education and Communications	17 July 2006 (New Brunswick Securities Commission)
Alaina Nicholson	Acting Director**, Consumer Affairs	5 October 2005 (Department of Justice with GNB)
Etienne LeBoeuf	Director, Financial Institutions	13 April 2015

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

* Director Andrew Nicholson was assigned to develop the Unclaimed Property program (see page 29).

** Director Suzanne Bonnell-Burley was re-assigned to assist the New Brunswick Department of Finance with the Capital Markets Regulatory Authority (CMRA).

Management's Discussion and Analysis

For the fiscal year ended 31 March 2018

Dated 28 June 2018

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

This MD&A should be read in conjunction with FCNB's 2018 financial statements, including related notes, for the fiscal year ended 31 March 2018. Unless otherwise noted, reference to a year means FCNB's year ending 31 March. For example, "2018" means the fiscal year ending 31 March 2018. All financial information related to 2017 and 2018 has been prepared according to 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 MD&A, although reasonable at the date of publication, are not a guarantee of future performance. Certain statements outlining 2019 expectations are forward-looking and subject to risks and uncertainties.

Overview

FCNB is an independent regulatory agency and administrative tribunal, responsible for overseeing a broad range of financial and consumer legislation in New Brunswick.

Established on 1 July 2004 under the *Securities Act* as the New Brunswick Securities Commission (NBSC), it moved under the *Financial and Consumer Services Commission Act* (the *Act*) on 1 July 2013 as the Financial and Consumer Services Commission. The changes that came into effect on 1 July 2013 were much broader than a mere name change. It amalgamated the NBSC's securities sector regulatory functions with the regulatory functions performed by the Justice Services Division of the Department of Justice and Attorney General, including the insurance, pension, credit union, loan and trust company, and co-operatives sectors as well as a wide variety of consumer legislation. See Note 1 of the notes to the financial statements for a complete list of financial and consumer services legislation that we administer.

Under the *Securities Act*, *Mortgage Brokers Act* and *Cost of Credit Disclosure and Payday Loans Act*, we have broad rule-making authority. In addition, we have rule-making authority for fees and forms in our other financial and consumer services legislation.

With offices in Saint John and Fredericton, FCNB's operations are funded through a variety of fees and assessments paid by those we regulate. We are not an appropriation-dependent Crown Corporation. We have never borrowed from the Province of New Brunswick. As a provincial Crown Corporation, we are exempt from income taxes.

We operate under the direction of appointed commission members who establish rules and policies governing our regulated sectors. Commission members, in conjunction with our Audit and Risk Management Committee, have an oversight role regarding the integrity of reported information.

The *Act* also established an adjudicatively independent administrative Tribunal responsible for adjudicating on various financial and consumer services statutes. We show the results of the Tribunal's operations in our financial statements.

In 2014, New Brunswick agreed to participate in inter-provincial securities regulatory reform initiatives. Because this decision will drive a consequent loss of significant revenue to FCNB, we established a restructuring reserve (\$10M) and increased the stabilization reserve (additional \$1M) in 2015. These measures will allow us to maintain our self-funding legislative requirement and provide the time necessary to restructure, develop operational efficiencies and consult with the Province and regulated sectors regarding any required fee rule changes. With the reserves fully funded, a significant portion of the 2018 surplus was allocated back to the Province.

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

SELECTED FINANCIAL INFORMATION

	Budget 2018	Actual 2018	Actual 2017	Actual 2016
Revenue	\$20,493,580	\$20,644,285	\$20,697,169	\$20,109,748
Expense	13,310,836	11,640,427	11,478,755	10,654,703
Excess of revenue over expenses	7,182,743	9,003,858	9,218,414	9,455,045
Total assets		22,099,897	22,628,766	21,991,324
Total liabilities		5,974,865	5,737,899	5,256,053
Total equity balance		16,125,032	16,890,867	16,735,271
Distributions to government		\$9,769,693	\$9,062,818	\$9,019,301

NET INCOME

Net income for the year ended 31 March 2018 was \$9,003,858, a decrease over the previous year by \$214,556. Revenues of \$20,644,285 exceeded the budget by \$150,705 on the strength of investment fund filings. Expenses of \$11,640,427 were below budget by \$1,670,409 because of a positive variance in tribunal and governance expenses, general administration and unfilled budgeted staff positions.

REVENUES

FCNB's revenues come from four sources:

- 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
- investment income and miscellaneous charges

In 2018, revenues totalled \$20,644,285, a 0.26% decrease from 2017 revenues of \$20,697,169. The securities sector represents the largest source of revenue for us, at over 79.1% of total revenue.

An interesting dynamic exists when it comes to FCNB's budget, revenues and expenses for the insurance sector. According to the *Insurance Act*, all costs for administering the *Act* must be assessed and recovered from licensed insurers. When expenses are budgeted or incurred for this sector, an equivalent amount of revenue is budgeted or incurred. A reduction in expenses produces an equivalent drop in revenue, although the net impact is neutral. So, although the insurance sector assessment was below budget for 2018, this corresponds to an equivalent decrease in insurance sector expenses.

ANALYSIS OF TOTAL REVENUE (BY NATURE)

Category	Description	2018 Amount	2018 % of Revenue	2017 Amount	2017 % of Revenue	Change
Prospectus and distribution filings	Paid by securities issuers when filing distribution documents. Most of this is paid by mutual funds for their ability to be sold in New Brunswick.	\$10,299,950	49.9	\$10,306,000	49.8	(\$6,050)
Registration fees	Paid by individuals and firms registering with FCNB to sell or advise on securities.	4,041,642	19.6	3,862,870	18.7	178,772
Financial filing fees	Paid by companies and mutual funds when filing annual financial statements and annual information forms.	1,848,800	9.0	1,909,100	9.2	(60,300)
Licences and fees	Paid by a variety of sectors to be registered or compliant with legislation, including fees from insurance agents, loan and trust companies, pension filings as well as a variety of consumer affairs fees.	1,832,285	8.9	1,722,770	8.3	109,515
Exemptions and orders	Paid by market participants primarily to request exemptions from <i>Securities Act</i> requirements.	20,550	0.1	44,800	0.2	(24,250)
Other fees	Paid by regulated entities for late filing and other miscellaneous fees.	24,123	0.1	29,867	0.1	(5,744)
Total fees		\$18,067,350	87.5%	\$17,875,407	86.3%	\$191,943

ANALYSIS OF TOTAL REVENUE (BY NATURE) continued

Assessments	Paid by licensed insurers to administer the <i>Insurance Act</i> and by credit unions to administer the <i>Credit Unions Act</i> .	\$2,116,552	10.3%	\$2,538,832	12.3%	(\$ 422,280)
Administrative penalties and settlements	Paid subsequent to a hearing panel ruling.	0	0	0	0	0
Disgorged funds	Paid subsequent to a hearing panel ruling.	12,000	0.1	12,000	0.1	0
Enforcement cost recoveries	Paid subsequent to a hearing panel ruling.	0	0	2,500	0	(2,500)
Investment Income	Earned on bank balances and short-term investments.	267,456	1.3	222,464	1.1	44,992
Miscellaneous Income	Primarily a recovery of costs from the New Brunswick Credit Union Deposit Insurance Corporation (NBCUDIC) as well as a secondment to the Capital Markets Authority Implementation Organization (CMAIO) and assistance provided to the Risk Management Agency (RMA) and the Office of the Attorney General – Government of New Brunswick.	180,927	0.9	45,966	0.2	134,961
Total revenue		\$20,644,285	100.0%	\$20,697,169	100.0%	(\$52,884)

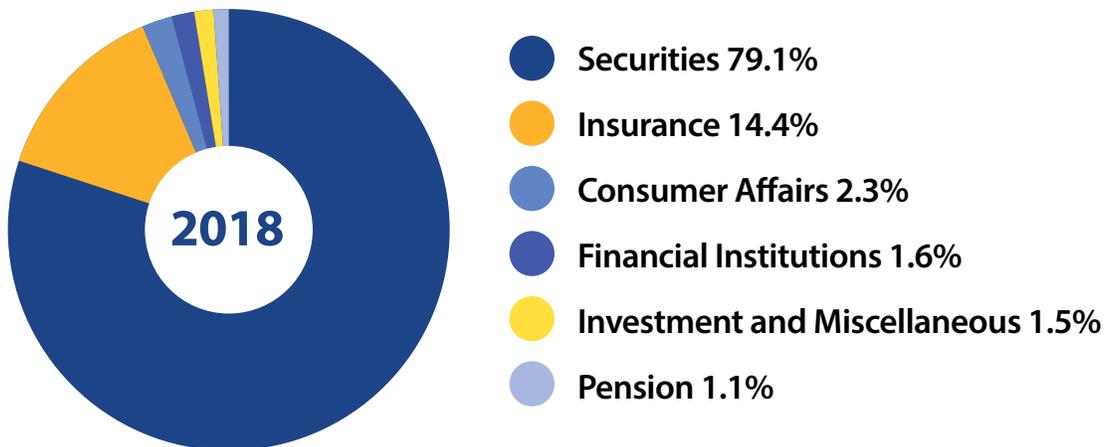
ANALYSIS OF TOTAL REVENUE (BY FUNCTION)

Division	Description	2018 Amount	2018 % of Revenue	2017 Amount	2017 % of Revenue	Change
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.	\$16,331,929	79.1	\$16,143,793	78.0	\$188,136
Insurance	Paid by licensed insurers as an assessment for administering the <i>Insurance Act</i> (\$1,986,552) and for the provision of insurance licences and miscellaneous minor revenue (\$984,097).	2,982,469	14.4	3,227,526	15.6	(245,057)
Consumer Affairs	Licences and fees paid under a variety of consumer protection legislation, such as collection agents (\$108,142), real estate agents (\$69,706), cost of credit disclosure (\$54,265), commissioners of oaths (\$42,630), pre-arranged funerals (\$31,133), direct sellers (\$66,015), auctioneers (\$6,043), mortgage brokers (\$82,900), payday loans (\$15,000) and miscellaneous (\$1,575).	477,409	2.3	436,555	2.1	40,854

ANALYSIS OF TOTAL REVENUE (BY FUNCTION) continued

Financial Institutions	Paid by credit unions as an assessment for administering the <i>Credit Unions Act</i> (\$130,000) and for fees paid by loan and trust companies (\$144,425) and fees paid by co-operatives and a minor miscellaneous fee (\$39,419).	\$313,844	1.6%	\$377,022	1.8%	(\$63,178)
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.	229,547	1.1	275,246	1.3	(45,699)
Investment and Miscellaneous	Primarily investment income.	309,087	1.5	237,027	1.2	72,060
Total Revenue		\$20,644,285	100.0%	\$20,697,169	100.0%	(\$52,884)

SECTORIAL REVENUES FOR 2018

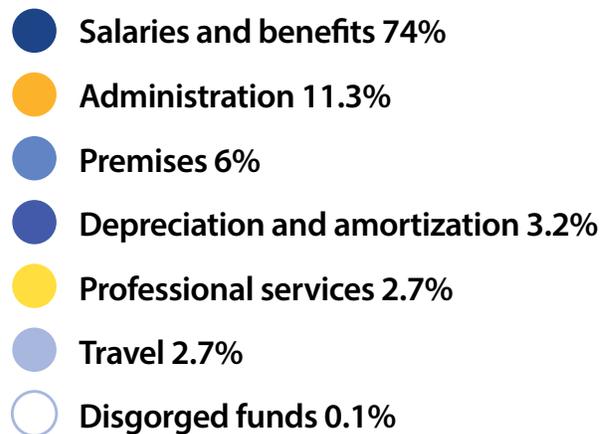
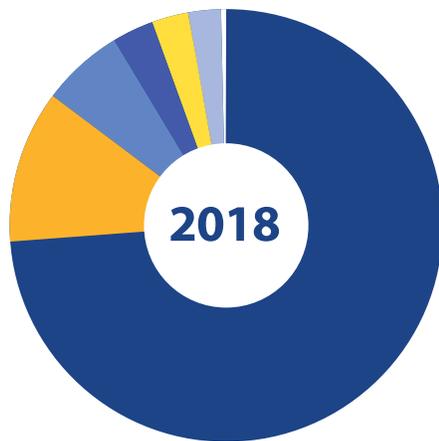


EXPENSES BY NATURE¹

Category	2018	% of 2018 Expenses	2017	% of 2017 Expenses	Change
Salaries and benefits	\$8,617,988	74.0	\$8,210,476	71.5	\$407,512
Administration	1,317,641	11.3	1,238,413	10.8	79,228
Professional services	304,465	2.7	683,910	6.0	(379,445)
Travel	313,839	2.7	288,959	2.5	24,880
Premises	697,339	6.0	713,201	6.2	(15,862)
Depreciation and amortization	377,155	3.2	331,796	2.9	45,359
Disgorged funds	12,000	0.1	12,000	0.1	0
Total expenses	\$11,640,427	100.0%	\$11,478,755	100.0%	\$161,672

1. See Note 23 of the Notes to our Financial Statements for expenses by function.

EXPENSES FOR 2018



ANALYSIS OF TOTAL EXPENSES

Managing expenses over the fiscal year is important to FCNB. 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.
- continually improving our processes.

In 2018, our total expenses were \$11.64 million, up \$0.16 million (1.4%) from \$11.48 million in 2017. This increase was predominantly due to the increase in salary and benefits and general administration, offset somewhat by professional services, which collectively accounted for 66.5% of the total increase in expenditures.

OPERATING COSTS

Salaries and benefits expenses increased from \$8.2 million in 2017 to \$8.6 million, and were 74.0% of operating costs (71.5% in 2017) and increased by \$407,512 from 2017. At year end, 86 staff were on payroll.

In 2018, FCNB's administration expenses increased from \$1.2 million in 2017 to \$1.3 million, and were 11.3% of operating costs (10.8% in 2017). Education and communications expenses were the largest category of expenses at \$491,810 (\$471,604 in 2017), and funded the online and television awareness campaigns, capital market development initiatives, stakeholder support and various outreach initiatives, such as fraud awareness or financial literacy. Members and staff development costs were \$282,880 (\$248,815 in 2017), and funded leadership and professional development and individual development.

Professional services expenses decreased by \$379,445 (55.5%) to \$304,465 for 2018, and covered general consulting, translation, legal and other expenses. General consulting totaled \$92,607 for 2018 (\$421,821 in 2017). Approximately \$90,000 of this decrease is attributable to a solvency review in 2017 on an insurance company, and intervener expenditures (\approx \$144,000) by the Attorney General at a hearing of the New Brunswick Insurance Board regarding proposed automobile insurance rate increases. These intervener expenditures are now recorded as a recoverable and are recovered by assessments authorized under the *Insurance Act*. Other expenses captured under this line item include information technology consulting, the financial audit, and other consulting activities associated with regulatory matters.

Translation expenses decreased to \$135,504 in 2018 from \$149,351 in 2017, a 9.3% decrease. Although FCNB continues its leadership role in translation services for the co-operative capital markets regulatory system, FCNB did incur less translation expenses in 2018.

Travel costs were \$24,880 (2.7%) higher than the previous year, and reflect increased enforcement and regulatory activity. Travel was primarily related to attendance at policy and other regulatory meetings with partners in the securities, insurance and pension sectors, and for training purposes.

Premises costs decreased by \$15,862 to \$697,339, a 2.2% decrease from the previous year. This represents 6.0% of total expenses for the year. Following significant renovations to the Saint John office in 2016 and to the Fredericton office in 2015, our current leases should accommodate our operations going forward and costs have stabilized as detailed in Note 17 of the Financial Statements.

Depreciation and amortization expenses were \$45,359 (13.7%) higher than the previous year due to the full year impact of the new regulatory information data system. Consistent with our strategic plan, the development of electronic regulatory licensing and registration systems was a significant investment of money and staff resources. The development of the web portal allows users to apply for licensing or registration, and to make filings for the insurance, pension, mortgage broker and payday lender regulated sectors. These licensing systems result in cost savings and efficiencies, and will be supplemented with further development activity.

The largest depreciable asset expense involves office furniture and equipment, which was approximately \$70,200 while leasehold improvements, information technology infrastructure, and photocopier capital leases make up the remainder of the depreciation expense, in descending order.

The amortization of intangible assets increased by \$48,651 to \$214,006 in 2018, increasing the expense line item to 28.1% from 17.5% in 2017.

Disgorged funds represent money recovered from enforcement actions. This money is turned over to specific investors who were financially harmed by those found to have violated the *Securities Act*. In 2018, \$12,000 was collected and \$12,000 paid to nine investors as a result of a 2008 decision.

MARKET ENHANCEMENT RESERVE

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. These funds are maintained in a separate bank account and generate their own bank interest. No administrative penalties were assessed in 2018 (\$0 in 2017). The balance in the market enhancement reserve stands at \$150,527 (\$148,640 in 2017).

LIQUIDITY AND FINANCIAL POSITION

FCNB has sufficient liquidity to finance its operations and capital purchases. During the fiscal year, the net increase in cash from operating activities was \$9,557,936, a decrease of \$598,720 (5.9%) from 2017. The cash and cash equivalents held for designated purposes at the end of the year total \$5,887,403, which includes \$1.5 million in the stabilization reserve. This is a reduction from the 2017 balance of \$6,123,329, mostly due to changes in working capital. Our investment strategy includes staggering our short-term investments, such that an investment matures every three months and represents an available source of liquidity.

DISPOSITION OF SURPLUS OPERATING FUNDS

FCNB made a series of payments totaling \$9,769,693 (\$9,062,818 in 2017) to the Province of New Brunswick during the year.

STABILIZATION RESERVE

FCNB maintains a stabilization reserve. The maximum value of the reserve was increased in 2015 to \$4 million from its previous value of \$3 million. The stabilization reserve allows us to maintain an operating contingency to absorb revenue shortfalls or unexpected expenditures. The increase reflects an assessment of the significantly larger regulatory mandate assumed by FCNB as well as the increased fee risk profile. Revenue generated from the reserve is moved into general operations. The reserve was fully funded at year-end.

Consistent with the previous year, \$2.5 million of the \$4 million reserve balance was invested in a one-year guaranteed investment certificate.

RESTRUCTURING RESERVE

The Province of New Brunswick is participating in a proposed co-operative capital markets regulatory system (CMRA) (see Risks and uncertainties section below), which is expected to be operational no earlier than the end of 2019. New Brunswick's participation in the CMRA will shift responsibility for securities regulation from FCNB to the CMRA. This will require the transfer of FCNB staff to the CMRA. It will also significantly affect FCNB revenue as we will no longer collect fees from the securities sector.

Almost 80% of FCNB's revenue is generated by the securities sector. The loss of this revenue will initially create a structural deficit for us. The cumulative deficits that are expected to be incurred may exceed the capacity of the stabilization reserve before we anticipate being in a position to restructure to meet our revised mandate. FCNB will need time to develop operational efficiencies and to consult with the Province and our regulated sectors for any required rule changes necessary to maintain our self-financing legislative requirements. As such, a restructuring reserve was established and funded.

The restructuring reserve is contemplated to be temporary in nature. We anticipate that it will be wound down by the end of the first five full fiscal periods after the CMRA becomes operational. Any balance of the reserve at wind-up will likely be paid to the consolidated fund of the Province of New Brunswick.

In 2015, the restructuring reserve was funded by a one-time charge to retained earnings in the amount of \$10,000,000. In 2018, \$2.5 million of the reserve balance was re-invested every three months in one-year guaranteed investment certificate as each investment matures.

ACCOUNTS RECEIVABLE

Assessments that will be levied to the insurance and the credit union sectors largely make up the accounts receivable. These amounts are assessed subsequent to year-end and they appear as accrued revenue with a corresponding receivable. This accounts for about 86.7% of the receivable balance in 2018 (90.4% in 2017). General fee receivables and HST receivables make up the majority of the remaining balance.

Risks and Uncertainties

SECURITIES REGULATORY REFORM

On 19 September 2013, the Ministers of Finance for Ontario, British Columbia and Canada announced an Agreement in Principle (Agreement) to establish a co-operative capital markets regulatory system, and contemplated the opportunity for other provincial and territorial jurisdictions to participate. On 9 July 2014, the Province of New Brunswick became a signatory to a revised Agreement for the same purpose (along with Saskatchewan). That revised Agreement contemplated that the CMRA would be operational in the fall of 2015. This date was revised in the summer of 2016 and the CMRA now expects to be operational no earlier than the end of calendar year 2019.

Prince Edward Island and the Yukon Territory joined the co-operative capital markets regulatory system on 9 October 2014 and 16 April 2015 respectively.

The Province's participation in the CMRA will see certain FCNB staff transition to this new regulatory authority. In addition, we will forgo revenue associated with administering the *Securities Act*. This revenue is very material to us, as discussed in the restructuring reserve section of this MD&A.

OPERATIONAL AND INFRASTRUCTURE RISK

We are exposed to various types of operational risks, including the risk of fraud by employees or others, unauthorized transactions by employees and operational or human error. Another risk is a computer or telecommunications systems failure, despite efforts to maintain these systems in 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 our reputation. Our 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. We have 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 and Risk Management Committee
- a strong internal control environment, with communications staff and the General Counsel's office key participants in managing reputation risk
- an annual review of internal controls and legislative compliance
- a Risk Management Policy, with a quarterly review of risks we face
- the effective communication of policies to staff and new commission members on matters such as conflict of interest, with various channels for reporting concerns

- mitigation of risk to assets through insurance
- tracking measures (like turnover and compensation surveys) to manage our ability to attract and retain people as a way to improve our ability to retain corporate memory and to ensure effective knowledge transfer.

FCNB 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.

FEE REVENUE

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

NATIONAL ELECTRONIC FILING SYSTEMS FOR THE SECURITIES SECTOR

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

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

About 80% of our total revenue is collected through SEDAR and NRD. CGI maintains a comprehensive business continuity plan for each system and the CSA requires a third-party audit report (CSAE 3416) each year. These national systems are currently in a multi-year renewal project. CGI was awarded the contract. CGI will assume responsibility for preparing, configuring, testing, deploying, and then running and maintaining a new system to replace the CSA National Systems (e.g. SEDAR, SEDI, Cease-Trade Order Database, National Registration Database, National Registration Search and Disciplined List) with a modernized solution.

CRITICAL ACCOUNTING ESTIMATES

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

We accrue amounts due when they meet generally accepted revenue recognition criteria.

We have not recognized any provisions for legal challenges in the financial statements.

CHANGES IN ACCOUNTING POLICIES

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

There were no significant accounting policy changes in 2017-2018.

2019 OUTLOOK

Budgeted revenue is \$21.4 million for 2019. This 3.7% increase over 2018 revenue is primarily due to an estimated increase in investment fund filings of \$270,000, financial filings of \$167,000, prospectus filings of \$68,000, the insurance assessment by \$479,000, which is partially offset by a decrease in miscellaneous revenue of \$180,000.

Operating expenses are budgeted to be \$14.0 million for 2018, an increase of \$2.4 million over 2018 actual expenses. This increase is due to salary cost and general administration. The budgeted staff complement for 2019 is 95, which includes additional required staff to backfill employees moving to CMRA, as compared to 86 who were on our payroll on 31 March 2018.

Our budgeted surplus for 2019 is about \$7.4 million. Given the funded stabilization and restructuring reserves, although not precluding any subsequent determinations by the Commission to increase these reserves, we intend to transfer ongoing surpluses to the Province of New Brunswick until the revenue associated with securities regulation is forgone as a result of the CMRA launch.

However, we may undertake interim measures in 2019 to transition toward our post-securities responsibility model, which may drive deviations of actual results to budget.

MD&A SUPPLEMENT – COMPENSATION DISCLOSURE – SENIOR MANAGEMENT REMUNERATION

Senior management includes the Chief Executive Officer (CEO) and our seven division heads. Their compensation and benefits are determined by FCNB, and are based on advice of an independent consultant. Senior management also receive the same employment benefits received by all staff, which includes health, dental and life insurance, pension, leave and parking. The CEO also has the use of a vehicle.

SENIOR MANAGEMENT REMUNERATION

Position	Salary Range (\$) as at March 2018
Chief Executive Officer	\$144,981 – 181,227
General Counsel and Secretary to the Commission	126,527 – 158,158
Director, Securities	126,527 – 158,158
Director, Enforcement	126,527 – 158,158
Director, Pensions & Insurance	126,527 – 158,158
Director, Corporate Services & Chief Financial Officer	108,278 – 135,347
Director, Education & Communications	108,278 – 135,347
Director, Financial Institutions	108,278 – 135,347
Director, Consumer Affairs	108,278 – 135,347

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 independent auditors, PricewaterhouseCoopers LLP, outlines the scope of the Auditor's examination and opinion on the financial statements.

ORIGINAL SIGNED BY KENRICK HANCOX

Kenrick G. Hancox
Chief Executive Officer

ORIGINAL SIGNED BY KEVIN HOYT

Kevin Hoyt, FCPA, FCGA,
Chief Financial Officer
Executive Director, Securities

28 June 2018



June 28, 2018

Independent Auditor's Report

Chairperson and Members Financial and Consumer Services Commission

We have audited the accompanying financial statements of the Financial and Consumer Services Commission, which comprise the statement of financial position as at March 31, 2018 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Financial and Consumer Services Commission as at March 31, 2018 and the results of its operations, and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

PricewaterhouseCoopers LLP
14 King Street, Suite 320, Saint John, New Brunswick, Canada E2L 4B9
T: +1 (506) 632 1810, F: +1 (506) 632 8997

Statement of Financial Position

as at 31 March 2018 (in Canadian \$)

	2018	2017
	31 March	31 March
ASSETS		
Current Assets		
Cash (Note 8)	\$ 4,236,686	\$ 4,474,499
Accounts receivable (Note 10)	2,703,509	2,691,094
Prepaid expenses	117,599	98,578
	7,057,794	7,264,171
Cash held for designated purposes (Notes 8, 11)	1,650,717	1,648,830
Investments held for designated purposes (Notes 9, 11)	12,500,000	12,500,000
Property and equipment (Note 12)	242,878	353,251
Intangible assets (Note 13)	648,508	862,514
	\$ 22,099,897	\$ 22,628,766
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (Note 20)	\$ 977,678	\$ 856,690
Accrued salaries and benefits	441,090	491,439
Current portion of employee future benefits (Note 19)	125,696	76,178
Accrued vacation liabilities	81,790	84,283
Current portion of obligation under finance lease (Note 14)	6,188	2,684
Deferred revenue	3,867,905	3,742,030
	5,500,347	5,253,304
Obligation under finance leases (Note 14)	25,103	-
Employee future benefits (Note 19)	449,415	484,595
	474,518	484,595
Total liabilities	5,974,865	5,737,899
Equity balances		
General	1,974,315	2,742,037
Restructuring reserve (Note 11)	10,000,000	10,000,000
Stabilization reserve (Note 11)	4,000,000	4,000,000
Market enhancement and consumer protection reserve (Note 11)	150,527	148,640
Disorgement reserve (Note 11)	190	190
	16,125,032	16,890,867
	\$ 22,099,897	\$ 22,628,766

Commitments and contingencies (Notes 17, 18)
The accompanying notes are part of these financial statements.

APPROVED BY THE COMMISSION

ORIGINAL SIGNED BY PETER KLOHN

Chair

ORIGINAL SIGNED BY YVES GAGNON

Member

Statement of Comprehensive Income (by nature) for the year ended 31 March 2018 (in Canadian \$)

	2018	2017
REVENUE		
Fees		
Prospectus and distribution filings	\$ 10,299,950	\$ 10,306,000
Registrations	4,041,642	3,862,870
Financial filings	1,848,800	1,909,100
Licences and fees	1,832,285	1,722,770
Exemptions and orders	20,550	44,800
Other	24,123	29,867
Assessments	2,116,552	2,538,832
Disgorged funds	12,000	12,000
Enforcement cost recoveries	-	2,500
Investment income	267,456	222,464
Miscellaneous	180,927	45,966
	20,644,285	20,697,169
EXPENSES		
Salaries and benefits (Note 21)	8,617,988	8,210,476
Administration (Note 22)	1,317,641	1,238,413
Professional services	304,465	683,910
Travel	313,839	288,959
Premises	697,339	713,201
Depreciation and amortization	377,155	331,796
Disgorged funds	12,000	12,000
	11,640,427	11,478,755
COMPREHENSIVE INCOME	\$ 9,003,858	\$ 9,218,414

The accompanying notes are part of these financial statements.

Statement of Changes in Equity for the year ended 31 March 2018 (in Canadian \$)

	General	Restructuring reserve	Stabilization reserve	Market enhancement and consumer protection reserve	Disgorgement reserve	Total
Balance, 31 March 2016	\$ 2,581,696	\$ 10,000,000	\$ 4,000,000	\$ 147,385	\$ 6,190	\$ 16,735,271
Comprehensive income	9,218,414	-	-	-	-	9,218,414
Disposition of surplus operating funds (Note 15)	(9,062,818)	-	-	-	-	(9,062,818)
Investment income reallocation	(1,255)	-	-	1,255	-	-
Allocation from general (Note 11)	(12,000)	-	-	-	12,000	-
Allocation to general (Note 11)	18,000	-	-	-	(18,000)	-
Balance, 31 March 2017	2,742,037	10,000,000	4,000,000	148,640	190	16,890,867
Comprehensive income	9,003,858	-	-	-	-	9,003,858
Disposition of surplus operating funds (Note 15)	(9,769,693)	-	-	-	-	(9,769,693)
Investment income reallocation	(1,887)	-	-	1,887	-	-
Allocation from general (Note 11)	(12,000)	-	-	-	12,000	-
Allocation to general (Note 11)	12,000	-	-	-	(12,000)	-
Balance, 31 March 2018	\$ 1,974,315	\$ 10,000,000	\$ 4,000,000	\$ 150,527	\$ 190	\$ 16,125,032

The accompanying notes are part of these financial statements.

Statement of Cash Flows

for the year ended 31 March 2018 (in Canadian \$)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Comprehensive income	\$ 9,003,858	\$ 9,218,414
Adjustment for depreciation and amortization	377,155	331,796
	9,381,013	9,550,210
Changes in non-cash working capital		
Accounts receivable	(12,415)	126,165
Prepaid expenses	(19,021)	(5,068)
Accounts payable and accrued liabilities	120,988	86,754
Accrued salaries and benefits	(50,349)	44,991
Employee future benefits	14,338	40,433
Accrued vacation liabilities	(2,493)	(15,535)
Deferred registration fee revenue	125,875	328,706
	9,557,936	10,156,656
CASH FLOWS FROM FINANCING ACTIVITIES		
Disposition of surplus operating funds	(9,769,693)	(9,062,818)
Repayment of finance lease liability	28,607	(3,503)
	(9,741,086)	(9,066,321)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment and intangible assets	(52,776)	(425,869)
Investments held for designated purposes	-	(2,500,000)
	(52,776)	(2,925,869)
NET INCREASE IN CASH		
	(235,926)	(1,835,534)
CASH, BEGINNING OF YEAR		
	6,123,329	7,958,863
CASH, END OF YEAR		
	\$ 5,887,403	\$ 6,123,329
Represented by:		
Cash	\$ 4,236,686	\$ 4,474,499
Cash held for designated purposes	1,650,717	1,648,830
	\$ 5,887,403	\$ 6,123,329
	2018	2017
Note: Cash flow from interest received is included in comprehensive income.	\$ 169,107	\$ 124,115

The accompanying notes are part of these financial statements.

Notes to the Financial Statements for the year ended 31 March 2018 (in Canadian \$)

1. Nature of the corporation

The body corporate previously constituted under the name New Brunswick Securities Commission (NBSC) 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 FCNB to provide regulatory services that protect the public interest, enhance public confidence in the regulated sectors, disseminate knowledge, promote understanding of the regulated sectors, and develop and conduct educational programs. FCNB may develop and conduct educational programs on financial and consumer services and will administer financial and consumer services legislation.

Financial and consumer services legislation means the:

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

FCNB maintains its registered office at:

**85 Charlotte Street, Suite 300
Saint John, New Brunswick E2L 2J2**

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

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

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

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

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

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

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

3. Summary of significant accounting policies

a) Revenue recognition

Revenue is recognized when earned.

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

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

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

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

Investment income is recorded as earned.

b) Property and equipment and intangible assets

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

Depreciation 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 rates used are:

- Office furniture and equipment: 4 years
- Information technology infrastructure: 4 years
- Software: 4 years
- Automobile: 5 years
- Leasehold improvements: over term of lease
- Finance lease: over term of lease
- Website: 4 years
- Regulatory information data system (internally generated): 5 years

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

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

c) Impairment of property and equipment and intangible assets

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

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

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

d) Leasing

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

Operating lease payments are charged to the statement of comprehensive income on a straight-line basis over the lease term. Benefits received and receivable, if any, as an incentive to enter into an operating lease are netted against the associated lease payments 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 FCNB has a present legal or constructive obligation as a result of past events. It is more likely than not that a resource outflow will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

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

f) Cash

Cash includes cash on hand and deposits held with banks.

g) Financial instruments

Financial 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 FCNB's designation of such instruments.

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

- I) Cash, cash held for designated purposes 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.
- II) Accounts receivable 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.

h) Recently adopted accounting standards

The following standards are required to be applied for periods beginning on or after 1 January 2017 and, unless otherwise indicated, had no effect on our financial performance:

In December 2014, the IASB published "Disclosure Initiative (Amendments to IAS 1)." The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports.

i) Future accounting and reporting changes

The IASB is continually working toward improving and developing new accounting standards. The IASB has issued a number of exposure drafts of new standards that are expected to come into effect within future reporting periods. FCNB monitors the IASB work plans and publications to assess any potential impact on the organization.

IFRS 9 Financial Instruments issued in July 2014 is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018; however, it is available for early adoption. It is not expected that this new standard will have a material impact on the financial statements.

IFRS 15 specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles-based five-step model be applied to all contracts with customers. IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted. This new standard is not expected to have a material impact on the financial statements.

In January 2016, the IASB published IFRS 16 Leases. IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. Our leased premises in Saint John and Fredericton will be recognized as assets and liabilities. IFRS 16 is effective for annual periods beginning on or after 1 January 2019, with earlier application permitted. This new standard is expected to have a material impact on assets and liabilities relating to the premises lease (note 17).

4. Significant accounting estimates and judgments

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

a) Significant accounting estimates

Property and equipment and intangible assets

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

Sick leave credits benefit

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

Supplemental pension benefit

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

Assessments

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

b) Significant accounting judgments

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

5. Financial risk management

Financial risk factors

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

Credit risk

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

Liquidity risk

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

Interest rate risk

This risk is minimal since FCNB did not incur any interest bearing long-term debt except on the 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.

6. Capital management

FCNB's objective when it manages capital is to ensure it continues as a going concern to fulfill its mandate. FCNB has established a stabilization reserve of \$4,000,000 (\$4,000,000 in 2017) and a restructuring reserve of \$10,000,000 (\$10,000,000 in 2017) to manage its capital risk. FCNB ensures that any payment of surplus funds to the Province of New Brunswick will not impair FCNB's ability to pay its liabilities, to meet its obligations as they become due or to fulfill its contractual commitments.

7. Financial instruments

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

8. Cash and cash held for designated purposes

FCNB maintains three separate bank accounts. The first is comprised of the operating account and those monies attributable to the 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 licences issued under various financial and consumer services legislation. The balance for the third account as of 31 March 2018 was \$53,437 (\$57,816 in 2017) and is included in cash. Under the terms of FCNB's banking agreement, these accounts earn interest at prime less 1.85 per cent up to the end of December, 2017 and 1.70 per cent thereafter calculated daily.

9. Investments held for designated purposes

Consistent with the previous year, FCNB invested \$12,500,000 (\$10,000,000 attributable to the restructuring reserve and \$2,500,000 of the \$4,000,000 attributable to the stabilization reserve) in short-term investments ranging from three to 12 months. The interest earned on these investments varies from 1.40 per cent to 1.70 per cent. The amounts attributable to the restructuring reserve and stabilization reserve have been disclosed on the statement of financial position as investments held for designated purposes.

10. Accounts receivable

FCNB charges assessments as per specific financial and consumer services legislation to the credit union system and to insurance sector participants. The outstanding assessments owing totalled \$2,342,504 of the total accounts receivable as of 31 March 2018 (\$2,432,261 in 31 March 2017).

No provision for allowance for doubtful accounts is required.

11. Reserve

Restructuring reserve

FCNB has established a reserve consistent with section 21(8) of the *Financial and Consumer Services Commission Act* to allow the Commission to meet its revised mandate following the establishment of the proposed cooperative capital markets regulatory system, while providing sufficient time to develop operational efficiencies and to consult with its regulated sectors for any required fee rule changes necessary to maintain its self-financing legislative requirements. The reserve was funded in 2015 through a one-time charge of \$10,000,000 to the general fund. The value of the reserve is \$10,000,000 (\$10,000,000 in 2017).

Stabilization reserve

FCNB has established a reserve consistent with subsection 21(8) of the *Financial and Consumer Services Commission Act* to finance extraordinary expenses for isolated and unanticipated purposes that are regulatory in nature, and for changes in market activity affecting revenue. The reserve is funded through charges to the general fund. The maximum value of the reserve has been set at \$4,000,000 (\$4,000,000 in 2017).

Market enhancement and consumer protection reserve

FCNB collects administrative penalties under section 186 of the *Securities Act* and under subsection 21(5) of the *Financial and Consumer Services Commission Act*. Consistent with subsection 21(5) of the *Financial and Consumer Services Commission Act*, these amounts are not used for FCNB's normal operating expenditures. Instead, they are used for endeavours or activities that enhance New Brunswick's capital markets or consumer protection. Market enhancement reserve funds are maintained separate from FCNB's normal operating funds, and generate their own investment revenue. The value of the reserve is \$150,527 (\$148,640 in 2017).

Disgorgement reserve

FCNB can issue disgorgement orders under section 184 of the *Securities Act*, or the Court of Queen's Bench may do so under section 187 of the *Securities Act*. Disgorgement orders permit FCNB to order a person be divested from the benefits obtained as a result of failure to comply with securities law. These amounts are not used for FCNB's normal operating expenditures as described in subsection 21 (6) of the *Financial and Consumer Services Commission Act*, and will generally be used to return funds to negatively impacted investors consistent with Local Rule 15-502, *Procedure for the Distribution of Disgorged Funds*. The value of the reserve is \$190 (\$190 in 2017).

12. Property and equipment

	Office furniture and equipment	Finance lease	Information technology infrastructure	Software	Automobile	Leasehold improvements	Total
Cost							
As at 31 March 2016	\$ 434,364	\$ 16,995	\$ 232,552	\$ 11,780	\$ 32,775	\$ 799,029	\$ 1,527,495
Additions	4,782	-	17,846	-	-	-	22,628
Dispositions	-	-	-	-	-	-	-
As at 31 March 2017	\$ 439,146	\$ 16,995	\$ 250,398	\$ 11,780	\$ 32,775	\$ 799,029	\$ 1,550,123
Additions	-	35,800	16,976	-	-	-	52,776
Dispositions	-	-	-	-	-	-	-
As at 31 March 2018	\$ 439,146	\$ 52,795	\$ 267,374	\$ 11,780	\$ 32,775	\$ 799,029	\$ 1,602,899
Accumulated Depreciation							
As at 31 March 2016	\$ 251,680	\$ 10,762	\$ 147,706	\$ 11,780	\$ 27,859	\$ 580,644	\$ 1,030,431
Depreciation	70,458	3,399	36,566	-	4,916	51,102	166,441
Dispositions	-	-	-	-	-	-	-
As at 31 March 2017	\$ 322,138	\$ 14,161	\$ 184,272	\$ 11,780	\$ 32,775	\$ 631,746	\$ 1,196,872
Depreciation	70,196	6,087	35,764	-	-	51,102	163,149
Dispositions	-	-	-	-	-	-	-
As at 31 March 2018	\$ 392,334	\$ 20,248	\$ 220,036	\$ 11,780	\$ 32,775	\$ 682,848	\$ 1,360,021
Net book value							
As at 31 March 2017	\$ 117,008	\$ 2,834	\$ 66,126	\$ -	\$ -	\$ 167,283	\$ 353,251
As at 31 March 2018	\$ 46,812	\$ 32,547	\$ 47,338	\$ -	\$ -	\$ 116,181	\$ 242,878

13. Intangible assets

	Website	Regulatory information data system (internally generated)	Total
Cost			
As at 31 March 2016	\$ 45,870	\$ 617,146	\$ 663,016
Additions	1,990	401,251	403,241
Dispositions	-	-	-
As at 31 March 2017	\$ 47,860	\$ 1,018,397	\$ 1,066,257
Additions	-	-	-
Dispositions	-	-	-
As at 31 March 2018	\$ 47,860	\$ 1,018,397	\$ 1,066,257
Accumulated amortization			
As at 31 March 2016	\$ 21,383	\$ 17,005	\$ 38,388
Amortization	11,468	153,887	165,355
Dispositions	-	-	-
As at 31 March 2017	\$ 32,851	\$ 170,892	\$ 203,743
Amortization	10,327	203,679	214,006
Dispositions	-	-	-
As at 31 March 2018	\$ 43,178	\$ 374,571	\$ 417,749
Net Book Value			
As at 31 March 2017	\$ 15,009	\$ 847,505	\$ 862,514
As at 31 March 2018	\$ 4,682	\$ 643,826	\$ 648,508

14. Finance lease liability

During the year, FCNB entered into three leases for photocopy equipment with a term of five and half years. 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.

	Minimum lease payments		Present value of minimum lease payments	
	2018	2017	2018	2017
Not later than 1 year	\$ 7,146	\$ 2,718	\$ 6,188	\$ 2,684
Later than 1 year and not later than 5 years	26,796	-	25,103	-
	\$ 33,942	\$ 2,718	31,291	2,684
Less: Current portion			6,188	2,684
Finance lease liability			\$ 25,103	\$ -

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*. FCNB paid \$9,769,693 in 2018 (\$9,062,818 in 2017).

16. Provisions

A provision is recognized if, as a result of a past event, FCNB has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. FCNB has no provisions recorded at 31 March 2018 (\$0 at 31 March 2017).

17. Operating lease commitments

Operating lease commitments primarily relate to leases of the premises in Saint John and Fredericton.

FCNB entered into a 10-year lease for office space in Saint John effective 15 February 2006. On 11 August 2014, this lease was extended to 28 February 2021.

FCNB entered into a 54-month lease for office space in Fredericton, effective 1 October 2014, with the Department of Transportation and Infrastructure for the Government of New Brunswick.

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

	2018	2017
Minimum lease payments	\$ 623,698	\$ 619,174
Contingent rentals	-	-
Sub-lease payments received	-	-
	\$ 623,698	\$ 619,174

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

	2018	2017
Not later than 1 year	\$ 628,203	\$ 628,580
Later than 1 year and not later than 5 years	681,992	1,310,195
Later than 5 years	-	-
	\$ 1,310,195	\$ 1,938,776

18. Commitments and contingencies

NBSC (which was continued as FCNB) was named as a defendant in two statements of claim, filed in 2011 and 2013 respectively. The 2011 claim has progressed slowly, and is only at the discovery stage. There has been no activity in the 2013 action. The outcome and ultimate disposition of these actions are not yet determinable. An expense, if any, concerning this contingency will be accounted for in the period in which the payment or provision occurs.

19. Employee future benefits

a) Pension plan

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

Pension costs included in these financial statements comprise the cost of employer contributions for current service of employees during the year. For the year ended 31 March 2018, FCNB expensed contributions of \$798,099 (\$756,314 in 2017) under the terms of the Plan.

b) Supplemental pension benefit

A retired Chief Executive Officer receives a supplemental pension benefit in which supplemental pensionable service of one year for each year of service as Chief Executive Officer to the maximum of five years was earned. This benefit is unfunded as no assets have been set aside in a separate legal entity, and payments are made as they become due. For the year ended 31 March 2018, these statements reflect a liability of \$184,628 (\$195,566 in 2017), FCNB expensed \$4,792 (\$13,533 in 2017) under the terms of the Supplemental Benefit Agreement and paid out benefits of \$15,730 (\$18,086 in 2017).

c) Sick leave credits

In concert with the elimination of the retiring allowance program, changes were made to the sick leave policy such that employees could receive a payout of 20 per cent of their unused sick leave credits at layoff, retirement or death. These statements reflect a liability of \$318,594 (\$278,112 in 2017) for this benefit and a current year expense of \$42,915 (\$44,126 in 2017). This liability is discounted as follows: employees over the age of 50, FCNB applies a three per cent discount factor to adjust for the age of each eligible employee for each year that the employee is under the age of 55; and for employees under the age of 50, FCNB applies a three per cent discount factor to adjust for the age of each eligible employee for each year that the employee is under the age of 65. For liability calculation purposes, management estimates that half of employees under the age of 40 will retire from FCNB, 75 per cent of employees between the ages of 40 and 50 will retire from FCNB, and all employees over the age of 50 will retire from FCNB.

20. Related party transactions

Service New Brunswick (SNB), a related party to FCNB, provides certain services in the normal course of operations that are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. SNB provided information technology services to FCNB, such as data storage, data backup, data protection and support. FCNB expensed \$115,105 (\$131,571 in 2017) during the reporting period on these services. As of 31 March 2018, an accounts payable of \$115,489 (\$123,326 at 31 March 2017) was owed to SNB and was subject to normal terms. This amount is included in accounts payable and accrued liabilities.

The Translation Bureau for the Government of New Brunswick provides services to FCNB that are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Total expenditures during the period were \$67,111 (\$94,818 in 2017). As of 31 March 2018, an accounts payable of \$13,922 (\$20,314 at 31 March 2017) was owed to the Translation Bureau and is subject to normal terms. This amount is included in accounts payable and accrued liabilities.

On 1 October 2014, FCNB entered into an agreement with the Department of Transportation and Infrastructure (“DTI”) for leased office space. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. FCNB expensed \$304,609 (\$317,362 in 2017). As of 31 March 2018, an accounts payable of \$38,463, which includes harmonized sales tax, (\$63,943 at 31 March 2017) was owed to DTI and subject to normal terms. This amount is included in accounts payable and accrued liabilities.

The Chair of FCNB has a personal services contract with FCNB that is measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. This is in-lieu of an employment contract and facilitates the Chair’s independence from the operations of the Commission. FCNB expensed \$152,317 (\$152,317 in 2017) during the reporting period. As of 31 March 2018, an accounts payable of \$0 (\$0 at 31 March 2017) was owed to the Chair and subject to normal terms.

FCNB provides certain administrative services for the Government of New Brunswick associated with assessments or recoveries from the insurance sector and that are for the benefit of the Consolidated Revenue Fund of the Government of New Brunswick. These services include the invoicing, receipting and depositing of payments under the *Premium Tax Act* (\$55,093,078 in 2018, \$52,681,795 in 2017); the invoicing, receipting and depositing of payments under the *Medical Services Payment Act*, the *Hospital Services Act* and the *Family Services Act* (\$36,132,608 in 2018, \$34,462,319 in 2017); and the receipt and depositing of payments under the *Fire Prevention Act* (\$3,503,275 in 2018, \$3,415,998 in 2017). These transactions do not flow through FCNB’s financial statements and are recorded directly in the financial information system of the Government of New Brunswick. FCNB performs these functions without any financial consideration or payment from the Government of New Brunswick. Effective 1 January 2018, FCNB is no longer responsible for the depositing function associated with these activities.

In addition, FCNB recovers costs incurred by the Government of New Brunswick when it intervenes at insurance rate hearings. In 2018, these costs were \$225,543 (\$143,678 in 2017). FCNB now treats these costs as a recoverable from the insurance sector. Previously, FCNB recorded professional services expenses and equivalent assessment revenue.

Key management personnel

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

	2018	2017
Salaries and other short-term employee benefits	\$ 1,020,639	\$ 1,011,193
Post-employment benefits	94,240	78,662
	\$ 1,114,879	\$ 1,089,855

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

21. Salaries and benefits

	2018	2017
Salaries	\$ 7,106,589	\$ 6,807,190
Benefits	713,300	646,972
Pension expense (Note 19)	798,099	756,314
	\$ 8,617,988	\$ 8,210,476

22. Administration

	2018	2017
Investor protection and education	\$ 491,810	\$ 471,604
Members and staff development	282,880	248,815
Information technology	161,966	161,917
Other administration	380,985	356,077
	\$ 1,317,641	\$ 1,238,413

23. Alternative presentation – Income statement by function

	2018	2017
REVENUE		
Securities	\$ 16,331,929	\$ 16,143,793
Insurance	2,982,469	3,227,526
Financial Institutions	313,844	377,022
Consumer Affairs	477,409	436,555
Pensions	229,547	275,246
Investment income	267,456	222,527
Miscellaneous	41,631	14,500
	20,644,285	20,697,169
EXPENSES		
Governance and Corporate Management	3,844,608	3,773,403
Insurance	1,930,208	2,324,697
Education and Communications	1,204,357	1,145,974
Securities	1,398,052	1,241,748
Enforcement	524,162	537,957
Financial Institutions	926,944	877,071
Consumer Affairs	703,934	568,527
Pensions	718,909	682,708
Tribunal	389,253	326,670
	11,640,427	11,478,755
COMPREHENSIVE INCOME	\$ 9,003,858	\$ 9,218,414

24. Authorization of financial statements

The financial statements for the year ended 31 March 2018 (including comparatives) were approved by the board of directors on 28 June 2018.

References

1. <http://www.statcan.gc.ca/daily-quotidien/171108/dq171108b-eng.htm>
2. Statistics Canada, [statcan.gc.ca](http://www.statcan.gc.ca)
3. Crime and Abuse Against Seniors: A Review of the Research Literature With Special Reference to the Canadian Situation, www.justice.gc.ca/eng/rp-pr/cj-jp/fv-vf/crim/sum-som.html
4. Statistics Canada 2015 CANSIM table 477-0079
5. 2013 Program for the International Assessment of Adult Competencies
6. <https://www.fin.gc.ca/n16/16-133-eng.asp>
7. <https://www.fin.gc.ca/n16/16-133-eng.asp>
8. <https://www.fin.gc.ca/n16/16-133-eng.asp>
9. Cybersecurity Ventures, <https://cybernb.ca/en/strategy-leadership/about/>
10. Cybersecurity Ventures, <https://cybernb.ca/en/strategy-leadership/about/>
11. OECD (2018) Household debt, <https://data.oecd.org/hha/household-debt.htm>
12. 2016 Census, Statistics Canada, <http://www.statcan.gc.ca/daily-quotidien/170503/dq170503a-eng.htm>
13. Statistics Canada 2015 CANSIM table 477-0079
14. Canadian Anti-Fraud Centre report for New Brunswick, <http://www.antifraudcentre-centreantifraude.ca/index-eng.htm>
15. Canadian Securities Administrators (CSA) Investor Index for New Brunswick, <http://www.mbsecurities.ca/news/current/2017-csa-index.html>

STAY OUT OF FRAUD'S REACH



SPOT THE RED FLAGS

ON THE PHONE:

Don't send money or give personal financial information to someone you don't know. Hang up the phone or delete the text.

AT YOUR DOOR:

Don't be pressured into buying from a door-to-door seller. Take your time to think about the offer. Ask to see their direct sellers' licence.

IN THE MAIL:

Never cash an unexpected cheque or pay to get a prize. Verify the sender before you reply to a letter or email about an inheritance, a prize, an investment opportunity or a problem with an online account.

For more red flags and common scams, visit FCNB.ca/Fraud



REPORT FRAUDS AND SCAMS

If you have concerns about those in the business of:

- Selling investments, insurance, mortgages or pre-arranged funeral service plans
- Door-to-door or real estate sales
- Collection agencies or payday loans



Report it to:



If you get an unexpected call or message about a:



tax refund, prize or inheritance

job offer

virus on your computer

problem with your bank (or other) accounts

or something you didn't purchase

you are worried about identity theft...

Report it to the
Canadian Anti-Fraud Centre
antifraudcentre-centreantifraude.ca

or the RCMP or your local police.

Report it online through
Kijiji or a dating
site directly to the
"Report Abuse"
button on the website.



If it come through email or text?
You can also forward it to the
Spam Reporting Centre
<http://fightspam.gc.ca>