

Relevant, Responsive and Resilient

2021-2022
Annual Report



FINANCIAL AND
CONSUMER SERVICES
COMMISSION

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Transmittal Letter

July 25, 2022

Minister of Finance and Treasury Board,

I am pleased to be able to present the annual report describing the operations of the Financial and Consumer Services Commission (FCNB) for the fiscal year April 1, 2021 to March 31, 2022.

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

Yours very truly,

Original signed by Peter Klohn

Peter Klohn, LL.B, ICD.D
Chair

Who We Are

We are New Brunswick's Financial and Consumer Services Regulator

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

We administer the following Acts:

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

Our 2021-2022 Strategic Priorities



What Guides Us

Our Mandate

To provide regulatory services that protect the public interest, enhance public confidence and promote understanding of the regulated sectors through educational programs.

Our Vision

Working together for regulatory excellence in financial and consumer services for New Brunswickers.

Our Values

Professional

Bring our best to the table every day to deliver high quality, forward-thinking work.

Accountable

Be accountable for our work, our words and our actions.

Inclusive

Respect and welcome different ideas, strengths, beliefs, interests, personal situations and diverse backgrounds.

Respectful

Treat each other and the people we serve with dignity and respect.

Ethical

Act with integrity, be trustworthy and fair.

Supportive

Work collaboratively, support learning and growth, and celebrate each other's successes.

How We Work

At FCNB, we build and maintain trust in New Brunswick's financial and consumer markets through the following six main activities:

1 Licensing and Registration

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

2 Policy Development

We develop regulatory proposals by consulting industry and stakeholders, and working collaboratively with provincial, national and international regulatory and industry associations on global regulatory concerns, trends and initiatives. The Minister of Finance and Treasury Board (Minister) provides oversight of this process.

3 Compliance Reviews

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

4

Inquiries and Complaint Handling

Every month, we receive around 250 consumer and investor inquiries and complaints. Not all of them fall under financial and consumer services legislation. For those that do, we review to determine whether rules or requirements have been violated and if further action is needed. We regularly use the opportunity to provide New Brunswickers with direction on how to resolve their complaints.

5

Enforcement

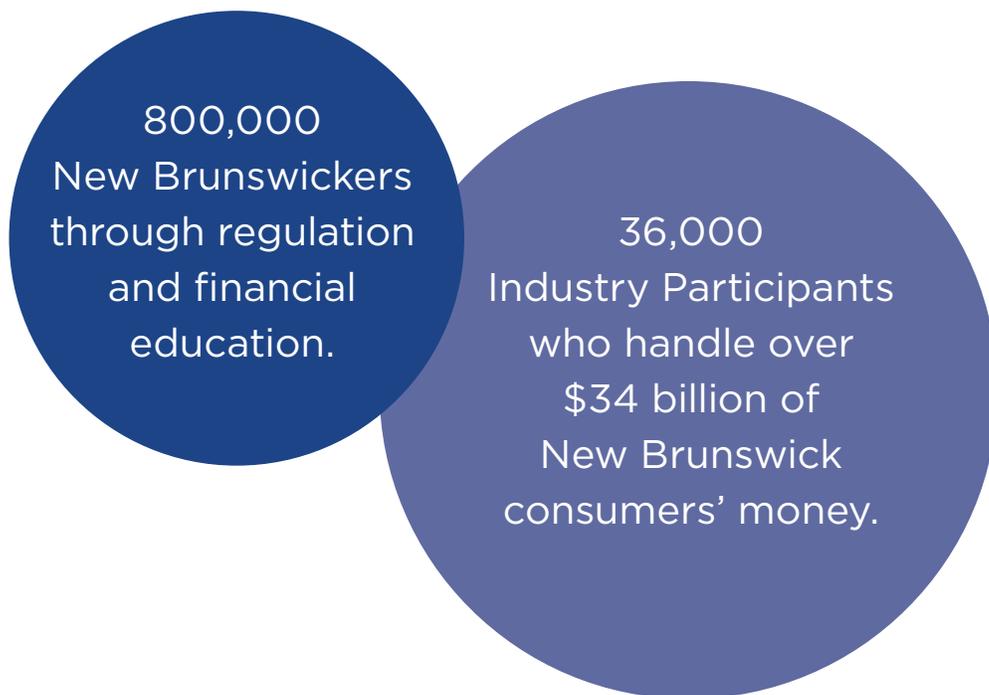
Sometimes, the information we receive from complaints, audits and compliance activities, or from other sources, leads to investigations. These investigations may indicate that people or entities have violated the requirements set out in New Brunswick's financial and consumer services legislation. If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

6

Education

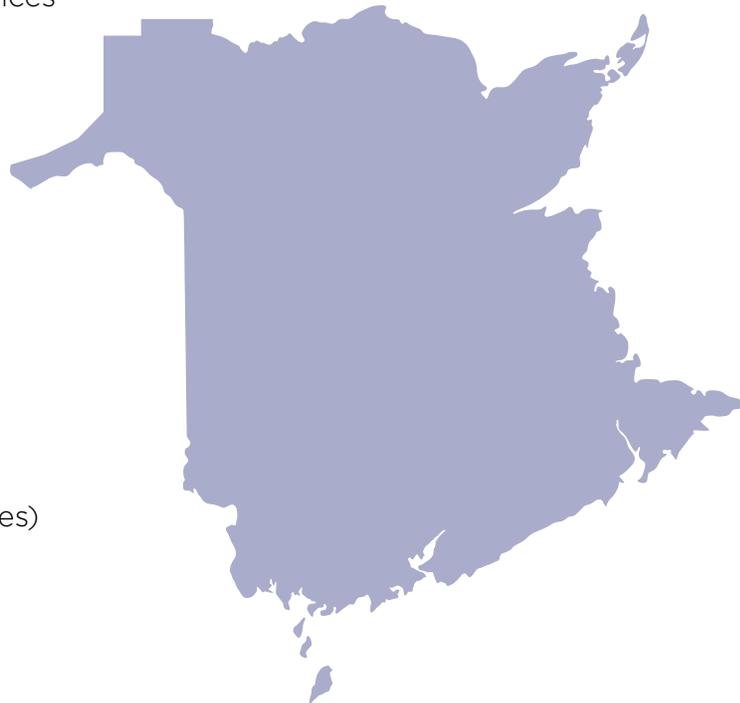
We believe New Brunswickers are better equipped to protect themselves from financial and consumer services frauds and scams and to make informed financial and consumer decisions when they have easy access to unbiased information, understand their rights and responsibilities, and know where to turn for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

Who We Serve



Our provincial footprint as of March 31, 2022

- 2,522 Collection Agency and Collector Licences
- 35 Auctioneers' Licences
- 674 Commissioners of Oaths Appointments
- 673 Cost of Credit Registrations
- 862 Direct Sellers Licences
- 93 Pre-arranged Funeral Licences
- 1,708 Real Estate Licences
- 213 Mortgage Broker Licences
- 195 Cooperatives
- 9 Credit Unions and 60,900 Members
- 46 Loan and Trust Companies
- 207 Insurance Companies
- 14,061 Licensed Individuals in Insurance
- 244 Registered Pension Plans
- 99,347 Active Members (not including retirees)
- 5,579 Reporting Issuers in Securities
- 13,376 Registered Individuals in Securities
- 5 Payday Lender Licences
- 2 Credit Reporting Licences



Our Highlights

- Received first unclaimed property holder submission to FundsFinderNB.ca.
- Participated in more than **70** different regulatory committees with provincial, national and international groups.
- **1,137** compliance reviews across **8** different sectors ([see page 33](#)).
- **27** Policy projects advanced internally, resulting in **2** Acts amended, **2** Regulations amended, and **7** Local rules/rule amendments for comment.
- Received **17** submissions from stakeholders on two proposed rules for the *Insurance Act*.
- Worked with other CSA jurisdictions to register **6** crypto asset trading platforms as restricted dealers.
- Co-chaired a CSA committee that published amendments to enhance the protection of seniors and older vulnerable investors.
- Co-chaired the National Pension Compliance Officers Association.
- Enhanced the Community Economic Development Corporations and Cooperatives (CEDC) program to make it easier for New Brunswick businesses to raise capital.
- Launched **2** education campaigns, resulting in:
 - **7,600+** visits to the campaign microsite on do-it-yourself investing.
 - **5,804** visits to our website for information on the risks of crypto asset trading.
- **21%** increase in visits to FCNB.ca.

Our Board of Directors



Peter Klohn (Chair)

Residence: Rothesay

Term: Jan. 1, 2014 – Dec. 31, 2023
(Reappointed Jan. 1, 2019)



Donald French (Vice Chair)

Residence: Dieppe

Term: Oct. 31, 2019 – Oct. 30, 2023



Lucie Boucher

Residence: Grand-Barachois

Term: Nov. 4, 2021 – Nov. 3, 2024



Marilyn Evans Born

Residence: Fredericton

Term: Jan. 1, 2020 – Dec. 31, 2023
(Reappointed Nov. 4, 2021,
effective Jan. 1, 2022)



Norma Kelly

Residence: Sussex

Term: Oct. 31, 2019 – Oct. 30, 2022



Gérald Lévesque

Residence: Saint-Basile

Term: Jan 21, 2021 – Jan. 20, 2024



Tania Morris

Residence: Dieppe

Term: Nov. 4, 2021 – Nov. 3, 2024



Paul Van Iderstine

Residence: Moncton

Term: Oct. 31, 2019 – Nov. 3, 2026
(Reappointed Nov. 4, 2021)



Michael D. Wennberg

Residence: Rothesay

Term: Aug. 21, 2013 – Aug. 20, 2022
(Reappointed Aug. 21, 2018)

The terms of Yves Gagnon
and Vincent Duff ended on
November 3, 2021.

Governance

The Commission is accountable to the Government of New Brunswick (GNB) through the Minister of Finance and Treasury Board for the proper administration of New Brunswick's financial and consumer services legislation. The respective responsibilities and expectations of the Commission and the Department of Finance and Treasury Board are set out in a Memorandum of Understanding, which is published on our website. The Commission operates under the direction of Commission members. The members are responsible for independent governance of the Commission through approving policies, recommending changes to legislation, setting and overseeing the Commission's strategic direction and budget, and management oversight, including reviewing risks and opportunities facing the organization. They place a high value on transparent disclosure practices and create an annual report on governance practices to reflect that value. For further details regarding members' ethical standards and obligations, continuing education, attendance, remuneration as well as committee activities, see the full report on our [website](#)^[1].

The Commission is comprised of the Chair and a number of other members appointed by the Lieutenant-Governor in Council. The number of members cannot be less than five nor more than 10. When the Commission identifies the need for a new member, a government appointment is made through an internal nomination

process. To assist with the process, the Commission maintains a profile for the ideal composition of the Commission as a whole, which is regularly updated. The profile sets out the mix of backgrounds, skills and experience required to guide the Commission's strategy and ongoing business operations. When there is a vacancy, the skills for a replacement candidate are set by doing an analysis of that profile. The Commission believes that diversity among members enriches both the board's decision-making process and the Commission's regulatory role by bringing a variety of perspectives to discussions. The Commission supports the appointment of candidates who reflect the gender and linguistic representation as well as the cultural and geographic diversity of the province.

This past year, our board of directors focused on implementing the recommendations arising from a comprehensive review of its governance practices, leading to more effective governance processes. During the year, a consultant engaged the board and executive management in a series of working sessions to review, understand and agree on a path forward regarding the recommendations. Consistent with the recommendations, the board participated in an exercise to refresh its strategy and business plan, including the development of enhanced and meaningful key performance indicators. The board also initiated steps to refresh the Commission's enterprise risk management program, and to explore the value of leveraging independent risk assurance beyond finance and compliance risks.

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

Standing Committees

The Audit and Risk Management Committee is responsible for reviewing the Commission's risk management policies and procedures, financial reporting and public disclosure, audit processes, and systems of internal controls as established by management and the Commission. It meets at least five times each year. Members included: Norma Kelly (chair), Paul Van Iderstine, Marilyn Evans Born, Tania Morris and Peter Klohn (*ex officio*).

The Human Resources and Governance Committee is responsible for human resources policies and procedures and setting management's compensation structure. It is also responsible for governance-related matters, such as board assessments, succession planning of members, member orientation and continuing education and CEO and Chair evaluations. It meets at least four times each year. Members included: Michael D. Wennberg (chair), Donald French, Gérald Lévesque, Lucie Boucher and Peter Klohn (*ex officio*).

Official Languages

We are committed to providing quality services to members of the public in their official language of choice.

In 2021-2022, we translated or coordinated the translation of over half a million words, including board materials. We strive to meet the spirit of the Province of New Brunswick's Language of Work Policy and Guidelines by promoting a balanced

use of both official languages in the workplace. Although language of work and language of service have separate applications, we view their connection as essential to the overall commitment of the organization to official languages matters. We received no complaints under the *Official Languages Act* in the past year.

Public Interest Disclosure

The *Public Interest Disclosure (PID) Act* encourages employees in the provincial public service to report any wrongdoing that has occurred or is about to occur in the workplace that is potentially unlawful, dangerous to the public or harmful to the public interest. The *PID Act* protects employees from reprisal for disclosing these wrongdoings and provides a fair and objective process for those employees who are alleged to have committed a wrongdoing. We are pleased to report there were no disclosures or claims made against any employee of the Commission under the *PID Act* in 2021-2022.

Summary of recommendations from the Office of the Auditor General

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

Letter from the Chair

It has been almost 20 years since I became involved in efforts to improve financial regulation in New Brunswick. That work resulted in the establishment of the New Brunswick Securities Commission, now part of FCNB, and a commitment to updating legislation and investing in regulatory resources. As a self-funded Crown corporation, FCNB's goal was to become a "relevant" and "responsive" financial regulator. The pandemic has added a third "R" as we focus on "resilience" by constantly adapting to this period of extraordinary change.

In my view, good regulation operates almost unnoticed to address competing needs and potential harms. It requires a delicate balance between leading and listening. It is thoughtful and data driven, and always conscious of its impact on real people. It evolves as circumstances change, and threats and opportunities emerge and recede.

The projects detailed in this annual report illustrate our progress toward these long-term goals and our shared belief in good regulation. It is a never-ending journey, but I am encouraged by how much has been achieved.

Our board and staff demonstrated extraordinary resilience in pursuing excellence throughout another year of the pandemic. They continue to focus on the mission and commit themselves to supporting each other and the needs of the people we serve. I am incredibly proud and thankful for their compassion, dedication and leadership.

In 2021-2022, we underwent a comprehensive governance and operational review. This ongoing work includes the implementation of improved board practices, an updated compensation program, new management systems and a commitment to diversity, equity and inclusion initiatives.

We also continue to be an active participant with our provincial, federal and international colleagues in regulatory efforts that go beyond our provincial borders. Our staff are leading discussions to improve the lives and facilitate the business of New Brunswickers. This report provides details about all this work, including, among many others, our seniors' initiatives, significant legislative reform projects and the exciting new unclaimed property regime.

None of this progress would have been possible without the hard work of our employees and Commission members. I would like to thank Commission members, Yves Gagnon and Vincent Duff, whose terms ended in 2021. Their commitment during their tenure and their wise counsel have been invaluable.

Finally, our staff continue to reflect all that is good and important about "public service." They make a real difference here in New Brunswick. They deserve our ongoing support and considerable thanks for their work.



Original signed by
Peter Klohn

Peter Klohn
Chair

Letter from the CEO

As a regulator, we have proven our leadership by always being relevant and responsive. By successfully delivering on our mandate as the world continued to react to the pandemic, we have proven our ability to also be resilient.

This report details the significant initiatives we worked on in 2021-2022 that contributed to our vision of working together for regulatory excellence in financial and consumer services for New Brunswickers.

I'd like to highlight a few key projects that demonstrate our leadership and our ability to remain relevant, responsive and resilient.

- The *Unclaimed Property Act* was proclaimed on January 1, 2022, moving us one step closer to reuniting New Brunswickers with their lost or forgotten property in 2023. We are proud to have this legislation as part of our delivery mandate, making us the fourth province in Canada to have an Unclaimed Property Program.
- We worked to modernize both the *Insurance Act* and the *Pension Benefits Act*, culminating in amendments to those *Acts* receiving Royal Assent during the year. The amendments to the *Insurance Act* responded to changes in the insurance marketplace and will modernize the regulatory framework for insurance intermediaries, including introducing consumer protections related to incidental sales of insurance products. The amendments to the *Pension Benefits Act* responded to areas of recent development within the industry, and include enhanced communication with plan members and statutory discharges for annuity buy-outs.

- We participated in discussions and decisions at the national level on the financial exploitation of older adults. I would like to give credit to our very own Deborah Gillis, Senior Legal Counsel, who co-led the Canadian Securities Administrators (CSA) committee that published amendments to provide registrants with the tools and guidance to address situations involving diminished mental capacity or financial exploitation of older and vulnerable adults. She also chaired the North American Securities Administrators Association board committee on senior issues and diminished capacity. Our involvement in these national and international initiatives is another great example of our ability to lead.
- We were able to adapt to the changing circumstances the pandemic had on our regulated sectors and stakeholders by continuing to work collaboratively with our peer regulators, industry and government.

Our accomplishments this past year were made possible because of the dedication of our staff. Despite the ongoing challenges the pandemic places on them and their families, they continue to work hard for the greater good of New Brunswick. I would like to express my gratitude for their collective efforts, commitment, and resilience in making this another successful year.



Original signed by
Kevin Hoyt

Kevin Hoyt
CEO

Purpose of the Annual Report

This annual report is designed to meet the requirements of both the *Financial and Consumer Services Commission Act* and the *Accountability and Continuous Improvement Act*, which was implemented in 2014, to greater align the corporate priorities and goals of Crown corporations with those of the Province. It reports our performance results on the initiatives documented in our [2021-2022 Strategic Business Plan](#)^[2].

Strategic Direction

Our legislated mandate as contained in the *Financial and Consumer Services Commission Act* and expanded upon in the 2021-2022 Mandate Letter, received from the Minister of Finance and Treasury Board, shaped our 2021-2022 Strategy and Business Plan. This plan was delivered to the Minister on March 15, 2021.

2. <https://www.fcnb.ca/en/about-the-fcnb>

Strategic Priorities Report Card

Priority 1: Pandemic vigilance and response

The societal uncertainty caused by this pandemic forced decision-makers across our regulated sectors to act decisively for the well-being of their employees and their families, for the resilience of their organizations, and for the viability of their businesses. For 2021-2022, we are reporting important progress in addressing the effects of the pandemic on our regulated sectors and our stakeholders.

Initiative	Progress
<p>Monitor regulated sectors to proactively identify risk areas and respond efficiently.</p> <p>Progress Indicator: Proactive identification of pandemic issues impacting the Commission, our regulatory sectors and/or New Brunswickers.</p> <p>Alignment with GNB Priorities:</p> <ul style="list-style-type: none"> • Energized Private Sector • High-Performing Organization 	<p>Completed: We continued to provide extensions to fulfilling certain statutory requirements for licensees and/or registrants within our regulated industries where necessary. These extensions provided flexibility to hold annual general meetings and for completing required courses until 90 days after the state of emergency was lifted.</p>
<p>Continued collaboration with fellow regulators to develop harmonized approaches where appropriate.</p> <p>Progress Indicator: Effective supervision of regulated sectors.</p> <p>Alignment with GNB Priorities:</p> <ul style="list-style-type: none"> • Affordable and Responsive Government • High-Performing Organization 	<p>Completed: Our regulators kept apprised of pandemic issues with their sectors through their involvement on various boards and committees.</p> <p>In Progress: Through our membership in both the Mortgage Broker Regulators Council of Canada and the Real Estate Regulators of Canada, we connected and collaborated with fellow regulators and industry associations on pandemic-related issues.</p>

Initiative	Progress
<p>Maintain a COVID-19 health and safety operational plan, an updated business continuity plan and active pandemic management teams in place, including strategic communications team and fraud prevention messaging team.</p> <p>Progress Indicator: Continuity of all essential services, communications with stakeholders.</p> <p>Alignment with GNB Priority:</p> <ul style="list-style-type: none"> • High-Performing Organization 	<p>Completed: In May 2021, we updated our COVID-19 health and safety operational plan and business continuity plan. In August 2021, we replaced the operational plan with a Communicable Disease Prevention Plan, as required by government at the time and updated the plan throughout the year as needed.</p> <p>Completed: Our strategic communications team monitored GNB and public health announcements and provided internal communication to our employees to inform them of public health directives affecting our operations.</p> <p>Completed: Our internal cross-divisional fraud prevention messaging task force, struck in 2020 to monitor COVID-19 related scams, transitioned to a broader emerging trends and consumer issues work group. (See page 30).</p>
<p>Develop legislative or regulatory proposals as needed to respond to the needs of the regulated sectors.</p> <p>Progress Indicator: Legislative or regulatory proposals submitted to government for approval.</p> <p>Alignment with GNB Priority:</p> <ul style="list-style-type: none"> • High-Performing Organization 	<p>In Progress: We continued to monitor emergency orders and support regulated sectors through communication (both direct communication and through our website) and education.</p> <p>In Progress: As a result of discussions with other regulators during the pandemic, we developed recommendations regarding amendments to unlocking provisions for pension funds in the <i>General Regulation</i> under the <i>Pension Benefits Act</i>.</p>

Priority 2.1: Excelling in our regulatory capacity through expertise, accountability and transparency

We are committed to delivering on our mandate through sectoral experience, a well-understood set of expectations, transparency of our conduct, and policies that contribute to regulatory outcomes. In 2021-2022, we continued, through various initiatives, to modernize our operational and regulatory systems and processes to respond to changing regulatory needs and find further efficiencies and best practices in our systems and processes.

Initiative	Progress
<p>Conduct vision, values and brand strategy exercise.</p> <p>Progress Indicator: Refreshed vision, values and brand.</p> <p>Alignment with GNB Priority:</p> <ul style="list-style-type: none"> • High-Performing Organization 	<p>Completed: In December 2021, our Board of Directors refreshed the vision and our staff provided input in the development of six new values (See page 5).</p> <p>In Progress: We launched an audit of our current brand to determine its effectiveness. Work on this exercise will continue into the new fiscal year.</p>
<p>Implement recommendations from 2020-2021 Governance Review.</p> <p>Progress Indicator: Best governance practices adapted to size and mandate.</p> <p>Alignment with GNB Priority:</p> <ul style="list-style-type: none"> • High-Performing Organization 	<p>In Progress: Our Board of Directors completed a review of our governance structure, with assistance from a consultant (See page 11).</p>
<p>Continue leadership and professional development of employees.</p> <p>Progress Indicator: Employees excelling in their areas of expertise and in leadership.</p> <p>Alignment with GNB Priority:</p> <ul style="list-style-type: none"> • High-Performing Organization 	<p>Completed: Staff who participate in our leadership development program completed two training sessions:</p> <ul style="list-style-type: none"> • A one-and-a-half-day session titled “Improving Employee Engagement through Effective Communication.” • Three days of “Applied Coaching Sessions.” <p>Completed: All staff participated in professional development programs, including: reconciliation training; Violence Prevention in the Workplace; Public Policy: Development Basics and Best Practices in Writing Policies; Insights Discovery® Session; machinery of government presentation; and diversity, equity and inclusion training.</p>

Initiative	Progress
<p>Maintain a strong organizational cybersecurity posture.</p> <p>Progress Indicator: Compliant with the former CyberNB certification standards for Crown corporations.</p> <p>Alignment with GNB Priority:</p> <ul style="list-style-type: none"> • High-Performing Organization 	<p>Completed: We obtained our Cyber Essentials certification in 2021.</p> <p>Completed: We developed and adopted a new cybersecurity strategy.</p> <p>Completed: Many of our IT staff obtained cybersecurity-related training and certifications.</p>
<p>Prepare 2022-2023 Strategy and Business Plan meeting the requirements listed in the <i>Financial and Consumer Services Commission Act</i> and the <i>Accountability and Continuous Improvement Act</i>.</p> <p>Progress Indicator: Delivered to Minister and published on the Commission website within timelines set in Mandate Letter.</p> <p>Alignment with GNB Priority:</p> <ul style="list-style-type: none"> • High-Performing Organization 	<p>Completed: We submitted our Strategy and Business Plan for 2022-2023 to the Minister on March 3, 2022, and published it on our website before June 30, 2022.</p>
<p>Prepare the 2020-2021 Annual Report, meeting the requirements listed in the <i>Financial and Consumer Services Act</i> and the <i>Accountability and Continuous Improvement Act</i>, including any Auditor General recommendations provided to the Commission in the past five years.</p> <p>Progress Indicator: Delivered to the Minister and filed with the Clerk in the Legislature in compliance with the <i>Financial and Consumer Services Commission Act</i>.</p> <p>Alignment with GNB Priority:</p> <ul style="list-style-type: none"> • High-Performing Organization 	<p>Completed: We delivered our 2020-2021 Annual Report^[3] to the Minister on August 4, 2021 and posted it to the Commission's website.</p>

3. <https://www.fcnb.ca/en/about-the-fcnb/annual-reports>

Priority 2.2: Excelling in our regulatory capacity through strategic and flexible policy development responsive to market changes

We excel in proactively identifying, assessing and considering evolving markets and evolving risks in the markets we regulate. Today’s financial markets are rapidly changing with new products, services and technologies. Several regulated sectors under our jurisdiction are undergoing fundamental changes. Our regulatory framework must be modernized and responsive to these developments. In 2021-2022, we undertook major initiatives to foster an efficient and effective marketplace for New Brunswickers.

Initiative	Progress
<p>Continue development of a legislative proposal for a new <i>Insurance Act</i> (Phase 1).</p> <p>Progress Indicator: Legislative proposal submitted to government for approval.</p> <p>Alignment with GNB Priorities:</p> <ul style="list-style-type: none"> Affordable and Responsive Government High-Performing Organization 	<p>Completed: We modernized the <i>Insurance Act</i> to update the regulatory framework for insurance intermediaries, including a new restricted licence for incidental sales of insurance. It also provides us rule-making authority. The <i>Act to Amend the Insurance Act</i> received Royal Assent on June 11, 2021.</p>
	<p>Completed: In November 2021, we published a proposed Insurance Intermediaries Licensing and Obligations Rule to replace several existing and outdated regulations. The Rule, which was published for 90 days, proposed classes of licences that may be issued and the licensing qualifications and educational requirements for licensees. The proposed Rule also included market conduct rules for insurance intermediaries. We received 14 submissions during the comment period, which will be considered in finalizing the proposed Rule.</p>
	<p>Completed: In December 2021, we published for comment a proposed Fees Rule that will complement the Insurance Intermediaries Licensing and Obligations Rule. During the comment period, ending on February 18, 2022, we received three submissions, which will be considered in finalizing the proposed Rule.</p>

Initiative	Progress
<p>Implement new fee rules in our regulated sectors and revenue neutral self-funding structure.</p> <p>Progress Indicator: New fee rules and assessment models in place.</p> <p>Alignment with GNB Priority:</p> <ul style="list-style-type: none"> Affordable and Responsive Government 	<p>In Progress: We are in a multi-year process of updating the fees in many of our regulated sectors, some of which have not been updated for decades. Government has accepted our recommendations to repeal outdated fee regulations in the Consumer Affairs sector and to implement new fee schedules through rules. Although the proposed rules were previously posted for comment, given the passage of a significant period of time, we will be proceeding with a second consultation period prior to finalizing the proposed Fee rules.</p>
<p>Finalize rules and develop infrastructure for unclaimed property regime.</p> <p>Progress Indicator: All components of infrastructure in place to receive first holder filings.</p> <p>Alignment with GNB Priorities:</p> <ul style="list-style-type: none"> Affordable and Responsive Government Vibrant and Sustainable Communities 	<p>Completed: The <i>Unclaimed Property Act</i> was proclaimed on January 1, 2022, following a second comment period in May 2021 on one of two proposed rules. The aim of the program is to help connect New Brunswickers with lost or forgotten financial property. Under the new <i>Act</i>, businesses are now required to report and deliver unclaimed property during the program's first filing period: January 1 to March 31, 2023.</p> <p>Completed: On January 1, 2022, we launched an online portal at FundsFinderNB.ca to help businesses report and deliver unclaimed property to its rightful owners.</p> <p>Completed: We developed educational resources, including a video introduction, to the Unclaimed Property Program. These resources are posted to the Commission's website^[4] and the online portal.</p>
<p>Implement Pooled Registered Pension Plans (PRPPs) regulation.</p> <p>Progress Indicator: New regulation in place.</p> <p>Alignment with GNB Priorities:</p> <ul style="list-style-type: none"> Affordable and Responsive Government Vibrant and Sustainable Communities 	<p>In Progress: We worked on developing the accompanying Regulation for the <i>Pooled Registered Pension Plans (PRPP) Act</i>. Once the <i>Act</i> is proclaimed and the regulation is in force, New Brunswick will sign the <i>Multilateral Agreement Respecting Pooled Registered Pension Plans and Voluntary Retirement Savings Plans</i> to assign responsibility of licensing, registration and supervision of PRPPs to the federal Office of the Superintendent of Financial Institutions. We will continue to provide oversight of the legislation and deal with particular regulatory matters, such as the locking-in and withdrawal of funds from a PRPP.</p>

4. <https://www.fcnb.ca/en/unclaimed-property>

Initiative	Progress
<p>Advance research toward development of a new consumer protection act.</p> <p>Progress Indicator: Legislative framework in place.</p> <p>Alignment with GNB Priorities:</p> <ul style="list-style-type: none"> Affordable and Responsive Government Vibrant and Sustainable Communities 	<p>In Progress: We continued policy research to inform our development of a legislative proposal for a new consumer protection act for government consideration. We intend to propose a legal framework for a consumer market that is fair, accessible, efficient, sustainable and responsible.</p>
<p>Develop a legislative proposal for title protection of financial professionals.</p> <p>Progress Indicator: Legislative proposal submitted to government for consideration.</p> <p>Alignment with GNB Priority:</p> <ul style="list-style-type: none"> Vibrant and Sustainable Communities 	<p>In Progress: During the fall of 2021, we received 24 stakeholder submissions during a 75-day consultation period on proposed legislation for the protection of titles used by financial professionals. We continue to work on a legislative proposal to regulate certain titles used by financial professionals that considers the feedback received during the consultation period. It will be submitted to government in Spring 2022.</p>
<p>Support government’s efforts to enhance the model for regulatory adjudication of sectors administered by the Commission.</p> <p>Progress Indicator: Draft legislation in progress.</p> <p>Alignment with GNB Priority:</p> <ul style="list-style-type: none"> High-Performing Organization 	<p>In Progress: We continued researching and assessing various means of enhancing the Commission’s regulatory adjudication abilities and providing information to government when requested.</p>
<p>Other initiatives</p>	<p>Completed: We issued an order to reduce regulatory burden in the process by which credit unions may issue shares for the purpose of raising capital. This initiative included considering appropriate disclosure requirements for member protection.</p> <p>Completed: We modernized the <i>Pension Benefits Act</i> to respond to industry developments. The amendments provide us rule-making authority to quickly respond to changing technology and industry needs. The <i>Act to Amend the Pension Benefits Act</i> received Royal Assent on December 17, 2021.</p>

Priority 2.3: Excelling in our regulatory capacity through continuous process improvement

As a regulator, we set standards for the industries we regulate. To instill confidence and credibility in the regulatory environment, we must be able to keep up with the pace of changes within our regulated communities. As a result, we are constantly monitoring for changes and risk conditions and reviewing our systems and processes to see where we can realign, improve or upgrade them. In 2021-2022, we critically reviewed some of our internal systems and processes to provide greater efficiency and even better service to our stakeholders and to achieve our regulatory goals.

Initiative	Progress
<p>Pursue implementation of electronic licensing systems in all regulatory sectors.</p> <p>Progress Indicator: Fully functional electronic licensing systems operational.</p> <p>Alignment with GNB Priorities:</p> <ul style="list-style-type: none"> • Affordable and Responsive Government • High-Performing Organization 	<p>Completed: We engaged a third-party to audit our software development life cycle and credit card intake payment processes to ensure we are meeting the standards of best practice.</p>
<p>Update internal Sage accounting system and implement human resources information system.</p> <p>Progress Indicator: New or updated system in place.</p> <p>Alignment with GNB Priorities:</p> <ul style="list-style-type: none"> • Affordable and Responsive Government • High-Performing Organization 	<p>Completed: We implemented a new Human Resources Information System, beginning with the payroll module.</p> <p>Completed: In February, we introduced a new employee compensation program and development-focused performance management program, to replace our pay-for-performance model. Developed with guidance from compensation and human resources experts, these programs make our performance management process more transparent and foster stronger employee development.</p> <p>In Progress: We purchased a financial/accounting system after conducting an extensive search to find the most competitive system to meet our needs. Staff training and testing of the new system took place over the last quarter of fiscal 2022, with full implementation expected early in the new fiscal year.</p>

Initiative	Progress
<p>Complete the updates/enhancements to internal enforcement tools.</p> <p>Progress Indicator: Updated tools in place.</p> <p>Alignment with GNB Priorities:</p> <ul style="list-style-type: none"> Affordable and Responsive Government High-Performing Organization 	<p>Completed: We updated our intake and case assessment tools to address online investment fraud.</p> <p>Completed: We initiated work to enhance our investigative planning tool for use in managing investigation timelines and to improve efficiency.</p>
<p>Participate in a mandate review of agencies, boards and commissions and support implementation of improvements, as appropriate.</p> <p>Progress Indicator: Implemented improvements.</p> <p>Alignment with GNB Priorities:</p> <ul style="list-style-type: none"> Affordable and Responsive Government High-Performing Organization 	<p>Completed: In the spring of 2021, we responded to government's survey/request for information in their review of agencies, boards and commissions.</p>
<p>Implement project management approach to operational projects.</p> <p>Progress Indicator: Effective operational projects.</p> <p>Alignment with GNB Priorities:</p> <ul style="list-style-type: none"> Affordable and Responsive Government High-Performing Organization 	<p>Completed: Four of our employees participated in the University of New Brunswick's Project Management Essentials online course.</p> <p>Completed: 16 of our employees participated in the Canadian Management Centre Introduction to Project Management Essentials virtual course.</p>
<p>Deliver transparent and accessible communications that increase internal and external stakeholders' understanding and trust in the role of the Commission.</p> <p>Progress Indicator: Appropriate processes in place to support efficient, effective and consistent communications.</p> <p>Alignment with GNB Priorities:</p> <ul style="list-style-type: none"> Affordable and Responsive Government High-Performing Organization 	<p>Completed: We reviewed and updated our communication processes, policies, directives and guidance documents.</p> <p>Completed: We developed a three-year strategic communication plan that outlines approaches to strengthen media relations and public relations, and enhance corporate communications.</p> <p>Completed: A strategic internal communications committee, struck in 2020 at the pandemic's outset, expanded its scope, coordinating messaging to staff on new public health measures impacting our workplaces and other internal communications matters.</p>

Priority 2.4: Excelling in our regulatory capacity through collaboration and teamwork

Our workforce is made up of efficient, productive and innovative employees. When we work together, we strengthen these qualities by capitalizing on each other's skills and experience. We consult with stakeholders and other jurisdictions to inform our direction and develop harmonized solutions to regulatory initiatives. In 2021-2022, through collaboration and teamwork, we were able to develop integrated initiatives, thoughtful policy proposals and solutions to resolve problems for the benefit of all New Brunswickers.

Initiative	Progress
<p>Pursue ongoing initiatives intended to address senior financial abuse.</p> <p>Progress Indicator: Recommendations within our mandate being implemented.</p> <p>Alignment with Government Priorities:</p> <ul style="list-style-type: none"> • Dependable Public Health Care • Vibrant and Sustainable Communities 	<p>Completed: On December 31, 2021, amendments to National Instrument 31-103 <i>Registration Requirements, Exemptions and Ongoing Registrant Obligations</i> (NI 31-103) came into effect with the goal to improve the protection of older and vulnerable clients across Canada. New Brunswick played an important role by co-leading the project committee. The amendments include two main components:</p> <ul style="list-style-type: none"> • Trusted Contact Person (TCP) – Requires registrants to take reasonable steps to obtain the name of a TCP from clients and written consent to contact the TCP in specific circumstances. • Temporary Holds – Creates a regulatory framework to allow registrants to place a temporary hold on transactions, withdrawals or transfers when financial exploitation of a client is suspected or concerns exist about the client's mental capacity to make financial decisions.
	<p>Completed: We delivered webinars for securities registrants and financial professionals on the temporary hold and TCP amendments, along with information on recognizing and reporting financial abuse.</p>
	<p>Completed: In June 2021, to mark World Elder Abuse Awareness Day, we delivered a free webinar, in collaboration with CanAge (Canada's national seniors' advocacy organization), to raise awareness of the signs of financial exploitation and fraud.</p>

Initiative	Progress
<p>Pursue ongoing initiatives intended to address senior financial abuse.</p> <p>(continued from previous page)</p>	<p>Completed: In our efforts to educate the public on financial abuse of older and vulnerable investors, we circulated an online quiz, aired radio ads, published advertorials and held virtual presentations. We also hosted a webinar and held a Facebook Live event on connecting with older adults during the pandemic to help them avoid frauds, scams and financial exploitation.</p> <p>Completed: We published a new consumer guide to help investors and their loved ones understand the TCP amendments.</p> <p>Completed: We created and launched a microsite to improve access to resources for older adults, caregivers and registrants.</p> <p>Completed: We developed eight videos as part of a three-month campaign launched in April 2022, focusing on raising awareness of TCP and temporary holds, estate planning, and senior financial abuse and exploitation.</p> <p>In Progress: One of our employees chaired the North American Securities Administrators Association (NASAA)'s Senior Issues and Diminished Capacity Committee and co-led the CSA's seniors and vulnerable investors initiative.</p>
<p>Pursue ongoing initiatives to improve financial literacy in the province.</p> <p>Progress Indicator: Increased awareness of the issue and expanded reach of financial literacy initiatives as measured by survey results.</p> <p>Alignment with Government Priority:</p> <ul style="list-style-type: none"> • Vibrant and Sustainable Communities 	<p>Completed: We delivered 105 virtual consumer information, fraud awareness and financial literacy presentations to groups and New Brunswick schools, reaching 2,276 New Brunswickers.</p> <p>Completed: We published seven consumer guides and new website content on FCNB.ca to help consumers and investors make informed spending and investing decisions.</p> <p>Completed: We revamped our website's investing section to include in-depth information about crypto assets, do-it-yourself (DIY) investing, understanding risk, and many other topics to help increase investing knowledge and awareness in consumers.</p>

Initiative	Progress
<p>Pursue ongoing initiatives to improve financial literacy in the province.</p> <p>(continued from previous page)</p>	<p>Completed: In summer 2021, in response to an emerging investment trend, we launched a provincial online campaign to educate investors on the risks of unregistered crypto asset trading platforms and considerations before investing in crypto assets. The campaign resulted in more than 5,800 visits to our website.</p> <p>Completed: We launched an education campaign called <i>The Right Recipe</i>, targeting Millennials and DIY investors in New Brunswick. The campaign resulted in more than 7,600 visits to the campaign’s microsite.</p> <p>Completed: We collaborated with Dialogue NB to co-facilitate a discussion on financial resiliency and the gender-based challenges faced by New Brunswick women when it comes to financial matters.</p> <p>Completed: We launched a research project, including a survey, to learn more about the financial resilience of New Brunswickers and further understand the needs of women in New Brunswick to inform our education programs.</p>
<p>Pursue provincial, national and international committee work in our regulated sectors.</p> <p>Progress Indicator: Successful implementation of various initiatives being developed.</p> <p>Alignment with Government Priority:</p> <ul style="list-style-type: none"> Affordable and Responsive Government 	<p>Completed: We participated in the Mortgage Broker Regulator Council of Canada’s (MBRCC) National Standards Committee on the development of a Code of Conduct for the Mortgage Brokering Sector adopted in May 2021.</p> <p>Completed: In December 2021, we participated in the organization of the NASAA Fintech and Cybersecurity Symposium.</p>

Initiative	Progress
<p>Pursue provincial, national and international committee work in our regulated sectors.</p> <p>(continued from previous page)</p>	<p>Completed: We completed many securities related instruments in 2021-2022. Among them are:</p> <ul style="list-style-type: none"> • Adoption of new rules: <ul style="list-style-type: none"> ◦ NI 45-110 <i>Start-up Crowdfunding Registration and Prospectus Exemptions</i>. ◦ MI 25-102 <i>Designated Benchmarks and Benchmark Administrators</i>. ◦ NI 52-112 <i>Non-GAAP and Other Financial Measures Disclosure</i>. • Amendments to existing rules: <ul style="list-style-type: none"> ◦ NI 31-103 <i>Registration Requirements, Exemptions and Ongoing Registrant Obligations</i> to enhance protection of older and vulnerable clients. ◦ NI 81-101 <i>Mutual Fund Prospectus Disclosure</i> to reduce regulatory burden for investment funds issuers. • Published Requests for Comment: <ul style="list-style-type: none"> ◦ Proposed Amendments to NI 45-106 <i>Prospectus Exemptions</i> to introduce the Listed Issuer Financing Exemption. ◦ Proposed NI 51-107 <i>Disclosure of Climate-related Matters</i>. ◦ Proposed Amendments to NI 41-101 <i>General Prospectus Requirements</i> and to NI 81-101 <i>Mutual Fund Prospectus Disclosure</i> to modernize the prospectus filing model for investment funds. • Published Multilateral CSA Notice of Amendments to NI 81-105 <i>Mutual Fund Sales Practices</i> to prohibit deferred sales charges for investment funds. <p>Completed: We chaired the Canadian Association of Pension Supervisory Authorities (CAPSA) Pension Plan Funding Committee, which released the revised <i>Guideline No. 7 - Pension Plan Funding Policy Guideline</i> on May 7, 2021.</p>

Initiative	Progress
<p>Pursue provincial, national and international committee work in our regulated sectors.</p> <p>(continued from previous page)</p>	<p>In Progress: We participated in the Canadian Council of Insurance Regulators (CCIR) project on Incentive Management Guidance. A public consultation period on the guidance ended in April 2022.</p>
	<p>In Progress: We participated in the ongoing CCIR project of reviewing industry guidelines that pertain to the distribution of segregated funds to consumers, to ensure the process offers adequate protection and fulfills the expectations of the consumers.</p>
	<p>In Progress: We participated in the ongoing joint CSA-CCIR initiative Total Cost Report Harmonization, to ensure harmonized reporting of cost to the consumers.</p>
	<p>In Progress: We chaired the CAPSA Capital Accumulation Plans Committee, which is currently revising <i>Guideline No. 3 – Guidelines for Capital Accumulation Plans (CAP Guidelines)</i> that was initially released in May 2004.</p>
	<p>In Progress: We participated in the MBRCC National Standards Committee’s work on the development of principles-based guidance on Cybersecurity for the Mortgage Broker Sector. Our involvement continues.</p>
	<p>In Progress: We participated in the ongoing joint credit union Atlantic regulators committee to review liquidity risk management practices.</p>
	<p>In Progress: We continued to monitor the implementation of the National Institute of Standards and Technology (NIST) Cybersecurity Framework in the Atlantic credit union system.</p>
	<p>In Progress: We led and continue to lead the Atlantic Working Group pilot project to review capital adequacy requirements. We collaborated with Atlantic credit union system partners in the development of a Combined Capital Reporting Compliance Scorecard, which includes stress tests and capital adequacy requirements based on risk-weighted assets.</p>

Initiative	Progress
<p>Re-activate cross-divisional Emerging Issues Working Group.</p> <p>Progress Indicator: Appropriate response developed for addressing impact of issues identified.</p> <p>Alignment with Government Priority:</p> <ul style="list-style-type: none"> Affordable and Responsive Government 	<p>Completed: In 2021, our Emerging Issues Working Group was reactivated to examine changes and trends in our regulatory environments, and to identify opportunities to optimize our capacity to deal with these changes.</p>
<p>Develop and conduct educational programs with respect to financial and consumer services in collaboration with regulated sectors.</p> <p>Progress Indicator: Appropriate response developed for addressing impact of issues identified.</p> <p>Alignment with Government Priorities:</p> <ul style="list-style-type: none"> Affordable and Responsive Government Vibrant and Sustainable Communities 	<p>Completed: Our Advisory Committee on Consumer Issues met monthly to look at ways to improve awareness and understanding of consumer issues within our regulatory sectors through improved and diverse communications and outreach.</p> <p>Completed: In September 2021, we launched new resources to help entrepreneurs navigate through the enhanced Community Economic Development Corporations and Cooperatives (CEDC) program. The newly streamlined application process includes a new fillable offering document form and two instructional videos. In November 2021, we held a bilingual virtual information session for stakeholders.</p> <p>Completed: We posted two website guides to help investors understand the conflict of interest rules, suitability requirements and relationship disclosure information under the new Client Focused Reforms (CFR) and the role their advisor plays in recognizing and addressing any potential conflicts.</p> <p>Completed: In October 2021, we delivered a bilingual webinar to help investment professionals better understand their regulatory requirements under the new CFRs.</p>

Initiative	Progress
<p>Develop and conduct educational programs with respect to financial and consumer services in collaboration with regulated sectors.</p> <p>(continued from previous page)</p>	<p>Completed: We published an online guide for New Brunswick drivers and passengers on what they need to know before participating in ride sharing, particularly when it comes to the standard Transportation Network Service insurance policy.</p>
	<p>Completed: We promoted Talk With Our Kids About Money Day and celebrated Youth Week by sharing our parent and teacher resources on social media and promoting our <i>Make It Count</i> instructional video series for classrooms and our virtual classroom presentations.</p>
	<p>Completed: We published a website guide on investment trends and promoted our investor education resources through a social media campaign during Investor Education Month (October 2021). In addition, we launched our DIY Investing campaign (see page 27).</p>
	<p>Completed: We published a consumer guide on environmental, social and governance (ESG) factors and the role they play in responsible investing.</p>
	<p>Completed: We promoted Fraud Prevention Month through an online campaign involving five videos featuring common fraud scenarios taking place in New Brunswick, an online quiz, and a guide to becoming a master of spotting fraud.</p>
	<p>Completed: We published the Capital Markets Report, providing insight into activity in New Brunswick's capital markets. The report covers primarily a two-year period from 2019 to 2020.</p>
	<p>In Progress: We initiated a new online brochure for the New Brunswick Credit Union Deposit Insurance Corporation as well as updated website content.</p>

Our Leadership

Name	Title
Kevin Hoyt	Chief Executive Officer
Manon Losier	Vice President, Legal, Education and Regulatory Support Services
Angela Mazerolle	Vice President, Regulatory Operations; Superintendent of Insurance, Pensions, Credit Unions and Loan and Trust Companies; Director of Mortgage Brokers, Consumer Affairs and Cooperatives
Jake van der Laan	Chief Information Officer Director, Information Technology and Regulatory Informatics
Jeff Harriman	Director, Corporate Services Division
To-Linh Huynh	Executive Director, Securities Division
Erin King	Acting Director, Education and Communications Division
Étienne LeBoeuf	Director, Financial Institutions Division
Véronique Long	Senior Legal Counsel and Corporate Secretary
Alaina Nicholson	Director, Consumer Affairs Division
Andrew Nicholson	Director, Unclaimed Property Division
Susan Powell	Director, Enforcement Division
Marissa Sollows	Director, Education and Communications Division
Jennifer Sutherland Green	Director, Pensions and Insurance Division
Erin Toole	Director, Legal Services Division

Our Activity

Compliance Reviews

Related Act	2021-2022 Completed Reviews	2020-2021 Completed Reviews	2019-2020 Completed Reviews	Focus of Review
<i>Collection and Debt Settlement Services Act</i>	13	49	35	Financial statement reviews
<i>Pre-arranged Funeral Services Act</i>	19	5	23	Trust account inspections
<i>Mortgage Brokers Act</i>	11	16	20	Reviews for general adherence to legislation
<i>Insurance Act</i>	62	64	84	Compliance reviews
	6	6	1	Solvency reviews of provincially licensed insurers
	1	2	N/A	Review of insurance brokerage's trust account
<i>Securities Act</i>	0	2	1	Investment Fund Manager, Portfolio Manager and/or Exempt Market Dealer
	0	1	1	Scholarship plan dealer (NB location) compliance review
	2 ^[5]	1	0	Mutual Fund Dealer compliance review
	2	3 ^[6]	1	Continuous disclosure reviews
	753	737	467	Report of exempt distribution reviews
	5	5	4	Annual filing reviews: NB registrants, cooperatives and CEDCs
<i>Direct Sellers Act</i>	83	75	95	Compliance reviews of direct seller contracts
<i>Credit Unions Act</i>	2	9	N/A	Compliance examinations
<i>Cost of Credit Disclosure and Payday Loans Act</i>	175	115	156	Compliance reviews of cost of credit disclosure contracts
	3	3	6	Payday lender licensing reviews
	0	0	1	Payday lender pre-licensing inspection

5. A third review was near completion (June 2022). Delay due to information gathering issue from the pandemic.

6. Includes 1 issue-oriented disclosure review.

Cooperatives summary

Category	2021-2022	2020-2021
Agriculture	26	25
Consumer	23	23
Fishery	7	8
Housing	16	16
Services	108	106
Forestry	6	6
Worker	9	9
Total	195	193

Pensions

Pensions and Related Submissions	2021-2022	2020-2021	2019-2020
Pension Plan Registrations	2	8	2
Pension Plan Amendment Registrations	135	137	141
Pension Plan Wind-Up Approvals	5	11	7
Annual Information Returns Reviewed	221	295	251
Actuarial Valuation Reports Reviewed	53	67	78
Standard Contract Registrations	10	18	29
Standard Contract Amendment Registrations	15	9	8
LIF/RRIF Transfer Approvals	887	728	919

Consumer Affairs

Industry	Licence Type	2021-2022	2020-2021	2019-2020
Auctioneers	Auctioneers Licence	35 ^[7]	36	52
Collections	Agency Licence	61	58	52
	Branch Licence	57	52	51
	Collector Licence	2,404	2,282 ^[7]	3,007
Commissioner of Oaths	Provincial	674	536	656
	Foreign	0	1	0
Cost of Credit Disclosure	Company Registration	372	386	418
	Branch Registration	295	358	296
	Individual Registration	6	14	18
Payday Lenders	Payday Lenders Licence	5	6	6
Credit Reporting	Agency Licence	2	2	2
Direct Sellers	Vendor Licence	83	73 ^[7]	86
	Salesperson Licence	779	570 ^[7]	650
Mortgages	Mortgage Brokerage Licence	45	33	39
	Mortgage Associate Licence	69	52	51
	Mortgage Broker Licence	85	70	82
	Mortgage Administrator Licence	14	12	10
Pre-arranged Funerals	Provider Licence	43	50	52
	Manager Licence	50	62	59
Real Estate	Agent Licence	82	89	93
	Branch Licence	49	41	34
	Manager Licence	162	154	154
	Salesperson Licence	1,415	1,020	989
All Industries	Total Licences	6,787	5,957	6,857

7. Due to COVID-19 pandemic, many of these numbers are lower than in other years.

Enforcement activity

Investigations	Regulatory Area	2021-2022	2020-2021	2019-2020
Number of cases opened	All areas	21	17	26
Number of cases concluded	All areas	33	16	24
Cases opened by regulatory area	Cost of Credit and Payday Loans	2	N/A ^[8]	N/A ^[8]
	Direct Sellers	1	1	2
	Financial Institutions	0	0	0
	Insurance	0	1	0
	Mortgage Brokers	0	2	0
	Pensions	1	0	0
	Pre-arranged Funerals	0	0	1
	Real Estate	1	2	4
	Securities (including MFDA/IIROC)	14	10	16
	Matters involving 2+ regulatory areas	2	1	2
Investigation orders issued	All areas	5	2	7

8. Newly measured statistics.

Enforcement	2021-2022	2020-2021	2019-2020
Proceedings commenced before the Tribunal	1	3	1
Hearings held before the Tribunal	7	2	N/A ^[9]
Decisions/Orders issued by the Tribunal	10	2	N/A ^[9]
Other matters before the Tribunal	5	1	11
Staff appeals to the Court of Appeal	0	1	N/A ^[9]
Decisions of the Court of Appeal	1	2	N/A ^[9]
Matters held before the Court of Appeal	0	1	2 ^[10]

9. Newly measured statistics.

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

Loans and Trust companies summary

Primary Jurisdiction	2021-2022	2020-2021	2019-2020
Total Provincial	0	0	0
Alberta	1	1	1
Quebec	1	1	1
Federal	44	45	45
Total Extra-Provincial	46	47	47

Insurance companies operating in New Brunswick

Category	Our Role	2021-2022	2020-2021	2019-2020
Companies based in New Brunswick	Primary regulator (licensing, solvency and market conduct)	6	6	6
Companies that were federally or internationally headquartered	Licensing and market conduct	164	167	171
Companies based in another province	Licensing and market conduct	37	37	39

Insurance

Licence Type	2021-2022	2020-2021	2019-2020
Life insurance agents/brokers	3,133 ^[11]	2,567 ^[11]	2,503 ^[11]
Other than life agents/brokers	2,109	1,922	1,783
Non-resident brokers	4,209	3,570	3,506
Accidental and sickness agents	298	279	374
Travel agents	229	200	299
Special insurance brokers	13	13	9
Damage appraisers	6	105	104
Adjusters	2,150	2,042	1,873
Total number of licences produced	12,147^{[12],[13]}	10,698^{[12],[13]}	10,451^{[12],[13]}
Total number of licensees	14,061	12,594	11,643

11. Life Agents

2019-2020: Resident - 1,116; Non-Resident - 1,387

2020-2021: Resident - 993; Non-Resident - 1,574

2021-2022: Resident - 1,087; Non-Resident - 2,046

12. Includes intermediaries holding more than one licence and licence transfers.

13. Number of licences produced reflects the licences issued during the fiscal year. 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	2021-2022	2020-2021	2019-2020
Reporting issuers	5,579	5,478	5,298
Reporting issuers (New Brunswick-based)	9	9	8
Prospectus filings (non-mutual funds)	508	675	305
Mutual fund prospectus filings	4,286	4,028	3,919
Annual information forms	1,185	1,165	1,020
Reports of exempt distribution	753	737	467
Exemption applications (non-passport)	17	8	7
Cease-trade order	0	0	0
Management cease-trade order	0	0	0

Registration Activity	2021-2022	2020-2021	2019-2020
Registered firms	472	458	448
Registered firms (New Brunswick-based)	3	4	5
Branches/Sub-branches in New Brunswick	499	489	483
Registered individuals	13,376	12,225	11,681
Registered individuals (New Brunswick residents)	1,593	1,616	1,607

Management's Discussion and Analysis

For the fiscal year ended March 31, 2022

Dated June 22, 2022

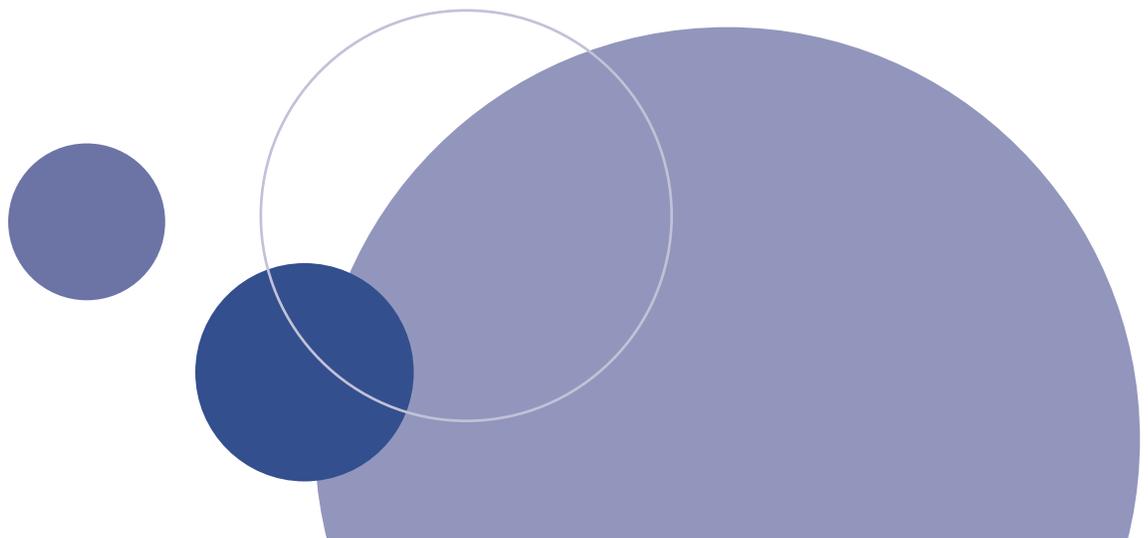
This Management's Discussion and Analysis (MD&A) is intended to help the reader understand the Financial and Consumer Services Commission (FCNB)'s operations, financial performance, and present and future regulatory environment. While the financial statements reflect actual financial results, the MD&A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

This MD&A should be read in conjunction with FCNB's financial statements, including related notes, for the fiscal year ended March 31, 2022. Unless otherwise noted, reference to a year means FCNB's year ending March 31. For example, "2022" means the fiscal year ending March 31, 2022.

All financial information related to 2021 and 2022 has been prepared according to International Financial Reporting Standards (IFRS).

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

Assumptions made throughout this MD&A, although considered reasonable by management at the date of publication, are not a guarantee of future performance. Certain statements outlining 2023 expectations are forward-looking and subject to risks and uncertainties.



Overview

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

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

After more than two years of life in a pandemic, FCNB continued to demonstrate resilience. We were able to carry on with our core critical functions and our strategic initiatives for the fiscal year. Due to increased activity in most regulated sectors and our ability to maintain cost controls, we exceeded our budgeted net income expectations for the year.

Financial Highlights

Selected Financial Information

Revenue	Source	Year	Amount
Fees	Prospectus and distribution filings	2022	\$10,880,000
		2021	\$10,772,400
	Registrations	2022	\$4,955,410
		2021	\$4,380,478
	Financial filings	2022	\$2,228,525
		2021	\$2,136,800
	Licences and fees	2022	\$2,210,934
2021		\$1,999,321	
Exemptions and orders	2022	\$41,300	
	2021	\$22,600	
Other	2022	\$26,673	
	2021	\$17,870	
Assessments		2022	\$2,942,994
		2021	\$2,858,653
Investment income		2022	\$155,512
		2021	\$267,749
Miscellaneous		2022	\$37,935
		2021	\$153,711

Expenses	Year	Amount
Salaries and benefits	2022	\$10,867,765
	2021	\$9,867,805
Administration	2022	\$1,383,422
	2021	\$1,068,975
Professional services	2022	\$490,199
	2021	\$741,816
Travel	2022	\$40,792
	2021	\$18,156
Premises	2022	\$397,283
	2021	\$383,383
Depreciation and amortization	2022	\$484,354
	2021	\$662,083

Selected Financial Information

Category	Budget 2023	Actual 2022	Actual 2021	Actual 2020
Revenue	\$23,227,780	\$23,480,783	\$22,609,582	\$21,400,813
Expenses	16,694,862	13,663,815	12,742,218	12,812,515
Excess of revenue over expenses	6,582,918	9,816,968	9,867,364	8,588,298
Total assets		24,015,913	24,250,097	23,791,484
Total liabilities		8,034,536	7,874,982	7,235,690
Total equity balance		15,981,377	16,375,115	16,555,794
Distributions to government		\$10,210,706	\$10,048,043	\$7,971,871

Net income for the year ended March 31, 2022 was \$9.8 million, in line with the previous year, however, well ahead of budgeted income. FCNB saw revenue increases across many of our regulated sectors, most notably in the securities and insurance areas. During the year, FCNB added resources to support our new Unclaimed Property Program and increased activities for our internal corporate services. Revenues reached \$23.5 million, exceeding budget by \$890,000, while remaining in line with the previous year. Our Securities and Insurance regulatory areas saw increases in revenue. This was offset somewhat by a decrease in our interest revenue due to interest rates and a decrease in the number of pension plan filings in the province. Expenses of \$13.7 million were well below the budget of \$15.4 million.

The items making up this variance include:

- Salaries and benefits costs, though higher than the previous year, were greatly impacted by the timing of new staff hires and staff turnover.
- In-person outreach efforts throughout the year were impacted by the pandemic.
- Tribunal's hearing activity was not as active as anticipated, thus reducing its costs.
- Travel and training were directly impacted by the pandemic, though higher than the previous year.
- General administration expenses were notably lower than budget.

Revenue

FCNB's revenue comes from four sources:

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

In fiscal 2022, revenue totalled \$23.5 million - a 3.9% increase from 2021 revenue of \$22.6 million. The securities sector represents FCNB's largest source of revenue, at 77% of total revenue.

A direct relationship exists between revenue and expenses for the insurance sector. According to the *Insurance Act*, all costs for administering the *Act* must be assessed and recovered from licensed insurers. When expenses are budgeted or incurred for this sector, an equivalent amount of revenue is budgeted or incurred. A reduction in expenses produces an equivalent drop in revenue, therefore, the net impact is neutral. So, although the insurance sector assessment revenue was below budget for 2021-2022, this corresponds to an equivalent decrease in insurance sector expenses. This relationship also applies to the administration of the *Credit Unions Act* as FCNB recovers costs associated with work required to administer the regulatory system for credit unions.

Analysis of Total Revenue

Category	Description	2022 Amount	2021 Amount	Change
Prospectus and distribution filings	Paid by securities issuers when filing distribution documents. Most of this is paid by mutual funds for their ability to be sold in New Brunswick.	\$10,880,000	\$10,772,400	\$107,600
Registration fees	Paid by individuals and firms registering with FCNB to sell or advise on securities.	4,955,410	4,380,478	574,932
Financial filing fees	Paid by companies and mutual funds when filing annual financial statements and annual information forms.	2,228,525	2,136,800	91,725
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.	2,210,934	1,999,321	211,613
Exemptions and orders	Paid by market participants primarily to request exemptions from <i>Securities Act</i> requirements.	41,300	22,600	18,700
Other fees	Paid by regulated entities for late filing and other miscellaneous fees.	26,673	17,870	8,803
Total fees		\$20,342,842	\$19,329,469	\$1,013,373
Assessments/ Costs and expenses recovery	Paid by licensed insurers to administer the <i>Insurance Act</i> and by the Deposit Protection Fund to administer the <i>Credit Unions Act</i> .	\$2,942,994	\$2,858,653	\$84,341
Investment income	Earned on bank balances and short-term investments.	155,512	267,749	(112,237)
Miscellaneous income	Primarily a secondment to the Ontario Securities Commission and cost recovery related to a shared articling student.	39,435	153,711	(114,276)
Total revenue		\$23,480,783	\$22,609,582	\$871,201

Expenses

In 2021-2022, our total expenses were \$13.7 million, up \$920 thousand (7.2%) from \$12.7 million in 2020-2021. Details by expense category follow.

Category	2022	% of 2022 Expenses	2021	% of 2021 Expenses	Change
Salaries and benefits	\$10,867,765	79.5%	\$9,867,805	77.5%	\$999,960
Administration	1,383,422	10.1%	1,068,975	8.4%	314,447
Professional services	490,199	3.6%	741,816	5.8%	(251,617)
Travel	40,792	0.3%	18,156	0.1%	22,636
Premises	397,283	2.8%	383,383	3.0%	13,900
Depreciation and amortization	484,354	3.7%	662,083	5.2%	(177,729)
Total expenses	\$13,663,815	100.0%	\$12,742,218	100.0%	\$921,597

Salaries and benefits

Compensation expenses increased by 10.1% to \$10.8 million from the previous year and were 79.5% of operating costs (77.5% in 2021). At year end, 103 staff were on payroll compared to 96 last year. The staff increase arose from filling vacant positions and the creation of new positions in our corporate services and unclaimed property divisions.

Administration

Although significantly lower than budget, administration expenses increased to \$1.4 million in 2022 from \$1.1 million in 2021, representing 10.1% of operating costs (8.4% in 2021). FCNB's administration costs, prior to the pandemic for years 2020 and 2019 were \$1.40 million and \$1.48 million, respectively. The increase in the 2021-2022 fiscal year arose from several factors, including: staff and the Board's ability to take part in training and conference offerings (over \$123,000); the return to a more typical level of advertising, printing and production related to outreach programs; and new IT licences required to support our operations (\$23,000).

Professional Services

Professional services expenses were \$490,199 in 2022, a decrease from \$741,816 in 2021. These costs cover general consulting, translation, legal and other expenses. This decrease was due to a reduction in the amount of external legal work required during the year. External translation expenses increased to \$39,892 in 2022 from \$28,432 in 2021, however, are still well under budget due to FCNB's internal staff accommodating the majority of our translation needs. Other expenses captured under this line item include information technology consulting, the financial audit and other consulting activities associated with regulatory matters.

Travel

Travel costs were \$40,792, which is higher than the previous year but remains significantly lower than pre-pandemic levels due to travel restrictions.

Premises

Our premises costs have remained similar to the previous year and relate only to our Fredericton office, where we currently do not have a long-term lease. Costs associated with our Saint John office are included in depreciation and amortization.

Depreciation and amortization

Depreciation and amortization expenses were \$484,354, much less than the previous year as several of our internally built IT infrastructure programs, which were capitalized, are now fully amortized.

Financial Assets and Liquidity

Market enhancement and consumer protection reserve

Funds in the market enhancement reserve of \$160,936 come from administrative penalties and are to be spent only on endeavours or activities that enhance the financial marketplace or consumer protection in New Brunswick. These funds are maintained in a separate bank account and generate their own bank interest. Administrative penalties of \$1,500 were assessed in 2022 (\$0 in 2021).

Liquidity and financial position

FCNB has sufficient liquidity to fund its 2022-2023 operations and capital purchases with cash of \$5.2 million (\$5.1 million in 2021).

Disposition of surplus operating funds

FCNB made a series of payments totalling approximately \$10.2 million to the Province of New Brunswick.

Stabilization reserve

FCNB has a fully funded \$4 million stabilization reserve to absorb revenue shortfalls or unexpected expenditures that could arise from assuming a large regulatory mandate. Revenue generated from the reserve is moved into general operations.

Restructuring reserve

In 2015, FCNB established a reserve consistent with section 21(8) of the *Financial and Consumer Services Commission Act*. This reserve was intended to allow the Commission to meet its revised mandate following the establishment of the proposed cooperative capital markets regulatory system by providing sufficient time to develop operational efficiencies and consult with regulated sectors for any required fee rule changes necessary to maintain a self-financing status. 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 2021). The Capital Markets Authority Implementation Organization (CMAIO) announced in April 2021 that it had implemented an orderly pause of its operations, which could be resumed at a future date when there is more certainty around launch timelines. FCNB is currently considering the proper approach with respect to the maintenance of the reserve in the context of CMAIO's paused operations.

Accounts receivable

Assessments to the insurance industry and costs and expense recovery from the Deposit Protection Fund largely make up the accounts receivable. These amounts are assessed subsequent to year-end and appear as accrued revenue with a corresponding receivable. This accounts for 87.1% of the receivable balance in 2022 (79.6% in 2021). General fee receivables and HST receivables make up the majority of the remaining balance.

Lease obligations

FCNB's Saint John office space is a 10-year lease that began March 1, 2021. The lease provides an early termination clause granting FCNB the option to terminate the agreement after the fifth year of the agreement. FCNB's lease obligations are \$1.4 million and it has additional right-of-use assets due to the lease totalling \$1.2 million.

Risks and uncertainties

Risk Assessment and Mitigation

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

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

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

The Commission initiated steps to undergo a comprehensive review of its enterprise risk management program over the next year.

Fee revenue

We fund operations primarily from filing fees paid by market participants and regulated entities. Fee revenue is generally not sensitive to market conditions, which held true over the past two years as we saw an overall increase in our annual fees collected.

National electronic filing system for the securities sector

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

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

About 77% of our total revenue is collected through SEDAR and NRD. CGI maintains a comprehensive business continuity plan for each system and the CSA requires a third-party audit report (CSAE 3416 Reporting on Controls at Service Organization) each year.

Phase 1 of SEDAR+, a complex, multi-year CSA national regulatory platform modernization project that began in 2018, is planned to go live in late 2022. Phase 1 includes the replacement and consolidation of SEDAR, the Cease Trade Order Database, the Disciplined List, as well as local jurisdictions' exempt market filing portals. SEDAR+ will be a web-based integrated regulatory system with enhanced security and privacy protection. It will provide a single point of access for filings and automation tools to improve user experience.

Critical accounting estimates

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

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

Changes in accounting policies

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

The following standards have been reviewed by FCNB for the first time in the year beginning April 1, 2021 and none have had a material impact on the financial statements or presentation.

- IAS 16 Property, Plant and Equipment
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets

2023 outlook

Revenue and Expenses

Budgeted revenue is \$23.3 million for 2023, an increase over our 2022 budget. However, it is in line with our 2022 actual revenue. The budgeted increase year-over-year represents our expectation that revenue will return to a normal growth pattern of approximately 1.5%, with some additional revenue due to various cost recoveries.

Operating expenses are budgeted to be \$16.7 million for 2023. This is an increase from our 2022 budget of \$15.4 million.

The additional budget expenses relate mostly to the staffing needs of FCNB. Our mandate has expanded over the years, and to continue to be successful, we need to strategically invest in our organization to ensure we have the capacity to perform.

The *Unclaimed Property Act* was proclaimed on January 1, 2022, and revenues are anticipated in fiscal 2023.

Liquidity

Our budgeted surplus for 2023 is about \$6.5 million. Given the funded stabilization and restructuring reserves, we intend to transfer ongoing surpluses to the Province of New Brunswick.

MD&A supplement – Compensation disclosure – Senior management remuneration

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

Senior management remuneration

Position	Salary range (\$) as at March 2022
Chief Executive Officer	\$153,102 - \$191,378
Executive Management: Vice Presidents (2) and Director (1) of Information Technology and Regulatory Informatics and Chief Information Officer	\$133,615 - \$175,368
Directors (9)	\$114,343 - \$142,928

Financial Statements



Management's responsibility and certification

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

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

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

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

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

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

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

Original signed by
Kevin Hoyt

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

Original signed by
Manon Losier

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

June 22, 2022

Independent Auditor's Report

To the Members of
Financial and Consumer Services Commission

Opinion

We have audited the financial statements of Financial and Consumer Services Commission (the "Commission"), which comprise the statement of financial position as at March 31, 2022, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Other Information

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Deloitte LLP

Chartered Professional Accountants
June 28, 2022
Saint John, New Brunswick

Financial and Consumer Services Commission
Statement of Financial Position
as at March 31, 2022 (in Canadian \$)

	2022 March 31	2021 March 31
ASSETS		
Current Assets		
Cash (Note 7)	\$ 5,041,391	\$ 4,976,054
Accounts receivable (Note 9)	2,858,478	2,942,692
Prepaid expenses	181,323	165,497
	8,081,192	8,084,243
Cash held for designated purposes (Notes 7, 10)	161,126	158,398
Investments held for designated purposes (Notes 8, 10)	14,000,000	14,000,000
Property and equipment (Note 11)	1,495,245	1,845,215
Intangible assets (Note 12)	278,350	162,241
	\$ 24,015,913	\$ 24,250,097
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (Note 19)	\$ 734,545	\$ 497,462
Accrued salaries and benefits	366,873	535,536
Current portion of employee future benefits (Note 18)	21,465	19,510
Accrued vacation liabilities	164,896	191,391
Current portion of lease obligations (Note 13)	346,011	341,817
Deferred revenue	4,843,507	4,458,841
	6,477,297	6,044,557
Lease obligations (Note 13)	1,021,708	1,367,718
Employee future benefits (Note 18)	535,531	462,707
	1,557,239	1,830,425
Total liabilities	8,034,536	7,874,982
Equity balances		
General	1,820,251	2,216,717
Restructuring reserve (Note 10)	10,000,000	10,000,000
Stabilization reserve (Note 10)	4,000,000	4,000,000
Market enhancement and consumer protection reserve (Note 10)	160,936	158,208
Disgorgement reserve (Note 10)	190	190
	15,981,377	16,375,115
	\$ 24,015,913	\$ 24,250,097

Commitments and contingencies (Note 16)

The accompanying notes are part of these financial statements.

APPROVED BY THE COMMISSION

Original signed by
Peter Klohn

Chair

Original signed by
Norma Kelly

Member

Financial and Consumer Services Commission

Statement of Comprehensive Income (by nature) for the year ended March 31, 2022 (in Canadian \$)

	2022	2021
REVENUE		
Fees		
Prospectus and distribution filings	\$ 10,880,000	\$ 10,772,400
Registrations	4,955,410	4,380,478
Financial filings	2,228,525	2,136,800
Licences and fees	2,210,934	1,999,321
Exemptions and orders	41,300	22,600
Other	26,673	17,870
Assessments	2,942,994	2,858,653
Administrative penalties and settlements	1,500	-
Investment income	155,512	267,749
Miscellaneous	37,935	153,711
	23,480,783	22,609,582
EXPENSES		
Salaries and benefits (Note 20)	10,867,765	9,867,805
Administration (Note 21)	1,383,422	1,068,975
Professional services	490,199	741,816
Travel	40,792	18,156
Premises	397,283	383,383
Depreciation and amortization	484,354	662,083
	13,663,815	12,742,218
COMPREHENSIVE INCOME	\$ 9,816,968	\$ 9,867,364

The accompanying notes are part of these financial statements.

Financial and Consumer Services Commission

Statement of Changes in Equity

for the year ended March 31, 2022 (in Canadian \$)

	General	Restructuring reserve	Stabilization reserve	Market enhancement and consumer protection reserve	Disgorgement reserve	Total
Balance, March 31, 2020	\$ 2,398,575	\$ 10,000,000	\$ 4,000,000	\$ 157,029	\$ 190	\$ 16,555,794
Comprehensive income	9,867,364	-	-	-	-	9,867,364
Disposition of surplus operating funds (Note 14)	(10,048,043)	-	-	-	-	(10,048,043)
Investment income reallocation	(1,179)	-	-	1,179	-	-
Balance, March 31, 2021	2,216,717	10,000,000	4,000,000	158,208	190	16,375,115
Comprehensive income	9,816,968	-	-	-	-	9,816,968
Disposition of surplus operating funds (Note 14)	(10,210,706)	-	-	-	-	(10,210,706)
Investment income reallocation	(1,228)	-	-	1,228	-	-
Allocation from general (Note 10)	(1,500)	-	-	1,500	-	-
Balance, March 31, 2022	\$ 1,820,251	\$ 10,000,000	\$ 4,000,000	\$ 160,936	\$ 190	\$ 15,981,377

The accompanying notes are part of these financial statements.

Financial and Consumer Services Commission

Statement of Cash Flows

for the year ended March 31, 2022 (in Canadian \$)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Comprehensive income	\$ 9,816,968	\$ 9,867,364
Adjustment for depreciation and amortization	484,354	662,083
Gain on disposal of property, plant and equipment	-	(8,649)
	10,301,322	10,520,798
Changes in non-cash working capital		
Accounts receivable	84,214	448,264
Prepaid expenses	(15,826)	(32,015)
Accounts payable and accrued liabilities	237,083	(993,761)
Accrued salaries and benefits	(168,663)	50,031
Employee future benefits	74,779	(13,341)
Accrued vacation liabilities	(26,495)	58,178
Deferred registration fee revenue	384,666	207,559
	10,871,080	10,245,713
CASH FLOWS FROM FINANCING ACTIVITIES		
Disposition of surplus operating funds	(10,210,706)	(10,048,043)
Repayment of lease liability	(341,816)	(391,141)
	(10,552,522)	(10,439,184)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment and intangible assets	(250,493)	(148,075)
Proceed on disposal of property, plant and equipment	-	31,500
	(250,493)	(116,575)
NET (DECREASE) INCREASE IN CASH	68,065	(310,046)
CASH, BEGINNING OF YEAR	5,134,452	5,444,498
CASH, END OF YEAR	\$ 5,202,517	\$ 5,134,452
Represented by:		
Cash	\$ 5,041,391	\$ 4,976,054
Cash held for designated purposes	161,126	158,398
	\$ 5,202,517	\$ 5,134,452
	2022	2021
Note: Cash flow from interest received is included in comprehensive income.	\$ 155,512	\$ 216,023

The accompanying notes are part of these financial statements.

Financial and Consumer Services Commission

Notes to the Financial Statements for the year ended March 31, 2022 (in Canadian \$)

1. Nature of the corporation

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

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

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

Financial and consumer services legislation means the:

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

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

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

The financial statements for the year ended March 31, 2022 (including comparatives) were approved by the board of directors on June 22, 2022.

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

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

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

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

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

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

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

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

3. Summary of significant accounting policies

a) Revenue recognition

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

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

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

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

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

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

Investment income is recorded as earned.

b) Property and equipment

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

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

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

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

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

c) Intangible assets

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

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

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

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

Website: 4 years

Regulatory information data system (internally generated): 5 years

d) Impairment of property and equipment and intangible assets

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

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

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

e) Provisions

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

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

f) Cash

Cash includes cash on hand, cash equivalents and deposits held with banks.

g) Financial instruments

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

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

Financial assets

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

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

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

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

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

Financial liabilities

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

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

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

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

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

Fair value hierarchy

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

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

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

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

h) Recently adopted accounting standards

The following standards have been reviewed by FCNB for the first time in the year beginning April 1, 2021 and none have had a material impact on the financial statements or presentation.

- IAS 16 Property, Plant and Equipment
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets

i) Future accounting and reporting changes

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

4. Significant accounting estimates and judgments

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

a) Significant accounting estimates

Property and equipment and intangible assets

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

Sick leave credits benefit

Upon retirement, FCNB employees are eligible to receive 20 per cent of the accumulated sick leave balance to a maximum of 48 days as a payout. The significant accounting estimates used to determine the liability are outlined in Note 18 (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. Capital management

FCNB's objective when it manages capital is to ensure it continues as a going concern to fulfil its mandate. FCNB has established a stabilization reserve of \$4,000,000 (\$4,000,000 in 2021) and a restructuring reserve of \$10,000,000 (\$10,000,000 in 2021) to manage its capital risk. FCNB ensures that any payment of surplus funds to the Province of New Brunswick will not impair FCNB's ability to pay its liabilities, to meet its obligations as they become due or to fulfil its contractual commitments.

6. Financial instruments

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

7. Cash and cash held for designated purposes

FCNB maintains three separate bank accounts. The first is comprised of the operating account and those monies attributable to the reserves and not otherwise invested and monies received from disgorgement orders. The second account is maintained for the market enhancement reserve. The third account is maintained for monies held in trust, as securities for licences issued under various financial and consumer services legislation. The balance for the third account as of March 31, 2022 was \$18,185 (\$18,046 in 2021) and is included in cash. Under the terms of FCNB's banking agreement, these accounts earn interest at prime less 1.70 per cent.

8. Investments held for designated purposes

FCNB invested \$14,000,000 including; \$10,000,000 attributable to the restructuring reserve and \$4,000,000 attributable to the stabilization reserve (2021, \$10,000,000 attributable to the restructuring reserve and \$4,000,000 attributable to the stabilization reserve). The interest earned on these investments varies from 0.55 per cent to 1.29 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.

9. Accounts receivable

FCNB charges assessments as per specific financial and consumer services legislation to the credit union system and to insurance sector participants. The assessments owing total \$2,489,709 as of March 31, 2022 (\$2,343,074 in March 31, 2021).

No provision for allowance for doubtful accounts is required.

10. Reserve

Restructuring reserve

FCNB 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 2021).

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 2021).

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 \$160,936 (\$158,208 in 2021).

Disgorgement reserve

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

11. Property and equipment

	Office furniture and equipment	Office equipment lease	Information technology infrastructure	Software	Automobile	Leasehold improvements	Right-Of-Use Asset	Total
Cost								
As at March 31, 2020	\$ 439,146	\$ 64,395	\$ 217,720	\$ 11,780	\$ 35,155	\$ 799,029	\$ 693,057	\$ 2,260,282
Additions	63,209	-	58,600	-	-	90,538	1,587,479	1,799,826
Dispositions	-	-	15,728	-	35,155	-	-	50,883
As at March 31, 2021	\$ 502,355	\$ 64,395	\$ 260,592	\$ 11,780	\$ -	\$ 889,567	\$ 2,280,536	\$ 4,009,225
Additions	19,137	-	46,346	-	-	-	-	65,483
Dispositions	20,527	16,995	17,846	11,780	-	-	-	67,148
As at March 31, 2022	\$ 500,965	\$ 47,400	\$ 289,092	\$ -	\$ -	\$ 889,567	\$ 2,280,536	\$ 4,007,560
Accumulated Depreciation								
As at March 31, 2020	\$ 438,550	\$ 37,308	\$ 108,053	\$ 11,780	\$ 5,859	\$ 769,575	\$ 356,117	\$ 1,727,242
Depreciation	4,065	8,618	47,494	-	6,445	34,780	363,398	464,800
Dispositions	-	-	15,728	-	12,304	-	-	28,032
As at March 31, 2021	\$ 442,615	\$ 45,926	\$ 139,819	\$ 11,780	\$ -	\$ 804,355	\$ 719,515	\$ 2,164,010
Depreciation	18,760	8,618	52,472	-	-	18,108	317,495	415,453
Dispositions	20,527	16,995	17,846	11,780	-	-	-	67,148
As at March 31, 2022	\$ 440,848	\$ 37,549	\$ 174,445	\$ -	\$ -	\$ 822,463	\$ 1,037,010	\$ 2,512,315
Net Book Value								
As at March 31, 2021	\$ 59,740	\$ 18,469	\$ 120,773	\$ -	\$ -	\$ 85,212	\$ 1,561,021	\$ 1,845,215
As at March 31, 2022	\$ 60,117	\$ 9,851	\$ 114,647	\$ -	\$ -	\$ 67,104	\$ 1,243,526	\$ 1,495,245

12. Intangible assets

	Website	Regulatory information data system (internally developed)	Total
Cost			
As at March 31, 2020	\$ 100,901	\$ 1,018,397	\$ 1,119,298
Additions	-	70,016	70,016
Dispositions	42,122	-	42,122
As at March 31, 2021	\$ 58,779	\$ 1,088,413	\$ 1,147,192
Additions	-	185,010	185,010
Dispositions	-	-	-
As at March 31, 2022	\$ 58,779	\$ 1,273,423	\$ 1,332,202
Accumulated Amortization			
As at March 31, 2020	\$ 47,860	\$ 781,930	\$ 829,790
Amortization	10,609	186,674	197,283
Dispositions	42,122	-	42,122
As at March 31, 2021	\$ 16,347	\$ 968,604	\$ 984,951
Amortization	10,609	58,292	68,901
Dispositions	-	-	-
As at March 31, 2022	\$ 26,956	\$ 1,026,896	\$ 1,053,852
Net Book Value			
As at March 31, 2021	\$ 42,432	\$ 119,809	\$ 162,241
As at March 31, 2022	\$ 31,823	\$ 246,527	\$ 278,350

13. Lease obligations

FCNB entered into a 10-year lease for office space in Saint John effective February 15, 2006. On August 11, 2014, this lease was extended to February 28, 2022. This lease was renewed for 10 years beginning March 1, 2022. The lease provides an early termination clause granting FCNB the option to terminate the agreement after the 5th year of the agreement. FCNB is required to provide 9 months prior written notice to exercise said option. FCNB has assessed the term of the lease to be 5 years for the purposes of calculating its right of use asset and lease liability since it is not reasonably certain it will not exercise the early termination clause.

FCNB's leases entered into in 2021, for office equipment, has terms of five and a half years. FCNB has an option to purchase the equipment for a nominal amount at the end of the lease term. The lease liability is effectively secured as the rights to the leased assets revert to the lessor in the event of default.

	Minimum lease payments		Present value of minimum lease payments	
	2022	2021	2022	2021
Not later than 1 year	\$ 366,550	\$ 368,336	\$ 346,011	\$ 341,817
Later than 1 year and not later than 5 years	1,047,801	1,414,351	1,021,708	1,367,718
	\$ 1,414,351	\$ 1,782,687	1,367,719	1,709,535
Less: Current portion			346,011	341,817
Lease obligations			\$ 1,021,708	\$ 1,367,718

14. Disposition of surplus operating funds

The disposition of surplus operating funds consists of payments to the Consolidated Fund of the Government of New Brunswick subject to the approval of the Treasury Board and consistent with subsection 21(7) of the *Financial and Consumer Services Commission Act*. FCNB paid \$10,210,706 in 2022 (\$10,048,043 in 2021).

15. Provisions

A provision is recognized if, as a result of a past event, FCNB has a present, legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. FCNB has no provisions recorded at March 31, 2022 (\$0 at March 31, 2021).

16. Commitments and contingencies

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

17. Financial risk management

Financial risk factors

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

Credit risk

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

Liquidity risk

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

Interest rate risk

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

18. Employee future benefits

a) Pension plan

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

Pension costs included in these financial statements comprise the cost of employer contributions for current service of employees during the year. For the year ended March 31, 2022, FCNB expensed contributions of \$1,031,419 (\$937,659 in 2021) under the terms of the Plan.

b) Supplemental pension benefit

A retired Chief Executive Officer receives a supplemental pension benefit in which supplemental pensionable service of one year for each year of service as Chief Executive Officer to the maximum of five years was earned. This benefit is unfunded as no assets have been set aside in a separate legal entity, and payments are made as they become due. For the year ended March 31, 2022, these statements reflect a liability of \$140,259 (\$149,737 in 2021), FCNB expensed \$7,370 under the terms of the Supplemental Benefit Agreement and paid out benefits of \$16,848 (\$16,605 in 2021).

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 \$416,737 (\$332,480 in 2021) for this benefit and a current year expense of \$84,256 (\$18,737 in 2021). This liability is discounted as follows: employees over the age of 50, FCNB applies a three per cent discount factor to adjust for the age of each eligible employee for each year that the employee is under the age of 55; and for employees under the age of 50, FCNB applies a three per cent discount factor to adjust for the age of each eligible employee for each year that the employee is under the age of 65. For liability calculation purposes, management estimates that half of employees under the age of 40 will retire from FCNB, 75 per cent of employees between the ages of 40 and 50 will retire from FCNB, and all employees over the age of 50 will retire from FCNB.

19. Related party transactions

Service New Brunswick (SNB), a related party to FCNB, provides certain services in the normal course of operations that are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. SNB provided information technology services to FCNB, such as data storage, data backup, data protection and support. FCNB expensed \$144,722 (\$125,875 in 2021) during the reporting period on these services. As of March 31, 2022, an accounts payable of \$133,679 (\$127,915 at March 31, 2021) 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 \$19,498 (\$9,232 in 2021). As of March 31, 2022, an accounts payable of \$2,649 (\$nil at March 31, 2021) was owed to the Translation Bureau and is subject to normal terms. This amount is included in accounts payable and accrued liabilities.

New Brunswick Deposit Insurance Corporation (NBCUDIC) utilizes the resources of the Financial Institutions Division of the Commission to provide human resource and administration support for administering the *Credit Unions Act*. The Commission assumes the salaries and overhead costs which are billed to the NBCUDIC. Prior to 2021, NBCUDIC was responsible for their human resource costs and administration costs, however, required support from the Commission. NBCUDIC expensed \$736,072 as of March 31, 2022 (\$772,209 in 2021).

On October 1, 2014, FCNB entered into an agreement with the Department of Transportation and Infrastructure (“DTI”) for leased office space. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. FCNB expensed \$290,195 (\$310,356 in 2021). As of March 31, 2022, an accounts payable of \$137,470 (\$65,785 in 2021) was owed to DTI and subject to normal terms.

The Chair of FCNB has a personal services contract with FCNB that is measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. This is in-lieu of an employment contract and facilitates the Chair’s independence from the operations of the Commission. FCNB expensed \$152,317 (\$152,317 in 2021) during the reporting period.

FCNB provides certain administrative services for the Government of New Brunswick associated with assessments or recoveries from the insurance sector and that are for the benefit of the Consolidated Revenue Fund of the Government of New Brunswick. These services include the invoicing and updating receivables under the *Premium Tax Act*; the invoicing and updating receivables under the *Medical Services Payment Act*, the *Hospital Services Act* and the *Family Services Act*; and the updating receivables under the *Fire Prevention Act*. These transactions do not flow through FCNB’s financial statements and are recorded directly in the financial information system of the Government of New Brunswick. FCNB performs these functions without any financial consideration or payment from the Government of New Brunswick. Effective January 1, 2018, FCNB is no longer responsible for the depositing function associated with these activities.

In addition, FCNB recovers costs incurred by the Government of New Brunswick when it intervenes at insurance rate hearings. In 2022, these costs were \$123,548 (\$53,924 in 2021). FCNB now treats these costs as a recoverable from the insurance sector. Prior to 2018, FCNB recorded professional services expenses and equivalent assessment revenue.

Key management personnel

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

	2022	2021
Salaries and other short-term employee benefits	\$ 1,127,881	\$ 1,122,431
Post-employment benefits	102,952	87,779
	\$ 1,230,833	\$ 1,210,210

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

20. Salaries and benefits

	2022	2021
Salaries	\$ 8,903,861	\$ 8,049,945
Benefits	932,485	880,201
Pension expenses (Note 19)	1,031,419	937,659
	\$ 10,867,765	\$ 9,867,805

21. Administration

	2022	2021
Investor protection and education	\$ 295,435	\$ 210,007
Members and staff development	389,107	242,653
Information technology	236,844	213,720
Other administration	462,036	402,595
	\$ 1,383,422	\$ 1,068,975

22. Alternative presentation – Income statement by function

	2022	2021
REVENUE		
Securities	\$ 18,147,995	\$ 17,326,467
Insurance	3,539,957	3,248,540
Financial Institutions	882,452	921,511
Consumer Affairs	494,135	539,895
Pensions	253,893	271,239
Investment income	155,907	268,390
Miscellaneous	6,444	33,540
	23,480,783	22,609,582
EXPENSES		
Governance and Corporate Management	4,551,914	4,628,300
Insurance	2,236,042	2,031,146
Securities	1,552,678	1,452,788
Consumer Affairs	1,146,219	1,123,958
Education and Communications	1,071,441	833,367
Enforcement	828,239	799,495
Financial Institutions	664,222	677,682
Pensions	641,645	618,800
Tribunal	493,868	395,497
Unclaimed Property	477,547	181,185
	13,663,815	12,742,218
COMPREHENSIVE INCOME	\$ 9,816,968	\$ 9,867,364