

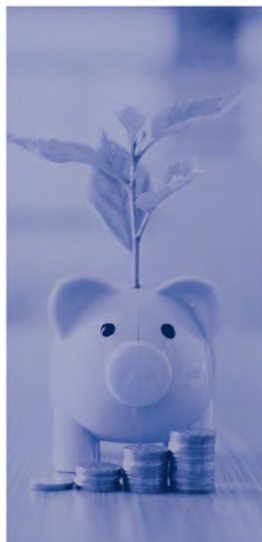
Moving Forward Together:

Building on a solid foundation

2022-2023 ANNUAL REPORT



**FINANCIAL AND
CONSUMER SERVICES
COMMISSION**



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Transmittal Letter

August 14, 2023

Minister of Finance and Treasury Board,

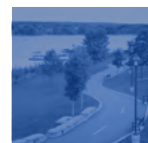
I am pleased to be able to present the annual report describing the operations of the Financial and Consumer Services Commission (FCNB) for the fiscal year April 1, 2022 to March 31, 2023.

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 Reporting Services Act*
- *Credit Unions Act*
- *Direct Sellers Act*
- *Franchises Act*
- *Gift Cards Act*
- *Insurance Act*
- *Loan and Trust Companies Act*
- *Mortgage Brokers Act*
- *Nursing Homes Pension Plans Act*
- *Pension Benefits Act*
- *Pooled Registered Pension Plans Act*
- *Pre-arranged Funeral Services Act*
- *Real Estate Agents Act*
- *Securities Act*
- *Securities Transfer Act*
- *Unclaimed Property Act*



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

Accountable

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

Professional

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

Respectful

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

Supportive

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

Inclusive

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

Ethical

Act with integrity, be trustworthy and fair.

How We Work

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

Licensing and Registration

We license or register more than 40,000 entities and individuals in New Brunswick across a wide variety of industries to make sure they are suitable for our marketplace.

Regulatory 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.

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.

Inquiries and Complaint Handling

Every month, New Brunswickers contact us with consumer and investor inquiries and complaints. For those that fall under financial and consumer services legislation, 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.

Enforcement

Sometimes, the information we receive from complaints, audits and compliance activities, or from other sources, leads to investigations. During investigations, we have the authority to seek orders to stop certain behaviours and, in some instances, freeze accounts. 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 or through regulatory remedies, collaborating with law enforcement and/or other regulators when necessary. If we believe sanctions or financial penalties are warranted, we have the option to take a case before the Tribunal under the *Financial and Consumer Services Commission Act* or to the provincial courts, depending on the circumstances.

Education

We believe New Brunswickers are better equipped to protect themselves from frauds and scams in our regulated sectors 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 presentations, professional development webinars, educational brochures, videos and online tools on a wide range of regulatory, financial literacy and fraud prevention topics. All educational resources and programs are free and available in both official languages.

Reuniting Owners with Unclaimed Property

Every year, thousands of dollars go unclaimed in New Brunswick, forgotten in credit union accounts, uncashed cheques, security deposits and more. We operate New Brunswick's Unclaimed Property Program and work with businesses and other entities who are holding unclaimed property (holders) to help return this property to the rightful owners. New Brunswick's *Unclaimed Property Act* requires holders to review their books and deliver any unclaimed monetary property to the program. Once delivered, the program relieves holders of the expense and liability of carrying the property on their books. When the program is fully in place, New Brunswickers will be able to use a free database to search for and claim monetary property that belongs to them.

Who We Serve

828,000

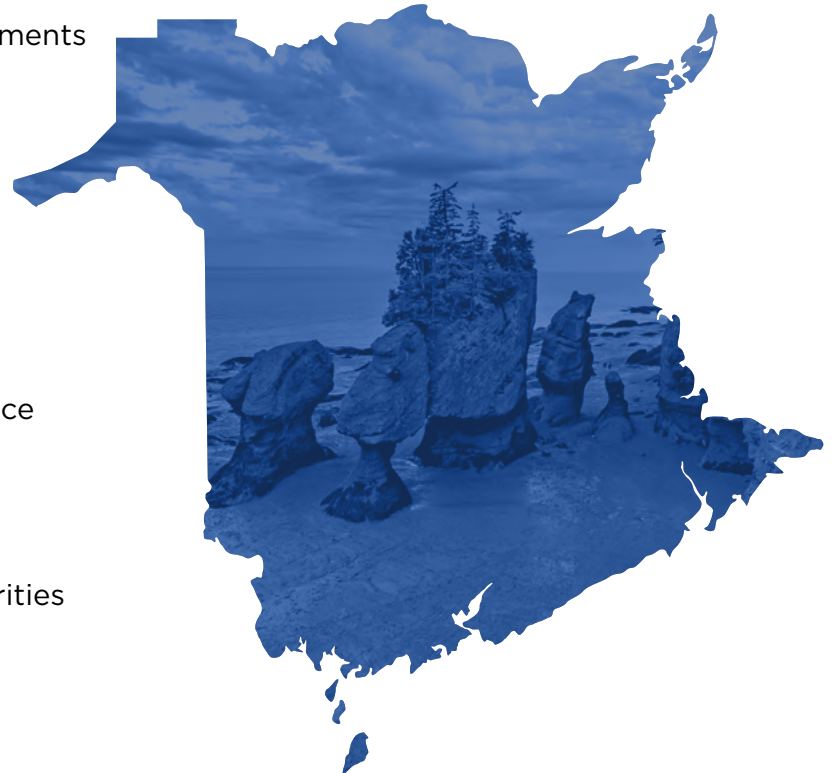
New Brunswickers
through regulation
and financial
education.

40,000

industry participants
who handle over
\$34 billion
of New Brunswick
consumers' money.

Our provincial footprint as of March 31, 2023

2,068 Collection Agency and Collector Licences
33 Auctioneers' Licences
569 Commissioners of Oaths Appointments
643 Cost of Credit Registrations
631 Direct Sellers Licences
101 Pre-arranged Funeral Licences
1,835 Real Estate Licences
273 Mortgage Broker Licences
198 Cooperatives
6 Credit Unions and 59,909 Members
46 Loan and Trust Companies
200 Insurance Companies
13,279 Licensed Individuals in Insurance
236 Registered Pension Plans and
98,935 Active Members
(not including retirees)
5,904 Reporting Issuers in Securities
14,481 Registered Individuals in Securities
5 Payday Lender Licences
3 Credit Reporting Licences



Our Highlights

139 businesses reported **\$5.86 million** of unclaimed property during the Unclaimed Property Program's first reporting period, which ran from January 1 to March 31, 2023.

Participated in more than **70** different regulatory committees with provincial, national and international groups.

Scored **83.2 per cent** for regulatory effectiveness, surpassing 70% target, on our first stakeholder survey of our regulated sectors.

1,150 compliance reviews across **8** different sectors ([see page 41](#)).

9 regulatory policy projects advanced internally; **1** new Act proclaimed; **1** new Act introduced; **1** Regulation proclaimed and **6** local rules/rule amendments for comment.

Sat on **12** interjurisdictional committees with a focus on Environmental, Social and Governance and/or Equity, Diversity and Inclusion.

9,500+ calendars distributed to organizations during Financial Literacy Month promoting women's financial resilience.

Launched a six-week campaign on do-it-yourself investing that garnered **90K+** views to our DIY investing webpage.

Oversaw credit union consolidation activities, including a merger of three credit unions and a sale of assets.

Issued **36** caution alerts and **3** fraud alerts to warn New Brunswickers about unlicensed or illegal activity in our regulated areas.

21,000+ visits to Finances50plus.FCNB.ca, a new website for older adults planning their retirement or in retirement, their families and caregivers as well as industry members who work with them.

Our Commission Members



Peter Klohn (Chair)
Residence: Rothesay
Term: Jan. 1, 2014 –
Dec. 31, 2023
(Reappointed Jan. 1, 2019)



**Donald French
(Vice Chair until Feb. 7, 2023)**
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 –
Dec. 14, 2025
(Reappointed Dec. 15, 2022)



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



**Tania Morris
(Vice Chair, as of Feb. 8, 2023)**
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)



Catherine Lahey
Residence: Saint John
Term: Dec. 15, 2022 –
Dec. 14, 2027

The term of Michael D. Wennberg ended on Dec. 14, 2022.

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 Members are responsible for the 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, it plays an active role in the nomination process that leads to candidate recommendations to government. 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 a vacancy presents, the skills for a replacement candidate are set by doing a profile analysis. The Commission believes that diversity among members enriches both its decision-making and its 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, the Commission continued to focus on implementing the recommendations arising from a comprehensive review of its governance practices. The Commission prioritized and completed the implementation of eight of the 10 overarching recommendations from the 2021 comprehensive review of our governance practices, including the implementation of a strategic scorecard, the refresh of its enterprise risk management framework, the development of a succession plan for the Chair position, and the identification of efficiencies in reporting to the Commission.

Efforts continue to be made to keep our *Governance Policy* current and in line with best governance practices. Research into options for an independent assessment of the effectiveness of our programs is also underway.

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 reviewing and approving important human resources policies and for setting management's compensation structure. It is also responsible for governance-related matters, such as board assessments, member succession planning, member orientation and continuing education and CEO and Chair evaluations. It meets at least four times each year. Members included: Michael D. Wennberg (chair until Dec. 14, 2022), Donald French, Gérald Lévesque, Lucie Boucher (chair as of Feb. 8, 2023), Catherine Lahey (member as of Feb. 8, 2023), 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. All educational resources and programs are available in both official languages. 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. We offer second language training to our employees through online training programs tailored to their language needs. 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.

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 received no disclosures or claims made against any employee of the Commission under the *PID Act* in 2022-2023.

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

As the contents of this report will illustrate, it has been another year of extraordinary activity at FCNB. In the 10 years since the organization was established to create a single entity responsible for financial regulation and consumer education, we have worked hard to, as the title of this report suggests, build a solid foundation. Legislation has been updated, employees have engaged with their regulatory peers to adapt best practices to New Brunswick and many new legislative and policy initiatives have been undertaken by government to expand and support our mandate.

Great regulation requires great people. A recurring challenge in maintaining our reputation for innovation and regulatory excellence will be the recruitment and retention of outstanding staff members. Luckily, our unique status as an independent, self-funded Crown corporation and the supportive and collegial working environment that the leadership team have established should permit FCNB to continue to recruit and retain top talent.

An emerging challenge involves the growing potential for cybercrime in an increasingly virtual social environment. The rise in ransomware, internet scams and online frauds is frightening. FCNB has been, and will remain, proactive in its investment in system improvements, staff training and consumer education in response to this rising threat.

I will conclude my 10-year term as the Chair of FCNB in 2023 satisfied that many of the initial challenges for the new organization have been overcome and

that the foundation on which it has been established is strong enough to meet those that will inevitably arise in the future. This is the result of the diligence and contribution of so many staff, Commission Members and government officials that I would be reluctant to identify any of them for fear of not properly acknowledging them all adequately. However, I hope that they are aware of my deep appreciation of their contributions and my admiration for their passion in making New Brunswick's financial marketplace fair, safe and efficient.

Notwithstanding this caution, it would be impossible for me to conclude my term without extending my gratitude to both Kevin Hoyt, our current CEO, and Rick Hancox, his predecessor. They have shown me what public service and a commitment to excellence in regulation look like and I am eternally grateful to them. Finally, to my former law colleague Michael Wennberg, who left the Commission this year after 10 years as a member, your extraordinary efforts and selfless dedication serve as a model for all those who work on behalf of their community.

I hope that this report gives you some insight into the positive results of so many hardworking and committed employees and Commission Members at FCNB working together.



Original signed by
Peter Klohn

Peter Klohn
Chair

Letter from the CEO

As New Brunswick's financial regulator, we promote a strong and fair financial marketplace for all through regulation, guidance and enforcement. We want a province where New Brunswickers can have confidence in our financial markets – even during economic downturns – and where our regulated industries understand their responsibilities and contribute to helping New Brunswickers make financial decisions with confidence.

Our 2022-2025 strategy was built on five new strategic goals that are indicative of this long-term vision for the province. This annual report details the work we did in year one of our three-year strategy – from enhancing our effectiveness as New Brunswick's financial regulator to continuing our work to help protect New Brunswickers from financial harm.

For example, we updated the insurance licensing framework and submitted legislative proposals to government for the regulation of certain financial professional titles and for a new act that would elevate consumer protection in the province. We saw our first reporting period for our Unclaimed Property Program, which will soon allow New Brunswickers to search online to see if they have any forgotten monetary property. And we launched Finances50plus.FCNB.ca, a new website aimed at helping older adults protect their finances and protect themselves from financial exploitation.

Over the last fiscal year, we also took steps to build upon our strong organizational foundation. We refreshed our corporate values; added resources to our leadership team; provided our staff and Members

with equity, diversity and inclusion learning opportunities; and refreshed our enterprise risk management framework. We also conducted our first stakeholder survey to assess our effectiveness as a regulator, and I'm happy to report that we exceeded our target.

The strong foundation we have built together over the last few years will provide a solid footing for weathering future challenges. I want to thank our staff for their hard work in advancing our strategy and our vision of working together for regulatory excellence in financial and consumer services for New Brunswickers. This remains our ongoing commitment.

In closing, I would like to thank the architect of our solid foundation, Peter Klohn, who will conclude his 10-year term as FCNB's chair later this year. Peter distinguished himself as a judicious steward of our organization, from its beginnings in 2013 as an integrated regulator and its expansion into new sectors, to the challenging times during the pandemic. Peter was a reassuring presence and wise counselor during my tenure as CEO these past three years. Through his leadership, the Commission provided outstanding governance and oversight, and I know that will continue as we move together in advancing our vision for our great province.



Original signed by
Kevin Hoyt

Kevin Hoyt
CEO

Purpose of the Annual Report

Each year, FCNB publishes a Strategy and Business Plan that sets out our strategic goals, our objectives and action items for the upcoming three years. It is shaped by our legislated mandate as contained in the *Financial and Consumer Services Commission Act* and expanded upon in the 2022-2023 Mandate Letter, received from the Minister of Finance and Treasury Board. The [2022-2025 Strategy and Business Plan](#)^[2] was delivered to the Minister on March 3, 2022.

The report card that follows in this annual report highlights work done to advance our strategic goals and reports our performance results on the action items documented in our Business Plan. The 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.

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

<p>In the 2022-2025 Strategy and Business Plan, our five goals are:</p>	 <p>People: Build upon a highly skilled workforce that is passionate about what we do.</p>	 <p>Process: Excel in the development of effective, practical and responsive regulatory services.</p>
 <p>Consumer and Market Participants: Reduce risk and harm and build trust, awareness and fairness in financial and consumer services for New Brunswickers.</p>	 <p>Financial: Optimize our financial capacity to accomplish our mandate and deliver value to New Brunswickers.</p>	 <p>Environmental, Social and Governance (ESG): Embrace the ethical and practical values of ESG toward a more inclusive, sustainable and prosperous future.</p>

Strategic Objectives Report Card



PEOPLE GOAL

Objective 1.1: Our culture reflects our shared values and shared accountability for innovation and sustainability.

This objective refers to our commitment to delivering on our mandate through our refreshed values, and through our expectations for continued development of skills to enable us to respond to technological innovations, automation and digital transformations in our markets.

Alignment with GNB Priority: Affordable, responsive and high-performing government

Planned Action: Value and reward collaboration and teamwork.

Completed: We implemented an employee recognition program and held the program's first yearly recognition ceremony to recognize staff who reached a long-service milestone in the first half of the 2022-2023 fiscal year.

Planned Action: Continue to build sectoral expertise.

Sectoral education sessions

Completed: We connected with leaders from various professional backgrounds (lawyers, compliance officers, accountants, etc.) to organize sectoral education sessions.

Restructuring of roles

Completed: We hired and trained a new director and a new claims officer to support the Unclaimed Property Program.

Completed: We separated our Pensions and Insurance Division and created and filled new positions for the Director of Pensions and Director of Insurance.

Completed: We filled a new role of Director of Human Resources, Business Planning and Accountability.

Planned Action: Implement targeted leadership and group development programs for our employees.

Completed: We provided psychological safe workplace training and conflict resolution and respectful workplace training to leaders and developing leaders. All employees completed violence prevention training, respectful workplace training and training on how to participate in coaching conversations. We also required all staff to participate in equity, diversity and inclusion training through the Canadian Centre for Diversity and Inclusion ([see page 37](#)).

Planned Action: Maintain the Cross-Divisional Emerging Issues Committee and review issues during strategic planning to determine required planned actions.

Completed: For our strategic planning session, we updated the 2021-2022 emerging issues report with new technology developments that could impact our sectoral areas.

Objective 1.2: Our people are highly engaged and fulfilled.

This objective reflects the Commission's intention to continue to provide an overall stimulating work environment and culture, always conducive to employee growth in skills and knowledge. To further support engagement and retention, the Commission must also continuously assess its management and work practices to support a positive human experience at work.

Alignment with GNB Priority: Affordable, responsive and high-performing government

Planned Action: Provide ongoing support to supervisors and employees in carrying forward, and assessing and monitoring implementation of, our new development-focused performance management and step increment compensation programs.

Completed: Throughout the first year of our development-focused management program, we supported our supervisors and employees, using the new coaching model, during each quarterly check-in period and provided resources to assist them. In December 2022, we surveyed staff on the program.

Planned Action: Continue to support employees' individual needs for ongoing learning and development.

Completed: The newly implemented development-focused performance management program encouraged discussions focused on employees' continued learning and development during quarterly check-in meetings.

Planned Action: Monitor human resources-related policies, directives, and practices so that they remain current to support the organization’s ability to attract and retain talent.

Human resources policies

Completed: Reviewed and updated 10 human resources policies and directives and developed three new policies.

Employee retention

Completed: We monitored and reported on employee retention to executive management and the Commission.

Objective 1.3: Our workplace is designed to ensure the health and safety of our people.

As an employer, we must take every reasonable step to keep our workplace healthy and safe. We will continue to adapt our workplace practices to support our Province’s efforts to combat the spread of COVID-19 while continuing to provide regulatory services.

Alignment with GNB Priority: Dependable public health care

Planned Action: Continually monitor available health, safety and pandemic management guidelines and best practices.

Wellness Committees

Completed: We worked with our Wellness Committees to offer health and wellness education activities and resources.

Joint Health and Safety Committees

Completed: We worked with the Joint Health and Safety Committees to keep FCNB’s Communicable Disease Prevention Plan up to date with Public Health Guidelines.

People Performance Measure	2022-2023 Result	2022-2023 Target	Achieved
Employee engagement score	76%	>75%	Yes



PROCESS GOAL

Objective 2.1: We are responsive to changing regulatory needs.

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.

Alignment with GNB Priority: Energizing the private sector / Vibrant and sustainable communities

Planned Action: Modernize our operational and regulatory systems and processes.

***Insurance Act* modernization**

Completed: We implemented two new rules on February 1, 2023, to support phase one of the *Insurance Act* modernization and updated our software system for the self-serve licensing portal. Rule INS-001 *Insurance Intermediaries Licensing and Obligations* introduces new licence types, licensing qualifications and educational requirements for licensees and market conduct rules for insurance intermediaries. Rule INS-002 *Insurance Fees* updates licence application fees for most insurance intermediaries, bringing New Brunswick in line with other jurisdictions.

In Progress: We continued development of a legislative proposal for phase two of the *Insurance Act* modernization.

Unclaimed Property Program

Completed: We worked with our Information Technology and Regulatory Informatics (ITRI) Division to implement the reporting phase of the Unclaimed Property Program, including implementation and testing of FundsFinderNB.ca. We also researched best practices for processing complex estate claims and implemented a claims review process following consultations with other jurisdictions. In addition, we liaised with key stakeholder groups to build cooperation and encourage compliance with the *Unclaimed Property Act*.

Completed: 139 businesses (holders) reported a total of \$5.86 million of unclaimed property to the program through FundsFinderNB.ca during its first reporting period, from January 1 to March 31, 2023. To assist them, we created user manuals and guides and provided IT support. We also researched and implemented processes to safeguard securities delivery, developed a guide and held meetings with stakeholders on the process for remitting securities to the program. We began building a database on FundsFinderNB.ca, which will allow New Brunswickers to search for and claim monetary property that has been reported to the program later in 2023.

Consumer protection

Completed: We submitted a proposal to government for the development of a new consumer protection act following several years of policy research. It proposes a legal framework for a consumer market that is fair, accessible, efficient, sustainable and responsible.

Title protection

Completed: We submitted a legislative proposal to regulate certain titles used by financial professionals, as requested by government. The proposal consolidated the feedback received during our fall 2021 consultation period. On March 22, 2023, the government introduced Bill 29, *Financial Advisors and Financial Planners Title Protection Act*.

Model for regulatory adjudication

In Progress: We supported government efforts to enhance the model for regulatory adjudication of sectors administered by the Commission, as requested.

Pension legislation

Completed: The *Pooled Registered Pension Plans Act* (PRPP) and its accompanying Regulation were proclaimed on January 1, 2023. New Brunswick signed the *Multilateral Agreement Respecting Pooled Registered Pension Plans and Voluntary Retirement Savings Plans*, delegating to the Office of the Superintendent of Financial Institutions the responsibility for licensing, registering and supervising PRPPs whose operations fall within the jurisdictions of both the federal government and that of a participating province. The effective date is May 1, 2023. 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.

Completed: We submitted a proposal to government for the modernization of pension unlocking rules. The proposed amendments to the General Regulation under the *Pension Benefits Act* would allow for financial hardship unlocking. They would also revise some of the current unlocking provisions to provide alignment with other jurisdictions and provide a greater range of options for the retirement and financial needs of New Brunswickers.

***Credit Unions Act* five-year review**

Completed: We initiated our five-year statutory review of the *Credit Unions Act*, which included a four-month stakeholder consultation period completed in September 2022. A report will be submitted to government before October 31, 2023.

Objective 2.2: Our processes are continuously improved and fit for purpose.

The financial and consumer markets we regulate are ever changing. To meet this challenge, we continue to enhance our workforce's management, collaboration and analytical capabilities so we can proactively identify emerging issues and provide relevant regulatory responses. We also recognize the value of continuously reviewing our internal and regulatory processes for accessibility, resourcefulness and judiciousness.

Alignment with GNB Priority: Energizing the private sector / Affordable, responsive and high performing government

Planned Action: Cooperate with other regulators to identify opportunities for collaboration and knowledge sharing.

Real estate regulatory amendments

In Progress: We continue to participate as observers in the New Brunswick Real Estate Association's (NBREA) Legislative and By-Law Advisory Group. It is a committee aimed at providing the NBREA with input to support the development of a modernized real estate legislative framework for New Brunswick.

Memorandum of Understanding

In Progress: We provided a draft information sharing Memorandum of Understanding to the Indian Financial Services Central Agency for their consideration.

Collaborations

In Progress: We continue to partner with the North American Securities Administrators Association (NASAA) and the Canadian Securities Administrators (CSA) on several fronts. For example, we developed digital materials to support NASAA's investor advisories on unsolicited text messages and single-stock, exchanged traded funds. We chaired, for part of the year, the CSA's Investor Education Committee, which launched campaigns on the trusted contact person, senior financial abuse, cryptocurrency and financial influencers. We co-chair the CSA Corporate Finance Committee and co-chair the CSA Vulnerable Investors Committee. We met monthly with the CSA Enforcement Committee to discuss issues of common interest, collaborate on cases and share information; and we participated on a number of its sub-committees and working groups, including its Investment Fraud Task Force focusing on research, analysis and disruption activities.

In Progress: We continue to collaborate with other regulators through our involvement on the following organizations: the Canadian Association of Pension Supervisory Authorities (CAPSA); the Canadian Council of Insurance Regulators (CCIR) and the Canadian Insurance Services Regulatory Organizations (CISRO); and the Mortgage Broker Regulators' Council of Canada (MBRCC). We also collaborate with other unclaimed property administrators in Canada and the United States, and chair a committee of Canadian unclaimed property program administrators that we initiated.

Planned Action: Modernize our internal processes and systems to be more effective and efficient.

Enforcement case management

In Progress: We selected a developer to help us implement a new enforcement case management system. This system will automate and streamline our processes, improve our case tracking, provide better insights into connected cases and produce real-time case reporting with automated reports and analytics.

Customer relationship management

In Progress: We began a project to migrate our legacy in-house securities reporting issuer and registrant data systems to our Customer Relationship Management (CRM) system.

In Progress: We began research into the best CRM system for our cooperatives and credit union needs and began digitizing their records for the eventual inclusion in the CRM.

Planned Action: Continue to implement a project management approach for operational projects.

In Progress: We continued to identify areas that may benefit from a project management approach. We have a member of our leadership team who is certified in change management. We researched and offered project management training programs for staff. We implemented enhancements to our regulatory policy committee reporting and we continued to improve our ITRI project management practices, by leveraging effective tools such as Confluence and Bit Bucket.

Planned Action: Continue to modernize systems and processes used by our audiences to be more effective and efficient.

Insurance electronic licensing system

Complete: We implemented enhancements to our electronic licensing system, including new functionality required by the amendments to the *Insurance Act*, and improved financial tracking functionality for all regulatory areas already in the system.

Completed: We developed business rules, workflows and language to update the insurance electronic licensing system with the new licence types and requirements, as set out in Rule INS-001 *Insurance Intermediaries Licensing and Obligations* and Rule INS-002 *Insurance Fees*, which became effective February 1, 2023. (For more information on the new Rules, [see page 19](#).)

Objective 2.3: We foster internal technological innovation.

We require a strong organizational foundation of systems, data management and analytics to provide efficient and effective regulation in marketplaces that evolve at an unprecedented pace. We must continually invest in our technology platforms to be able to provide timely responses to novel issues or regulatory gaps as they are identified within the marketplaces we regulate.

Alignment with GNB Priority: Affordable, responsive and high performing government

Planned Action: Invest in new skill development and training within the ITRI Division to enhance capacity in artificial intelligence (AI), analytics and cybersecurity resilience.

In Progress: We investigated analytics and AI training, such as Microsoft Power BI for the Unclaimed Property Program and Dynamics Business Central for our finance reporting needs.

Completed: Staff participated on various technology-related regulatory committees and advanced training in AI and data mining.

Planned Action: Complete a digital strategy for the Commission.

Completed: We prepared a preliminary draft for a digital strategy for the Commission.

Planned Action: Support continuous process and product improvement within the ITRI Division.

In Progress: We conducted regular lessons learned sessions following IT projects and implemented agreed upon opportunities for improvement.

Objective 2.4: Our IT systems are effective, reliable, and secure.

Rapidly evolving technologies have driven much change in the financial and consumer marketplaces. That’s why we take a proactive approach to ensure our information security operations are current, and remain vigilant in implementing additional security tools and technology when appropriate to ensure we can achieve our mandate without disruption.

Alignment with GNB Priority: Affordable, responsive and high performing government

Planned Action: Maintain a strong organizational cybersecurity posture that is compliant with CyberNB certification standards for Crown corporations.

Risk management

In Progress: We continued to implement and monitor best practice standards for cybersecurity risk management.

Employee training

Completed: We continue to use Beauceron Security for our yearly mandatory employee training on cybersecurity awareness.

Cybersecurity maturity assessment

In Progress: We reviewed our current cybersecurity strategy and compliance objectives and used a cybersecurity maturity assessment ranking tool to set cybersecurity goals. We established an acceptable score in our first assessment, and plan to run a second assessment in Spring 2023 after our cloud migration project.

Completed: We completed our first full National Institute of Standards and Technology (NIST) cybersecurity maturity assessment and established a baseline and set goals for improvement.

Process Performance Measure	2022-2023 Result	2022-2023 Target	Achieved
% Accomplishment of our Ministerial Mandate	100%	=100%	Yes
Number of regulatory systems moved from paper to online	Planned regulatory system migration projects were reprioritized to achieve several other key IT projects. ^[3]	11/15 systems	No
National Institute of Standards and Technology cybersecurity maturity tier rating	Improved maturity level from starting date by year end.	Continue to improve our maturity level	Yes

3 Projects included:

- Updates to the online insurance licensing system to accommodate legislative changes ([see page 23](#));
- Preparatory work to migrate our systems to a new cloud-based environment;
- Development and implementation of an online Unclaimed Property holder reporting system ([see page 19](#));
- Updates to three existing online registration systems to reflect approved fee changes ([see page 35](#));
- Planning for a new local system to track securities market participants' data in line with the pending national SEDAR+ system.



CONSUMER AND MARKET PARTICIPANTS GOAL

Objective 3.1 (Regulation): We excel in strategic, flexible policy development responsive to market changes.

This objective denotes the Commission's belief that any regulatory response or approach must begin with a strategic consideration and full understanding of a harm or issue within a market and that the correlated response must, through consultative, collaborative and flexible processes, provide regulatory activities that achieve the desired outcomes.

Alignment with GNB Priority: Vibrant and sustainable communities / Affordable, responsive and high performing government

Planned Action: Be aware of current consumer demand and needs in the development of policy.

Advisory Committee on Consumer Issues

In Progress: The Advisory Committee on Consumer Issues met monthly to identify communication and education opportunities to address issues in our regulated markets. The Committee brings together staff from each of our divisions to promote collaboration and effective communication on consumer issues.

Private lending in mortgage broker industry

In Progress: We participated in a national committee to research and gain a better understanding of the scope, scale and risks of mortgage broker industry engagement in private lending and opportunities to reduce those risks. In January 2023, FCNB issued information bulletins to New Brunswick lawyers and the mortgage broker industry to advise of an increase in unlicensed activity or non-compliant activity it was discovering in its compliance reviews. The bulletins were intended as a reminder of the regulatory requirements found in the *Mortgage Brokers Act* as well as expectations that mortgage brokers act in their clients' best interests.

Credit unions

Completed: In December 2022, following an extensive review, the Superintendent of Credit Unions approved Articles of Amalgamation that allowed three credit unions (Bayview Credit Union, Advance Savings Credit Union and Progressive Credit Union) to merge on January 1, 2023. We continued to monitor the transition in the course of normal prudential regulation and oversight.

Completed: We had quarterly meetings with the Credit Union Managers Association and ad-hoc meetings with credit union sector stakeholders.

Planned Action: Be accountable, timely and effective in working with our regulated sectors.

Regulatory effectiveness survey

Completed: On July 25, 2022, we completed a survey of more than 2,600 stakeholders to provide a measure of our regulatory effectiveness. Our average score for regulatory effectiveness was 83.2% – higher than the 70% target we set for this goal. ([See page 33](#)).

Regulatory service standards

Completed: We calculated service standard metrics across all regulatory divisions and reported on a quarterly basis. We achieved or exceeded our target in each quarter.

Planned Action: Continue to be vigilant in our monitoring of the pandemic and agile in our response.

In Progress: We continue to participate in monthly meetings with many Canadian regulatory associations to monitor the ongoing impacts of the pandemic on our regulated sectors.

Planned Action: Work with regulatory counterparts to develop and implement best regulatory practices aligned and responsive to the evolving landscape and emerging trends within our regulated industries.

Credit union risk-weighted capital adequacy

Completed: We conducted a pilot project with the credit union system for the implementation of risk-weighted capital adequacy measurement and reporting.

Amendments to total cost reporting for investment funds and segregated funds

In Progress: Following the review of comments submitted by stakeholders and investor advocates in August 2022, as well as additional consultations with specific industry participants, we finalized proposed amendments relating to total cost reporting for investment funds and segregated funds. We will seek necessary approvals to implement the amendments in spring 2023.

Strengthening OBSI

In Progress: We participated on the CSA committee developing a framework that contemplates providing the Ombudsman for Banking Services and Investments (OBSI) with the authority to make awards that are binding on firms. Once finalized, the proposed framework will be published for comment.

Planned Action: Research and monitor technological innovation and advances in our regulated sectors.

Completed: Our Cross-Divisional Emerging Issues Committee provided an update on technological innovation and issues that could impact our regulated areas. This information was considered in developing the 2023-2026 Strategy and Business Plan.

Objective 3.2 (Protection): We enhance stability of market participants, market integrity and consumer and investor protection.

Consumers and investors are better protected if firms and individuals working in our regulated sectors understand and comply with their regulatory obligations. We regularly conduct compliance reviews on the operations of those we register or licence to make sure they are abiding by New Brunswick's laws and regulations and meeting their obligations to consumers and investors. When information we receive from complaints, audits and compliance activities or from other sources indicate that people or firms have violated these laws, we use our legislated authority to hold them accountable. We also take planned action to disrupt or stop activities at their earliest stages to reduce consumer or investor harm and work with other provincial, national and international regulators on initiatives to enhance the protection of financial consumers and investors.

Alignment with GNB Priority: Vibrant and sustainable communities / Affordable, responsive and high performing government

Planned Action: Promote a culture of compliance and respond decisively to misconduct.

Opportunity to be heard

Completed: We standardized our procedure for when our licensees and registrants, or those applying for a licence or registration, request an opportunity to be heard regarding the status of their licence or registration.

Enforcement

Completed: We received 27 referrals from the Canadian Anti-Fraud Centre (CAFC) and one referral from a self-regulatory organization. As a result, we added 36 companies to our website's [Caution List](#) and sent email alerts to our subscribers.

Credit unions market impacts

In Progress: We monitored potential market impacts in the credit union sector, including the merger of three credit unions on January 1, 2023, and reported quarterly on the credit union system's key performance indicators, including capital and liquidity regulatory requirements.

Client Focused Reforms

In Progress: We participated on a CSA compliance sweep of Client Focused Reforms' requirements and are working with the other CSA jurisdictions to draft a joint notice highlighting common deficiencies found during the sweep.

Insurance market conduct exam

Completed: Under the Canadian Council of Insurance Regulators' cooperative agreement, we participated in a cooperative market conduct exam of three managing general agents and joined in an ongoing fair treatment of consumers governance market conduct exam with Québec's Autorité des marchés financiers (AMF).

Planned Action: Work with national and international counterparts on legislative projects, education, and prevention to protect seniors from financial abuse.

Trusted Contact Person campaigns

Completed: Through our participation on the CSA's Investor Education Committee, we helped develop two national campaigns to create awareness around new provisions for registrants to obtain the name of a Trusted Contact Person (TCP) from their clients. To complement this work, we also launched a three-month multimedia campaign in New Brunswick on TCP, financial exploitation of older adults and the importance of estate planning, leading to World Elder Abuse Awareness Day on June 15, 2022. As part of the campaign, we promoted our new easy-to-navigate website, Finances50plus.FCNB.ca, for older adults, caregivers and industry professionals who work with older clients. Three videos were created for the website, explaining what a TCP is, what to consider when choosing one and what is a temporary hold. Over the year, we saw 21,209 visits to the new website and 779 video views.

Vulnerable client research

In Progress: We launched phase two of the CSA initiative to build a regulatory framework to address financial exploitation and cognitive impairment, with regards to financial matters. As part of this initiative, we engaged a consultant to conduct research on the definition of vulnerable clients to determine if it adequately protects investors.

Planned Action: Provide guidance to our regulated communities on cybersecurity risk management.

Mortgage broker guidance

Completed: We adopted the Mortgage Brokers Regulatory Council of Canada National Standard Committee's cybersecurity guidance. This guidance was disseminated to industry and is available on our website. We have a cyber risk section in our inspection and audit questionnaire to support the guidance.

Credit unions

In Progress: We continued to monitor the credit union cybersecurity framework, policies and standard operating procedures.

FCNB cybersecurity resource

Completed: We developed a FCNB white paper resource document to inform effective policy-making in cybersecurity risk management for our regulatory sectors.

Objective 3.3 (Education): We build and increase awareness among consumers and market participants.

We believe New Brunswickers are better equipped to protect themselves from frauds and scams in the financial and consumer services sectors 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. Our market participants also need to be kept apprised of their regulatory requirements and understand their responsibilities within consumer and investor protection. Through awareness campaigns, presentations and the development and sharing of resources, we work to educate our two main audiences – New Brunswickers and market participants. We do so with the help of relevant tools and media platforms that are considerate of our audiences.

Alignment with GNB Priority: World-class education

Planned Action: Develop and conduct educational programs with respect to financial and consumer services in collaboration with regulatory operations and our regulatory counterparts.

Brand rearticulation

In Progress: Following a brand audit, we engaged an agency to guide us in re-examining our brand. A brand strategy was completed in November 2022, that incorporates our new vision and values and works to enhance our communication with New Brunswickers and industry participants as well as strengthen trust in and promote understanding of our role. Work to develop a brand identity and brand guidelines continues.

Educational and outreach programs

Completed: We conducted targeted and relevant educational and outreach programs that focused on key priority areas and the diverse needs of New Brunswickers. Digital campaigns were conducted on the following topics: finances for older adults, financial exploitation, crypto scams, do-it-yourself investing, and payday loans.

Completed: We attended two older adult events and provided 28 presentations to older adults across the province to help educate on financial abuse and fraud targeting older adults. From August 2022 to February 2023, we collaborated with the New Brunswick Community College (NBCC) to present on financial abuse in their Aging in Place Senior Care Navigation Workshops for informal senior caregivers funded by the Healthy Seniors Pilot Project.

Completed: We developed three online guides for older adults and industry professionals on what makes a person vulnerable to frauds and scams, how to communicate with older adults, and how to beware of crypto scams. In December 2022, we launched a digital campaign to drive traffic to Finances50plus.FCNB.ca and to promote our new guides.

In Progress: We initiated development of an e-learning module to educate older adults, registrants, industry professionals and caregivers about financial exploitation of older adults, and the regulatory measures in place to protect older and/or vulnerable adults.

Theme month campaigns

Completed: We conducted campaigns during Investor Education Month (IEM) in October 2022, Financial Literacy Month (FLM) in November 2022, and Fraud Prevention Month (FPM) in March 2023. During IEM, we promoted social ads and web content to inform new and current investors of the role Environmental, Social and Governance (ESG) factors can play in socially responsible investing and the risks of greenwashing. For FLM, we collaborated with the New Brunswick Women's Equality Branch to develop resources and help reduce barriers to financial resilience for New Brunswick women. To celebrate FPM, we launched a new video on social media that warned about the risks of using unlicensed payday lenders and the importance of reporting them.

Unclaimed Property Program

Completed: We launched a year-long, multimedia awareness campaign on the Unclaimed Property Program and created supporting educational content for holders as well as professionals serving the holders to assist them during the program's first reporting period. The campaign focused on making holders aware of the requirements under the new *Unclaimed Property Act* and key reporting dates.

Planned Action: Monitor fraud threats in our regulated areas and alert New Brunswickers of issues.

Completed: We issued 36 caution alerts and three fraud alerts to warn New Brunswickers about unlicensed or illegal activity in our regulated areas. We also shared three alerts from the Canadian Anti-Fraud Centre and issued two news releases to warn New Brunswickers about inappropriate activity in our regulated sectors.

Planned Action: Support the Financial and Consumer Agency of Canada's national Financial Literacy Strategy 2021-2026 to make the financial ecosystem more accessible, inclusive and effective for all Canadians.

Women's financial resilience

Completed: To support the National Financial Literacy Strategy 2021-2026, we developed new resources for FLM focused on women's financial resilience. Resources include an online guide, a video to help women take control of their financial future, and a 2023 wall calendar featuring tips to help women increase their confidence in managing their personal finances. More than 9,500 calendars were distributed to groups and organizations to share with their clientele. We also co-facilitated a webinar with the New Brunswick Women's Equality Branch to showcase our presentation for organizations to use to promote financial resilience within their settings. Fifty organizations from around the province participated in the webinar.

Collaboration with the Centre of Excellence for Entrepreneurship

Completed: We signed an agreement to support the Centre of Excellence for Entrepreneurship by providing educational resources and collaborating on initiatives to enhance financial literacy programs within the New Brunswick Department of Education and Early Childhood Development. We participated in Financial Literacy Week webinars and co-hosted three professional learning days for educators, sharing resources and tips for incorporating financial literacy in the classroom.

Consumer brochures

Completed: We reviewed our current consumer brochures to make sure they are current and reflect a consistent brand message.

Consumer and Market Performance Measure	2022-2023 Result	2022-2023 Target	Achieved
Stakeholder engagement survey score ^[4]	83.2%	70%	Yes
Service standard/response time metrics	95.9%	90% meeting service standards	Yes
Regulatory enforcement case assessment	100%	80% within 30 days	Yes
	100%	100% within 60 days of receipt of completed referral file	Yes

4 Our first stakeholder survey was conducted in the summer of 2022. Invitations to complete the survey were sent to more than 2,600 stakeholder emails with a 7.59% response rate, providing a margin of error 6.9, 19 times out of 20.



FINANCIAL GOAL

Objective 4.1: We have the financial capacity to accomplish our mandate.

As a Crown corporation, FCNB is accountable – both from a financial and a legislative perspective – to its stakeholders. We are expected to have the operational and financial capacity to accomplish our mandate.

Alignment with GNB Priority: Affordable, responsive and high performing government

Planned Action: Adhere to the budget set at the beginning of each fiscal.

Completed: We provided monthly variance analysis to the Commission and reported quarterly on revenue and expenses.

Objective 4.2: We deliver value to our key audiences.

We are committed to maintaining regulatory approaches and organizational practices that deliver value to our key audiences. We will continue to be flexible yet agile in our approach to regulatory policy development so as to provide the most effective oversight regime and will continue to assess how we may best adapt our approaches and processes to achieve efficiencies.

Alignment with GNB Priority: Affordable, responsive and high-performing government

Planned Action: Support a workplace culture accountable to our stakeholders.

In Progress: We conducted research into programs designed to support our culture of accountability, namely as it relates to helping FCNB and its employees maintain good health and regular attendance.

Planned Action: Report to our Minister and other stakeholders in timely, accessible, consistent, and transparent ways in accordance with mandated requirements.

Completed: We delivered our 2021-2022 Annual Report to the Minister on July 28, 2022, and posted it to the Commission's website. We submitted our Strategy and Business Plan for 2023-2026 to the Minister on February 24, 2023, and published it on our website before June 30, 2023.

Planned Action: Continue to meet our targeted net income.

Completed: Staff provided monthly variance analysis to the Commission.

Objective 4.3: We are self funded.

We are funded by the regulatory fees and assessments paid by the regulated sectors, which provides a strong foundation for the Commission as an independent regulator. The *Financial and Consumer Services Commission Act* provides the authority to make rules relating to fees and assessments.

Alignment with GNB Priority: Affordable, responsive and high performing government

Planned Action: Monitor FCNB fee rules and ensure that they support maintaining our financial capacity.

Reporting to regulatory divisions

Completed: We are providing enhanced financial reporting to the leaders of our regulatory divisions to facilitate ongoing financial analysis.

New fee Rules

Completed: In September 2022, we implemented new licensing and renewal fees for several of our consumer affairs regulated industries, some of which had not been updated for decades. This required updates to our licensing portal and website to reflect the new fees.

Completed: On February 1, 2023, we implemented new insurance licence applications fees to support the new Rule INS-002 *Insurance Fees*.

Completed: Our Securities Division adopted a new Local Rule 11-501 *Fees* on February 6, 2023. The fee rule standardized, increased or introduced certain fees to align New Brunswick with comparable CSA jurisdictions or to address securities legislation changes.

Financial Performance Measure	2022-2023 Result	2022-2023 Target	Achieved
Net income target	\$9.351 M	\$6.582 M	Yes
Actual to budget variances	5%	Total expenses not to exceed budget by 5%	Yes



ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) GOAL

Objective 5.1: Our regulatory standards are consistent with societal values.

As investors and consumers show a growing interest in products that meet certain environmental, social or governance (ESG) standards when investing or making spending choices, FCNB will need to play an active role in monitoring this evolving landscape and in any policy-making discussions that follow.

Alignment with GNB Priority: Energizing the private sector / Environment

Planned Action: Our leaders will serve on influential interjurisdictional committees.

Completed: To ensure our regulatory standards are consistent with societal values, our employees participated on provincial, national and international committees that have an impact on ESG factors, including:

- The Mortgage Broker Regulator Council of Canada (MBRCC)
- The CSA's Investment Funds Committee, which is monitoring ESG-related investment funds, as well as its Investor Education Committee, Diversity Committee, Climate Change Committee and its Taskforce on Indigenous Peoples in the Capital Markets
- The North American Securities Administrators Association's Board-level Diversity, Equity and Inclusion Committee
- The Credit Union Prudential Supervisors Associate's Climate Risk Committee
- The Canadian Council of Insurance Regulators (CCIR) Climate Change, Natural Catastrophes and Consumer Awareness Working Group
- The Canadian Association of Pension Supervisory Authorities ESG Committee, researching and developing guidelines on the integration of ESG factors in the supervision of pension fund investment and risk management

Objective 5.2: Our culture supports equity, diversity and inclusivity.

The Commission wishes to promote learning opportunities on the subject of equity, diversity and inclusivity (EDI) to develop greater awareness and common understanding among employees at all levels of the organization. The Commission recognizes that various perspectives and diversity among our staff fosters better policy making and innovation. Increased knowledge of EDI will enhance both individual and organizational planned actions and help us in reaching our organizational vision.

Alignment with GNB Priority: Environment

Planned Action: Provide relevant and mandatory training to employees and members across the organization to grow internal competencies and nurture a culture of equity, diversity and inclusion (EDI).

CCDI Partnership

Completed: To support members and employees in their EDI training, we became an Employer Partner with the Canadian Centre for Diversity and Inclusion (CCDI). This three-year relationship will provide FCNB members and employees free access to multiple webinars, sessions, documents and resources on EDI in both languages.

Employee training

Completed: Staff completed the second year of FCNB's foundational "*Equity, Diversity & Inclusion in The Workplace*" program in 2022. They participated in five one-hour EDI training sessions and completed two hours of self-study from a bank of approved resources.

Commission member training

Completed: Commission members participated in the three-hour education session, *Roles and Responsibilities of Leaders to Promote Equity, Diversity, and Inclusion in Organizations*, by Dr. Manju Varma, the NB Commissioner of Systemic Racism. They also participated in a one-hour dialogue with the Manager, Diversity and Inclusion at the Ontario Securities Commission (OSC), regarding the initiatives undertaken at the OSC to foster and improve EDI and the implementation of its EDI strategy. In addition, members were responsible to complete two hours of EDI self-study.

Accessibility

Completed: We conducted website audits of FCNB.ca, Finances50plus.FCNB.ca and NBCUDIC.ca to assess accessibility compliance and fix critical usability issues. As part of the audit, we identified other issues and drafted an accessibility recommendations report for future implementation.

Planned Action: Consider environmental, social, and governance (ESG) as a factor when assessing requests for funding stakeholder events or initiatives.

Stakeholder support

Completed: We considered ESG criteria when assessing 11 requests for funding stakeholder events or initiatives. All of our approved stakeholder requests met our ESG criteria.

Objective 5.3: Our governance is robust and rightsized for our organization.

The Commission is committed to regulatory leadership and strives for excellence in all aspects of its operations. We believe that strong governance practices considerate of our unique characteristics will promote responsible stewardship, ethical behaviour and effective performance.

Alignment with GNB Priority: Affordable, responsive and high performing government

Planned Action: Implement the recommendations of the organization's 2021 governance review.

In progress: We prioritized and completed the implementation of eight of the 10 overarching recommendations from the 2021 comprehensive review of our governance practices, including the implementation of a strategic scorecard, the development of a succession plan for the Chair position, and the identification of efficiencies in our reporting to the Commission. Efforts continue to be made to keep our *Governance Policy* current and in line with best governance practices, and research is underway regarding how best to implement independent assessments of the effectiveness of our programs.

Planned Action: Refresh our Enterprise Risk Management (ERM) framework.

Completed: We refreshed our ERM framework, which now includes a risk governance charter, a risk appetite framework, a risk register, a risk management policy and reporting templates.

In Progress: We researched options for an electronic ERM platform for risk and strategic planning; a business case and analysis will follow.

ESG Performance Measure	2022-2023 Result	2022-2023 Target	Achieved
Number of interjurisdictional committees FCNB participates on with ESG impact	12	2 per regulatory operations divisions	Yes

Our Leadership

Name	Title
Kevin Hoyt	Chief Executive Officer
Manon Losier	Vice President, Legal and Business Operations
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
Véronique Long	Corporate Secretary Senior Legal Counsel
Natasha Arseneault	Director, Human Resources, Business Planning and Accountability Division
Susan Powell	Director, Enforcement Division
Jeff Harriman	Director, Finance and Facilities Division
Marissa Sollows	Director, Communications and Public Affairs Division
Erin King	Acting Director, Communications and Public Affairs Division (until December 19, 2022)
Deborah Gillis	Director, Legal Services Division (as of December 1, 2022)
Erin Toole	Director, Legal Services Division (until November 30, 2022) Director, Unclaimed Property Division (as of November 1, 2022)
Andrew Nicholson	Director, Unclaimed Property Division (until October 31, 2022)
Étienne LeBoeuf	Director, Financial Institutions Division
Alaina Nicholson	Director, Consumer Affairs Division
Jennifer Sutherland Green	Director, Pensions (until July 24, 2022) and Insurance Division
Robert Picard	Acting Director, Insurance Division
Maryse Gagnon-Ouellette	Director, Pensions Division (as of July 25, 2022)
To-Linh Huynh	Executive Director, Securities Division

Our Activity

Compliance Reviews

Related Act	2022-2023	2021-2022	2020-2021	Focus of Review
<i>Collection and Debt Settlement Services Act</i>	114 ^[5]	13	49	Financial statement reviews
<i>Pre-arranged Funeral Services Act</i>	20	19	5	Trust account inspections
<i>Mortgage Brokers Act</i>	10	11	16	Reviews for general adherence to legislation
<i>Insurance Act</i>	74	62	64	Compliance reviews
	6	6	6	Solvency reviews of provincially licensed insurers
	5	1	2	Review of insurance brokerage's trust account
<i>Securities Act</i>	2	0	2	Investment Fund Manager, Portfolio Manager and/or Exempt Market Dealer
	0	0	1	Scholarship plan dealer (NB location) compliance review
	1	2	1	Mutual Fund Dealer compliance review
	2	2	3	Continuous disclosure reviews
	625	753	737	Report of exempt distribution reviews
	6	5	5	Annual filing reviews: NB registrants, cooperatives and CEDCs
<i>Direct Sellers Act</i>	71	83	75	Compliance reviews of direct seller contracts
<i>Credit Unions Act</i>	7	2	9	Compliance examinations
<i>Cost of Credit Disclosure and Payday Loans Act</i>	204	175	115	Compliance reviews of cost of credit disclosure contracts
	2	3	3	Payday lender licensing reviews
	1	0	0	Payday lender pre-licensing inspection

5 Higher than previous years as a result of fewer reviews during the pandemic.

Cooperatives

Category	2022-2023	2021-2022	2020-2021
Agriculture	26	26	25
Consumer	23	23	23
Fishery	7	7	8
Housing	17	16	16
Services	110	108	106
Forestry	6	6	6
Worker	9	9	9
Total	198	195	193

Pensions

Pensions and Related Submissions	2022-2023	2021-2022	2020-2021
Pension Plan Registrations	4	2	8
Pension Plan Amendment Registrations	83	135	137
Pension Plan Wind-Up Approvals	12	5	11
Annual Information Returns Reviewed	222	221	295
Actuarial Valuation Reports Reviewed	65	53	67
Standard Contract Registrations	11	10	18
Standard Contract Amendment Registrations	26	15	9
LIF/RRIF Transfer Approvals	803	887	728

Loans and Trust companies

Primary Jurisdiction	2022-2023	2021-2022	2020-2021
Total Provincial	0	0	0
Alberta	1	1	1
Quebec	1	1	1
Federal	44	44	45
Total Extra-Provincial	46	46	47

Consumer Affairs

Industry	Licence Type	2022-2023	2021-2022	2020-2021
Auctioneers	Auctioneers Licence	33	35	36
Collections	Agency Licence	56	61	58
	Branch Licence	50	57	52
	Collector Licence	1,962	2,404	2,282
Commissioner of Oaths	Provincial	569	674	536
	Foreign	3	0	1
Cost of Credit Disclosure	Company Registration	372	372	386
	Branch Registration	263	295	358
	Individual Registration	8	6	14
Payday Lenders	Payday Lenders Licence	5	5	6
Credit Reporting	Agency Licence	3	2	2
Direct Sellers	Vendor Licence	67	83	73
	Salesperson Licence	564	779	570
Mortgages	Mortgage Brokerage Licence	57	45	33
	Mortgage Associate Licence	98	69	52
	Mortgage Broker Licence	101	85	70
	Mortgage Administrator Licence	17	14	12
Pre-arranged Funerals	Provider Licence	47	43	50
	Manager Licence	54	50	62
Real Estate	Agent Licence	87	82	89
	Branch Licence	40	49	41
	Manager Licence	154	162	154
	Salesperson Licence	1,554	1,415	1,020
All Industries	Total Licences	6,164	6,787	5,957

Enforcement activity

Investigations	Regulatory Area	2022-2023	2021-2022	2020-2021
Number of cases opened	All areas	40	20 ^[6]	17
Number of cases concluded ^[7]	All areas	50 ^[8]	31 ^[6]	16
Number of ongoing cases at end of fiscal ^[7]	All areas	19	29	40
Cases opened by regulatory area	Cost of Credit and Payday Loans	0	2	N/A ^[9]
	Direct Sellers	0	1	1
	Financial Institutions	0	0	0
	Insurance	0	0	1
	Mortgage Brokers	0	0	2
	Pre-arranged Funerals	0	0	0
	Real Estate	1	1	2
	Securities (including New SRO) ^[10]	9	14	10
	Matters involving 2+ regulatory areas	0	2	1
	CAFC and scams reported to FCNB ^[11]	30	N/A ^[9]	N/A ^[9]
Investigation orders issued	All areas	2	5	2

6 Number adjusted from previous annual report to align with updated reporting (particularly pension matters no longer counted as enforcement activity).

7 Some cases had been opened in preceding years.

8 Cases concluded by regulatory area:

Insurance: 1

Mortgage Brokers: 2

Real Estate: 2

Securities (including New SRO): 14

Matters involving 2+ regulatory areas: 1

CAFC and scams reported to FCNB: 30

9 Newly measured statistics.

10 The Investment Industry Regulatory Organization of Canada and the Mutual Fund Dealers Association of Canada amalgamated on Jan. 1, 2023 to form the New Self-Regulatory Organization of Canada (New SRO).

11 Scams reported by the CAFC and members of the public.

Enforcement	2022-2023	2021-2022	2020-2021
Proceedings commenced before the Tribunal	7	1	3
Hearings held before the Tribunal	4	7	2
Decisions/Orders issued by the Tribunal	3	10	2
Other matters before the Tribunal	4	5	1
Staff appeals to the Court of Appeal	0	0	1
Decisions of the Court of Appeal	1	1	2
Matters held before the Court of Appeal	1	0	1

Insurance companies operating in New Brunswick

Category	Our Role	2022-2023	2021-2022	2020-2021
Companies based in NB	Primary regulator (licensing, solvency and market conduct)	6	6	6
Companies that were federally or internationally headquartered	Licensing and market conduct	157	164	167
Companies based in another province	Licensing and market conduct	37	37	37

Insurance

Licence Type	2022-2023	2021-2022	2020-2021
Life insurance agents/brokers	3,285 ^[12]	3,133 ^[13]	2,567 ^[13]
Other than life agents/brokers	N/A ^[12]	2,109	1,922
Non-resident brokers	N/A ^[12]	4,209	3,570
General insurance agent and other than life agent or broker	6,529 ^{[12],[14]}	N/A	N/A
Accidental and sickness agents	240	298	279
Travel agents	223	229	200
Special insurance brokers	15	13	13
Damage appraisers	N/A	6	105
Adjusters	2,274	2,150	2,042
Total number of licences produced	12,566^{[15],[16]}	12,147^{[15],[16]}	10,698^{[15],[16]}
Total number of licensees	13,279	14,061	12,594

12 With Rule INS-001 *Insurance Intermediaries Licensing and Obligations* coming into effect on February 1, 2023, there are no longer separate licence types for residents and non-residents.

13 Life Agents

2020-2021: Resident - 993; Non-Resident - 1,387

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

14 This number represents the combined total of General insurance agent licences and the remaining Other than life agent or broker licences that will be transitioned to the appropriate General insurance agent licence over the next two years.

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

16 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	2022-2023	2021-2022	2020-2021
Reporting issuers	5,904	5,579	5,478
Reporting issuers (New Brunswick-based)	8	9	9
Prospectus filings (non-mutual funds)	658	508	675
Mutual fund prospectus filings	3,868	4,286	4,028
Annual information forms	1,185	1,185	1,165
Reports of exempt distribution	625	753	737
Exemption applications (non-passport)	12	17	8
Cease-trade order	1	0	0
Management cease-trade order	0	0	0

Registration Activity	2022-2023	2021-2022	2020-2021
Registered firms	498	472	458
Registered firms (New Brunswick-based)	3	3	4
Branches/Sub-branches in New Brunswick	513	499	489
Registered individuals	14,481	13,376	12,225
Registered individuals (New Brunswick residents)	1,574	1,593	1,616

Unclaimed Property

Activity	2022-2023
Number of holders	139
Number of late holder applications	12
Total amount reported	\$5.86 million
Largest reporting by a single holder	\$699,376
Number of visits to FundsfinderNB.ca	17,365

Management's Discussion and Analysis

For the fiscal year ended March 31, 2023

Dated June 28, 2023

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, 2023. Unless otherwise noted, reference to a year means FCNB's year ending March 31. For example, "2023" means the fiscal year ending March 31, 2023.

All financial information related to 2022 and 2023 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 publication date, are not a guarantee of future performance. Certain statements outlining 2024 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.

FCNB exceeded our budgeted net income expectation for the year due to increased activity in many regulated sectors combined with sustained efforts in the area of cost controls.

Financial Highlights

Selected Financial Information

Revenue	Source	Year	Amount
Fees	Prospectus and distribution filings	2023	\$10,258,900
		2022	\$10,880,000
	Registrations	2023	\$5,451,762
		2022	\$4,955,410
	Financial filings	2023	\$2,182,600
		2022	\$2,228,525
	Licences and fees	2023	\$2,508,341
		2022	\$2,210,934
	Exemptions and orders	2023	\$26,450
		2022	\$41,300
Other	2023	\$47,953	
	2022	\$26,673	
Assessments		2023	\$3,099,165
		2022	\$2,942,994
Unclaimed Property income		2023	\$64,462
		2022	\$ -
Investment income		2023	\$616,275
		2022	\$155,512
Miscellaneous		2023	\$9,694
		2022	\$37,935

Expenses	Year	Amount
Salaries and benefits	2023	\$11,397,643
	2022	\$10,867,765
Administration	2023	\$1,541,371
	2022	\$1,383,422
Professional services	2023	\$456,913
	2022	\$490,199
Travel	2023	\$184,033
	2022	\$40,792
Premises	2023	\$429,979
	2022	\$397,283
Depreciation and amortization	2023	\$525,750
	2022	\$484,354

Selected Financial Information

Category	Budget 2024	Actual 2023	Actual 2022	Actual 2021
Revenue	\$24,387,000	\$24,265,602	\$23,480,783	\$22,609,582
Expenses	17,526,000	14,535,689	13,663,815	12,742,218
Excess of revenue over expenses	6,861,000	9,729,913	9,816,968	9,867,364
Total assets		18,157,411	24,015,913	24,250,097
Total liabilities		11,101,808	8,034,536	7,874,982
Total equity balance		7,055,603	15,981,377	16,375,115
Distributions to government		\$18,655,687	\$10,210,706	\$10,048,043

Net income for the year ended March 31, 2023 was \$9.7 million, slightly lower than the previous year, however, well ahead of budgeted income. FCNB saw revenue increases in both registrations and the number of licenses issued, as activity within certain sectors increased, most notably, in the areas of insurance, mortgage brokers and real estate. Revenue from the securities industry was slightly lower than the previous year but exceeded our budgeted expectations.

During the year, FCNB implemented the recommendations from our organizational review completed in fiscal 2022. The results include splitting our pensions and insurance division into two distinct divisions while also adding a Director of Human Resources, Business Planning and Accountability. Additional resources were added to support our new Unclaimed Property Program, our business operations, and our Information Technology team. Revenues reached \$24.3 million, exceeding budget by \$987,000, while remaining in line with the previous year. Our insurance and other regulatory areas saw increases in revenue. We saw a significant increase in our interest revenue due to changing interest rates and a small decrease in the number of pension plan filings in the province. Expenses of \$14.5 million were well below the budget of \$16.7 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 continued to increase, however, remained below pre-pandemic levels.
- Tribunal costs were impacted by staff vacancies.
- Travel and training were higher than the previous year.
- General administration expenses were notably lower than budget.

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 2023, revenue totalled \$24.3 million – a 3.0% increase from 2022 revenue of \$23.5 million. The securities sector represents FCNB's largest source of revenue, at 74% 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. This relationship also applies to the administration of the *Credit Unions Act* as FCNB recovers costs required to administer the regulatory system for credit unions.

Analysis of Total Revenue

Category	Description	2023 Amount	2022 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.	\$10,258,900	\$10,880,000	(\$621,100)
Registration fees	Paid by individuals and firms registering with FCNB to sell or advise on securities.	5,451,762	4,955,410	496,352
Financial filing fees	Paid by companies and mutual funds when filing annual financial statements and annual information forms.	2,182,600	2,228,525	(45,925)
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.	2,508,341	2,210,934	297,407
Exemptions and orders	Paid by market participants primarily to request exemptions from <i>Securities Act</i> requirements.	26,450	41,300	(14,850)
Other fees	Paid by regulated entities for late filing and other miscellaneous fees.	47,953	26,673	21,280
Total fees		\$20,476,006	\$20,342,842	\$133,164
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> .	\$3,099,165	\$2,942,994	\$156,171
Unclaimed Property income	Property vested pursuant to the <i>Unclaimed Property Act</i> .	64,462	-	64,462
Investment income	Earned on bank balances and short-term investments.	616,275	155,512	460,763
Miscellaneous income	Primarily a secondment to the Ontario Securities Commission.	9,694	39,435	(29,741)
Total revenue		\$24,265,602	\$23,480,783	\$784,819

Expenses

In 2022-2023, our total expenses were \$14.5 million, up \$872,000 (8.9%) from \$13.7 million in 2021-2022. Details by expense category follow.

Category	2023	% of 2023 Expenses	2022	% of 2022 Expenses	Change
Salaries and benefits	\$11,397,643	78.4%	\$10,867,765	79.5%	\$529,878
Administration	1,541,371	10.6%	1,383,422	10.1%	157,949
Professional services	456,913	3.1%	490,199	3.6%	(33,286)
Travel	184,033	1.3%	40,792	0.3%	143,241
Premises	429,979	3.0%	397,283	2.8%	32,696
Depreciation and amortization	525,750	3.6%	484,354	3.7%	41,396
Total expenses	\$14,535,689	100.0%	\$13,663,815	100.0%	\$871,874

Salaries and benefits

Compensation expenses increased by 4.8% to \$11.4 million from the previous year and were 78.4% of operating costs (79.5% in 2022). At year end, 103 staff were on payroll. The increase over the prior year arose from our annual compensation adjustment, filling vacant positions and the creation of new positions in our human resources, legal, IT, pension and unclaimed property divisions associated with our increased regulatory responsibilities.

Administration

Although significantly lower than budget, administration expenses increased slightly to \$1.5 million in 2023 from \$1.4 million in 2022, representing 10.6% of operating costs (10.1% in 2022). Our administrative costs over the past two years have returned to pre-pandemic levels. Our ability to travel and to organize in-person events and outreach programs have all been important contributors to our annual administration costs.

Professional services

Professional services expenses were \$457,000 in 2023, similar to the prior year at \$490,000. These costs cover general consulting, translation, legal and other expenses. External translation expenses decreased to \$20,000 in 2023 from \$40,000 in 2022, however, are still well under budget due to FCNB's internal staff being able to accommodate 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 \$184,000, which is significantly higher than the previous year as travel restrictions lifted; however, they remain below pre-pandemic levels. Certain requirements for travel have also been reduced due to greater opportunities to take part in events virtually.

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 \$526,000, slightly higher than the previous year as work on our internally built IT infrastructure continues.

Financial Assets and Liquidity

Market enhancement and consumer protection reserve

Funds in the market enhancement reserve of \$167,000 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. There were no administrative penalties issued during the year (\$1,500 in 2022).

Liquidity and financial position

FCNB has sufficient liquidity to fund its 2023-2024 operations and capital purchases with cash of \$5.4 million (\$5.2 million in 2022).

Disposition of surplus operating funds

FCNB made a series of payments totalling approximately \$18.7 million to the Province of New Brunswick, \$10 million of which came from the Restructuring Reserve that was fully repaid during the year.

Stabilization reserve

FCNB increased and fully funded the stabilization reserve to \$5 million (\$4 million 2022) to be in a position 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

The restructuring reserve of \$10 million, which had been set up in 2015 in anticipation of the formation of a Cooperative Capital Markets Regulatory Authority (CCMRA) that was to assume responsibility for the securities functions of the Commission, was paid to the Provincial Consolidated Fund given it was determined that the CCMRA would unlikely come to fruition for the foreseeable future.

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 84.8% of the receivable balance in 2023 (87.1% in 2022). 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 \$1.0 million and it has additional right-of-use assets due to the lease totalling \$926,000.

Unclaimed property

New Brunswick's *Unclaimed Property Act* requires businesses and government entities holding unclaimed property (holders) to review their books and deliver any unclaimed monetary property to the program. The program relieves holders of the expense and liability of carrying the property on their books.

As of year-end, FCNB is holding \$2.0 million, and has known receivables of \$660,000. These are kept in a unique bank account, and will be available to claim in fiscal 2024.

FCNB received reports from holders of securities. Though these amounts will continue to be held by the business or government entity, FCNB will be providing the details of those securities on its FundsFinderNB website. As of March 31, 2023, entities reported holding \$595,643 of securities.

Risks and uncertainties

Risk assessment and mitigation

The Commission's current Enterprise Risk Management Program 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.

FCNB undertook a review of its existing risk management framework in 2022-23, and developed a refreshed, comprehensive Enterprise Risk Management Framework based on our existing practices, which will be fully operationalized through the 2023-24 fiscal year. The framework reflects the current enterprise risk management standards that define best practices. As such, it formalizes FCNB's approach to risk and provides processes that integrate risk management into our business life cycle and day-to-day operations. Changes to our process include the implementation of a strategic scorecard, the development of a succession plan for the Chair position, and the identification of efficiencies in our reporting to the Commission.

FCNB's current risk assessment is that all reasonable steps have been taken, or are in the process of being taken, to mitigate risks to the extent they are within the control of the organization.

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

Fee revenue

We fund operations primarily from filing fees paid by market participants and regulated entities. Fee revenue is generally not sensitive to market conditions, which held true over the past few 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 74% 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 spring or early summer 2023. 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). For fiscal 2023, there were no new standards that impacted FCNB's results.

2024 outlook

Revenue and expenses

Budgeted revenue is \$24.4 million for 2024, an increase over our 2023 budget. The budgeted increase year-over-year represents anticipated increases in our registration and licensing fees with some additional revenue due to various cost recoveries.

Operating expenses are budgeted to be \$17.5 million for 2024. This is an increase from our 2023 budget of \$831,000.

The additional budget expenses relate mostly to our annual increase in staff compensation combined with the additional staffing needs of FCNB. Our mandate and responsibilities continue to expand, and to remain successful, we must strategically invest in our organization.

Liquidity

Our budgeted surplus for 2024 is approximately \$6.9 million. Given the funded stabilization reserve, 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 12 Leaders. 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, life insurance, pension, leave and parking. The CEO receives a vehicle allowance and is eligible for a supplemental pension.

Senior management remuneration

Position	Salary range as at March 2023
Chief Executive Officer	\$176,000 - \$264,000
Executive Management: Vice Presidents (2) and Director (1) of Information Technology and Regulatory Informatics and Chief Information Officer	\$133,171 - \$201,421
Leaders (12)	\$111,531 - \$167,088

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 and
Business Operations

June 28, 2023

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, 2023, 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, 2023, 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

July 5, 2023

Saint John, New Brunswick

Financial and Consumer Services Commission
Statement of Financial Position
as at March 31, 2023 (in Canadian \$)

	2023 March 31	2022 March 31
ASSETS		
Current Assets		
Cash (Note 7)	\$ 5,233,809	\$ 5,041,391
Cash unclaimed property (Notes 7, 14)	2,030,398	-
Accounts receivable (Note 9)	3,087,918	2,858,478
Accounts receivable unclaimed property (Notes 9, 14)	659,427	-
Prepaid expenses	198,161	181,323
	11,209,713	8,081,192
Cash held for designated purposes (Notes 7, 10)	166,761	161,126
Investments held for designated purposes (Notes 8, 10)	5,000,000	14,000,000
Property and equipment (Note 11)	1,216,201	1,495,245
Intangible assets (Note 12)	564,736	278,350
	\$ 18,157,411	\$ 24,015,913
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (Note 20)	\$ 816,281	\$ 734,545
Unclaimed property (Note 14)	2,689,826	-
Accrued salaries and benefits	290,711	366,873
Current portion of employee future benefits (Note 19)	62,465	21,465
Accrued vacation liabilities	157,243	164,896
Current portion of lease obligations (Note 13)	345,412	346,011
Deferred revenue	5,392,305	4,843,507
	9,754,243	6,477,297
Lease obligations (Note 13)	676,296	1,021,708
Employee future benefits (Note 19)	671,269	535,531
	1,347,565	1,557,239
Total liabilities	11,101,808	8,034,536
Equity balances		
General	1,888,841	1,820,251
Restructuring reserve (Note 10)	-	10,000,000
Stabilization reserve (Note 10)	5,000,000	4,000,000
Market enhancement and consumer protection reserve (Note 10)	166,572	160,936
Disgorgement reserve (Note 10)	190	190
	7,055,603	15,981,377
	\$ 18,157,411	\$ 24,015,913

Commitments and contingencies (Note 17)

The accompanying notes are part of these financial statements.

APPROVED BY THE COMMISSION

Original signed by
Peter Klohn

Chair

Original signed by
Norma Kelly

Member

Financial and Consumer Services Commission
Statement of Comprehensive Income (by nature)
for the year ended March 31, 2023 (in Canadian \$)

	2023	2022
REVENUE		
Fees		
Prospectus and distribution filings	\$ 10,258,900	\$ 10,880,000
Registrations	5,451,762	4,955,410
Financial filings	2,182,600	2,228,525
Licences and fees	2,508,341	2,210,934
Exemptions and orders	26,450	41,300
Other	47,953	26,673
Assessments	3,099,165	2,942,994
Unclaimed property	64,462	-
Administrative penalties and settlements	-	1,500
Investment income	616,275	155,512
Miscellaneous	9,694	37,935
	24,265,602	23,480,783
EXPENSES		
Salaries and benefits (Note 21)	11,397,643	10,867,765
Administration (Note 22)	1,541,371	1,383,422
Professional services	456,913	490,199
Travel	184,033	40,792
Premises	429,979	397,283
Depreciation and amortization	525,750	484,354
	14,535,689	13,663,815
COMPREHENSIVE INCOME	\$ 9,729,913	\$ 9,816,968

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, 2023 (in Canadian \$)

	General	Restructuring reserve	Stabilization reserve	Market enhancement and consumer protection reserve	Disgorgement reserve	Total
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 15)	(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
Comprehensive income	9,729,913	-	-	-	-	9,729,913
Disposition of surplus operating funds (Note 15)	(18,655,687)	-	-	-	-	(18,655,687)
Investment income reallocation	(5,636)	-	-	5,636	-	-
Allocation from general (Note 10)	(1,000,000)	-	1,000,000	-	-	-
Allocation to general (Note 10)	10,000,000	(10,000,000)	-	-	-	-
Balance, March 31, 2023	\$ 1,888,841	\$ -	\$ 5,000,000	\$ 166,572	\$ 190	\$ 7,055,603

The accompanying notes are part of these financial statements.

Statement of Cash Flows

for the year ended March 31, 2023 (in Canadian \$)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Comprehensive income	\$ 9,729,913	\$ 9,816,968
Adjustment for depreciation and amortization	525,750	484,354
	10,255,663	10,301,322
Changes in non-cash working capital		
Accounts receivable	(888,867)	84,214
Prepaid expenses	(16,838)	(15,826)
Accounts payable and accrued liabilities	2,771,463	237,083
Accrued salaries and benefits	(76,062)	(168,663)
Employee future benefits	176,738	74,779
Accrued vacation liabilities	(7,653)	(26,495)
Deferred registration fee revenue	548,798	384,666
	12,763,242	10,871,080
CASH FLOWS FROM FINANCING ACTIVITIES		
Disposition of surplus operating funds	(18,655,687)	(10,210,706)
Repayment of lease liability	(346,011)	(341,816)
	(19,001,698)	(10,552,522)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment and intangible assets	(533,093)	(250,493)
Investments held for designated purposes	9,000,000	-
	8,466,907	(250,493)
NET INCREASE IN CASH	2,228,451	68,065
CASH, BEGINNING OF YEAR	5,202,517	5,134,452
CASH, END OF YEAR	7,430,968	5,202,517
Represented by:		
Cash	\$ 5,233,809	\$ 5,041,391
Cash unclaimed property	2,030,398	-
Cash held for designated purposes	166,761	161,126
	\$ 7,430,968	\$ 5,202,517
	2023	2022
Note: Cash flow from interest received is included in comprehensive income.	\$ 503,508	\$ 155,512

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, 2023 (in Canadian \$)

1. Nature of the corporation

The Commission is a body corporate without share capital established 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 develops and conducts educational programs on financial and consumer services.

Financial and consumer services legislation means the:

- *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 Reporting Services Act*
- *Credit Unions Act*
- *Direct Sellers Act*
- *Franchises Act*
- *Gift Cards Act*
- *Insurance Act*
- *Loan and Trust Companies Act*
- *Mortgage Brokers Act*
- *Nursing Homes Pension Plans Act*
- *Pension Benefits Act*
- *Pooled Registered Pension Plans 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, 2023 (including comparatives) were approved by the Commission on June 28, 2023.

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, application fees 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
- 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 the statement of comprehensive income 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: 5 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.

In the rare instance 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 comprehensive 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 (derived from prices)

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

(h) Unclaimed Property

FCNB has the legislative right to make claims against the restricted unclaimed property fund to recover the costs of administering the Unclaimed Property Program. The claims are recognized in the financial statements when the recognition criteria have been met and the claim has been made.

(i) Future accounting and reporting changes

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

4. Significant accounting estimates and judgments

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

(a) Significant accounting estimates

Property and equipment and intangible assets

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

Sick leave credits benefit

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

Supplemental pension benefit

Supplemental pension benefits were calculated by a qualified actuary.

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 \$5,000,000 (\$4,000,000 in 2022). 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, unclaimed properties, 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 four 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, 2023 was \$17,778 (\$18,185 in 2022) and is included in cash. The fourth is a bank account that holds unclaimed property. 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 \$5,000,000 to the stabilization reserve (2022, \$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 1.5 per cent to 5 per cent. The amounts attributable to the 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 \$2,617,733 as of March 31, 2023 (\$2,489,709 in March 31, 2022).

No provision for allowance for doubtful accounts is required.

10. Reserve

Restructuring reserve

The restructuring reserve was repaid to the Provincial Consolidated Fund in the amount of \$10 million based on the determination of management that the proposed cooperative capital markets regulatory system would unlikely come to fruition for the foreseeable future.

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 was revised during the year to \$5,000,000 (\$4,000,000 in 2022).

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 \$166,572 (\$160,936 in 2022).

Disgorgement reserve

FCNB can issue disgorgement orders under section 184 of the *Securities Act*, or the Court of King'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	Leasehold improvements	Right-Of-Use Asset	Total
Cost							
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
Additions	34,655	-	50,297	-	100,142	-	185,094
Dispositions	-	-	14,253	-	-	-	14,253
As at March 31, 2023	\$ 535,620	\$ 47,400	\$ 325,136	\$ -	\$ 989,709	\$ 2,280,536	\$ 4,178,401
Accumulated Depreciation							
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
Depreciation	27,170	8,421	55,325	-	55,725	317,497	464,138
Dispositions	-	-	14,253	-	-	-	14,253
As at March 31, 2023	\$ 468,018	\$ 45,970	\$ 215,517	\$ -	\$ 878,188	\$ 1,354,507	\$ 2,962,200
Net Book Value							
As at March 31, 2022	\$ 60,117	\$ 9,851	\$ 114,647	\$ -	\$ 67,104	\$ 1,243,526	\$ 1,495,245
As at March 31, 2023	\$ 67,602	\$ 1,430	\$ 109,619	\$ -	\$ 111,521	\$ 926,029	\$ 1,216,201

12. Intangible assets

	Website	Regulatory information data system (internally developed)	Total
Cost			
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
Additions	-	348,000	348,000
Dispositions	-	-	-
As at March 31, 2023	\$ 58,779	\$ 1,621,423	\$ 1,680,202
Accumulated Amortization			
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
Amortization	10,608	51,006	61,614
Dispositions	-	-	-
As at March 31, 2023	\$ 37,564	\$ 1,077,902	\$ 1,115,466
Net Book Value			
As at March 31, 2022	\$ 31,823	\$ 246,527	\$ 278,350
As at March 31, 2023	\$ 21,215	\$ 543,521	\$ 564,736

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, 2023. This lease was renewed for 10 years beginning March 1, 2023. The lease provides an early termination clause granting FCNB the option to terminate the agreement after the 5th year of the agreement. FCNB is required to provide nine months prior written notice to exercise said option. FCNB has assessed the term of the lease to be five years for the purposes of calculating its right of use asset and lease liability since it is not reasonably certain it will not exercise the early termination clause.

FCNB's leases entered into in 2023, for office equipment, have 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	
	2023	2022	2023	2022
Not later than 1 year	\$ 360,017	\$ 366,550	\$ 345,412	\$ 346,011
Later than 1 year and not later than 5 years	687,784	1,047,801	676,296	1,021,708
	\$ 1,047,801	\$ 1,414,351	\$ 1,021,708	\$ 1,367,719
Less: Current portion			345,412	346,011
Lease obligations			\$ 676,296	\$ 1,021,708

14. Unclaimed property

In accordance with New Brunswick's *Unclaimed Property Act*, FCNB has received deposits from various entities representing unclaimed property. These deposits are held by FCNB until vested or claimed by the owner of such funds.

	2023
Balance beginning of year	\$ -
Receipts from holders	2,094,861
Receivables from holders	659,427
Less payouts to recipients	-
Less vested property	64,462
Balance end of year	\$ 2,689,826

Holders have also provided FCNB with details related to securities holding for \$595,643.

15. Disposition of surplus operating funds

The disposition of surplus operating funds consists of payments to the Consolidated Fund of the Government of New Brunswick subject to the approval of the Treasury Board and consistent with subsection 21(7) of the *Financial and Consumer Services Commission Act*. FCNB paid \$18,655,687 in 2023 (\$10,210,706 in 2022).

16. Provisions

A provision is recognized if, as a result of a past event, FCNB has a present, legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. FCNB has no provisions recorded at March 31, 2023 (\$0 at March 31, 2022).

17. Commitments and contingencies

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

18. 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 four 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 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.

19. Employee future benefits

(a) Pension plan

FCNB provides pension benefits to its employees through participation in the Public Service Shared Risk Plan (the “Plan”), which is a shared risk pension plan. Annually, FCNB receives notification of the required contributions from the Board of Trustees of the Plan, which 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, 2023, FCNB expensed contributions of \$1,051,094 (\$1,031,419 in 2022) under the terms of the Plan.

(b) Unfunded benefit plan

Unfunded post-employment benefits for supplemental pension benefits are summarized below:

	2023	2022
Supplemental pension benefit obligation	\$ 260,800	\$ 209,600
Discount rate, end of year	4.90%	4.00%
Long-term rate of compensation increases	2.60%	2.60%
Assumptions for benefit increases (percentage of Consumer Price Index)	1.90%	1.39%

(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 \$472,934 (\$416,737 in 2022) for this benefit and a current year expense of \$83,954 (\$84,256 in 2022). This liability is discounted as follows: employees over the age of 50, FCNB applies a three-per-cent discount factor to adjust for the age of each eligible employee for each year that the employee is under the age of 55; and for employees under the age of 50, FCNB applies a three-per-cent discount factor to adjust for the age of each eligible employee for each year that the employee is under the age of 65. For liability calculation purposes, management estimates that half of employees under the age of 40 will retire from FCNB, 75 per cent of employees between the ages of 40 and 50 will retire from FCNB, and all employees over the age of 50 will retire from FCNB.

20. Related party transactions

Service New Brunswick (SNB), a related party to FCNB, provides certain services in the normal course of operations that are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. SNB provided information technology services to FCNB, such as data storage, data backup, data protection and support. FCNB expensed \$122,011 (\$144,722 in 2022) during the reporting period on these services. As of March 31, 2023, an accounts payable of \$114,039 (\$133,679 at March 31, 2022) 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 \$8,879 (\$19,498 in 2022). As of March 31, 2023, an accounts payable of \$999 (\$2,649 at March 31, 2022) was owed to the Translation Bureau and is subject to normal terms. This amount is included in accounts payable and accrued liabilities.

New Brunswick Credit Union Deposit Insurance Corporation (NBCUDIC) utilizes the resources of the 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 NBCUDIC. NBCUDIC expensed \$657,008 as of March 31, 2023 (\$736,072 in 2022). The value of the unpaid amounts from NBCUDIC at March 31, 2023 were \$41,664 (2022 - \$150,310) and were included in accounts receivable

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 \$290,986 (\$290,195 in 2022). As of March 31, 2023, an accounts payable of \$46,078 (\$137,470 in 2022) 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. FCNB expensed \$152,317 (\$152,317 in 2022) 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 *Medical Services Payment Act*, the *Hospital Services Act* and the *Family Services Act*; and 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.

In addition, FCNB recovers costs incurred by the Government of New Brunswick when it intervenes at insurance rate hearings. In 2023, these costs were \$133,911 (\$123,548 in 2022). FCNB now treats these costs as a recoverable from the insurance sector.

Key management personnel

Key management of FCNB includes Commission Members and the executive committee:

	2023	2022
Salaries and other short-term employee benefits	\$1,152,033	\$1,127,881
Post-employment benefits	117,157	102,952
	\$1,269,190	\$1,230,833

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

21. Salaries and benefits

	2023	2022
Salaries	\$ 9,126,412	\$ 8,903,861
Benefits	1,220,137	932,485
Pension expenses (Note 19)	1,051,094	1,031,419
	\$ 11,397,643	\$ 10,867,765

22. Administration

	2023	2022
Investor protection and education	\$ 378,774	\$ 295,435
Members and staff development	374,125	389,107
Information technology	276,177	236,844
Other administration	512,295	462,036
	\$ 1,541,371	\$ 1,383,422

23. Alternative presentation – Income statement by function

	2023	2022
REVENUE		
Securities	\$ 17,966,188	\$ 18,147,995
Insurance	3,960,559	3,539,957
Financial Institutions	811,753	882,452
Consumer Affairs	603,872	494,135
Pensions	241,675	253,893
Unclaimed Property	66,550	-
Investment income	614,159	155,907
Miscellaneous	846	6,444
	24,265,602	23,480,783
EXPENSES		
Governance and Corporate Management	4,893,791	4,551,914
Insurance	2,543,853	2,236,042
Securities	1,643,403	1,552,678
Consumer Affairs	1,200,461	1,146,219
Communications and Public Affairs	1,225,146	1,071,441
Enforcement	780,305	828,239
Financial Institutions	637,743	664,222
Pensions	731,017	641,645
Tribunal	438,053	493,868
Unclaimed Property	441,917	477,547
	14,535,689	13,663,815
COMPREHENSIVE INCOME	\$ 9,729,913	\$ 9,816,968