



FINANCIAL AND
CONSUMER SERVICES
COMMISSION



Working Together

2014-2015 Annual Report

Alone we can do so
little, together we
can do so much.

— Helen Keller

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To-Linh Huynh, Senior Analyst, Securities, France Bouchard, Executive Assistant, Rachel Sarpong, Receptionist and Administrative Support Officer

About FCNB

The Financial and Consumer Services Commission, known as FCNB, has the mandate to protect consumers and enhance public confidence in the financial and consumer marketplaces through the provision of regulatory and educational services.

FCNB is responsible for the administration and enforcement of provincial legislation that regulates securities, insurance, pensions, credit unions, caisses populaires, trust and loan companies, co-operatives and a wide range of consumer legislation.

We are an arm's length self-funded independent Crown Corporation established by the provincial government on 1 July 2013.

We believe the best way for people to protect themselves from frauds, scams and other consumer concerns is to be informed.

Acts we administer:

- *Financial and Consumer Services Commission Act*

Consumer Protection

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

Financial Institutions

- *Co-Operative Associations Act*
- *Credit Unions Act*
- *Loan and Trust Companies Act*

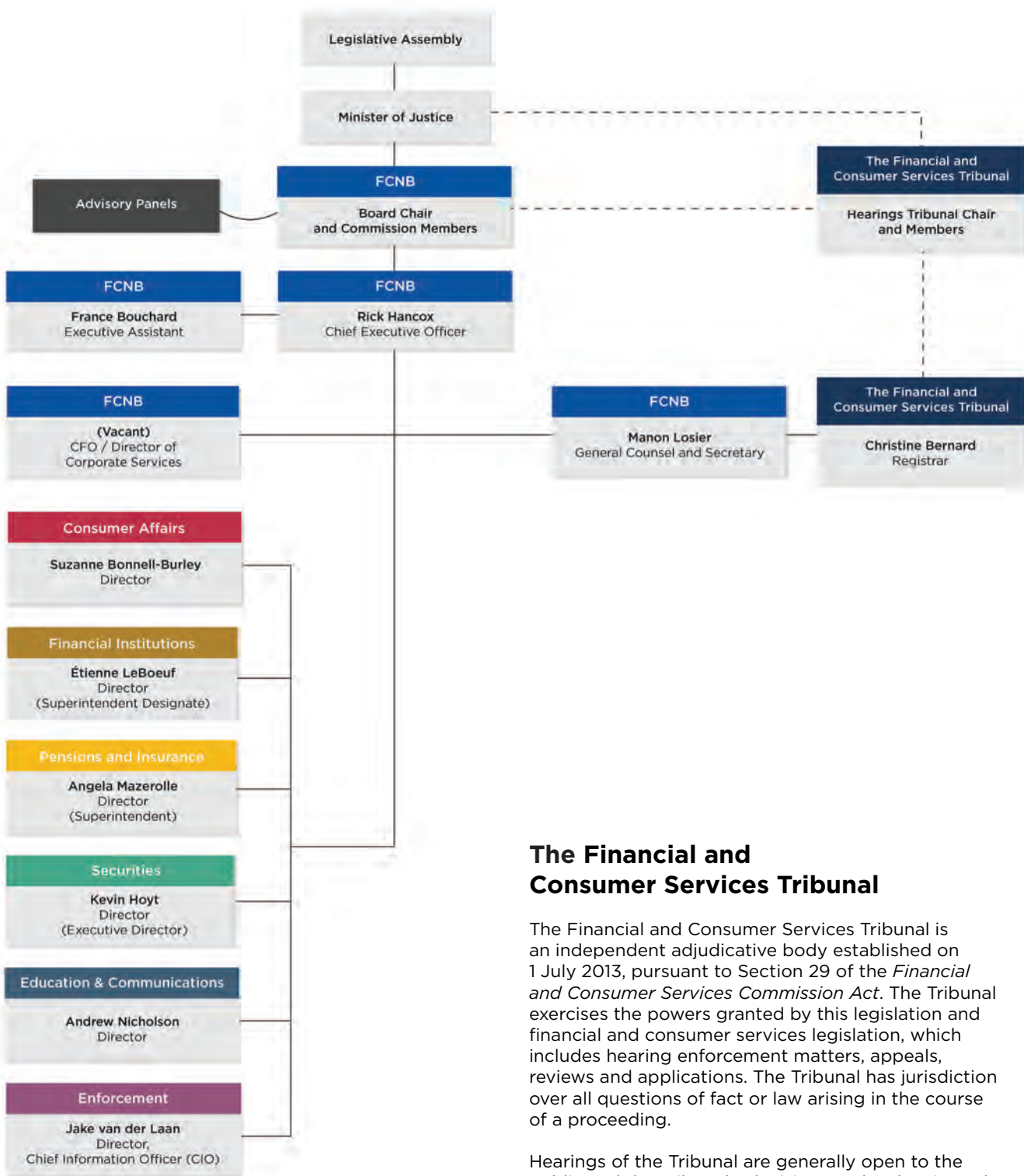
Pensions and Insurance

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

Securities

- *Securities Act*
- *Securities Transfer Act*

FCNB Organizational Chart



The Financial and Consumer Services Tribunal

The Financial and Consumer Services Tribunal is an independent adjudicative body established on 1 July 2013, pursuant to Section 29 of the *Financial and Consumer Services Commission Act*. The Tribunal exercises the powers granted by this legislation and financial and consumer services legislation, which includes hearing enforcement matters, appeals, reviews and applications. The Tribunal has jurisdiction over all questions of fact or law arising in the course of a proceeding.

Hearings of the Tribunal are generally open to the public and the Tribunal's decisions and orders issued can be found on the Tribunal's website: fcnbtribunal.ca.

Our Vision:

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

Our Mandate:

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

Building a Brand

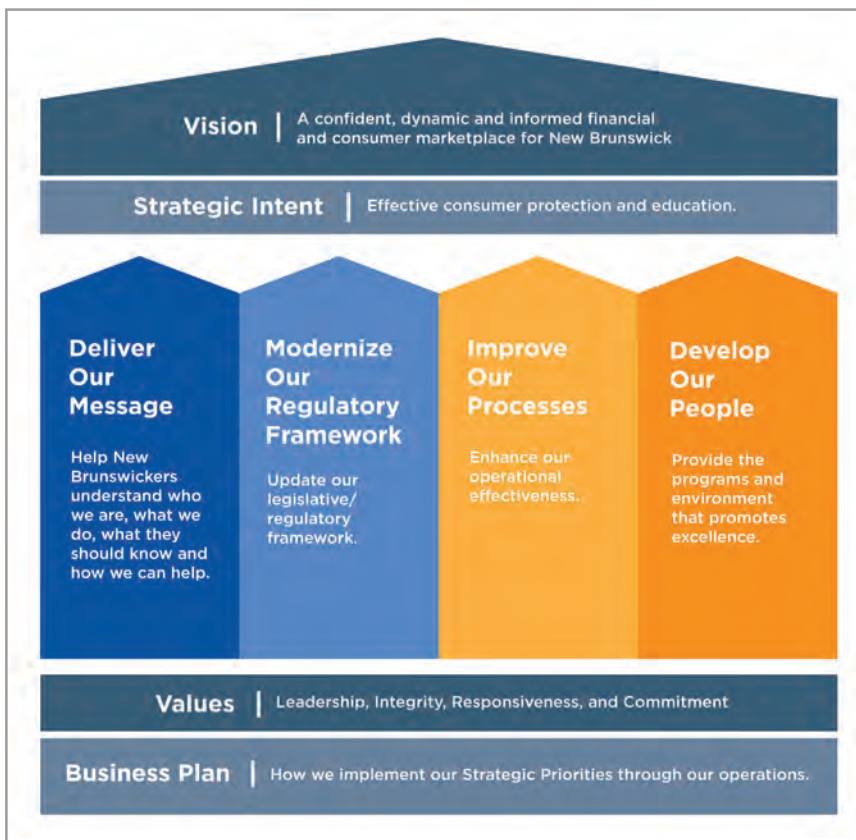
When building the FCNB brand, there were some difficult questions raised. How do we capture the various responsibilities of this new multi-sector regulator and provider of educational services? What brand will be effective in communicating with both our consumer and our industry audiences?

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

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



Strategic Map for Effective Consumer Protection and Education



For 2014-2015, our four key strategic priorities were:

- deliver our message;
- modernize our regulatory framework;
- improve our processes;
- develop our people.

Our focus is protecting New Brunswick consumers and fostering New Brunswick financial services markets. We plan a number of multi-year initiatives in each of the core business areas of our statutory mandate.

We use an annual work planning process to identify the specific undertakings, assigned responsibilities and associated timeframes planned for each year.

Letter from the Board Chair

On behalf of the Members of the Commission and our staff, I am pleased to present the 2014-2015 Annual Report for the Financial and Consumer Services Commission (FCNB). As the pages which follow indicate, it has been a busy year for FCNB.

The idea that “change is the only constant” has been attributed to a Greek philosopher. It is an idea that resonates with our Commission since the past two years have indeed been a state of constant change — both internally and externally. Internally, we continue the important work of integrating the activities of our regulatory divisions which began with the Commission’s establishment in July 2013. Whether it is improving our technical systems and advancing projects introducing electronic licensing capability, the move into common office space for our Fredericton staff or participating in a large number of legislative initiatives intended to improve our efficiency and effectiveness and help protect consumers, our staff have been adapting well and embracing change at every turn.

Our Commission staff are also very actively participating in the previously announced creation of the Capital Market Regulatory Authority (CMRA) — a national securities regulatory agency. Based on the thousands of hours which our Commission will invest in this project, I am confident that the Commission staff who will eventually leave us to become New Brunswick based CMRA employees will take significant leadership positions and play an important role when the new organization is launched in 2016. Their expertise and understanding of regional capital markets and their close co-operation with other participating jurisdictions will make an invaluable contribution to this new national organization and promote further opportunities for Atlantic Canadians.

When the CMRA is launched, change will continue to be our constant companion as the remaining staff of the Commission will further implement our long term plan of effective and efficient regulation in the remaining sectors which we regulate such as consumer affairs, pensions, insurance and financial institutions. The Commission will be responsible for an expanded mandate which will include the new mortgage brokers’

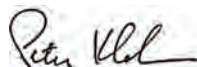
regime and other areas where collaboration with existing provincial regulators can facilitate self-funding and encourage logical efficiencies without compromising regulatory integrity. I am confident of our success in this endeavour because of the hard work and dedication of our staff and the thoughtful planning that is taking place in anticipation of these events.

External changes are also influencing our regulatory efforts. The decision by the Caisse Populaire movement to amalgamate and apply to be federally regulated will require significant modification of the way in which provincial financial institutions are regulated in the future. We will be working with the government to make recommendations for a sensible and effective regime.

Recently, we announced our approval of rules supporting “crowdfunding” in New Brunswick along with several other provincial regulators. Again, we are adapting to the pervasive change in the way in which people interact, receive information and make investment decisions via social media. We believe that good and effective regulation adapts constantly to reflect the world in which it operates.

There is however one thing that should never change—our Commission will constantly strive to maintain the highest standards of integrity and vigilance on behalf of the people it is our privilege to serve.

I would like to thank my fellow Commission Members for their hard work. Thanks to Céline Robichaud-Trifts, who left the Commission in June 2014, her dedication and commitment to our work has been much appreciated. I would also like to congratulate the Chair of our independent Tribunal, Monica L. Barley, and her Tribunal Members for their commitment to impartial adjudication. I would like to acknowledge the excellence of staff members who have been chosen by their peers to take leadership positions in national and international organizations. Finally, I once again wish to commend our entire staff for their tireless efforts and thank our stakeholders for their interest in, and support of, our mandate.



Peter Klohn
Chair

Letter from the CEO

The Financial and Consumer Services Commission wrapped up its first full year operating as a consolidated regulator in 2014-15. Research tells us that the three key requirements of an effective regulatory structure are:

- A legislated and legitimate foundation to achieve the intended public purpose of consumer protection;
- An organization that has the sustainable, operational and financial capacity to deliver on its mandate; and
- An organization that creates and delivers value to the public.

Our objective is to ensure we are an effective regulator. Our mandate is to protect New Brunswick consumers and enhance public confidence in our financial and consumer marketplaces through the provision of regulatory and educational services. Simply speaking, our mandate encompasses regulation, education and protection of New Brunswickers across a wide spectrum of consumer affairs, financial institutions, insurance, pensions and securities legislation. In order to carry out our responsibilities effectively and shape our direction as one new organization, we identified four strategic priorities. These were:

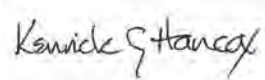
- Deliver our Message
- Modernize our Regulatory Framework
- Improve Our Processes
- Develop our People

In addition to the regular day-to-day activities of a regulator, the initiatives we have identified and undertaken in this reporting year are geared towards meeting the objectives of these priorities. A number will carry forward into future years as we solidify the organization and its capabilities. Internally, we've done a lot of work to integrate our regulatory structure, streamline our processes and procedures, and develop our skills while encouraging an environment of excellence. Externally, our focus has been to update legislation and regulations to ensure we have a modern and effective environment for the areas we regulate in New Brunswick.

We've also been working hard to spread awareness through our education and outreach efforts of who we are, what we do and why New Brunswickers should contact us. There's still more work for us to do. The best way for consumers to protect themselves is to be informed. Our website, fcnbc.ca provides a wealth of information on the areas we regulate, not only for New Brunswick consumers, but also for those working in industry.

This report provides an overview of these initiatives and the progress we have made. I am grateful for the hard work and dedication of Commission staff whose efforts have helped us accomplish this work.

Sincerely,



Kenrick Hancox
Chief Executive Officer

Peter Klohn, Chair, Kenrick Hancox, Chief Executive Officer





Seniors' Initiative

New Brunswick's aging population is a concern for many of our stakeholders. During our outreach sessions with the public, health officials and with those we regulate, we noticed that focus on senior financial abuse and the importance of proactive estate planning has been growing.

Some of the stories we heard of seniors being stripped of their life savings by those who prey on seniors' vulnerability were devastating. We believed it was important to conduct further research into financial abuse of seniors with the hope of identifying measures that could be taken to prevent exploitation.

"To address some of these concerns we partnered with a local lawyer to deliver a presentation on recognizing frauds and scams and the importance of proactive estate planning," said Deborah Gillis, Legal Counsel with FCNB. "To meet some of the education demands we created a new brochure: Understanding the Power of Attorney, to help New Brunswickers understand the rights and responsibilities afforded with a Power of Attorney."

While we've heard from many people that they are concerned about seniors, we considered that it was important to hear from seniors directly. A cross-divisional committee of FCNB staff has been working diligently on arranging engagement sessions with seniors across the province.

"Research indicates that seniors are disproportionately the victims of financial abuse," said Catherine Haines, Compliance Officer with Consumer Affairs. "We want to meet with seniors to determine what their financial concerns are and to assess if regulatory changes are needed to help prevent the financial abuse stories that we hear."

Highlights

How we did it:

"To address some of the concerns we were hearing, we partnered with a local lawyer to deliver a presentation on recognizing frauds and scams and the importance of proactive estate planning," said Deborah Gillis, Legal Counsel.

Why we did it:

"Research indicates that seniors are disproportionately the victims of financial abuse," said Catherine Haines, Compliance Officer with Consumer Affairs.



Technology Project

Staying current with our technology allows our staff to concentrate their time on improving regulation and consumer protection. Our Technology Team reviewed our systems and identified a need to prioritize the replacement of the technology used by our Pensions Division.

The Technology Team issued a request for proposal for the development of a pension information technology system. They reviewed 12 responses and selected a New Brunswick based technology company to provide a solution to meet our Pensions Division needs.

“The new Pensions Application will help us become more efficient and will allow us to be able to do more than we could with the previous system, including offering many of our services online.” said Jake van der Laan, Chief Information Officer. “This new system will allow us to improve our processes and modernize our regulatory framework allowing us to become a more effective regulator.”

Our Technology Team are working with the technology company to ensure we’re on track to meet our deadlines and fulfill our objectives for the technology update.

“The new system will change the way that stakeholders interact with us. They will be able to submit their filings online through a secure web portal and they will get faster feedback from us on compliance issues.” says Jennifer Sutherland-Green, Deputy Director Pensions Division.

Highlights

How we did it:

Our Technology Team reviewed our systems and identified a need to prioritize the replacement of the technology used by our Pensions Division.

Why we did it:

“The new Pensions Application will help us become more efficient and will allow us to be able to do more than we could with the previous system, including offering many of our services online.” said Jake van der Laan, Chief Information Officer.



Smart Tips Contest

Our vision is to build a confident, dynamic and informed financial and consumer marketplace for New Brunswick. To achieve this vision, we provide education for New Brunswickers to help empower them to make financial choices that are right for them. To spread awareness of FCNB and of our resources, we provide education sessions on a variety of topics such as frauds and scams, youth money management and proactive estate planning. We also do outreach to hear what is top of mind for New Brunswickers. This community engagement helps inform our education and outreach initiatives. New Brunswick consumers who are interested in learning more can subscribe to receive relevant updates by visiting fcnb.ca/subscribe.

In June 2014, we piloted a community engagement program. Working with radio stations' summer cruiser programs in four New Brunswick communities we asked what tips New Brunswickers would share with children about money. We received approximately 500 tips making it our most successful engagement campaign to date. This is clearly a topic that people feel passionate about.

"We've heard from New Brunswickers that they worry about financial literacy for children," shared Sara Wilson, Senior Communications Officer. "We believed that asking people to share their tips would help parents have the money talk with their children." An eBook collection of the tips collected will be published this summer.

To help make the conversations easier, FCNB promoted its youth money management program Make It Count! "Talking to kids about money is important because it helps them form responsible money habits that will last a lifetime," says Wilson.

Highlights

How we did it:

In June 2014, we piloted a community engagement program. Working with radio stations' summer cruiser programs in four New Brunswick communities we asked what tips New Brunswickers would share with children about money.

Why we did it:

"Talking to kids about money is important because it helps them form responsible money habits that will last a lifetime," says Sara Wilson, Senior Communications Officer.



Information at Their Fingers Tips

During Financial Literacy Month in November 2014, we introduced the new Life Stages resource. In an effort to make it easier for New Brunswickers to find relevant content on our website, we grouped information according to key life events.

Research shows that people tend to look for financial information when they have an immediate need. Making it easier for New Brunswickers to identify resources related to key decision making events allows them an easier way to access the information they need when they need it.

“Through our public outreach we heard that New Brunswickers believe that finding information to make financial decisions can be overwhelming,” said Andrew Nicholson, Director of Education and Communications. “In developing our Life Stages resource, we focused on providing consumer and investor information that addresses key life events.”

Sections of the website include; youth and students, resources for women, family finances, money and relationships, dealing with debt, insuring your home, protecting your retirement, senior financial resources and estate planning.

“Regardless of your stage of life, having the tools and resources you need to make informed financial decisions will help you build a solid foundation for financial success,” shared Marissa Sollows, Senior Education Coordinator. “The site has online tools, worksheets, downloadable booklets and more to help users find answers to frequently asked questions better positioning them to make empowered financial decisions.”

We’ve put a lot of effort into building an integrated website that provides information to consumers quickly and simply. We want consumers to come back whenever they need answers to financial or consumer questions. As we modernize our regulatory framework and as we hear from New Brunswickers about the issues they face, we continue to add new educational information and resources to the section. Visit the resource at fcnbc.ca/lifestages.

Highlights

How we did it:

“In developing our Life Stages resource, we focused on providing consumer and investor information that addresses key life events.” said Andrew Nicholson, Director of Education and Communications.

Why we did it:

To make it easier for New Brunswickers to find relevant content on our website, we grouped information according to key life events.

What people are saying:

“I’m confident when I say that what the Financial and Consumer Services Commission of New Brunswick has made available to New Brunswickers with this new web-based resource is one of the best available,” wrote Keir Clark, in his *Smart Money* Column in the Telegraph-Journal.



Information and Records Management

In September 2014, our Fredericton staff moved to a common location at 225 King Street, consolidating three previous office spaces. To improve efficiency in the new office our Information and Records Management Coordinator, Leanne Kinnear helped staff archive out-dated records and implemented improved file retention processes.

“There were over 300 banker boxes in the office and offsite storage units that needed to be organized,” said Leanne. “It took a lot of work to remove outdated documents and current documents have been placed and organized in the new office.”

Our ability to manage the important documents and forms creates a positive impact on staff efficiency. We need to ensure that in archiving our documents, we meet legal requirements and are still able to complete our regulatory work.

“In order to be an efficient and effective regulator, it’s important for us to continually find ways to improve our processes. Having best practices for our Information and Records Management really helps us because we are able to get the right documents at the right time,” said Suzanne Bonnell-Burley, Director of Consumer Affairs.

“The behind the scenes work is what enables us to do our work to meet the needs of those we regulate and provide effective consumer protection,” says Kinnear. “Bringing ourselves up to date had everyone working together and really demonstrated everyone’s commitment to improving our processes.”

Highlights

How we did it:

To improve efficiency in the new office our Information and Records Management Coordinator, Leanne Kinnear helped staff archive out-dated records and implemented improved file retention processes.

Why we did it:

“In order to be an efficient and effective regulator, it’s important for us to continually find ways to improve our processes. Having best practices for our Information and Records Management really helps us because we are able to get the right documents at the right time,” said Suzanne Bonnell-Burley, Director of Consumer Affairs.



Working Groups

In addition to providing education resources to the public and industry, we realized that as an integrated regulator sharing knowledge across the organization would help our sectors learn from one another.

“When brainstorming ideas on improving process efficiencies, we believed it would be a good idea to have people in different divisions that conduct similar roles meet regularly,” shared Jackie Gomes, Human Resources Officer. “We have regulators, accountants, lawyers, compliance officers and administrative professionals and we considered that bringing like groups together would allow us to use our collected knowledge to build a more effective workplace.”

The three main objectives of the working groups are to discover best practices, identify consistent processes and share learning opportunities. Employees get to see how their co-workers are solving issues and discovering processes that may allow them to complete their work more efficiently.

“The working groups were well received,” says Manon Losier, General Counsel and Secretary to the Commission. “At the first working group with the lawyers, we heard positive feedback from the various divisions on how we could work together more effectively, we have identified process improvements and have reduced the risk of duplicating work.”

As the learning groups continue to meet, we will identify areas where processes could be improved.

Highlights

How we did it:

The three main objectives of the working groups are to discover best practices, identify consistent processes and share learning opportunities.

Why we did it:

“We have regulators, accountants, lawyers, compliance officers and administrative professionals and we considered that bringing like groups together would allow us to use our collected knowledge to build a more effective workplace.” shared Jackie Gomes, Human Resources Officer.

Public Outreach at a Glance



500

Tips Shared

Approximately 500 tips were shared during our "Smart Tip Contest", making it our most successful engagement campaign to date.



89

Presentations

Education Coordinator, Samantha Richard, gave 89 presentations around the province to 1709 New Brunswickers, from youth to seniors.



225

Attendees

We hosted two *Fullsail* events with a total of 225 attendees. *Fullsail* is our capital markets development initiative.



298,518

Pageviews

FCNB.ca has received 298,518 pageviews during the 2014-2015 fiscal year.



We are here to help

“New Brunswick consumers, whether they are buying a house, a funeral service, or an investment, should not hesitate to ask questions before completing any sales process, and to insist on complete answers. If a consumer feels at all uncomfortable about the responses they are getting or because of some other aspect of the transaction (for example, because they are asked to write a cheque to a person rather than a firm, or because they are asked to send money off-shore), they should not hesitate to contact us with their concerns or questions.

In many instances once the consumer has provided money for a service or product, it can be very difficult to get their money back. The best way New Brunswickers can protect themselves from frauds and scams is to be informed, ask questions and to realize that if it sounds too good to be true, it more than likely is.”

JAKE VAN DER LAAN, DIRECTOR OF ENFORCEMENT, CHIEF INFORMATION OFFICER



Kevin Morin, Licensing Officer, Alaina Nicholson, Senior Compliance Officer, Roxane Gunning, Compliance Officer

Consumer Affairs

Scope of Responsibilities

The Consumer Affairs Division provides day-to-day administration and enforcement of 10 consumer protection Acts. Activities include providing information and direction to the public on how to make effective complaints, educating consumers and businesses on their rights and responsibilities, issuing and administering licenses, registrations and/or appointments for the regulation of businesses under consumer legislation and investigating consumer complaints.

The operations of the Consumer Affairs Division are focused primarily on transactions that occur between a business and an individual (consumer).

Helping consumers:

“Anyone undertaking certain activities, such as door-to-door sales, needs to be licensed to conduct these activities in New Brunswick. FCNB can help consumers determine if an individual or firm is licensed and provide them with resources and information to make informed decisions. Taking a moment to contact our staff can help protect New Brunswick families from falling victim to frauds and scams.”

SUZANNE BONNELL-BURLEY,
DIRECTOR OF CONSUMER AFFAIRS

Table: Licences Issued

Licence Type	Issued 2014-2015	Issued 2013-2014	Issued 2012-2013
Auctioneers Licence	68	59	52
Collection Agency Licence	64	64	64
Collection Agency Branch Licence	71	70	70
Collection Agency Collector Licence	3571	3691	3701
Commissioner of Oaths (Foreign)	1	2	5
Commissioner of Oaths (Provincial)	712	667	727
<i>Cost of Credit Disclosure Act</i> : Branch Registration	428	313	385
<i>Cost of Credit Disclosure Act</i> : Company Registration	511	498	481
<i>Cost of Credit Disclosure Act</i> : Individual Registration	4	10	8
<i>Direct Sellers Act</i> : Salesperson Licence	537	451	454
<i>Direct Sellers Act</i> : Vendor Licence Company	66	67	60
<i>Direct Sellers Act</i> : Vendor Licence Individual	0	1	2
<i>Pre-arranged Funeral Services Act</i> : Manager Licence	67	68	63
<i>Pre-arranged Funeral Services Act</i> : Provider Licence	58	58	58
Real Estate Agent Licence	113	110	111
Real Estate Branch Licence	33	41	38
Real Estate Manager Licence	180	190	187
Real Estate Salesperson Licence	793	953	875
Total	7277	7313	7341

Key Initiatives 2014-15**Payday Loans Rules**

Rules for payday loans under the proposed *Cost of Credit Disclosure and Payday Loans Act* were published for comment. The comments are being reviewed to determine if amendments to the proposed rules are necessary. The proposed rules will require all payday lenders operating in the province to have a licence and the *Act* and rules will enable FCNB to conduct compliance and enforcement activities. Once the rules have been finalized the province can request a designation from the federal government, under section 347.1 of the *Criminal Code*, to permit the implementation of our regulatory regime governing payday loans and limit the total cost of borrowing under payday loan agreements.

Did you know?

Generally, gift cards can't expire. However, if your gift certificate is for a specific product or service it is allowed to have an expiry date.



Joel Leitner, Compliance Officer, Etienne LeBoeuf, Director, Financial Institutions

Financial Institutions

Scope of Responsibilities

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

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

The Superintendent of Credit Unions sits as a non-voting member of the Risk Management Agency and of the Office de stabilisation de la Fédération des caisses populaires Acadiennes Ltée. He also sits as a voting member of New Brunswick Credit Union Deposit Insurance Corporation (NBCUDIC).

Get to know us:

“As a group, we’re working really hard to improve what we do. We’re working to ensure that we evaluate what we do based on the services we offer to ensure that we’re meeting our mandate of consumer protection and education.”

JANICE GOLDEN,
SENIOR COMPLIANCE OFFICER

Co-operatives: 2013-2014 summary table

Category	Reporting	Total assets (\$)	Total revenue (\$)	Members equity to assets	Employees	Members
Agriculture/ Forestry	16	57,541,548	9,239,723	95.57%	153	1580
Consumer	16	55,245,424	225,375,450	45.08%	921	68393
Fishery	2	44,169,753	63,565,257	76.81%	437	182
Housing	19	23,140,922	7,328,127	10.05%	5	771
Services	49	18,156,648	70,878,539	33.14%	154	7558
Worker	4	167,064	811,509	46.59%	13	143
Total	106	\$198,421,359	\$377,198,605	N/A	1683	78627

There were 173 co-operatives in New Brunswick as of 31 December 2014. A total of 106 co-operatives sent in their annual return to the Department. Co-operatives that do not file will eventually be dissolved. In 2014, nine new co-operatives were incorporated and 16 co-operatives were dissolved in 2013.

Credit Unions and Caisses Populaires: 2014-2015 summary table (unaudited)

	2014		2013		2012	
	Credit Unions	Caisses Populaires	Credit Unions	Caisses Populaires	Credit Unions	Caisses Populaires
Number	10	15	10	15	10	15
Members	69,000	161,000	71,000	155,000	72,000	158,000
Assets	\$0.9 billion	\$3.2 billion	\$0.9 billion	\$3.1 billion	\$0.9 billion	\$3 billion
Stabilization funds	\$20 million	\$96.7 million	\$18.1 million	\$87.4 million	\$16.9 million	\$87.1 million
NBCUDIC funds	\$4.2 million		\$4.3 million		\$4.6 million	

**The Fiscal Year End for Credit Unions and Caisses Populaires is 31 December.*

Loans and trusts companies: 2014-2015 summary table

Location	2014-2015	2013-2014	2012-2013
Total Provincial	0	0	0
Alberta	1	1	0
Québec	1	1	1
Federal	46	46	50
Total Extra-Provincial	48	48	51

Key Initiatives 2014-15

Cooperatives

The Commission is mandated to review a proposal for a new legislative framework for Cooperatives operating in the province. The proposal was submitted to government by the Cooperative Ambassador Committee representing the New Brunswick cooperative sector. Features in the proposal include powers to issue investment shares, provisions on electronic meetings, specifics on housing, worker and multi-stakeholder cooperatives and also requirements for an indivisible reserve. Staff are in the process of reviewing the proposal

Regroupement Collectif

The Fédération des Caisses populaires acadiennes is seeking to regroup the Caisses populaires in the province, and to have the amalgamated entity regulated at the federal level. The Financial Institutions Division, working closely with FCNB’s General Counsel Division, devoted significant resources to this initiative. Staff worked with the Fédération’s senior management and with federal stakeholders to ensure to the degree possible that the caisses populaires members were presented the appropriate information to make an informed decision. FCNB has also worked to provide government with the information and support it required to make an informed policy decision on the proposal by the Fédération.

Did you know?

Once you sign a contract, whether it is for a product, a service or an investment opportunity, you are agreeing to the information contained in it and responsible to hold up your end of the agreement. Make sure you review, understand and agree to everything in a contract before you sign it. Never sign a contract that contains untrue information about your income, or other personal or financial information.



Caroline Dable, Licensing Officer, Jane Kidney-Hermelin, Financial Analyst, David Weir, Deputy Director, Insurance

Pensions and Insurance

Scope of Responsibilities

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

The division is also responsible for the investigation of alleged violations and the enforcement of standards, prescribed under the *Pension Benefits Act*.

This includes reviewing and registering documents that create and support pension plans, providing requested information about pension plans and retirement savings arrangements and monitoring private pension plans to ensure compliance with the *Act* and its Regulations.

We can help:

“Any questions you have about the financial industry, give us a call.” We have resources and tools that can help, and if the information you need isn’t covered under our jurisdictions – we will do our best to refer you to the organization that can help.”

ANGELA MAZEROLLE, SUPERINTENDENT AND DIRECTOR OF PENSIONS AND INSURANCE



Barbara Bélanger, Registration Officer, John McCue, Compliance Officer, Jennifer Sutherland Green, Deputy Director, Pensions

Insurance companies operating in New Brunswick:

Category of company	Our role	2014-2015	2013-2014	2012-2013
Companies based in NB	Primary regulator (solvency and market conduct)	7	7	7
Companies that were federally or internationally-headquartered	Licensing and market conduct	184	183	182
Companies based in another province	Licensing and market conduct	42	44	43

Licence types:

Licence type	2014-2015	2013-2014	2012-2013
Life Insurance Agents/Brokers	2,620 ⁽¹⁾	2,598 ⁽¹⁾	2,446 ⁽³⁾
Other Than Life Agents/Brokers	1,761	1,677	1,640
Non-Resident Brokers	2,707	2,524	2,288
Accident & Sickness Agents	459	364	255
Travel Agents	281	304	310
Special Insurance Brokers	11	13	13
Damage Appraisers	72	69	69
Adjusters	1,362	1,122	1,143
Total number of Licensees	9,273	8,671	8,164
Total number of licences produced	7,796 ⁽²⁾⁽³⁾	7,532 ⁽²⁾⁽³⁾	7,270 ⁽¹⁾⁽²⁾

⁽¹⁾ Life Agents:

2012-13: Resident - 1470; Non-Resident - 976

2013-14: Resident - 1544; Non-Resident - 1054

2014-15: Resident - 1490; Non-Resident - 1130

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

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

Insurance Key Initiatives

2014-15 Stakeholder Outreach

In 2014-15, staff in the Pensions and Insurance Division reached out to stakeholders in the insurance industry to provide an overview of FCNB and also hear from them. They met with the Canadian Association of Direct Relationship Insurers, the Insurance Brokers Association of New Brunswick and the Insurance Bureau of Canada. During these meetings, FCNB discussed how to avoid delays in the processing of an application and received suggestions from stakeholders in relation to the process for issuing licenses. The meetings were well received by the industry stakeholders and FCNB staff were pleased with how the outreach took place.

Licensing Improvements

During 2014-15, the Insurance Division made further changes to improve the turn-around time on issuing a licence. Some of these improvements were:

- Adding an additional licensing officer
- Realigning responsibilities within the team
- Developing prefilled renewal forms
- Developing suitability guidelines to allow front-line staff to process applications that had an eligibility issue
- Undertaking a Lean/Six Sigma Process Improvement Project to eliminate unnecessary steps and increase efficiencies

Compliance Strategy

Staff in all compliance areas are developing compliance strategies relevant to their area. The Insurance Division is working on their strategy to ensure that those we regulate are meeting the requirements of the *Insurance Act* and Regulations.

Life Licensing Qualification Program

FCNB has been working with our fellow insurance regulators through the Canadian Insurance Services Regulatory Organization (CISRO) to update the Life Licensing Qualification Program (LLQP). The LLQP is the qualification exam for individuals wishing to sell life insurance. The updated program will be harmonized for all Canadian jurisdictions, thereby meeting our commitments under the Agreement on Internal Trade. It introduces modular testing to ensure that all new life agents demonstrate a minimal understanding of each of the key subject matter areas of life insurance. Finally, the program also introduces a funding mechanism which will help to ensure its long term integrity. The updated LLQP is scheduled to be implemented on 1 January 2016.

Memorandum of Understanding and Protocol on Cooperation and the Exchange of Information (MOU)

FCNB and other members of the Canadian Council of Insurance Regulators (CCIR) have identified the need for a cooperative market conduct supervisory framework. Such a framework will enhance regulators' ability to work together when dealing with insurance companies and intermediaries operating in multiple jurisdictions or matters of joint concern. For the framework to be effective, regulators require a mechanism for sharing sensitive information about insurance companies' or intermediaries' conduct without concern that the information will become public. Therefore, CCIR has developed a Memorandum of Understanding and Protocol on Cooperation and the Exchange of Information (MOU). The MOU sets out the processes for exchanging information and the expectation with respect to protecting the confidentiality of the information.

Pensions Key Initiatives

FCNB is embarking on a project to modernize its pension information technology system. One of the primary objectives of this project is to enable external stakeholders, to interact with us online, using a browser based portal. This online portal will enable the completion of the following processes online:

- Registration of a pension plan or an amendment
- Completion of filings related to transfer and wind-ups of pension plans
- Registration of standard contracts
- Effecting the transfer of locked-in funds
- Filing Annual Information Returns

Stakeholders will also be able to upload any required documents, including Actuarial Valuation Reports as well as appoint delegated users to make filings on their behalf.

We believe that there are a number of improvements and efficiencies to be gained from our move to this new system, including:

- 24/7 access to make applications and submit documentation
- Instant notification of missing documentation or information
- Automatic fee calculation, including late fees, and the ability to pay fees online
- Simplified Annual Information Return (AIR) filing
- Faster review and processing time
- Ability to view the status of an application or filing in real-time



Marlene Vautour, Payroll/Accounting Officer, John Paixao, Compliance Officer

Securities

Scope of Responsibilities

The Securities Division provides day-to-day administration of the *Securities Act*, which serves to protect investors from unfair and fraudulent practices while still maintaining the integrity and efficiency of New Brunswick's capital markets.

Staff administer a robust registration system to ensure that persons who trade or advise on securities in New Brunswick are qualified to do so and conduct themselves according to securities laws and professional standards. Staff enforce a rigorous compliance regime by regularly conducting reviews of the operations and practices of registered firms and advisers and of the public disclosure required from issuers who raise capital in the province.

Staff also review and assess offering documents, continuous disclosure documents and applications from market participants to ensure compliance with our securities laws.

Staff also contribute to the development of securities laws and regulatory policies both locally and nationally. In addition to liaising with other divisions within FCNB,

staff are actively engaged with their regulatory counterparts by participating on national committees of the Canadian Securities Administrators and internationally, through its membership in the North American Securities Administrators' Association.

Why FCNB works:

"Establishing FCNB as an integrated regulator is a good thing for New Brunswick. It allowed us to be interconnected and adequately resourced. The overall win is that we have been able to start improving New Brunswick's regulatory framework to better protect consumers and investors in the province."

KEVIN HOYT, EXECUTIVE DIRECTOR OF SECURITIES

Corporate Finance Activity and Registration Activity

Corporate Finance Activity	2014-2015	2013-2014	2012-2013
Reporting issuers	4,891	4,757	4,696
Reporting issuers (New Brunswick-based)	8	8	8
Prospectus filings (Non-Mutual Funds)	386	401	436
Mutual fund prospectus filings	3,549	3,572	3,463
Annual information forms	1,170	1,256	1,100
Exempt distribution reports	505	454	398
Exemption applications (Non-Passport)	63	83	84
Administrative cease-trade orders	-	-	2
Registration Activity	2014-2015	2013-2014	2012-2013
Registered firms*	406	398	392
Registered firms (New Brunswick head office)*	3	3	5
Branches/sub-branches in New Brunswick*	526	546	522
Registered individuals*	9,988	9,781	9,406
Registered individuals (NB residence)*	1,757	1,749	1,724

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

Key Initiatives 2014-2015

Derivatives

Staff of the FCNB continued to work with other members of the CSA Derivatives Committee to implement a new regulatory framework for derivatives. These efforts respond to Canada's G-20 commitments to strengthen regulatory oversight of derivatives markets. FCNB staff contributed to several key regulatory initiatives over the past fiscal year, including the following:

On 27 November 2014, FCNB published a proposed national rule, National Instrument 24-102 *Clearing Agency Requirements*, which sets out ongoing requirements for clearing agencies and formalizes a framework for recognizing or exempting from recognition clearing agencies that carry on business in the Canadian provinces. The proposal is important because it adopts, in Canada, international standards governing clearing agencies that will enhance the safety and efficiency of clearing agencies, limit systemic risk and foster financial stability in our markets.

On 21 January 2015, the FCNB, along with securities regulatory authorities in Alberta, British Columbia, Nova Scotia and Saskatchewan published for comment

proposed Multilateral Instruments 91-101 *Derivatives: Product Determination* and 96-101 *Trade Repositories and Derivatives Data Reporting*.

The proposed rules are significant as they allow us, as regulators, to collect and monitor crucial information about entities engaging in derivatives trades. The implementation of the rules is also essential so that we can be harmonized with reporting regimes already in place in Manitoba, Ontario and Québec.

On 29 January 2015, the CSA Derivatives Committee published for comment Consultation Paper 92-401 *Derivatives Trading Facilities*. The paper proposes a framework for regulating derivatives trading facilities that bring together buyers and sellers of over-the-counter (OTC) derivatives. An important facet of the paper is that it proposes that certain OTC derivatives may be required to trade exclusively on these facilities. The Committee also intends to develop a rule to regulate these trading facilities in the near future.

And finally, on 12 February 2015, the CSA published for comment proposed National Instrument 94-101 *Mandatory Central Counterparty Clearing of Derivatives* and proposed Companion Policy 94-101. This rule will mandate central counterparty clearing of certain standardized OTC derivatives transactions. Along with the other initiatives we discussed above, the proposed rule is important because it will improve transparency in the derivatives markets and enhance the mitigation of systemic risk.

Crowdfunding

FCNB staff have played an active role in the development of equity crowdfunding regulations in New Brunswick. Together with some of our provincial counterparts, we have been working on two crowdfunding formats, one being Blanket Order 45-506 *Start-Up Crowdfunding Prospectus and Registration Exemption* and the other, Multilateral Instrument 45-108 *Crowdfunding*. Both regimes are designed to assist small businesses in accessing much needed capital and permit investors to access more investment opportunities, while still maintaining appropriate investor protections. Both are structured in such a way that smaller issuers can raise money, through the sale of eligible securities, without prohibitive costs. It is intended that both exemptions will coexist in New Brunswick as they target issuers at different stages of development. The start-up crowdfunding exemption, implemented on 14 May 2015, is designed for very early stage businesses. FCNB staff continue to work on the crowdfunding exemption as we review the results from our public consultation.

Local Rule 51-504

On 8 December 2014, FCNB adopted Local Rule 51-504 *New Brunswick Corporations Listed or Quoted on Certain Marketplaces*. Issuers with a connection to New Brunswick, and whose securities are listed or quoted on certain marketplaces, are now required to file certain information with FCNB within ten days of the listing or quotation. These new reporting requirements will serve to strengthen the reputation of our capital markets and will deter those issuers who are listed on foreign marketplaces, from engaging in abusive or fraudulent activities. Reporting issuers are exempted from these new reporting requirements.

Capital Markets Regulatory Authority

In 2014, the Government of New Brunswick entered into agreements with the Governments of British Columbia, Ontario, Saskatchewan, Prince Edward Island and Canada to commit to implement a cooperative capital markets regulatory system. The purpose of the cooperative system will be to regulate capital markets in a manner that will:

1. Foster more efficient and globally competitive capital markets in Canada and facilitate the raising of capital from investors across Canada and internationally through more integrated markets governed by innovative, responsive and flexible regulation on the basis of common standards reflected in cooperatively-developed regulations consistently applied.

2. Provide increased protection for investors through a combination of more consistent and active compliance activities, more effective enforcement against misconduct and improved coordination with police and prosecution authorities both within and outside Canada.
3. Strengthen Canada's capacity to identify and manage systemic risk on a national basis.
4. Enable Canada, through the single voice of a new cooperative capital markets regulator, to play a more empowered and influential role in international capital market regulatory initiatives.

The participating jurisdictions have performed a significant amount of work in furthering this commitment. The FCNB has been, and continues to be, an engaged partner in this work and a broad cross-section of FCNB staff have worked with their colleagues within the participating jurisdictions to advance this complex initiative.

The single operationally independent capital markets regulatory authority is expected to be in place for the fall of 2016. The firm commitment is that it will have a significant presence in New Brunswick and the Deputy Chief Regulator for Atlantic Canada will be located in New Brunswick for at least the first five years of operations.

Mortgage Brokers Act

Staff of the FCNB continue to develop a regulatory framework for the mortgage brokerage industry. The Securities Division has provided input into the implementation of the *Mortgage Brokers Act*, which received Royal Assent on 21 May 2014. FCNB staff contributed to other regulatory initiatives related to mortgage brokers, including the development and publication of proposed licensing and fee rules that would regulate the mortgage brokerage industry. These rules were published on 1 October 2014 and we received valuable input from industry stakeholders.

The *Act* and rules will provide efficient and effective regulation of the mortgage brokerage industry, which the industry has supported. The *Act* and rules are significant as together they impose standards of practice, minimum educational requirements and enhanced disclosure obligations on licence holders, which will increase consumer protection.

FCNB staff are working with an education service provider on the development of a New Brunswick based education course for brokers and associates. This will ensure that industry participants have the skills and expertise to comply with this new regulatory framework.

The *Act* and rules are expected to be proclaimed once the rules have been finalized.



Taylor McIntyre, Co-op Student, Jeff Harriman, Capital Markets Specialist, Andrew Nicholson, Director, Education and Communications

Interconnected Divisions: Enforcement, General Counsel, Corporate Services, Education and Communications

Scope of Responsibilities

Outside of our regulatory divisions, we have a number of divisions that support and enhance our regulatory functions. These groups are interconnected across the organization and are responsible for providing investigation and enforcement services; internal legal advice and legislative review services; internal and external communications, media relations and education; and research services to FCNB.

Get to know us:

“Knock on our door. We have resources that consumers can use to protect themselves and we’re taking steps to enhance the powers we have to protect the public. We’re here to help and provide relevant information to both consumers and our stakeholders.”

**MANON LOSIER, GENERAL COUNSEL
AND SECRETARY TO THE COMMISSION**

Enforcement Activity

Enforcement Activity	2014-2015	2013-2014	2012-2013
Complaints Received	15	15	10
New files from other sources (referrals, surv., etc.)	17	19	17
Requests for assistance from other regulators	1	1	3
Requests for internal legal/investigative assistance****	6	-	-
New matters	37	35	29
Matters concluded	46	25	35
Matters dealt with by Commission			
Interim cease-trade orders	0	1	2
applicable to # of parties	0	4	10
Permanent/ final cease-trade orders	4	4	5
applicable to # of parties	10	12	12
Reciprocal cease-trade orders	0	1	1
applicable to # of parties	0	2	3
Reprimands***	0	1	-
applicable to # of parties	0	4	-
Exemption bans***	4	4	7
applicable to # of parties	10	12	14
Registrants limited/banned from market	0	1	2
Settlements approved	3	2	3
Hearing days (Commission only)	12	9	10
Matters dealt with in Provincial Court			
Quasi-criminal charges laid	0	0	13
# individuals charged	0	0	3
Findings of guilt or guilty pleas	0	0	10
Jail sentences imposed	0	0	10
Financial remedies			
Costs levied	\$0	\$3,660	\$14,000
Costs recovered	\$0	\$500	\$4,000
Administrative penalties levied	\$27,000	\$7,000	\$75,000
Administrative penalties recovered	\$27,000	\$2,000	\$25,000
Disgorgement ordered	\$0	\$594,997	\$1,787,000
Disgorgement received	\$12,190	\$12,000	\$24,000

Category added in 2010-2011 *Cases referred from non-securities divisions

Education & Communications Presentations and Events

E & C Presentations and Events	2014-2015		2013-2014		2012-2013	
	Attendance	Total Events	Attendance	Total Events	Attendance	Total Events
Investor and Consumer Education	1,709	89	732	26	1,459	45
Capital Markets: Learning the Ropes	555	22	419	20	475	21
Capital Markets: <i>Fullsail</i>	225	2	150	1	97	1

***In addition to our education sessions, staff from FCNB had information booths at a number of Home Shows and seminars across the province.*

Key Initiatives 2014-15

Fullsail Events

Fullsail is the name of our overarching capital markets development initiative. Each *Fullsail* event brings together those stakeholders and experts needed to collaborate on specific initiatives that could foster the development of New Brunswick's capital markets. In 2014-15 we held two events. The first event called "Capital Connections", was a joint project with the Venn Centre in Moncton and gave participants access to various New Brunswick organizations that provide funding to entrepreneurs.

Our second event called "Raising Capital and Exit Strategies" included a guest speaker from the TSX Venture Exchange, along with two panels. The first panel featured New Brunswick entrepreneurs, and the second featured experts from the Business Development Bank of Canada, Deloitte, and Cox & Palmer.

Capital Markets Report

This year, we published our fifth Capital Markets Report allowing us to analyze five-year trends. Highlights of the report include:

- New Brunswick companies raise the majority of funds through debt financing and accredited investors.
- Venture capital (VC) continues to play an important role in New Brunswick.
- Sectors attracting the most VC investment firms over the past five years, are information and communication technology and energy.
- Since 2009, exempt markets have shown significant growth and the offering memorandum exemption has increased in use.

Funny Money Event

During Financial Literacy Month, FCNB partnered with the Financial Education Network of New Brunswick and the University of New Brunswick in Saint John to bring James Cunningham to the province for a free Comedy Night. Cunningham is an award-winning comedian, host of Eat St. and author of Funny Money. The event was very well received with an engaged crowd of approximately 50 university students.

FCNB Interconnected Key Initiatives

As part of our strategic priorities, staff worked on several projects involving potential legislative and regulatory amendments. Many of these projects involve staff from various FCNB divisions working cooperatively with government to achieve more efficient and effective regulation. Some of the legislative and regulatory projects include:

Fees and Forms

FCNB is working to modernize its fee structure and updating forms in the Consumer Affairs and Pensions and Insurance Divisions. Currently the forms are contained in regulations, and the changes proposed by FCNB will allow it to provide forms in a convenient, electronic format. The fees regulations will be replaced with FCNB rules, and updated in order to reflect different categories for the services provided. FCNB has published several proposed fee rules for comment during the fiscal year.



Janique Vallis, Senior Administrative Support Officer, Deborah Gillis, Legal Counsel, Caterina Corazza, Regulatory Policy Coordinator

Compliance, Investigations and Enforcement

Over the past fiscal year, FCNB staff have completed research and created a proposal to update and harmonize compliance, investigative and enforcement powers in many of the Acts that it administers. The main objectives of the proposal is to establish the Financial and Consumer Services Tribunal as an enforcement option and to modernize both the administrative and the quasi-criminal provisions in those Acts. The proposal also includes the establishment of administrative orders, and some additional regulatory powers to aid enforcement. Staff will continue to work to move this project forward in the upcoming year.

Rule-making authority

Over the past fiscal year, FCNB Staff have completed research into the possible extension of similar rule-making authority that is held in some Acts to apply to other Acts we administer. This rule-making authority in combination with the existing regulation-making powers held by government, would allow existing regulations to continue while providing FCNB with the flexibility to update its regulatory structure where appropriate. Staff will continue to work to move this project forward in the upcoming year.

Compliance Strategies

Each regulatory group was required to develop a compliance strategy for their respective divisions. These compliance strategies outline the approach that staff will take with each of the regulatory sectors given their size and the legislative provisions in their respective Acts.

We can help:

“Consumers can protect themselves by checking out our website or calling us before making financial decisions. You are protected by registration and licensing requirements, but you have responsibilities in those transactions too. We can help empower you to make financial decisions that are right for you.”

ANDREW NICHOLSON, DIRECTOR OF EDUCATION AND COMMUNICATIONS



**FCNB:
Empowering you
to make the right
financial decisions**

Deliver Our Message: Helping New Brunswickers understand who we are, what we do, what they should know and how we can help.

Sitting in her office, looking over King Street in Fredericton, Alaina Nicholson stops writing an email to answer the ringing phone. Never sure who will be calling, or what they will need, Alaina is prepared to handle their concerns efficiently and with compassion. Alaina is one of FCNB's Compliance Officers in the Consumer Affairs Division and on average, she handles anywhere from 5 to 10 calls from New Brunswick consumers a day. Equipped to help consumers who are having issues with the Acts that we regulate, Alaina walks people through everything from their rights and responsibilities, how to make effective complaints and where to find resources for their financial concerns on our website.

"FCNB staff handle calls from New Brunswickers covering everything from a complaint about an investment adviser or insurance broker, someone selling products door to door or even someone wanting to find out how to raise money for their business," said Rick Hancox, CEO. "If it's a financial or consumer need, we have the information you need to make informed financial choices."

Given the wide range of Acts we regulate, letting New Brunswickers know who we are and what we do is crucial to consumer protection. Delivering our message in a way that resonates will help us achieve our goal to be New Brunswick's trusted resource for financial and consumer needs. We know, both from talking to industry members and the public, the best way for people to protect themselves and make financial decisions that will get them further ahead is to be informed. To spread awareness of FCNB, we have television and online ads, news releases on enforcement issues and consumer alerts, face to face outreach at home shows and other public events and educational sessions with both the public and our industry stakeholders.

Having strong, trusted relationships with our industry partners, the professionals who work in the industries we regulate and those who are regulated by us is extremely important. In many of the regulated sectors, staff have been working closely with stakeholders on a variety of initiatives. For example, staff in our Insurance Division have heard from and met with industry members to gain a better understanding of the licensing process and analyze opportunities for improvement.

Understanding the concerns our industry members face, while also providing them with some of the common compliance issues we see when conducting reviews helps us build better relationships with those we regulate. Being an effective regulator means understanding both the regulatory environment, as well as the professional environment that our licensees and registrants are working in day to day.

"We held a roundtable as part of the Canadian Bar Association's New Brunswick Branch Mid-Winter Event," said Manon Losier, General Counsel and Secretary to the Commission. "These presentations helped lawyers in the province understand the legislation and regulatory framework that we are either implementing or revising. Our presentation on Financial Abuse of Seniors helped to continue an ongoing dialogue for professionals who may be seeing these issues and have concerns but are unsure of the resources available to help."

FCNB regulates, educates and helps protect New Brunswickers. Everything that we do to deliver our message from internal communications to external communications is in pursuit of these three goals.



Modernize Our Regulatory Framework: Updating our legislative and regulatory framework

Developing the skills to work as an integrated regulator is one of the ways that FCNB has worked to help modernize our regulatory framework. Over the past year, staff undertook a legislative and regulatory review and set priorities for implementing improvements. From staff's contact with consumers, FCNB recognized that two of the areas that needed immediate regulatory attention were mortgage brokers regulation and payday lenders regulation.

To address these needs in an integrated fashion, staff from across FCNB worked on the *Mortgage Brokers Act*. Bringing the different perspectives in from the various divisions helped inform the development of the mortgage brokers legislation and rules.

"Alaina Nicholson, our Senior Compliance Officer, approached developing the rules from the consumer's point of view," said Suzanne Bonnell-Burley, Director of Consumer Affairs. "Ella-Jane Loomis, Legal Counsel with the Securities Division brought in the investor's perspective and how to protect and provide disclosure to those who are using mortgage brokers to borrow money and those who are lending the money. The sectors we work in are multi-faceted and this is one example where we're bringing together our skillsets and expertise to create more integrated rule-making and a regulatory framework that addresses the current landscape."

The *Mortgage Brokers Act* is expected to be in force once the related rules are finalized.

A regulatory regime for payday lenders is being developed and staff are currently reviewing the comments received on the proposed rules we published for payday loans.

Once the regulatory structures are in effect, all payday lenders and mortgage brokers operating in the province will need to be licensed. This will ensure that New Brunswick has strong compliance tools to better protect consumers.

Much of the legislation that governs the industries FCNB regulates is older. Working together, staff in the regulatory divisions and staff in our general counsel division developed a common regulatory platform to bring more modern practices to the legislation.

"We're now looking at bringing our forms and fees in to FCNB rules," said Manon Losier, General Counsel and Secretary to the Commission. "This change will allow us to be more responsive when we need to make changes to the forms or fees."

FCNB staff have also been reviewing the remaining Acts we regulate to determine where regulatory gaps exist. Staff are prioritizing the findings for future regulatory initiatives to bring more modernization to the regulatory framework, such as adding compliance, investigative and remedial enforcement powers to all of the areas we regulate.

"Our mandate is to protect consumers and enhance public confidence in the financial and consumer marketplaces," said Kevin Hoyt, Director of Securities. "We do this through the provision of regulatory and educational services. Ensuring that we develop a consistent regulatory platform with current day considerations is imperative to us being able to fulfill that mandate."

Improve Our Processes: Enhancing our operational effectiveness

Bringing together the areas FCNB regulates was a complex process. As financial and consumer services become more integrated, the regulators' role becomes more integrated. This is where FCNB identified the opportunity to improve its processes.

In 2014-2015, the Securities Division led the compliance teams of the Insurance and Securities Divisions to undertake a focused review or "sweep" of all agents/brokers or representatives that are dually licensed to sell mutual funds and insurance products, such as segregated funds, in New Brunswick. The purpose of the sweep was to gain a better understanding of the sales practices of dually licensed representatives and the monitoring processes that firms have in place. The results are being compiled and reported to the Executive Director of Securities and the Director of Insurance.

"It's important to understand the issues in the industries we regulate," said To-Linh Hunyh, Senior Analyst in the Securities Division.

"Hearing from industry participants can help us look at our processes to determine ways to share common compliance issues so we can help organizations implement best practices to address those issues."

Another way we have worked together to improve our processes was through the professional working groups that were created.

"We were able to fine-tune our internal processes so we could be responsive to the rest of the staff," said Manon Losier, General Counsel and Secretary to the Commission. "We implemented processes to ensure we are able to have a timely delivery of our services, which in turn will help the regulatory and educational side be more efficient."

Another milestone that was implemented to improve staff's ability to be responsive was the development of the IT strategy. Moving forward with the strategy is a real commitment to improving operations and providing better service to stakeholders and the public.

To improve the process of connecting with FCNB, staff across the organization spent numerous hours bringing their licensing and registration forms online. Previously, many of these forms were available only in print format, which was onerous for both staff and stakeholders. Now, when the forms need updates the process will be much easier and stakeholders will be able to find the most recent version of the form at their fingertips. The new forms are now able to capture their applicant's email addresses, so staff will be able to send email reminders when it is time to renew a licence or registration. Additionally, FCNB can now accept electronic payments, and staff are working on streamlining other processes to reduce turn-around time.

"We're learning new ways to work together to improve our processes," said Janice Golden, Senior Compliance Officer in the Financial Institutions Division. "There isn't one division of FCNB that we haven't had the chance to work with. The expertise that we have access to, and that we are able to provide across FCNB, helps us to stay current and maintain our reputation as a credible regulator."

Develop Our People: Providing the programs and environment that promotes excellence

As a consolidated regulator, FCNB offers a diverse quality of expertise that one would be hard pressed to find anywhere else. As the organization has worked together, many of the staff members have been able to learn new processes and skillsets that complement the regulatory and education work they do.

“Our staff come from a variety of professional and academic backgrounds,” said Jackie Gomes, FCNB’s Human Resources Officer. “Finding programs to help build on the current skillsets is not always easy, however our culture is one that embraces innovation and encourages developing expertise so we can be recognized as leaders on a national and international level.”

As staff works to modernize our regulatory framework, it is important to be looking to the horizon and considering future needs on the training front. This forward looking approach will enable FCNB to seek out the skills needed to meet the expanded scope of our work, and that will better protect New Brunswickers.

“As we started to work on the mortgage brokers legislation, we realized that we needed to learn more about the industry in order to create regulation that would balance consumer and investor protection while being responsive to industry concerns,” said Ella-Jane Loomis, Legal Counsel in the Securities Division. “We sought input from industry to better understand the issues they were facing. This allowed us to bring in a holistic perspective as we developed the legislation and work on the rules.”

“It is important to us that staff have the opportunity to develop their leadership and problem-solving skills while also improving our efficiency,” shared Angela Mazerolle, Superintendent and Director of Pensions and Insurance.

“To meet this end, we developed guidelines for approving insurance licences at the front-line level. Staff were given guidelines to follow when an issue is flagged for further review and this has helped improve skillsets and decreased turn around times.”

Committed to improving the bilingualism of the organization, FCNB continues to offer French language courses for those staff who are interested in improving their bilingual abilities.

“What stood out the most to me over the past year was the teamwork exhibited across the divisions, and the commitment to excellence as we worked to accomplish our initiatives,” said Suzanne Bonnell-Burley, Director of Consumer Affairs. “We were conducting a major investigation on one of the companies that we regulate and the commitment from everyone to getting the work done effectively and the attention to detail was phenomenal.”



05 Report on Governance Practices



Commission Board Members

Hon. Gregory F. Thompson, P.C.
Peter Klohn (Chair)
J. Douglas Baker, CPA, CA
Ian S. Purvis, Q.C.
Paulette Robert
Kenneth Savage, CPA, CA, CFP
Michael D. Wennberg
Yves Gagnon, PMP

Pictured above, from left to right.

Role of Commission Members

The members of the Commission are accountable to the government through the Minister of Justice for the proper administration of the *Financial and Consumer Services Commission Act (Act)*, the financial and consumer services legislation assigned to the Commission under the *Act* as well as policy matters and the governance of the Commission. Members apply their expertise in the areas of management oversight and policy development. They review resource allocation, risk management, financial reporting policies and the effectiveness of internal controls and management information systems. Further detail with respect to the mandate of Commission members is contained in the Governance Policy which can be found on the Commission's website.

Independence

Members, including the Chair, are independent of the Commission and do not have a direct or indirect association with the Commission which would interfere with their independent judgment in exercising their role on the Commission.

Member Orientation and Continuing Education

New members must participate in an extensive orientation program. This mandatory orientation provides an overview of the Canadian and New Brunswick financial and consumer services regulatory, compliance and enforcement landscape. The program includes a detailed overview of our operations, financial affairs, legal framework and governance practices. The two-day session is provided in half-day modules for flexibility. Members are given detailed documentation about our operations. They also meet senior management and tour our offices.

No general orientation session was provided in the 2014-2015 fiscal year due to the fact that no new members were appointed during that period. In August 2014, the Chair of the Human Resources and Governance Committee was provided with a specific orientation session pertaining to his new role as chair of the committee.

The Commission places high value on continuing education and its programs are comprised of mandatory individual and common education sessions. Over the years members have taken courses that enhance their performance in both the boardroom and the regulated subject matter context.

Description of the common education session offered to members during fiscal year 2014-2015 is set out below:

Continuing Education

Date	Topic	Presenters	Attendees
28 October 2014	Governance and Risk Management	Barbara Leaman and Paul Fudge, Deloitte	Peter Klohn Kenneth Savage, CPA, CA, CFP Ian S. Purvis, Q.C. Paulette Robert Michael D. Wennberg Hon. Gregory F. Thompson, P.C. J. Douglas Baker, CPA, CA

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

Financial and Consumer Services Commission

Members	Commission (12)	Special (6) ¹	Audit and Risk Management Committee (5)	Human Resources and Governance Committee (9)	Joint Human Resources and Governance Committee and Audit and Risk Management Committee (1)
Peter Klohn	12/12	6/6	5/5	9/9	1/1
J. Douglas Baker, CPA, CA ²	12/12	4/4	4/5	n/a	1/1
Yves Gagnon, PMP ²	12/12	5/6	n/a	8/9	1/1
Ian S. Purvis, Q.C.	12/12	4/4	n/a	9/9	1/1
Paulette Robert	12/12	4/4	5/5	n/a	1/1
Céline Robichaud-Trifts (up to 29 June 2014)	3/3	1/1	n/a	2/2	1/1
Kenneth Savage, CPA, CA, CFP	12/12	4/4	5/5	n/a	1/1
Hon. Gregory F. Thompson, P.C. ²	12/12	4/4	n/a	8/9	1/1
Michael D. Wennberg	12/12	4/4	5/5	n/a	1/1

¹ Special Meetings included ad hoc Commission meetings, education and strategic planning sessions and the orientation of the Chair of HRG Committee appointed on 25 August 2014.

² Mr. Baker, Mr. Gagnon and Mr. Thompson were appointed to their respective Committees on 28 April 2014.

Committees

The Commission’s structure is comprised of two standing committees: Audit and Risk Management, Human Resources and Governance. Although the Commission previously considered separating the Human Resources and Governance Committee in two separate committees (Human Resources and Compensation/Governance and Nomination), it decided this year to maintain a combined human resources and governance structure, as members felt this structure still operates efficiently. The terms of reference for each of the committees are available in our Governance Policy. Committee members are expected to have the time, experience and education to serve on a committee. A member’s ability to participate must not be compromised by service on other external boards or committees. Members of the standing committees are all independent. The Chair attends committee meetings as an *ex officio* member.

Audit and Risk Management Committee

The Audit and Risk Management Committee is responsible for financial reporting and public disclosure, internal controls, audits and risk management. It meets at least five times each year.

The members of the Audit and Risk Management Committee are required to be financially literate and have the ability to understand the financial statements of the Commission. All committee members have attested to their financial literacy. The Audit and Risk Management Committee held six regular meetings and one special joint meeting with the Human Resources and Governance Committee during the fiscal year 2014-2015. For a full report of this committee’s activities for the fiscal year 2014-2015, please refer to the Report on Governance Practices on our website.

Human Resources and Governance Committee

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

The Committee held a total of ten meetings during the fiscal year, including four regular meetings, five special meetings and one special joint meeting with the Audit and Risk Management Committee. The Human Resources and Governance Committee’s work covered six major areas. For a full report of this committee’s activities for the fiscal year 2014-2015, please refer to the Report on Governance Practices on our website.

Remuneration

Financial and Consumer Services Commission Bylaw No. 3, *Commission and Tribunal Remuneration*, provides the salary, retainers and service fees, as applicable, for the chair, members, and committee chairs as set out below:

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

Note: The committee chairs each receive an additional retainer of \$2,000 per year.

Chair

Mr. Klohn received a remuneration of \$137,000 for the period 1 April 2014 to 31 March 2015. He is eligible to be reimbursed by the Commission for a health and dental plan up to the amount that the Commission pays for an employee’s participation in the Commission’s health and dental plan. In lieu of pension, he received a payment of \$12,330 (on an annual basis, nine per cent of the total annual compensation earned for the period to a maximum of fifty percent of the registered retirement savings plan annual contribution limit as established by the Canada Revenue Agency for the taxation year). The Chair’s expenses, which mainly include business travel and training, were in the amount of \$22,209.

Members’ Remuneration and Expenses

The members’ retainers, service fees and expenses related to travel, meals, hotel, parking and education for the fiscal year 2014-2015 are included below. Members receive a service fee for each activity performed on behalf of the Commission which includes preparation for each Commission meeting.

Financial and Consumer Services Commission Members

Members	Appointed or Reappointed	Term End	Retainer	Service Fees	Allotment for Travel Time	Total Remuneration	Expense Reimbursement and Allowances
J. Douglas Baker, CPA, CA	6 February 2014	5 February 2017	\$10,000	\$11,900	\$1,600	\$23,500	\$6,838
Yves Gagnon, PMP	6 February 2014	5 February 2018	\$11,353	\$14,000	\$3,300	\$28,653	\$8,562
Ian S. Purvis, Q.C.	21 August 2013	20 August 2017	\$10,000	\$13,650	\$1,700	\$25,350	\$2,284
Paulette Robert	21 August 2013	20 August 2017	\$11,353	\$12,600	\$3,500	\$27,453	\$7,999
Céline Robichaud-Trifts	16 August 2007 reappointed: 30 June 2009	29 June 2014	\$3,000	\$3,150	\$400	\$6,550	\$643
Kenneth Savage, CPA, CA, CFP	16 August 2007 reappointed: 1 July 2015	30 June 2016	\$12,000	\$12,950	\$1,400	\$26,350	\$4,320
Hon. Gregory F. Thompson, P.C.	6 February 2014	5 February 2016	\$10,000	\$13,300	\$2,800	\$26,100	\$1,903
Michael D. Wennberg	21 August 2013	20 August 2018	\$10,000	\$12,250	\$600	\$22,850	\$3,858

Public Interest Disclosure

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

As a Crown corporation we are required to disclose the number of complaints received and the action taken; the number of investigations begun as a result of a disclosure; the number of claims referred from the Ombudsman and the action taken; and, the number of investigations begun as a result of such claims.

We are pleased to report that there were no disclosures or claims made against any employee of the Commission under the *PID Act* in 2014-2015.

06 Management's Discussion and Analysis

For the fiscal year ended 31 March 2015

Dated 31 August 2015

This Management's Discussion and Analysis (MD&A) contains management's interpretation of the Financial and Consumer Services Commission's (FCNB) financial performance for the 2015 fiscal year ended 31 March 2015. While the financial statements reflect actual financial results, the MD&A explains these results from management's perspective and sets out the FCNB's plans and budget for the year ahead.

This MD&A should be read in conjunction with the FCNB's 2015 financial statements including related notes. Together, this MD&A and our financial statements provide key information about FCNB's performance and ability to meet our objectives.

Unless otherwise noted, reference to a year means FCNB's year ending 31 March. For example, "2015" means the fiscal year ending 31 March 2015. All financial information related to 2014 and 2015 has been prepared in accordance with International Financial Reporting Standards (IFRS).

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

Assumptions made throughout this MD&A, although reasonable at the date of publication, are not a guarantee of future performance. Certain statements outlining 2016 expectations are forward-looking and subject to risks and uncertainties.

Overview

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

The changes that came into effect on 1 July 2013 were much broader than a mere name change. It brought together the previous securities sector regulatory functions performed by NBSC with the regulatory functions that were being performed by the Justice Services Division of the Department of Justice and Attorney General. These functions include the insurance, pensions, credit union, loan and trust company, and co-operatives sectors as well as a wide variety of

consumer legislation. See Note 1 of the notes to the financial statements for a complete list of financial and consumer services legislation that we administer.

We have offices in Saint John and Fredericton.

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

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

FCNB is not an appropriation-dependent Crown corporation, and we had no borrowings from the Government of New Brunswick at 31 March 2015 or at any previous time in our existence.

For 2015, we budgeted to generate a surplus. As a result of inter-provincial securities regulatory reform initiatives, which include New Brunswick's participation, and which will drive a consequent loss of significant revenue to FCNB, we used most of our 2015 surplus to increase the value of the Stabilization Reserve and to establish and fund a new Restructuring Reserve. These measures will allow us to maintain our self-funding legislative requirement and provide the time necessary to restructure, develop operational efficiencies and consult with the Province and regulated sectors regarding any required fee rule changes.

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

Limitations Regarding Comparing Financial Information

There are some inherent limitations in comparing financial information between fiscal periods arising from the transition to FCNB. Financial information for 2014 reflects the results of operations for the former NBSC for 12 months and the other sectors, staff and locations for nine months. Financial information for 2015 reflects a full twelve months of operations for the integrated regulator. Financial information for 2013 is reflective of the former NBSC, which was a smaller organization with a more limited mandate.

Selected Financial Information

	Budget 2015	Actual 2015	Actual 2014	Actual 2013
Revenue	\$18,233,195	\$18,710,793	\$17,424,344	\$13,458,390
Expense	11,842,629	9,906,451	7,971,022	5,577,824
Excess of revenue over expenses	6,390,566	8,804,342	9,453,322	7,880,566
Total assets		21,583,809	12,603,638	7,503,815
Total liabilities		5,284,282	5,108,453	3,515,957
Total equity balance		16,299,527	7,495,185	3,987,858
Distributions to government	-	-	\$5,500,000	\$5,592,484

Total revenue in 2015 exceeded the budget on the strength of investment fund filings and licences and fees from the non-securities sectors. Expenses were below budget based on delayed hiring to budget and on significant reductions in general and administrative expenses.

Revenues

FCNB's revenues consist of:

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

The securities sector represents the largest source of revenue for us, at over 77% of total revenue.

There is an interesting dynamic with respect to FCNB's budget, revenues and expenses for the insurance sector. The *Insurance Act* provides that all of the costs associated with administering that Act shall be assessed and recovered from licensed insurers. To the extent expenses are budgeted or incurred for this sector, an equivalent amount of revenue is budgeted or incurred. A reduction in expenses produces an equivalent drop in revenue, although the net impact is neutral. So, although the insurance sector assessment was below budget, this corresponds to an equivalent reduction in insurance sector expenses.

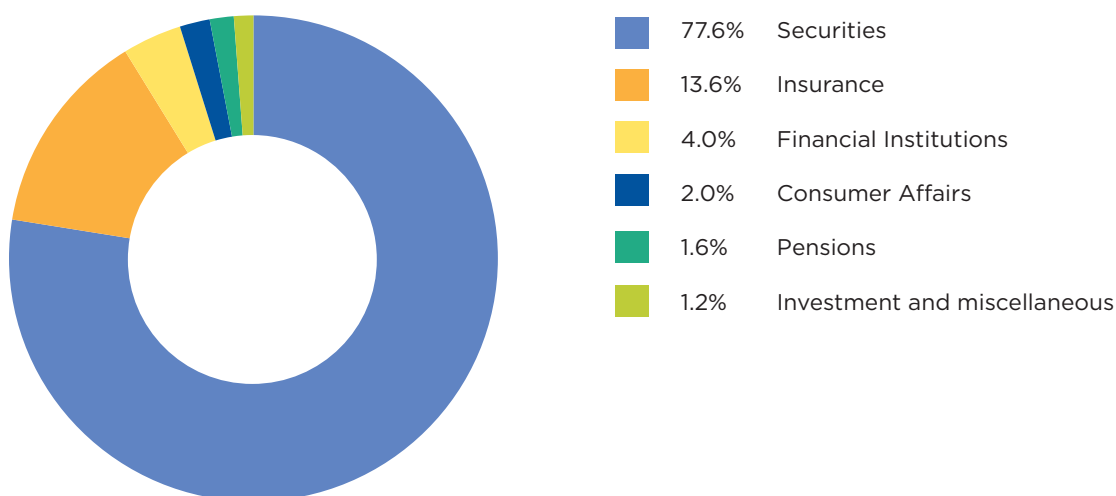
Analysis of Total Revenue (by Nature)

Category	Description	2015 Amount	2015 % of Revenue	2014 Amount	2014 % of Revenue	Change
Prospectus and distribution filings	Paid by securities issuers when filing distribution documents. Most of this is paid by mutual funds for their ability to be sold in New Brunswick.	\$8,718,050	46.6%	\$8,556,400	49.1%	\$161,650
Registration fees	Paid by individuals and firms to register with FCNB to sell or advise on securities.	3,786,998	20.2	3,709,032	21.3	77,966
Financial filing fees	Paid by companies and mutual funds when filing annual financial statements and annual information forms.	1,951,450	10.4	2,076,100	11.9	-124,650
Licences and fees	Paid by a variety of sectors in order to be registered or compliant with legislation. Insurance agent fees, loan and trust company fees, pension filing fees and a variety of consumer affairs fees comprise this list in descending order.	1,643,475	8.8	1,097,256	6.3	546,219
Exemptions and orders	Paid by market participants primarily to request exemptions from <i>Securities Act</i> requirements.	49,150	0.3	50,000	0.3	-850
Other fees	Paid by regulated entities for late filing and other miscellaneous fees.	15,661	0.1	27,159	0.2	-11,498
Total fees		\$16,164,784	86.4%	\$15,515,947	89.0%	\$648,837
Assessments	Paid by licensed insurers to administer the <i>Insurance Act</i> and by credit unions to administer the <i>Credit Unions Act</i> .	\$2,301,397	12.3%	\$1,756,704	10.1%	\$544,693
Administrative penalties and settlements	Paid subsequent to a hearing panel ruling.	27,000	0.1	2,000	0.0	25,000
Disgorged funds	Paid subsequent to a hearing panel ruling.	12,190	0.1	12,000	0.1	190
Enforcement cost recoveries	Paid subsequent to a hearing panel ruling.	-	0.0	500	0.0	-500
Investment income	Earned on bank balances.	160,293	0.9	84,354	0.5	75,939
Miscellaneous income	Primarily a recovery of costs for a legal articling student who was shared with two other government agencies and who FCNB administered.	45,129	0.2	52,839	0.3	-7,710
Total revenue		\$18,710,793	100.0%	\$17,424,344	100.0%	\$1,286,449

Analysis of Total Revenue (by Function)

Category	Description	2015 Amount	2015 % of Revenue	2014 Amount	2014 % of Revenue	Change
Securities	Paid by market participants under the <i>Securities Act</i> for distributing mutual funds, issuing offering documents, making required financial filings and for the registration of firms and individuals.	\$14,517,481	77.6%	\$14,428,032	82.8%	\$89,449
Insurance	Paid by licensed insurers as an assessment for administering the <i>Insurance Act</i> (\$1,727,179) and for the provision of insurance licenses and miscellaneous minor revenue (\$814,894).	2,542,073	13.6	1,968,475	11.3	573,598
Financial Institutions	Paid by credit unions as an assessment for administering the <i>Credit Unions Act</i> (\$574,218) and for fees paid by loan and trust companies (\$148,550) and fees paid by co-operatives and a minor miscellaneous fee (\$24,181).	746,949	4.0	484,518	2.8	262,431
Consumer Affairs	Licenses and fees paid under a variety of consumer protection legislation such as collection agents (\$123,282), real estate agents (\$75,540), cost of credit disclosure (\$55,466), commissioners of oaths (\$42,620), pre-arranged funerals (\$36,366), direct sellers (\$27,715), auctioneers (\$5,674) and miscellaneous (\$100).	376,763	2.0	296,980	1.7	79,783
Pensions	Paid by pension plans to register pension plans, amend pension plans, submit annual information forms, register standard contracts and other minor fees and charges.	307,700	1.6	133,519	0.8	174,181
Investment and miscellaneous	Primarily investment income.	219,827	1.2	112,820	0.6	107,007
Total revenue		\$18,710,793	100.0%	\$17,424,344	100.0%	\$1,286,449

Sectoral Revenues for 2015

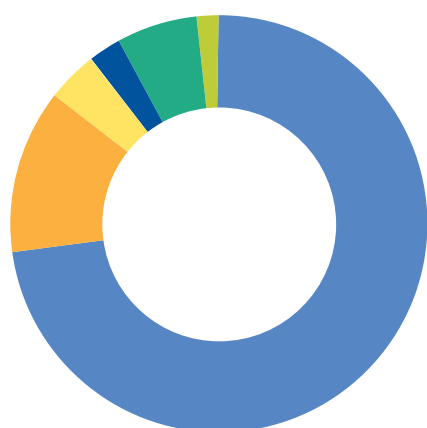


Expenses by Nature¹

Category	2015	% of 2015 Expenses	2014	% of 2014 Expenses	Change
Salaries and benefits	\$7,217,002	72.9%	\$6,037,794	75.7%	\$1,179,208
Administration	1,270,452	12.8	936,400	11.7	334,052
Professional services	388,495	3.9	234,741	2.9	153,754
Travel	240,048	2.4	180,666	2.3	59,382
Premises	636,036	6.4	472,890	5.9	163,146
Depreciation and amortization	142,228	1.4	96,531	1.2	45,697
Disgorged funds	12,190	0.1	12,000	0.2	190
Total expense	\$9,906,451	100.0%	\$7,971,022	100.0%	\$1,935,429

¹ See Note 22 of the Notes to our Financial Statements for expenses by function.

Expenses for 2015



■	72.9%	Salaries and benefits
■	12.8%	Administration
■	3.9%	Professional services
■	2.4%	Travel
■	6.4%	Premises
■	1.4%	Depreciation and amortization
■	0.1%	Disgorged funds

Analysis of Total Expenses (By Nature)

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

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

All of the expense categories show significant increases year-over-year. Much of this increase is attributable to the fact that 2014 expenses only included 9 months of activity for a significant portion of staff and premises because of the mid-year establishment of FCNB. Only the operations for the former NBSC are reported for the full 12 month period in 2014.

Salaries and benefits expenses account for 72.9% of operating costs (75.7% in 2014) and increased \$1,179,208 from 2014. There were 80 staff on payroll at year-end (74 prior year) and on an annualized or person-year basis, there were 71.9 person-years of employment in 2015 (63.0 in 2014). The previously mentioned mid-year establishment of FCNB represents about \$525,000 of the increase in expenses.

Administration expenses account for 12.8% of operating costs for 2015 (11.7% in 2014) and were \$334,052 higher than the prior year. These costs include investor and consumer education and Commission awareness expenses, information technology, training, communication, printing, and other general office expense items. Education and communication expenses were the largest category of expenses at \$568,553 (\$409,239 in 2014). These expenses funded the on-line and television awareness campaigns, capital market development initiatives, stakeholder support and

various outreach initiatives such as for fraud awareness or financial literacy. Information technology costs were \$116,792 in 2015 (\$96,070 in 2014), and were used for network support, data security and back-up, website costs and software licenses.

Professional services expenses increased by \$153,754 year over year. These expenses include general consulting, legal, translation and other expenses. The largest increase, at \$106,399, was for translation expenses - which totaled \$186,944. The single biggest contributor to this expense was translation activities associated with the cooperative capital markets regulatory system, which were assumed by FCNB and which are not expected to be recoverable. The Province, through FCNB, has assumed a leadership role in French language translation services for this initiative. There was also some significant translation costs associated with the Tribunal's activities. Other professional services also increased by about \$62,000. Major drivers of this increase were FCNB's financial audit (\$28,350), which was a new expense (as it was previously provided by the Office of the Auditor General), as well as design costs for new leasehold space, short-term contract staffing costs and various studies or consulting activities associated with regulatory matters.

Travel costs were \$59,382 higher than the previous year and are reflective of FCNB's larger staff complement and a full year of operation for the non-securities operations. Travel was primarily related to attendance at policy and other regulatory meetings of partners of the securities, insurance and pension regulators, and for training purposes.

Premises costs increased by about \$163,000 (34%). This represents 6.4% of total expenses, an increase from 5.9% from the prior year. There were changes to our leasehold space in both Saint John and Fredericton during the 2015 year. In Saint John, staffing increases necessitated the acquisition of additional space. Temporary space was obtained in the Saint John Office's building, while permanent space contiguous to our existing office was sourced and retro-fitted. This increased costs year-over-year by about \$30,000. In Fredericton, the two previous leases were consolidated into one lease at one new location. This has provided us with about 1,200 additional square feet of space. As well, the new premise costs are approximately 12% higher per square foot. The increase attributable to the Fredericton space is over \$110,000. Moving charges of about \$16,000 and increases in staff parking charges of about \$10,000 represent the other material sources of increase.

Depreciation expenses increased by \$45,697. The largest depreciable asset involves leasehold improvements, which totaled over \$70,000 and includes the addition of newly acquired space for the Fredericton office. The premises that were assumed by the Commission in Fredericton in 2013 were fully depreciated and the Commission consolidated its Fredericton office space in one location in 2014. Furniture, information technology

hardware, vehicle, and a photocopier capital lease make up the remainder of the amortization expense, in descending order.

Disgorged funds represent money recovered from individuals or companies arising from enforcement actions. This money is turned over to specific investors that were financially harmed by those found to have violated the *Securities Act*. In 2015, \$12,000 was collected and paid to nine investors as a result of a 2008 decision, and \$190 was as a result of a 2013 decision.

Market Enhancement Reserve

This year no funds were transferred from the Market Enhancement Reserve towards eligible expenses. As required by the *Act*, funds in the Market Enhancement Reserve are to be spent only on endeavours or activities that enhance the financial marketplace or consumer protection in New Brunswick. The funds associated with the reserve are maintained in a separate bank account and generate their own bank interest. In 2015, administrative penalties totaling \$27,000 were assessed and determined to be collectible (\$2,000 in 2014). No other administrative penalties were assessed in 2015. Interest revenue for the reserve was \$1,603. The balance in the Market Enhancement Reserve stands at \$158,668.

Liquidity And Financial Position

FCNB has sufficient liquidity to finance its operations and capital purchases. During the fiscal year, the net increase in cash prior to reserve transfers was \$8,999,771. The combined cash balance at 2015 year-end was \$18,611,423, most of which was used to establish the Restructuring Reserve and increase the Stabilization Reserve.

Disposition of Surplus Operating Funds

FCNB did not make any payments to the Government of New Brunswick during the year. This was in contrast to previous years.

Stabilization Reserve

FCNB maintains a Stabilization Reserve. The maximum value of the reserve was increased in 2015 to \$4,000,000 from its previous value of \$3,000,000. The Stabilization Reserve allows us to maintain an operating contingency to absorb revenue shortfalls or unexpected expenditures. The increase reflects an assessment of the significantly larger regulatory mandate assumed by FCNB as well as the increased fee risk profile. Revenue generated from the reserve is moved into general operations. The reserve was fully-funded at year end.

Restructuring Reserve

The Government of New Brunswick is a participant in a proposed cooperative capital markets regulatory system (CMRA) (see Risks and Uncertainties section below) that is expected to be operational in the fall of 2016. New Brunswick's participation in the CMRA affects FCNB as it will shift responsibility for securities regulation from FCNB to the CMRA. This will affect certain FCNB staff, who will transfer to the CMRA; and it will also significantly affect FCNB revenue, as we will no longer collect fees from the securities sector.

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

The Restructuring Reserve is contemplated to be temporary in nature. We anticipate that it will be wound-down by the later of 31 March 2022 or at the end of the first five full fiscal periods after the CMRA becomes operational. It is contemplated that the balance of the reserve at wind-up will be paid to the Consolidated Fund of the Province of New Brunswick.

The Restructuring Reserve was funded by a one-time charge to retained earnings in the amount of \$10,000,000.

Accounts Receivable

The accounts receivable balance is largely comprised of assessments that will be levied to the insurance and the credit union sectors consistent with their legislation. These amounts are formally assessed subsequent to year-end after the reconciliation. Therefore, they appear as accrued revenue with a corresponding receivable. This accounts for about 91% of the receivable balance (\$2,298,523 of \$2,476,750). The majority of the remaining balance comprises general fee receivables and HST receivables.

Risks and Uncertainties

Securities Regulatory Reform

On 19 September 2013, the Ministers of Finance for Ontario, British Columbia and Canada announced that they had signed an Agreement in Principle (Agreement) to establish a cooperative capital markets regulatory system. The Agreement specifically contemplated the opportunity for participation by other provincial and territorial jurisdictions. On 9 July 2014, the Government of New Brunswick became a signatory to a revised Agreement for the same purpose (along with Saskatchewan). That revised Agreement contemplated that the CMRA would be operational in the fall of 2015, which was subsequently amended to the fall of 2016. The Agreement was further amended on 9 October 2014 with the participation of Prince Edward Island and on 16 April 2015 with the participation of the Yukon Territory.

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

Operational And Infrastructure Risk

Operational risk is the risk of direct or indirect loss resulting from the organizational environment or external events, or from inadequate internal processes, staff resources, or supporting systems.

Management is responsible for the day-to-day control of operational risk through the use of appropriate procedures, internal controls and processes.

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

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

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

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

Reputation Risk

We actively manage our reputational risk through our corporate governance practices, including conflict of interest and risk management policies. The activities of communications staff and the General Counsel's office are key participants in managing reputation risk.

People Risk

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

Fee Revenue

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

National Electronic Filing Systems for the Securities Sector

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

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

About 80% of our total revenue is collected through SEDAR and NRD. CGI maintains a comprehensive business continuity plan for each system and the CSA requires a third-party audit report (CSAE 3416) each year.

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 that we will receive, the useful lives of our capital assets and the value of employee leave liabilities.

We accrue amounts due when they meet generally accepted revenue recognition criteria. During 2015, all administrative penalties and awarded costs were recognized as revenue and collected.

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

Changes In Accounting Policies

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

There were no significant accounting policy changes in 2015.

2016 Outlook

Budgeted revenue is \$19.5 million for 2016. This represents an increase of about 4.2% from 2015 actual revenue of \$18.7 million. This increase is primarily attributable to general growth in the regulated sectors and the budgeted provision of some fee increases in certain sectors.

Operating expenses are budgeted to be \$11.1 million for 2016. This represents an increase of \$1.1 million over 2015 actual expenses. This increase is primarily attributable to salary cost increases. The budgeted staff complement for 2016 is 84, as compared to 80 that were on our payroll on 31 March 2015.

Our budgeted surplus for 2016 is about \$8.4 million. Given the funded Stabilization and Restructuring Reserves, we intend to transfer on-going surpluses to the Province until the revenue associated with securities regulation is forgone as a result of the launch of the CMRA.

However, we may undertake interim measures in 2016 to facilitate the transition into our post-securities responsibility model that may drive deviations of actual results to budget.

MD&A Supplement - Compensation Disclosure Senior Management Remuneration

Senior management includes the Chair, Chief Executive Officer (CEO), and our seven division heads. Their compensation and benefits are determined by FCNB, and are based on advice of an independent consultant. The CEO and the division heads are eligible for variable pay of up to 9.375% of base pay (12.5% for the CEO). The variable pay program was introduced in 2013. Senior management, with the exception of the Chair, also receives the same employment benefits received by all staff, which includes health, dental and life insurance, pension, leave, and parking. The CEO also has the use of a vehicle. The Chair is not an employee of the Commission and is paid through a personal services contract. The Chair is specifically excluded, by legislation, from participating in the pension plan.

31 August 2015

Senior Management Remuneration

Position	Salary Range (\$) As at March 2015	Variable Pay (% of Salary)
Chair	up to \$137,000	-
Chief Executive Officer	129,795 - 162,269	Up to 12.5%
General Counsel and Secretary to the Commission	115,950 - 144,861	Up to 9.375%
Director, Securities and Chief Financial Officer	115,950 - 144,861	Up to 9.375%
Director, Enforcement	115,950 - 144,861	Up to 9.375%
Director, Pensions & Insurance	115,950 - 144,861	Up to 9.375%
Director, Education & Communications	99,153 - 123,992	Up to 9.375%
Director, Financial Institutions	99,153 - 123,992	Up to 9.375%
Director, Consumer Affairs	99,153 - 123,992	Up to 9.375%

Management's Responsibility and Certification

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

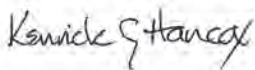
We certify that we have reviewed the financial statements and other information contained in the annual report. Based on our knowledge:

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

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

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

The financial statements and Annual Report have been reviewed by the Audit Committee and approved by the Commission. The report of the independent auditors, PricewaterhouseCoopers LLP, outlines the scope of the Auditor's examination and opinion on the financial statements.



Kenrick G. Hancox
Chief Executive Officer



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

31 August 2015



Le 31 août 2015

Rapport de l'auditeur indépendant

Président et membres

Commission des services financiers et des services aux consommateurs

Nous avons effectué l'audit des états financiers ci-joints de la Commission des services financiers et des services aux consommateurs, qui comprennent l'état de la situation financière au 31 mars 2015 et l'état du résultat global, l'état des variations des capitaux propres et le tableau des flux de trésorerie pour l'exercice terminé à cette date, ainsi que les notes annexes constituées d'un résumé des principales méthodes comptables et d'autres informations explicatives.

Responsabilité de la direction pour les états financiers

La direction est responsable de la préparation et de la présentation fidèle de ces états financiers conformément aux Normes internationales d'information financière, ainsi que du contrôle interne qu'elle considère comme nécessaire pour permettre la préparation d'états financiers exempts d'anomalies significatives, que celles-ci résultent de fraudes ou d'erreurs.

Responsabilité de l'auditeur

Notre responsabilité consiste à exprimer une opinion sur les états financiers, sur la base de notre audit. Nous avons effectué notre audit selon les normes d'audit généralement reconnues du Canada. Ces normes requièrent que nous nous conformions aux règles de déontologie et que nous planifions et réalisons l'audit de façon à obtenir l'assurance raisonnable que les états financiers ne comportent pas d'anomalies significatives.

Un audit implique la mise en œuvre de procédures en vue de recueillir des éléments probants concernant les montants et les informations fournis dans les états financiers. Le choix des procédures relève du jugement de l'auditeur, et notamment de son évaluation des risques que les états financiers comportent des anomalies significatives, que celles-ci résultent de fraudes ou d'erreurs. Dans l'évaluation de ces risques, l'auditeur prend en considération le contrôle interne de l'entité portant sur la préparation et la présentation fidèle des états financiers afin de concevoir des procédures d'audit appropriées aux circonstances, et non dans le but d'exprimer une opinion sur l'efficacité du contrôle interne de l'entité. Un audit comporte également l'appréciation du caractère approprié des méthodes comptables retenues et du caractère raisonnable des estimations comptables faites par la direction, de même que l'appréciation de la présentation d'ensemble des états financiers.

Nous estimons que les éléments probants que nous avons obtenus au cours de notre audit sont suffisants et appropriés pour fonder notre opinion d'audit.

Opinion

À notre avis, les états financiers donnent, dans tous leurs aspects significatifs, une image fidèle de la situation financière de la Commission des services financiers et des services aux consommateurs au 31 mars 2015, ainsi que des résultats de ses activités et de ses flux de trésorerie pour l'exercice terminé à cette date, conformément aux Normes internationales d'information financière.

Autre point

Les états financiers de la Commission des services financiers et des services aux consommateurs pour l'exercice terminé le 31 mars 2014 ont été audités par un autre auditeur qui a exprimé sur ces états une opinion non modifiée le 29 septembre 2014.

PricewaterhouseCoopers s.r.l./s.e.n.c.r.l.

Comptables professionnels agréés

PricewaterhouseCoopers LLP

C.P. 789 Brunswick House 44, Chipman Hill, suite 300 Saint John, NB E2L 4B9

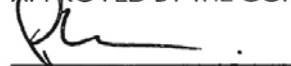
Tél. : +1 (506) 632 1810, téléc. : +1 (506) 632 8997

FINANCIAL and CONSUMER SERVICES COMMISSION
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2015
(in Canadian \$)

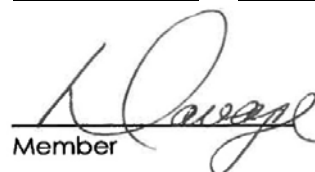
ASSETS	2015 31 March	2014 31 March
Current Assets		
Cash (Note 8)	\$ 4,452,565	\$ 6,481,587
Accounts receivable (Note 9)	2,476,750	1,857,805
Due from Province of New Brunswick (Note 10, 16, 20)	4,800	903,171
Prepaid expenses	52,069	45,615
	<u>6,986,184</u>	<u>9,288,178</u>
Cash held for designated purposes (Notes 8, 11)	14,158,858	3,130,065
Property, plant and equipment (Note 12)	402,813	155,082
Intangible assets (Note 13)	35,954	30,313
	<u>\$ 21,583,809</u>	<u>\$ 12,603,638</u>
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (Note 20)	\$ 923,430	\$ 840,892
Accrued salaries and benefits	380,551	366,000
Current portion of employee future benefits (Note 19)	99,666	179,748
Accrued vacation liabilities	96,750	95,096
Current portion of obligation under finance lease (Note 14)	3,418	2,529
Deferred revenue	3,283,784	3,141,309
	<u>4,787,599</u>	<u>4,625,574</u>
Obligation under finance lease (Note 14)	6,187	9,605
Employee future benefits (Note 19)	490,496	473,274
	<u>496,683</u>	<u>482,879</u>
Total liabilities	<u>5,284,282</u>	<u>5,108,453</u>
Equity balances		
General	2,140,669	4,365,120
Restructuring reserve (Note 11)	10,000,000	-
Stabilization reserve (Note 11)	4,000,000	3,000,000
Market enhancement reserve (Note 11)	158,668	130,065
Disgorgement reserve (Note 11)	190	-
	<u>16,299,527</u>	<u>7,495,185</u>
	<u>\$ 21,583,809</u>	<u>\$ 12,603,638</u>

The accompanying notes are part of these financial statements.

APPROVED BY THE COMMISSION



Chair



Member

FINANCIAL and CONSUMER SERVICES COMMISSION
STATEMENT OF COMPREHENSIVE INCOME (by nature)
FOR THE YEAR ENDED 31 MARCH 2015
(in Canadian \$)

	2015	2014
REVENUE		
Fees		
Prospectus and distribution filings	\$ 8,718,050	\$ 8,556,400
Registrations	3,786,998	3,709,032
Financial filings	1,951,450	2,076,100
Licences and fees	1,643,475	1,097,256
Exemptions and orders	49,150	50,000
Other	15,661	27,159
Assessments	2,301,397	1,756,704
Administrative penalties and settlements	27,000	2,000
Disgorged funds	12,190	12,000
Enforcement cost recoveries	-	500
Investment income	160,293	84,354
Miscellaneous	45,129	52,839
	<u>18,710,793</u>	<u>17,424,344</u>
EXPENSES		
Salaries and benefits	7,217,002	6,037,794
Administration (Note 21)	1,270,452	936,400
Professional services	388,495	234,741
Travel	240,048	180,666
Premises	636,036	472,890
Depreciation and amortization	142,228	96,531
Disgorged funds	12,190	12,000
	<u>9,906,451</u>	<u>7,971,022</u>
COMPREHENSIVE INCOME	<u>\$ 8,804,342</u>	<u>\$ 9,453,322</u>

The accompanying notes are part of these financial statements.

FINANCIAL and CONSUMER SERVICES COMMISSION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2015
(in Canadian \$)

	General	Restructuring Reserve	Stabilization Reserve	Market Enhancement Reserve	Disgorgment reserve	Total
Balance, 31 March 2013	2,359,215	-	1,500,000	128,643	-	3,987,858
Comprehensive income	9,453,322	-	-	-	-	9,453,322
Establishment of the FCNB	(445,995)	-	-	-	-	(445,995)
Disposition of surplus operating funds (Note 15)	(5,500,000)	-	-	-	-	(5,500,000)
Investment income reallocation	(1,422)	-	-	1,422	-	-
Allocation from general (Note 11)	(1,512,000)	-	1,500,000	-	12,000	-
Allocation to general (Note 11)	12,000	-	-	-	(12,000)	-
Balance, 31 March 2014	<u>\$ 4,365,120</u>	<u>\$ -</u>	<u>\$ 3,000,000</u>	<u>\$ 130,065</u>	<u>\$ -</u>	<u>\$ 7,495,185</u>
Comprehensive income	8,804,342	-	-	-	-	8,804,342
Disposition of surplus operating funds (Note 15)	-	-	-	-	-	-
Investment income reallocation	(1,603)	-	-	1,603	-	-
Allocation from general (Note 11)	(11,039,190)	10,000,000	1,000,000	27,000	12,190	-
Allocation to general (Note 11)	12,000	-	-	-	(12,000)	-
Balance, 31 March 2015	<u>\$ 2,140,669</u>	<u>\$ 10,000,000</u>	<u>\$ 4,000,000</u>	<u>\$ 158,668</u>	<u>\$ 190</u>	<u>\$ 16,299,527</u>

The accompanying notes are part of these financial statements.

FINANCIAL and CONSUMER SERVICES COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2015
(in Canadian \$)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Comprehensive income	\$ 8,804,342	\$ 9,453,322
Adjustment for depreciation and amortization	142,228	96,531
Gain on disposal of property, plant and equipment	-	(1,271)
	8,946,570	9,548,582
Changes in non-cash working capital		
Accounts receivable	(618,945)	(1,806,924)
Due from Province of New Brunswick	898,371	(903,171)
Prepaid expenses	(6,454)	(23,827)
Accounts payable and accrued liabilities	82,538	671,772
Accrued salaries and benefits	14,551	176,967
Employee future benefits	(62,860)	(365,888)
Accrued vacation liabilities	1,654	(41,838)
Deferred registration fee revenue	142,475	709,548
	9,397,900	7,965,221
CASH FLOWS FROM FINANCING ACTIVITIES		
Disposition of surplus operating funds	-	(5,500,000)
Payment of finance lease liability	(2,529)	(4,060)
	(2,529)	(5,504,060)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment and intangible	(395,600)	(77,660)
Proceed on disposal of property, plant and equipment	-	5,995
	(395,600)	(71,665)
NET INCREASE IN CASH	8,999,771	2,389,496
CASH, BEGINNING OF YEAR	9,611,652	7,222,156
CASH, END OF YEAR	\$ 18,611,423	\$ 9,611,652
Represented by:		
Cash	\$ 4,452,565	\$ 6,481,587
Cash held for designated purposes	14,158,858	3,130,065
	\$ 18,611,423	\$ 9,611,652

	2015	2014
Supplemental information:		
Cash flow from interest received and included in comprehensive income.	\$ 160,293	\$ 84,354

The accompanying notes are part of these financial statements.

FINANCIAL and CONSUMER SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015
(in Canadian \$)

1. Nature of the Corporation

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

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

Financial and consumer services legislation means the:

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

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

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

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

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

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

FINANCIAL and CONSUMER SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015
(in Canadian \$)

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

Management have prepared these financial statements in accordance with IFRS as issued by the International Accounting Standards Board (IASB).

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

The financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities 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 the FCNB's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

3. Summary of significant accounting policies

(a) Revenue recognition

Revenue is recognized when earned.

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

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

Activity fees are triggered by certain activities requested of staff by market participants (e.g. prospectus and private placement filings), by pension plans (e.g. registration of pension plans) and by loan and trust companies (e.g. review and issue of letters patent). 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.

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

Investment income is recorded as earned.

FINANCIAL and CONSUMER SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015
(in Canadian \$)

(b) Property, plant and equipment and intangible assets

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

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

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

The FCNB allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. Residual values, 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, plant and equipment and intangible assets are determined by comparing the proceeds with the carrying amount of the asset, and are included as part of other gains and losses in the statement of comprehensive income.

(c) Impairment of property, plant and equipment and intangible assets

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

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.

FINANCIAL and CONSUMER SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015
(in Canadian \$)

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

(d) Leasing

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

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

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

(e) Provisions

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

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

FINANCIAL and CONSUMER SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015
(in Canadian \$)

(f) Employee benefits

Post-employment benefit obligations

The FCNB provides pension benefits to its employees through participation in the Public Service Shared Risk Plan (the "Plan"), which is a shared risk pension plan. There is no contractual agreement or stated policy for charging the net defined benefit cost for the plan to the FCNB; accordingly the FCNB recognizes a cost equal to the contribution payable for the period. The FCNB receives notification on an annual basis of the required contributions from the Board of Trustees of the Public Services Shared Risk Plan, which administers the Public Service Shared Risk Plan.

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

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

(g) Cash

Cash includes cash on hand and deposits held with banks.

(h) Financial instruments

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

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

- I. Cash and cash held for designated purposes are classified as "fair value through income". These financial assets, carried at fair value, are marked-to-market through net earnings each period end.
- II. Accounts receivable and amounts due from the Province of New Brunswick are classified as "loans and receivables". Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment. They are included in current assets, except for

FINANCIAL and CONSUMER SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015
(in Canadian \$)

maturities greater than 12 months after the reporting period. These are classified as non-current assets.

- III. Accounts payable and accrued liabilities, accrued salaries and benefits, accrued vacation liabilities and obligation under finance lease are classified as “other financial liabilities”. These payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, these payables are measured at amortized cost using the effective interest method.

(i) Recently adopted accounting standards

The following standards are required to be applied for periods beginning on or after 1 January 2014 and, unless otherwise indicated, had no effect on our financial performance:

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

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

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

(j) Future accounting and reporting changes

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

In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendments form a part of the IASB’s Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments are effective from 1 January 2016. It is not expected that this new standard will have a material impact on the financial statements.

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

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

4. Significant accounting estimates and judgments

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

(a) Significant accounting estimates

Property, plant and equipment and intangible assets

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

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Retirement allowances

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

Sick leave credits benefit

Upon retirement, employees of the FCNB are eligible to receive 20% of the accumulated sick leave balance to a maximum of 48 days as a pay-out. For employees over the age of 50, the FCNB applies a 3% discount factor to adjust for the age of each eligible employee for each year that the employee is under the age of 55 and for employees under the age of 50 the FCNB applies a 3% discount factor to adjust for the age of each eligible employee for each year that the employee is under the age of 65. For liability calculation purposes, management estimates that 50% of employees under the age of 40 will retire from the FCNB, 75% of employees between the ages of 40 and 50 will retire from the FCNB and all employees over the age of 50 will retire from the FCNB.

Supplemental pension benefit

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

Assessments

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

(b) Significant accounting judgments

Management exercises its judgement in the process of applying the FCNB's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions are significant to the financial report have been disclosed in Note 3. The determination of the collectability of administrative penalty and disgorgement revenue represents a significant policy judgment area.

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5. Financial risk management

Financial risk factors

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

Credit risk

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

Liquidity risk

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

Interest rate risk

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

6. Capital management

The FCNB's objective when it manages capital is to ensure it continues as a going concern in order to fulfill its mandate. The FCNB has established a stabilization reserve of \$4,000,000 (\$3,000,000 in 2014) and a restructuring reserve of \$10,000,000 (\$0 in 2014) to manage its capital risk. The FCNB ensures that any payment of surplus funds to the Province of New Brunswick will not impair the FCNB's ability to pay its liabilities, to meet its obligations as they become due or to fulfil its contractual commitments.

7. Financial instruments

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

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8. Cash and cash held for designated purposes

The FCNB maintains three separate bank accounts. The first is comprised of the operating account and those monies attributable to the stabilization reserve and restructuring reserve and monies received from disgorgement orders. The second account is maintained for the market enhancement reserve. The third account is maintained for monies held in trust, as securities for licenses issued under various financial and consumer services legislation. The balance for the third account as of 31 March 2015 was \$1,007 (\$0 in 2014) and is included in cash. Under the terms of the FCNB's banking agreement, these accounts earn interest at prime less 1.75% calculated daily. The amounts attributable to the stabilization reserve, restructuring reserve, disgorgement reserve and market enhancement reserve have been disclosed on the statement of financial position as cash held for designated purposes.

9. Accounts receivable

The FCNB charges assessments as per specific financial and consumer services legislation to the credit union system and to the insurance industry. The outstanding assessments owing totalled \$2,298,523 of the total accounts receivable as of 31 March 2015 (\$1,756,704 in 31 March 2014).

10. Due from the Province of New Brunswick

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

11. Reserve

Restructuring reserve

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

Stabilization reserve

The FCNB has established a reserve consistent with subsection 21(8) of the *Financial and Consumer Services Commission Act* to finance extraordinary expenses for isolated and unanticipated purposes that are regulatory in nature, and for changes in market activity that have an effect on revenue. The reserve is funded through charges to the general fund. The maximum value of the reserve has been set at \$4,000,000 (\$3,000,000 in 2014).

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Market enhancement reserve

The FCNB collects administrative penalties under section 186 of the *Securities Act*. Consistent with subsection 21(5) of the *Financial and Consumer Services Commission Act*, these amounts are not used for the normal operating expenditures of the FCNB. Instead, they are used for endeavours or activities that enhance the capital markets or consumer protection in New Brunswick. Market enhancement reserve funds are maintained separate from the normal operating funds of the FCNB and generate their own investment revenue. The value of the reserve is \$158,668 (\$130,065 in 2014).

Disgorgement reserve

The FCNB has the authority to issue disgorgement orders under section 184 of the *Securities Act* or the Court of Queen's bench may do so under section 187 of the *Securities Act*. Disgorgement orders permit the FCNB to order that a person be divested from the benefits obtained as a result of failure to comply with securities law. These amounts are not used for the normal operating expenditures of the FCNB as described in subsection 21 (6) of the *Financial and Consumer Services Commission Act* and will generally be used to return funds to negatively impacted investors consistent with Local Rule 15-502, *Procedure for the Distribution of Disgorged Funds*. The value of the reserve is \$190 (\$0 in 2014).

12. Property, plant and equipment

	Office furniture and equipment	Finance lease	Information technology infrastructure	Software	Automobile	Leasehold improvements	Total
Cost							
As at 31 March 2014	\$ 158,362	\$16,995	\$ 273,101	\$11,780	\$ 32,775	\$525,680	\$ 1,018,693
Additions	223,491	-	69,600	-	-	88,590	381,681
Dispositions	-	-	125,877	-	-	-	125,877
As at 31 March 2015	\$ 381,853	\$ 16,995	\$ 216,824	\$ 11,780	\$ 32,775	\$ 614,270	\$ 1,274,497
Accumulated Depreciation							
As at 31 March 2014	\$ 151,942	\$3,964	\$ 218,522	\$11,780	\$ 14,749	\$462,654	\$ 863,611
Depreciation	31,243	3,399	22,281	-	6,555	70,472	133,950
Dispositions	-	-	125,877	-	-	-	125,877
As at 31 March 2015	\$ 183,185	\$ 7,363	\$ 114,926	\$ 11,780	\$ 21,304	\$ 533,126	\$ 871,684
Net book value							
As at 31 March 2014	\$ 6,420	\$ 13,031	\$ 54,579	\$ -	\$ 18,026	\$ 63,026	\$ 155,082
As at 31 March 2015	\$ 198,668	\$ 9,632	\$ 101,898	\$ -	\$11,471	\$ 81,144	\$ 402,813

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13. Intangible Assets

	Website
Cost	
As at 31 March 2014	\$ 31,951
Additions	13,919
Dispositions	0
As at 31 March 2015	<u>\$ 45,870</u>
Accumulated Amortization	
As at 31 March 2014	\$ 1,638
Amortization	8,278
Dispositions	0
As at 31 March 2015	<u>\$ 9,916</u>
Net Book Value	
As at 31 March 2014	\$ 30,313
As at 31 March 2015	\$ 35,954

14. Finance lease liability

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

	Minimum lease payments		Present value of minimum lease payments	
	2015	2014	2015	2014
Not later than 1 year	\$ 3,623	\$ 2,717	\$ 3,418	\$ 2,509
Later than 1 year and not later than 5 years	6,341	9,984	6,187	9,625
	<u>\$ 9,964</u>	<u>\$ 12,701</u>	9,605	12,134
Less: Current portion			3,418	2,529
Finance lease liability			<u>\$ 6,187</u>	<u>\$ 9,605</u>

15. Disposition of surplus operating funds

The disposition of surplus operating funds consists of payments to the Consolidated Fund of the Government of New Brunswick subject to the approval of the Board of Management and consistent with subsection 21(7) of the *Financial and Consumer Services Commission Act*. There were no payments made in the year ending 31 March 2015 (\$5,500,000 in 2014).

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16. Provisions

A provision is recognized if, as a result of a past event, the FCNB has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. The FCNB has no provisions recorded at 31 March 2015 (\$0 at 31 March 2014).

17. Operating lease commitments

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

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

The FCNB entered into a fifty-four month lease for office space in Fredericton, effective 1 September 2014 with the Department of Transportation and Infrastructure for the Government of New Brunswick. During the year the FCNB was in an over-hold lease position for Fredericton office space and paid \$18,309 per month to the Department of Transportation and Infrastructure until the end of September 2014.

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

	2015	2014
Minimum lease payments	\$ 419,451	\$ 253,214
Contingent rentals	-	-
Sub-lease payments received	-	-
	<u>\$ 419,451</u>	<u>\$ 253,214</u>

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

	2015	2014
Not later than 1 year	\$ 589,466	\$ 253,214
Later than 1 year and not later than 5 years	2,278,597	232,113
Later than 5 years	324,513	-
	<u>\$ 3,192,576</u>	<u>\$ 485,327</u>

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18. Commitments and contingencies

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

(a) Legal actions

The FCNB has been named as a defendant in two statements of claim. The claims are in the early stage and the outcome and ultimate disposition of these actions are not yet determinable. An expense, if any, concerning this contingency will be accounted for in the period in which the payment or provision occurs.

19. Employee future benefits

(a) Pension plan

Pension costs included in these financial statements comprise the cost of employer contributions for current service of employees during the year. For the year ended 31 March 2015, the FCNB expensed contributions of \$655,522 (\$420,869 in 2014) under the terms of the Plan.

(b) Supplemental pension benefit

A retired Chief Executive Officer receives a supplemental pension benefit whereby supplemental pensionable service of one year for each year of service as Chief Executive Officer to the maximum of five years was earned. This benefit is unfunded as no assets have been set aside in a separate legal entity and payments are made as they become due. For the year ended 31 March 2015, the FCNB expensed \$9,615 (\$8,656 in 2014) under the terms of the Supplemental Benefit Agreement and made 12 monthly payments totalling \$15,050 (made 11 monthly payments totalling \$13,935 in 2014).

(c) Retiring Allowances

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

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

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

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

During the prior year most eligible employees took a pay-out in lieu of a deferral. The liability in the financial statements reflects eligible employees who deferred the pay-out until retirement. For the year ended 31 March 2015, the FCNB expensed \$4,088 for this program (\$364 in 2014). The FCNB paid out benefits of \$61,036 (\$491,799 in 2014).

(d) Sick leave credits

In concert with the elimination of the retiring allowance program, changes were made to the sick leave policy such that employees could receive a pay-out of 20% of their unused sick leave credits at lay-off, retirement or death. These statements reflect a liability of \$244,757 (\$245,207 in 2014) for this benefit and a current year expense of \$16,013 (\$130,826 in 2014). This liability is discounted as follows; employees over the age of 50, the FCNB applies a 3% discount factor to adjust for the age of each eligible employee for each year that the employee is under the age of 55 and for employees under the age of 50 the FCNB applies a 3% discount factor to adjust for the age of each eligible employee for each year that the employee is under the age of 65. For liability calculation purposes, management estimates that 50% of employees under the age of 40 will retire from the FCNB, 75% of employees between the ages of 40 and 50 will retire from the FCNB and all employees over the age of 50 will retire from the FCNB.

20. Related party transactions

As part of the transition arrangements associated with the transfer of responsibilities from the Department of Justice and Attorney General (Note 1), certain payments totalling \$4,800 (\$308,503 in 2014) that were the property of the FCNB were deposited to the Minister of Finance with the understanding that these amounts would be remitted to the FCNB after a reconciliation process. These payments were for services provided by the FCNB. As of 31 March 2015 an account receivable of \$4,800 (\$903,171 at 31 March 2014) was owed to FCNB with no expectation of earning interest. This amount is included in due from Province of New Brunswick.

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The New Brunswick Internal Services Agency (NBISA), a related party to the FCNB, provides certain services in the normal course of operations that are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Information technology services were provided, such as data storage, data back-up, data protection and support for the FCNB. The FCNB expended \$98,007 (\$108,299 in 2014) during the reporting period on these services. As of 31 March 2015 an accounts payable of \$86,816 (\$102,501 at 31 March 2014) was owed to the NBISA and was subject to normal terms. This amount is included in accounts payable and accrued liabilities.

The Translation Bureau for the Government of New Brunswick provides translation services to the FCNB that are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Total expenditures during the period were \$126,945 (\$80,546 in 2014). As of 31 March 2015 an accounts payable of \$48,278 (\$27,435 at 31 March 2014) was owed to the Translation Bureau for the Government of New Brunswick and is subject to normal terms. This amount is included in accounts payable and accrued liabilities.

The Department of Transportation and Infrastructure (“DTI”) for the Government of New Brunswick provided office space in Fredericton on a month-to-month basis until the end of September 2014 to the FCNB. On 1 October 2014 the FCNB entered into an agreement with DTI for permanent office space. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The FCNB expended \$276,234 (\$164,778 in 2014) and capitalized \$48,565 (\$0 in 2014) during the reporting period. As of 31 March 2015 an accounts payable of \$341,215, which includes harmonized sales tax (\$186,199 at 31 March 2014) was owed to the Department of Transportation and Infrastructure and subject to normal terms. This amount is included in accounts payable and accrued liabilities.

The Chair of the FCNB has a personal services contract with the FCNB that is measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. This is in-lieu of an employment contract and facilitates the Chair’s independence from the operations of the Commission. The FCNB expended \$152,410 (\$38,079 in 2014) during the reporting period. As of 31 March 2015 an accounts payable of \$15,807 (\$15,059 at 31 March 2014) was owed to the Chair and subject to normal terms. This amount is included in accounts payable and accrued liabilities.

The FCNB provides certain administrative services for the Government of New Brunswick associated with assessments or recoveries from the insurance sector and which are for the benefit of the Consolidated Revenue Fund of the Government of New Brunswick. These services include the invoicing, receipting and depositing of payments under the *Premium Tax Act* (invoiced \$46,230,982 in 2015, \$45,137,407 in 2014), the invoicing, receipting and depositing of payments under the *Medical Services Payment Act*, the *Hospital Services Act* and the *Family Services Act* (\$28,496,736 in 2015, \$28,932,513 in 2014) and the receipt and depositing of payments under the *Fire Prevention Act* (\$3,043,600 in 2015, \$2,879,103 in 2014). These transactions do not flow through the FCNB’s financial statements and are recorded directly in the financial information system of the Government of New Brunswick. The FCNB performs these functions without any financial consideration or payment from the Government of New Brunswick.

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Key management personnel

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

	2015	2014
Salaries and other short-term employee benefits	\$ 1,072,959	\$ 963,229
Post-employment benefits	83,767	55,569
	<u>\$ 1,156,726</u>	<u>\$ 1,018,798</u>

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

21. Administration

	2015	2014
Investor protection and education	\$ 568,553	\$ 409,239
Members and staff development	193,894	129,907
Information technology	116,792	96,070
Other administration	391,213	301,184
	<u>\$ 1,270,452</u>	<u>\$ 936,400</u>

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22. Alternative presentation – Income statement by function

	2015	2014
REVENUE		
Securities	\$ 14,517,481	\$ 14,428,032
Insurance	2,542,073	1,968,475
Financial Institutions	746,949	484,518
Consumer Affairs	376,763	296,980
Pensions	307,700	133,519
Investment income	161,007	84,115
Miscellaneous	58,820	28,705
	<u>\$ 18,710,793</u>	<u>\$ 17,424,344</u>
EXPENSES		
Governance and Corporate Management	\$ 3,007,671	\$ 2,559,191
Insurance	1,775,905	1,364,878
Education and Communications	1,142,799	1,053,538
Securities	1,134,172	956,039
Enforcement	647,196	642,829
Financial Institutions	686,581	434,648
Consumer Affairs	524,133	395,636
Pensions	693,704	441,806
Tribunal	294,290	122,457
	<u>9,906,451</u>	<u>7,971,022</u>
COMPREHENSIVE INCOME	<u>\$ 8,804,342</u>	<u>\$ 9,453,322</u>

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

23. Authorization of financial statements

The financial statements for the year ended 31 March 2015 (including comparatives) were approved by the board of directors on 31 August 2015.