

INNOVATION AND EXCELLENCE IN REGULATION AND EDUCATION

2018-2019 ANNUAL REPORT



**FINANCIAL AND
CONSUMER SERVICES
COMMISSION**

regulation • education • protection

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We are New Brunswick's Financial and Consumer Services Regulator

From credit union accounts and mortgages to investments, payday loans, real estate transactions, insurance and pensions, virtually every New Brunswicker is a consumer of financial services.

We register and license businesses and individuals in the financial and consumer sectors, all of whom work with the well-earned money of New Brunswickers. We respond to consumer inquiries and complaints, conduct compliance reviews, investigate alleged violations of consumer protection laws and educate consumers and businesses about their rights and responsibilities.

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

We administer the following Acts:

Financial and Consumer Services Commission Act

Auctioneers Licence Act

Collection and Debt Settlement Services Act

Commissioners for Taking Affidavits Act

Consumer Product Warranty and Liability Act

Co-operative Associations Act

Credit Unions Act

Cost of Credit Disclosure and Payday Loans Act

Credit Reporting Services Act

Direct Sellers Act

Franchises Act

Gift Cards Act

Insurance Act

Loan and Trust Companies Act

Mortgage Brokers Act

Nursing Home Pension Plans Act

Pension Benefits Act

Pre-arranged Funeral Services Act

Real Estate Agents Act

Securities Act

Securities Transfer Act

What guides us

OUR MANDATE

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

OUR VISION

FOR THE PROVINCE

Confident, dynamic financial marketplaces and well-informed consumers.

FOR THE ORGANIZATION

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

OUR VALUES

LEADERSHIP

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

RESPONSIVENESS

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

INTEGRITY

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

COMMITMENT

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

Regulation

Proper regulation is at the heart of consumer protection and safeguarding the well-earned dollars of New Brunswickers. It requires balancing public interests with efficient financial marketplaces.

In addition to registering and licensing individuals or firms in the industries we regulate, we conduct compliance reviews and educate industry on compliance issues to help preserve the integrity of the financial marketplaces. When developing regulatory proposals, we consult industry and stakeholders, and work collaboratively with provincial, national and international regulatory and industry associations on global regulatory concerns, trends and initiatives. The Minister of Finance provides oversight by approving the rules made by FCNB.

Education

We believe informed consumers are better able to protect themselves from frauds and scams and to make decisions that improve their financial well-being. We offer educational materials and presentations, outreach programs, professional development workshops, brochures and online tools on a wide range of topics. All of our resources and programs are free and available in both official languages.

Protection

We research and evaluate information from our own surveillance efforts and from our crime detection partners to identify trends. We make the public aware of frauds and scams targeting New Brunswickers through our website and through fraud alerts sent directly to our subscribers.

We work with law enforcement and maintain relationships with national and international consumer protection groups, which is particularly important to protect New Brunswickers from scams and frauds.

We enforce our rules and hold those who violate them accountable. If sanctions or financial penalties are warranted, we have the option to take a case before the Financial and Consumer Services Tribunal or the provincial courts, depending on the circumstances.

Our provincial footprint as of 31 March 2019

3,329 Collection Agency and Collector Licences

62 Auctioneers' Licences

619 Commissioners of Oaths Appointments

817 Cost of Credit Registrations

856 Direct Sellers Licences

113 Pre-arranged Funeral Licences

1,283 Real Estate Licences

175 Mortgage Broker Licences

182 Co-operatives

9 Credit Unions and 65,742 Members

46 Loan and Trust Companies

218 Insurance Companies

8,669 Insurance Licensees

288 Registered Pension Plans and

95,335 Active Members

(not including retirees)

5,256 Reporting Issuers in Securities

11,419 Securities Registrants

7 Payday Lenders Licences

2 Credit Reporting Licences

Our impact

750,000 CONSUMERS

We protect over 750,000 New Brunswick consumers through regulation and financial education.

34,000 INDUSTRY PARTICIPANTS

We regulate industries and individuals who make their living working with New Brunswickers' money.

30 BILLION DOLLARS

Industry participants that we regulate handle over \$30 billion of New Brunswick consumers' money.

Our highlights

96% of strategic initiatives completed or in progress

431 compliance reviews across 8 different sectors



36% increase in new visitors to our website

67% increase in subscribers to our Fraud Alerts



89% increase in the number of French classroom presentations

129% increase in number of senior presentations/events



97% increase in number of consumer and investor education events

11% increase in followers on our social media platforms

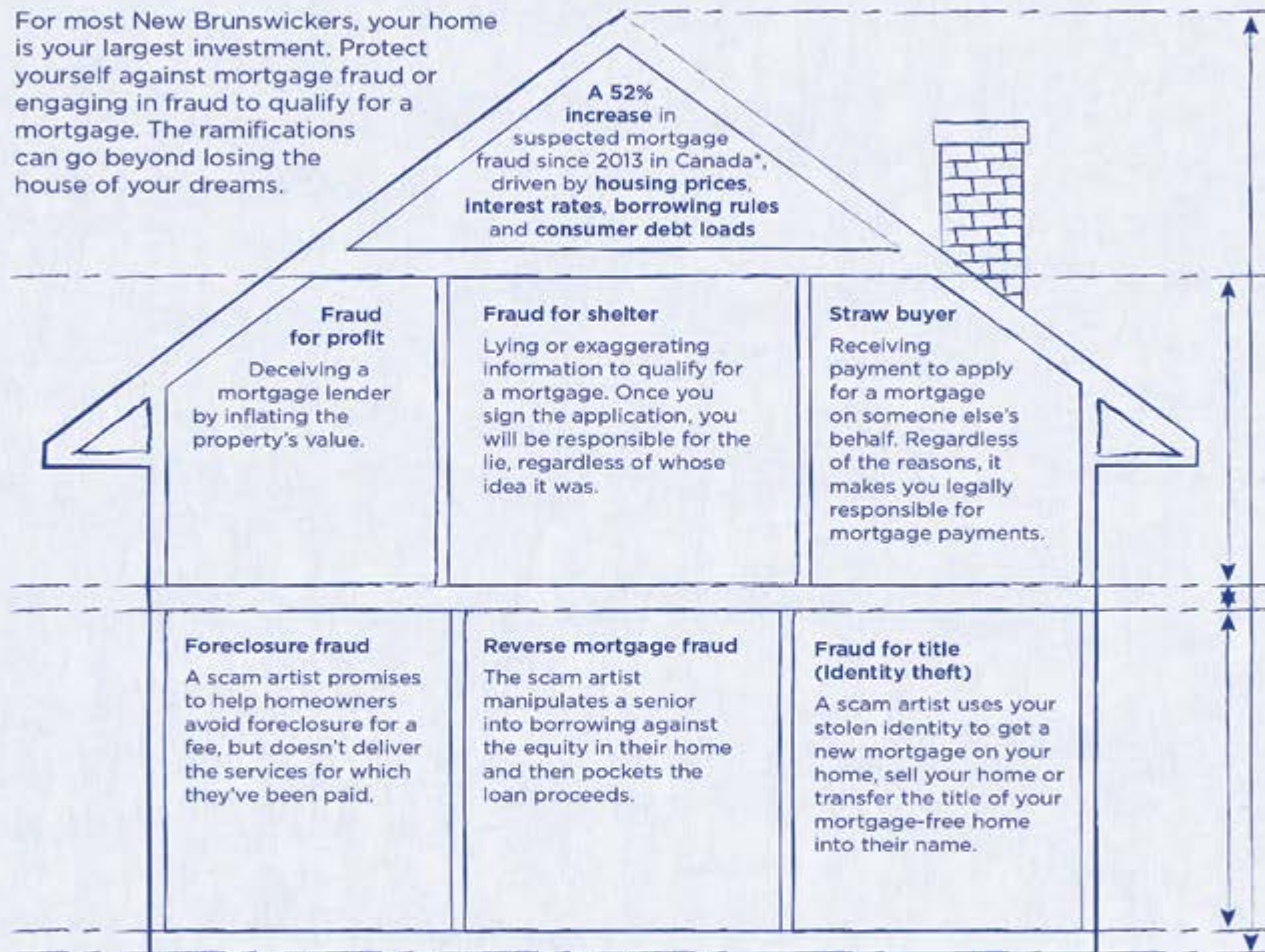
Staff participated in over
100 different regulatory committees with
32 provincial, national and international groups



Blueprint to Protect Yourself Against Mortgage Fraud

Ways you could be targeted by or implicated in mortgage fraud

For most New Brunswickers, your home is your largest investment. Protect yourself against mortgage fraud or engaging in fraud to qualify for a mortgage. The ramifications can go beyond losing the house of your dreams.



*Equifax Canada. (2017). Mortgage Fraud on the Rise [Press Release]. Retrieved from: <https://www.consumer.equifax.ca/about-equifax/press-releases/-/blogs/equifax-canada-mortgage-fraud-on-the-rise/>

How to protect yourself

- Be honest on a mortgage application.
- Do not apply for a mortgage for someone else.
- Contact FCNB to check the licence status of a mortgage broker or real estate professional.
- Avoid identity theft by protecting your personal information.
- Be wary of anyone who approaches you with an offer to make "easy money" in real estate.

How to report it

If you suspect you are a victim or potential victim of mortgage fraud, contact us at FCNB.ca or call 1-866-933-2222.

Letter from the Chair

As new business models and disruptive technologies continue to evolve and transform financial marketplaces, they aren't always easy to fit within existing regulatory and enforcement structures. While they may present opportunities for consumers and investors, they also raise new challenges in effective education and protection and compel us to constantly reconsider the role of a financial regulator in a virtual world. At the same time, consumers continue to be targeted by traditional financial frauds that have existed since the days of the first 'Ponzi' scheme.



Consumer and investor protection are at the core of what guides FCNB in our day-to-day operations. I am very proud of the work we do to help protect New Brunswick consumers in the financial marketplaces.

Recently, our Commission has taken a leadership role in advancing conversations around financial abuse of vulnerable populations; provincially, nationally and with our regulatory counterparts throughout North America. This past year, after a series of consultations and roundtables to understand the issues facing seniors, we released a paper entitled "Recommendations and Results of Consultation: Improving Detection, Prevention and Response to Senior Financial Abuse in New Brunswick". Perhaps not the most exciting title, but the outcomes and possibilities are worth getting excited about!

This important document, among other topics, looked at:

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

To support the paper's recommendations, FCNB is now developing specific initiatives for action in those areas where we have a responsibility. In those areas for which we do not have legislative authority, results have been shared with other stakeholders for their consideration and action. It has become obvious that effective solutions must be pursued collaboratively by numerous agencies and stakeholders, and FCNB is committed to doing its part.

In addition to our work on behalf of vulnerable populations, among many other things, we continued our campaign to raise awareness of the red flags of financial fraud, worked with other provinces to advance the Capital Markets Regulatory Authority for securities and pursued legislative efforts with government to improve consumer protection laws in New Brunswick.

FCNB has established a group whose job is considering the implications of new technologies on regulation. I am pleased to report that our staff are recognized nationally and internationally for their expertise in areas such as cryptocurrencies and blockchain technology. We hope to avoid the next crisis in regulation or the latest source of financial fraud by educating ourselves and being as proactive as possible in working with our stakeholders and our regulatory colleagues. In the virtual world, there are more than enough 'Ponzi' schemes to go around.

This work would not be possible without our exceptional staff and the hardworking members of our Commission. I would especially like to acknowledge the outstanding efforts of our Chief Executive Officer, Rick Hancox. His dedication and thoughtful leadership have contributed enormously to the great strides which FCNB has made in advancing effective education and regulation for the benefit of New Brunswickers.

Original signed by Peter Klohn

Peter Klohn

Chair

Letter from the CEO

It has been said that the only constant in life is change. This is a truth that regulators feel today more than ever. The marketplaces where our registrants and licensees operate are increasingly borderless and technologically advanced. The rising predominance of the fintech industry (robo-advisors, online lending, online payment systems, cryptocurrencies, etc...) and increasing cybersecurity threats are good examples. These present some very real regulatory concerns distinguished by their increasing sophistication.



To address these challenges, we have established a cross-divisional Emerging Issues working group. Its mandate is to keep abreast of these new developments, assess them, and prepare appropriate regulatory responses for the Commission. This committee's work will ensure we are prepared for what lies ahead, and allow us to work toward our goal of excellence in regulation, education and consumer protection.

This year was a busy one. We continue to work on modernizing the legislation for many of the sectors we regulate. In 2018-2019, we implemented the *Credit Reporting Services Act*, and this past January, we marked the one-year anniversary of our *Cost of Credit Disclosure and Payday Loans Act*, which when implemented, was the most modern in the country. We are one of the first jurisdictions with rules for online lending, recognizing the predominance of Internet access for financial services.

We have been actively working on a legislative proposal to modernize both the *Credit Unions Act* and the *Co-operative Associations Act*. This will help reduce the regulatory burden on these sectors while improving consumer protection. Modern legislation will help these sectors to better support their membership and remain competitive in today's technological environment.

As an educator, we strive to increase consumers' awareness and knowledge so they can make informed financial decisions. We offer training and opportunities for school-age children through to seniors to help improve their financial wellness. Our focus is to protect consumers from fraud and deceptive practices by improving their level of financial literacy.

This year, we continued to provide information on the red flags of fraud and current scams circulating the province in an effort to help New Brunswickers protect themselves. While scams change and adapt, the underlying red flags of fraud tend to be the same. If consumers can recognize the red flags, think critically about offers and be vigilant, there is less likelihood they will become victims. The impact of being a victim goes well beyond financial loss.

We have a broad mandate through our regulatory and educational services to protect consumers from financial harm and promote confidence in New Brunswick's financial and consumer marketplaces. This annual report describes the environment in which we work, the challenges we face and provides insight into the initiatives undertaken to meet our objectives. We have a very dedicated and creative staff who understand the importance of what we do. We have staff who are recognized in the province, in the country and around the world for their expertise. Not bad for a regulator in a small jurisdiction like New Brunswick.

Original signed by Rick Hancox

Rick Hancox

CEO



RED FLAGS OF FRAUD

Be on the lookout for these common tactics fraudsters use to take your money!

The deal



...is too good to be true.

Did you really win a prize? Is that investment really "zero risk"? If an offer seems too good to be true, it is.



...is for a limited time only.

Fraudsters pressure you to act fast before you have the time to think it over, review any contracts or ask for a second opinion.

The fraudster



...tries to befriend you.

They try to gain your trust quickly by bonding over shared groups and activities. They will pretend to have your best interests at heart.



...catches you off guard.

They may call early in the morning or during the night when you are less alert so they can trick you into revealing financial information.

They prey on



...your fears.

They may try to blackmail you, or tell you that you will be arrested. They may even impersonate a family member in trouble.



...your emotions.

They may form a romantic relationship with you, or invent stories to gain your sympathy. They may ask for donations to a fake charitable cause.

They ask you



...to keep it secret.

They claim to offer confidential insider knowledge about an investment or a secret opportunity to get in on the ground floor.



...to pay with unusual methods.

They might tell you to send money using iTunes cards, gift cards, prepaid credit cards, or cryptocurrency.

FRAUDSTERS CAN APPROACH YOU IN MANY WAYS



On the phone



At your door



In the mail



Online

If you have concerns about those in the business of

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

Report it to

1-866-933-2222



If you get an unexpected call or message about a

- Tax refund, prize or inheritance
- Job offer
- Virus on your computer
- Problem with your bank (or other) accounts
- Bill for something you didn't purchase

Or if you are worried about identity theft...

Report it to the

Canadian Anti-Fraud Centre

www.antifraudcentre-centreantifraude.ca

and to the **RCMP**
or your local police

If the fraud took place online through Facebook, eBay, Kijiji or a dating website, report it directly to the website. Look for "Report Abuse" or "Report an Ad" on the website.

Did it come through email or text?

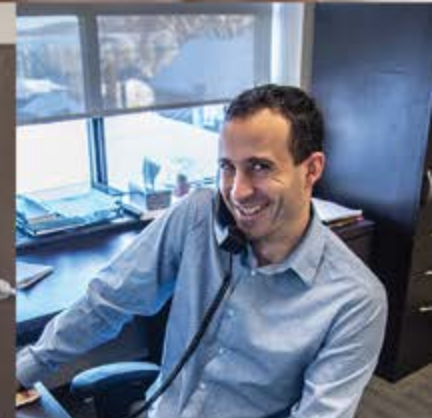
You can also forward it to the **Spam Reporting Centre**
<http://fightspam.gc.ca>



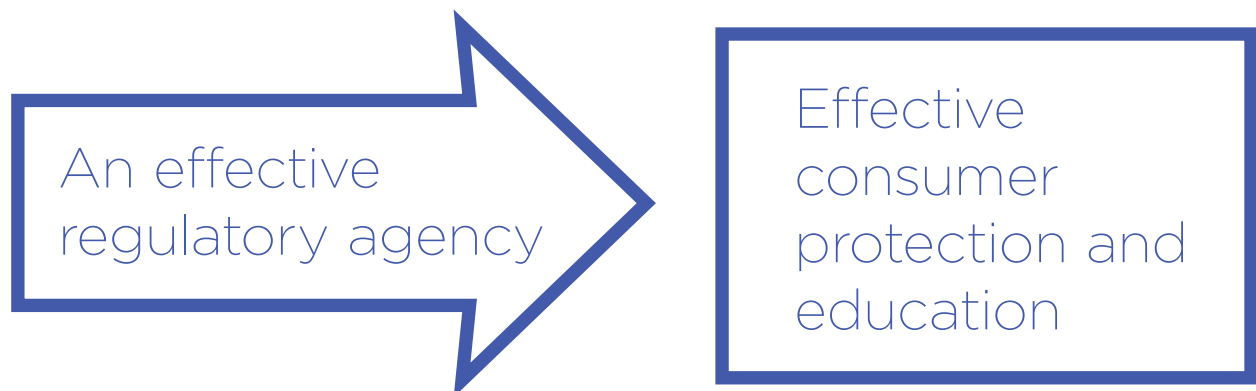
PROTECT YOUR LOVED ONES REPORT FRAUDS AND SCAMS



OUR GREATEST ASSET



Our strategic direction



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

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

An effective regulatory framework and structure has three key requirements:



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

Factors affecting our operations

The pace of change in the financial landscape is significant and with technology advancements that pace is only expected to accelerate. These changes significantly impact our organizational structure and our operational budget, both of which must rise to meet the challenge.

As we survey the landscape looking forward, we adapt our strategic direction in an effort to proactively plan for change. While evolving with this changing environment, we have the advantage of being an effective, independent, self-funded regulator. And as always, the vision and mandate to regulate, educate and protect New Brunswick consumers guide everything that we do.

There are a wide variety of external and internal factors that influence our operations.

Internal factors

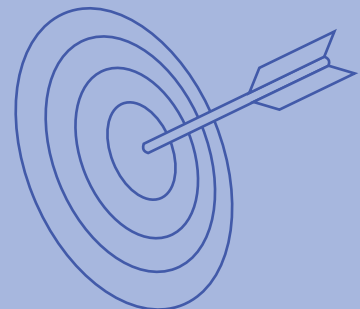
Co-operative Capital Markets Regulatory System (CMRA)

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



Transition to FCNB 2.0 in a post-CMRA environment

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

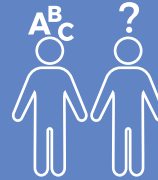


External factors

Demographics



Seniors make up 19.9% of New Brunswick's population – the highest percentage in the country.¹



53% of New Brunswick adults do not have adequate literacy skills to successfully navigate their way through consumer choices, which makes them vulnerable to financial exploitation.²



Bridging the digital divide:

Digital literacy is vital in the 21st Century for civic and social participation, accessing public services, and succeeding in a digitizing economy. Age, gender, language, cultural background, geographic location (urban versus rural) and costs contribute to a wide gap in levels of digital literacy in New Brunswick.

Emerging issues

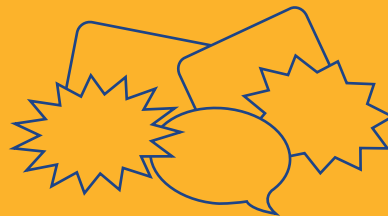


\$1.2 billion
invested in fintech
by investors

Disruptive Technologies:

Emerging technologies including fintech, Artificial Intelligence, cybersecurity, and blockchain technologies are changing the way people manage their finances. Regulators must be nimble to address these evolving technologies.

119 fintech deals generated \$1.2 billion worth of investment in 2018 in Canada.³



Noisy Environment:

Many experts agree that the average person is exposed to around 4,000 to 10,000 ads each day.⁴

This presents challenges to how we develop, package and distribute our educational content.

1. Statistics Canada, statcan.gc.ca

2. Statistics Canada 2015 CANSIM table 477-0079.

3. KPMG, *Global fintech investment rockets to a record \$111.8B in 2018, driven by mega deals: KPMG Pulse of Fintech* (Press Release). Retrieved from: <https://home.kpmg/xx/en/home/media/press-releases/2019/02/global-fintech-investment-hits-record-in-2018.html>

4. Forbes, *Finding Brand Success in a Digital World*. Retrieved from: <https://www.forbes.com/sites/forbesagencycouncil/2017/08/25/finding-brand-success-in-the-digital-world/#64e5637c626e>

Frauds and scams



95% of frauds and scams go unreported. \$1.1 million was reported lost to frauds and scams by New Brunswickers in 2018.⁵



6,515 attacks
5 billion records exposed

Canada had the third most cyber incidents worldwide.⁶ 6,515 publicly disclosed attacks exposed over 5 billion sensitive records in 2018.⁷



10% of Canadian seniors are the victims of crime each year.⁸ Financial abuse and exploitation appear to be among the most prevalent forms of abuse.

Regulatory considerations



Implementation of regulatory regimes for four additional sectors since 2013 (Payday Lenders, Debt Settlement, Credit Reporting, and Mortgage Brokers).



A number of regulated sectors under our jurisdiction are undergoing fundamental changes.

This requires efforts on our part to ensure stakeholders understand and comply with the new requirements and we keep our educational skills updated in order to effectively implement these new regulatory regimes.

We work with government to create an understanding of our legislated mandate and the roles we play. We have advised government of our willingness to work with them on initiatives that streamline the regulatory structure and to further protect consumers.

5. *New Brunswickers lost \$1.1 million to frauds and scams in 2018.* (Press Release) Retrieved from: http://fcnb.ca/newsroll.html?fb_31915481_anch=38809071
6. Canadian Underwriter, *Where Canada ranks worldwide in cyber breaches.* (Press Release). Retrieved from: <https://www.canadianunderwriter.ca/technology/canada-ranks-worldwide-cyber-breaches-1004136764/>
7. Risk Based Security, *Over 6,500 Data Breaches and More Than 5 Billion Records Exposed in 2018* (Press Release). Retrieved from: <https://www.riskbasedsecurity.com/2019/02/over-6500-data-breaches-and-more-than-5-billion-records-exposed-in-2018>
8. *Crime and Abuse Against Seniors: A Review of the Research Literature With Special Reference to the Canadian Situation*, www.justice.gc.ca/eng/rp-pr/cj-jp/fv-vf/crim/sum-som.html

STRATEGIC PRIORITIES

Strengthen our regulatory capability

To excel as an effective, independent, self-funded regulator.

Enhance our operational effectiveness

To implement the most effective organizational structures and work processes.

Deliver regulatory and educational value to the public

To provide innovative programs to regulate, educate and protect.

OUR VISION

For the Province

Confident, dynamic financial marketplaces and well-informed consumers

Leadership
Integrity
Responsiveness
Commitment

For the Organization

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

OUR VALUES

PRIORITÉS STRATÉGIQUES

Consolider notre capacité de réglementation

Être un organisme de réglementation efficace, indépendant, autofinancé et soucieux de l'excellence.

Améliorer notre efficacité opérationnelle

Mettre en oeuvre les structures et processus organisationnels les plus efficaces.

Réglementer et informer pour mieux servir le public

Offrir des programmes de réglementation et d'éducation novateurs pour protéger le public.

NOTRE VISION

Pour la province

Des marchés financiers dignes de confiance et dynamiques, et des consommateurs avertis

Leadership
Intégrité
Réceptivité
Engagement

Pour l'organisme

Être un leader parmi les organismes de réglementation des services financiers et des services aux consommateurs pour la promotion de l'excellence dans les programmes de protection et d'éducation des consommateurs

NOS VALEURS



STRENGTHEN OUR REGULATORY CAPABILITY

Our plan

PRIORITY: Strengthen our Regulatory Capability

OBJECTIVE: To excel as an effective independent, self-funded regulator

Initiatives

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

Timing: Multi-year, by March 2019

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

Implement new fee rules and revenue neutral self-funding structure

Timing: Multi-year, by March 2019+

Measure: New fee rules and assessment models in place

Implement Credit Reporting Services Regulatory Regime

Timing: By April 2018

Measure: Credit Reporting Services Regulatory Regime operationalized

Implement Payday Lender Regulatory Regime

Timing: By April 2018

Measure: Payday Lender Regulatory Regime operationalized

Modernize *Credit Unions Act* to reflect restructured regulatory framework

Timing: Multi-year, by March 2019

Measure: Legislative proposal submitted to government for approval

Modernize *Co-operative Associations Act*

Timing: Multi-year, by March 2019

Measure: Legislative proposal submitted to government for approval

Develop legislative proposal for a new *Consumer Protection Act*

Timing: Multi-year, by March 2020

Measure: Legislative proposal submitted to government for approval

Develop legislative proposal for a new *Insurance Act*

Timing: Multi-year, by March 2020

Measure: Legislated proposal submitted to government for approval

Work with Department of Finance to implement an Unclaimed Property Regulatory Regime

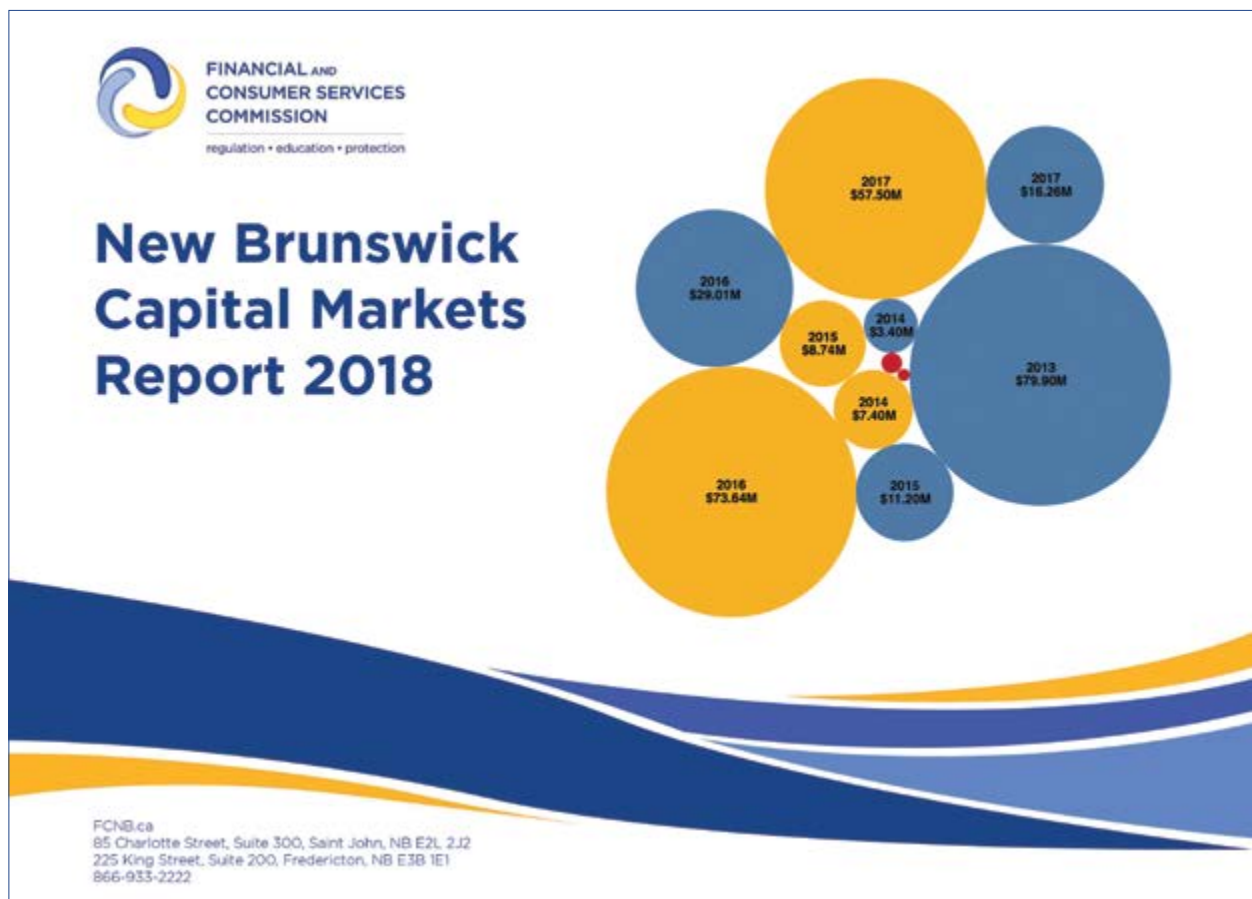
Timing: Multi-year, by March 2019

Measure: Legislated proposal submitted to government for approval

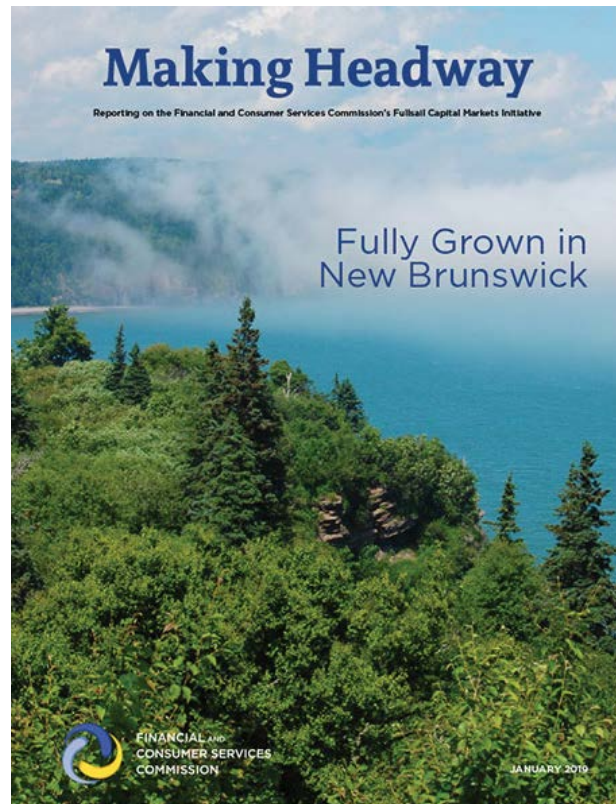
Strengthen our regulatory capability

Our progress

- FCNB staff have been steadily working to modernize the regulatory framework in which we operate. Some of the legislation we regulate are several decades old, and in need of updates to reflect the current environment in which our stakeholders operate. All of these changes require working closely with government to ensure they understand why it is important for the protection of New Brunswick consumers and to help foster fair and efficient marketplaces.
- New legislative proposals have been drafted to include updated investigative, compliance, enforcement and rule-making authority in all regulatory sectors.
- A legislative proposal was submitted to government to repeal old regulations that would then allow the Commission to implement its updated fee schedule.



- New consumer protection legislation related to credit reporting, credit repair and debt settlement in New Brunswick took effect 1 October 2018 via the new *Credit Reporting Services Act* and amendments to the *Collection and Debt Settlement Services Act*. The *Credit Reporting Services Act* regulates credit reporting agencies and restricts certain activities of credit repair agencies. This helps improve consumer protection by providing clarity for consumers around what to expect from a credit reporting agency.
- On 1 January 2018, the Payday Lender Regulatory Regime went in to effect and was operationalized. FCNB staff developed the rules, conducted compliance reviews and conducted site visits within this industry, as well as worked to educate both industry and consumers about the new rights and responsibilities under this Regime.
- A legislative proposal was submitted to government to modernize the *Credit Unions Act* and restructure the regulatory framework. This is necessary to streamline responsibilities, eliminate duplication and reduce the regulatory burden and costs for the province's credit unions. This will assist credit unions in their competitiveness and long-term sustainability.
- A legislative proposal was submitted to government proposing a new *Co-operatives Act* that will provide co-operatives in New Brunswick with modernized legislation. This proposal aims to enhance capitalization opportunities and promote the growth of co-operatives.
- We have been conducting research to assist us in developing a legislative proposal for a new *Consumer Protection Act*. The research includes a look at consumer protection initiatives in other jurisdictions.



- We have undertaken a project to modernize the *Insurance Act*. Staff have conducted significant research, carried out jurisdictional scans and consulted stakeholders on a preliminary basis. The first phase has focused on the intermediary licensing regimes.
- We have completed research into the design and development of an Unclaimed Property Regulatory Regime. A recommendation has gone to government for the development of a program to administer unclaimed property in a fair and responsible manner that both benefits consumers and minimizes the burden on holders.

Other regulatory considerations

Staff continue to support fintech initiatives through internal consultation, monitoring, commentary and Canadian Securities Administrators’ (CSA) Regulatory Sandbox Committee participation.

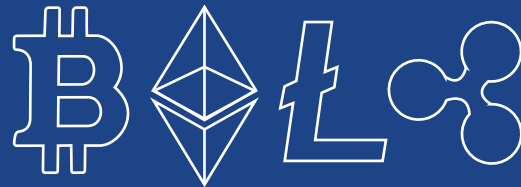
Compliance staff contributed to the development of the Guidance Conduct of Insurance Business and Fair Treatment of Customers jointly published by the Canadian Council of Insurance Regulators and the Canadian Insurance Services Regulatory Organization.



Fast facts

4.8 million

Canadians have invested in cryptocurrency. Investors are more likely to be male and in the Millennial age bracket.¹



TydeCoyn.ca was launched to educate New Brunswickers, in an innovative way, about the risks of participating in initial coin offerings (ICOs) before making an investment.

The site was designed with links to take people to information on the common red flags of fraud.

56% of TydeCoyn site visitors clicked on these links.

57%

of New Brunswickers say they would not know where to go to retrieve unclaimed property.²



66%

believe the province needs a system or program to connect owners with their unclaimed property.²



25% of consumers found errors on their credit reports that might affect their credit scores and ability to borrow money.³

Consumers can and should request a free copy of their credit report once per calendar year.

1. Finder.com, *Why haven't more Canadians bought Cryptocurrency?* Retrieved from: <https://www.finder.com/ca/why-people-arent-buying-cryptocurrency>

2. 2018 FCNB awareness survey

3. Federal Trade Commission, *Prepared Statement of the Federal Trade Commission on The Fair Credit Reporting Act, Credit Bureaus, and Data Security Before the Committee on Banking, Housing, and Urban Affairs.* Retrieved from: https://www.ftc.gov/system/files/documents/public_statements/1394106/p180101_commission_testimony_re_fcra_senate_07122018_0.pdf

ENHANCE OUR OPERATIONAL EFFECTIVENESS



Our plan

PRIORITY: Enhance our Operational Effectiveness

OBJECTIVE: To implement the most effective organizational structures and work processes

Initiatives

Implement revised organizational structure to meet challenges of FCNB

Timing: Multi-year, by March 2020

Measure: New organizational structure in place

Implement staff training development and succession plan

Timing: Multi-year, by March 2021

Measure: Competent, well-trained staff

Implement an Emerging Issues working group

Timing: July 2018

Measure: Working group operational with defined terms of reference

Transition designated staff to Co-operative Capital Markets Regulator

Timing: By March 2020

Measure: Staff operating under new Capital Markets Regulator

Implement electronic licensing systems in all regulatory sectors

Timing: Multi-year, by March 2019+

Measure: Fully functional electronic systems operational

Improve internal and external work processes

Timing: Multi-year, by March 2021

Measure: Operational efficiencies and standards in place

Enhance our operational effectiveness

Our progress

- Created a licensing group that consolidated licensing staff in insurance and consumer affairs to be more efficient and effective in our processes.
- Management continued to work to identify and respond to staffing needs and any organizational structure adjustments to meet our organizational direction and the needs of FCNB.
- FCNB implemented an internal leadership program to identify upcoming leaders within the organization and provide training and support to help build continued leadership and support our succession planning. We continued our second-language programs and provided on-going office-wide training to all staff on a variety of topics.
- Staff worked this year to develop an Internal Communications Strategy. Also, work was done to respond to our 2017 Employee Engagement Survey and an action plan was developed to address recognized priorities.



- An Emerging Issues working group was created with an ongoing mandate to identify new developments (e.g. technology, industry changes, demographics) that may impact or have an influence on the organization or the sectors we regulate; assess the potential impact and determine if it warrants a response; and, develop recommendations for how the organization should respond. The group conducted research into the issues facing the industries we regulate and a preliminary report with recommendations is in progress.

- Staff participated on key CMRA committees and supported the various workstreams to continue to provide strategic jurisdictional input.

- Phase 2 of the new Pension IT system was launched in May 2018. All applications to transfer Life Income Funds to Registered Retirement Income Funds are now done by financial advisors using our online portal, streamlining the process. Phase 1 of the system was launched in May 2017 and requires the submission of all required pension plan filings to be done online by pension plan administrators.

Protect your business from Cyber-attacks

Consequences of a cyber attack

- Monetary loss
- Theft of valuable intellectual property
- Company closures
- Leaked consumer data

Implementing cybersecurity is not a cost of doing business; it's a cost of staying in business.

2018

- 71% of data breaches in Canada involved an SME
- 91% of data breaches resulted from phishing emails

5 steps to defend your business

- Train your employees to be your first line defense and "click smart!"
- Put someone in charge of your business' cybersecurity.
- Keep your computers up-to-date with latest security patches.
- Back up your work in case your information is lost or stolen.
- Limit access to your company's computers and secure your Wi-Fi.

Current and emerging threats:

- More sophisticated and destructive data breaches
- Wire fraud
- Malware and ransomware
- Phishing and spearphishing

Report cyber incidents to:

- 01 Privacy Commissioner of Canada
1-800-282-1376
- 02 Canadian Centre for Cyber Security
ccsc@scs.gc.ca
1-833-CYBER-88
- 03 Canadian Anti-Fraud Centre
antifraudcentre.ca
1-888-495-8501

To learn more about cybersecurity, visit FCNB.ca or CyberNB.ca

February 2018

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your financial
wellness? Learn
how to create a
budget during our
30-Day Challenge
for a chance to
win a prize!**

REGISTER NOW!



- Work was done on additional advances in implementing electronic licensing for all of the regulatory sectors and continues to move forward.
- We conducted a review of licensing processes and legislation with a view to adopting a common process standard.
- We continue to participate in CSA National Systems Re-Development Project (NSRP) to ensure small jurisdictions' requirements are considered in the upcoming new systems as well as prepare for local business process changes, jurisdictional systems updates and staff training needs.

Fast facts

59% of employees are bilingual.



English/French

34 are taking various French training options.

FCNB staff receive regular cybersecurity training resulting in a good cybersecurity risk-aware culture.

1,136 emails

have been forwarded by FCNB staff to an internal email account to report phishing since the account was launched.



Responding to the results of our Employee Engagement Survey, we have implemented training on leadership and communications, including a facilitated session with all employees to fully understand how we communicate and where improvements could be made.

70,000+

filing processes were completed in the portal in 2018, including various applications, renewals and other filings.



The new online functionality enabled licensing staff, with hard work, to dramatically reduce the waiting time for approval of new licence applications and renewals.



Did you know?

The three swooshes in our logo represent regulation, education, and protection.



DELIVER
REGULATORY AND
EDUCATIONAL VALUE
TO THE PUBLIC

Our plan

PRIORITY: Deliver Regulatory and Educational Value to the Public

OBJECTIVE: To provide innovative programs to regulate, educate and protect

Initiatives

Implement regulatory compliance strategy

Timing: Multi-year, by March 2021

Measure: Compliance reviews in all sectors in accordance with plan

Develop recommendations and initiatives to address financial abuse of seniors

Timing: Multi-year, by March 2021

Measure: Implement recommendations within our mandate, forward others to government

Advance multi-stakeholder initiative to address financial literacy

Timing: Multi-year, by March 2021

Measure: Increase awareness of the issue and expand the reach of financial literacy materials

Deliver effective consumer fraud awareness and prevention education programs

Timing: Multi-year, by March 2021

Measure: Increase awareness of consumer protection information

Our progress

- Staff developed trust account management training for the pre-arranged funeral sector, with training to be deployed in spring 2019. We also conducted sector reviews for the different industries we regulate in accordance with our sector compliance strategy.
- As terms and conditions are one of the primary tools used to ensure that the *Insurance Act* is followed by licensees, staff have developed a risk matrix to be used to identify and direct resources.
- In an effort to address market conduct of licensees, staff have developed a risk matrix, which will be used to identify and direct resources in the appropriate fashion.
- We monitored the progress of a New Brunswick-based credit union under supervision.
- We released 15 recommendations to safeguard older and vulnerable adults in New Brunswick from financial abuse. The recommendations follow extensive research and consultation across the province undertaken between November 2017 and February 2018. Our efforts are now focused on developing initiatives for which we have the existing mandate to act, and the other recommendations will be shared with relevant stakeholders.
- This consultation process has led to the development of a multi-year senior outreach plan. This plan also supports FCNB's education and communications strategy in raising awareness of fraud and financial abuse of seniors and related audiences.

KNOCK OUT FRAUD!

New Brunswickers reported losing \$2.5 million to scams in 2017-2018

GRANDPARENTS SCAM
"Grandma, can you help me? I'm in trouble, but don't tell Dad. Please send me money."
Scammers may impersonate a family member in distress.
Before sending any money, call to verify if they are really in trouble.

DOOR-TO-DOOR SCAMS
"You need to sign this contract today to get in on this great deal."
Ask to see their licence from FCNB. Review any contracts before signing.
You have the right to cancel a contract for any reason within 10 days.

SWEEPSTAKES AND LOTTERY SCAMS
"You've won! To claim your prize, please pay this fee by providing your credit card number."
Never pay fees to collect a prize.

ROMANCE SCAMS
"I'm falling in love with you. I want to meet you, but I can't afford to travel. Can you loan me the money?"
Never send money to anyone you meet online.

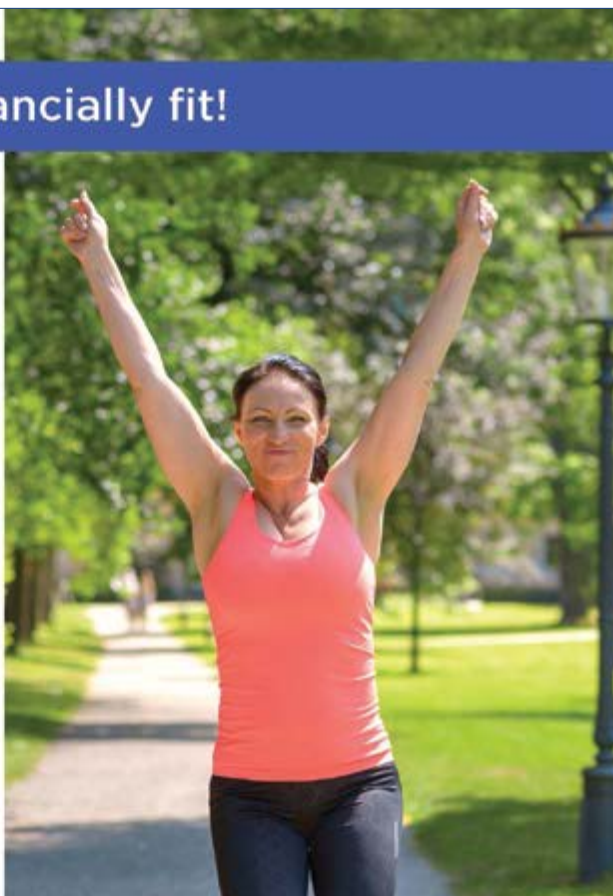
FCNB IS IN YOUR CORNER
Learn more about the latest frauds and scams targeting seniors.

 **FCNB.ca** **1-866-933-2222**

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41% of Canadians ranked money as their greatest stress. Put yourself on the path to financial wellness by checking out our FREE resources, and subscribe for the latest news and alerts.

fcnb.ca/subscribe



- Staff participated on international, national and provincial committees that advance the protection of seniors from financial abuse. We also developed and delivered public education and awareness of FCNB's senior initiatives.
- FCNB continues to liaise with other regulators across Canada, and internationally, through its involvement with the North American Securities Administrators project committee on Senior and vulnerable investor issues. We continue to discuss issues surrounding financial exploitation and to collaborate on ways we can work to protect older and vulnerable investors and populations.
- We launched a 30-day financial wellness challenge during Financial Literacy Month in November to advance financial literacy in the province.
- We participated on external committees, led collaborative initiatives and promoted shared resources to support delivery of financial literacy.

- Throughout the year, staff worked with subject matter experts and undertook communications and education activities to support regulatory and educational activities related to the industries we regulate and our identified goals. Some of the collateral produced from these efforts are an infographic and blog post on mortgage fraud; news releases on credit reporting, news releases and social media communications on direct sales activities in the province and unlicensed payday lenders; as well, as pre-arranged funeral trust account training documents.
- We continued to report on fraud prevention initiatives, raise awareness of the common red flags of fraud, issue timely and relevant consumer and fraud alerts and, conducted presentations throughout the province.
- We promoted financial literacy to children, parents and caregivers at the Amazeatorium.
- We created TydeCoyn, a fake ICO concept and website to educate New Brunswick consumers about the dangers of participating in online ICOs.



Fast facts

6,920 attendees at 59 consumer and investor education events.



16 senior events with 575 seniors.



61% increase in reach.

94 classroom presentations to 2,016 students.



58 English 36 French



89% increase in the number of French presentations.



10% increase in visits to our website from New Brunswickers.



106,312 NB visits in 2018-2019 96,943 NB visits in 2017-2018



We have enhanced our use of visual elements across our social media platforms to increase engagement with our content.



This has resulted in a 14.3% increase in followers on Facebook, our largest social media platform.



Compliance reviews

Related Act	Completed Reviews	Focus of Review
<i>Collection Agencies Act</i>	67	Financial statements reviews
<i>Co-operative Associations Act</i>	1	Review for general adherence to legislation
<i>Pre-arranged Funeral Services Act</i>	20	Trust account inspections
<i>Mortgage Brokers Act</i>	17	Reviews for general adherence to legislation
<i>Insurance Act</i>	5	Solvency desk examinations of NB insurance companies
	63	Compliance reviews
	2	Solvency testing of life insurance companies
	3	Solvency testing of property and casualty insurance companies
<i>Securities Act</i>	2	Mutual fund dealers (NB locations)
	1	Investment fund manager/portfolio manager/exempt market dealer (EMD)
	1	Scholarship plan dealer (NB location)
	2	Phase 2 of an EMD sweep with other jurisdictions of the Canadian Securities Administrators
<i>Direct Sellers Act</i>	91	Compliance reviews of direct seller contracts
<i>Cost of Credit Disclosure and Payday Loans Act</i>	156	Compliance reviews of cost of credit disclosure contracts
	7	Payday lender pre-licensing compliance reviews

Consumer Affairs

Licence Type	2018-2019	2017-2018	2016-2017
Auctioneers Licence	62	55	61
Collection Agency Licence	62	66	63
Collection Agency Branch Licence	52	49	47
Collection Agency Collector Licence	3,144	2,853	2,811
Commissioner of Oaths (Foreign)	1	1	1
Commissioner of Oaths (Provincial)	619	664	632
<i>Cost of Credit Disclosure Act:</i> Branch Registration	353	388	428
<i>Cost of Credit Disclosure Act:</i> Company Registration	459	439	449
<i>Cost of Credit Disclosure Act:</i> Individual Registration	7	3	0
<i>Direct Sellers Act:</i> Salesperson Licence	766	895	1,232
<i>Direct Sellers Act:</i> Vendor Licence	90	87	81
<i>Pre-arranged Funeral Services Act:</i> Manager Licence	61	63	65
<i>Pre-arranged Funeral Services Act:</i> Provider Licence	52	56	56
Real Estate Agent Licence	102	90	94
Real Estate Branch Licence	38	31	33
Real Estate Manager Licence	165	154	155
Real Estate Salesperson Licence	980	849	795
<i>Mortgage Brokers Act:</i> Mortgage Brokerages	38	34	38
<i>Mortgage Brokers Act:</i> Mortgage Associates	38	60	41
<i>Mortgage Brokers Act:</i> Mortgage Brokers	77	87	88
<i>Mortgage Brokers Act:</i> Mortgage Administrators	8	6	7
Payday Lenders Licence ¹	7	5	n/a
Total	7,181	6,935	7,177

1. *Payday Loans Act* only came into effect 1 January 2018.

Enforcement activity

Enforcement Activity	2018-2019
New Matters	54
Complaints, Investigations, Intel, Internal Referrals	18
Referrals from other agencies	3
Requests for assistance (legal or investigative)	3
Matters from other sources	30
Matters Concluded	28
Matters brought before the Tribunal by Enforcement Counsel	3
Matters dealt with in the Courts	1

Co-operatives summary¹

Category	Reporting	Total Assets (\$)	Total Revenue (\$)	Members equity to assets (%)	Employees	Members
Agriculture/Forestry	19	10,625,394	10,643,395	65.71%	66	926
Consumer	16	52,554,552	204,312,555	18.74%	878	75,009
Fishery	1	85,193,124	125,948,370	56.14%	557	246
Housing	13	36,935,309	9,188,828	25.49%	4	686
Services	59	23,341,979	10,970,230	31.66%	166	16,550
Worker	3	653,508	2,368,825	81.25%	74	51
Total	111	\$209,303,867	\$363,432,203	N/A	1,745	93,468

1. Latest available information.

Loans and Trust companies summary

Primary Jurisdiction	2018-2019	2017-2018	2016-2017
Total Provincial	0	0	0
Alberta	1	1	1
Quebec	1	1	1
Federal	44	45	44
Total Extra-Provincial	46	47	46

Insurance companies operating in New Brunswick

Category	Our role	2018-2019	2017-2018	2016-2017
Companies based in NB	Primary regulator (licensing, solvency and market conduct)	6	6	7
Companies that were federally or internationally headquartered	Licensing and market conduct	172	171	179
Companies based in another province	Licensing and market conduct	40	39	38

Insurance

Licence Type	2018-2019	2017-2018	2016-2017
Life Insurance Agents/Brokers	2,222 ¹	2,919 ¹	2,940 ¹
Other than Life Agents/Brokers	1,551	1,910	1,939
Non-resident Brokers	2,955	3,538	3,490
Accidental and Sickness Agents	408	472	551
Travel Agents	363	432	298
Special Insurance Brokers	12	16	14
Damage Appraisers	115	97	101
Adjusters	1,900	1,701	1,750
Total number of licences produced	9,526 ^{2 3}	8,865 ^{2 3}	9,355 ^{2 3}

- Life Agents
2016-2017: Resident - 1,591; Non-Resident - 1,349
2017-2018: Resident - 1,505; Non-Resident - 1,421
2018-2019: Resident - 1,075; Non-Resident - 1,147
- Includes intermediaries holding more than one licence and licence transfers.
- Number of licences produced reflects the number of licences issued from 1 April-31 March.

Securities

Corporate Finance Activity	2018-2019	2017-2018	2016-2017
Reporting issuers	5,256	5,172	5,058
Reporting issuers (New Brunswick-based)	8	8	8
Prospectus filings (non-mutual funds)	399	332	394
Mutual fund prospectus filings	3,732	3,837	3,725
Annual Information forms	1,018	1,047	1,103
Exempt distribution reports	446	431	479
Exemption applications (non-passport)	4	2	26
Cease-trade order	0	0	0
Management cease-trade order	0	0	0
Registration Activity	2018-2019	2017-2018	2016-2017
Registered firms	440	430	413
Registered firms (New Brunswick Head Office)	5 ¹	4	4
Branches/Sub-branches in New Brunswick	494	508	516
Registered individuals	11,419	10,941	10,523
Registered individuals (New Brunswick residents)	1,586	1,651	1,705

- As of 31 March 2019, 1 firm is suspended.



REPORT ON GOVERNANCE PRACTICES



Role of Commission Members

The Commission is a corporate entity created for the purpose of administering financial and consumer services legislation in New Brunswick. Commission staff discharge the responsibilities prescribed by legislation and are overseen by Commission Members.

Commission Members, led by the independent Chair, are accountable to the government through the Minister of Finance for the proper administration of the financial and consumer services legislation. In addition to their responsibilities with respect to management oversight, regulatory policy making and governance, Members review the Commission's annual strategic business plan and annual budget, resource allocation, risk management, financial reporting policies and the effectiveness of internal controls and management information systems. Further details of this oversight are contained in the *Governance Policy*, which can be found on the Commission's website.

The Chair presides over Commission meetings and is ultimately responsible for providing strong leadership to the Members. The Chair is also responsible to ensure that a number of legislated annual deliverables which form part of a work plan are approved by Members and submitted to the Minister and Treasury Board within the set timeframes. The Chair's detailed responsibilities are contained in the *Governance Policy*.

Independence

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

Financial and Consumer Services Commission Members

The Commission's Members for 2018-2019 were¹:



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

Residence: Rothesay

Appointed: 1 January 2014

Reappointed: 1 January 2019

Term Ends: 31 December 2023

Professional and industry experience:

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



Paulette Robert (Vice Chair until 31 December 2018)

Residence: Losier Settlement

Appointed: 21 August 2013

Reappointed: 27 September 2017

Term Ends: 26 September 2019

Professional and industry experience:

- Banking
- Securities



Yves Gagnon, PMP, ICD.D (Vice Chair from 1 January 2019)

Residence: Campbellton

Appointed: 6 February 2014

Reappointed: 16 August 2018

Term Ends: 15 August 2021

Professional and industry experience:

- Financial
- Accounting
- Auditing
- Management



Michael D. Wennberg, B. Com., LL.B

Residence: Rothesay

Appointed: 21 August 2013

Reappointed: 21 August 2018

Term Ends: 20 August 2022

Professional and industry experience:

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



Ginette Verret-Morin, BBA

Residence: Edmundston

Appointed: 12 July 2016

Term Ends: 11 July 2019

Professional and industry experience:

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



Jim Dunlap

Residence: St. Stephen

Appointed: 12 July 2016

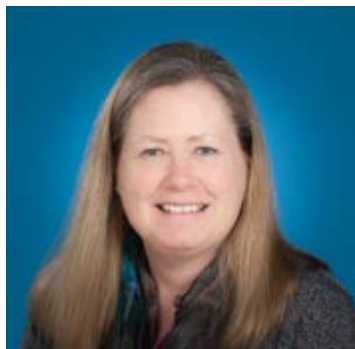
Term Ends: 11 July 2019

Professional and industry experience:

- Financial services
- Hospitality
- Automotive sales

1. On 16 August 2018 an additional member was appointed to the Commission but the appointment was later revoked by the Lieutenant-Governor in Council due to a conflict of interest that could not be resolved.

Financial and Consumer Services Commission Members (continued)

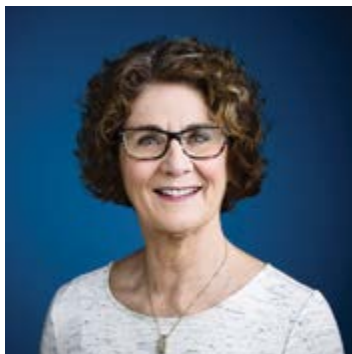


Lisa Taylor, CPA, CA

Residence: Upper Kingsclear
Appointed: 27 September 2017
Term Ends: 26 September 2022

Professional and industry experience:

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



Céline Robichaud-Trifts, MBA, ICD.D

Residence: Moncton
Appointed: 27 September 2017
Term Ends: 26 September 2020

Professional and industry experience:

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



Vincent L. Duff, CA

Residence: Hampton
Appointed: 16 August 2018
Term Ends: 15 August 2021

Professional and industry experience:

- Accounting
- Auditing
- Insolvency
- Automobile insurance

Code of conduct

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

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

Disclosure

The Commission places high value on transparent disclosure practices and has created an annual report on governance practices to reflect that value. The Commission publishes that annual report on its website, in addition to its various governance-related policies, including the *Governance Policy* and the *Conflict of Interest Rule*.

Public interest disclosure

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

As a Crown corporation we are obligated to disclose in our annual report the number of complaints received and the action taken; the number of investigations begun as a result of a disclosure; the number of claims referred from the 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 2018-2019.

Member orientation and continuing education

New Members must participate in an extensive and mandatory orientation program. This orientation provides an overview of the Canadian and New Brunswick financial and consumer services regulatory, compliance and enforcement landscape. The program includes a detailed overview of our operations, financial affairs, legal framework, including privacy and right to information, governance practices, as well as current trends and issues in the financial and consumer services marketplaces. The two-day session is provided in half-day modules for flexibility. Members receive detailed documentation about the organization in preparation for and throughout the program. They also meet senior management and tour our offices. One new Member underwent an orientation in the 2018-2019 fiscal year.

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

A description of the common education sessions offered to Members during fiscal year 2018-2019 is set out below:

Continuing Education			
Date	Topic	Presenters	Attendees
15 May 2018 (3 hours)	Insights Discovery Personal and Team Effectiveness Session	Isabelle Butler, <i>Insights Atlantic</i>	Peter Klohn Paulette Robert Michael D. Wennberg Yves Gagnon Ginette Verret-Morin Jim Dunlap Céline Robichaud-Trifts
17 May 2018 (3.6 hours)	Report on Vulnerable Investors: Elder Abuse, Financial Exploitation, Undue Influence and Diminished Mental Capacity	Marian Passmore, <i>Canadian Foundation for Advancement of Investor Rights (FAIR Canada)</i> and Laura Tamblyn Watts, <i>Canadian Centre for Elder Law/CARP</i>	Peter Klohn Paulette Robert Michael D. Wennberg Yves Gagnon Ginette Verret-Morin Jim Dunlap Céline Robichaud-Trifts
	NB Seniors' Advocate Office	Norman Bossé, <i>Seniors' Advocate for New Brunswick</i>	
	Current Status of Various Canadian and International Seniors' Initiatives	Deborah Gillis, <i>Senior Legal Counsel - FCNB</i>	
24 January 2019 (3 hours)	Fintech and Cryptocurrency	Jake van der Laan, <i>Chief Information Officer - FCNB</i>	Peter Klohn Paulette Robert Michael D. Wennberg Yves Gagnon Ginette Verret-Morin Jim Dunlap Lisa Taylor Céline Robichaud-Trifts Vincent Duff
	Cannabis in the Workplace	Deborah Gillis, <i>Senior Legal Counsel</i> and Fiona Boffa, <i>Human Resources Officer - FCNB</i>	

The total amount of hours allocated to group sessions for fiscal 2018-2019 was 9.6 hours and is in addition to educational topics which are also covered from time to time at regular Commission meetings.

In addition to the group sessions offered by the Commission, Members are encouraged to pursue individual learning initiatives that are relevant to the work of the Commission. Our *Professional Development for Members Policy* provides a yearly allotment of \$4,000¹ per Member to support Members' learning activities. Below is a list of the courses that Members attended throughout the year:

Member	Date	Course
Peter Klohn	23-28 April 2018	City Week Conference - The International Financial Services Forum
	26-27 June 2018	Investment Industry Regulatory Organization of Canada (IIROC) Board of Directors' Regulators Discussion
	25-28 July 2018	International Credit Union Regulators' Network (ICURN) Conference
	22-27 September 2018	North American Securities Administrators Association (NASAA) Annual Meeting
	6-9 November 2018	Ontario Securities Commission (OSC) Dialogue Day
	6 December 2018	KPMG's 27 th Annual Insurance Conference
	29-30 January 2019	The Canadian Institute - 14 th National Forum on Crown Corporate Governance (participant and keynote speaker)
Paulette Robert	11-15 March 2019	Harvard Kennedy School of Government - Strategic Management of Regulatory and Enforcement Agencies
	1-2 October 2018	Chartered Professional Accountants Canada (CPA) - The One National Conference
	11 October 2018	Institute of Corporate Directors - A Critical Collaboration - The Relationship Between the Board and the CEO
Yves Gagnon	21 May 2019	Institute of Corporate Directors - Board Oversight of Harassment
	8 November 2018	Institute of Corporate Directors - The Digital Director: Cybersecurity and Social Media for Directors

1. On 24 January 2019, the Commission approved an increase in the yearly allotment for Members' learning activities from \$3,500 to \$4,000, effective as of that date.

Member	Date	Course
Lisa Taylor	27 April 2018	Institute of Corporate Directors - Role of Board and the CEO: Testing the Limits of Board Governance Noses In and Fingers Out
Michael D. Wennberg	27 April 2018	Institute of Corporate Directors - Role of Board and the CEO: Testing the Limits of Board Governance Noses In and Fingers Out
	11 October 2018	Institute of Corporate Directors - A Critical Collaboration - The Relationship Between the Board and the CEO
	27 November 2018	Institute of Corporate Directors - How Cannabis is Changing the Workplace
	29-30 January 2019	The Canadian Institute - 14 th National Forum on Crown Corporate Governance
	5 February 2019	Institute of Corporate Directors - Cannabis and Boards - What Every Director Needs to Know
	18-19 March 2019	Governance Professionals of Canada - A Course on Governance Creating a Best Practice Framework for Board and Organization Effectiveness
Céline Robichaud-Trifts	1 January 2018 - 31 December 2018	Institute of Corporate Directors - Director's Education Program
	11 October 2018	Institute of Corporate Directors - A Critical Collaboration - The Relationship Between the Board and the CEO
	5 February 2019	Institute of Corporate Directors - Cannabis and Boards - What Every Director Needs to Know
Vincent Duff	4 March 2019	Institute of Corporate Directors - Board Oversight of Harassment

Attendance

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

Members	Meetings			
	Commission ¹ (8)	Audit and Risk Management Committee (4) ⁶	Human Resources and Governance Committee (HRG) (5)	Joint Committee (1)
Peter Klohn	8	4	5	1
Yves Gagnon ²	7	4	N/A	1
Vincent Duff ³	5	N/A	1	1
Paulette Robert ⁴	8	4	N/A	1
Michael D. Wennberg	8	1	5	1
Ginette Verret-Morin	8	1	5	1
Jim Dunlap	8	1	5	1
Lisa Taylor ⁵	8	4	N/A	1
Céline Robichaud-Trifts	8	4	N/A	1

1. Commission meetings include the strategic planning session and for Mr. Duff, who was appointed on 16 August 2018, two New Member Orientation sessions.
2. Mr. Gagnon was unable to attend the December meeting due to a scheduling conflict.
3. Mr. Duff was appointed to the Human Resources and Governance Committee on 23 October 2018.
4. Ms. Robert served as vice-chair of the Commission until 1 January 2019, followed by Mr. Gagnon.
5. Ms. Taylor became chair of the Audit and Risk Management Committee on 23 October 2018.
6. Non-Committee Members were invited to attend the June 2018 Audit and Risk Management Committee Meeting to review the Annual Audit Report.

Committees

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

The Members of the Audit and Risk Management Committee are required to be financially literate and able to understand the financial statements of the Commission.

Human Resources and Governance Committee

The Human Resources and Governance Committee is responsible for compensation and human resources policies and procedures. It is also responsible for the governance-related matters. It meets at least four times each year.

Committee	Committee Members	Committee Chair
Audit and Risk Management Committee	Peter Klohn (ex officio) Paulette Robert Yves Gagnon Lisa Taylor Céline Robichaud-Trifts	Yves Gagnon (Chair until 23 October 2018) Lisa Taylor (Chair from 23 October 2018)
Human Resources and Governance Committee	Peter Klohn (ex officio) Michael D. Wennberg Ginette Verret-Morin Jim Dunlap Vincent Duff	Michael D. Wennberg

Remuneration

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

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

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

Chair

Mr. Klohn received an annual compensation of \$137,000 for his services for the period 1 April 2018 to 31 March 2019. 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 percent of the total annual compensation earned for the period to a maximum of 50 percent of the registered retirement savings plan annual contribution limit as established by the Canada Revenue Agency for the taxation year). The Chair's annual expenses, which mainly include business travel and training, were in the amount of \$18,825.

Members' remuneration and expenses

The Members' retainers, service fees and expenses related to travel, meals, hotel, parking and education for the fiscal year 2018-2019 are included below. Members receive a service fee for each activity performed on behalf of the Commission which includes preparation for each Commission meeting.

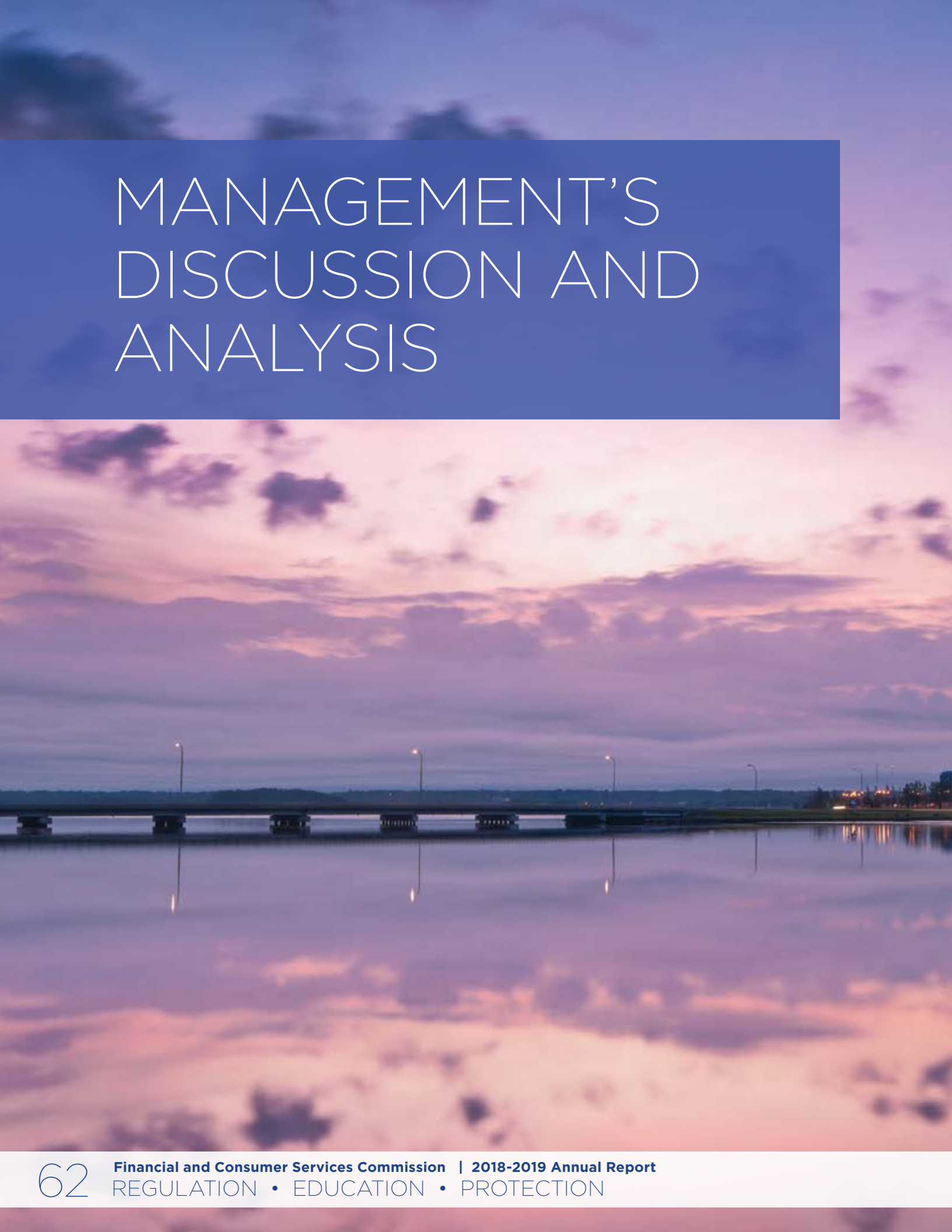
Members	Appointed or reappointed	Term end	Retainer	Service fees	Allotment for travel time	Total remuneration ¹	Expense reimbursement and allowances
Paulette Robert (Losier Settlement)	21 August 2013, reappointed on 27 September 2017	26 September 2019	\$11,500	\$8,750	\$1,700	\$21,950	\$5,679
Michael D. Wennberg (Rothesay)	21 August 2013, reappointed on 21 August 2018	20 August 2022	\$12,000	\$11,550	\$700	\$24,250	\$5,773
Yves Gagnon (Campbellton)	6 February 2014; reappointed on 16 August 2018	15 August 2021	\$12,000	\$8,050	\$1,900	\$21,950	\$5,178
Ginette Verret-Morin (Edmundston)	12 July 2016	11 July 2019	\$10,000	\$9,800	\$1,800	\$21,600	\$3,398
Jim Dunlap (St. Stephen)	12 July 2016	11 July 2019	\$10,000	\$9,450	\$1,300	\$20,750	\$2,395
Lisa Taylor (Upper Kingsclear)	27 September 2017	26 September 2022	\$10,880	\$8,750	\$1,200	\$20,830	\$2,211
Céline Robichaud-Trifts (Moncton)	27 September 2017	26 September 2020	\$10,000	\$8,750	\$800	\$19,550	\$5,423
Vincent Duff (Hampton)	16 August 2018	15 August 2021	\$6,250	\$5,600	\$700	\$12,550	\$2,001

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

Division heads

Name	Title	Start Date
Rick Hancox	Chief Executive Officer	1 September 2004 (New Brunswick Securities Commission)
Kevin Hoyt	Executive Director, Securities and Chief Financial Officer	12 October 2004 (New Brunswick Securities Commission)
Manon Losier	General Counsel and Secretary to the Commission	25 April 2005 (New Brunswick Securities Commission)
Angela Mazerolle	Director and Superintendent of Insurance and Pensions	26 April 2002 (Department of Training and Employment Development with GNB. In 2005, transferred to Department of Justice with GNB.)
Jake van der Laan	Director, Information Technology and Regulatory Informatics and Chief Information Officer	20 March 2006 (New Brunswick Securities Commission)
Marissa Sollows	Director, Education and Communications	17 July 2006 (New Brunswick Securities Commission)
Alaina Nicholson	Director, Consumer Affairs	5 October 2005 (Department of Justice with GNB)
Étienne LeBoeuf	Director, Financial Institutions	13 April 2015
Andrew Nicholson	Director, Unclaimed Properties	23 August 1999 (Department of Justice with GNB)
Susan Powell	Director, Enforcement	28 February 2005 (New Brunswick Securities Commission)

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



MANAGEMENT'S DISCUSSION AND ANALYSIS



For the fiscal year ended 31 March 2019

Dated 27 June 2019

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

This MD&A should be read in conjunction with FCNB's 2019 financial statements, including related notes, for the fiscal year ended 31 March 2019. Unless otherwise noted, reference to a year means FCNB's year ending 31 March. For example, "2019" means the fiscal year ending 31 March 2019. All financial information related to 2018 and 2019 has been prepared according to International Financial Reporting Standards (IFRS).

The terms "we", "us", "our", "FCNB" and "FCSC" refer to the Financial and Consumer Services Commission and references to the "Act" refer 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 2020 expectations are forward-looking and subject to risks and uncertainties.

Overview

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

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

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

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

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

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

In 2014, New Brunswick agreed to participate in inter-provincial securities regulatory reform initiatives. Because this decision will drive a consequent loss of significant revenue to FCNB, we established a restructuring reserve (\$10M) and increased the stabilization reserve (additional \$1M) in 2015. These measures will allow us to maintain our self-funding legislative requirement and provide the time necessary to restructure, develop operational efficiencies and consult with the Province and regulated sectors regarding any required fee rule changes. With the reserves fully funded, a significant portion of the 2019 surplus was allocated back to the Province.

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

Selected Financial Information

	Budget 2020	Actual 2019	Actual 2018	Actual 2017
Revenue	\$21,923,498	\$21,059,487	\$20,644,285	\$20,697,169
Expenses	14,399,626	12,237,694	11,640,427	11,478,755
Excess of revenue over expenses	7,523,872	8,821,793	9,003,858	9,218,414
Total assets		21,869,408	22,099,897	22,628,766
Total liabilities		5,930,041	5,974,865	5,737,899
Total equity balance		15,939,367	16,125,032	16,890,867
Distributions to government		\$9,007,458	\$9,769,693	\$9,062,818

Net income

Net income for the year ended 31 March 2019 was \$8,821,793, a decrease over the previous year by \$182,065. Revenue of \$21,059,487 were under budget by \$364,493 because budgeted growth in investment fund filings did not materialize. Expenses of \$12,237,694 were below budget by \$1,753,663 because of a positive variance in tribunal and governance expenses, general administration and unfilled budgeted staff positions.

Revenue

FCNB's revenue comes from four sources:

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

In 2019, revenue totalled \$21,059,487, a 2% increase from 2018 revenue of \$20,644,285. The securities sector represents the largest source of revenue for us, at over 78.1% of total revenue.

An interesting dynamic exists when it comes to FCNB's budget, revenue and expenses for the insurance sector. According to the *Insurance Act*, all costs for administering the *Act* must be assessed and recovered from licensed insurers. When expenses are budgeted or incurred for this sector, an equivalent amount of revenue is budgeted or incurred. A reduction in expenses produces an equivalent drop in revenue, although the net impact is neutral. So, although the insurance sector assessment was below budget for 2019, this corresponds to an equivalent decrease in insurance sector expenses.

Analysis of total revenue (by nature)

Category	Description	2019 Amount	2019 % of Revenue	2018 Amount	2018 % of Revenue	Change
Prospectus and distribution filings	Paid by securities issuers when filing distribution documents. Most of this is paid by mutual funds for their ability to be sold in New Brunswick.	\$10,119,500	48.1%	\$10,299,950	49.9%	(\$180,450)
Registration fees	Paid by individuals and firms registering with FCNB to sell or advise on securities.	4,205,893	20.0	4,041,642	19.6	164,251
Financial filing fees	Paid by companies and mutual funds when filing annual financial statements and annual information forms.	1,903,050	9.0	1,848,800	9.0	54,250
Licences and fees	Paid by a variety of sectors to be registered or compliant with legislation, including fees from insurance agents, loan and trust companies, pension filings, as well as a variety of consumer affairs fees.	1,834,776	8.7	1,832,285	8.9	2,491
Exemptions and orders	Paid by market participants primarily to request exemptions from <i>Securities Act</i> requirements.	23,500	0.1	20,550	0.1	2,950
Other fees	Paid by regulated entities for late filing and other miscellaneous fees.	34,838	0.2	24,123	0.1	10,715
Total fees		\$18,121,557	86.0%	\$18,067,350	87.6%	\$54,207

Analysis of total revenue (by nature) continued

Category	Description	2019 Amount	2019 % of Revenue	2018 Amount	2018 % of Revenue	Change
Assessments	Paid by licensed insurers to administer the <i>Insurance Act</i> and by credit unions to administer the <i>Credit Unions Act</i> .	\$2,281,648	10.8%	\$2,116,552	10.3%	\$165,096
Administrative penalties and settlements	Paid subsequent to a hearing panel ruling.	0	0	0	0	0
Disgorged funds	Paid subsequent to a hearing panel ruling.	12,000	0.1	12,000	0.1	0
Enforcement cost recoveries	Paid subsequent to a hearing panel ruling.	0	0	0	0	0
Investment Income	Earned on bank balances and short-term investments.	399,410	1.9	267,456	1.3	131,954
Miscellaneous Income	Primarily a recovery of costs for providing assistance to the Risk Management Agency (RMA), a secondment to the Capital Markets Authority Implementation Organization (CMAIO), the New Brunswick Credit Union Deposit Insurance Corporation (NBCUDIC) and the Office of the Attorney General - Government of New Brunswick.	244,872	1.2	180,927	0.9	63,945
Total revenue		\$21,059,487	100.0%	\$20,644,285	100.0%	\$415,202

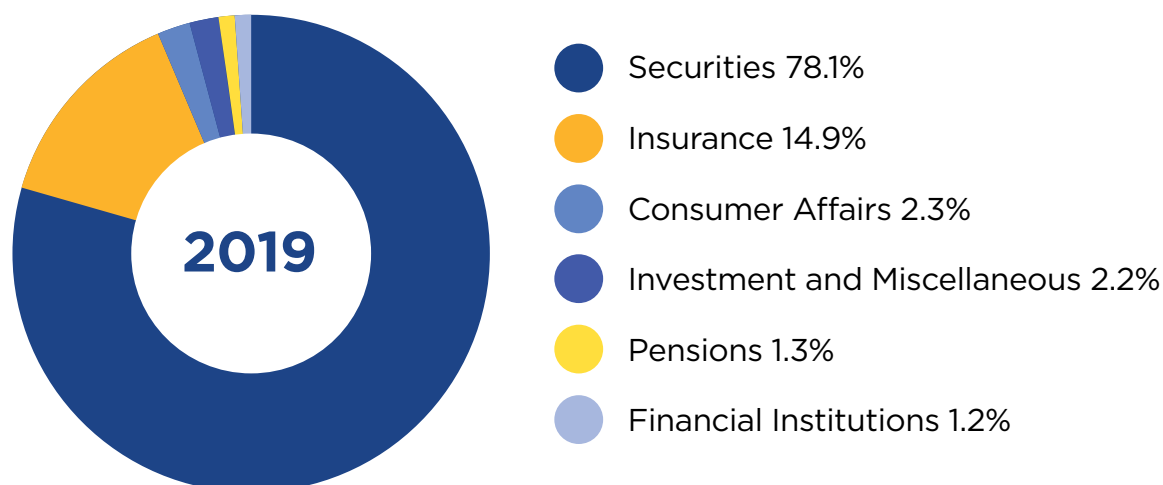
Analysis of total revenue (by function)

Division	Description	2019 Amount	2019 % of Revenue	2018 Amount	2018 % of Revenue	Change
Securities	Paid by market participants under the <i>Securities Act</i> for distributing mutual funds, issuing offering documents, making required financial filings, and for the registration of firms and individuals.	\$16,437,058	78.1%	\$16,331,929	79.1%	\$105,129
Insurance	Paid by licensed insurers as an assessment for administering the <i>Insurance Act</i> (\$2,171,548) and for the provision of insurance licences and miscellaneous minor revenue (\$963,020).	3,134,568	14.9	2,982,469	14.4	152,099
Consumer Affairs	Licences and fees paid under a variety of consumer protection legislation, such as collection agents (\$109,760), real estate agents (\$77,466), cost of credit disclosure (\$56,810), commissioners of oaths (\$37,625), pre-arranged funerals (\$29,087), direct sellers (\$58,082), auctioneers (\$6,496), mortgage brokers (\$92,300), payday loans (\$12,000) and miscellaneous (\$5,959).	486,685	2.3	477,409	2.3	9,276

Analysis of total revenue (by function) continued

Division	Description	2019 Amount	2019 % of Revenue	2018 Amount	2018 % of Revenue	Change
Financial Institutions	Paid by credit unions as an assessment for administering the <i>Credit Unions Act</i> (\$110,100) and for fees paid by loan and trust companies (\$139,935) and fees paid by co-operatives and a minor miscellaneous fee (\$39,419).	\$265,294	1.2%	\$313,844	1.6%	(\$48,550)
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.	275,174	1.3	229,547	1.1	45,627
Investment and Miscellaneous	Primarily investment income.	460,708	2.2	309,087	1.5	151,621
Total revenue		\$21,059,487	100.0%	\$20,644,285	100.0%	\$415,202

Sectorial revenue for 2019

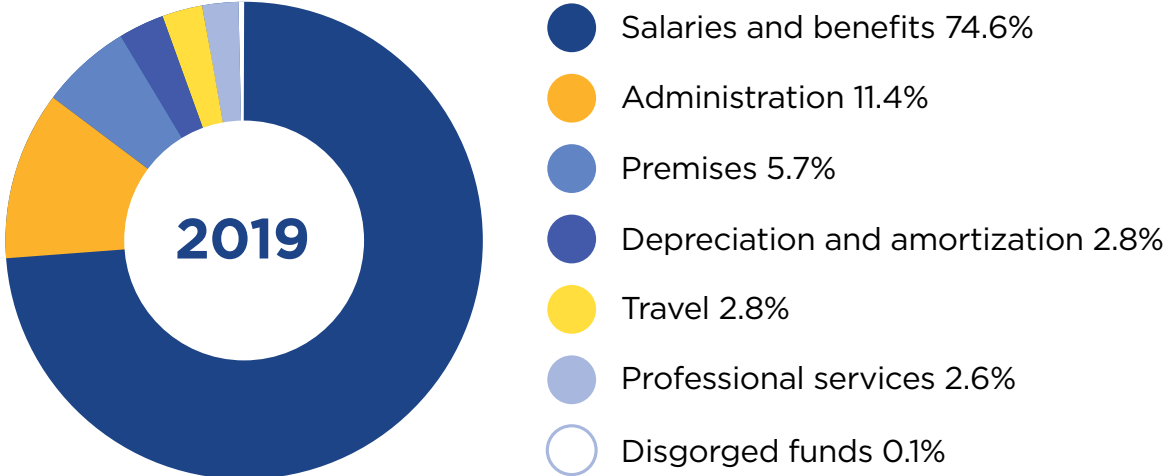


Expenses by nature¹

Category	2019	% of 2019 Expenses	2018	% of 2018 Expenses	Change
Salaries and benefits	\$9,119,451	74.6%	\$8,617,988	74.0%	\$501,463
Administration	1,400,971	11.4	1,317,641	11.3	83,330
Professional services	319,168	2.6	304,465	2.7	14,703
Travel	340,326	2.8	313,839	2.7	26,487
Premises	697,832	5.7	697,339	6.0	493
Depreciation and amortization	347,946	2.8	377,155	3.2	(29,209)
Disgorged funds	12,000	0.1	12,000	0.1	0
Total expenses	\$12,237,694	100.0%	\$11,640,427	100.0%	\$597,267

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

Expenses for 2019



Analysis of total expenses

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

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

In 2019, our total expenses were \$12.24 million, up \$0.597 million (5%) from \$11.64 million in 2018. This increase was predominantly due to the increase in salary and benefits, general administration and travel, offset somewhat by depreciation and amortization, which collectively accounted for 98% of the total increase in expenditures.

Operating costs

Salaries and benefits expenses increased from \$8.6 million in 2018 to \$9.1 million, and were 74.6% of operating costs (74.0% in 2018) and increased by \$501,463 from 2018. At year end, 87 staff were on payroll.

In 2019, FCNB's administration expenses increased from \$1.32 million in 2018 to \$1.40 million, and were 11.4% of operating costs (11.3% in 2018). Education and communications expenses were the largest category of expenses at \$523,371 (\$491,810 in 2018), and funded the online and television awareness campaigns, capital market development initiatives, stakeholder support and various outreach initiatives, such as fraud awareness and financial literacy. Members and staff development costs were \$244,060 (\$282,880 in 2018), and funded leadership and professional development and individual development.

Professional services expenses increased by \$14,703 (3%) to \$319,168 for 2019, and covered general consulting, translation, legal and other expenses. General consulting totaled \$97,242 for 2019 (\$92,607 in 2018). Other expenses captured under this line item include information technology consulting, the financial audit, and other consulting activities associated with regulatory matters.

Translation expenses decreased to \$81,223 in 2019 from \$135,504 in 2018, a 40% decrease. Although FCNB continues its leadership role in translation services for the co-operative capital markets regulatory system, FCNB did incur less translation expenses in 2019.

Travel costs were \$26,487 (8.4%) higher than the previous year, and reflect increased enforcement and regulatory activity. Travel was primarily related to attendance at policy and other regulatory meetings with partners in the securities, insurance and pension sectors, and training purposes.

Premises costs increased by \$493 to \$697,832, a 0.07% increase from the previous year. This represents 5.7% of total expenses for the year. Following significant renovations to the Saint John office in 2016 and to the Fredericton office in 2015, our current leases should accommodate our operations going forward and costs have stabilized as detailed in note 17 of the Financial Statements.

Depreciation and amortization expenses were \$29,209 (7.7%) lower than the previous year due to office furniture and equipment at our Fredericton location being fully depreciated during the year. Consistent with our strategic plan, the development of electronic regulatory licensing and registration systems was a significant investment of money and staff resources in prior years. The development of the web portal allows users to apply for licensing or registration, and to make filings for the insurance, pension, mortgage broker and payday lender regulated sectors. These licensing systems result in cost savings and efficiencies, and will be supplemented with further development activity.

The largest depreciable asset expense involves leasehold improvements, which was approximately \$54,600 while office furniture and equipment, information technology infrastructure, and photocopier capital leases make up the remainder of the depreciation expense, in descending order.

The amortization of intangible assets decreased by \$6,349 to \$207,657 in 2019, decreasing the expense line item to 2.8% from an increase of 28.1% in 2018.

Disgorged funds represent money recovered from enforcement actions. This money is turned over to specific investors who were financially harmed by those found to have violated the *Securities Act*. In 2019, \$12,000 was collected and \$12,000 paid to nine investors as a result of a 2008 decision.

Market enhancement reserve

Funds in the market enhancement reserve are to be spent only on endeavours or activities that enhance the financial marketplace or consumer protection in New Brunswick. These funds are maintained in a separate bank account and generate their own bank interest. No administrative penalties were assessed in 2019 (\$0 in 2018). The balance in the market enhancement reserve stands at \$153,624 (\$150,527 in 2018).

Liquidity and financial position

FCNB has sufficient liquidity to finance its operations and capital purchases. During the fiscal year, the net increase in cash from operating activities was \$8,645,434, a decrease of \$912,502 (9.6%) from 2018. The cash and cash equivalents held for designated purposes at the end of the year total \$3,914,557, the decrease reflects an additional short-term investment of \$1.5 million of the stabilization reserve. The balance of the reduction from the 2018 balance of \$5,887,403 is mostly due to changes in working capital and the additional short-term investment of \$1.5 million. Our investment strategy includes staggering our short-term investments, such that an investment matures every three months and represents an available source of liquidity.

Disposition of surplus operating funds

FCNB made a series of payments totaling \$9,007,458 (\$9,769,693 in 2018) to the Province of New Brunswick during the year.

Stabilization reserve

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

The \$4 million (\$2.5 million in 2018) reserve balance was invested in a one-year guaranteed investment certificate.

Restructuring reserve

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

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

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

In 2015, the restructuring reserve was funded by a one-time charge to retained earnings in the amount of \$10,000,000. In 2019, \$2.5 million of the reserve balance was re-invested every three months in a one-year guaranteed investment certificate as each investment matures.

Accounts receivable

Assessments that will be levied to the insurance and the credit union sectors largely make up the accounts receivable. These amounts are assessed subsequent to year-end and they appear as accrued revenue with a corresponding receivable. This accounts for about 85.3% of the receivable balance in 2019 (86.7% in 2018). General fee receivables and HST receivables make up the majority of the remaining balance.

Risks and uncertainties

Securities regulatory reform

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

Prince Edward Island and the Yukon Territory joined the co-operative capital markets regulatory system on 9 October 2014 and 16 April 2015 respectively. On 10 April 2019, Nova Scotia joined the co-operative capital markets regulatory system.

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

Operational and infrastructure risks

We are exposed to various types of operational risks, including the risk of fraud by employees or others, unauthorized transactions by employees and operational or human error. Another risk is a computer or telecommunications systems failure, despite efforts to maintain these systems in working order.

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

- Commission members operating as a board of directors who place a priority on sound corporate governance
- an active and effective Audit and Risk Management Committee
- a strong internal control environment, with communications staff and the General Counsel's office key participants in managing reputation risk
- an annual review of internal controls and legislative compliance
- a Risk Management Policy, with a quarterly review of risks we face
- the effective communication of policies to staff and new commission members on matters such as conflict of interest, with various channels for reporting concerns
- mitigation of risk to assets through insurance
- tracking measures (like turnover and compensation surveys) to manage our ability to attract and retain people as a way to improve our ability to retain corporate memory and to ensure effective knowledge transfer.

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

Fee revenue

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

National electronic filing system for the Securities sector

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

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

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

Critical accounting estimates

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

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

Changes in accounting policies

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

There were no significant accounting policy changes in 2018-2019.

2020 outlook

Budgeted revenue is \$21.9 million for 2020. This 4.1% increase over 2019 revenue is primarily due to an estimated increase in investment fund filings of \$332,000, financial filings of \$113,000, prospectus filings of \$62,000, the insurance assessment by \$131,000, financial institution assessment by \$593,000, which is partially offset by a decrease in miscellaneous revenue of \$239,000 and registration of investment advisors of \$143,000.

Operating expenses are budgeted to be \$14.4 million for 2020, an increase of \$2.2 million over 2019 actual expenses. This increase is mainly due to salary cost of \$841,000, members cost of \$340,000 and general administration of \$992,000. The budgeted staff complement for 2020 is 93, which includes additional required staff to backfill employees moving to CMRA, as compared to 87 who were on our payroll on 31 March 2019.

Our budgeted surplus for 2020 is about \$7.5 million. Given the funded stabilization and restructuring reserves, although not precluding any subsequent determinations by the Commission to increase these reserves, we intend to transfer ongoing surpluses to the Province of New Brunswick until the revenue associated with securities regulation is forgone as a result of the CMRA launch.

However, we may undertake interim measures in 2020 to transition toward our post-securities responsibility model, which may drive deviations of actual results to budget.

MD&A supplement – Compensation disclosure – Senior management remuneration

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

Senior management remuneration

Position	Salary range (\$) as at March 2019
Chief Executive Officer	\$147,446 - 184,308
Executive Director, Securities and Chief Financial Officer	128,678 - 160,847
General Counsel and Secretary to the Commission	128,678 - 160,847
Director and Superintendent of Insurance and Pensions	128,678 - 160,847
Director, Information Technology and Regulatory Informatics	128,678 - 160,847
Director, Enforcement	128,678 - 160,847
Director, Education and Communications	110,119 - 137,648
Director, Financial Institutions	110,119 - 137,648
Director, Unclaimed Property	110,119 - 137,648
Director, Consumer Affairs	110,119 - 137,648



MANAGEMENT'S RESPONSIBILITY AND CERTIFICATION



Management's responsibility and certification

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

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

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

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

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

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

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

Original signed by Rick Hancox

Kenrick G. Hancox
Chief Executive Officer

Original signed by Kevin Hoyt

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

27 June 2019



Independent auditor's report

To the Chairperson and Members of the Financial and Consumer Services Commission

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Financial and Consumer Services Commission (the Commission) as at March 31, 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Commission's financial statements comprise:

- the statement of financial position as at March 31, 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Commission in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

(signed) *“PricewaterhouseCoopers LLP”*

Chartered Professional Accountants

Saint John, New Brunswick
July 2, 2019

Statement of Financial Position as at 31 March 2019 (in Canadian \$)

	2019	2018
	31 March	31 March
ASSETS		
Current Assets		
Cash (Note 8)	\$ 3,760,742	\$ 4,236,686
Accounts receivable (Note 10)	3,131,092	2,703,509
Prepaid expenses	166,019	117,599
	7,057,853	7,057,794
Cash held for designated purposes (Notes 8, 11)	153,815	1,650,717
Investments held for designated purposes (Notes 9, 11)	14,000,000	12,500,000
Property and equipment (Note 12)	209,539	242,878
Intangible assets (Note 13)	448,201	648,508
	\$ 21,869,408	\$ 22,099,897
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (Note 20)	\$ 850,894	\$ 977,678
Accrued salaries and benefits	337,094	441,090
Current portion of employee future benefits (Note 19)	16,201	125,696
Accrued vacation liabilities	89,901	81,790
Current portion of obligation under finance lease (Note 14)	8,403	6,188
Deferred revenue	4,145,547	3,867,905
	5,448,040	5,500,347
Obligation under finance leases (Note 14)	26,366	25,103
Employee future benefits (Note 19)	455,635	449,415
	482,001	474,518
Total liabilities	5,930,041	5,974,865
Equity balances		
General	1,785,553	1,974,315
Restructuring reserve (Note 11)	10,000,000	10,000,000
Stabilization reserve (Note 11)	4,000,000	4,000,000
Market enhancement and consumer protection reserve (Note 11)	153,624	150,527
Disgorgement reserve (Note 11)	190	190
	15,939,367	16,125,032
	\$ 21,869,408	\$ 22,099,897

Commitments and contingencies (Notes 17, 18)

The accompanying notes are part of these financial statements.

APPROVED BY THE COMMISSION

Original signed by Peter Klohn
Chair

Original signed by Lisa Taylor
Member

Statement of Comprehensive Income (by nature) for the year ended 31 March 2019 (in Canadian \$)

	2019	2018
REVENUE		
Fees		
Prospectus and distribution filings	\$ 10,119,500	\$ 10,299,950
Registrations	4,205,893	4,041,642
Financial filings	1,903,050	1,848,800
Licences and fees	1,834,776	1,832,285
Exemptions and orders	23,500	20,550
Other	34,838	24,123
Assessments	2,281,648	2,116,552
Disgorged funds	12,000	12,000
Investment income	399,410	267,456
Miscellaneous	244,872	180,927
	21,059,487	20,644,285
EXPENSES		
Salaries and benefits (Note 21)	9,119,451	8,617,988
Administration (Note 22)	1,400,971	1,317,641
Professional services	319,168	304,465
Travel	340,326	313,839
Premises	697,832	697,339
Depreciation and amortization	347,946	377,155
Disgorged funds	12,000	12,000
	12,237,694	11,640,427
COMPREHENSIVE INCOME	\$ 8,821,793	\$ 9,003,858

The accompanying notes are part of these financial statements.

Statement of Changes in Equity for the year ended 31 March 2019 (in Canadian \$)

	General	Restructuring reserve	Stabilization reserve	Market enhancement and consumer protection reserve	Disgorgement reserve	Total
Balance, 31 March 2017	\$ 2,742,037	\$ 10,000,000	\$ 4,000,000	\$ 148,640	\$ 190	\$ 16,890,867
Comprehensive income	9,003,858	-	-	-	-	9,003,858
Disposition of surplus operating funds (Note 15)	(9,769,693)	-	-	-	-	(9,769,693)
Investment income reallocation	(1,887)	-	-	1,887	-	-
Allocation from general (Note 11)	(12,000)	-	-	-	12,000	-
Allocation to general (Note 11)	12,000	-	-	-	(12,000)	-
Balance, 31 March 2018	1,974,315	10,000,000	4,000,000	150,527	190	16,125,032
Comprehensive income	8,821,793	-	-	-	-	8,821,793
Disposition of surplus operating funds (Note 15)	(9,007,458)	-	-	-	-	(9,007,458)
Investment income reallocation	(3,097)	-	-	3,097	-	-
Allocation from general (Note 11)	(12,000)	-	-	-	12,000	-
Allocation to general (Note 11)	12,000	-	-	-	(12,000)	-
Balance, 31 March 2019	\$ 1,785,553	\$ 10,000,000	\$ 4,000,000	\$ 153,624	\$ 190	\$ 15,939,367

The accompanying notes are part of these financial statements.

Statement of Cash Flows for the year ended 31 March 2019 (in Canadian \$)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Comprehensive income	\$ 8,821,793	\$ 9,003,858
Adjustment for depreciation and amortization	347,946	377,155
	9,169,739	9,381,013
Changes in non-cash working capital		
Accounts receivable	(427,583)	(12,415)
Prepaid expenses	(48,420)	(19,021)
Accounts payable and accrued liabilities	(126,784)	120,988
Accrued salaries and benefits	(103,996)	(50,349)
Employee future benefits	(103,275)	14,338
Accrued vacation liabilities	8,111	(2,493)
Deferred registration fee revenue	277,642	125,875
	8,645,434	9,557,936
CASH FLOWS FROM FINANCING ACTIVITIES		
Disposition of surplus operating funds	(9,007,458)	(9,769,693)
Repayment of finance lease liability	(8,122)	(7,193)
	(9,015,580)	(9,776,886)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment and intangible assets	(102,700)	(16,976)
Investments held for designated purposes	(1,500,000)	-
	(1,602,700)	(16,976)
NET INCREASE IN CASH		
	(1,972,846)	(235,926)
CASH, BEGINNING OF YEAR		
	5,887,403	6,123,329
CASH, END OF YEAR		
	\$ 3,914,557	\$ 5,887,403
Represented by:		
Cash	\$ 3,760,742	\$ 4,236,686
Cash held for designated purposes	153,815	1,650,717
	\$ 3,914,557	\$ 5,887,403
	2019	2018
Note: Cash flow from interest received is included in comprehensive income.	\$ 207,931	\$ 169,107

The accompanying notes are part of these financial statements.

Notes to the Financial Statements for the year ended 31 March 2019 (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) (the *Act*).

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

Financial and consumer services legislation means the:

- | | |
|---|--|
| <i>Financial and Consumer Services Commission Act</i> | <i>Credit Unions Act</i> |
| <i>Auctioneers Licence Act</i> | <i>Direct Sellers Act</i> |
| <i>Collection and Debt Settlement Services Act</i> | <i>Franchises Act</i> |
| <i>Commissioners for Taking Affidavits Act</i> | <i>Gift Cards Act</i> |
| <i>Consumer Product Warranty and Liability Act</i> | <i>Insurance Act</i> |
| <i>Co-operative Associations Act</i> | <i>Loan and Trust Companies Act</i> |
| <i>Cost of Credit Disclosure and Payday Loans Act</i> | <i>Mortgage Brokers Act</i> |
| <i>Credit Reporting Services 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.

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

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

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

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

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

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

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

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

3. Summary of significant accounting policies

a) Revenue recognition

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

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

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

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

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

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

Investment income is recorded as earned.

b) Property and equipment and intangible assets

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

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

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

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

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

c) Impairment of property and equipment and intangible assets

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

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

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

d) Leasing

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

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

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

e) Provisions

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

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

f) Cash

Cash includes cash on hand and deposits held with banks.

g) Financial instruments

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

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

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

Financial assets

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

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

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

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

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

Financial liabilities

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

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

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

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

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

Fair value hierarchy

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

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

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

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

h) Recently adopted accounting standards

The following standards are required to be applied for periods beginning on or after 1 January 2018 and, unless otherwise indicated, had no effect on our financial performance:

IFRS 9 replaced IAS 39 Financial instruments: recognition and measurement. IFRS 9 includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. FCNB has assessed this new standard and there has been no impact to the financial statements from this adoption.

Financial assets within the scope of IFRS 9 are classified in the following measurement categories: amortized cost, fair value through profit or loss, or FVTOCI. Financial liabilities are classified in the following measurement categories: fair value through profit or loss, or amortized cost.

The following table summarizes the changes in the classification of FCNB's financial instruments upon adoption of IFRS 9. The adoption of the new classification did not result in any changes in the measurement or carrying amount of the financial instruments.

	Original category under IAS 39	Original measurement under IAS 39	New measurement category under IFRS 9
Financial assets			
Cash	Held-for-trading	Fair value through income	Amortized cost
Cash held for designated purposes	Held-for-trading	Fair value through income	Amortized cost
Investments held for designated purposes	Held-for-trading	Fair value through income	FVTOCI
Accounts receivable	Loans and receivables	Amortized cost	Amortized cost
Financial liabilities			
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost	Amortized cost
Accrued salaries and benefits	Other financial liabilities	Amortized cost	Amortized cost
Accrued vacation liabilities	Other financial liabilities	Amortized cost	Amortized cost
Obligation under finance lease	Other financial liabilities	Amortized cost	Amortized cost

IFRS 15 replaced the previous guidance on revenue recognition and provides a framework for the recognition, measurement and disclosure of revenue from legislation and regulation with market participants. The modified retrospective method was applied for transition to this standard and there was no cumulative impact of initially applying the standard and no adjustment to the opening balance of changes in equity. FCNB also elected to apply the practical expedient whereby contracts that were completed at the beginning of the earliest period presented need not be considered for restatement.

FCNB currently generates revenue from assessments, licensing, registration, activity fees (prospectus and distribution filings and financial filings), cost recovery of investigations and administrative penalty and investment income. No adjustment to opening retained earnings was required as a result of the adoption of this standard based on management's analysis of the performance obligations related to existing contracts of FCNB. Refer to note 3 (a) for further details on FCNB's revenue recognition policies.

i) Future accounting and reporting changes

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

In January 2016, the IASB published IFRS 16 Leases. IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. Our leased premises in Saint John and Fredericton will be recognized as assets and liabilities. IFRS 16 is effective for annual periods beginning on or after 1 January 2019, with earlier application permitted. This new standard is expected to increase assets and liabilities by \$660,613 relating to the premises' lease (note 17).

4. Significant accounting estimates and judgments

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

a) Significant accounting estimates

Property and equipment and intangible assets

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

Sick leave credits benefit

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

Supplemental pension benefit

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

Assessments

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

b) Significant accounting judgments

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

5. Financial risk management

Financial risk factors

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

Credit risk

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

Liquidity risk

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

Interest rate risk

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

6. Capital management

FCNB's objective when it manages capital is to ensure it continues as a going concern to fulfill its mandate. FCNB has established a stabilization reserve of \$4,000,000 (\$4,000,000 in 2018) and a restructuring reserve of \$10,000,000 (\$10,000,000 in 2018) to manage its capital risk. FCNB ensures that any payment of surplus funds to the Province of New Brunswick will not impair FCNB's ability to pay its liabilities, to meet its obligations as they become due or to fulfil its contractual commitments.

7. Financial instruments

FCNB's financial instruments consist of cash, accounts receivable, cash held for designated purposes, investments held for designated purposes, accounts payable and accrued liabilities, accrued salaries and benefits, accrued vacation liabilities and obligation under finance leases.

These financial instruments do not include any rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The fair values of these financial instruments approximate their carrying values due to their short-term nature and negligible credit losses.

8. Cash and cash held for designated purposes

FCNB maintains three separate bank accounts. The first is comprised of the operating account and those monies attributable to the reserves and not otherwise invested and monies received from disgorgement orders. The second account is maintained for the market enhancement reserve. The third account is maintained for monies held in trust, as securities for licences issued under various financial and consumer services legislation. The balance for the third account as of 31 March 2019 was \$17,547 (\$53,437 in 2018) and is included in cash. Under the terms of FCNB's banking agreement, these accounts earn interest at prime less 1.70 per cent.

9. Investments held for designated purposes

FCNB invested \$14,000,000, \$10,000,000 attributable to the restructuring reserve and \$4,000,000 attributable to the stabilization reserve (\$12,500,000 in 2018, \$10,000,000 attributable to the restructuring reserve and \$2,500,000 of the \$4,000,000 attributable to the stabilization reserve) in one-year guaranteed investment certificates. The interest earned on these investments varies from 1.50 per cent to 3.00 per cent. The amounts attributable to the restructuring reserve and stabilization reserve have been disclosed on the statement of financial position as investments held for designated purposes.

10. Accounts receivable

FCNB charges assessments as per specific financial and consumer services legislation to the credit union system and to insurance sector participants. The outstanding assessments owing totalled \$2,672,340 of the total accounts receivable as of 31 March 2019 (\$2,342,504 in 31 March 2018).

No provision for allowance for doubtful accounts is required.

11. Reserve

Restructuring reserve

FCNB has established a reserve consistent with section 21(8) of the *Financial and Consumer Services Commission Act* to allow the Commission to meet its revised mandate following the establishment of the proposed co-operative capital markets regulatory system, while providing sufficient time to develop operational efficiencies and to consult with its regulated sectors for any required fee rule changes necessary to maintain its self-financing legislative requirements. The reserve was funded in 2015 through a one-time charge of \$10,000,000 to the general fund. The value of the reserve is \$10,000,000 (\$10,000,000 in 2018).

Stabilization reserve

FCNB has established a reserve consistent with subsection 21(8) of the *Financial and Consumer Services Commission Act* to finance extraordinary expenses for isolated and unanticipated purposes that are regulatory in nature, and for changes in market activity affecting revenue. The reserve is funded through charges to the general fund. The maximum value of the reserve has been set at \$4,000,000 (\$4,000,000 in 2018).

Market enhancement and consumer protection reserve

FCNB collects administrative penalties under section 186 of the *Securities Act* and under subsection 21(5) of the *Financial and Consumer Services Commission Act*. Consistent with subsection 21(5) of the *Financial and Consumer Services Commission Act*, these amounts are not used for FCNB's normal operating expenditures. Instead, they are used for endeavours or activities that enhance New Brunswick's capital markets or consumer protection. Market enhancement reserve funds are maintained separate from FCNB's normal operating funds, and generate their own investment revenue. The value of the reserve is \$153,624 (\$150,527 in 2018).

Disgorgement reserve

FCNB can issue disgorgement orders under section 184 of the *Securities Act*, or the Court of Queen's Bench may do so under section 187 of the *Securities Act*. Disgorgement orders permit FCNB to order a person be divested from the benefits obtained as a result of failure to comply with securities law. These amounts are not used for FCNB's normal operating expenditures as described in subsection 21 (6) of the *Financial and Consumer Services Commission Act*, and will generally be used to return funds to negatively impacted investors consistent with Local Rule 15-502, *Procedure for the Distribution of Disgorged Funds*. During the period, \$12,000 was collected and paid to nine investors as a result of a 2008 decision and the value of the reserve is \$190 (\$190 in 2018).

12. Property and equipment

	Office furniture and equipment	Finance lease	Information technology infrastructure	Software	Auto-mobile	Leasehold improvements	Total
Cost							
As at 31 March 2017	\$ 439,146	\$ 16,995	\$ 250,398	\$ 11,780	\$ 32,775	\$ 799,029	\$ 1,550,123
Additions	-	35,800	16,976	-	-	-	52,776
Dispositions	-	-	-	-	-	-	-
As at 31 March 2018	\$ 439,146	\$ 52,795	\$ 267,374	\$ 11,780	\$ 32,775	\$ 799,029	\$ 1,602,899
Additions	-	11,600	95,350	-	-	-	106,950
Dispositions	-	-	-	-	-	-	-
As at 31 March 2019	\$ 439,146	\$ 64,395	\$ 362,724	\$ 11,780	\$ 32,775	\$ 799,029	\$ 1,709,849
Accumulated depreciation							
As at 31 March 2017	\$ 322,138	\$ 14,161	\$ 184,272	\$ 11,780	\$ 32,775	\$ 631,746	\$ 1,196,872
Depreciation	70,196	6,087	35,764	-	-	51,102	163,149
Dispositions	-	-	-	-	-	-	-
As at 31 March 2018	\$ 392,334	\$ 20,248	\$ 220,036	\$ 11,780	\$ 32,775	\$ 682,848	\$ 1,360,021
Depreciation	42,260	8,442	34,992	-	-	54,595	140,289
Dispositions	-	-	-	-	-	-	-
As at 31 March 2019	\$ 434,594	\$ 28,690	\$ 255,028	\$ 11,780	\$ 32,775	\$ 737,443	\$ 1,500,310
Net book value							
As at 31 March 2018	\$ 46,812	\$ 32,547	\$ 47,338	\$ -	\$ -	\$ 116,181	\$ 242,878
As at 31 March 2019	\$ 4,552	\$ 35,705	\$ 107,696	\$ -	\$ -	\$ 61,586	\$ 209,539

13. Intangible assets

	Website	Regulatory information data system (internally generated)	Total
Cost			
As at 31 March 2017	\$ 47,860	\$ 1,018,397	\$ 1,066,257
Additions	-	-	-
Dispositions	-	-	-
As at 31 March 2018	\$ 47,860	\$ 1,018,397	\$ 1,066,257
Additions	7,350	-	7,350
Dispositions	-	-	-
As at 31 March 2019	\$ 55,210	\$ 1,018,397	\$ 1,073,607
Accumulated amortization			
As at 31 March 2017	\$ 32,851	\$ 170,892	\$ 203,743
Amortization	10,327	203,679	214,006
Dispositions	-	-	-
As at 31 March 2018	\$ 43,178	\$ 374,571	\$ 417,749
Amortization	3,977	203,680	207,657
Dispositions	-	-	-
As at 31 March 2019	\$ 47,155	\$ 578,251	\$ 625,406
Net book value			
As at 31 March 2018	\$ 4,682	\$ 643,826	\$ 648,508
As at 31 March 2019	\$ 8,055	\$ 440,146	\$ 448,201

14. Finance lease liability

During the year, FCNB entered a lease for photocopy equipment with a term of five and half years. FCNB has an option to purchase the equipment for a nominal amount at the end of the lease term. Lease liability is effectively secured as the rights to the leased asset revert to the lessor in the event of default.

	Minimum lease payments		Present value of minimum lease payments	
	2019	2018	2019	2018
Not later than 1 year	\$ 9,492	\$ 7,146	\$ 8,403	\$ 6,188
Later than 1 year and not later than 5 years	27,863	26,796	26,366	25,103
	\$ 37,355	\$ 33,942	34,769	31,291
Less: Current portion			8,403	6,188
Finance lease liability			\$ 26,366	\$ 25,103

15. Disposition of surplus operating funds

The disposition of surplus operating funds consists of payments to the Consolidated Fund of the Government of New Brunswick subject to the approval of the Treasury Board and consistent with subsection 21(7) of the *Financial and Consumer Services Commission Act*. FCNB paid \$9,007,458 in 2019 (\$9,769,693 in 2018).

16. Provisions

A provision is recognized if, as a result of a past event, FCNB has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. FCNB has no provisions recorded at 31 March 2019 (\$0 at 31 March 2018).

17. Operating lease commitments

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

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

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

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

	2019	2018
Minimum lease payments	\$ 615,317	\$ 623,698
Contingent rentals	-	-
Sub-lease payments received	-	-
	\$ 615,317	\$ 623,698

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

	2019	2018
Not later than 1 year	\$ 355,822	\$ 628,203
Later than 1 year and not later than 5 years	326,170	681,992
Later than 5 years	-	-
	\$ 681,992	\$ 1,310,195

18. Commitments and contingencies

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

19. Employee future benefits

a) Pension plan

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

Pension costs included in these financial statements comprise the cost of employer contributions for current service of employees during the year. For the year ended 31 March 2019, FCNB expensed contributions of \$845,463 (\$798,099 in 2018) under the terms of the Plan.

b) Supplemental pension benefit

A retired Chief Executive Officer receives a supplemental pension benefit in which supplemental pensionable service of one year for each year of service as Chief Executive Officer to the maximum of five years was earned. This benefit is unfunded as no assets have been set aside in a separate legal entity, and payments are made as they become due. For the year ended 31 March 2019, these statements reflect a liability of \$166,005 (\$184,628 in 2018), FCNB recovered expenses of \$2,646 (expensed \$4,792 in 2018) under the terms of the Supplemental Benefit Agreement and paid out benefits of \$15,977 (\$15,730 in 2018).

c) Sick leave credits

In concert with the elimination of the retiring allowance program, changes were made to the sick leave policy such that employees could receive a payout of 20 per cent of their unused sick leave credits at layoff, retirement or death. These statements reflect a liability of \$305,831 (\$318,594 in 2018) for this benefit and a current year expense of \$25,142 (\$42,915 in 2018). This liability is discounted as follows: employees over the age of 50, FCNB applies a three per cent discount factor to adjust for the age of each eligible employee for each year that the employee is under the age of 55; and for employees under the age of 50, FCNB applies a three per cent discount factor to adjust for the age of each eligible employee for each year that the employee is under the age of 65. For liability calculation purposes, management estimates that half of employees under the age of 40 will retire from FCNB, 75 per cent of employees between the ages of 40 and 50 will retire from FCNB, and all employees over the age of 50 will retire from FCNB.

20. Related party transactions

Service New Brunswick (SNB), a related party to FCNB, provides certain services in the normal course of operations that are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. SNB provided information technology services to FCNB, such as data storage, data backup, data protection and support. FCNB expensed \$125,396 (\$115,105 in 2018) during the reporting period on these services. As of 31 March 2019, an accounts payable of \$135,268 (\$115,489 at 31 March 2018) was owed to SNB and was subject to normal terms. This amount is included in accounts payable and accrued liabilities.

The Translation Bureau for the Government of New Brunswick provides services to FCNB that are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Total expenditures during the period were \$64,765 (\$67,111 in 2018). As of 31 March 2019, an accounts payable of \$10,704 (\$13,922 at 31 March 2018) was owed to the Translation Bureau and is subject to normal terms. This amount is included in accounts payable and accrued liabilities.

On 1 October 2014, FCNB entered into an agreement with the Department of Transportation and Infrastructure (“DTI”) for leased office space. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. FCNB expensed \$290,196 (\$304,609 in 2018). As of 31 March 2019, an accounts payable of \$0 (\$38,463 at 31 March 2018) was owed to DTI and subject to normal terms.

The Chair of FCNB has a personal services contract with FCNB that is measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. This is in-lieu of an employment contract and facilitates the Chair’s independence from the operations of the Commission. FCNB expensed \$152,317 (\$152,317 in 2018) during the reporting period. As of 31 March 2019, an accounts payable of \$0 (\$0 at 31 March 2018) was owed to the Chair and subject to normal terms.

FCNB provides certain administrative services for the Government of New Brunswick associated with assessments or recoveries from the insurance sector and that are for the benefit of the Consolidated Revenue Fund of the Government of New Brunswick. These services include the invoicing and updating receivables under the *Premium Tax Act* (\$57,609,710 in 2019, \$55,093,078 in 2018); the invoicing and updating receivables under the *Medical Services Payment Act*, the *Hospital Services Act* and the *Family Services Act* (\$36,582,096 in 2019, \$36,132,608 in 2018); and the updating receivables under the *Fire Prevention Act* (\$3,734,375 in 2019, \$3,503,275 in 2018). These transactions do not flow through FCNB’s financial statements and are recorded directly in the financial information system of the Government of New Brunswick. FCNB performs these functions without any financial consideration or payment from the Government of New Brunswick. Effective 1 January 2018, FCNB is no longer responsible for the depositing function associated with these activities.

In addition, FCNB recovers costs incurred by the Government of New Brunswick when it intervenes at insurance rate hearings. In 2019, these costs were \$390,283 (\$225,543 in 2018). FCNB now treats these costs as a recoverable from the insurance sector. Prior to 2018, FCNB recorded professional services expenses and equivalent assessment revenue.

Key management personnel

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

	2019	2018
Salaries and other short-term employee benefits	\$ 1,048,352	\$ 1,020,639
Post-employment benefits	97,829	94,240
	\$ 1,146,181	\$ 1,114,879

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

21. Salaries and benefits

	2019	2018
Salaries	\$ 7,557,876	\$ 7,106,589
Benefits	716,112	713,300
Pension expenses (Note 19)	845,463	798,099
	\$ 9,119,451	\$ 8,617,988

22. Administration

	2019	2018
Investor protection and education	\$ 523,372	\$ 491,810
Members and staff development	307,101	282,880
Information technology	174,548	161,966
Other administration	391,950	380,985
	\$ 1,400,971	\$ 1,317,641

23. Alternative presentation – Income statement by function

	2019	2018
REVENUE		
Securities	\$ 16,437,058	\$ 16,331,929
Insurance	3,134,568	2,982,469
Financial Institutions	265,294	313,844
Consumer Affairs	486,685	477,409
Pensions	275,174	229,547
Investment income	400,152	267,456
Miscellaneous	60,556	41,631
	21,059,487	20,644,285
EXPENSES		
Governance and Corporate Management	3,945,893	3,844,608
Insurance	2,117,407	1,930,208
Education and Communications	1,141,653	1,204,357
Securities	1,461,018	1,398,052
Enforcement	726,177	524,162
Financial Institutions	621,475	926,944
Consumer Affairs	1,065,467	703,934
Pensions	768,572	718,909
Tribunal	390,032	389,253
	12,237,694	11,640,427
COMPREHENSIVE INCOME	\$ 8,821,793	\$ 9,003,858

24. Authorization of financial statements

The financial statements for the year ended 31 March 2019 (including comparatives) were approved by the board of directors on 27 June 2019.



FCNB