

# FINANCIAL and CONSUMER SERVICES COMMISSION

## Strategic Direction For Three-Year Period 2013 – 2016

## Annual Business Plan and Risk Assessment For 2013 – 2014

*Informed consumers, confident marketplaces*

Approval Date: 17 December 2012  
Effective Date: 1 April 2013  
Review Date: 17 December 2013

# Table of Contents

<b>INTRODUCTION</b> .....	<b>1</b>
<b>THE STRATEGIC DIRECTION</b> .....	<b>1</b>
Our Vision .....	1
Our Mandate.....	1
Regulatory Requirements.....	1
Our Values.....	2
Summary.....	2
<b>GENERAL INFORMATION</b> .....	<b>3</b>
Our Corporate Profile.....	3
Our Audience Segments.....	4
Value and Benefits.....	4
Key Activities.....	5
Key Partners.....	6
<b>OVERVIEW OF OUR STRATEGIC DIRECTION FOR 2013-2016</b> .....	<b>7</b>
Informed Consumers, Confident Marketplaces .....	7
Setting the Stage.....	7
Trends and Market Forces.....	7
Global.....	8
National.....	8
Provincial.....	8
Commission .....	9
Our Strategic Imperatives.....	9
<b>THE BUSINESS PLAN FOR 2013-2014</b> .....	<b>11</b>
<b>Advance the Interests of New Brunswickers as Investors and Consumers</b> .....	<b>12</b>
Education .....	13
Develop Capital Markets.....	14
Implement the Legislative and Regulatory Framework Necessary to Fulfill our Mandate .....	15
<b>Develop Commission Talent – Striving for excellence</b> .....	<b>15</b>
<b>Risk Analysis</b> .....	<b>16</b>
<b>Revenue Sources, Cost Structure and Key Resources</b> .....	<b>18</b>
Budget for Next Three Fiscal Years .....	20
<b>Annual Deliverables</b> .....	<b>23</b>
Business Plan.....	23
Budget.....	23
Annual Audit .....	23
Annual Report and Financial Statements.....	23
Crown Corporations Review .....	23

# 2013-2016 STRATEGIC DIRECTION AND 2013-2014 ANNUAL BUSINESS PLAN

**Our Vision - A confident, dynamic and informed financial and consumer marketplace for New Brunswick**

**Our Mandate - Provide protection to consumers and investors from unfair, improper or fraudulent practices; and**

**Foster fair, efficient financial marketplaces and confidence in those marketplaces.**

## INTRODUCTION

The overall responsibility for approving the strategic direction of the Commission rests with the members, acting collectively as the board of directors. Our strategic direction sets out how we will conduct our business and fulfil our role in accordance with the mandate established by legislation. The Commission's authority is derived from legislation and articulated in its By-laws and Governance Policy.

## THE STRATEGIC DIRECTION

### *OUR VISION*

Visioning asks the question, "If we fulfill our role, where do we see the future?" and "How will stakeholders benefit from our services?"

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

### *OUR MANDATE*

Our mandate communicates the difference we will make for New Brunswick:

- ***Provide protection to consumers and investors from unfair, improper or fraudulent practices; and***
- ***Foster fair, efficient financial marketplaces and confidence in those marketplaces.***

### *REGULATORY REQUIREMENTS*

The three requirements of an effective regulatory structure are:

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

## 2013-2016 STRATEGIC DIRECTION AND 2013-2014 ANNUAL BUSINESS PLAN

**Our Vision - A confident, dynamic and informed financial and consumer marketplace for New Brunswick**

**Our Mandate - Provide protection to consumers and investors from unfair, improper or fraudulent practices; and**

**Foster fair, efficient financial marketplaces and confidence in those marketplaces.**

### **OUR VALUES**

Values statements identify the moral and operational priorities guiding the organization's actions as it carries out its mandate. Values establish the ethical imperatives for the Commission. Our values include:

<b>Leadership</b>	we adhere to best practices and high standards to ensure regulatory and organizational excellence;
<b>Integrity</b>	we are fair, ethical, transparent and accountable for our actions;
<b>Responsiveness</b>	we provide pro-active, efficient and timely services; we listen to understand and address the needs of our stakeholders and staff; and
<b>Commitment</b>	we invest in our staff by encouraging innovation and developing expertise and leadership.

### **SUMMARY**

The strategic business plan reflects our reasoned and deliberate assessment of the influences affecting the Commission. The knowledge and expertise that we are able to bring to bear on these matters will be instrumental to our success. We expect to be successful because of our:

- ability to be innovative;
- operational effectiveness;
- financial sustainability;
- regulatory flexibility;
- strategic partnerships; and
- passionate commitment to the people of New Brunswick.

# 2013-2016 STRATEGIC DIRECTION AND 2013-2014 ANNUAL BUSINESS PLAN

Our Vision - A confident, dynamic and informed financial and consumer marketplace for New Brunswick

Our Mandate - Provide protection to consumers and investors from unfair, improper or fraudulent practices; and

Foster fair, efficient financial marketplaces and confidence in those marketplaces.

## GENERAL INFORMATION

### OUR CORPORATE PROFILE

The Financial and Consumer Services Commission is an arm's length self-funded independent Crown Corporation under Part IV of the *Public Service Labour Relations Act*.

The Commission is responsible for the regulation of securities, insurance, pensions, credit unions, caisses populaires, trust and loan companies and consumer protection. The Commission has rule-making authority over the prescribed areas of its responsibilities.

The Commission has a board of directors consisting of a Chair and up to 10 part-time members. Membership includes the best mix of background, skills, diversity and experience required to guide the Commission's strategy and ongoing business operations, and to establish the rules governing the regulated sectors. Members are independent and have a reputation for integrity in order to generate public confidence in the Commission. The Chair and the members are appointed by the Lieutenant-Governor in Council for terms up to 5 years and can be reappointed.

The Acts administered by the Commission include the:

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

Hearings take place before an independent Hearing Tribunal funded by, but otherwise independent of, the Commission. The Tribunal provides independent adjudication services where required under the various statutes for which the Commission would be responsible.

## 2013-2016 STRATEGIC DIRECTION AND 2013-2014 ANNUAL BUSINESS PLAN

**Our Vision - A confident, dynamic and informed financial and consumer marketplace for New Brunswick**

**Our Mandate - Provide protection to consumers and investors from unfair, improper or fraudulent practices; and**

**Foster fair, efficient financial marketplaces and confidence in those marketplaces.**

### ***OUR AUDIENCE SEGMENTS***

Our audience segments are the different groups of people or organizations that the Commission aims to reach, regulate or serve; they include:

- The general public;
- Regulated industries;
- Related associations
- Other regulators; and
- Government

### ***VALUE AND BENEFITS***

Our values and benefits speak to the benefits that the Commission offers our audience segments that are valued by those audiences.

New Brunswick consumers benefit by having a single independent agency responsible for consumer protection across all sectors in the province. The Commission is adequately staffed and holds a broad base of knowledge resulting in improved service to consumers. In addition, consumers benefit from better consumer education and consistent approaches to addressing their concerns.

Industry participants benefit from having a single independent regulatory agency; consistent application of regulatory authority and oversight; reduced regulatory duplication or overlap; and an independent hearings tribunal.

Government benefits from having an independent regulatory agency funded by the industries regulated and responsible for financial services and consumer protection throughout the province.

The Commission has a critical mass of specialized regulatory expertise that realizes efficiencies from a commonality of functions and benefits from the synergies that develop from common processes and procedures.

In summary, the Commission strives to be efficient, consistent and exert the appropriate regulatory oversight for a rapidly changing financial services marketplace.

## 2013-2016 STRATEGIC DIRECTION AND 2013-2014 ANNUAL BUSINESS PLAN

Our Vision - A confident, dynamic and informed financial and consumer marketplace for New Brunswick

Our Mandate - Provide protection to consumers and investors from unfair, improper or fraudulent practices; and

Foster fair, efficient financial marketplaces and confidence in those marketplaces.

### *KEY ACTIVITIES*

Key activities are the most important things that we do to make our business model work. We perform the following functions as part of our mandate:

- **Education:** we provide access to appropriate information to help consumer and financial marketplace participants know their rights and how to make informed decisions. We interact with industry to help other market participants understand how to access and operate in New Brunswick's financial marketplaces.
- **Licensing and registration:** we license and register those who wish to provide services to consumers or investors in the financial services markets.
- **Form and Education product approval:** we approve specified forms and education products developed by industry for use in the financial services marketplace.
- **Regulatory Compliance:** we regulate participants in the financial and consumer marketplaces to confirm they meet the regulatory requirements.
- **Enforcement:** we hold those who violate laws accountable and we protect financial and consumer marketplace participants through deterrence.
- **Rule-making:** we establish the rules that govern the investment industry, hearings, fees and forms for financial services.
- **Policy development and Legislative amendments:** we develop policy with a view to rule-making and legislative amendments.
- **Capital Markets Development:** we foster development and growth of the capital markets to improve access to capital for New Brunswick's new and growing companies.
- **Tribunal:** we provide independent adjudication services through our Tribunal function.

## 2013-2016 STRATEGIC DIRECTION AND 2013-2014 ANNUAL BUSINESS PLAN

**Our Vision - A confident, dynamic and informed financial and consumer marketplace for New Brunswick**

**Our Mandate - Provide protection to consumers and investors from unfair, improper or fraudulent practices; and  
Foster fair, efficient financial marketplaces and confidence in those marketplaces.**

### ***KEY PARTNERS***

Our key partners are the network of stakeholders and partners that support our core business. There are a number of stakeholders who have an interest in or are affected by what we do. These include:

- Educational groups, including universities
- Business advisers to the financial services market – lawyers, accountants, financial institutions
- Entrepreneurs and emerging, growing and on-going businesses
- Industry associations and self-regulatory organizations
- Other securities and financial services regulators
- Law enforcement agencies and the justice system
- The Legislature and Government policy makers
- Media



# 2013-2016 STRATEGIC DIRECTION AND 2013-2014 ANNUAL BUSINESS PLAN

**Our Vision - A confident, dynamic and informed financial and consumer marketplace for New Brunswick**

**Our Mandate - Provide protection to consumers and investors from unfair, improper or fraudulent practices; and**

**Foster fair, efficient financial marketplaces and confidence in those marketplaces.**

## OVERVIEW OF OUR STRATEGIC DIRECTION FOR 2013-2016

### *INFORMED CONSUMERS, CONFIDENT MARKETPLACES*

Our strategic direction for the upcoming three-year period is built around two key notions. First, we want New Brunswickers to be informed consumers. Second, we want consumers, investors and business to have confidence in our marketplaces. Our vision, mandate and values as defined in our strategic direction support these key concepts.

### *SETTING THE STAGE*

Three key challenges face the organization and drive our strategic thinking. These are the current state of the economy and financial markets world-wide; the push by investors and consumers to have regulators address their specific needs; and the need for the Commission to develop effective financial and consumer services regulation.

The recent turmoil in global capital markets and the current state of the world economy have sparked the debate on regulatory reform, not only in how regulators are structured, but also how and what they regulate. These circumstances underline the need for more effective interactions among all financial services regulators, provincially, nationally and internationally.

The Commission continues to operate collaboratively with other securities and financial sector regulators in Canada and around the world. We need to keep abreast of global developments in the securities industry and the financial services sector, as well as related technological developments. As such, we need to be attuned to issues, trends and initiatives affecting our stakeholders as they develop. As well, we need to be diligent in evaluating the New Brunswick scene for matters of importance to our key audiences. Our planning approach incorporates strategic issue identification and a management process to address the issues involving staff, management and Commission members.

As we consider the challenges facing New Brunswickers we are cognizant of our modest size and limited resources. We consciously target areas where we can demonstrate leadership and have an impact. We have developed strong strategic relationships and leverage them to help meet our objectives. These linkages are provincial, national and international in scope.

### *TRENDS AND MARKET FORCES*

The following trends and market forces were identified as significant influencers in our operating environment. Some are threats; some are opportunities; and some are both. We have highlighted those that are most likely to affect the organization. There are some over which we have a reasonable degree of influence or ability to successfully manage the issue.

# 2013-2016 STRATEGIC DIRECTION AND 2013-2014 ANNUAL BUSINESS PLAN

**Our Vision - A confident, dynamic and informed financial and consumer marketplace for New Brunswick**

**Our Mandate - Provide protection to consumers and investors from unfair, improper or fraudulent practices; and**

**Foster fair, efficient financial marketplaces and confidence in those marketplaces.**

## Global

- Fragile economic conditions – Greece, Spain, Portugal, Italy, France, United States
- Regulatory reform in financial services
- Globalization of financial markets and regulatory structures
- Identification of systemic risks to financial systems
- Regulation of hedge funds, derivatives markets; other emerging investment products; exempt market, where securities are traded without registration and prospectus protections; alternative trading systems, foreign exchange trading and “over-the-counter” markets
- Evolving technology – reliance on the same to complete work requirements
- Investment and consumer fraud initiated from all parts the globe
- Move to risk managed Pensions
- Audiences more sophisticated and desire immediate answers
- Out migration, aging population

## National

- Increasing financial services regulatory harmonization across the country
- Canadian securities regulators interactions with other jurisdictions and financial service regulators
- Federal entities exiting the regulatory system impacting the scope of work required by provincial regulators
- Federal changes to mortgage insurance is impacting lending institutions
- Important role of Council of Ministers
- Federal development of a single regulator for securities in Canada

## Provincial

- New Brunswick’s economy, financial situation, population demographics and trends
- Improved administration or coordination of financial services and consumer protection regulation
- A regulatory climate appropriate to support the government’s agenda
- Interactions with other financial services regulators

## 2013-2016 STRATEGIC DIRECTION AND 2013-2014 ANNUAL BUSINESS PLAN

**Our Vision - A confident, dynamic and informed financial and consumer marketplace for New Brunswick**

**Our Mandate - Provide protection to consumers and investors from unfair, improper or fraudulent practices; and**

**Foster fair, efficient financial marketplaces and confidence in those marketplaces.**

- Relationships with key government departments
- Access to skilled labour
- Customer focus – one stop shopping

### **Commission**

- Recognition of the Commission and its mandate
- Relevance to retail investors and consumers
- Strength of stakeholder relationships
- Relationships with and oversight of self-regulatory organizations
- Strength of our technological capabilities
- Staff retention, motivation and recognition
- Access to novel, innovative ideas
- Centralized integrated licensing systems - HR, compliance
- Ability to constitute specialist teams to share deeper knowledge
- Tribunal independence

### ***OUR STRATEGIC IMPERATIVES***

Our core business is consumer and investor protection, and fostering financial markets and confidence in our markets. We have identified two strategic imperatives which drive the initiatives we undertake.

#### **To advance the interests of New Brunswickers as investors and consumers by:**

- Recognizing we must serve their interests;
- Understanding their issues and challenges;
- Focusing educational campaigns on their needs;
- Upholding an enforcement orientation responsive to their needs;
- Advancing their interests in our work with our regulatory partners;
- Partnering with key stakeholders on initiatives that help advance our mandate; and
- Encouraging self-regulatory organizations and other related associations to meet their accountability obligations to them.

## 2013-2016 STRATEGIC DIRECTION AND 2013-2014 ANNUAL BUSINESS PLAN

**Our Vision - A confident, dynamic and informed financial and consumer marketplace for New Brunswick**

**Our Mandate - Provide protection to consumers and investors from unfair, improper or fraudulent practices; and  
Foster fair, efficient financial marketplaces and confidence in those marketplaces.**

### **To support the development of New Brunswick financial services markets by:**

- Recognizing we must serve New Brunswick's financial services market participants;
- Continuing research and consultation on financial services market issues;
- Enhancing access to capital through education and capital markets infrastructure development;
- Providing knowledgeable advice on financial services markets related issues to policy makers;
- Advancing the interests of local financial services market participants in our work with our regulatory partners; and
- Partnering with key stakeholders on initiatives that help advance our mandate.

# 2013-2016 STRATEGIC DIRECTION AND 2013-2014 ANNUAL BUSINESS PLAN

**Our Vision - A confident, dynamic and informed financial and consumer marketplace for New Brunswick**

**Our Mandate - Provide protection to consumers and investors from unfair, improper or fraudulent practices; and**

**Foster fair, efficient financial marketplaces and confidence in those marketplaces.**

## THE BUSINESS PLAN FOR 2013-2014

This document describes our annual business plan for 2013-2014 and how it supports our overall strategic direction for the period 2013 to 2016. Today's challenging environment underscores the need to ensure that what we do in carrying out our mandate is relevant and has a positive effect on the province, its residents as consumers and investors and its financial services markets. The initiatives we undertake are focused on having an impact.

We examine our core business in the context of our strategic direction and how we may better concentrate our energy in order to make a significant difference in New Brunswick.

In developing our business plan we evaluated not only resource implications but also:

- The impact that a key strategic issue may have on our mandate;
- The immediacy of a key strategic issue and its required response;
- Our ability to take a leadership, supportive or reactionary approach to a key strategic issue; and
- The role of our strategic partners in assisting us to address a key strategic issue.

The Business Plan describes how we will undertake our mandate in light of our strategic imperatives. In the context of our 2013-2016 Strategic Direction, the plan outlines our objectives and initiatives for the 2013-14 year, and identifies performance measures to determine our success in meeting our overall mandate. The risk analysis assesses the key areas that have the potential to interfere with carrying out our mandate successfully.

### ***OBJECTIVES, INITIATIVES AND MEASURES***

Our focus is protecting New Brunswick consumers and fostering New Brunswick financial services markets. We plan a number of multi-year initiatives in each of the core business areas of our statutory mandate. These initiatives are undertaken in the context of our strategic imperatives to ensure they have the desired effect and recognize national and global pressures for regulatory reform. In 2013-14 considerable emphasis will be placed on the implementation of legislative and regulatory changes necessary to support the fulfilment of our organizational responsibilities. We use an annual work planning process to identify the specific undertakings, assigned responsibilities and associated timeframes.

## 2013-2016 STRATEGIC DIRECTION AND 2013-2014 ANNUAL BUSINESS PLAN

Our Vision - A confident, dynamic and informed financial and consumer marketplace for New Brunswick

Our Mandate - Provide protection to consumers and investors from unfair, improper or fraudulent practices; and

Foster fair, efficient financial marketplaces and confidence in those marketplaces.

### ***ADVANCE THE INTERESTS OF NEW BRUNSWICKERS AS INVESTORS AND CONSUMERS***

In this area, our focus is on implementing the legislative and regulatory framework needed to meet our mandate and enhancing consumer protection, increasing consumers' ability to recognize, avoid and report wrong-doing, supporting and increasing market participant compliance with appropriate regulations and undertaking enforcement actions.

#### **Enhance Consumer Protection – Safe Marketplaces for Consumers**

- *Consumer Protection Awareness Campaign* – launch the first phase of a multi-media campaign to raise awareness of the Commission, the scope of our mandate and encourage reporting of wrongdoing to the Commission. Our targets are:
  - **to generate awareness, over the next three years, of the Commission, to establish a baseline awareness level, as measured by survey.**
  - **to encourage the reporting of unfair, improper and fraudulent practices to the Commission, over the next three years, to establish a baseline reporting level, as measured by survey.**
- *Compliance with legislation* – conduct compliance reviews of targeted regulated entities, in accordance with our mandate. **In 2013 – 14 our targets are:**
  - **to ensure regulated entities are properly licensed or registered.**
  - **to implement a compliance review regime for the regulated entities.**
- *Enforcement* – carry out enforcement actions in accordance with our mandate. Effective enforcement needs to be complemented by an effective educational effort. Awareness and enforcement both seek to pursue the same objective of consumer protection. **In 2013 – 14 our targets are:**
  - **to deal with each case in an appropriate and timely manner and bring before the Tribunal for sanction those found to violate legislation under the Commission's oversight.**
  - **to publicize orders from disciplinary hearings within three days of their release.**
  - **to enhance our consumer alerts to include local, national and international alerts and release them in a timely manner.**

## 2013-2016 STRATEGIC DIRECTION AND 2013-2014 ANNUAL BUSINESS PLAN

Our Vision - A confident, dynamic and informed financial and consumer marketplace for New Brunswick

Our Mandate - Provide protection to consumers and investors from unfair, improper or fraudulent practices; and

Foster fair, efficient financial marketplaces and confidence in those marketplaces.

### Consumer Services – providing assistance to consumers

- Consumer Engagement – develop a consumer engagement process around the province to identify needs and issues important to New Brunswick consumers. **Our targets are:**
  - to determine the direction of our initiatives, we will hold consumer engagement events throughout the province and analyse the common needs and issues.
  - to enhance our consumer services and education, over three years, to address the needs and issues.
  - to develop interactive processes and materials to assist consumers with concerns about industry practices.
- Consumer Assistance – enhance existing protocols, develop new processes that provide prompt responses to consumer inquiries, and consumer complaints about the regulated industries as well as helping consumers set their expectations and assist consumers throughout the complaint process. **Our targets are:**
  - to build an internal database of information to promptly aid and educate consumers.
  - to enhance processes, over three years, to address consumer’s needs and issues as measured by survey.

### Education

- Education – carry out education outreach initiatives using a variety of media focusing on a broad range of consumers and those participants wanting to access and operate in the capital markets. **Our targets are:**
  - to steadily increase over three years the level of awareness and interest in our educational materials as measured by demand.
  - to assess the effectiveness of our educational initiatives through consumers’ behavioural change as measured by survey over three years.
- Financial Literacy – undertake initiatives to improve New Brunswickers’ level of financial literacy. **Our targets are:**
  - to identify and work with partners interested in improving financial literacy in New Brunswick
  - to promote the use of our programs in support of financial literacy in the province.

### *TO SUPPORT THE DEVELOPMENT OF NEW BRUNSWICK FINANCIAL SERVICES MARKETS*

In this area, our focus is on developing financial services markets, initiatives that increase access to capital, enhance market participant education and understanding of our capital markets and improve the regulatory framework for financial services.

## 2013-2016 STRATEGIC DIRECTION AND 2013-2014 ANNUAL BUSINESS PLAN

Our Vision - A confident, dynamic and informed financial and consumer marketplace for New Brunswick

Our Mandate - Provide protection to consumers and investors from unfair, improper or fraudulent practices; and

Foster fair, efficient financial marketplaces and confidence in those marketplaces.

### Develop Financial Services Markets

- Registrant Engagement – initiate an outreach process around the province to identify needs and issues important to New Brunswick financial services market participants. **In 2013 – 14 our target is:**
  - **to hold market outreach/educational events across the province to provide and receive topic-specific information and consolidate related needs and issues.**
- Financial Services Participant Education – develop educational opportunities for financial services markets participants which offer curriculum that provides them relevant information **In 2013 – 14 our target is:**
  - **to assess the education needs of financial services participants and develop education materials to meet registrant needs and expectations.**

### Develop Capital Markets

- *Fullsail* – our Capital Markets Development Strategy - undertake initiatives, directly or with partners that focus on building the infrastructure of New Brunswick's capital markets and improving the access to capital. We achieve our *Fullsail* capital market development objective through research, education, awareness, action and progress reporting. The ultimate objective is to see that collective efforts in these initiatives cause metrics related to sections of the capital market to improve. Ideally, this would be reflected in increased economic development in New Brunswick over time. **In 2013 – 14 our target is:**
  - **to continue our leadership role in supporting or undertaking initiatives that improve access to capital in the province.**
- Learning the Ropes – develop educational opportunities for capital markets participants which offer curriculum that provides them relevant information **In 2013 – 14 our target is:**
  - **to broaden our capital markets education initiatives in terms of increasing the number of topics offered and the number of participants reached across the province at a consistently high level that meets their needs and expectations, as measured by satisfaction survey.**
- Capital Markets Study – build on research undertaken to date to increase the understanding of New Brunswick's capital markets, their inter-relationships and improve the ability to measure the impact of development initiatives. **In 2013 – 14 our target is:**
  - **to enhance our capital markets studies by undertaking research to get a better understanding, for opportunities and risks, of our exempt market including the size, the participants and nature of the activities.**



## 2013-2016 STRATEGIC DIRECTION AND 2013-2014 ANNUAL BUSINESS PLAN

Our Vision - A confident, dynamic and informed financial and consumer marketplace for New Brunswick

Our Mandate - Provide protection to consumers and investors from unfair, improper or fraudulent practices; and

Foster fair, efficient financial marketplaces and confidence in those marketplaces.

### IMPROVE THE LEGISLATIVE AND REGULATORY FRAMEWORK FOR FINANCIAL SERVICES

#### Implement the Legislative and Regulatory Framework Necessary to Fulfill our Mandate

- *Financial Services Regulation* - work with the provincial government and other financial services regulators to improve the regulatory framework for the effective regulation of financial and consumer services. **In 2013 – 14 our targets are:**
  - To identify needed legislation changes.
  - To properly resource the regulatory services.
- *Rule-making* – implement legislative amendments and securities regulations consistent with the national harmonized system and appropriate to New Brunswick's capital markets taking into consideration the need to balance investor protection with capital market development. **In 2012 – 13 our targets are:**
  - to implement local and national rules consistent with CSA project timeframes.
  - to assess if additional or enhanced reporting requirements should be implemented for our exempt markets to allow us to better understand these markets and determine if additional investor protection initiatives are warranted.

### DEVELOP COMMISSION TALENT – STRIVING FOR EXCELLENCE

Our focus is to ensure that the organization and our staff maintain the ability to be current, responsive and well prepared to undertake assigned responsibilities to fulfill our mandate. Initiatives relate to skill building across the organization as well as staff specific development.

- Integrate Human Resources into one corporate culture, fill vacant positions, build skills for the organization – undertake initiatives that increase the capability of the organization to operate and fulfill our mandate. These include initiatives in the areas of privacy, official languages, translation, information and records management, strategic communications and brand recognition. **In 2013 – 14 our targets are to:**
  - recruit to properly staff the organization.
  - implement performance management evaluation system.
  - enhance training and professional development opportunities for staff.
  - enhance leadership development opportunities for senior staff.
  - enhance our staff succession plan.
  - undertake the next stage of implementing our electronic records management program.
  - develop our technology strategy covering use, infrastructure and security.
  - complete policy-related documentation related to our privacy policy framework.
  - complete the translation of our internal policy-related documentation.

# 2013-2016 STRATEGIC DIRECTION AND 2013-2014 ANNUAL BUSINESS PLAN

Our Vision - A confident, dynamic and informed financial and consumer marketplace for New Brunswick

Our Mandate - Provide protection to consumers and investors from unfair, improper or fraudulent practices; and

Foster fair, efficient financial marketplaces and confidence in those marketplaces.

## RISK ANALYSIS

Members and staff identify and assess risk on an on-going basis. Understanding and considering the risks associated with our operating environment helps us to manage these risks and shape our overall plan. The risk management process includes identifying events or situations that would prevent us from achieving our mandate; evaluating the likelihood of occurrence; and determining what response, if any, we need to take to minimize the impact.

The risk management process includes identifying events or situations that would prevent us from achieving our mandate; evaluating the likelihood of occurrence; and determining what response, if any, we need to take to minimize the impact.

Key Risk Area	Potential Impact on Organization	Probability will occur within next 18 Months	Strategic Response
	<b>Serious</b> – will significantly interfere <b>Moderate</b> – will impair the operations <b>Minor</b> – little impact on the operations <b>Unknown</b> – unable to reasonably assess the impact	<b>High</b> – almost certain to occur <b>Medium</b> – good chance it will occur <b>Low</b> – unlikely to occur <b>Unknown</b> – unable to reasonably assess chances of occurrence	<b>Avoidance</b> – action taken to exit the activities or avoiding getting placed in a situation that gives rise to the risk <b>Reduction</b> – action taken to reduce the probability or impact of occurrence, or both <b>Sharing</b> – action taken to reduce the probability or impact by transferring or sharing a portion of the risk <b>Acceptance</b> – no action is taken to affect the probability or impact
<b>Business Operations</b>			
<ul style="list-style-type: none"> <li>▪ <b>Financial Services Regulator</b></li> <li>▪ <b>Government support</b></li> <li>▪ <b>Physical Security</b></li> <li>▪ <b>Data Security</b></li> <li>▪ <b>National Securities Regulator</b></li> </ul>	<p>Moderate</p> <p>Moderate</p> <p>Moderate</p> <p>Serious</p> <p>Serious</p>	<p>High</p> <p>Medium</p> <p>Low or Unknown</p> <p>Medium</p> <p>Low</p>	<p><b>Sharing/Acceptance</b> – A high degree of engagement with Justice and the other regulators to ensure functional legislation and smooth organizational transition. Awareness and responsiveness to mould corporate culture.</p> <p><b>Reduction</b> – A high degree of engagement with the Minister and government.</p> <p><b>Avoidance/Reduction</b> – installation of alarm, panic and surveillance systems, Visitor log and pass system, increased staff awareness Staff equipped with laptops, wireless for remote access, if required to work off-site.</p> <p><b>Reduction/Sharing</b> – IT backups and systems contracted to GNB IT, data stored off-site.</p> <p><b>Reduction/Acceptance</b> – A high degree engagement with the Minister, government, the Province’s nominee to the Federal Advisory Committee, the Canadian Securities Transition Office and the CSA.</p>

## 2013-2016 STRATEGIC DIRECTION AND 2013-2014 ANNUAL BUSINESS PLAN

Our Vision - A confident, dynamic and informed financial and consumer marketplace for New Brunswick

Our Mandate - Provide protection to consumers and investors from unfair, improper or fraudulent practices; and

Foster fair, efficient financial marketplaces and confidence in those marketplaces.

Key Risk Area	Potential Impact on Organization	Probability will occur within next 18 Months	Strategic Response
<b>Finances</b>			
<ul style="list-style-type: none"> <li>▪ FCSC Revenue Stream</li> <li>▪ Loss of revenue</li> <li>▪ Failure of National fee collection system</li> </ul>	<p>Serious</p> <p>Moderate</p> <p>Serious</p>	<p>Medium</p> <p>Medium</p> <p>Low</p>	<p><b>Reduction/Sharing</b> – spread impact by undertaking fee review and use of stabilization reserve.</p> <p><b>Sharing</b> – potential impacts of market downturn and changes to mutual fund industry. Use of Fee Stabilization Reserve, reduction of contribution to Consolidated Fund</p> <p><b>Acceptance</b> - Oversight of national systems operator through CSA and participation in key CSA IT initiatives.</p>
<b>Human Capital</b>			
<ul style="list-style-type: none"> <li>▪ Member Succession</li> <li>▪ Chair/CEO Succession</li> <li>▪ Executive Turnover</li> <li>▪ Key Staff turnover</li> </ul>	<p>Serious</p> <p>Serious</p> <p>Serious</p> <p>Serious</p>	<p>High</p> <p>Medium</p> <p>Medium</p> <p>Medium</p>	<p><b>Reduction</b> – Member succession measures, high degree of engagement with Minister.</p> <p><b>Reduction</b> – Chair/CEO succession planning, high degree of engagement with Minister, management grooming,</p> <p><b>Reduction</b> – staff retention measures, professional development, compensation package, succession planning</p> <p><b>Reduction</b> – communication, professional development, cross-training, succession planning, HR policies, compensation.</p>
<b>Reputation</b>			
<ul style="list-style-type: none"> <li>▪ Enforcement Effectiveness</li> <li>▪ Controversial regulatory action/decisions</li> <li>▪ Members/staff conduct</li> <li>▪ Ability to meet our capital market development mandate</li> </ul>	<p>Serious</p> <p>Moderate</p> <p>Serious</p> <p>Moderate</p>	<p>Medium</p> <p>Medium</p> <p>Low</p> <p>Low</p>	<p><b>Reduction</b> – staff training and development, internal policies and controls, key stakeholder engagement, engagement of investor strategic imperative</p> <p><b>Reduction</b> – training and development, public comment periods, policy consultation, use of CSA resources, key stakeholder engagement, engagement of capital markets strategic imperative</p> <p><b>Reduction</b> – training and development, internal policies and controls and oversight</p> <p><b>Reduction/Sharing</b> – stakeholder consultation, establishing partnerships, reviewing regulatory barriers, communicating progress, creating broader awareness of initiative for key decision makers and influencers, engagement of capital markets strategic imperative, when acting as a catalyst,</p>

## 2013-2016 STRATEGIC DIRECTION AND 2013-2014 ANNUAL BUSINESS PLAN

Our Vision - A confident, dynamic and informed financial and consumer marketplace for New Brunswick

Our Mandate - Provide protection to consumers and investors from unfair, improper or fraudulent practices; and

Foster fair, efficient financial marketplaces and confidence in those marketplaces.

Key Risk Area	Potential Impact on Organization	Probability will occur within next 18 Months	Strategic Response
<ul style="list-style-type: none"> <li>Ability to meet expanded mandate</li> </ul>	Serious	High	ensuring critical mass in place before withdrawing from active involvement. <b>Reduction</b> – staff training and development, internal policies and controls, key stakeholder engagement
<b>Litigation</b>			
<ul style="list-style-type: none"> <li>Lawsuits – potential</li> </ul>	Moderate	Medium	<b>Sharing</b> - immunity and indemnity provisions in legislation, Code of Conduct policy, provisions of directors' liability insurance.
<ul style="list-style-type: none"> <li>Lawsuits - ongoing</li> </ul>	Moderate	High	<b>Sharing</b> - immunity and indemnity provisions in legislation, Code of Conduct policy, provisions of directors' liability insurance. <b>Reduction</b> – strong response to act against diversionary or frivolous suits.

### REVENUE SOURCES, COST STRUCTURE AND KEY RESOURCES

The Commission will have a legislated mandate with respect to each regulated sector. It is expected to have the operational and financial capacity to accomplish its mandate to create and deliver value to its principal key audiences: New Brunswick's consumers, industry participants, other regulators and the provincial government.

The independent Hearing Tribunal is expected to submit its budget annually to the Commission and to allocate adequate funding for the Tribunal's operations. This budget for 2013/14 has been developed based upon estimates generated by staff of the New Brunswick Securities Commission as the Tribunal has not been established at this time.

#### REVENUE SOURCES

Revenues are generated through fees payable and annual assessments made by financial market participants. Fees are applied to filings, registration, licensing and applications for exemptive relief. Fees are transparent and published in our *Fees Rule*. They are generally comparable to fees other jurisdictions charge for similar activities. Approximately 78% of budgeted revenues are associated with the securities sector with about 16% associated with the insurance sector. The divisions of Credit Unions, Trust Companies and Co-operatives, Consumer Affairs and Pensions also contribute to budgeted revenues.

## 2013-2016 STRATEGIC DIRECTION AND 2013-2014 ANNUAL BUSINESS PLAN

**Our Vision - A confident, dynamic and informed financial and consumer marketplace for New Brunswick**

**Our Mandate - Provide protection to consumers and investors from unfair, improper or fraudulent practices; and**

**Foster fair, efficient financial marketplaces and confidence in those marketplaces.**

This revenue budget has been developed in the fall for the fiscal year starting the following April, based on information from the previous year and a portion of the current year. This presents a challenge for budget accuracy. Certain revenue is also based on expense projections for the remainder of the current year.

### ***COST STRUCTURE***

Our expense budget is developed independently of our revenue budget. Several key assumptions are inherent to this budget and include: the effective operation of the Commission and all of its proposed divisions on 1 April 2013; the operation of the Commission from two locations – Saint John and Fredericton with a roughly equal distribution of staff in each location; a consolidation of staff in the Fredericton location with consequent leasehold improvements; a Commission Board with a Chair and seven other Members; a Hearing Tribunal with a Chair and six other Members; and staffing of currently vacant positions. Approximately 2/3 of the total expenses relate to direct staff salaries and benefits and Commission and Tribunal Member compensation costs. Discretionary budgeted values are developed in order to accomplish the proposed objectives and initiatives. We have budgeted for an annual contribution to the Consolidated Revenue Fund. The budgeted contribution for the fiscal years covered by this Business Plan is \$5.50 million.

The following table is a summary budget of the Commission's projected revenues and expenses for the three-fiscal periods ending 31 March 2014, 2015 and 2016. The revenue budget has been developed based upon expected market activity (an approximate 2.5% yearly increase) and recent trends while expenses have been budgeted to allow the Commission to address its business plan through the proposed hiring of five additional staff in 2014/15 and three additional staff in 2015/16.

## 2013-2016 STRATEGIC DIRECTION AND 2013-2014 ANNUAL BUSINESS PLAN

Our Vision - A confident, dynamic and informed financial and consumer marketplace for New Brunswick

Our Mandate - Provide protection to consumers and investors from unfair, improper or fraudulent practices; and

Foster fair, efficient financial marketplaces and confidence in those marketplaces.

### Budget for Next Three Fiscal Years

	FY 2013/14	FY 2014/15	FY 2015/16
<b>Revenue Sources</b>			
Securities	13,999,800	14,351,000	14,710,000
Insurance	2,786,019	2,924,000	2,997,000
Credit Unions, Trust Companies & Co-ops	531,000	544,000	558,000
Consumer Affairs	370,205	379,000	388,000
Pensions	253,000	259,000	265,000
<b>Total Revenue</b>	<b>17,940,024</b>	<b>18,457,000</b>	<b>18,918,000</b>
<b>Expense Sources</b>			
Commission Governance	467,181	476,181	485,681
Hearing Tribunal	393,937	398,952	404,067
Office of the CEO	299,067	307,984	313,876
Corporate Services	2,007,091	2,126,528	2,037,997
Office of the General Counsel	1,349,815	1,554,241	1,671,709
Enforcement	684,649	707,218	779,177
Securities	1,201,150	1,196,745	1,229,760
Communications, Education and Market Development	1,546,665	1,576,973	1,671,459
Consumer Affairs	581,220	602,554	619,186
Pensions	702,511	879,066	918,030
Insurance	1,098,146	1,138,662	1,165,271
Credit Unions, Trust Companies & Co-ops	858,457	1,000,556	1,090,109
<b>Total Expenses</b>	<b>11,189,889</b>	<b>11,965,660</b>	<b>12,386,322</b>
Net Transition Charge for Staff Accruals <sup>1</sup>	555,679	0	0
Contribution to Consolidated Fund	5,500,000	5,500,500	5,500,000
<b>Subsequent General Surplus</b>	<b>694,456</b>	<b>991,340</b>	<b>1,031,678</b>

<sup>1</sup> The transition of certain Part I employees from the Department of Justice to the Commission will result in certain employee accruals that will be assumed by the Commission on day 1. These accruals relate to retirement allowances and vacation accruals. The estimated value of these accrual expenses are \$774,583. The portion of these accruals that relate to staff in the Insurance Branch can be recovered from industry through the assessment process for a net expense of \$555,679.

## 2013-2016 STRATEGIC DIRECTION AND 2013-2014 ANNUAL BUSINESS PLAN

**Our Vision - A confident, dynamic and informed financial and consumer marketplace for New Brunswick**

**Our Mandate - Provide protection to consumers and investors from unfair, improper or fraudulent practices; and**

**Foster fair, efficient financial marketplaces and confidence in those marketplaces.**

### KEY RESOURCES

The Commission has identified its staff, brand, national and proprietary systems, audience relationships, effective processes, library resources, website and revenue sources as its key resources. We recognize that our biggest and most valuable resource is our highly-specialized staff. We have a complement of 82 permanent staff organized into nine divisions that align with our core business.

- General Counsel and Secretary
- Corporate Services
- Education & Communication
- Enforcement
- Consumer Affairs
- Insurance
- Pensions
- Credit Unions, Trust Companies and Co-operatives
- Securities

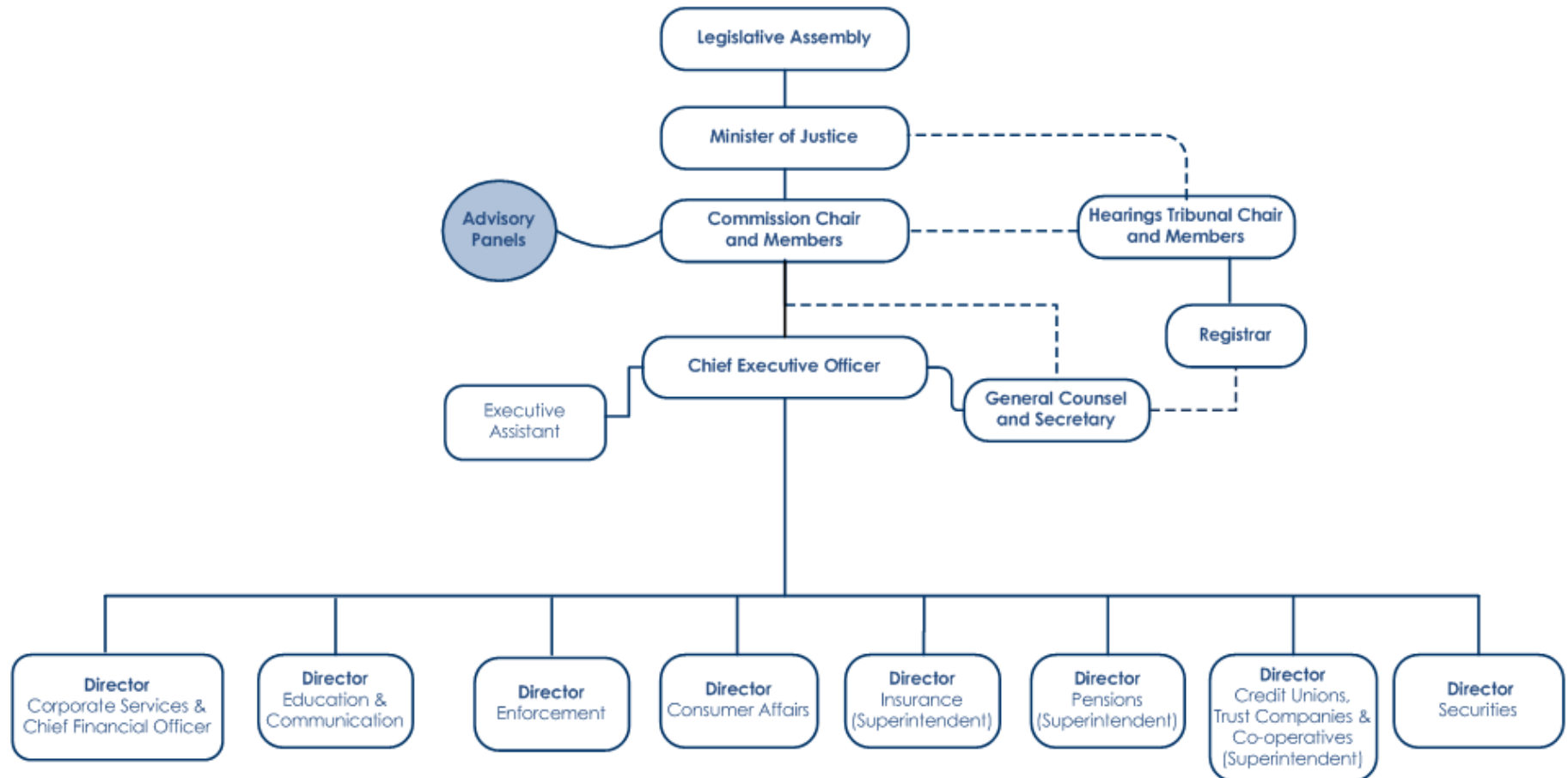
Our organizational structure is shown as follows:

# 2013-2016 STRATEGIC DIRECTION AND 2013-2014 ANNUAL BUSINESS PLAN

Our Vision - A confident, dynamic and informed financial and consumer marketplace for New Brunswick

Our Mandate - Provide protection to consumers and investors from unfair, improper or fraudulent practices; and Foster fair, efficient financial marketplaces and confidence in those marketplaces.

## Financial and Consumer Services Commission Proposed - 1 April 2013





## 2013-2016 STRATEGIC DIRECTION AND 2013-2014 ANNUAL BUSINESS PLAN

Our Vision - A confident, dynamic and informed financial and consumer marketplace for New Brunswick

Our Mandate - Provide protection to consumers and investors from unfair, improper or fraudulent practices; and

Foster fair, efficient financial marketplaces and confidence in those marketplaces.

### **ANNUAL DELIVERABLES**

The CEO has the responsibility to see that specific deliverables are developed on an annual basis for the members' consideration and approval, and to ensure that they are submitted to the Minister and Board of Management within the legislated timeframes.

#### **Business Plan**

The Business Plan is updated each fiscal year and integrates with our strategic direction which covers a period of three fiscal years. It outlines our broad objectives and priorities in all functional areas. The CEO, on behalf of the Commission, submits the approved Business Plan to the Minister for approval by 31 December of each year.

#### **Budget**

The budget is derived from the Business Plan and covers a period of one year. It outlines the amounts required for our proposed operations for the next fiscal year. The CEO, on behalf of the Commission, submits the budget to the Board of Management for its information by 31 December each year.

#### **Annual Audit**

The accounts and financial statements are required to be audited at least once a year by the Auditor General. The Auditor General typically carries out this audit in April/May.

#### **Annual Report and Financial Statements**

The Annual Report describes our progress against our strategic plan and highlights our performance against our mandate. Our Annual Report also serves the dual purpose of being a stakeholder report. The Financial Statements are created in accordance with Canadian Generally Accepted Accounting Principles (GAAP) applicable to publicly accountable enterprises and meet International Financial Reporting Standards (IFRS). They present our financial position, results of operations and changes in financial position for the most recent fiscal year. The Annual Report and audited Financial Statements are required to be delivered to the Minister 30 September each year. The Commission strives to have its Annual Report, including its report on corporate governance, completed within 90 days of year end, as outlined in our policy on corporate governance.

#### **Crown Corporations Review**

The Commission is typically called before the Legislative Standing Committee on Crown Corporations to respond to questions on the activities reported in its Annual Report. The Chair and CEO would appear at the review as scheduled by the Committee, after the Annual Report has been submitted.