



Financial Consumer  
Agency of Canada

Agence de la consommation  
en matière financière du Canada

# ANNUAL REPORT

2016 • 2017



PROTECT  
INFORM  
COLLABORATE

Canada 



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# Introduction

## Commissioner's message



This 2016–17 annual report marks FCAC's fifteenth anniversary and the fourth year of my mandate. As I consider the Agency's evolution over the past fiscal year alone, I am struck by how quickly time has passed and, with it, how the pace of change in the financial sector has accelerated. We at FCAC have faced many challenges this year but, as this report demonstrates, we continue to deliver on our promises while seizing new opportunities, drawing not only on our considerable expertise but also on our resilience and agility.

As we reported last year, consumers and regulators are operating in a dynamic, constantly changing financial marketplace. While I am encouraged that consumers have more choice and convenience thanks to the latest technological innovations, I am also concerned that some advances are stretching the boundaries of consumer protection afforded by existing laws and regulations.

FCAC works at the centre of these evolving opportunities and challenges. While the context in which we operate continues to transform at an ever-quickenning rate, one thing does not change: we remain focused on enhancing the financial well-being of Canadians by strengthening consumers' financial literacy and by ensuring financial institutions comply with their market-conduct obligations.

Looking back at the past year, there is much to be proud of. This annual report describes our accomplishments in meeting the commitments set out in our [2016-2017 Business Plan](#) and other activities we undertook during the year. Among our achievements, I was especially pleased to see journalists broadcast FCAC's efforts to protect and inform Canadians: we were mentioned close to 3,000 times in news media, an increase of 45 percent over last year. I am also gratified to report that, through our supervision efforts, Canadian consumers were reimbursed approximately \$10.5 million by financial institutions. This was to make up for inaccurate disclosure of fees or interest rate calculations, or situations in which accounts were charged incorrectly.

To further strengthen our oversight, we developed a new Supervision Framework through an extensive process in 2016–17. The new framework, which is scheduled to take effect in 2018, will equip the Agency to anticipate and respond to issues through a risk-based approach that will guide the nature and intensity of our supervision activities. It will also enhance our capacity to prevent breaches of market conduct obligations, and will help build awareness of what we do and what we expect from the financial entities we regulate.

FCAC's success stems in part from our cooperation with other organizations that have responsibilities for oversight of the financial sector. In contemplation of a new federal financial consumer protection framework, the Minister of Finance requested that I engage with provincial and territorial regulators and other key stakeholders to identify best practices in financial consumer protection in place across Canada. This work will help inform new proposals for legislative measures to strengthen the federal regime and improve protections for financial consumers. I will report my findings to the Minister in the next fiscal year.

This type of initiative illustrates the Agency's central role in strengthening relationships and maintaining dialogue with other levels of government, consumer groups, regulated entities and international regulatory agencies. By fostering understanding and collaboration with these groups, and by being transparent about what we do and how we do it, we are able to achieve better outcomes for consumers. This cannot be overstated.





## Introduction Commissioner's message

Such collaboration is the cornerstone of the National Strategy for Financial Literacy—Count me in, Canada. I extend my gratitude to the inaugural National Steering Committee on Financial Literacy, whose term ended in 2016, for its support in implementing the national strategy. I named a new committee in February 2017 and, under the very capable leadership of Financial Literacy Leader Jane Rooney, its 15 members are playing a vital role in strengthening the financial literacy of Canadians. They are carrying forward the accomplishments of the inaugural committee and, through their networks, extending our capacity to reach Canadians. Collectively, the committee members are leading more than 113 initiatives that will improve, incrementally but surely, the financial literacy of our country's citizens.

Inspired by innovation in the financial sector, FCAC is also introducing novel approaches to support the national strategy. Our innovative mobile budgeting pilot project featured later in this report is a compelling example of how research and technology combine to strengthen financial literacy. This initiative encouraged participants to budget and illustrated the power of making small but important changes in enhancing the knowledge, confidence and behaviour of financial consumers.

When it comes to influencing consumer behaviour, history tells us that taking a long-term, life-long approach increases the likelihood of success. That is why I was especially proud to see the impact our work is having, as revealed in an international [survey](#) measuring the financial literacy levels of adults, where Canada ranked third out of 29 countries. There is no doubt that these are great results by any measure—but they cannot cause us to be complacent. We must maintain the course set out in the national strategy. I look forward to the results of the first international financial literacy survey targeting youth, which will be reported in the next fiscal year.

I am confident that our results have laid the foundation for success in 2017–18 and beyond. One of our key priorities for next year is the [industry review](#) on bank sales practices I announced in March 2017. Through this review, we will identify and analyze the impact of bank sales practices on consumers and on financial consumer protection more broadly. In 2017–18, we will establish a Consumer Protection Advisory Committee to assist in identifying emerging consumer protection issues. In addition, we will implement the new supervision framework and will continue to implement, monitor and report on initiatives supporting the national strategy on financial literacy. The 2017 National Conference on Financial Literacy will be one of the highlights of next year's initiatives in this area.

Our success in delivering on these and other commitments is assured by our thriving workforce. Time and again, our team members have demonstrated resilience and agility in the face of demanding tasks, shifting priorities to accommodate a financial sector in constant transformation. Based on their ongoing dedication and the accomplishments discussed in this report, I believe we are well prepared to continue safeguarding the financial well-being of Canadians no matter what the next 15 years may bring.



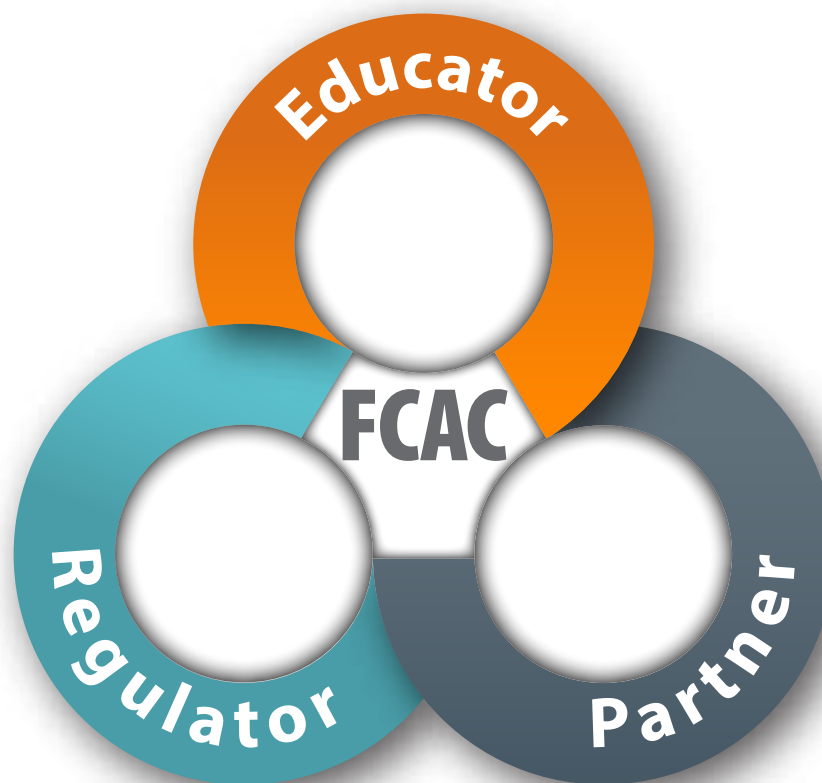
**Lucie M.A. Tedesco**  
Commissioner

## FCAC's mandate

The Financial Consumer Agency of Canada (FCAC) was established to protect consumers by supervising federally regulated financial entities and by strengthening the financial literacy of Canadians.

FCAC derives its mandate from the **Financial Consumer Agency of Canada Act**. The Act outlines FCAC's functions, administration and enforcement powers, and lists the sections of federal laws and regulations under its supervision.

FCAC contributes to the federal financial oversight framework of promoting public confidence in a strong, stable, and competitive financial system.



## Introduction

### FCAC 2016-17 at a glance

#### FCAC 2016-17 at a glance



**353**  
regulated entities



**10,177**  
calls and  
written correspondence  
answered by the  
Consumer Services Centre



**187,279**  
visits to FCAC content  
on Canada.ca  
in its first month  
of operation, March 2017



**\$10.5 million**  
reimbursed  
by financial institutions  
to 1.2 million  
consumer accounts



**90,887**  
visits to account and credit  
card selector tools (↑ 29%)\*



**2,928**  
mentions in print, television,  
radio and online news media  
sites (↑ 45%)\*



**1,371**  
resources published  
to the Canadian Financial  
Literacy Database  
(↑ 19%)\*



**25 million**  
social media impressions for  
rights and responsibilities  
campaign



**2.4 million**  
visits to fcac-acfc.gc.ca  
(↑ 7.5%)\*



**11,071**  
social media mentions  
(↑ 4%)\*



**15,074**  
Twitter followers  
(↑ 24%)\*



**85**  
full-time employees  
at year-end (↑ 5)\*

\* From 2015-16



# The year in review





**The year in review**  
**Strategic priorities scorecard**

**Strategic priorities  
scorecard**



## Strategic priorities scorecard

### Priority 1

## Conduct proactive and transparent supervision

Financial consumer protection is an integral part of the Government of Canada's oversight of the financial sector. Through its supervisory activities, FCAC monitors the compliance of federally regulated financial entities (FRFEs) with the consumer provisions, voluntary codes of conduct and public commitments that are meant to protect Canadian consumers and merchants.

### FCAC's objectives

Enhance the Supervision Framework and related practices and processes by:

- A. implementing a modernized Supervision Framework following consultations with key stakeholders
- B. developing guidance on the affiliates clause of the **Bank Act**, on Administrative Monetary Penalties and on publicly naming non-compliant FRFEs

### What the Agency delivered

A. FCAC published its new [Supervision Framework](#) in April 2017. Coming into force in 2018, it:

- establishes a risk-based, proactive approach to supervision
- outlines guiding principles underlying FCAC supervision activities
- clarifies FCAC's expectations of regulated entities

B. FCAC's new Supervision Framework includes criteria for Administrative Monetary Penalties. New publishing principles that address publicly naming non-compliant FRFEs will be published prior to the coming into force of the framework in 2018.

FCAC delayed issuing guidance on the affiliates clause of the **Bank Act** pending legislative changes proposed in 2016 in Bill C-29. In addition, FCAC issued the following guidelines:

- [CG-15 Information summary box examples—Credit and debit card code](#)
- [CG-16 Fee disclosure box—Credit and debit card code](#)

In other work supporting supervision practices and processes, FCAC issued the following Compliance Bulletins to provide FCAC's views on the applicability of a market conduct obligation to a conduct or practice:

- [B-2 Debit card representation in mobile wallets and devices—Credit and debit card code](#)
- [B-3 Magnetic secure transmission \(MST\)—Credit and debit card code](#)
- [B-4 Contactless payments—Element 10 of the Credit and debit card code](#)
- [B-5 Consent for new products or services](#)

## The year in review

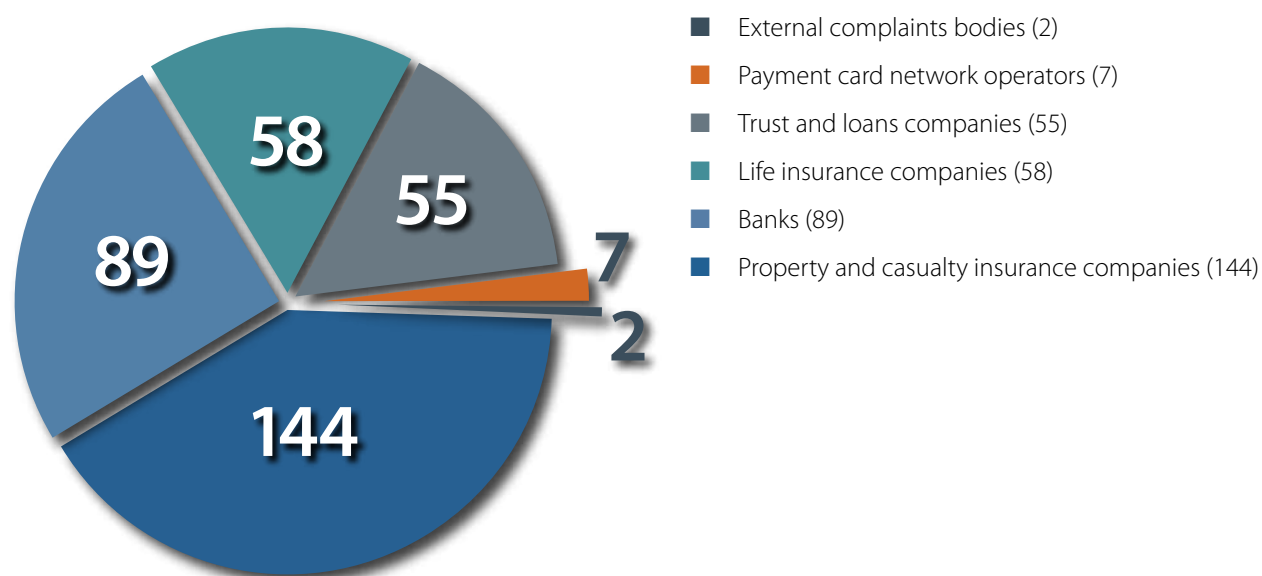
### Priority 1

Continue to conduct targeted compliance reviews to test the effectiveness of disclosure required from federally regulated financial institutions.

In public opinion research conducted in fall 2016, FCAC examined the practices that contribute to making credit card disclosure documents clear, simple and not misleading. The findings, to be published in the next fiscal year, will enable FCAC to define best practices for credit card disclosure and update Commissioner's Guidance. For more information, refer to [CG3 Clear language and presentation principles and guidelines for the industry](#).

## 355 entities regulated

As at March 31, 2017



## Priority 2

### Strengthen collaboration and engagement with stakeholders

Trusted relationships are key to achieving better outcomes for financial consumers. FCAC has a vested interest in engaging and collaborating with stakeholders from the public, private and non-profit sectors to deliver on its mandate for Canadians.

#### FCAC's objectives

Implement the consumer engagement strategy, which will seek consumer views through initiatives such as:

- A. the organization of consumer group summits
- B. the establishment of a consumer advisory council
- C. public consultations
- D. public opinion research

#### What the Agency delivered

- A. FCAC's Consumer Groups Session, held in March 2017 in collaboration with the Office of Consumer Affairs and the Canadian Radio-television and Telecommunications Commission, saw participation from 13 consumer groups from across Canada. Participants discussed FCAC consumer protection activities and research, market trends and issues impacting consumers of financial products and services. Attendees' satisfaction ratings exceeded targets and all indicated they would recommend future sessions to colleagues.

As an additional way to seek consumer views on an ongoing basis, FCAC also held bilateral meetings with seven consumer groups that had attended the 2016 Consumer Groups Session.

- B. FCAC engaged with consumer groups to help plan for a new Consumer Protection Advisory Committee. The new committee will be launched in fiscal 2017–18.
- C. During public consultations on the new Supervision Framework in fall 2016, FCAC received and considered [comments](#) from a wide range of stakeholders, including regulated entities, industry groups and individual Canadians. Based on these comments, FCAC amended the framework in several areas. Stakeholders also provided numerous comments which will be considered during the implementation phase.
- D. FCAC's [2016 survey on financial consumers' rights and responsibilities](#) found that consumers' awareness of their financial rights and responsibilities has remained stable since the 2011 research. These results support FCAC's ongoing efforts to engage with specific segments of the population and indicate areas where more work is required.

FCAC also worked with the Council of Ministers of Education, Canada, and Employment and Social Development Canada to report on the findings of the financial literacy questions included in the 2015 [Programme for International Student Assessment](#). The results will be reported in the next fiscal year.



## The year in review

### Priority 2

Implement the Commissioner's outreach strategy to increase transparency and proactive supervision by consulting with FRFE executives and boards, consumer groups, industry associations, and other stakeholders and collaborators. This will help raise the profile of the Agency's work and provide an avenue to communicate expectations.

FCAC Commissioner Lucie Tedesco led FCAC's third annual Industry Sessions in February 2017. The event was attended by representatives of more than 70 regulated entities. It provided FCAC an opportunity to highlight its priorities and share its current work program, promote compliance, communicate its expectations and raise awareness regarding its regulatory role. Attendees' satisfaction ratings exceeded targets and almost all participants indicated that they would recommend future sessions to colleagues.

To raise the profile of the Agency's work, and to provide an avenue to communicate expectations, Commissioner Tedesco attended 35 meetings with executives and boards of regulated entities, consumer groups, industry associations, and other stakeholders and collaborators. The Commissioner also delivered eight speeches and presentations at events held by international organizations and stakeholder groups such as Payments Canada, Toronto Centre and the International Financial Consumer Protection Organisation (FinCoNet).

Commissioner Tedesco wrote an article on fintech that was published in the Financial Post in June 2016: [Fintech is fun, fast and millennial. But how protected are consumers?](#)



Implement the Financial Literacy Leader's outreach strategy, including meetings with financial literacy networks and representatives of provincial governments and other organizations in the public, private and non-profit sectors to mobilize and engage stakeholders in increasing their contribution to strengthening the financial literacy of Canadians.

Financial Literacy Leader Jane Rooney held 138 meetings with different organizations and spoke at 37 events to mobilize and engage stakeholders in the implementation of the national strategy for financial literacy.

In addition, FCAC liaised with 13 [financial literacy networks](#) representing more than 500 stakeholders across the country. To strengthen ties with the networks, the Agency also established a new engagement process that includes quarterly discussions. During these discussions, FCAC shares information and provides updates on its financial literacy priorities and activities, and network regional representatives inform FCAC of their activities, concerns and issues, trends and successes.

The inaugural National Steering Committee on Financial Literacy undertook 22 initiatives through its members' networks in the public, private and non-profit sectors to advance financial literacy in Canada. The 15-member committee was renewed and held its first meeting in February 2017. The new committee will implement the national strategy through new initiatives that will have a concrete impact on Canadians' financial literacy.

The Financial Literacy Leader met with a premier and several provincial ministers of education and consumer affairs, as well as with senior staff in their departments, to explore opportunities to collaborate on the national strategy objectives.

The Financial Literacy Leader also led semi-annual meetings of the federal government's Interdepartmental Committee on Financial Literacy to promote information sharing and align government priorities, reduce duplication, and build financial literacy into new and existing federal government programs. Committee members collaborated to advance the strategy goals, which include cross-promotion and policy and program development. Members shared information and business intelligence on an ongoing basis throughout the year. For example, FCAC supported Immigration, Refugees and Citizenship Canada (IRCC) in its efforts to connect community groups with financial literacy training sessions offered by the Chartered Professional Accountants of Canada (CPA). As a result, IRCC connected community groups with CPA to offer financial literacy training sessions for newcomers.

### Priority 3

## Promote public awareness of consumers' financial rights and responsibilities

Consumers make better financial decisions when they are aware of and understand their rights and responsibilities with regard to financial products and services. Informed and confident consumers are also better able to participate in the financial services marketplace. This strengthens competition and helps consumers enjoy the social and economic benefits of participating in a fair and secure Canadian financial marketplace.

#### FCAC's objectives

Leverage the web and social media assets of financial entities, consumer groups, non-governmental organizations, the industry and the Government of Canada to promote consumers' rights and responsibilities.

#### What the Agency delivered

FCAC developed a social media campaign on consumers' rights and responsibilities. The No \$urprises campaign addressed consumer misconceptions with regard to credit card interest calculation, sharing debit and credit card PINs, and charges for breaking a mortgage. Campaign content was shared by regulated entities, stakeholders and partners on their social media networks—generating a total of 25 million impressions—and connected audiences to more detailed information on FCAC's website.

The No \$urprises campaign was supported by the participation of 21 financial entities, 5 consumer groups and 10 non-governmental organizations. In addition, 154 Service Canada locations ran the campaign content on their in-centre screens.

FCAC also ran a national digital advertising campaign on managing money and debt wisely to promote its suite of online financial tools and calculators. This campaign ran from February 23 to March 31, 2017, and included a video and targeted ads that were promoted via social media and the web. The campaign generated 100,863 visits to FCAC's tools.

FCAC published and promoted information for consumers about [financing a car](#) based on the findings of its February 2016 report, [Auto Finance: Market Trends](#).

## Priority 4

### Lead and implement the National Strategy for Financial Literacy—Count me in, Canada

Following extensive consultations and in-depth research and analysis, FCAC launched the National Strategy for Financial Literacy—Count me in, Canada.

Its aim is to help Canadians manage money and debt wisely, plan and save for their financial future, and protect themselves against fraud and financial abuse. In implementing the strategy, collaboration and coordination efforts with stakeholders will help strengthen the knowledge, skills and confidence of financial consumers to enable them to make responsible financial decisions at every stage of their lives. FCAC will help increase consumer awareness of existing, effective financial literacy programs, tools and other resources, thus increasing the impact of these assets.

#### FCAC's objectives

Integrate financial literacy throughout the lives of children and youth by:

- A. developing, promoting and disseminating educational resources that are tailored, relevant and up to date
- B. offering resources to train and build the capacity of educators and other practitioners working with this audience

#### What the Agency delivered

- A. FCAC supported the development and launch of new apps and games for a youth audience in Ontario and New Brunswick. The Financial Literacy Leader was a keynote speaker at teachers' professional development sessions in Ontario and Saskatchewan.
- B. [The City](#), a learning program developed by FCAC and the British Columbia Securities Commission that teaches young people financial skills, had 904 new teacher registrants and 10,975 new student registrants. FCAC added new activities for facilitators and updated statistical data in the program to ensure it remains relevant and current.

To raise awareness of FCAC resources and the [Canadian Financial Literacy Database](#), the Agency participated in events that promoted financial literacy to students and their parents. For example, the Financial Literacy Leader was the keynote speaker at the second annual conference of [FuturFund](#), the largest student-run non-profit organization in the financial literacy space.

Reach post-secondary students and make financial literacy resources available to them by:

- A. enhancing and expanding FCAC's current post-secondary educational programs
- B. working with associations, colleges and universities to pilot and offer workshops to the student body

A. FCAC is collaborating with Employment and Social Development Canada (ESDC) to promote financial literacy for youth through the Canada Student Loans Program by providing its content to post-secondary students.

FCAC co-chaired a working group and collaborated with ESDC's Canada Education Savings Program during Education Savings Week to help encourage Canadians and their families to save for post-secondary education.

B. FCAC piloted and delivered workshops to post-secondary students through initiatives delivered in collaboration with associations. For example:

- FCAC worked with the Canadian Association of Student Financial Aid Administrators (CASFAA) to develop 87 activities targeted specifically to post-secondary students to be incorporated in FCAC's educational programs. The Financial Literacy Leader also worked with the National Steering Committee member from CASFAA to promote information about FCAC's post-secondary education programs and resources.
- Colleges and Institutes Canada delivered a series of financial literacy workshops to post-secondary students using FCAC's [Your Financial Toolkit](#), an online self-paced educational program. It delivered its final report on the effectiveness of the content for a post-secondary audience on March 31, 2017. This popular program attracted more than 326,000 web visits.

FCAC received 328 requests for [Financial Basics](#) material, a workshop designed to help young adults learn about budgeting, saving, credit, investing, fraud prevention and financial planning. The Agency distributed 7,177 participant handbooks and 391 presenter manuals, and the eLearning videos were viewed 24,509 times.

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Integrate financial literacy in the workplace by:

- A. increasing awareness of the benefits of financial literacy to the financial well-being of employees and its potential impact on productivity in the workplace
- B. providing employers with access to available resources aimed at increasing the financial know-how of their employees

A. Canada's workplaces are home to the widest audience of adults with the broadest range of economic circumstances. To better reach this audience, FCAC:

- collaborated with CPA to enhance its workplace financial literacy program by incorporating FCAC tools and resources
- modified the search function in the [Canadian Financial Literacy Database](#) to make it easier for employers and employees to identify events and resources targeted to financial literacy in the workplace
- provided 56,531 workplaces (ranging from 50 to 200 employees in size) with materials including a poster to promote financial literacy tools and the database
- conducted an informal online survey of employers about their workplace financial literacy efforts

B. FCAC is developing a workshop to explain key aspects of credit reporting such as what makes up a credit report and how to improve credit scores. The workshop has been designed as a standalone session, with an accompanying presentation deck and presenter's guide so it can be delivered by anybody to any size audience. The workshop will be finalized and ready to share with stakeholders in 2017.

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Help Canadians, especially seniors, protect themselves from fraud and financial abuse by:

- A. working with organizations to create awareness and develop resources that will help detect instances of financial abuse and financial fraud
- B. promoting information that can help Canadians prevent and protect themselves against fraud and financial abuse

- A. FCAC collaborated with the Canada Revenue Agency to offer webinars focused on financial and tax literacy for seniors, newcomers and youth. FCAC also collaborated with the Canadian Association of Retired Persons to promote its resources to their 3,000 members.

The Commissioner and the Financial Literacy Leader were interviewed for videos and webinars produced by the Investment Industry Regulatory Organization of Canada to promote tools for seniors and others.

FCAC's [Canadian Financial Literacy Database](#) offers more than 150 resources developed for seniors, most of which relate to fraud and financial abuse prevention.

FCAC published research on [the role of financial literacy in financial decisions and retirement preparedness among seniors and near-seniors](#).

- B. FCAC participated in Fraud Prevention Month 2017, which was organized by the Competition Bureau. As part of this event, the Agency published a [newsletter](#), took part in five Twitter #FraudChats and posted 112 fraud-related Twitter messages, which together were retweeted more than 380 times.

FCAC issued consumer alerts about [misleading credit card sales practices](#), protecting personal and financial information from data breaches, and consumer rights and responsibilities related to prepaid cards.



## The year in review

### Priority 4

Help Canadian consumers better understand financial products and services that best meet their needs by:

- A. modernizing and promoting information and tools that help Canadians make informed decisions before choosing a financial product or service
- B. encouraging financial institutions to promote and provide non-commercial financial education to their clients

A. FCAC is updating its online tools and calculators. FCAC relaunched the [Financial Goal Calculator](#) in 2016 and updated the [Mortgage Calculator](#) to address mortgage rule changes. Improvements to the [Account Selector Tool](#) and [Credit Card Selector Tool](#) based on consumer feedback are in development.

FCAC added new content to its website to help consumers on subjects including:

- [estate planning, wills and dealing with death](#)
- [caring for someone who is ill](#)
- [setting up an emergency fund](#) (with a related [infographic](#))

B. The Financial Literacy Leader met with the financial literacy committee of the Canadian Bankers Association to engage on ways to advance the goals of the national strategy for financial literacy.

In addition, FCAC collaborated with Prosper Canada and the Canadian Bankers Association in the development and launch of an online tool to help organizations evaluate their financial literacy programs. This tool fills a critical gap by enabling financial literacy practitioners across Canada to identify valid indicators to evaluate program impact. FCAC provided subject matter expertise and guidance in the development phase. The tool was launched during FCAC's National Research Symposium in November 2016.

## Priority 5

### Increase contribution to financial consumer policy discussions

The identification and assessment of market trends and associated risks to consumers of financial products and services is critical to the Agency's role of informing the development of policy to help protect consumers and merchants.

#### FCAC's objectives

Conduct research on consumer protection trends and emerging issues such as alternative lending practices and the growing role of technology (fintech).

#### What the Agency delivered

FCAC monitors and analyzes key trends and emerging issues impacting financial consumers and sets its research priorities accordingly. The following major research projects were conducted in 2016–17:

- FCAC's 2016 research report, [Payday Loans: Market Trends](#), found consumers are often unaware of the high costs of payday loans. A growing number of low-, moderate- and even high-income Canadians are using payday loans to cover unexpected expenses or a loss of income. Based on this research, the Agency revised its online consumer information on [payday loans](#) and developed new consumer education materials on emergency savings. FCAC also worked closely with the provinces and territories to raise awareness about the high cost of this form of credit. The report received extensive media coverage with 131 mentions in print, broadcast and online news media in the first month after its publication.
- FCAC conducted an industry review on home equity lines of credit to better understand how banks offer them to consumers and the risks consumers face when borrowing against their home equity.

Develop and implement the financial literacy research plan, with the support of the Research Sub-Committee of the National Steering Committee.

The Research Sub-Committee of the National Steering Committee for Financial Literacy developed and delivered Canada's [2016–18 National Research Plan for Financial Literacy](#). This plan describes key research opportunities for financial literacy researchers and identifies areas of focus that support the goals of the national strategy for financial literacy. The plan also outlines research projects that are being undertaken during 2016–18. The plan was presented at FCAC's National Research Symposium on Financial Literacy, held in November 2016, in Moncton, New Brunswick.

This gathering of leading researchers from the public, private and academic sectors shared and discussed groundbreaking findings on topics that hold the key to improving Canadians' financial literacy. Almost all 80 participants rated the symposium as excellent or very good.



## The year in review

### Priority 5

Inform regulatory and policy developments in Canada.

Monitor and analyze key trends and emerging risks affecting financial consumers and bring relevant issues to the attention of policymakers.

In January 2017, the Minister of Finance tasked the Commissioner with engaging provincial and territorial regulators and other key stakeholders to identify best practices that could strengthen the federal financial consumer protection framework. This work supported the government's commitment to modernize the financial consumer protection framework in the **Bank Act** as well as its objective to ensure the federal framework provides the highest overall level of protection for Canadians.

The review assessed provincial and territorial consumer protection frameworks and identified the protections afforded to financial consumers. It also examined the oversight and enforcement tools to monitor compliance, and assessed the efficiency, timeliness and equitableness of complaint-handling and redress mechanisms. The Commissioner will report her findings to the Minister in the next fiscal year.

FCAC published [research](#) that highlights several ways in which confidence and knowledge may be linked with financial decision-making. The research found that financial confidence is a better predictor than financial knowledge when it comes to outcomes associated with day-to-day money and debt management. However, high financial confidence does not appear to shield those with low knowledge from relatively poor planning and saving outcomes.

Engage and collaborate with our international partners to influence regulatory and policy development internationally by:

- A. continuing to analyze intelligence on innovative business services and transactions in global markets
- B. influencing international policy by actively participating in international cooperation organizations
- C. continuing to exercise a leadership role in international fora

FCAC engaged and collaborated with international partners in support of objectives A, B and C through a variety of initiatives, such as:

- Commissioner Tedesco was appointed Chair of [FinCoNet](#), an international organization of supervisory authorities responsible for financial consumer protection, in November 2016. Participation in FinCoNet helps FCAC keep abreast of international developments and work with global counterparts on common issues, such as the financial consumer protection risks associated with the rapid innovations in financial technology.
- In September 2016, G20 leaders endorsed the international [core competencies framework on financial literacy for adults](#) that FCAC helped develop through its work with the Organisation for Economic Co-operation and Development (OECD) International Network on Financial Education (INFE). Following INFE meetings in 2016, Hong Kong introduced Money Month, which is modelled after Canada's [Financial Literacy Month](#). Hong Kong also developed an online database modeled after FCAC's [Canadian Financial Literacy Database](#).
- Financial Literacy Leader Jane Rooney represents Canada within the INFE and made presentations at INFE meetings in New Zealand and the Netherlands. Ms. Rooney delivered a speech at the G20 conference on digitalization, financial literacy and financial inclusion, held in Germany. Financial Literacy Director Jérémie Ryan made a presentation at the G20/Global Partnership for Financial Inclusion Conference in China.
- Commissioner Tedesco represented FinCoNet at meetings of the [G20/OECD Task Force on Financial Consumer Protection](#). Task force members represent a range of government agencies, including finance ministries, financial regulators and supervisory authorities from G20/OECD countries.



## Priority 6

### Leverage resources and infrastructure to enhance efficiencies

Leveraging FCAC's financial and human resources will allow for the sustainable achievement of its mandate to protect financial consumers.

#### FCAC's objectives

Implement a people management framework to provide standard principles and guidelines to meet FCAC's strategic goals and create a motivating workplace environment in which staff can thrive.

Establish a project management office to enhance project planning, monitoring and reporting.

Develop and implement an information management strategy and three-year action plan to increase efficiency and effectiveness in managing information resources to foster informed decision making, promote collaboration and ensure regulatory compliance.

#### What the Agency delivered

FCAC completed its implementation of its people management framework.

FCAC established a project management framework that maximizes efficiency and promotes best practices for managing and monitoring the performance of a portfolio of projects across the Agency.

FCAC delivered its information management strategy and three-year action plan to the Treasury Board of Canada Secretariat and began implementation.

**FEATURE STORIES****Feature 1**

## New members and mandate for the National Steering Committee on Financial Literacy

In February 2017, FCAC Commissioner Tedesco named 15 leaders representing different sectors across Canada to the [National Steering Committee on Financial Literacy](#). This new committee, chaired by Jane Rooney, Canada's Financial Literacy Leader, will build on the successes of the inaugural committee whose two-year mandate expired in 2016. Members will support the Financial Literacy Leader in implementing the [National Strategy for Financial Literacy—Count me in, Canada](#) by engaging their networks and committing to initiatives that will lead to concrete impacts for Canadians.

Committee members are accomplished leaders from the financial services industry, industry associations, provincial governments and non-profit organizations. They represent a broad range of professions and regions, and are experienced in working with groups such as seniors, Indigenous peoples, newcomers, youth and low-income Canadians.

**Members<sup>1</sup>**

Camille Beaudoin, Autorité des marchés financiers  
Suzanne Trottier, First Nations Financial Management Board (replacing Harold Calla)  
Jeff Cates, Intuit Canada  
Neil Parmenter, Canadian Bankers Association (replacing Terry Campbell)  
Martha Durdin, Canadian Credit Union Association  
Terry Goodtrack, AFOA Canada (formerly Aboriginal Financial Officers Association of Canada)  
Greg Pollock, Advocis, The Financial Advisors Association of Canada  
Darren Hill, Junior Achievement of Saskatchewan  
Michel Leduc, Canada Pension Plan Investment Board  
Elizabeth Mulholland, Prosper Canada  
Andrew Nicholson, Financial and Consumer Services Commission of New Brunswick  
Kelly Stone, Canadian Association of Family Resources Programs  
Susan Murray, Canadian Life and Health Insurance Association (replacing Frank Swedlove)  
Joy Thomas, Chartered Professional Accountants of Canada  
Patricia White, Credit Counselling Canada

<sup>1</sup> Three members named in February subsequently left the National Steering Committee.

## Feature 2

### FCAC research finds worrisome trends in consumers' use of payday loans

FCAC's 2016 research report, [Payday Loans: Market Trends](#), highlighted the need to foster greater consumer awareness of the high costs of payday loans.

Canadians' use of payday loans is worrisome. FCAC's research shows a growing number of low-, moderate- and even high-income Canadians are using them. In fact, 20 percent of payday loan users report living in households with incomes exceeding \$80,000. Many users are unaware of the high costs of payday loans are using these loans to cover necessary expenses, and often do not have less expensive credit products such as a credit card or line of credit.

Canadians use these small-value, short-term loans (typically \$500 or less) to cover unexpected expenses or a loss of income. However, saving \$10 a week can add up to \$520 a year, adequate to replace most payday loans. Accordingly, FCAC is encouraging people to set aside emergency savings.

Based on its research findings, FCAC:

- revised its online information for consumers about payday loans
- published new online information for consumers on emergency savings
- is working with the provinces and territories to promote awareness about the high costs of payday loans compared with other forms of credit



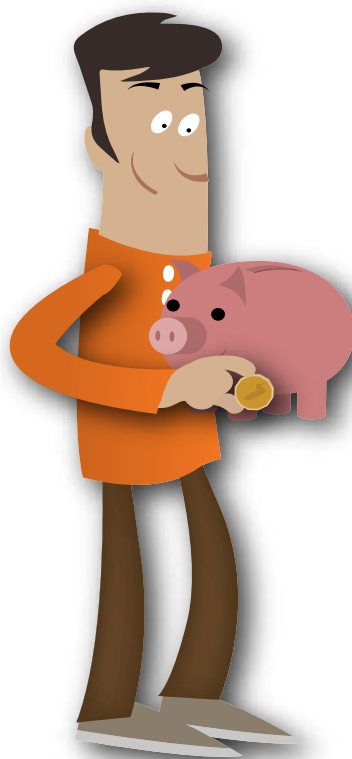
High fees and interest charges make payday loans a very expensive way to borrow money.

## Feature 3 Financial Literacy Month 2016 by the numbers

The sixth annual Financial Literacy Month, a campaign focused on helping Canadians take ownership of their personal finances, took place in November 2016 under the theme "Managing money and debt wisely: It pays to know!"

In collaboration with organizations across the country, FCAC raised awareness about the need for Canadians to get back to money basics. Each week in November was dedicated to a topic that encouraged Canadians to establish a budget, live within their means, have a savings plan, know their rights and responsibilities, and review their finances as life changes happen.

### Highlights from Financial Literacy Month 2016



**8 million**  
potential readers, listeners  
and viewers reached by  
FLM 2016 print, radio and  
television mentions



**1,214**  
events and activities hosted  
by organizations across  
Canada were entered into the  
FLM Calendar of Events



**36%**  
increase in  
subscribers to the  
Financial Literacy  
newsletter\*



**160,000**  
Facebook users were reached  
by FCAC's Facebook posts  
(↑158%)\*



**409,000**  
impressions earned by FCAC's  
Twitter account  
(↑ 63%)\*



**420%**  
increase in visits  
to the FLM  
landing page\*

\* From 2015-16

## Feature 4 Analyzing and investigating consumer complaints

Consumer complaints play an important role in how FCAC monitors the market conduct of federally regulated financial institutions and gathers information on emerging trends and issues. In 2016–17, FCAC received 4,528 direct consumer complaints.

FCAC determines the nature of all complaints it receives, assesses the risks to consumers and identifies complaints requiring further investigation. Specifically, FCAC investigates complaints that relate to possible breaches of the consumer provisions in federal [laws](#) and [regulations](#), [voluntary codes of conduct](#) and the [public commitments](#) designed to protect the interests of consumers and merchants. If the preliminary investigation points to a potential violation, FCAC then proceeds with an investigation and enforcement action as described in the [Compliance Framework](#).

### Top categories of direct consumer complaints

Consumer provisions:

- cost of borrowing (credit cards)
- deposit accounts
- complaint-handling procedures

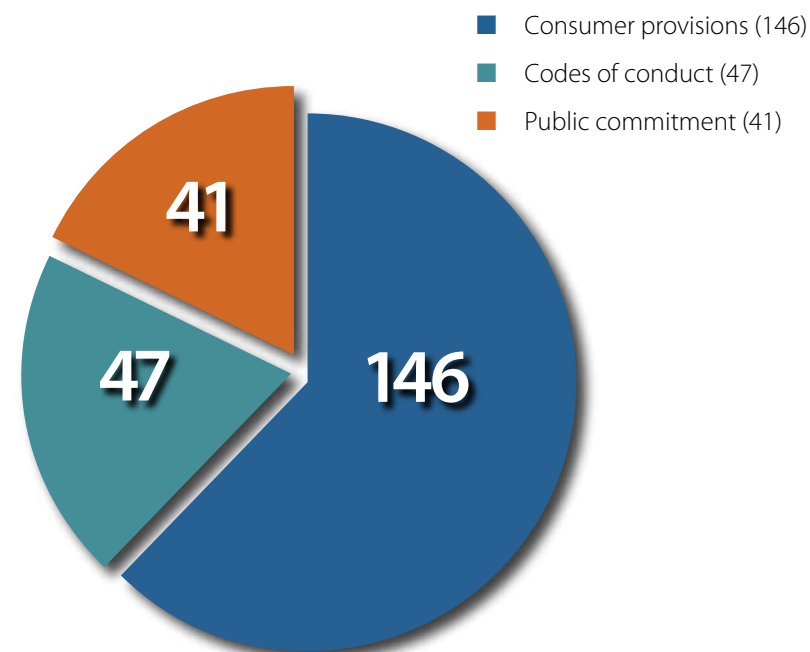
Codes of conduct:

- credit and debit card code
- authorized insurance activities
- debit card code

Public commitments:

- zero liability (credit cards)
- guidelines for the transfer of registered plans
- zero liability (prepaid cards)

### Direct consumer complaints 2016–17



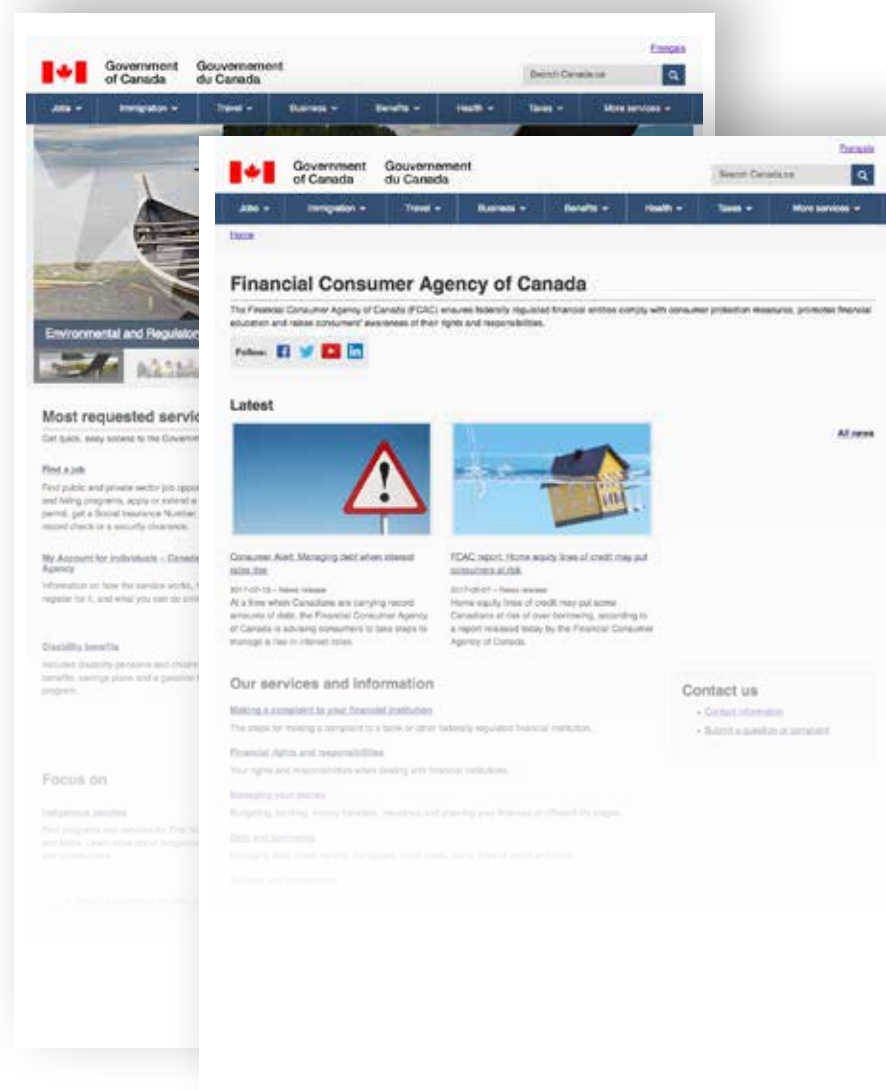


## Feature 5 Moving to Canada.ca

To make it easier for Canadians to find government information online, the Government of Canada is merging department and agency websites into one site: [Canada.ca](http://Canada.ca).

In February 2017, as part of the process of migrating its web content to Canada.ca, FCAC consolidated more than 5,500 pages and PDFs into 2,700 pages and PDFs. The Agency was among the first government organizations to achieve this migration.

FCAC's content was reorganized according to the themes, topics and tasks most frequently requested by the public. The site is optimized for use on any type of device, including desktop computers, tablets and smartphones.



## Feature 6

### Using mobile technology to change Canadians' budgeting behaviours

There may be no better tool for reaching one's financial goals than a personal budget. But with only 46 percent of Canadians having a personal budget, FCAC piloted an innovative approach in summer 2016 to encourage non-budgeters to change their habits.

As part of this pilot project, FCAC sent financial education messaging and an online budgeting tool directly to non-budgeters through a mobile app. In exchange, participants received incentives for participating in the pilot. FCAC researchers then studied the impact of the program on the users' knowledge, confidence and behaviours related to budgeting.

The findings are compelling. At the start of the pilot, nearly half of non-budgeters said they didn't know where to start. Over the month that followed, FCAC continued to send these participants messages about the importance of budgeting and how to go about setting up a budget.

The result: 14 percent of non-budgeters began budgeting. They also increased their knowledge about budgeting and gained confidence in their ability to create and maintain a budget.

This project demonstrated that directly targeting financial education to consumers has the potential to result in positive behavioural change and improve financial well-being for large numbers of Canadians. It builds on the experience FCAC gained the previous fiscal year in the successful pilot of [Small Change](#), a mobile app developed in partnership with United Way/Centraide Ottawa that empowers people to set savings goals and make small behavioural changes to reach those goals.

Read the pilot report, [Initiating budgeting behaviour among non-budgeters: A financial literacy pilot using mobile technology](#).





# The numbers

## Program alignment architecture

In 2016–17, FCAC's programs and sub-programs were organized according to the following framework.



## Analysis of programs by strategic outcome

### Program 1

## Supervision and Promotion

The Supervision and Promotion Program seeks to ensure federally regulated financial entities (FRFEs) comply with federal financial consumer provisions, codes of conduct and public commitments. It also promotes responsible market conduct by communicating FCAC's expectations, conducting research on trends and issues affecting financial consumers, contributing to policy discussions and promoting consumers' rights and responsibilities.

2016–17 Financial resources (\$ millions)		2016-17 Human resources (full-time equivalents [FTEs])	
Planned spending	Actual spending	Planned	Actual
4.15	4.41	26.1	26.1

Expected results	Performance indicators	Targets/deliverables	Performance status	Performance summary
FRFEs comply with requirements set out in legislation, regulations and voluntary codes of conduct and public commitments.	Percentage of cases where corrective actions taken are commensurate with the level of non-compliance as set out in the Compliance Framework.	100%	met	Through its risk-based supervisory approach, FCAC applied its various compliance tools to address matters of non-compliance. For more egregious breaches of legislation, enforcement actions were undertaken.
	Compliance action plans and compliance agreements are implemented by FRFEs per agreed-upon timelines.	90%	met	FRFEs implemented compliance action plans and compliance agreements per agreed-upon timelines.
	Investigations of potential non-compliance with the consumer provisions are completed within the legislated two-year time frame.	100%	met	FCAC dealt with all investigations within the legislated two-year timeframe. For cases closed in fiscal 2016–17, the average investigation time was 77.4 days.

## The numbers

### Program 1

FCAC service standards are met.	Per service standards <sup>2</sup>	met	All internal FCAC service standards were met, with the exception of two instances where FCAC met in person with new FRFEs, replacing the introduction letter.
<sup>2</sup> Compliance service standards: 95 percent of compliance cases are triaged within five business days; 95 percent of compliance issues are raised with the relevant FRFEs within 30 business days; introduction letters are sent to new FRFEs within 60 calendar days 95 percent of the time.			
Guidance effectively communicates FCAC expectations.	Percentage of industry stakeholders that rate FCAC's guidance as effective or very effective.	75%  not met (69%)	FCAC will work with industry and stakeholders to understand the issues and improve clarity.

### Performance highlights

In 2016–17, FCAC:

- engaged with provincial and territorial regulators and other key stakeholders to identify best practices in financial consumer protection
- led financial institutions to reimburse consumers approximately \$10.5 million to approximately 1.2 million accounts
- issued three Notices of Decisions and two Administrative Monetary Penalties, held public consultations on the new Supervision Framework, and received comments from regulated entities, industry groups and individual Canadians
- executed a marketing and communication plan to raise consumers' awareness of their rights and responsibilities
- fielded a survey on Canadians' awareness of their rights and responsibilities and reported the results
- conducted a clear-language review of credit-card initial disclosure and reported results



## Program 2 Financial Literacy

The Financial Literacy Program seeks to strengthen the knowledge, skills and confidence of Canadians to make responsible financial decisions. FCAC works with stakeholders, such as national steering committee members and financial literacy networks across Canada, in developing and delivering concrete actions designed to integrate financial literacy into Canadians' lives. Specific efforts will focus on encouraging Canadians to budget, build savings, pay down debt, and choose financial products and services wisely.

2016–17 Financial resources (\$ millions)		2016–17 Human resources (FTEs)	
Planned spending	Actual spending	Planned	Actual
9.20	8.23	43.2	43.2

Expected results	Performance indicators	Targets/deliverables	Performance status	Performance summary
Awareness and use of FCAC's content on Canada.ca.	Number of visits to FCAC's content or web pages on Canada.ca.	Meet target score set out by Treasury Board for visits to FCAC content on Canada.ca.	n/a Treasury Board target scores were still in development at year-end.	FCAC moved its website to Canada.ca during February and March 2017. FCAC content received 187,279 visits in March.
Satisfaction with FCAC's content on Canada.ca.	Percentage of users who find FCAC's content on Canada.ca easy to understand.	Meet target score set out by Treasury Board for understanding of FCAC content on Canada.ca	n/a Treasury Board target scores were still in development at year-end.	n/a
	Percentage of users who find FCAC's content on Canada.ca to be valuable.	Meet target score set out by Treasury Board for value of FCAC content on Canada.ca.	n/a Treasury Board target scores were still in development at year-end.	n/a

## The numbers

### Program 2

Expected results	Performance indicators	Targets/deliverables	Performance status	Performance summary
Coordination and collaboration with stakeholders are improved.	Information is shared with stakeholders and tracked using established mechanisms.	100% of deliverables are met.	met	FCAC advisors met targets for engagements with representatives of community, provincial and regional financial literacy networks.
	Increased participation of stakeholders during Financial Literacy Month.	5% increase in events entered into the Canadian Financial Literacy Database	not met	<p>There were 1,241 events in the calendar (78% of the target). This was primarily a result of one organization contributing 884 events in 2015 and 640 events in 2016, a decrease of 30% year-over-year.</p> <p>FCAC saw an increase in stakeholder participation, with 60 organizations publishing resources and events to the database in support of Financial Literacy Month, 40% of which were first-time contributors.</p>

## Performance highlights

In 2016–17, FCAC:

- implemented, monitored and reported on initiatives related to the National Strategy for Financial Literacy—Count me in, Canada
- modernized and promoted new and existing resources to help consumers choose financial products and services that best suit their needs
- used the Canadian Financial Literacy Database and other mechanisms such as social media, the financial literacy [newsletter](#) and [blog](#) to promote tools and resources developed by various organizations to help Canadians improve their financial well-being
- renewed the membership of the National Steering Committee on Financial Literacy
- executed the research plan established by the National Steering Committee's Research Sub-Committee
- led, developed and coordinated the National Research Symposium on Financial Literacy
- conducted research (including behavioural research) related to trends and emerging issues that may affect financial consumers
- worked with stakeholders to develop a financial literacy evaluation toolkit
- began planning the 2017 National Conference on Financial Literacy (the Agency's fifth national conference)
- coordinated and led Financial Literacy Month 2016

## Internal Services

Internal Services are responsible for supporting programs and ensuring FCAC meets its corporate obligations. It includes human resource management, financial management, information management, information technology, real property and procurement services. Expenses related to senior management and oversight services (i.e., Commissioner, Deputy Commissioner), marketing and communications services, and legal services are expenses not attributed or fully attributed in Internal Services; they are instead allocated to the Agency's two programs (i.e., Supervision and Promotion, Financial Literacy).

2016–17 Financial resources (\$ millions)		2016–17 Human resources (FTEs)	
Planned spending	Actual spending	Planned	Actual
4.91	4.99	19.7	19.7

### Sustainable development strategy

FCAC supports sustainable development by integrating environmental considerations into its corporate policies, processes and practices, and by engaging employees in greening operations and reusing or recycling workplace materials and assets responsibly.

### Green procurement

Implementation strategy element or best practice	Target	Results
<b>Management processes and controls</b>		
The use of Public Works and Government Services Canada's common-use procurement instruments, such as standing offers and supply arrangements, should be maximized as environmental considerations are integrated into the planning process.	100% of the time	met
<b>Training on green procurement for decision-makers</b>		
Number and percentage of specialists in procurement and materiel management who will complete the Canada School of Public Service Green Procurement course (or equivalent) in the given fiscal year.	100%	met
<b>Performance evaluations</b>		
Number and percentage of managers and functional heads of procurement and materiel whose performance evaluation includes support and contribution toward green procurement in the given fiscal year.	100%	met



# Financials

## 2016-17 Financial Highlights

The Financial Consumer Agency of Canada (FCAC) is a federal government agency that recovers its costs mainly through asset-based, premium-based or transaction-based assessments on the financial entities it supervises.

In addition to its revenues from assessments, FCAC receives an annual statutory expenditure of a maximum of \$5,000,000 to support, collaborate and coordinate its activities and efforts with stakeholders to improve and strengthen the financial literacy of Canadians.

For fiscal year 2016-17, expenses in the amount of \$3,977,979 were funded through the annual statutory expenditure and the balance was funded by assessments from the financial entities FCAC supervises.

FCAC's total expenses for fiscal year 2016-17 of \$17,625,934 demonstrate an overall increase \$1,250,154 or 7.63 percent when compared to the previous fiscal year. This variance is the result of higher human resources expense offset by slightly lower professional services expenses in fiscal year 2016-17 when compared to 2015-16.

FCAC's total expenses of \$17,625,934 represent 96.5% of its budget for fiscal year 2016-17. The variance to budget of \$635,175 is primarily owing to lower than expected professional services expense, as explained further below.

Human resource costs increased by \$1,448,574 or 13.32% as a result of a combination of factors, including economic increases in salaries, a higher level of casual and part-time employees, as well as an increase in maternity benefits and accrued vacation leave. In addition, new positions were added to the Financial Literacy program, as approved in the 2016-17 business plan.

Professional services expense in fiscal year 2016-17 were \$177,003 or 5.87% less than in fiscal year 2015-16. The decrease is mainly due to a lower expenditure on advertising services, when compared to the prior year. A planned advertising campaign to promote FCAC's money management tools and calculators did not take place as a result of the Government of Canada advertising ceilings.

Information management and Information technology (IM/IT) expenses were lower by \$66,048 or 6.19% due to savings realised on ongoing consulting contracts which were signed with lower consulting rates. In addition, IT development and maintenance projects were undertaken in house, for which the cost is lower than outsourcing.

Travel expenses increased by \$68,714 or 29.64% when compared to the prior year due to increased participation at international Financial Consumer Protection Network (FinCoNet) meetings pursuant to the FCAC Commissioner becoming chair of the Governing Council in fiscal year 2016-17. Travel in 2016-17 also increased as a result of FCAC holding its first National Research Symposium on Financial Literacy in Moncton, NB. Despite the increase in travel when compared to the prior year, travel expenses were \$95,554 under the budgeted amount for fiscal 2016-17.

From its inception, the Agency has been guided by the management principle that its focus should be on delivering the programs arising out of its legislation. As a result, we have opted to use common and/or shared services to provide corporate services when it has been cost-effective to do so. Strategic management partnerships also give the Agency the flexibility needed to expand and manage programs as effectively and efficiently as possible.



## Changes in Accounting Standards

### Transition to Public Sector Accounting Standards (PSAS)

In December 2014, the Public Sector Accounting Board (PSAB) issued amendments to Public Sector Accounting Standards (PSAS). These amendments introduced the concept of a new public sector entity – referred to as a government component – and provided guidance on the basis of accounting to be used by such entities. FCAC is considered a government component and is required to adopt PSAS effective the 2017-18 fiscal year.

FCAC has chosen to approach the conversion in five phases: (1) Diagnostic Assessment; (2) Design and Planning; (3) Assessment, Design and Development; (4) Implementation; and, (5) Post Implementation Review. FCAC completed the first two phases and began the third phase during fiscal year 2015-16; phases three and four were completed in fiscal year 2016-17.

### Impact of Adoption of Public Sector Accounting Standards (PSAS)

The following areas have been identified as the most significant:

- financial statement presentation;
- employee benefits (including severance benefits); and,
- capital and intangible assets.

#### Financial Statement Presentation

FCAC's financial statements presented in accordance with PSAS will differ from those presented in accordance with International Financial Reporting Standards (IFRS). The key differences include:

- Changes to how the Statement of Financial Position is presented, including the elimination of reporting non-current assets and liabilities separately, and the addition of a net debt position.
- The elimination of the Statement of Other Comprehensive Income (OCI) and the addition of a Statement of Net Debt.
- The inclusion of planned results on the Statement of Operations and Statement of Net Debt.

#### Employee benefits (Severance and sick leave liabilities)

IFRS require an entity to recognize actuarial gains and losses in full as they arise and in income or in other comprehensive income, depending on the nature of the benefit that gave rise to the actuarial gain or loss. PSAS will require that these gains or losses be amortized into income over the expected average remaining service life of the related employee group. As well, IFRS require the use of a discount rate based on the market yields at the valuation date on high quality corporate bonds for actuarial valuations, while PSAS require the use of a discount rate based on the market yields at the valuation date on government bonds.

The full quantification of the impact of the conversion on employee benefits will only be known when the FCAC performs an updated actuarial valuation based on PSAS requirements, expected to be completed in the first half of 2017-18.

### Capital and intangible assets

PSAS consider computer software to be tangible capital assets whereas IFRS consider it to be an intangible asset. Upon transition to PSAS, FCAC will be required to reclassify all computer software as tangible capital assets. This will only affect the financial statement presentation. The carrying value of these assets will be unchanged.

### Future Changes to PSAS

First Time adoption by Government Organizations, Section PSAS 2125 requires that the accounting policies in effect as at March 31, 2018 be applied to the opening PSAS statement of financial position as at April 1, 2016. FCAC monitors PSAS developments to ensure that the impacts of any potential or actual changes to PSAS are appropriately considered in its changeover plan.

The following table outlines the elements of FCAC's conversion to PSAS and presents an assessment of progress towards achieving these objectives.

### FCAC PSAS Conversion Approach: Assessment as at March 31, 2017

Project Phase	Milestone	Status
<b>Diagnostic Assessment</b>		
<ul style="list-style-type: none"> <li>Identify differences in IFRS/ PSAS accounting policies</li> </ul>	External advisor's report presented to FCAC's Executive and Audit Committees	Completed in 2015-16
<b>Design and Planning</b>		
<ul style="list-style-type: none"> <li>Launch project, establish project governance</li> </ul>	Project governance and policy choices are identified	Completed in 2015-16
<b>Assessment, Design and Development</b>		
<ul style="list-style-type: none"> <li>Identify solutions to PSAS and evaluate</li> <li>Develop training and communications plan</li> <li>Develop final solutions to PSAS</li> </ul>	Solutions approved by FCAC's Executive and Audit Committees	Completed in 2016-17
<b>Implementation</b>		
<ul style="list-style-type: none"> <li>Rollout PSAS solutions</li> <li>Test and remediate</li> <li>Update FCAC Accounting Policies in line with PSAS</li> </ul>	Financial systems and processes are able to capture and report PSAS information	Completed in 2016-17
<b>Post Implementation Review</b>		
<ul style="list-style-type: none"> <li>Debrief management and assess implementation</li> <li>Ongoing PSAS update and related change management</li> </ul>	Ongoing process post implementation	To be completed in 2017-18

March 31, 2017

**Financial Statements**  
**Statement of**  
**Management**  
**Responsibility Including**  
**Internal Control over**  
**Financial Reporting**

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2017, and all information contained in these statements rests with the management of the Financial Consumer Agency of Canada (FCAC). These financial statements have been prepared by management in accordance with International Financial Reporting Standards.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment, and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of FCAC's financial transactions.

Management is also responsible for maintaining an effective system of internal control over financial reporting (ICFR) designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are properly authorized and recorded in accordance with the Financial Administration Act and other applicable legislation, regulations, authorities and policies.

Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training, and development of qualified staff; through an organizational structure that provides appropriate divisions of responsibility; through communication programs aimed at ensuring that regulations, policies, standards, and managerial authorities are understood throughout FCAC; and through conducting an annual assessment of the effectiveness of the system of internal control over financial reporting.

The system of ICFR is designed to mitigate risks to a reasonable level based on an on-going process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

FCAC will be subject to periodic Core Control Audits performed by the Office of the Comptroller General and will use the results of such audits to adhere to the Treasury Board Policy on Internal Control.

In the interim, FCAC has undertaken a risk-based assessment of the system of ICFR for the year ended March 31, 2017, in accordance with the Treasury Board Policy on Internal Control, and the results and action plan are summarized in the annex.

Deloitte LLP has audited the financial statements of FCAC and reports on their audit to the Minister of Finance. This report does not include an audit opinion on the annual assessment of the effectiveness of FCAC's internal controls over financial reporting.



Lucie M.A. Tedesco  
Commissioner,  
Financial Consumer Agency of Canada



Brigitte Goulard  
Deputy Commissioner and Chief Financial Officer  
Financial Consumer Agency of Canada

Ottawa, Canada  
July 19, 2017

## Independent Auditor's Report

### To the Minister of Finance

We have audited the accompanying financial statements of the Financial Consumer Agency of Canada, which comprise the statement of financial position as at March 31, 2017, and the statements of operations, other comprehensive income, changes in deficiency and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standard Board, 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Financial Consumer Agency of Canada as at March 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standard Board.

A stylized, handwritten-style signature of "Deloitte LLP" in blue ink.

Chartered Professional Accountants  
Licensed Public Accountants

July 19, 2017  
Ottawa, ON

Membre de / Member of Deloitte Touche Tohmatsu Limited



## Statement of Financial Position

As at March 31, 2017

(in Canadian dollars)	Note(s)	2017	2016
<b>ASSETS</b>			
<b>Current assets</b>			
Cash entitlement		\$ 2,424,522	\$ 2,325,320
Trade receivables, net	7	193,863	88,551
Accrued assessments	7	371,748	-
Other receivables	7	101,164	16,663
Prepaid expenses		2,050	90,041
<b>Non-current assets</b>			
Property, plant and equipment	9	275,006	311,115
Intangible assets	10	729,156	789,835
<b>TOTAL ASSETS</b>		<b>\$ 4,097,509</b>	<b>\$ 3,621,525</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	8,15	\$ 3,426,512	\$ 2,634,573
Unearned assessments		-	445,055
Employee benefits - sick leave	11	490,031	370,363
Employee benefits - severance	11	19,123	9,764
<b>Non-current liabilities</b>			
Employee benefits - severance	11	175,812	175,739
<b>Total liabilities</b>		<b>4,111,478</b>	<b>3,635,494</b>
<b>DEFICIENCY</b>			
Accumulated deficit	16	(13,969)	(13,969)
<b>TOTAL LIABILITIES AND DEFICIENCY</b>		<b>\$ 4,097,509</b>	<b>\$ 3,621,525</b>

Operating lease arrangements and other commitments 13

The accompanying notes are an integral part of these financial statements

Approved by:



Lucie M.A. Tedesco  
Commissioner  
Financial Consumer Agency of Canada



Brigitte Goulard  
Deputy Commissioner and Chief Financial Officer  
Financial Consumer Agency of Canada

## Statement of Operations

For the year ended March 31, 2017

(in Canadian dollars)	Note	2017	2016
<b>REVENUE</b>			
Assessments		\$ 13,635,005	\$ 12,079,723
Other revenue		4,821	2,530
<b>Total revenue</b>		<b>13,639,826</b>	<b>12,082,253</b>
<b>EXPENSES</b>			
Salaries and benefits		12,327,373	10,878,799
Professional services		2,836,896	3,013,899
Information management/technology		1,000,894	1,066,942
Accommodation		815,291	792,384
Administrative and other		320,460	361,235
Travel		300,567	231,853
Interest	15	24,453	30,668
<b>Total expenses</b>		<b>17,625,934</b>	<b>16,375,780</b>
<b>Net results of operations before government funding and administrative monetary penalties</b>		<b>(3,986,108)</b>	<b>(4,293,527)</b>
Government funding	8	3,977,979	4,317,245
<b>Net results of operations before administrative monetary penalties</b>		<b>(8,129)</b>	<b>23,718</b>
Administrative monetary penalties	12	460,000	-
Administrative monetary penalties earned on behalf of the government	12	(460,000)	-
<b>Net results of operations</b>		<b>\$ (8,129)</b>	<b>\$ 23,718</b>

The accompanying notes are an integral part of these financial statements

## Statement of Other Comprehensive Income

For the year ended March 31, 2017

(in Canadian dollars)	Note	2017	2016
<b>Net results of operations</b>		\$ (8,129)	\$ 23,718
<b>Other comprehensive income</b>			
Remeasurement gains/(losses) on defined benefit plans	11	8,129	(23,718)
<b>Total comprehensive income</b>		\$ -	\$ -

The accompanying notes are an integral part of these financial statements

## Statement of Changes in Deficiency

For the year ended March 31, 2017

(in Canadian dollars)	Accumulated deficit (unaudited)
<b>Deficit as at March 31, 2015</b>	\$ (13,969)
Net results of operations	23,718
Other comprehensive income	(23,718)
<b>Deficit as at March 31, 2016</b>	<b>(13,969)</b>
Net results of operations	(8,129)
Other comprehensive income	8,129
<b>Deficit as at March 31, 2017</b>	<b>\$ (13,969)</b>

The accompanying notes are an integral part of these financial statements

## Statement of Cash Flows

For the year ended March 31, 2017

(in Canadian dollars)	Note	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from financial entities and other government departments		\$ 17,961,725	\$ 22,204,707
Cash paid to suppliers and employees		(17,097,841)	(17,317,683)
Interest paid	15	(24,453)	(42,347)
Non-respendable administrative monetary penalties remitted to the consolidated revenue fund	12	(460,000)	-
<b>Net cash provided by operating activities</b>		<b>379,431</b>	<b>4,844,677</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment	9	(124,403)	(71,454)
Acquisition of intangible assets	10	(155,826)	(98,642)
<b>Net cash used in investing activities</b>		<b>(280,229)</b>	<b>(170,096)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New borrowings	15	9,000,000	8,000,000
Repayments		(9,000,000)	(12,000,000)
<b>Net cash provided by financing activities</b>		<b>-</b>	<b>(4,000,000)</b>
<b>NET INCREASE IN CASH ENTITLEMENT</b>		<b>99,202</b>	<b>674,581</b>
<b>CASH ENTITLEMENT, BEGINNING OF THE YEAR</b>		<b>2,325,320</b>	<b>1,650,739</b>
<b>CASH ENTITLEMENT, END OF YEAR</b>		<b>\$ 2,424,522</b>	<b>\$ 2,325,320</b>

The accompanying notes are an integral part of these financial statements

## Notes to the Financial Statements

For the year ended March 31, 2017  
(in Canadian dollars)

### 1. Authority and objectives

On October 24, 2001, the **Financial Consumer Agency of Canada Act** (the Act) came into force, establishing the Financial Consumer Agency of Canada (FCAC, or the Agency). The Financial Consumer Agency of Canada was established to protect consumers by supervising federally regulated financial entities and by strengthening the financial literacy of Canadians. The Agency is a department of the Government of Canada and is listed in Schedule I.1 of the **Financial Administration Act**. The Government of Canada is FCAC's parent and ultimate controlling party.

FCAC is a federal government agency established under the **Financial Consumer Agency of Canada Act** (FCAC Act). It fulfills the roles listed in sections 3. (2) and 3. (3) of the **FCAC Act**.

### 3. (2) The objects of the Agency are to

- (a) supervise financial institutions and external complaints bodies to determine whether the institution or body is in compliance with
  - (i) the consumer provisions applicable to them, and
  - (ii) the terms and conditions or undertakings with respect to the protection of customers of financial institutions that the Minister imposes or requires, as the case may be, under an Act listed in Schedule 1 and the directions that the Minister imposes under this Act;
- (b) promote the adoption by financial institutions and external complaints bodies of policies and procedures designed to implement the provisions, terms and conditions, undertakings or directions referred to in paragraph (a);
- (b.1) promote the adoption by financial institutions of policies and procedures designed to implement
  - (i) voluntary codes of conduct that are designed to protect the interests of their customers, that are adopted by financial institutions and that are publicly available, and
  - (ii) any public commitments made by them that are designed to protect the interests of their customers;
- (c) monitor the implementation of voluntary codes of conduct that are designed to protect the interests of customers of financial institutions, that have been adopted by financial institutions and that are publicly available and to monitor any public commitments made by financial institutions that are designed to protect the interests of their customers;
- (d) promote consumer awareness about the obligations of financial institutions and of external complaints bodies under consumer provisions applicable to them and about all matters connected with the protection of consumers of financial products and services;

### **1. Authority and objectives (continued)**

- (e) foster, in co-operation with any department, agency or agent corporation of the Government of Canada or of a province, financial institutions and consumer and other organizations, an understanding of financial services and issues relating to financial services;
- (f) monitor and evaluate trends and emerging issues that may have an impact on consumers of financial products and services;
- (g) collaborate and coordinate its activities with stakeholders to contribute to and support initiatives to strengthen the financial literacy of Canadians.

### **3. (3) The objects of the Agency are also to**

- (a) supervise payment card network operators to determine whether they are in compliance with the provisions of the **Payment Card Networks Act** and its regulations;
- (b) promote the adoption by payment card network operators of policies and procedures designed to implement the provisions of the **Payment Card Networks Act** and its regulations;
- (c) monitor the implementation of voluntary codes of conduct that have been adopted by payment card network operators and that are publicly available, and to monitor any public commitments made by them regarding their commercial practices in relation to payment card networks; and
- (d) promote public awareness about the obligations of payment card network operators under a voluntary code of conduct or under the **Payment Card Networks Act**.

Section 18(3) of the Act provides that the Agency's costs of operations are to be assessed to the industry. Pursuant to section 13(2) of the Act, FCAC's operations are typically funded entirely through this process. FCAC is, however, entitled to a statutory expenditure as authorized under section 13(3) of the Act.

FCAC's assessment revenues are charged in accordance with the **Financial Consumer Agency of Canada Assessment of Financial Institutions Regulations** and FCAC's financial assessment methodology of payment card network operators and external complaints bodies, which outline the methodologies used to determine each institution's assessment.

The Agency manages its working capital requirements by borrowing funds from the Government of Canada as authorized under section 13(1) of the Act.



## **2. Background information**

The financial statements for the period ended March 31, 2017 were authorized for issue by the Commissioner of the Financial Consumer Agency of Canada on July 19, 2017. The head office is located at 427 Laurier Avenue West in Ottawa, Ontario, Canada. FCAC's principal activities are described in Note 1.

## **3. Basis of presentation**

The financial statements have been prepared on a historical cost basis, except for cash entitlement that has been measured at fair value.

The financial statements are presented in Canadian dollars because that is the currency of the primary economic environment in which FCAC operates.

### **Statement of compliance**

The financial statements of FCAC have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The accounting policies used in the financial statements are based on the IFRS applicable as at March 31, 2017, and encompass individual IFRS, International Accounting Standards (IAS), and interpretations made by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC). The policies set out below are consistently applied to all periods presented.

## **4. New and amended standards and disclosures**

### **New Accounting Standards Framework**

In December 2014 the Public Sector Accounting Board made revisions to the CPA Canada Public Sector Accounting Handbook (PSA Handbook). As a result of these revisions, FCAC is no longer considered an Other Government Organization but rather a government component. As a government component, FCAC is required to adopt Public Sector Accounting Standards (PSAS) as its basis of accounting effective for the fiscal year commencing on April 1, 2017.

The transition will result in changes to the presentation of the financial statements, in particular the statement of financial position, as FCAC adopts the net debt model of PSAS. The only expected change to reported balances will be to Employee benefits - sick leave and Employee benefits - severance. The amount of the impact is currently unknown as updated actuarial valuations are required to assess the financial statement impact.

#### **4. New and amended standards and disclosures (continued)**

##### **New standards and interpretations adopted**

###### **Disclosure initiative**

In December 2014, the IASB issued amendments to IAS 1, **Presentation of Financial Statements** (IAS 1), to provide better guidance to assist entities with applying judgement when meeting the presentation and disclosure requirements of IFRS. The amendments clarify that materiality applies to the financial statements on the whole and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that entities should use professional judgement in determining where and in what order information is presented in the financial statements. The adoption of these amendments had no significant impact on FCAC's financial statements.

#### **5. Summary of significant accounting policies**

The significant accounting policies of FCAC are set out below:

##### **a) Cash entitlement**

FCAC does not have its own bank account. All of the financial transactions of the Agency are processed through the Consolidated Revenue Fund (CRF), a banking facility administered by the Receiver General for Canada. FCAC's cash entitlement represents the amount the Agency is entitled to withdraw from the CRF without further authority. This amount does not earn interest.

##### **b) Financial instruments**

The classification of financial instruments is determined by FCAC at initial recognition and depends on the purpose for which the financial assets were acquired or liabilities were incurred. All financial instruments are recognized initially at fair value.

The fair value of financial instruments on initial recognition is based on the transaction price, which represents the fair value of the consideration given or received. Subsequent to initial recognition, financial instruments are measured based on the accounting treatment corresponding to their classification.

## 5. Summary of significant accounting policies (continued)

Classification	Accounting Treatment
Fair value through net results	Cash entitlement is classified as "Fair value through net results." Cash entitlement is measured at fair value.
Loans and receivables	Trade receivables and other receivables are classified as "Loans and receivables." Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not debt securities. Subsequent to initial recognition, Loans and receivables are measured at amortized cost using the effective interest method. Any gain, loss or interest income is recorded in revenues or expenses depending on the nature of the loan and receivable that gave rise to the gain, loss or interest income.
Other financial liabilities	Trade and other payables, and Unearned assessments are classified as "Other financial liabilities." Other financial liabilities are non-derivative financial liabilities that have not been designated at fair value. Subsequent to initial recognition, Other financial liabilities are measured at amortized cost using the effective interest method. Any gain, loss or interest expense is recorded in revenues or expenses depending on the nature of the financial liability that gave rise to the gain, loss or interest expense.

**Impairment of financial assets** – FCAC 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, and only 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.

## 5. Summary of significant accounting policies (continued)

For financial assets carried at amortized cost FCAC first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If FCAC determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has 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 (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the **Statement of Operations**.

### c) Property, plant and equipment

Property, plant and equipment is stated at historical cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Historical cost includes the cost of replacing parts of property, plant and equipment when incurred, if the recognition criteria are met. Repair and maintenance costs are recognized in the **Statement of Operations** as incurred.

Amortization is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Assets	Useful Life
Furniture and fixtures	7 years
Leasehold improvements	lesser of useful life or remaining term of the lease
Informatics software	5 years
Office equipment	4 years
Informatics hardware	3 or 4 years

Software is capitalized as property, plant and equipment when the software is integral to the use of the related hardware. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end, and adjusted prospectively if appropriate.

## **5. Summary of significant accounting policies (continued)**

### **d) Intangible assets**

Intangible assets consist of internally developed and externally purchased software that is not an integral part to the related hardware.

Following initial recognition of the development expenditure as an asset, the historical cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Intangible assets acquired separately are measured on initial recognition at cost. The cost of internally developed software consists of directly attributable costs necessary to create, produce, and prepare the software to be capable of operating in the manner intended by FCAC.

FCAC holds intangible assets that have finite lives and are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method is reviewed at least at each financial year end. Amortization is calculated using the straight-line method over their estimated useful lives of five years and is recorded in the relevant expense line item depending on the business activity to which the expense pertains.

Amortization of the assets begins when development is complete and the assets are available for use. They are amortized over the period of expected future benefit.

Costs incurred during the pre-development stage are expensed in the period incurred.

### **e) Impairment of non-financial assets**

FCAC assesses at each reporting date whether there are any internal indicators that an asset may be impaired (e.g., damaged assets or assets no longer being used). If any indication exists, or when annual impairment testing for an asset is required, FCAC estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. There is no risk of not recovering the carrying amount of the asset given FCAC's cost recovery business model.

FCAC assesses internally developed intangible assets not yet in use for impairment on an annual basis.

## **5. Summary of significant accounting policies (continued)**

### **f) Employee benefits**

#### **i) Short-term benefits**

Short-term benefits are recorded in the **Statement of Operations** when an employee has rendered the service. Unpaid short-term compensated leave that has vested at the reporting date are accrued at year-end and not discounted. Short-term compensated leave expected to occur within twelve months of the reporting date is classified as short-term employee benefits. FCAC contributes to the Government of Canada sponsored Public Service Health Care Plan and Dental Service Plan for employees.

#### **ii) Post employment benefits**

##### **Pension benefits**

Substantially all of the employees of FCAC are covered by the public service pension plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and FCAC to cover current service cost. Pursuant to legislation currently in place, FCAC has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of FCAC.

##### **Severance**

On termination of employment, employees are entitled to certain benefits provided for under their conditions of employment through a severance benefits plan. The cost of these benefits is accrued as the employees render their services necessary to earn severance benefits and represents the only obligation of FCAC for severance benefits. The severance benefits are based upon the final salary of the employee.

The cost of benefits is actuarially determined as at March 31 of each year using the projected benefit method prorated on services. The obligation is unfunded. The valuation of the liability is based upon a current market discount rate which is based on the market yields at the **Statement of Financial Position** date on high quality corporate bonds, and other actuarial assumptions, which represent management's best long-term estimates of factors such as future wage increases and employee resignation rates. All actuarial gains (losses) are recognized in Other comprehensive income in the **Statement of Other Comprehensive Income**.

## **5. Summary of significant accounting policies (continued)**

### **Other benefits**

The Government of Canada sponsors a variety of other benefit plans from which former employees may benefit upon retirement. The Public Service Health Care Plan and the Pensioners' Dental Service Plan are the two major plans available to FCAC retirees. These are defined benefit plans sponsored by the Government of Canada. Contributions are required by FCAC to cover current service cost. Pursuant to legislation currently in place, FCAC has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total obligation of FCAC with respect to these plans.

#### **iii) Other long-term benefits**

### **Sick leave**

Employees are eligible to accumulate sick leave until retirement or termination. Unused sick leave is not eligible for payment on retirement or termination, nor can it be used as vacation. All sick leave is an accumulating non-vesting benefit. A liability is recorded for sick leave balances expected to be taken in excess of future allotments.

The cost of sick leave as well as the present value of the obligation is determined using an actuarial valuation. Any gains and losses are recognized in net results in the period in which they arise.

### **g) Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases (net of any incentives received from the lessor) are charged to the **Statement of Operations** on a straight-line basis over the period of the lease.

FCAC does not have the borrowing authority to enter into lease agreements that are classified as finance leases. FCAC has established procedures to review all lease agreements and identify if the proposed terms and conditions would result in a transfer to FCAC of substantially all the benefits and risks incidental to ownership.

FCAC records the costs associated with operating leases in the **Statement of Operations** in the period in which they are incurred.

### **h) Government funding**

Government funding is recognized when there is reasonable assurance that the funding will be received and when all attached conditions have been complied with. When the funding relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. The funding and corresponding expense item are recognized at their gross amounts.



## **5. Summary of significant accounting policies (continued)**

### **i) Revenue recognition**

FCAC recognizes revenue so as to recover its expenses. Any amounts that have been billed for which costs have not been incurred are classified as unearned assessments on the **Statement of Financial Position**. Revenue is recorded in the accounting period in which it is earned (service provided) whether or not it has been billed or collected. At March 31 of each year, amounts may have been collected in advance of the incurrence of costs or provision of services, alternatively, amounts may not have been collected and are owed to FCAC. FCAC assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. FCAC has concluded that it is acting as a principal in all of its revenue arrangements.

Assessments - Revenue from assessments is recognized based on actual costs incurred. The assessments are charged to recover costs and all costs are considered recoverable. Assessments are billed annually based on an estimate of the current fiscal year's costs of operations together with an adjustment for any differences between the previous year's assessed costs and actual. The assessment process is undertaken before December 31 in each year, in accordance with section 18(1) of the Act. As a result, at March 31 of each year, amounts may have been collected in advance of the incurrence of costs or, alternatively, funds may be owed to the Agency to fund its costs of operations.

The Commissioner may issue administrative monetary penalties when violations to consumer provisions occur. These penalties are imposed in cases where the Commissioner believes that there has been either a violation of the consumer provisions or non-compliance with any Compliance Agreement entered into pursuant to an act listed in Schedule 1 of the **FCAC Act**. The penalty amount may be as high as \$50,000 for an individual and \$500,000 for an institution. Penalties levied by FCAC are non-responsible and are to be remitted to the CRF. The funds are not available to FCAC and, as a result, the penalties do not reduce the amount that FCAC assesses the industry in respect of its operating costs.

## **6. Significant accounting judgments, estimates and assumptions**

The preparation of FCAC's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in which case, the impact will be recognized in the financial statements of a future fiscal period.

## **6. Significant accounting judgments, estimates and assumptions (continued)**

### **Judgments**

In the process of applying its accounting policies, management has made the following judgments which have the most significant effect on the amounts recognized in the financial statements:

#### Operating lease commitments – FCAC as lessee

Public Works and Government Services Canada (PWGSC) enters into commercial property leases for FCAC's office space and recovers such cost from FCAC. FCAC also enters into leases for certain office equipment. FCAC has determined, based on an evaluation of the terms and conditions of the arrangements, that significantly all of the risks and rewards of ownership have not been transferred to FCAC and as such accounts for these contracts as operating leases.

#### Administrative monetary penalties – FCAC as principal

FCAC has determined it is the principal in the arrangement and has recorded revenue on a gross basis.

### **Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the **Statement of Financial Position** date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### Estimated useful lives of assets

The estimated useful lives of property, plant and equipment and intangible assets are based on management's intentions with respect to the asset, historical experience with the asset, internal asset management plans and other factors as determined by management. The useful lives are reviewed on an annual basis and any revisions to the useful lives are accounted for prospectively.

#### Severance benefits

The cost of defined benefit severance plan as well as the present value of the obligation is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases, and departure rates. All assumptions are reviewed annually as at March 31. In determining the appropriate discount rate management considers the interest rates of corporate bonds in Canada with AAA or AA ratings and with maturities matching the estimated cash flows of the severance payments. Departure rates are based on experience from the public service of Canada and include mortality, disability, termination and retirement. Future salary increases are based on expected future inflation rates in Canada.

Further details about the assumptions used are given in Note 11(a).

## **6. Significant accounting judgments, estimates and assumptions (continued)**

### Sick leave

The cost of sick leave as well as the present value of the obligation is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases, usage rates, and departure rates. All assumptions are reviewed annually as at March 31. In determining the appropriate discount rate management considers the interest rates of corporate bonds in Canada with AAA or AA ratings and with maturities matching the estimated sick leave usage. Departure rates are based on experience from the public service of Canada and include mortality, disability, termination and retirement. Future salary increases are based on expected future inflation rates in Canada.

There are no other accounting assumptions or estimates that have been identified to have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next fiscal year.

## 7. Trade and other receivables

The breakdown of all amounts owing to FCAC, by type is as follows:

	Federally regulated financial entities	Other	Total 2017
Trade receivables	\$ 195,863	\$ -	\$ 195,863
Allowance for doubtful accounts	(2,000)	-	(2,000)
<b>Trade receivables, net</b>	<b>193,863</b>	<b>-</b>	<b>193,863</b>
<b>Other</b>			
Related parties	-	51,297	51,297
Other receivables	-	49,867	49,867
<b>Total other</b>	<b>-</b>	<b>101,164</b>	<b>101,164</b>
<b>Accrued assessments</b>	<b>371,748</b>	<b>-</b>	<b>371,748</b>
<b>Total</b>	<b>\$ 565,611</b>	<b>\$ 101,164</b>	<b>\$ 666,775</b>
<b>% of Total exposure</b>	<b>84.8 %</b>	<b>15.2 %</b>	<b>100.0 %</b>
	Federally regulated financial entities	Other	Total 2016
Trade receivables	\$ 89,031	\$ -	\$ 89,031
Allowance for doubtful accounts	(480)	-	(480)
<b>Trade receivables, net</b>	<b>88,551</b>	<b>-</b>	<b>88,551</b>
<b>Other</b>			
Related parties	-	3,173	3,173
Other receivables	-	13,490	13,490
<b>Total other</b>	<b>-</b>	<b>16,663</b>	<b>16,663</b>
<b>Total</b>	<b>\$ 88,551</b>	<b>\$ 16,663</b>	<b>\$ 105,214</b>
<b>% of Total exposure</b>	<b>84.2 %</b>	<b>15.8 %</b>	<b>100.0 %</b>

## 7. Trade and other receivables (continued)

FCAC records an allowance for doubtful accounts considering the age of an outstanding receivable and the likelihood of its collection. Provisions are also made where collection of the receivable is doubtful based on information gathered through collection efforts. An allowance is reversed once collection of the debt is successful or the amount is written off. Impairment losses on accounts receivable recognized during the year ended March 31, 2017, were \$2,000 (March 31, 2016 - \$480). Recoveries during the same period totaled \$480 (March 31, 2016 - \$6,000).

A trade receivable will be considered to be impaired and written off when FCAC is certain that collection will not occur and all requirements of the **Debt Write-Off Regulations, 1994** have been met. A total of \$Nil was written off during the year ended March 31, 2017 (March 31, 2016 - \$5,000). During the year ended March 31, 2017, no interest was earned on impaired assets and none of the past due amounts were renegotiated. Those that are neither past due nor provided for or impaired are considered to be fully collectible.

As at March 31, 2017, the aging of non-related party trade receivables was as follows (for terms and conditions relating to related party receivables, refer to Note 8):

Days outstanding	Current	31-60	61-90	91-120	> 120	Total
March 31, 2017	\$ -	\$ 177,148	\$ 16,715	\$ -	\$ 2,000	\$ 195,863
March 31, 2016	\$ -	\$ -	\$ 88,551	\$ -	\$ 480	\$ 89,031

All assessments receivable and accrued assessments are recoverable from federally regulated financial entities (includes banks, trust and loan companies, life insurance companies, property and casualty insurance companies, retail associations, payment card network operators and external complaint bodies). FCAC regulates over 350 financial entities and does not have a significant receivable from any individual financial entity.

Refer to Note 15 c) for further information on credit risk applicable to FCAC.

## 8. Related party transactions

### a) The ultimate parent

The Government of Canada is the ultimate parent of FCAC, and has control over FCAC.

### b) Compensation of key management personnel

Key management personnel includes the following positions: the Commissioner, Deputy Commissioner, Financial Literacy Leader, and Directors of FCAC. Total compensation paid to key management personnel for the year ended March 31 is provided in the table below.

	2017	2016
Short-term employee benefits	\$ 1,708,371	\$ 1,640,310
Post-employment benefits	371,091	368,086
Other long-term benefits	22,141	21,149
<b>Total</b>	<b>\$ 2,101,603</b>	<b>\$ 2,029,545</b>
<b>Average number of employees</b>	<b>9</b>	<b>9</b>

### c) Government related entities

FCAC is related, in terms of common ownership, to all Government of Canada departments, agencies and crown corporations. FCAC enters into transactions with these entities in the normal course of business and on normal trade terms.

During the year ended March 31, 2017, FCAC purchased goods and services for \$5,355,223 (2016 - \$4,930,496) and earned revenue of \$502,017 (2016 - \$301,852) from transactions with other government departments. Individually these transactions were in the normal course of business. Although most transactions are not individually significant, FCAC did have the following individually significant transactions:

## 8. Related party transactions (continued)

Entity	Nature	2017 Expenditures	2017 Payable	2016 Expenditures	2016 Payable
Treasury Board Secretariat	Pension contributions and other employee benefits	\$ 2,358,604	\$ 165,932	\$ 2,097,844	\$ 147,826
Public Services and Procurement Canada	Accommodation, translation services and other services	1,041,383	27,696	1,023,389	17,092
Canadian Human Rights Commission	Human resources services	458,599	-	313,752	-
Office of the Superintendent of Financial Institutions	Finance and actuarial services	405,605	15,085	373,527	11,677
Department of Justice	Legal services	233,406	-	257,730	19,671
Shared Services Canada	Communication and other services	182,458	29,060	155,885	8,661
Employment and Social Development Canada	Research services	-	-	168,000	-

As at March 31, 2017, the amounts of trade receivables and trade and other payables from these related parties are \$51,297 (March 31, 2016 - \$3,173) and \$312,121 (March 31, 2016 - \$253,661), respectively.

FCAC was granted a statutory expenditure of up to \$5,000,000 for the fiscal year ended March 31, 2017 (2016 - \$ 5,000,000) to support, collaborate and coordinate its activities and efforts with stakeholders to improve and strengthen the financial literacy of Canadians. During the year ended March 31, 2017, FCAC spent \$3,977,979 (2016 - \$4,317,245) of this amount.



## 9. Property, plant and equipment

Cost	Leasehold improvements	Furniture and fixtures	Office equipment	Informatics hardware	Informatics software	Total
<b>Balance at March 31, 2015</b>	\$ 922,463	\$ 920,980	\$ 58,531	\$ 531,684	\$ 20,244	\$ 2,453,902
Additions	-	6,339	-	65,115	-	71,454
Disposals/transfers of assets	-	-	(17,526)	(221,001)	-	(238,527)
<b>Balance at March 31, 2016</b>	\$ 922,463	\$ 927,319	\$ 41,005	\$ 375,798	\$ 20,244	\$ 2,286,829
Additions	-	4,000	-	120,403	-	124,403
Disposals/transfers of assets	-	-	-	(85,363)	(20,244)	(105,607)
<b>Balance at March 31, 2017</b>	\$ 922,463	\$ 931,319	\$ 41,005	\$ 410,838	\$ -	\$ 2,305,625
<b>Accumulated depreciation and impairment</b>						
<b>Balance at March 31, 2015</b>	\$ 922,463	\$ 733,344	\$ 57,567	\$ 345,120	\$ 20,244	\$ 2,078,738
Disposals/transfers of assets	-	-	(17,526)	(221,001)	-	(238,527)
Depreciation expense	-	46,895	964	87,644	-	135,503
<b>Balance at March 31, 2016</b>	\$ 922,463	\$ 780,239	\$ 41,005	\$ 211,763	\$ 20,244	\$ 1,975,714
Disposals/transfers of assets	-	-	-	(85,363)	(20,244)	(105,607)
Depreciation expense	-	45,966	-	114,546	-	160,512
<b>Balance at March 31, 2017</b>	\$ 922,463	\$ 826,205	\$ 41,005	\$ 240,946	\$ -	\$ 2,030,619
<b>Net book value</b>						<b>Total</b>
Balance at March 31, 2016	\$ -	\$ 147,080	\$ -	\$ 164,035	\$ -	\$ 311,115
<b>Balance at March 31, 2017</b>	\$ -	\$ 105,114	\$ -	\$ 169,892	\$ -	\$ 275,006

None of the assets held have any restriction on title and none of the assets have been pledged as security for liabilities. As at March 31, 2017, FCAC had \$1,578,687 of capital assets at cost that were fully depreciated and still in use. These assets are near the end of their useful life and their fair value is insignificant.

## 10. Intangible assets

	Software	Software under development	Total
<b>Cost</b>			
<b>Balance at March 31, 2015</b>	\$ 655,986	\$ 410,723	\$ 1,066,709
Additions	25,228	73,414	98,642
Transfer to in use	484,137	(484,137)	-
Disposals/transfers of assets	(27,042)	-	(27,042)
<b>Balance at March 31, 2016</b>	\$ 1,138,309	\$ -	\$ 1,138,309
Additions	51,193	104,633	155,826
Disposals/transfers of assets	(82,697)	-	(82,697)
<b>Balance at March 31, 2017</b>	\$ 1,106,805	\$ 104,633	\$ 1,211,438
<b>Accumulated amortization</b>			
<b>Balance at March 31, 2015</b>	\$ 211,047	\$ -	\$ 211,047
Amortization	164,469	-	164,469
Dispositions	(27,042)	-	(27,042)
<b>Balance at March 31, 2016</b>	\$ 348,474	\$ -	\$ 348,474
Amortization	216,505	-	216,505
Dispositions	(82,697)	-	(82,697)
<b>Balance at March 31, 2017</b>	\$ 482,282	\$ -	\$ 482,282
<b>Net book value</b>			
Balance at March 31, 2016	\$ 789,835	\$ -	\$ 789,835
<b>Balance at March 31, 2017</b>	\$ 624,523	\$ 104,633	\$ 729,156

As at March 31, 2017, FCAC had \$16,359 intangible assets at cost that were fully amortized and still in use. These assets are near the end of their useful life and their fair value is insignificant.

## 11. Employee benefits

### a) Post-employment benefits

#### i. Pension benefits

Substantially all of the employees of FCAC are covered by the public service pension plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and FCAC. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The general contribution rate effective at the end of the period was 10.881% (2016 - 11.012%). Total contributions of \$1,028,603 (2016 - \$936,218) were recognized as expense in the current period.

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of two percent of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

#### ii. Severance benefits

Information about FCAC's severance benefit plan is presented in the table below.

	2017	2016
<b>Accrued benefit obligation, beginning of the period</b>	<b>\$ 185,503</b>	<b>\$ 169,358</b>
Current service cost	10,502	8,468
Interest cost	7,059	5,615
Benefits paid	-	(21,656)
Actuarial (gain)/loss	(8,129)	23,718
<b>Accrued benefit obligation, end of the year<sup>1</sup></b>	<b>\$ 194,935</b>	<b>\$ 185,503</b>
Current portion of accrued benefit obligation, end of the year	\$ 19,123	\$ 9,764
Long-term portion of accrued benefit obligation, end of the year	175,812	175,739
<b>Accrued benefit obligation, end of the year<sup>1</sup></b>	<b>\$ 194,935</b>	<b>\$ 185,503</b>
<b>Net benefit plan cost</b>		
Current service cost	\$ 10,502	\$ 8,468
Interest cost	7,059	5,615
Actuarial (gain)/loss	(8,129)	23,718
<b>Benefit cost</b>	<b>\$ 9,432</b>	<b>\$ 37,801</b>

<sup>1</sup> The cost corresponding to annual changes in the accrued benefit liability is recovered from FCAC's various sources of revenue outlined in Note 5(i) to the financial statements. Amounts collected in excess of benefits paid are presented on the **Statement of Financial Position** under the heading of Cash entitlement.

## 11. Employee benefits (continued)

Annually, as at March 31 of each year, FCAC obtains an actuarial valuation of its accrued benefit obligation. Cumulative actuarial losses (gains) recorded in income since April 1, 2010, the date of FCAC's transition to IFRS is \$147,219 (2016 - \$155,348).

The significant actuarial assumption adopted in measuring FCAC's accrued benefit obligation is a discount rate of 3.54% (2016 - 3.73%). For measurement purposes, management's best estimate for the general salary increases to estimate the current service cost and the accrued benefit obligation as at March 31, 2017 is an annual economic increase of 1.25% for the plan year 2018 (2016 - 1.0% for the plan year 2017 and 2018). Thereafter, an annual economic increase of 1.25% is assumed (2016 - 1.0%). The average remaining service period of active employees covered by the benefit plan is 17 years (2016 - 17 years).

Amounts for the current and previous four periods are as follows:

<b>Employee benefits - severance</b>	<b>Accrued benefit obligation</b>	<b>Actuarial losses (gains) recognized during the period</b>
<b>March 31, 2017</b>	<b>\$ 194,935</b>	<b>\$ (8,129)</b>
<b>March 31, 2016</b>	185,503	23,718
<b>March 31, 2015</b>	169,358	(4,271)
<b>March 31, 2014</b>	227,349	68,640
<b>March 31, 2013</b>	570,785	81,270

### Sensitivity analysis

The discount rate used to estimate the present value of the severance benefit obligation has a significant effect on the obligation at the end of the year, as well as on the current service and interest costs. A 1.0% change in the discount rate would have had the following effects for 2017.

<b>Change in discount rate of 1.0%</b>	<b>Increase</b>	<b>Decrease</b>
Accrued benefit obligation	\$ (19,504)	\$ 23,214

These sensitivities are hypothetical and should be used with caution. The relationship of a change in assumption to the change in value may not be linear. Changes in one factor may result in changes in another which may magnify or counteract the sensitivities.

## 11. Employee benefits (continued)

### b) Other long-term benefits

#### i. Sick leave

Information about FCAC's sick leave plan is presented in the table below.

	2017	2016
<b>Accrued benefit obligation, beginning of the year</b>	<b>\$ 370,363</b>	<b>\$ 373,544</b>
Current service cost	54,993	59,469
Interest cost	14,183	13,831
Benefits used	(43,938)	(11,656)
Actuarial loss/(gain)	94,430	(64,825)
<b>Accrued benefit obligation, end of the year<sup>1</sup></b>	<b>\$ 490,031</b>	<b>\$ 370,363</b>
<b>Net benefit plan cost</b>		
Current service cost	54,993	59,469
Interest cost	14,183	13,831
Actuarial loss/(gain)	94,430	(64,825)
<b>Benefit cost</b>	<b>\$ 163,606</b>	<b>\$ 8,475</b>

<sup>1</sup> The cost corresponding to annual changes in the accrued benefit liability is recovered from FCAC's various sources of revenue outlined in Note 5(i) to the financial statements. Amounts collected in excess of benefits paid are presented on the **Statement of Financial Position** under the heading of Cash entitlement.

Annually, as at March 31 of each year, FCAC obtains an actuarial valuation of its accrued benefit obligation. Actuarial assumptions are reviewed at each valuation date. Cumulative actuarial losses recorded in income since April 1, 2010, the date of FCAC's transition to IFRS is \$260,929 (2016 - \$166,499).

The significant actuarial assumption adopted in measuring FCAC's accrued benefit obligation is a discount rate of 3.63% (2016 - 3.73%). For measurement purposes, management's best estimate for the general salary increases to estimate the current service cost and the accrued benefit obligation as at March 31, 2017 is an annual economic increase of 1.25% for the plan year 2018 (2016 - 1.0% for 2017 and 2018). Thereafter, an annual economic increase of 1.25% is assumed (2016 - 1.0%). The average remaining service period of active employees covered by the benefit plan is 17 years (2016 - 17 years).

## 11. Employee benefits (continued)

Amounts for the current and previous four periods are as follows:

### Employee benefits - sick leave

	Accrued benefit obligation	Actuarial (gains) losses recognized during the period
March 31, 2017	\$ 490,031	\$ 94,430
March 31, 2016	370,363	(64,825)
March 31, 2015	373,544	39,871
March 31, 2014	313,927	(70,122)
March 31, 2013	325,749	56,109

### Sensitivity analysis

The discount rate and sick leave usage rate used to estimate the present value of the sick leave obligation has a significant effect on the obligation at the end of the year, as well as on the current service and interest costs. A 1.0% change in the discount rate or the sick leave usage rate would have had the following effects for 2017.

<b>Change in discount rate of 1.0%</b>	<b>Increase</b>	<b>Decrease</b>
Accrued benefit obligation	\$ (59,343)	\$ 71,869
<b>Change in usage rate of 1.0%</b>	<b>Increase</b>	<b>Decrease</b>
Accrued benefit obligation	\$ 20,417	\$ (20,417)

These sensitivities are hypothetical and should be used with caution. The relationship of a change in assumption to the change in value may not be linear. Changes in one factor may result in changes in another which may magnify or counteract the sensitivities.

## 12. Administrative monetary penalties

Administrative monetary penalties levied by FCAC are remitted to the CRF. The funds are not available for use by FCAC and, as a result, the penalties do not reduce the amount that FCAC assesses the industry in respect of its operating costs.

In the year ended March 31, 2017, FCAC levied \$460,000 (2016 - \$Nil) in administrative monetary penalties.

### 13. Operating lease arrangements

Minimum lease payments under operating leases recognized as an expense during the year ended March 31, 2017 were \$1,665,156 (2016 - \$1,555,514).

FCAC has entered into operating lease agreements for office space and office equipment, and contracts for services. These leases have an average life of between one and four years with no renewal option included in the contracts. There are no restrictions placed upon FCAC when entering into these leases. The minimum aggregate annual payments for future fiscal years are as follows:

	2017	2016
Within one year	\$ 1,311,735	\$ 1,480,998
After one year but not more than five years	1,010,152	1,870,447
More than five years	-	-
<b>Total</b>	<b>\$ 2,321,887</b>	<b>\$ 3,351,445</b>

### 14. Human resources expense

	2017	2016
Wages and salaries	\$ 9,496,916	\$ 8,317,967
Other benefits	1,715,016	1,517,914
Post-employment benefits other than severance	1,028,603	936,218
Other personnel costs	69,277	92,617
Severance benefits	17,561	14,083
<b>Total human resources expense</b>	<b>\$ 12,327,373</b>	<b>\$ 10,878,799</b>



## **15. Financial risk management**

FCAC's financial liabilities include Trade and other payables, and Unearned assessments. The main purpose of these liabilities is to provide short-term financing for FCAC's operations. Financial assets include Cash entitlement, Accrued assessments, Trade and other receivables.

FCAC is exposed to market risk, credit risk and liquidity risk in connection with financial instruments.

### **a) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity risk. FCAC is exposed to currency risk on any amounts payable that are to be settled in a currency other than the Canadian dollar, and is exposed to interest rate risk as discussed below. FCAC is not exposed to other price risk.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. FCAC's exposure to the risk of changes in foreign exchange rates relates primarily to the Agency's operating activities (when expenses are denominated in a currency other than the Canadian dollar).

FCAC manages its exposure to currency risk by structuring its contracts in Canadian dollars wherever possible. The majority of FCAC's transactions are denominated in Canadian dollars; consequently, FCAC's exposure to currency risk is insignificant.

There is no impact to revenue since all billings are done in Canadian dollars.

### **b) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. FCAC's exposure to the risk of market interest rates relates primarily to FCAC's loans payable with floating interest rate as determined by the Department of Finance Canada. FCAC attempts to reduce the borrowings necessary by effectively forecasting its required cash flows from assessments from financial entities. FCAC is not authorized to enter into any arrangements in order to reduce its exposure to interest rate risk.

## 15. Financial risk management (continued)

The table below demonstrates the sensitivity of FCAC's operating expenses to a one-percentage-point fluctuation in market interest rates, with all other variables held constant.

	<b>Fluctuation in interest rate</b>		<b>Effect on expenses</b>
March 31, 2017	+1%	\$	37,425
	-1%		(37,425)
March 31, 2016	+1%	\$	37,781
	-1%		(37,781)

### c) Credit risk

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument, resulting in a financial loss for FCAC. The maximum exposure FCAC has to credit risk as at March 31, 2017, is \$666,775 (March 31, 2016 - \$105,214), which is equal to the carrying value of its Trade receivables and Other receivables.

All federally regulated financial entities are required to register with FCAC and pay the assessments as established by FCAC. Any loss incurred by FCAC as a result of a counterparty's not meeting its obligations is recorded in the year incurred and collected in the following year, as outlined in the **FCAC Act**. All remaining receivables are with other government organizations, where there is minimal potential risk of loss. FCAC does not hold collateral as security.

### d) Liquidity risk

Liquidity risk is the risk that FCAC will encounter difficulty in meeting obligations associated with current and future financial liabilities. FCAC's objective is to maintain sufficient Cash entitlement through collection of assessments and fees in order to meet its operating requirements. FCAC manages liquidity risk through a detailed annual planning and billing process, which is structured to allow for sufficient liquidity from one billing period to the next. FCAC's objective is to accurately estimate its operating costs for the year in order to accurately estimate the assessments and fees to be collected from federally regulated financial entities.

FCAC's policy is to satisfy liabilities by the following means (in decreasing order of priority):

- Cash entitlement
- Borrowings from the CRF

## 15. Financial risk management

The table below summarizes the maturity profile of FCAC's financial liabilities at March 31, 2017 and March 31, 2016, based on contractual undiscounted payments. When the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which FCAC can be required to pay. When amounts are due in installments, each installment is allocated to the earliest period in which FCAC can be required to pay.

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Greater than 5 years	March 31, 2017 Total
Trade and other payables	\$ 552,194	\$ 2,305,718	\$ 568,600	\$ -	\$ -	\$ 3,426,512
Unearned assessments	-	-	-	-	-	-
<b>Total</b>	<b>\$ 552,194</b>	<b>\$ 2,305,718</b>	<b>\$ 568,600</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,426,512</b>

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Greater than 5 years	March 31, 2016 Total
Trade and other payables	\$ 384,124	\$ 1,828,649	\$ 421,800	\$ -	\$ -	\$ 2,634,573
Unearned assessments	-	-	445,055	-	-	445,055
<b>Total</b>	<b>\$ 384,124</b>	<b>\$ 1,828,649</b>	<b>\$ 866,855</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,079,628</b>

Balances due within 12 months equal their carrying amounts, as the impact of discounting is insignificant.

By March 31 of each year, the Commissioner must determine the total expenses incurred by the Agency during the preceding fiscal year for, or in connection with, the administration of the **FCAC Act** and the consumer provisions. The Commissioner then assesses each federally regulated financial entity a portion of these expenses, as determined by regulation or the financial assessment methodology of payment card network operators. Interim assessments are also possible. To temporarily fund expenses until entities are assessed, before March 31 of each year, the Agency must seek Ministerial authority to borrow from the CRF for the next fiscal year, up to a predetermined limit. The authority to borrow from the CRF is granted under section 13 of the **FCAC Act**. For the year ended March 31, 2017, the Minister has approved up to \$11,000,000 (2016 - \$11,000,000). All amounts borrowed must be repaid within one year. The Agency pays interest on the funds borrowed as described under "Interest rate risk."

As at March 31, 2017, FCAC used \$Nil (2016 - \$Nil) of this facility.

Refer to Note 1 for further information on FCAC's authority.

The liquidity of FCAC's financial assets is outlined in Note 7, "Trade and other receivables."

## **16. Deficiency**

Accumulated Deficit - \$46,533 of Accumulated deficit was created as part of FCAC's transition to IFRS from Canadian generally accepted accounting principles on April 1, 2010. This balance was reduced by \$32,564 as a result of operations during the year ended March 31, 2011 under IFRS. The balance has not changed since the transition to IFRS.

Capital Management - FCAC includes its Accumulated deficit, entitled "Deficiency", in its definition of capital. FCAC is prohibited from issuing its own capital or its own debt to meet any capital requirements. FCAC operates on a cost recovery basis. Its objective when managing capital is to closely manage actual costs to those estimated and communicated to its paying stakeholders. Any operating shortfall or excess is factored into the assessments and fees charged to regulated entities in the following year. FCAC fully recovered all of its costs incurred in the period.

FCAC is not subject to any externally imposed capital requirement.

FCAC did not change its capital management objectives, policies or processes during the year ended March 31, 2017.



# Contact us



## Contact us

<b>Website</b>	<a href="http://canada.ca">canada.ca</a>
<b>Telephone (Consumer Services Centre) Toll-free</b>	1-866-461-3222
<b>TIY (for persons with hearing impairment) Toll-free In Ottawa or outside Canada</b>	1-866-914-6097 613-947-7771
<b>Email</b>	<a href="mailto:info@fcac.gc.ca">info@fcac.gc.ca</a>
<b>Fax Toll-free In Ottawa or outside Canada</b>	1-866-814-2224 613-941-1436
<b>Twitter</b>	@FCACan
<b>YouTube</b>	FCACan
<b>Facebook</b>	<a href="https://www.facebook.com/FCACan">FB.com/FCACan</a>
<b>Postal address</b>	Financial Consumer Agency of Canada Enterprise Building 427 Laurier Avenue West Ottawa, Ontario K1R 1R9