

Financial Consumer Agency of Canada

Financial Highlights

For the three and six months ended September 30, 2015

Raison d'être

The Financial Consumer Agency of Canada (FCAC) was established to consolidate and strengthen oversight of consumer protection measures in the federally regulated financial sector, and to expand consumer education and financial literacy activities so that Canadians have the appropriate information and financial skills they need to make informed financial decisions and actively participate in and strengthen the financial sector.

Role and Mandate

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)

(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;

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(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)

(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*.

Basis of presentation

These quarterly financial statements have been prepared by management as required by Section 65.1 of the *Financial Administration Act* and in accordance with International Financial Reporting Standards (IFRS), using the accrual basis of accounting.

These quarterly financial statements have not been subject to an external audit or review.

FCAC's funding model

FCAC recovers its costs from several revenue sources. FCAC is funded mainly through asset-based, premium-based or transaction-based assessments on the financial entities it supervises.

The accompanying quarterly financial statements reflect FCAC's legislated authority to spend assessments and revenues per Section 13(2) of the *Financial Consumer Agency of Canada Act* (FCAC Act) as well as any authorities granted by Parliament and used by FCAC. FCAC receives an annual appropriation of \$5 million pursuant to Section 13(3) of the FCAC Act to support, collaborate and coordinate its activities and efforts with stakeholders to improve and strengthen the financial literacy of Canadians. Such funding is presented as Government Funding in the *Statement of Operations* and the amount is consistent with and subject to the terms and conditions approved by the Treasury Board.

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Financial Review and Highlights - Year to Date Results

FCAC's total expenses for the six months ended September 30, 2015 were \$7,381,304, a \$605,324 or 7.58% decrease from the same period last year. This decrease is primarily due to Professional Services expenses which are \$935,695 lower than the prior fiscal year. The decrease was offset by an increase in human resource costs of \$396,199.

Professional Services for the first six months of 2014-15 fiscal year included \$1,038,800 to undertake the Canadian Financial Capability Survey, a survey which is undertaken every five years, thus it was not repeated in 2015-16.

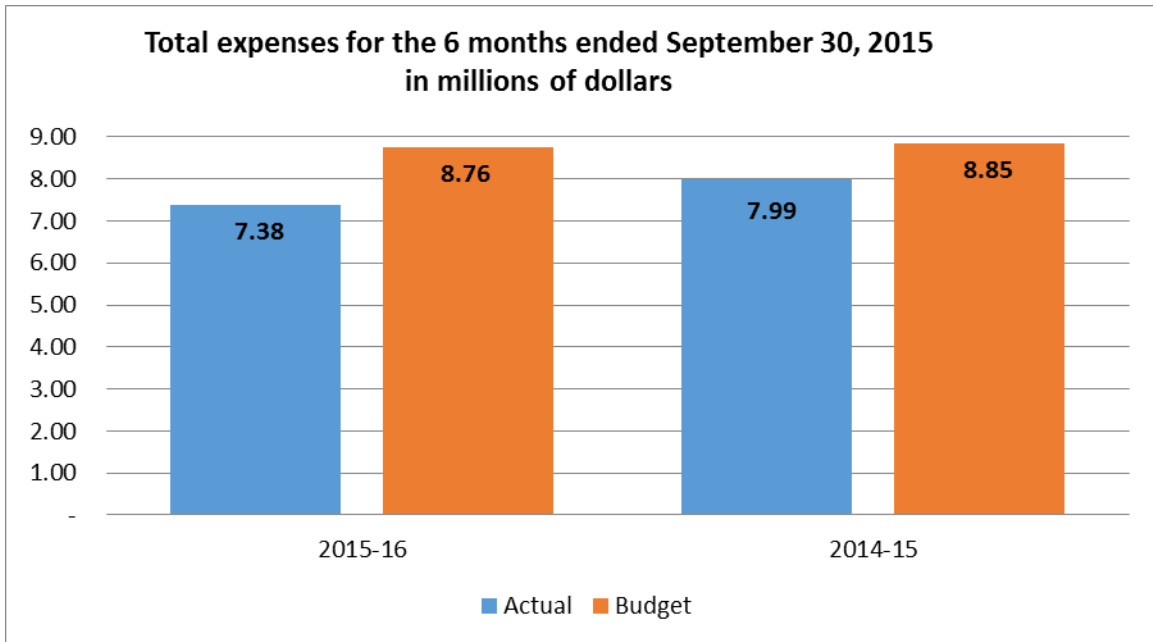
Human resource costs increased by \$396,199 or 8.34% due to the staffing of vacant and new positions, primarily in the office of the Financial Literacy Leader that were filled, for the most part, in the second half of fiscal year 2014-15. This increase also accounts for the planned growth in employees' compensation in accordance with terms and conditions of employment.

Accommodation costs decreased by \$59,220 or 13.08% compared to the same six month period in 2014-15 mainly due to a decrease in amortization as leasehold improvements are now fully amortized. The decrease is also a result of more advantageous terms of the lease, which was renewed in September 2014.

Administrative and Other expenses are \$32,601 more than they were for the same six month period last year as a result of higher conference fees incurred this year for the Financial Literacy Program.

FCAC's total expenses for the six months ended September 30, 2015 totalled \$7,381,304 or 84.24% of its budgeted expenses for the period, compared to 90.27% for the same period last year. The variance to budget as at September 30, 2015 of \$1,380,809 is primarily due to timing issues related to the staffing of vacant and new positions, and of professional services contracts.

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Financial Review and Highlights - Quarter Results

FCAC's total expenses for the three months ended September 30, 2015 were \$3,811,699, a \$190,733 or 4.77% decrease from the same period last year. This decrease is primarily due to lower Professional Services of \$322,592.

In the three months ended September 30, 2014, the FCAC incurred Professional Services of \$402,800 to undertake the Canadian Financial Capability Survey. As this survey was not repeated in 2015-16, Professional Services expense is down \$322,592 or 32.60% when compared to the prior year.

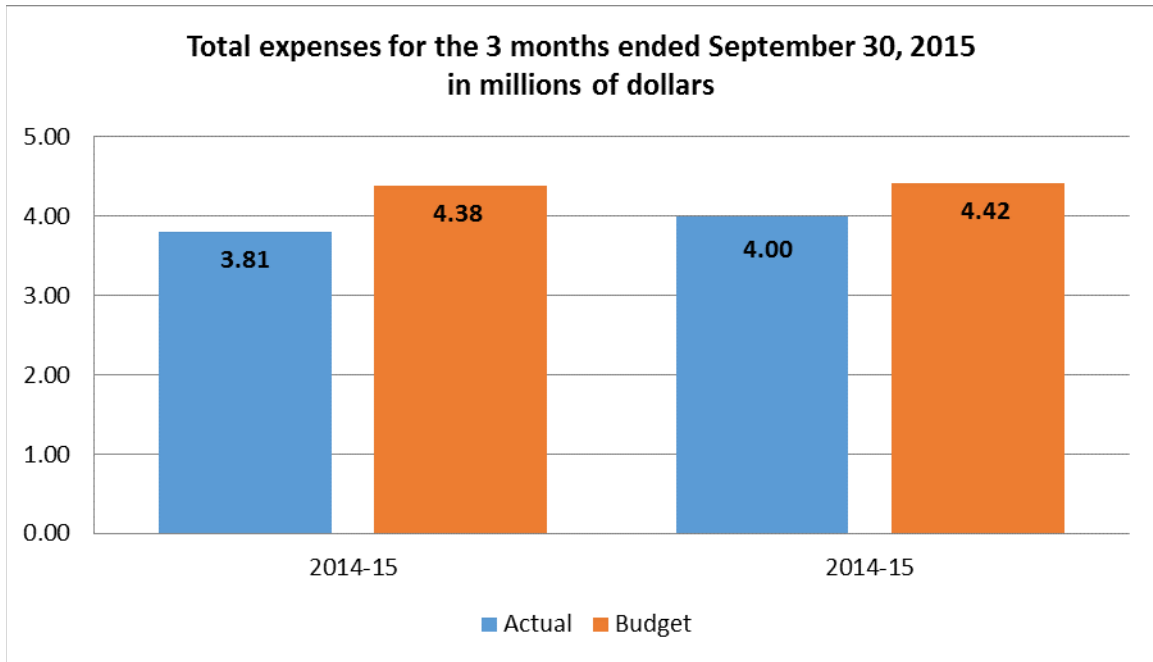
Human resource costs increased by \$173,992 or 7.10% due to the staffing of vacant and new positions, primarily in the office of the Financial Literacy Leader that were filled, for the most part, in the second half of fiscal year 2014-15. This increase also accounts for the planned growth in employees' compensation in accordance with terms and conditions of employment.

Information Technology related expenses decreased by \$77,600 or 28.28% since resources have been secured in-house for the maintenance of FCAC applications and other work instead of relying on the services of external resources.

Administrative and Other expenses increased by \$52,451 due to higher conference fees incurred this year for the Financial Literacy Program and the timing of other expenses.

FCAC's total expenses for the three months ended September 30, 2015 totalled \$3,811,699 or 87.00% of its budgeted expenses for the period, compared to 90.58% for the same period last year. The variance to budget as at September 30, 2015 of \$569,358 is primarily due to timing issues related to the staffing of vacant and new positions, and of professional services contracts.

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Government Funding

In addition to its revenues from asset-based, premium-based or transaction-based assessments on the financial entities it supervises, FCAC was granted a parliamentary appropriation of \$5 million for the fiscal year ended March 31, 2016 (2014-15 - \$5 million) to support, collaborate and coordinate its activities and efforts with stakeholders to improve and strengthen the financial literacy of Canadians. In the six months ended September 30, 2015, FCAC used \$1.71 million (2013-14 - \$2.30 million) of this appropriation.

Risks and Uncertainties

Business risks and financial statement implications

Business risks result from significant conditions, events, circumstances, actions, or inactions that could adversely affect FCAC's ability to achieve its objectives and execute its strategies. Business risk is broader than the risk of material misstatement of the financial statements. Business risks may eventually have financial consequences and, therefore, an effect on the financial statements.

Enterprise Risk Management

The environment in which FCAC operates presents an array of risks to the achievement of its mandate and objectives. While many of these challenges are consistently present, the extent to which they present a risk to FCAC's objectives varies, depending on economic and financial conditions and the financial industry environment and its impact on financial consumers. FCAC's ability to achieve its mandate depends on the timeliness and effectiveness with which it identifies, evaluates, prioritizes, and develops initiatives to address areas where its exposure is greatest.

Economic, Industry and Supervisory Environment

FCAC operates in a rapidly evolving financial marketplace, which includes increasingly complex financial products and new technologies developed to suit the needs and demands of today's consumers. In some instances, this may present challenges for regulatory regimes to keep pace with this rapid rate of change.

FCAC must continue to determine the impact of these changes, be prepared to act in due course and remain flexible. FCAC must also ensure it stays abreast of new developments and discussions domestically and internationally, and make the most of the resulting opportunities, while managing risks to ensure the continued achievement of its mandate.

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External Risks

Ability to deliver due to diversity of external influencers

In advancing key components of its financial literacy program and the national strategy for financial literacy, the FCAC relies heavily on a diverse network of partners and stakeholders from the public, private and not-for-profit sectors and seeks to develop sound, strategic and credible alliances. Each partner and stakeholder may have its own organizational interests and goals, and these may differ from those of the FCAC. The Agency will continue to develop partnership criteria for program development and maintain optimal approaches to ensure common goals are achieved.

Financial Risks

Financial risks, primarily liquidity risk and credit risk, are closely managed and continue to be rated low. Please refer to Note 14 of the financial statements for a full analysis of the financial risks to which the FCAC is exposed.

Significant Changes in Relation to Operations, Personnel and Programs

There have been no significant changes in relation to Operations, Personnel and Programs during the quarter ended September 30, 2015.

Approval by Senior Officials

Approved by,

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

Brigitte Goulard,
Deputy Commissioner
Chief Financial Officer

November 23, 2015