Financial Consumer Agency of Canada
Agence de la consommation en matière financière du Canada

2017-2018 ANNUAL REPORT

PROTECT
INFORM
COLLABORATE

Canada

2017-2018

ANNUAL REPORT

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Introduction

Commissioner's message

It is my pleasure to provide introductory comments on the activities and outcomes highlighted in the 2017–2018 Annual Report of the Financial Consumer Agency of Canada (FCAC or the Agency).

Within our current financial marketplace, technological innovation and consumer demand for faster, more convenient financial services and products abound. While innovation means progress, it can also mean new and sometimes complex risks for consumers. Keeping pace with change is not optional.

Spurred by our commitment to financial consumers, FCAC actively monitors and, with increasing frequency, takes deep dives into contexts of potential risks within the financial marketplace in Canada and internationally. This is an integral part of our approach to overseeing federally regulated financial entities–specifically, their compliance with legal and voluntary commitments to consumers. We are equally steadfast in our determination to help Canadians gain the knowledge, skills and confidence they need to make informed financial decisions.

Much of FCAC's consumer protection work is founded on evidence we uncover through our extensive industry reviews. By monitoring and evaluating trends and emerging issues, we are able to assess their real and potential impact on consumers. For example, our industry review of bank sales practices confirmed that the changing business models of retail banking are creating cultures that are anchored in sales. Banks' sales focus, combined with inadequate governance of their market conduct, increases the risk that consumers' interests are not always given the appropriate priority.

Also, in a review of the financial consumer protection measures in place in the provinces and territories, we found Canada's overall federal financial consumer protection framework to be strong, but noted areas that could be strengthened.

We will apply the insights and knowledge that we have gained over the last year to enhance our supervisory clout, inform our policy advice, contribute to this country's federal financial consumer protection framework, and expand our efforts to strengthen Canadians' financial literacy.

The year also saw the fruition of the Agency's process to select members of the Consumer Protection Advisory Committee. The new committee will lend expertise to FCAC's plans and projects in support of our supervisory mandate.

As they always have, the Agency's financial literacy initiatives, combined with those of the financial literacy network of provincial, national and international groups and individuals, are helping to strengthen Canadians' financial well-being. Canada's Financial Literacy Leader Jane Rooney effectively engaged stakeholders and coordinated their remarkable knowledge and talents to advance the National Strategy for Financial Literacy.

The goals set out in this strategy to help Canadians manage money and debt wisely, plan and save for the future, and prevent and protect against fraud and financial abuse are supported by a number of FCAC-led initiatives. These include Financial Literacy Month (FLM), the creation and management of Canada's National Research Plan for Financial Literacy, and the development of online content, tools and programs that help educate Canadians.

Throughout FLM in November 2017, FCAC and stakeholders from across Canada collaborated, hosted events and shared information and tools to strengthen the financial literacy of Canadians. Examples of these activities included a launch of FLM on Parliament Hill, the Agency's 5th National Conference on Financial Literacy, and online and social media activity – reaching more than five million people.

Spearheaded by FCAC's National Steering Committee on Financial Literacy, the National Research Plan for Financial Literacy engages our network of stakeholders to advance the collective base of evidence for financial literacy in Canada. The plan is a formidable resource that sets the direction of future research and offers real-life applications for both practitioners and researchers. As such, it is a unique blueprint for progress.

By way of activities including this report, speeches, presentations, appearances before Parliamentarians, media interviews, consumer alerts, and social media posts, we continuously build public awareness of consumer protection and engagement in the facets of our role within the federal financial services sector. It is by communicating and drawing on the knowledge, experience and reach of stakeholders that the Agency fulfills its public service commitments.

In the fifth year of my five-year mandate, I have had the privilege to lead and guide the Agency as it strives to be prepared, agile and resilient to address future challenges and opportunities. By "the Agency", I am referring, of course, to the exceptional individuals who make up the FCAC team. Though they direct their energies and talents to a range of responsibilities throughout the organization, they are united in their dedication to protect financial consumers and to help Canadians achieve and maintain financial well-being. It has been my good fortune to work with such professionals, and to lead an organization with such an invaluable social purpose.

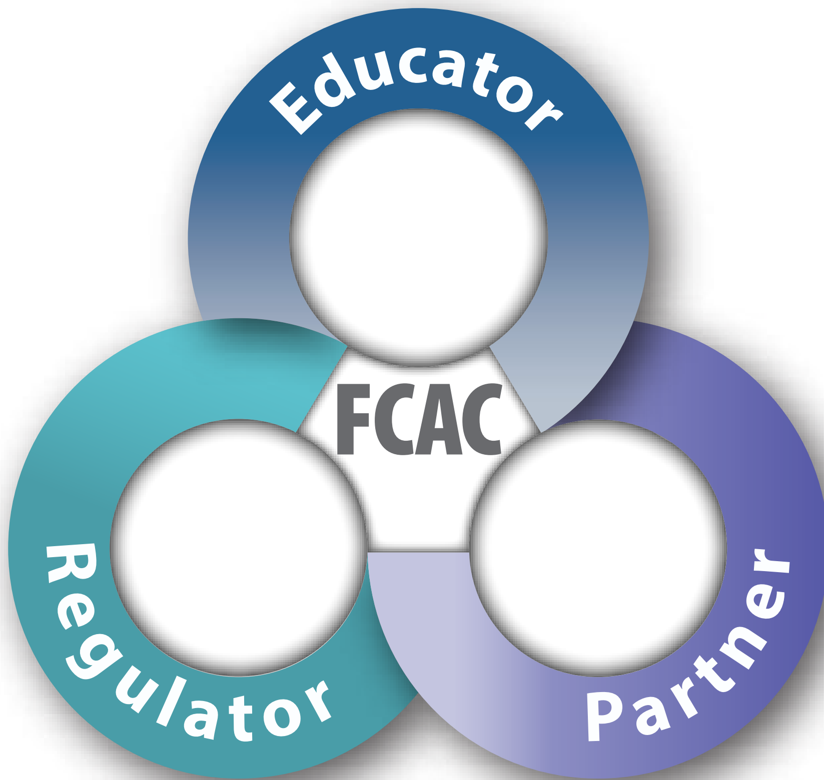
Lucie M.A. Tedesco
Commissioner

FCAC's mandate

The Financial Consumer Agency of Canada (FCAC) protects financial consumers by overseeing 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.



2017–2018 highlights

375
regulated entities

Almost
$6 million
reimbursed by financial institutions to more than 1 million consumer accounts

2,660,221
visits to FCAC content on Canada.ca

164
initiatives completed or underway by the National Steering Committee on Financial Literacy

614,409
visits to FCAC online financial tools and calculators
(↑ 15%)*

3,979
mentions in print, television, radio and online news media sites (↑ 36%)*

1,535
resources published to the Canadian Financial Literacy Database
(↑ 11%)*

15,411
social media mentions
(↑ 39%)*

10,946
calls and written correspondence answered by the Consumer Services Centre (↑ 7.6%)

13,013
Facebook followers
(↑ 57%)

16,556
Twitter followers
(↑ 9%)*

113
full-time employees at year-end (↑ 28)*

* Compared to 2016–2017

The year in review

Strategic priorities scorecard

Priority 1
Ensure that financial consumers can benefit from the federal financial consumer protection regime

Priority 2
Strengthen the knowledge, skills and confidence of financial consumers to help them make informed financial decisions

FCAC

Priority 3
Identify, assess, report and act on emerging issues of concern to financial consumers

Strategic priorities scorecard

Priority 1

Ensure that financial consumers can benefit from the federal financial consumer protection regime

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 with federal consumer provisions, voluntary codes of conduct and public commitments that protect Canadian consumers and merchants.

Goals/Projects	What the Agency delivered
Conduct an industry review of bank sales practices.	In March 2018, FCAC delivered its report: Domestic Bank Retail Sales Practices Review. The report includes two major findings: that retail banking culture is strongly anchored in sales, which may raise risks for consumers, and that the governance frameworks and controls put in place by banks to mitigate these risks are underdeveloped. For its review, FCAC examined the drivers of sales practices risk at Canada's six largest banks, as well as the governance frameworks and controls put in place by banks. See also Feature 1: Monitoring and evaluating trends and emerging issues.
Implement a new supervision framework.	As a result of FCAC's review of bank sales practices in 2017–2018, the Agency delayed the implementation of its new Supervision Framework until fiscal year 2018–19. The updated timeline will allow FCAC to fine-tune the new framework based on the knowledge acquired through the review of bank sales practices. Once fully implemented, this modernized framework will lend more rigour and transparency to FCAC's supervision work, and allow the Agency to be more proactive and predictable with its outcomes.
Undertake other initiatives to ensure that financial consumers can benefit from the federal financial consumer protection regime.	**Enforcement** One of FCAC's objectives is to supervise federally regulated financial institutions to ensure that they comply with federal consumer protection measures that apply to them. To support this objective, FCAC established a new Enforcement Division in its Supervision and Promotion Branch to bolster the rigour and independence of the Agency's investigation function and improve its ability to protect Canadians. Notices of Decision are an enforcement tool used by the Commissioner to inform regulated entities of her decisions regarding potential violations of federal consumer protection measures. During 2017–2018, FCAC published four Commissioner's Decisions which, collectively, addressed a total of nine violations and imposed administrative monetary penalties totalling $580,000: • Decision #126: Merchants were issued monthly statements that incorrectly disclosed certain transactions. As a result, merchants were provided with information that was unclear and potentially misleading. • Decision #127: The cost of borrowing amount indicated in a bank's statement of disclosure for mortgages and loans was lower than the amount that ought to have been disclosed. The Commissioner noted one violation of the regulations and accepted the administrative monetary penalty of $100,000 proposed by the Deputy Commissioner.

- Decision #128: A bank failed to disclose certain information required by the Cost of Borrowing Regulations for its mortgages and failed to obtain consent pursuant to the Electronic Documents Regulations for its credit cards. The Commissioner noted six violations and accepted the administrative monetary penalty of $400,000 proposed by the Deputy Commissioner.
- Decision #129: A bank failed to disclose to its customers and to the public certain information required by the Disclosure of Charges Regulations. The Commissioner noted two violations of the regulations and accepted the administrative monetary penalty of $75,000 proposed by the Deputy Commissioner.

Consumer Protection Advisory Committee

Commissioner Lucie Tedesco established a new Consumer Protection Advisory Committee to inform FCAC's supervision work, research initiatives and development of consumer education material. Members are leaders in promoting financial consumer protection, either nationally, provincially or regionally. They provide input on evolving financial sector issues and on consumer needs by sharing their perspectives on marketplace trends and emerging issues, concerns regarding the delivery of financial services, and how changes in the financial services sector are impacting Canadians.

Industry Sessions

Commissioner Lucie Tedesco led FCAC's fourth annual Industry Sessions in March 2018. The sessions serve as a forum for FCAC to promote compliance, communicate expectations to the industry, and discuss industry trends and emerging issues. Representatives from 80 federally regulated financial entities participated in this year's sessions; 97% of attendees rated the sessions as excellent or good, thereby exceeding the target (80%) and surpassing last year's rating by 9%. In addition, 97% of participants indicated they would recommend future sessions to colleagues.

Consumer Groups Session

FCAC held its 2018 Consumer Groups Session in March, in collaboration with the Office of Consumer Affairs and the Canadian Radio and Telecommunications Commission. The session enabled a dialogue on trends and emerging issues facing consumers of financial products and services, and allowed the Agency to share the areas of focus in which it is involved to further consumer protection. Representatives from 13 consumer and stakeholder groups participated in the session: 95% of participants rated the session as excellent or good, and 97% said they would recommend future sessions to colleagues.

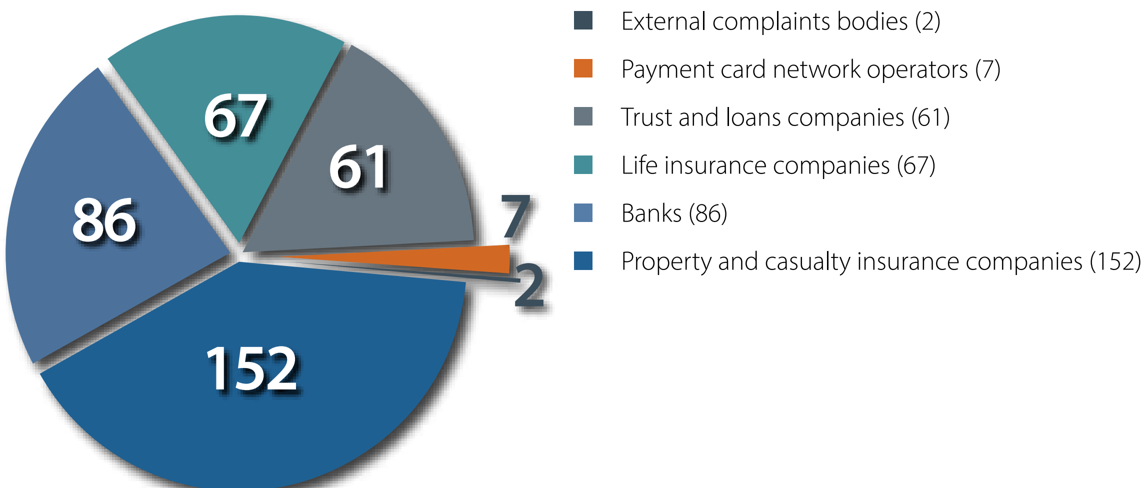
Memorandum of Understanding with IIROC

FCAC and the Investment Industry Regulatory Organization of Canada (IIROC) signed a Memorandum of Understanding (MOU) that will strengthen consumer and investor protection. Under the MOU, the two national regulators have agreed to assist each other and exchange pertinent information for the effective regulation of the entities and individuals that fall under these respective jurisdictions. The MOU also facilitates compliance with, and the enforcement of, laws, rules and requirements to which regulated entities are subjected.

Compliance Bulletins

FCAC occasionally issues Compliance Bulletins to provide FCAC's interpretation of market conduct obligations. In 2017–2018, the Agency issued B-6: Investigations of unauthorized credit and debit card transactions. Following FCAC's 2016 research report entitled Auto Finance: Market Trends, the Agency consulted publicly on a proposed bulletin setting out expectations on the compliance of banks and bank affiliates engaged in selling, or furthering the sale of, indirect auto loans under the federal consumer provisions.

375 entities regulated



Priority 2

Strengthen the knowledge, skills and confidence of financial consumers to help them make informed financial decisions

Providing consumers with the necessary information through content, resources, programs and interactive tools to help them develop financial literacy skills is an important complement to FCAC's supervision framework. As part of its financial literacy mandate, FCAC launched the National Strategy for Financial Literacy—Count Me In, Canada in 2015. Through this strategy, FCAC is helping Canadians manage money and debt wisely, plan and save for the future, and protect themselves against fraud and financial abuse. The strategy focusses on mobilizing networks, experts and organizations engaged in financial literacy. In 2017–2018, FCAC continued to coordinate efforts with stakeholders who are helping strengthen the knowledge, skills and confidence of financial consumers. In particular, they focussed on reaching Canadians in the workplace and strengthening the financial literacy of Indigenous Peoples in Canada. See also Feature 3.

Goals/Projects	What the Agency delivered
Update and promote online information and tools to help consumers budget, save and manage their debt.	**Updated online tools** FCAC offers a suite of online tools that consumers can use to create a budget, see if they qualify for a mortgage, create a plan to pay down debts and reach their savings goals. In November 2017, FCAC launched the new and improved Bank Account Comparison Tool and Credit Card Comparison Tool. The redesigned tools provide a simpler interface and streamlined results to make it easier for consumers to decide which product best meets their needs. The tools are accessible on computers and mobile devices. **Consumer alerts** FCAC issues alerts about trends and emerging issues that can potentially harm financial consumers or should be considered when making informed financial decisions. During the course of 2017–2018, FCAC published three consumer alerts: • March 2018: reminding consumers of the risks of providing banking information to third-party online services • July 2017: advising consumers to take steps now to manage a rise in interest rates • April 2017: warning consumers to be cautious when seeking help to pay off debt or repair their credit **New and updated online consumer information** FCAC publishes web content on Canada.ca to help consumers better understand financial products and services. The information is unbiased and presented in an easy-to-read format. FCAC's content was viewed more than 2.6 million times on Canada.ca. Visitor satisfaction results (80%) exceeded FCAC's target (70%).

FCAC continuously reviews its online information to ensure it is accurate, up to date, and meets the needs of consumers. To inform this review, FCAC monitors developments in the financial services marketplace, consults with stakeholders, and gathers information from Canadians. This allows FCAC to improve existing content and identify new topics. In 2017–2018, FCAC updated its content to reflect developments in the workplace, in the legislation, and to improve readability. FCAC also added information to Canada.ca on the following topics:

- Annuities
- Buy now, pay later plans
- Getting a home equity line of credit
- Getting overdraft protection
- Home insurance for unexpected events and disasters such as floods and earthquakes
- Receiving a large amount of money all at once
- When a financial institution can take money from your account

Work with the new National Steering Committee on Financial Literacy to implement initiatives to help consumers budget, save and manage their debt.

National Steering Committee on Financial Literacy (National Steering Committee)

Chaired by Canada's Financial Literacy Leader Jane Rooney, the second National Steering Committee on Financial Literacy named in February 2017 is leading initiatives and concrete actions that are improving the financial literacy of Canadians. The committee met in June, September and February and members are in constant contact throughout the year. Members committed to a total of 113 financial literacy initiatives to advance the goals of the National Strategy. At year end, members reported that a total of 164 initiatives had been completed or were underway. The committee helped the Financial Literacy Leader guide the work of the research sub-committee in the areas of workplace financial literacy and programs for Indigenous Peoples. FCAC data show that financial literacy initiatives led by the National Steering Committee had the following reach and impact:

- 25,011,432 participants in outreach/public events (conference sessions, networking events, annual meetings)
- 152,521 publications distributed/viewed
- 147,771,235 traditional and social media impressions
- 115,025 website visits
- 40,152 tax returns filed as a result of the Community Volunteer Income Tax Program clinics

Workplace financial literacy

The Financial Literacy Leader and the National Steering Committee established a Financial Literacy Working Group for the Workplace. Working Group members contributed their knowledge and expertise to the development of a best practices framework. This framework will provide employers with the best practices, tools and resources needed to implement a financial literacy program within their organizations. Among other workplace financial literacy initiatives, FCAC:

- led a workplace financial literacy pilot project using content from its Your Financial Toolkit program, reaching 290 employees at 15 workshops hosted by organizations in the public, not-for-profit and private sectors, with results showing:
  - 76% of participants felt they increased their knowledge on budgeting to reach their goals
  - 70% felt they increased their knowledge in managing their credit cards
  - 75% felt they had increased their knowledge on managing their debt
- mailed information kits to over 60,000 employers across the country
- created a webpage dedicated to workplace financial literacy linking to FCAC's resources and tools
- created a workplace poster to raise awareness of the importance of financial literacy for employees and highlight FCAC's free, online tools
- added an "employer" filter to the Canadian Financial Literacy Database to make resources and events for the workplace easier to find
- summarized best practices in offering workplace financial literacy programs based on research and practice
- contributed to the Treasury Board Secretariat of Canada (TBS) strategy on Mental Health in the Workplace through presentations on financial well-being and mental health, including at the Public Service Human Resources Council during its annual information session on Mental Health and Wellness, and to approximately 60 federal government Mental Health Champions
- contributed to the resources for employees and managers included in the TBS Centre of Expertise on Mental Health in the Workplace with a potential reach of 400,000 public servants

Indigenous Peoples

In January 2018, the Financial Literacy Leader hosted a roundtable with representatives from the National Steering Committee on Financial Literacy and Indigenous financial literacy experts to help FCAC and the National Steering Committee gain a better understanding of the financial literacy needs of Indigenous Peoples. Participants in the session agreed that a new Financial Literacy Working Group for Indigenous Peoples should be created to help FCAC and the National Steering Committee identify approaches for delivering financial literacy programs to Indigenous Peoples. FCAC also collaborated with Indigenous Services Canada (ISC) to develop a brochure with a variety of money management tips for Indigenous Peoples receiving large amounts of money. The brochure is being distributed by ISC and the Canada Revenue Agency (CRA), among other stakeholders, to recipients of payments from the federal government.

Work with federally regulated financial institutions and other stakeholders to promote and disseminate information on specific rights and responsibilities.

150 Money Tips social media campaign

FCAC launched a national campaign entitled 150 Money Tips in celebration of Canada's 150th year. Starting on June 4, 2017, FCAC published financial tips every day for 150 days on Facebook and Twitter. The goal was to empower all Canadians with the knowledge, skills and confidence they need to manage their finances and achieve their financial goals. Approximately 1,400 financial literacy stakeholders were encouraged to share or retweet the tips. FCAC data showed:

- 406,530 views (impressions) on Twitter
- 867,547 views on Facebook
- total views were 18% higher than for the same period in 2016–17

Financial Literacy Month

During the seventh annual Financial Literacy Month in November 2017, FCAC financial literacy stakeholders from private, public and non-profit sectors across the country collaborated to strengthen the financial literacy of Canadians and support the goals of the National Strategy for Financial Literacy. Visits to campaign pages It-pays-to-know and to the Canadian Financial Literacy Database (CFLD) during November exceeded targets. Facebook reach and Twitter impressions also exceeded targets. See also Feature 5: Financial Literacy Month 2017 by the numbers.

Web page visits	Target	Actual
It-pays-to-know	1,550 visits	26,327
CFLD - Database	1,072	2,118
Social media	**Target**	**Actual**
Facebook reach	150,000	346,461
Twitter impressions	325,000	543,207
Traditional media	**Target**	**Actual**
Mentions	225	118
Impressions	5,724,722	5,373,906

National advertising campaign: Take charge of your finances

In November 2017, FCAC launched a national advertising campaign to raise awareness of the importance of debt management through a series of ads that focused on Home Equity Lines of Credit (HELOCs) and long-term car loans. The campaign targeted Canadians with high debt, seniors with low incomes, and homeowners with or considering a HELOC. The target was to increase monthly visits to four different FCAC web pages on Canada.ca by 25% (to between 1,500 and 2,500 visits per month). FCAC exceeded the target. The increases in average monthly visits were:

- 321% for It-pays-to-know
- 228% for Borrowing against home equity
- 354% for Risks associated with long-term car loans
- 182% for Financial Goal Calculator

Social media campaign: TipClips

To highlight the rights and responsibilities of financial consumers, FCAC ran a national campaign promoting six of its TipClip videos. FCAC worked with 16 financial institutions which shared and retweeted FCAC's content through their own social media and other digital channels. The campaign achieved more than 744,000 impressions.

Undertake other initiatives to strengthen the knowledge, skills and confidence of financial consumers to help them make informed financial decisions.

Stakeholder networks

FCAC maintains collaboration with the financial literacy networks across Canada through quarterly conference calls. During the fiscal year, the number of networks rose to 14 with the addition of a youth network launched in February 2018. By connecting with the networks, FCAC strengthened collaboration and coordination of its efforts with more than 530 organizations represented by those 14 networks. This allowed the organization to gather information from the regions and to share strategies and priorities. FCAC also organized the first meeting ever to put the financial literacy networks in contact with one another to share information, best practices, and find solutions to common challenges. The meeting was hosted by the Financial Literacy Leader and all of the networks were represented. The feedback was very positive, with 100% of participants saying the meeting was very good or excellent.

Federal partners

The Financial Literacy Leader chairs the federal Interdepartmental Committee on Financial Literacy, which includes representatives from 27 federal government departments and agencies with an interest in financial literacy. The committee met in September 2017 and in March 2018 as part of its ongoing work to strengthen collaboration between federal departments and allow better coordination of efforts. As an example, FCAC and CRA worked together to develop an educational brochure to be distributed to low-income Canadians through the Community Volunteer Income Tax Program (CVITP). CRA ordered 15,500 brochures to distribute to CVITP participants.

National Conference on Financial Literacy

FCAC hosted the fifth National Conference on Financial Literacy in Montreal in November 2017. Under the theme Reporting on Progress, Building the Future, the conference brought together approximately 320 individuals from more than 170 private, public and not-for-profit organizations and stakeholders working in the field of financial literacy. In a follow-up survey, conference delegates said the event offered quality information and was of high value.

- 89% rated the conference as very good or excellent
- 90% rated the speakers as very good or excellent
- 74% said they improved their knowledge of financial literacy best practices as a result of attending the event

Research

In February 2018, the National Steering Committee on Financial Literacy received a progress report on Canada's National Research Plan for Financial Literacy 2016–2018 from its research sub-committee. The National Research Plan identifies research in four key areas that support FCAC's National Strategy for Financial Literacy:

- budgeting
- paying down household debt
- building savings
- the increasing complexity and availability of financial products and services

The purpose of the progress report was to share important findings with financial literacy practitioners and researchers in order to help advance collective efforts to improve the financial well-being of Canadians. Progress report highlights include:

- research findings about the importance of financial confidence as a complement to financial knowledge
- ways of applying insights from behavioural economics to enhance financial literacy interventions
- efforts to develop culturally-relevant financial literacy resources for Indigenous Peoples

See also Feature 4: Progress Report on Canada's National Research Plan for Financial Literacy 2016-2018.

Included in the progress report was an update on FCAC initiatives to help people budget. FCAC continued its pilot project to examine the impact of its financial education materials on knowledge, confidence and behaviours related to budgeting, through an interactive mobile app that offered rewards for consumers participating in financial education. The pilot that began in British Columbia and Newfoundland and Labrador, using the Carrot Rewards app, expanded to Ontario in September 2017 and the results continued to be overwhelmingly positive. Individuals who did not have a budget and who progressed through the three-week pilot program demonstrated measurable improvements across all three tracked metrics (confidence, knowledge and behaviour). FCAC reached over 150,000 Canadians and the results far exceeded the targeted 5% increase for confidence and budgeting. For the Ontario pilot, 23% of non-budgeters began budgeting and 17% showed increased confidence.

FCAC collaborated with BestLifeRewarded Innovations and the Economic Club of Canada to launch the first rewards-based, national Money Fit Challenge in November 2017. The challenge aims to help Canadians learn more about money matters and to take important small steps to improve their own personal financial well-being. The platform content was supplied by FCAC and many of its modules linked directly to FCAC's resources. Over 34 organizations and nearly 700 employees engaged in the pilot program. The first phase included a profile of users, which provided important data for FCAC and proved the Money Fit Challenge as a successful model to reach Canadians. The initial results indicated 46% of users felt they have too much debt and 40% of users did not have an emergency fund. As well, 31% of users said they keep their budget in their head; in the pilot, the budget models proved the most popular among users. The next phase will include an assessment to determine the impact of the Money Fit Challenge on strengthening financial literacy.

Measurement of stakeholder engagement

FCAC conducted public opinion research to establish quantitative evidence about financial literacy stakeholder perceptions of FCAC's efforts to strengthen collaboration and coordination. Overall, the survey results were very positive with 87% of stakeholders saying FCAC was a trusted collaborator and 78% saying the Agency was a valued collaborator. As well, 69% of stakeholders said that FCAC's efforts to strengthen collaboration and coordination are either excellent or very good. And 84% of respondents gave an excellent or very good rating to FCAC's collaboration and coordination efforts, specifically around committees and working groups. Stakeholder feedback will help FCAC increase its collaboration and coordination efforts and improve on some of the collaboration initiatives already in place. An action plan is in development and will be implemented beginning in fall 2018.

Priority 3

Identify, assess, report and act on emerging issues of concern to financial consumers

In today's rapidly changing and increasingly complex financial marketplace, Canadians require information to understand new and existing financial products and services. To protect consumers and merchants, FCAC continued to identify and assess market trends and related risks to enhance its role as a regulator, as well as to better target its consumer education information.

Goals/Projects	What the Agency delivered
Report to the Minister of Finance on best practices in financial consumer protection, following consultations with provincial and territorial regulators and other key stakeholders.	FCAC published a Report on Best Practices in Financial Consumer Protection, which found Canada's federal financial consumer protection framework to be strong, while also noting areas where it could be strengthened. These include addressing certain business practices, providing FCAC with additional supervisory and enforcement tools, and introducing targeted measures to empower and protect consumers. FCAC reached these conclusions after engaging with provincial and territorial regulators and other key stakeholders to identify best practices in financial consumer protection in place across the country. The scope of FCAC's review focused on consumer protection measures that apply to financial products and services, such as credit products and deposit products. In parallel, FCAC assessed international best practices and the current federal framework. The report's findings will help inform potential policy measures to strengthen the federal financial consumer protection framework and improve protection for bank customers, as proposed in Budget 2018.
Continue participating in Canadian and international consumer protection and financial literacy fora to monitor international developments and issues, and to expand its network of policy makers, regulatory bodies and financial education experts.	**FinCoNet** With FCAC Commissioner Lucie Tedesco as Chair of FinCoNet, (the International Financial Consumer Protection Organisation), FCAC contributed to advancing international cooperation, benchmarking and research into best practices in financial consumer protection. For example, FCAC staff contributed to FinCoNet's international seminars on financial innovation and consumer protection, held during its April and November 2017 meetings. FCAC also contributed to FinCoNet's November 2017 Report on the Digitalisation of Short-term, High-Cost Consumer Credit and three articles for the FinCoNet newsletter. **G20/OECD Task Force on Financial Consumer Protection** FCAC's Deputy Commissioner Brigitte Goulard serves on the G20–OECD Task Force on Financial Consumer Protection whose members represent government agencies, including finance ministries and supervisory authorities. One of the task force's key work streams, to which the Agency is contributing, is the development of a framework and dashboard that can help identify, assess and mitigate consumer protection risks.

OECD/INFE

Financial Literacy Leader Jane Rooney represents Canada on the OECD's International Network on Financial Education (INFE) and is a member of the INFE Advisory Board. The Leader and FCAC staff participated in meetings and contributed to the work on several INFE initiatives. These included:

- finalizing core competencies for micro, small and medium enterprises as part of FCAC's role as co-chair of a working group on core competencies on financial literacy
- contributing to the Policy Guidance Note on Digitalisation and Financial Literacy, focussing on the risk of exclusion due to digitalization
- streamlining existing standards and guidance notes to provide a one-stop shop for referencing key international standards on financial literacy
- presenting at a research symposium on effective financial education for sustainable and inclusive growth organized by the OECD and the Global Financial Literacy Excellence Centre

Jérémie Ryan, FCAC's Director of Financial Literacy and Stakeholder Engagement, presented the Agency's strategy for workplace financial literacy at the RBI-OECD High Level Global Symposium on Financial Education in India in November 2017.

Published in May 2017, the financial literacy results of the OECD's Programme for International Student Assessment (PISA), a triennial, worldwide survey measuring competencies among 15-year-olds, indicated that Canadian youth are tied for second place among the world's top-performing students in financial literacy. FCAC funded the financial literacy assessment, which The Council of Ministers of Education of Canada administered in schools in the seven provinces that opted to participate.

Develop and implement a business intelligence strategy for data storage, management and sharing to increase its research capacity and assist in monitoring and assessing emerging market trends.	FCAC established a steering committee to oversee the development of a business intelligence strategy. Implementation was delayed until fiscal 2018-2019 as a result of resource requirements to support FCAC's review of bank sales practices.

Undertake other initiatives to identify, assess, report and act on emerging issues of concern to financial consumers.

In June 2017, FCAC published Home Equity Lines of Credit: Market Trends and Consumer Issues following an industry review. FCAC found that home equity lines of credit (HELOCs) may put some Canadians at risk of over-borrowing. FCAC reviewed HELOCs to better understand the consumer issues, potential macroeconomic risks, market trends and lenders' business practices. See also See Feature 1: Monitoring and evaluating trends and emerging issues.

Feature 1

Monitoring and evaluating trends and emerging issues

Part of FCAC's mandate is to monitor and evaluate trends and emerging issues that may have an impact on consumers of financial products and services. Industry reviews are one way the Agency gathers information from multiple regulated entities or stakeholders. Industry reviews serve to:

- assess current or emerging issues on a specific topic or theme
- identify and examine industry practices or trends
- verify levels of compliance with market conduct obligations
- collect information for policy discussions

FCAC conducted two industry reviews in 2017–2018, resulting in the following reports:

Home Equity Lines of Credit: Market Trends and Consumer Issues

FCAC conducted an industry review on HELOCs to better understand how banks offer them to consumers and the risks consumers face when borrowing against their home equity.

FCAC found that lenders increasingly combine term mortgages with HELOCs and other credit products under readvanceable mortgages. While HELOCs can provide a convenient source of less expensive credit, readvanceable mortgages are complex and many consumers do not understand how they work or the applicable fees. The product's characteristics may increase consumers' vulnerability to overborrowing, debt persistence and wealth erosion. The report proposed improvements to product disclosure to help consumers make informed decisions.

FCAC also published information on Canada.ca to help consumers navigate the complexities of financing a home purchase with a readvanceable mortgage or using a HELOC to unlock home equity.

Domestic Bank Retail Sales Practices Review

FCAC reviewed the domestic retail sales practices of Canada's six largest banks, focussing on distribution channels where there is interaction between consumers and bank employees, whether in person or over the phone.

FCAC found that retail banking culture encourages employees to sell products and services, and rewards their sales success. This sharp focus on sales can increase the risk that consumers' interests are not always given the appropriate priority. The controls banks have put in place to monitor, identify and mitigate the risk of mis-selling and breaches to market conduct obligations are insufficient.

The report highlights measures FCAC expects banks to take to reduce these risks, and measures FCAC will take to increase supervision and consumer education related to the risks identified in the report.

Feature 2

Analyzing and investigating consumer complaints

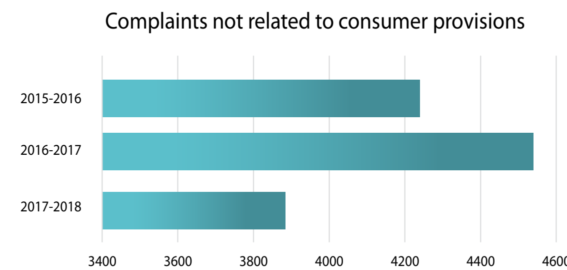
Consumer complaints play an important role in monitoring the market conduct of federally regulated financial institutions and gathering information on trends and emerging issues. The total number of complaints received by FCAC varies significantly each year. FCAC determines the nature of all complaints 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 protection measures in federal laws and regulations, voluntary codes of conduct and public commitments designed to protect the interests of consumers and merchants. If the preliminary investigation points to a potential violation, FCAC proceeds with an investigation and enforcement action as described in the Compliance Framework.

Consumer complaints not related to consumer protection measures in 2017–2018

FCAC received 3,884 complaints not related to compliance with the consumer protection measures. Among these complaints, top categories were:

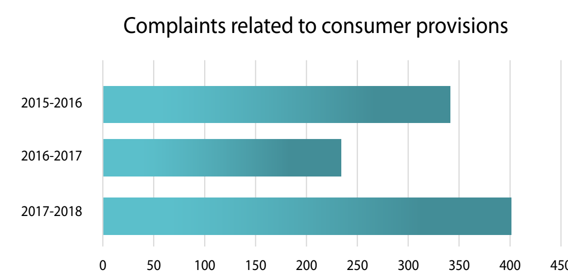
- deposit accounts
- credit cards
- investments



Consumer complaints related to consumer protection measures in 2017–2018

FCAC received 401 complaints related to compliance with the consumer protection measures. Among these complaints, the top categories were:

- complaint-handling procedures
- credit card fraud
- unsolicited credit cards



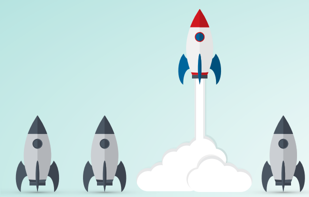
Feature 3

Implementation of National Strategy/ National Steering Committee initiatives

FCAC's ACTIVITIES SUPPORTING THE NATIONAL STRATEGY

Helping Canadians better manage money and debt, plan and save for the future and protect themselves from fraud and financial abuse

32 INITIATIVES FOR FISCAL YEAR 2017-2018



INITIATIVES

- Online educational programs, tools and materials
- Mobile app interventions
- Workshop materials and sessions
- Educational videos
- Public awareness campaigns
- Social media
- Outreach / Public events
- Stakeholder engagement activities
- Research

AUDIENCES

- Adults
- Indigenous Peoples
- Low Income
- Seniors
- Youth
- General public

RESULTS

number of Canadians reached:

3,606,782 web visits

8,115,479 video views

41,266,387 through social media

2,522 through kiosks/workshops

150,000 mobile app users

NATIONAL STEERING COMMITTEE ON FINANCIAL LITERACY

ACHIEVEMENTS 2017-2018

Advancing the National Strategy for Financial Literacy – Count me in, Canada and its goals: Manage money and debt wisely; Plan and save for the future; Prevent and protect against fraud and financial abuse

15 organizations have submitted a plan

164 individual initiatives

DELIVERY METHODS

- Coaching / Support to public
- Collaboration
- Learning environment
- Products / programs
- Promotion / Marketing / Media
- Research
- School curriculum
- Web / Social Media

AUDIENCES

- Adults
- Entrepreneurs
- General Public
- Indigenous Peoples
- Low income
- Newcomers
- People with disabilities
- Seniors
- Women
- Youth

REACH AND IMPACT (APPROXIMATE)

25,011,432 participants in outreach / public events (conference sessions, networking events)

147,771,315 traditional and social media impressions

152,521 publications distributed / viewed

117,498 website visits

Feature 4

Progress Report on Canada's National Research Plan for Financial Literacy 2016–2018

The inaugural Research Sub-Committee on Financial Literacy presented Financial Literacy Leader Jane Rooney and the National Steering Committee with a Progress Report on Canada's National Research Plan for Financial Literacy 2016–2018 at the conclusion of its two-year term in February 2018. The Research Sub-Committee on Financial Literacy advises the Leader and National Steering Committee on research-related matters and collaborates with the research community to coordinate initiatives, focus and leverage efforts, and avoid duplication.

The report advances the collective base of evidence for financial literacy in Canada and will help set the direction of future research. It also details the concrete applications these findings can have for both practitioners and researchers as they develop new financial literacy interventions. The report includes research findings about the importance of financial confidence as a complement to financial knowledge, ways of applying insights from behavioural economics to enhance financial literacy interventions, and efforts to develop culturally-relevant financial literacy resources for Indigenous Peoples.

Key findings

- Canada ranks third globally on financial knowledge, attitudes and behaviour; 85% of Canadians rate their financial knowledge as average or above. However, only 61% are able to answer five of seven (70%) of financial knowledge questions correctly
- Money is the main source of stress for many Canadians. More than half of Canadian adults are interested in accessing financial education through their workplace. The most highly sought programs are those that teach about how to plan and how to save
- Indigenous Peoples face unique barriers to their financial well-being. These barriers need to be addressed in the design, delivery and measurement of financial literacy interventions
- Financial knowledge on its own is not enough to lead to financially desirable behaviours. Financial confidence is a key complementary factor that contributes to financial behaviours and financial well-being
- It is important for students to learn to manage money early in life. For example, students who have bank accounts and students who discuss money matters with their parents once or twice a week score better on a financial literacy assessment compared to their peers who do not
- Targeted financial literacy interventions delivered through a mobile application increase knowledge and confidence related to budgeting among non-budgeters. These interventions also enable non-budgeters to begin budgeting

Feature 5

Financial Literacy Month 2017

During the seventh annual Financial Literacy Month (FLM) in November 2017, FCAC and its partners raised awareness about financial literacy, sparked a national conversation and drew attention to the many resources, events and initiatives available to help Canadians strengthen their financial knowledge, skills and confidence. Thanks to these efforts, there is growing recognition that financial literacy is an essential life skill.

Highlights

5.4 million
Total impressions reached by FLM print, radio and television mentions

808
Events and resources from 43 organizations across the country entered in the Canadian Financial Literacy Database

578,355
Impressions earned by FCAC's Facebook page

364,461
Facebook users reached by FCAC's FLM posts, an increase of 128% from 2016

543,207
Impressions earned by FCAC's Twitter account, an increase of 142% from 2016

Over
35,000
web visits to FLM - related web pages

The numbers

Program alignment architecture

In 2017–2018, FCAC's programs and sub-programs were organized according to the following framework:

GOVERNMENT OF CANADA

A fair and secure marketplace

FINANCIAL CONSUMER AGENCY OF CANADA

Strategic Outcome:
The rights of financial consumers are protected and Canadians' financial literacy is strengthened.

- **Program 1:** Supervision and Promotion
- **Program 2:** Financial Literacy
- Internal Services

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 emerging issues affecting financial consumers, contributing to policy discussions and promoting consumers' rights and responsibilities.

2017–2018 Financial resources ($ millions)		2017–2018 Human resources (full-time equivalents [FTEs])	
Planned spending	Actual spending	Planned	Actual
7.39	5.74	32.5	32.8

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	Compliance action plans and compliance agreements are implemented by FRFEs per agreed timelines	90% of compliance action plans and compliance agreements	100%	
	Investigations of potential non-compliance with the consumer provisions are all (100%) completed within the legislated two-year time frame	100% of cases	100%	• 97% of cases triaged within five business days • 95% of issues raised with FRFE within 30 business days • No letters were sent during this period
	FCAC service standards are met	Per service standards[1]	100%	

[1] Compliance service standards: 95% of compliance cases are triaged within five business days; 95% 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% of the time.

Performance highlights: Supervision and Promotion

In 2017–2018, FCAC:

- published reports on industry reviews of HELOCs and domestic bank retail sales practices
- published a report on best practices in financial consumer protection following a review of provincial, territorial and international practices
- established a new Consumer Protection Advisory Committee to inform FCAC's supervision, research and consumer education work
- published four Commissioner's Decisions which, collectively, addressed a total of nine violations and imposed administrative monetary penalties totalling $580,000
- met or exceeded performance targets

Program 2
Financial Literacy

The Financial Literacy Program seeks to strengthen the knowledge, skills and confidence of Canadians to enhance their ability to make responsible financial decisions. FCAC will lead 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 initiatives that guide Canadians' financial decisions. Specific efforts will focus on encouraging Canadians to budget, build savings, pay down debt, and choose financial products and services wisely.

2017–2018 Financial resources ($ millions)		2017–2018 Human resources (FTEs)	
Planned spending	Actual spending	Planned	Actual
9.63	9.62	45.8	43.7

Expected results	Performance indicators	Targets/deliverables	Performance status	Performance summary
Canadians are satisfied with FCAC's content on Canada.ca	Percentage of users who find FCAC's content easy to understand	70% (3.5/5)	80% (expressed on an average basis) 77% (expressed on a percentage basis)	Based on an opt-in survey for FCAC's web content conducted on Canada.ca
	Percentage of users who find FCAC's content valuable	70% (3.5/5)	79% (expressed on an average basis) 77% (expressed on a percentage basis)	Based on an opt-in survey for FCAC's web content conducted on Canada.ca
Coordination and collaboration with stakeholders are strengthened	Collaboration and coordination are strengthened with stakeholders using established mechanisms and initiatives	Stakeholders confirm, through surveys, that collaboration and coordination have been strengthened because of FCAC's efforts	69% of stakeholders say that FCAC efforts to strengthen collaboration and coordination are excellent or very good; 87% of stakeholders say FCAC is a trusted collaborator	Stakeholders provided feedback that will help FCAC increase collaboration or coordination of efforts, or improve on some of the collaboration initiatives already in place

Canadians are taking necessary steps towards improving their financial well-being	Percentage of non-budgeters from test group who now have a budget	Increase of 5% in the number of non-budgeters from test group who now have a budget	FCAC reached 250,000 people in Ontario in the latest test groups; 23% of the latest test group began budgeting, which exceeded the targets
	Percentage of consumers from test group who are confident in their ability to make and follow a budget	Increase of 5% in the number of consumers from test group who are confident in their ability to make and follow a budget	17% increased their confidence

Performance highlights: Financial Literacy

In 2017–2018, FCAC:

- implemented, monitored and reported on initiatives related to the National Strategy for Financial Literacy—Count me in, Canada; this included working with the new National Steering Committee on Financial Literacy to help consumers budget, save and manage their debt, a roundtable to better understand the financial literacy needs of Indigenous Peoples, and a Financial Literacy Working Group for the Workplace
- modernized and promoted new and existing resources to help consumers choose financial products and services that best suit their needs; this included the launch of the redesigned Bank Account Comparison Tool and Credit Card Comparison Tool
- conducted research related to trends and emerging issues that may affect financial consumers; this included the expansion of a pilot program using the Carrot Rewards app to examine the impact of FCAC's financial education material on knowledge, confidence and behaviours linked to budgeting
- hosted the fifth National Conference on Financial Literacy
- met or exceeded all performance targets

Internal Services

FCAC's Internal Services program is responsible for supporting programs and ensuring the Agency meets its corporate obligations. Internal Services include 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 allocated to the Agency's two programs (Supervision and Promotion, and Financial Literacy).

2017–2018 Financial resources ($ millions)	
Planned spending	Actual spending
5.96	6.05

2017–2018 Human resources (FTEs)	
Planned	Actual
25.7	28.5

Implementation strategy element or best practice	Target	Results
Policy on Results		
FCAC aligned its corporate planning exercise, including its performance measurement framework, with the requirements of the TBS Policy on Results. This included performance Information Profiles, a Departmental Results Framework package, and a new process for Reporting on Results.	100%	met
People Management Framework		
FCAC committed to creating a healthy organizational climate, consistent with its people management framework and Government-wide priorities. Among other initiatives this year, FCAC developed and began implementing a Mental Health Strategy and appointed a Mental Health Champion for the Agency.	100%	met

Financials

2017–2018 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 against the financial entities it supervises.[1]

In addition to 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 2017–18, expenses in the amount of $5,000,000 were funded through the annual statutory expenditure. The balance was funded by assessments against the financial entities FCAC supervises.

FCAC's total expenses for fiscal year 2017–18 were $21,415,679 — an increase of $3,869,315 (22.1%) compared to the previous fiscal year. This variance is mainly due to an increase in human resources and professional services expenses.

FCAC's total expenses of $21,415,679 represent 93.2% of FCAC's budget for fiscal year 2017–18. The variance of $1,562,962 is primarily due to lower-than-expected professional services expenses.

Human resources are FCAC's largest expense and they increased by $1,960,929 (16.0%), mainly due to the creation of a new Enforcement Division and the addition of personnel to enhance the Agency's ability to monitor trends and emerging issues. The Agency also added new positions in Corporate Services to create an in-house capacity for human resources and finance functions, allowing the Agency to operate more efficiently and reduce costs. Economic and merit increases in salaries, a higher level of casual and term employees, and an increase in overtime and accrued vacation leave also contributed to the increase in human resources expenses.

Expenses for professional services increased by $974,537 (34.4%.) This increase was primarily due to costs associated with the Financial Literacy Conference and the Programme for International Student Assessment (PISA), and to higher advertising costs incurred to inform Canadians about the risks associated with home equity lines of credit and long-term car loans. Expenses for consulting services for the industry review of bank sales practices did not materialize because the planned work was completed by FCAC resources resulting in an underspending of $2,000,000 compared to the budget.

Administrative and other expenses increased by $385,291 (120.2%) due to requirements to accommodate and train FCAC's growing workforce, and costs associated with the annual Financial Literacy Conference.

Accommodation expenses increased by $233,641 (30.4%), mainly due to the acquisition of additional space required for the growth in human resources.

Travel expenses increased by $209,708 (69.8%) due to costs related to the industry review of bank sales practices and the Financial Literacy Conference.

All other expenses remained stable as a result of ongoing efforts to manage financial resources in a prudent and responsible manner.

1 These assessments place the burden of paying for financial sector regulation onto the financial industry directly, rather than the taxpayer indirectly. Every assessment is final, conclusive and binding on the federally regulated financial entity against which it is made.

March 31, 2018

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, 2018, 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 Government's accounting policies, which are based on Canadian public sector accounting 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 is subject to periodic Core Control Audits performed by the Office of the Comptroller General and uses the results of such audits to adhere to the Treasury Board Policy on Internal Control.

A Core Control Audit was performed in 2017-18 by the Office of the Comptroller General. The Audit Report and related Management Action Plan are posted on the Agency's website.

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
June 25, 2018

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Independent Auditor's Report

To the Financial Consumer Agency of Canada and 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, 2018, March 31, 2017 and April 1, 2016, and the statements of operations, changes in net debt and cash flow for the years ended March 31, 2018 and March 31, 2017, 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 Canadian public sector accounting standards, 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 audits. We conducted our audits 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 in our audits 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, 2018, March 31, 2017 and April 1, 2016, and the results of its operations, changes in its net debt, and its cash flows for the years ended March 31, 2018 and March 31, 2017 in accordance with Canadian public sector accounting standards.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants

June 25, 2018

Statement of Financial Position

As at March 31, 2018

	Note(s)	March 31, 2018	March 31, 2017 (Note 3)	April 1, 2016 (Note 3)
Financial Assets				
Cash entitlement		$ 5,845,525	$ 2,424,522	$ 2,325,320
Trade receivables, net	4	366,120	193,863	88,551
Accrued assessments	4	-	371,748	-
Other receivables	4	78,395	101,164	16,663
Total financial assets		6,290,040	3,091,297	2,430,534
Financial Liabilities				
Trade and other payables	5,11	$ 5,403,454	$ 3,426,512	$ 2,634,573
Unearned assessments	11	1,484,844	-	445,055
Employee benefits - sick leave	7	466,793	410,782	370,363
Employee benefits - severance	7	224,586	202,743	185,503
Total financial liabilities		7,579,677	4,040,037	3,635,494
Net Debt		**(1,289,637)**	**(948,740)**	**(1,204,960)**
Non-financial assets				
Tangible capital assets	6	1,200,939	1,004,162	1,100,950
Prepaid expenses		88,698	2,050	90,041
Total non-financial assets		**1,289,637**	**1,006,212**	**1,190,991**
Accumulated surplus (deficit)		**$ -**	**$ 57,472**	**$ (13,969)**

The accompanying notes form 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, 2018

	Note(s)	Budget 2017-18	March 31, 2018	March 31, 2017 (Note 3)
REVENUE				
Assessments		$ 17,978,641	$ 16,352,989	$ 13,635,005
Other revenue		-	5,218	4,821
Total revenue		**17,978,641**	**16,358,207**	**13,639,826**
EXPENSES				
Salaries and benefits	10	14,069,164	14,208,732	12,247,803
Professional services		5,475,176	3,811,433	2,836,896
Accommodation		957,710	1,002,966	769,325
Information management/technology		738,342	735,121	669,843
Administrative and other		738,472	705,751	320,460
Travel		416,182	510,275	300,567
Amortization		545,022	398,234	377,017
Interest	11	38,573	43,167	24,453
Total expenses		**22,978,641**	**21,415,679**	**17,546,364**
Net results from operations before government funding and administrative monetary penalties		**(5,000,000)**	**(5,057,472)**	**(3,906,538)**
Government funding	5	5,000,000	5,000,000	3,977,979
Net results from operations before administrative monetary penalties		**-**	**(57,472)**	**71,441**
Administrative monetary penalties	8	-	580,000	460,000
Administrative monetary penalties earned on behalf of the government	8	-	(580,000)	(460,000)
Surplus (deficit) from operations		**$ -**	**$ (57,472)**	**$ 71,441**

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Net Debt

For the year ended March 31, 2018

	Note(s)	Budget 2017-18	March 31, 2018	March 31, 2017 (Note 3)
Surplus (deficit) from operations		**$ -**	**$ (57,472)**	**$ 71,441**
Tangible capital assets				
Acquisition of tangible capital assets	6	(243,525)	(679,540)	(280,229)
Amortization of tangible capital assets	6	545,022	398,234	377,017
Write-off of tangible capital assets	6	-	84,529	-
		301,497	(196,777)	96,788
Non-financial assets				
Change in prepaid expenses			(86,648)	87,991
Decrease (increase) in Net Debt		301,497	(340,897)	256,220
Net Debt, beginning of the period		(948,740)	(948,740)	(1,204,960)
Net Debt, end of the period		**$ (647,243)**	**$ (1,289,637)**	**$ (948,740)**

The accompanying notes form an integral part of these financial statements.

Statement of Cash Flow

For the year ended March 31, 2018

	Note(s)	March 31, 2018	March 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from financial entities and other government departments		$ 24,772,716	$ 17,961,725
Cash paid to suppliers and employees		(20,049,006)	(17,097,841)
Interest paid	11	(43,167)	(24,453)
Non-respendable administrative monetary penalties remitted to the consolidated revenue fund	8	(580,000)	(460,000)
Net cash provided by operating activities		**4,100,543**	**379,431**
CASH FLOWS FROM CAPITAL ACTIVITIES			
Acquisition of tangible capital assets	6	(679,540)	(280,229)
Net cash used in capital activities		**(679,540)**	**(280,229)**
CASH FLOWS FROM FINANCING ACTIVITIES			
New borrowings	11	11,000,000	9,000,000
Repayments		(11,000,000)	(9,000,000)
Net cash provided by financing activities		-	-
NET INCREASE IN CASH ENTITLEMENT		**3,421,003**	**99,202**
CASH ENTITLEMENT, BEGINNING OF THE YEAR		**2,424,522**	**2,325,320**
CASH ENTITLEMENT, END OF YEAR		**$ 5,845,525**	**$ 2,424,522**

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended March 31, 2018
(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). FCAC was established to supervise federally regulated financial entities and strengthen the financial literacy of Canadians. This mandate contributes to the protection of financial consumers. The Agency is a department of the Government of Canada listed in Schedule I.1 of the **Financial Administration Act** and reports to Parliament through the Minister of Finance.

The Agency is to deliver on the following objects set out in sections 3(2) and (3) of the 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;

(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;

1. Authority and objectives (continued)

(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 primarily funded through this process. However, FCAC also receives a statutory expenditure as authorized under section 13(3) of the Act.

FCAC's assessment revenues are calculated and 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 under section 13(1) of the Act.

2. Summary of significant accounting policies

The financial statements of FCAC have been prepared in accordance with Public Sector Accounting Standards (PSAS) as issued by the Canadian Public Sector Accounting Board (PSAB). The accounting policies used in the financial statements are based on the PSAS applicable as at March 31, 2018.

2. Summary of significant accounting policies (continued)

The significant accounting policies of FCAC are set out below and are consistently applied to all periods presented:

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 as follows:

Classification	Accounting Treatment
Cash entitlement	Cash entitlement shall be measured at fair value. Gains and losses arising from changes in the fair value of a cash entitlement shall be recorded in Net results of operations before Government funding in FCAC's Statement of Operations.
Trade and other receivables and Accrued assessments	Trade and other receivables and Accrued assessments are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition at fair value, Trade and other receivables and Accrued assessments are measured at amortized cost using the effective interest method, less impairment, if any. Any gain, loss or interest income is recorded in revenues or expenses depending on the nature of the asset that gave rise to the gain, loss or income.
Financial liabilities	Trade and other payables and Unearned assessments are measured at amortized cost using the effective interest method, following initial recognition at fair value. 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 expense.

2. Summary of significant accounting policies (continued)

c) 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.

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. The impairment assessment must be based on the best estimates available in light of past events, current conditions, and taking into account all circumstances known at the date of the preparation of the financial statements.

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 by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the Statement of Operations.

d) Tangible capital assets

Tangible capital assets are 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 years

2. Summary of significant accounting policies (continued)

Internally developed and externally purchased software are capitalized as tangible capital assets. Software acquired separately is 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. Amortization of the assets begins when development is complete and the assets are available for use. Costs incurred during the pre-development or post-implementation stages are expensed in the period incurred.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end, and adjusted prospectively if appropriate.

e) Impairment of non-financial assets

FCAC assesses at each reporting date whether there is any objective evidence that an asset may be impaired. When a non-financial asset no longer contributes to FCAC's ability to provide goods and services, or the value of future economic benefits associated with the f asset is less than its net book value, the cost of the non-financial asset is reduced to reflect the decline in the asset's value. Any writedowns are reflected in the Statement of Operations in the period the decline is recognized.

f) Employee benefits

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. FCAC contributes to the Government of Canada sponsored Public Service Health Care Plan and Dental Service Plan for employees. These contributions represent the total obligation of FCAC with respect to these plans.

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.

2. Summary of significant accounting policies (continued)

The projected accrued benefit obligation is determined using a projected benefit method which incorporates management's best estimate of salary, retirement age and discount rate.

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.

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.

g) Leases

Leases in which the benefits and risks of ownership related to the leased property are substantially retained by the lessor are classified as operating leases. FCAC records the costs associated with operating leases in the Statement of Operations in the period in which they are incurred. Any lease 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 leased tangible capital assets. 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.

h) Government funding

Government funding, including statutory appropriations, is recognized in the period that the appropriation was authorized, and any eligibility criteria met.

Parliamentary appropriations for operating purposes and for the purchase of tangible capital assets are considered to be without stipulations restricting their use and are recognized as revenue when the appropriations are authorized.

Statutory appropriations that are deemed to have stipulations which meet the definition of a liability, restricting their use for a specific purpose, are recorded as deferred revenue and recognized as revenue as FCAC is required to expend funds for that specific purpose. The funding and the corresponding expense item are recognized at their gross amounts.

2. 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-respendable 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.

j) Budget for the year ending March 31, 2018

The budget for the year ending March 31, 2018 was approved by the Commissioner in February 2017, and subsequently amended in April 2017.

k) 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.

2. Summary of significant accounting policies (continued)

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:

- Lease classification;
- Administrative monetary penalties – FCAC as principal;
- Impairment of financial and non-financial assets;
- Estimated useful lives of tangible capital assets;
- The actuarial assumptions used to value sick leave and severance obligations;
- Likelihood of occurence for contingent liabilities; and
- Estimates for the allowance for doubtful accounts.

3. Adoption of new accounting standards

Effective April 1, 2017, FCAC ceased to report in accordance with International Financial Reporting Standards (IFRS) and adopted Canadian Public Sector Accounting Standards (PSAS). These amended standards were adopted with retrospective restatement, and therefore the 2017 comparative figures have been restated.

Key adjustments resulting from the adoption of these accounting standards are as follows:

(a) FCAC made adjustments to the 2017 financial statements with respect to the accounting for employee future benefits. These adjustments related to accounting policy differences between IFRS and PSAS with respect to the discount rate used to determine the obligations for severance and for sick leave benefits that do not vest, and the treatment of actuarial gains or losses on these obligations.

FCAC elected to apply the transitional exemption to recognize all cumulative actuarial gains and losses as at the date of transition (April 1, 2016) directly into accumulated surplus/deficit. Accumulated actuarial gains and losses realized post transition are amortized over the expected average remaining service life of the employees. FCAC elected to defer application of the change in discount rates on transition until the next valuation date of March 31, 2017.

The liability for employee future benefits at April 1, 2016 was unchanged as all actuarial gains and losses to that point had already been recognized into equity under IFRS. The liability for employee future benefit costs recorded at March 31, 2017 was decreased by $71,441. The reversal of actuarial gains and losses recorded in income under IFRS in the year ended March 31, 2017 (the transition year) reduces the liability by $83,472 while amortization of the March 31, 2017 actuarial gains and losses as determined using PSAS discount rates increases the liability by $12,031.

3. Adoption of new accounting standards (continued)

The actuarial gain on the severance liability of $6,625 and the actuarial loss on the sick leave liability of $90,097 recognized in the March 31, 2017 financial statements prepared in accordance with IFRS have been reversed. The March 31, 2017 actuarial valuations have been performed in accordance with PSAS using a PSAS appropriate discount rate. The revised actuarial losses of $20,061 for the severance liability and $180,435 for the sick leave liability will now be amortized over the average expected average remaining service life of the employee group of 17 years. Amortization of $1,183 and $10,848 was expensed in the restated March 31, 2017 Statement of Operations.

(b) The presentation of employee benefit liabilities was adjusted from the presentation of current and long-term liabilities into a single financial liability caption.

(c) The 2017 financial statements were adjusted to present the previously separate capital assets and intangible asset captions as a single non-financial asset caption. PSAS refers to these as tangible capital assets on an amalgamated basis.

FCAC elected to apply the transitional exemption permitted under PSAS 2125 – First-time Adoption by Government Organizations in regards to the need to re-evaluate previously recognized impairments of tangible capital assets, and this prospectively from the date of transition. The prospective application had no impact on the carrying values of FCAC's tangible capital assets as at April 1, 2016 and March 31, 2017.

(d) The 2017 financial statements were adjusted to record amounts previously recognized as other comprehensive income as part of personnel expenses, because other comprehensive income is not recognized under PSAS.

Reconciliation of IFRS to PSAS

FCAC has provided a reconciliation of the Statement of Financial Position balances as at April 1, 2016 and March 31, 2017 as well as a reconciliation of the Statement of Operations for the year ended March 31, 2017. FCAC's first time adoption of PSAS did not have an impact on the total operating, capital or financing cash flows.

3. Adoption of new accounting standards (continued)

Reconciliation of Statement of Financial Position items as at April 1, 2016 (date of transition to PSAS)

	Notes	IFRS April 1, 2016	Remeasure-ments	Presentation differences	PSAS April 1, 2016
Financial assets					
Cash entitlement		$ 2,325,320	$ -	$ -	$ 2,325,320
Trade receivables, net		88,551	-	-	88,551
Other receivables		16,663	-	-	16,663
Total financial assets		2,430,534	**-**	**-**	2,430,534
Financial liabilities					
Trade and other payables		2,634,573	-	-	2,634,573
Unearned assessments		445,055	-	-	445,055
Employee benefits – sick leave		370,363	-	-	370,363
Employee benefits – severance (current)	b)	9,764	-	175,739	185,503
Employee benefits – severance (long-term)	b)	175,739	-	(175,739)	-
Total Financial liabilities		3,635,494	**-**	**-**	3,635,494
Net Debt		(1,204,960)	-	-	(1,204,960)
Non-financial assets					
Tangible capital assets	c)	311,115	-	789,835	1,100,950
Intangible assets	c)	789,835	-	(789,835)	-
Prepaid expenses		90,041	-	-	90,041
Total non-financial assets		1,190,991	-	-	1,190,991
Accumulated deficit		$ (13,969)	$ -	$ -	$ (13,969)

3. Adoption of new accounting standards (continued)

Reconciliation of Statement of Financial Position items as at March 31, 2017

	Notes	IFRS March 31, 2017	Remeasure-ments	Presentation differences	PSAS March 31, 2017
Financial assets					
Cash entitlement		$ 2,424,522	$ -	$ -	$ 2,424,522
Trade receivables, net		193,863	-	-	193,863
Accrued assessments		371,748	-	-	371,748
Other receivables		101,164	-	-	101,164
Total financial assets		3,091,297	-	-	3,091,297
Financial liabilities					
Trade and other payables		3,426,512	-	-	3,426,512
Unearned assessments		-	-	-	-
Employee benefits – sick leave	a)	490,031	(79,249)	-	410,782
Employee benefits – severance (current)	a), b)	19,123	7,808	175,812	202,743
Employee benefits – severance (long-term)	b)	175,812	-	(175,812)	-
Total Financial liabilities		4,111,478	(71,441)	-	4,040,037
Net Debt		(1,020,181)	71,441	-	(948,740)
Non-financial assets					
Tangible capital assets	c)	275,006	-	729,156	1,004,162
Intangible assets	c)	729,156	-	(729,156)	-
Prepaid expenses		2,050	-	-	2,050
Total non-financial assets		1,006,212	-	-	1,006,212
Accumulated surplus (deficit)		$ (13,969)	$ 71,441	$ -	$ 57,472

3. Adoption of new accounting standards (continued)

Reconciliation of net results of operations for the year ended March 31, 2017

	Notes	IFRS March 31, 2017	Remeasure-ments	Presentation differences	PSAS March 31, 2017
REVENUE					
Assessments		$ 13,635,005	$ -	$ -	$ 13,635,005
Other revenue		4,821	-	-	4,821
Total revenue		**13,639,826**	**-**	**-**	**13,639,826**
EXPENSES					
Salaries and benefits	C	12,327,373	(79,570)	-	12,247,803
Professional services		2,836,896	-	-	2,836,896
Accommodation		769,325	-	-	769,325
Information management/technology		669,843	-	-	669,843
Administrative and other		320,460	-	-	320,460
Travel		300,567	-	-	300,567
Amortization		377,017	-	-	377,017
Interest		24,453	-	-	24,453
Total expenses		**17,625,934**	**(79,570)**	**-**	**17,546,364**
Net results from operations before government funding and administrative monetary penalties		(3,986,108)	79,570	-	(3,906,538)
Government funding		3,977,979	-	-	3,977,979
Net results from operations before administrative monetary penalties		(8,129)	79,570	-	71,441
Administrative monetary penalties		460,000	-	-	460,000
Administrative monetary penalties earned on behalf of the government		(460,000)	-	-	(460,000)
Surplus (deficit) from operations		$ (8,129)	$ 79,570	$ -	$ 71,441

4. Trade and other receivables

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

	Federally regulated financial entities	Other	Total March 31, 2018
Trade receivables	$ 369,120	$ -	$ 369,120
Allowance for doubtful accounts	(3,000)	-	(3,000)
Trade receivables, net	366,120	-	366,120
Other			
Related parties	-	7,591	7,591
Other receivables	-	70,804	70,804
Total other	-	78,395	78,395
Total	**$ 366,120**	**$ 78,395**	**$ 444,515**
% of Total exposure	**82.4 %**	**17.6 %**	**100.0 %**

	Federally regulated financial entities	Other	Total March 31, 2017
Trade receivables	$ 195,863	$ -	$ 195,863
Allowance for doubtful accounts	(2,000)	-	(2,000)
Trade receivables, net	193,863	-	193,863
Other			
Related parties	-	51,297	51,297
Other receivables	-	49,867	49,867
Total other	-	101,164	101,164
Accrued assessments	371,748	-	371,748
Total	**$ 565,611**	**$ 101,164**	**$ 666,775**
% of Total exposure	**84.8 %**	**15.2 %**	**100.0 %**

4. Trade and other receivables (continued)

	Federally regulated financial entities	Other	Total April 1, 2016
Trade receivables	$ 89,031	$ -	$ 89,031
Allowance for doubtful accounts	(480)	-	(480)
Trade receivables, net	88,551	-	88,551
Other			
Related parties	-	3,173	3,173
Other receivables	-	13,490	13,490
Total other	-	16,663	16,663
Total	**$ 88,551**	**$ 16,663**	**$ 105,214**
% of Total exposure	**84.2 %**	**15.8 %**	**100.0 %**

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, 2018, were $1,000 (March 31, 2017 - $2,000). Recoveries during the same period totaled $Nil (March 31, 2017 - $480).

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, 2018 (March 31, 2017 $Nil). During the year ended March 31, 2018, 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.

4. Trade and other receivables (continued)

As at March 31, 2018, the aging of non-related party trade receivables was as follows:

Days outstanding	Current	31-60	61-90	91-120	> 120	Total
March 31, 2018	$ -	$ -	$ -	$ 367,120	$ 2,000	$ 369,120
March 31, 2017	$ -	$ 177,148	$ 16,715	$ -	$ 2,000	$ 195,863
April 1, 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 5 for terms and conditions relating to related party receivables, and refer to Note 11 c) for further information on credit risk applicable to FCAC.

5. Related party transactions

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. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. During the year ended March 31, 2018, FCAC purchased goods and services for $6,264,197 (2017 - $5,355,223) and earned revenue of $433,075 (2017 - $502,017) from transactions with other government departments.

5. Related party transactions (continued)

Entity	Nature	2018 Expenditures	2018 Payable	2017 Expenditures	2017 Payable
Treasury Board Secretariat	Pension contributions and other employee benefits	$ 2,765,228	$ 194,605	$ 2,358,604	$ 165,932
Public Services and Procurement Canada	Accommodation, translation services and other services	1,155,672	3,390	1,041,383	27,696
Canadian Human Rights Commission	Human resources services	479,730	622	458,599	-
Department of Justice	Legal services	393,737	36,776	233,406	-
Office of the Superintendent of Financial Institutions	Finance and actuarial services	343,886	27,648	405,605	15,085
Department of Industry	Human resources costs	194,527	-	-	-
Employment and Social Development Canada	Research services	163,672	8,208	-	-
Shared Services Canada	Communication and other services	152,764	5,860	182,458	29,060

As at March 31, 2018, the amounts of trade receivables and trade and other payables from these related parties are $7,591 (March 31, 2017 - $51,297; April 1, 2016 - $3,173) and $370,079 (March 31, 2017 - $312,121; April 1, 2016 - $253,661), respectively.

FCAC was granted a statutory expenditure of up to $5,000,000 for the fiscal year ended March 31, 2018 (2017 - $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, 2018, FCAC spent $5,000,000 (2017 - $3,977,979) of this amount.

6. Tangible Capital Assets

Cost	Leasehold improvements	Furnitures and fixtures	Office equipment	Informatics hardware	Informatics software	Software under development	Total
Balance at April 1 , 2016	**$ 922,463**	**$ 927,319**	**$ 41,005**	**$ 375,798**	**$ 1,158,553**	**$ -**	**$ 3,425,138**
Additions	-	4,000	-	120,403	51,193	104,633	280,229
Disposals/write-offs/ transfers of assets	-	-	-	(85,363)	(102,941)	-	(188,304)
Balance at March 31, 2017	**$ 922,463**	**$ 931,319**	**$ 41,005**	**$ 410,838**	**$ 1,106,805**	**$ 104,633**	**$ 3,517,063**
Additions	-	67,643	-	413,469	54,931	143,497	679,540
Transfer to in use	-	-	-	-	174,997	(174,997)	-
Disposals/write-offs/transfers of assets	-	-	-	(59,021)	(4,400)	(73,133)	(136,554)
Balance at March 31, 2018	**$ 922,463**	**$ 998,962**	**$ 41,005**	**$ 765,286**	**$ 1,332,333**	**$ -**	**$ 4,060,049**
Accumulated depreciation and impairment							
Balance at April 1, 2016	**$ 922,463**	**$ 780,239**	**$ 41,005**	**$ 211,763**	**$ 368,718**	**$ -**	**$ 2,324,188**
Disposals/write-offs/transfers of assets	-	-	-	(85,363)	(102,941)	-	(188,304)
Amortization expense	-	45,966	-	114,546	216,505	-	377,017
Balance at March 31, 2017	**$ 922,463**	**$ 826,205**	**$ 41,005**	**$ 240,946**	**$ 482,282**	**$ -**	**$ 2,512,901**
Disposals/write-offs/transfers of assets	-	-	-	(47,625)	(4,400)	-	(52,025)
Amortization expense	-	53,210	-	109,353	235,671	-	398,234
Balance at March 31, 2018	**$ 922,463**	**$ 879,415**	**$ 41,005**	**$ 302,674**	**$ 713,553**	**$ -**	**$ 2,859,110**
Net book value							**Total**
Balance at April 1, 2016	$ -	$ 147,080	$ -	$ 164,035	$ 789,835	$ -	$ 1,100,950
Balance at March 31, 2017	$ -	$ 105,114	$ -	$ 169,892	$ 624,523	$ 104,633	$ 1,004,162
Balance at March 31, 2018	**$ -**	**$ 119,547**	**$ -**	**$ 462,612**	**$ 618,780**	**$ -**	**$ 1,200,939**

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, 2018, FCAC had $1,775,609 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.

7. 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 9.905% (2017 - 10.881%). Total contributions of $1,099,230 (2017 - $1,028,603) 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

FCAC used to administer a severance benefits plan for its employees. On termination of employment, eligible employees were entitled to certain benefits provided for under their conditions of employment based on their years of service. The plan was substantially curtailed in 2013 and employees no longer accumulate years of service. FCAC's remaining liability in regards to this plan relates primarily to employees who chose to defer receipt of their entitlement until departure. Current service benefits costs relate to the cost of involuntary departures.

7. Employee benefits (continued)

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

		March 31, 2018		March 31, 2017 (Note 3)		April 1, 2016 (Note 3)
Accrued benefit obligation, beginning of the year	**$**	**221,621**	**$**	**185,503**	**$**	**169,358**
Current service cost		13,810		10,502		8,468
Interest cost		5,484		7,059		5,615
Benefits paid		-		-		(21,656)
Actuarial (gain)/loss		21,840		18,557		23,718
Accrued benefit obligation, end of the year[1]	**$**	**262,755**	**$**	**221,621**	**$**	**185,503**
Unamortized net actuarial loss	$	38,169	$	18,878	$	-
Accrued benefit liability, end of the year[1]	**$**	**224,586**	**$**	**202,743**	**$**	**185,503**
Net benefit plan cost						
Current service cost	$	13,810	$	10,502	$	8,468
Interest cost		5,484		7,059		5,615
Amortization of actuarial loss		2,549		1,183		-
Actuarial (gain)/loss		-		-		23,718
Benefit cost	**$**	**21,843**	**$**	**18,744**	**$**	**37,801**

The most recent actuarial valuation for severance benefits was completed by an independent actuary as at March 31, 2018. FCAC measures its accrued benefit obligation for accounting purposes as at March 31 of each year.

The significant actuarial assumption adopted in measuring FCAC's accrued benefit obligation is a discount rate of 2.18% (2017 - 2.4%). 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, 2018 is an annual economic increase of 2.00% for the plan years 2019, 2020 and 2021 (2017 - 1.25% for the plan years 2018 and 2019). Thereafter, an annual economic increase of 2.3% is assumed (2017 - 1.25%). The average remaining service period of active employees covered by the benefit plan is 16 years (2017 - 17 years).

[1] The cost corresponding to annual changes in the accrued benefit liability is recovered from FCAC's various sources of revenue outlined in Note 2 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.

7. Employee benefits (continued)

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

Employee benefits - severance		Accrued benefit obligation		Actuarial losses (gains) recognized during the period
March 31, 2018	**$**	**262,755**	**$**	**21,840**
March 31, 2017		221,621		18,557
March 31, 2016		185,503		23,718

b) Other long-term benefits

i. Sick leave

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

		March 31, 2018		March 31, 2017 (Note 3)		April 1, 2016 (Note 3)
Accrued benefit obligation, beginning of the year	**$**	**580,369**	**$**	**370,363**	**$**	**373,544**
Current service cost		92,873		54,993		59,469
Interest cost		14,031		14,183		13,831
Benefits paid		(84,345)		(43,938)		(11,656)
Actuarial loss /(gain)		355,209		184,768		(64,825)
Accrued benefit obligation, end of the year[1]	**$**	**958,137**	**$**	**580,369**	**$**	**370,363**
Unamortized net actuarial loss		(491,344)		(169,587)		-
Accrued benefit liability, end of the year[1]	**$**	**466,793**	**$**	**410,782**	**$**	**370,363**
Net benefit plan cost						
Current service cost		92,873	$	54,993	$	59,469
Interest cost		14,031		14,183		13,831
Amortization of actuarial loss		33,452		10,848		-
Actuarial loss/(gain)		-		-		(64,825)
Benefit cost	**$**	**140,356**	**$**	**80,024**	**$**	**8,475**

1 The cost corresponding to annual changes in the accrued benefit liability is recovered from FCAC's various sources of revenue outlined in Note 2 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.

7. Employee benefits (continued)

The most recent actuarial valuation for sick leave benefits was completed by an independent actuary as at March 31, 2018. FCAC measures its accrued benefit obligation for accounting purposes as at March 31 of each year.

The significant actuarial assumption adopted in measuring FCAC's accrued benefit obligation is a discount rate of 2.2% (2017 - 3.63%). 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, 2018 is an annual economic increase of 2.00% for the plan years 2019, 2020 and 2021 (2017 - 1.25% for the plan years 2018 and 2019). Thereafter, an annual economic increase of 2.3% is assumed (2017 - 1.25%). The average remaining service period of active employees covered by the benefit plan is 16 years (2017 - 17 years).

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

Employee benefits - sick leave	Accrued benefit obligation	Actuarial (gains) losses recognized during the period
March 31, 2018	**$ 958,137**	**$ 355,209**
March 31 ,2017	580,369	184,768
March 31, 2016	370,363	(64,825)

8. 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, 2018, FCAC levied $580,000 (2017 - $460,000) in administrative monetary penalties.

9. Contractual obligations

FCAC has entered into operating lease agreements for office space and office equipment through Public Services and Procurement Canada occupancy. There are no restrictions placed upon FCAC when entering into these leases. The minimum aggregate annual payments for future fiscal years are as follows:

	As at March 31, 2018
March 31, 2019	893,858
March 31, 2020	456,381
March 31, 2021	-
March 31, 2022	-
Thereafter	-
Total	**1,350,239**

10. Human resources expense

		2018		**2017**
Wages and salaries	$	11,263,650	$	9,496,916
Other benefits		1,768,332		1,634,263
Post-employment benefits other than severance		1,099,230		1,028,603
Other personnel costs		55,677		69,277
Severance benefits		21,843		18,744
Total human resources expense	**$**	**14,208,732**	**$**	**12,247,803**

11. 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.

11. Financial risk management (continued)

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.

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, 2018, is $444,515 (March 31, 2017 - $666,775; April 1, 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 through assessments. All remaining receivables are with other government organizations, where there is minimal potential risk of loss. FCAC does not hold collateral as security.

11. Financial risk management (continued)

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

11. Financial risk management (continued)

The table below summarizes the maturity profile of FCAC's financial liabilities at March 31, 2018, March 31, 2017 and April 1, 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, 2018 Total
Trade and other payables	$ 740,688	$ 3,967,726	$ 695,040	$ -	$ -	$ 5,403,454
Unearned assessments	-	-	1,484,844	-	-	1,484,844
Total	**$ 740,688**	**$ 3,967,726**	**$ 2,179,884**	**$ -**	**$ -**	**$ 6,888,298**

	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	-	-	-	-	-	-
Total	**$ 552,194**	**$ 2,305,718**	**$ 568,600**	**$ -**	**$ -**	**$ 3,426,512**

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

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

11. Financial risk management (continued)

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, 2018, the Minister has approved up to $14,500,000 (2017 - $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."

Subsequent to March 31, 2018, the Minister approved an extension of this authority to March 31, 2019.

During the year, FCAC used $11,000,000 from the CRF and repaid the full amount by March 31, 2018. In the previous year, FCAC used $9,000,000 from the CRF and repaid the full amount by March 31, 2017.

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

The liquidity of FCAC's financial assets is outlined in Note 4, "Trade and other receivables."

12. Comparative figures

Certain comparative figures have been reclassfied to conform with the presentation adopted in the current year.

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