

# Financial Consumer Agency of Canada

## Financial Highlights

### For the three and nine months ended December 31, 2016

#### Raison d'être

FCAC was established to protect consumers by supervising federally regulated financial entities and by strengthening the financial literacy of Canadians.

#### Role and mandate

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

FCAC has the following objects as set out in sections 3(2) and 3(3) of the Act:

#### 3. (2)

(a) supervise financial institutions and external complaints bodies to determine whether the institution or body is in compliance with

(i) the consumer provisions applicable to them, and

(ii) the terms and conditions or undertakings with respect to the protection of customers of financial institutions that the Minister imposes or requires, as the case may be, under an Act listed in Schedule 1 and the directions that the Minister imposes under this Act;

(b) promote the adoption by financial institutions and external complaints bodies of policies and procedures designed to implement the provisions, terms and conditions, undertakings or directions referred to in paragraph (a);

(b.1) promote the adoption by financial institutions of policies and procedures designed to implement

(i) voluntary codes of conduct that are designed to protect the interests of their customers, that are adopted by financial institutions and that are publicly available, and

(ii) any public commitments made by them that are designed to protect the interests of their customers;

(c) monitor the implementation of voluntary codes of conduct that are designed to protect the interests of customers of financial institutions, that have been adopted by financial institutions and that are publicly available and to monitor any public commitments made by financial institutions that are designed to protect the interests of their customers;

(d) promote consumer awareness about the obligations of financial institutions and of external complaints bodies under consumer provisions applicable to them and about all matters connected with the protection of consumers of financial products and services;

(e) foster, in co-operation with any department, agency or agent corporation of the Government of Canada or of a province, financial institutions and consumer and other organizations, an understanding of financial services and issues relating to financial services;

(f) monitor and evaluate trends and emerging issues that may have an impact on consumers of financial products and services;

# Financial Consumer Agency of Canada

## Financial Highlights

### For the three and nine months ended December 31, 2016

(g) collaborate and coordinate its activities with stakeholders to contribute to and support initiatives to strengthen the financial literacy of Canadians.

#### 3. (3)

(a) supervise payment card network operators to determine whether they are in compliance with the provisions of the *Payment Card Networks Act* and its regulations;

(b) promote the adoption by payment card network operators of policies and procedures designed to implement the provisions of the *Payment Card Networks Act* and its regulations;

(c) monitor the implementation of voluntary codes of conduct that have been adopted by payment card network operators and that are publicly available, and to monitor any public commitments made by them regarding their commercial practices in relation to payment card networks; and

(d) promote public awareness about the obligations of payment card network operators under a voluntary code of conduct or under the *Payment Card Networks Act*.

#### Basis of presentation

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

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

#### FCAC's funding model

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

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

# **Financial Consumer Agency of Canada**

## **Financial Highlights**

### **For the three and nine months ended December 31, 2016**

#### **Financial review and highlights—year to date results**

FCAC's total expenses for the nine months ended December 31, 2016, were \$11,936,125, a \$432,146 or 3.76% increase from the same period last year. This increase is primarily due to Human Resources costs, which were \$720,839 higher than in the previous fiscal year, an offsetting decrease in Professional Services of \$207,687 and in Information Management/Technology related expenses of \$122,138. Other less significant variances are described below.

Human Resources costs increased by \$720,839 or 8.91% as a result of the staffing of vacant and new positions, which occurred mostly in the first part of the year. The increase is also partly due to the hiring of casual and part-time employees and students to support key projects such as Canada.ca, again in the first two quarters of the fiscal year.

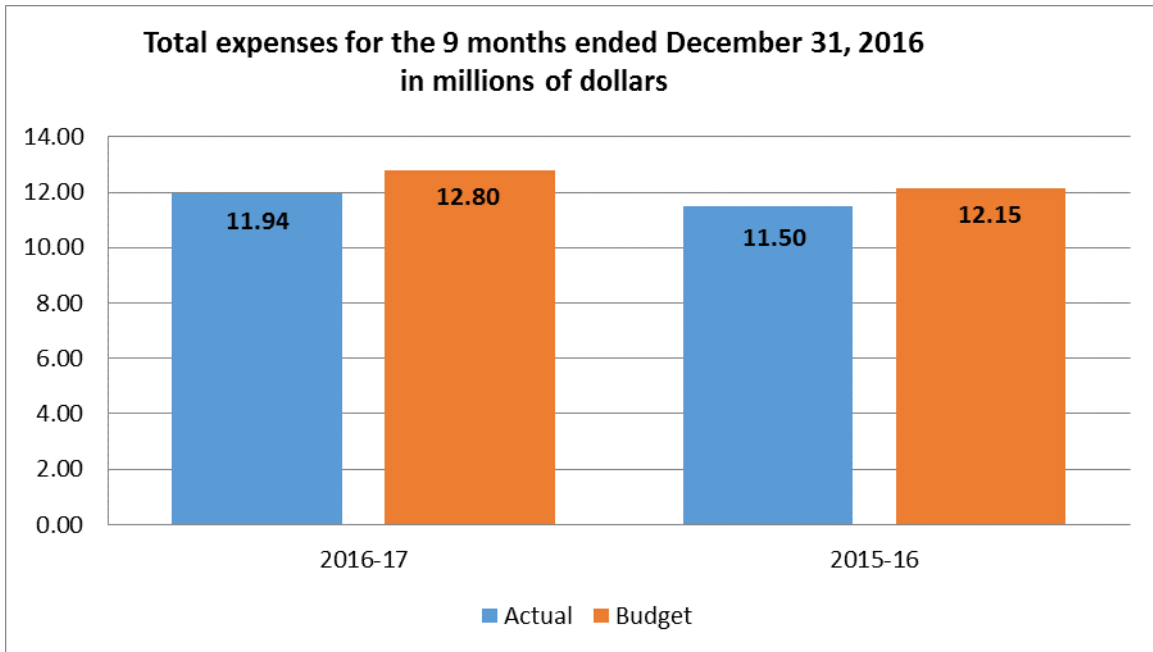
Professional Services expenses were \$207,687 or 12.23% less in the first nine months of 2016–17 than during the same period last year. The decrease is due in part to projects costs being realised under expected forecasts. The decrease is also due to the timing of projects requiring professional services, for which some delay has been encountered. These projects are expected to be underway in the last quarter of the year.

Information Management/Technology expenses decreased by \$122,138 or 15.72% compared to the same period last year as a result of financial literacy projects requiring information technology expertise, which were not repeated in fiscal year 2016-17. The use of internal employees to develop applications and software, rather than hiring external resources, also contributes to the decrease. The Agency is also acquiring external resources in a more cost effective manner providing economies.

Travel expenses increased by \$46,185 or 29.85% compared to the same period last year as a result of increased participation at international meetings where FCAC's attendance was deemed beneficial because of agenda items directly related to our mandate.

FCAC's total expenses for the nine months ended December 31, 2016, totalled \$11,936,125 or 93.28% of its budgeted expenses for the period, compared to 94.66% for the same period last year. The variance to budget of \$859,536 as of December 31, 2016, is primarily due to timing issues related to the staffing of vacant and new positions, and professional services contracts.

**Financial Consumer Agency of Canada  
Financial Highlights  
For the three and nine months ended December 31, 2016**



# Financial Consumer Agency of Canada

## Financial Highlights

### For the three and nine months ended December 31, 2016

#### Financial review and highlights—quarter results

FCAC's total expenses for the three months ended December 31, 2016, were \$3,905,477, a \$217,198 or 5.27% decrease from the same period last year. This decrease is primarily due to lower Professional Services and Information Management/Technology expenses.

Other Professional Services expenses were \$140,446 or 26.02% lower than the same three month period in the prior year, which has been explained above in the **Financial review and highlights – year to date results** section.

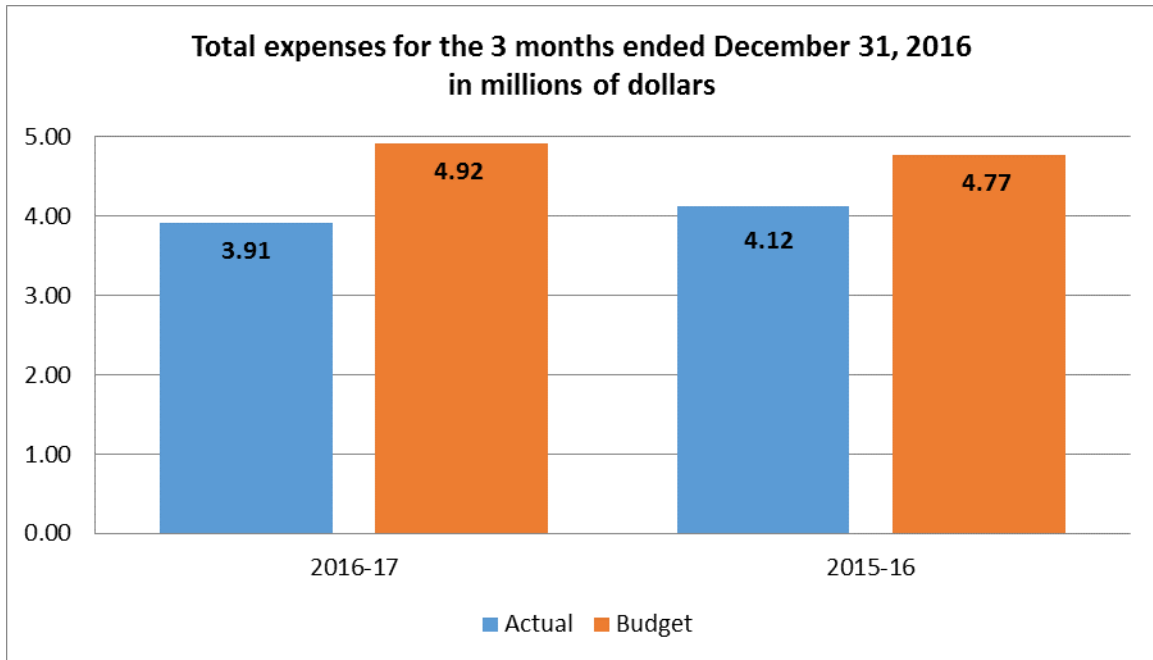
Information Management/Technology expenses decrease by \$100,901 or 32.41% compared to the same period last year for the same reasons as explained above in the **Financial review and highlights – year to date results** section.

Administrative and Other expenses increased by \$43,103 due to participation at two financial literacy expositions as well as to the costs incurred for the Research Symposium, hosted by FCAC in November 2016.

Travel expenses increased in the third quarter of the year due to FCAC participation at financial consumer protection conferences across Canada and in North America. In addition, focus group testing was carried out to gather information regarding credit card disclosure practices.

FCAC's expenses for the three months ended December 31, 2016 totalled \$3,905,477 or 79.34% of its budgeted expenses for the period, compared to 86.38% for the same period last year. The variance is due to timing issues related to the staffing of vacant and new positions, and professional services contracts.

**Financial Consumer Agency of Canada  
Financial Highlights  
For the three and nine months ended December 31, 2016**



# **Financial Consumer Agency of Canada**

## **Financial Highlights**

### **For the three and nine months ended December 31, 2016**

#### **Government funding**

In addition to its revenues from asset-based, premium-based or transaction-based assessments against the financial entities it supervises, FCAC was granted a statutory expenditure of \$5 million for the fiscal year ended March 31, 2017 (2015–16 - \$5 million) to support, collaborate and coordinate its activities and efforts with stakeholders to improve and strengthen the financial literacy of Canadians. In the nine months ended December 31, 2016, FCAC used \$2,544,097 (2015–16 - \$2,588,619) of this statutory expenditure.

#### **Risks and uncertainties**

##### **Business risks and financial statement implications**

Business risks result from conditions, events, circumstances, actions or inactions that could adversely affect FCAC's ability to achieve its objectives and execute its strategies. A business risk is broader than the risk of material misstatement of financial statements. Business risks may have potential financial consequences and, as a result, affect financial statements.

##### **Enterprise risk management**

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

##### **External risks**

###### **Economic, industry and supervisory environment**

FCAC operates in a rapidly evolving financial marketplace, including increasingly complex financial products and new technology developed to suit the needs and demands of today's consumers. In some instances, regulatory regimes may find it challenging to keep pace with this rapid rate of change.

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

###### **Changes to consumer protection framework**

The Government of Canada has proposed a Financial Consumer Code to improve the federal financial consumer protection framework. FCAC will continue to assess potential impacts on its supervisory

# **Financial Consumer Agency of Canada**

## **Financial Highlights**

### **For the three and nine months ended December 31, 2016**

approach and its structure, resources, systems and processes to effectively and efficiently supervise federally regulated financial entities under this potential new framework.

#### Ability to deliver and diversity of external influencers

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

#### Financial risks

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

### **Significant changes in operations, personnel and programs**

There were no significant changes in Operations, Personnel and Programs during the quarter ended December 31, 2016.

#### **Approval by senior officials**

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**

**February 23, 2017**