

**BC Financial Services Authority**  
**("BCFSA")**

**2022/23**  
**Annual Service Plan Report**  
**August 2023**



For more information on BC Financial Services Authority, please contact us at:

600-750 West Pender Street  
Vancouver, BC V6C 2T8

Phone: 1+(604) 660-3555

Fax: 1+(604) 660-3368

Toll Free: 1-866-206-3030

General Email:

[BCFSA@bcfsa.ca](mailto:BCFSA@bcfsa.ca)

Or visit our website at: [bcfsa.ca](http://bcfsa.ca)

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## Board Chair's Accountability Statement



The BC Financial Services Authority 2022/23 Annual Service Plan Report compares the organization's actual results to the expected results identified in the 2022/23 - 2024/25 Service Plan published in 2022. The Board is accountable for the results reported.

Signed on behalf of the Board by:

A handwritten signature in black ink that reads "Stanley Hamilton". The signature is written in a cursive, flowing style.

Stanley Hamilton  
Chair, Board of Directors  
BC Financial Services Authority  
July 28, 2023

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## Letter from the Board Chair & CEO

On behalf of all of us at BCFSA, we are pleased to submit our Annual Service Plan Report for the year ending March 31, 2023. The goals and objectives described in this report were established in our 2022/23 – 2024/25 Service Plan and align with our 2021/22 Mandate Letter.

BCFSA had a successful year, substantively delivering against our Service Plan to instill confidence in British Columbia's financial services sector.

Throughout 2022/23, BCFSA honoured the Government's five foundational principles: putting people first, lasting, and meaningful reconciliation, equity and anti-racism, a better future through fighting climate change and meeting our greenhouse gas commitments, and a strong, sustainable economy that works for everyone.

In 2022/23, BCFSA continued to proactively engage with the Ministry of Finance to ensure strategic alignment with the Ministry's objectives and policy expectations and regularly communicated with the Ministry on key initiatives. 2022/23 was highlighted with new legislation related to mortgage brokers and our work in support of the government's introduction of the Home Buyers Recission Period. We continued to modernize B.C.'s regulatory regime in accordance with the priorities contained in BCFSA's Regulatory Roadmap. BCFSA also received both internal and external validation of our work to make BCFSA an employer of choice with a highly engaged team.

We are proud of our accomplishments this year and our work as the modern, effective, and efficient regulator overseeing British Columbia's rapidly changing and evolving financial services sector.

Thank you.



Stanley Hamilton  
Chair, Board of Directors  
BC Financial Services Authority  
July 28, 2023



Blair Morrison  
Chief Executive Officer  
BC Financial Services Authority  
July 28, 2023

## Purpose of the Annual Service Plan Report

This annual service plan report has been developed to meet the requirements of the *Budget Transparency and Accountability Act* ("BTAA"), which sets out the legislative framework for planning, reporting, and accountability for Government organizations. Under the BTAA, a Minister Responsible for a government organization is required to make public a report on the actual results of that organization's performance related to the forecasted targets stated in the service plan for the reported year.

## Strategic Direction

The strategic direction set by Government in 2020 and expanded upon in the Board Chair's 2021/22 [Mandate Letter](#) from the Minister of Finance shaped the goals, objectives, performance measures, and financial plan outlined in the [BC Financial Services Authority 2022/23 – 2024/25 Service Plan](#) and the actual results reported on in this annual report.

## Purpose of the Organization

BC Financial Services Authority ("BCFSA") is a Vancouver-headquartered Crown agency of the Government of British Columbia. BCFSA has five core areas of regulatory accountabilities: pension plans; mortgage brokers; financial institutions (including credit unions, insurance, and trust companies); real estate; and deposit insurance through the Credit Union Deposit Insurance Corporation of British Columbia ("CUDIC").

BCFSA was established by the *Financial Services Authority Act, 2019* ("FSAA"). FSAA was designed to improve accountability and oversight at BCFSA and align with regulatory best practices. BCFSA administers the following statutes found through these links:

- [Financial Services Authority Act](#)
- [Credit Union Incorporation Act](#)
- [Financial Institutions Act](#)
- [Insurance Act](#)
- [Insurance \(Captive Company\) Act](#)
- [Mortgage Brokers Act](#)
- [Pension Benefits Standards Act](#)
- [Real Estate Services Act](#)
- [Real Estate Development Marketing Act](#)
- [Strata Property Act](#)

A properly functioning and efficient financial services sector is vital to the province's economy. BCFSA's objective is to instill confidence in the sector by focussing on the safety and soundness of regulated entities and protecting consumers. BCFSA must safeguard the interests of consumers such as depositors, policyholders, beneficiaries, pension plan members, and home buyers while at the same time allowing the financial services sector to take reasonable risks

and compete effectively. BCFSA's balances both (a) sector competitiveness with financial stability and (b) federal and international standards with local market realities.

## Operating Environment

BCFSA began operations as a new Crown agency on November 1, 2019, when it assumed the regulatory accountabilities of the Financial Institutions Commission. The transition was driven by the need to create a modern, effective, and efficient regulator with the independence and flexibility necessary to regulate a financial services sector that had grown both in importance and complexity and was facing further significant change moving forward.

On August 1, 2021 (the "Integration Date"), BCFSA assumed accountability for regulation of real estate services, including the licensing, conduct, investigations, and discipline of real estate licensees, and real estate development marketing. This included the integration of the Office of the Superintendent of Real Estate and the Real Estate Council of British Columbia, the two organizations previously accountable for these activities.

### ***Financial Services Landscape***

The scope of BCFSA's regulatory mandate reflects the size and complexity of the financial services sector in B.C. which, as of March 31, 2023, included:

- 34 credit unions with more than \$78 billion in assets;
- 635 pension plans with approximately \$212.2 billion in assets;
- Over 230 insurance and trust companies (including extra-provincial);
- Over 6,500 mortgage brokers and brokerages; and
- Over 37,000 real estate licensees, brokerages, branches, and personal real estate corporations.

Central 1 Credit Union, which undertakes various centralized activities such as clearing and payments for credit unions, acts as a "central" in both B.C. and Ontario. Certain pension plans with members in B.C. also have members in other provinces. Many of the insurance and trust companies BCFSA oversees operate in other provinces. Mortgage brokers and real estate licensees may be authorized to conduct business in other provinces.

This landscape makes cooperation and harmonization with other regulators in Canada a priority. BCFSA is an active partner in national regulatory associations including: the Canadian Council of Insurance Regulators ("CCIR"); Credit Union Prudential Supervisors Association ("CUPSA"); Canadian Association of Pension Supervisory Authorities ("CAPSA"); Mortgage Broker Regulators' Council of Canada ("MBRCC"); and the Real Estate Regulators of Canada ("RERC").

### ***BCFSA's Approach to Supervision and Market Conduct***

BCFSA uses a risk-based prudential supervisory framework to identify imprudent or unsafe business practices and intervenes on a timely basis, as required. The rationale, principles,

concepts, and core processes in the supervisory framework apply to all the BCFSAs regulated financial entities in British Columbia. The primary focus of BCFSAs supervisory work is to determine the impact of current and potential future financial events, both within British Columbia and externally, on the financial services sector and its participants.

BCFSAs is focused on protecting and achieving outcomes for consumers of financial services in British Columbia that are consistent with established conduct standards. Throughout 2022/23, we continued to modernize B.C.'s regulatory regime in accordance with the priorities contained in BCFSAs Regulatory Roadmap.

The COVID-19 pandemic brought increased risk and uncertainty to the financial services sector. As the B.C. economy moved forward from the pandemic, BCFSAs continued its focus on the safety and soundness of the financial services sector and consumer protection.

To date, the entities regulated by BCFSAs have shown resilience in the face of the risks posed by the pandemic. BCFSAs continued to monitor the marketplace to ensure: (i) consumer expectations were met by the products they have purchased; (ii) misconduct was addressed particularly when targeted towards vulnerable British Columbians; and (iii) that new and innovative products were understood and appropriately regulated. The post pandemic economic environment also brought higher interest rates and inflation. BCFSAs began work with regulated entities and individuals to ensure these new risks were understood and effectively managed.

## Economic Statement

After rebounding rapidly in 2021, British Columbia's economy saw slower yet strong growth in 2022. B.C.'s real GDP growth of 3.6 per cent last year was the fourth highest among provinces (tied with Ontario) and grew at the same pace as the national average, following growth of 6.2 per cent in 2021. Growth in B.C.'s real GDP was mostly supported by service-producing industries such as transportation and warehousing, accommodation and food services, and professional, scientific and technical services. Goods-producing industries also experienced growth led by construction.

While B.C.'s recovery broadened in 2022, it remained uneven as sectors such as transportation and warehousing; accommodation and food services; and arts, entertainment and recreation have yet to fully recover to pre-pandemic levels. B.C.'s labour market continued to grow in 2022, with employment growth of 3.2 per cent and an average unemployment rate of 4.6 per cent, while wages and salaries increased by 10.8 per cent. Consumer spending on goods grew slowly after a rapid expansion at the beginning of the recovery and nominal retail sales posted overall growth of 3.1 per cent. Last year, prices rose dramatically as strong demand for goods and services was met with lingering supply-chain challenges and high prices for global commodities following Russia's invasion of Ukraine.

In 2022, B.C.'s inflation rate averaged 6.9 per cent, the fastest annual rate since 1982, and up from 2.8 per cent in 2021. B.C. housing starts totaled 46,721 units in 2022, down 1.9 per cent compared to the previous year. Despite the decline, housing starts in 2022 were the second highest on record. Home sales fell sharply in 2022 as they adjusted to higher mortgage rates not seen since 2008. B.C. MLS home sales decreased by 35.2 per cent in 2022 compared to 2021. Meanwhile the MLS average home sale price rose by 7.4 per cent in 2022 because of strength early in the year, despite monthly declines in 9 of the last 10 months of the year.

On the external front, B.C.'s international merchandise exports grew by 20.4 per cent, boosted by strong commodity prices in the first half of 2022.

## Report on Performance: Goals, Objectives, and Results

### Goal 1: Risk-based Supervision

#### **Objective 1.1: Advance BCFSA's risk-based and proportionate supervision of the financial services sector and efforts to enhance the overall safety and soundness of the sector.**

BCFSA's supervisory mandate relates to the safety and soundness of the sector and includes overseeing financial institutions and pension funds. Protecting the public is a key part of this mandate. A proportionate approach to supervision is required to protect the public while continuing to allow regulated entities to innovate and grow. BCFSA's framework for risk-based supervision is informed by federal and international standards and adjusted for local market realities.

Ensuring the Supervisory Framework reflects current and emerging risk drivers is foundational to modern, effective, and efficient supervision of the B.C. financial services sector. The Supervisory Framework provides the methodology which BCFSA follows in assessing the risk profiles of regulated entities.

The goal for increasing face-to-face supervisory meetings was established to create a mutual understanding of issues facing B.C. financial institutions and foster better relationships between BCFSA and the Provincially Regulated Financial Institutions ("PRFIs"). Through the expanded engagement with PRFIs, the accountability for ensuring regular dialogue between BCFSA and sector stakeholders becomes more shared.

#### **Key results**

- Reviewed and updated BCFSA's Supervisory Framework ensuring a consistent and modern approach to supervision of the financial services sector.

- Increased the number of on-site and face-to-face meetings with regulated entities to identify necessary information upon which to base subsequent monitoring of risk-based prudential assessments.
- Incorporated the findings from the Defined Contribution Pension Plan Survey into the Defined Contribution Pension Plan risk assessment methodology.
- Maintained an up-to-date registry of the Composite Risk Rating and Intervention Stage Rating for each PRFI and issued applicable supervisory findings in a timely manner.

### Summary of progress made in 2022/23

BCFSA increased the frequency of face-to-face meetings which greatly enhanced the effectiveness and efficiency of these engagements for both the PRFIs and BCFSA. This has helped to ensure that risks are pro-actively identified at an early stage to ensure continued financial services sector safety and soundness.

### Performance measure(s) and related discussion

Performance Measure	2020/21 Baseline	2021/22 Actual	2022/23 Target	2022/23 Actual
1.1a Revision and modernization of current Supervisory Framework. <sup>1</sup>	50% of framework revised	100% of framework revised	100% reviewed and revised as needed	100% reviewed and revised as needed

Data source: BCFSA

<sup>1</sup>This performance measure was revised in the latest service plan. For more details on forward-looking planning information, including the performance measure and current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

The performance measure was achieved with the Supervisory Framework reviewed and revised as needed. Key revisions included refinement of inherent risk definition, the direction of rating methodology, and the publication of the guide to intervention for the trust company segment including assessment criteria.

The assessment criteria are used to guide supervisors in assessing the safety and stability of financial institutions while providing a standardized and proportionate approach. It also informs the institutions of BCFSA's focus when carrying out these assessments. Assessment criteria for the credit union and insurance company segments have been published in prior years.

In conjunction with the Information Security Guideline, which went into effect on September 30, 2022, a new information security incident reporting policy was developed and introduced to the financial services sector.

Revisions were made to the monthly composite risk rating template to better align with and support the Supervision Department's monitoring activities and CUDIC's risk premium calculation work.

Various training sessions were provided on the application of the Supervisory Framework in light of the rapidly changing financial services sector.

Performance Measure	2020/21 Baseline	2021/22 Actual	2022/23 Target	2022/23 Actual
1.1b Percentage of face-to-face supervisory meetings (includes virtual meetings) with financial institutions (credit unions, insurance companies and trust companies) in the fiscal year. <sup>1</sup>	75% of institutions	100% of institutions	100% of institutions	100% of institutions

Data source: BCFSA

<sup>1</sup>This performance measure was revised in the latest service plan. For more details on forward-looking planning information, including the performance measure and current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

The performance measure was achieved with BCFSA holding face-to-face (virtual and in-person) meetings with 100% of PRFIs in 2022/23. The number of interactions for PRFIs and Pension Plans exceeded 3,500.

Each PRFI was contacted at least one time per quarter in 2022/23, while higher risk or staged PRFIs received multiple touch points.

More in-person meetings were held in 2022/23 compared to 2021/22. This included BCFSA attendance at numerous PRFI board of directors' meetings in 2022/23.

Contact coverage (virtual or in person) remained at 100% in 2022/23 with the type of contact depending on the individual circumstances of the PRFI.

## Goal 2: Consumer Protection

### Objective 2.1: Modern, effective, and efficient consumer protection regulation.

BCFSA protects British Columbians by upholding conduct standards in the financial services sector including those related to credit unions, insurance companies, trust companies, pension plans, mortgage brokers, real estate licensees, and real estate developers. BCFSA investigates complaints, proactively monitors the marketplace to identify risks for consumers, enforces entry standards, and establishes and administers continuing education requirements.

#### Key results

- Established baseline targets for the resolution of complaints for the real estate, real estate development, mortgage services, and financial institutions segments. The

targets for the completion of market conduct monitoring activities<sup>1</sup> related to the Real Estate, mortgage brokers, and financial institutions segments were all exceeded in 2022/23.

- Established baselines for market conduct monitoring.
- Undertook monitoring activities across all regulated sectors through audits, targeted examinations and compliance reviews, thematic reviews of products or business practices, and data collection and reporting activities.
- Adapted the real estate licensee continuing education program to enhance standards in the mortgage broker's segment.

### **Summary of progress made in 2022/23**

Timely complaint resolution is a key component of consumer protection in the financial services sector. In 2022/23, BCFSA established baseline targets for the resolution of complaints for the real estate, real estate development, mortgage services, and financial institutions segments. The targets consider the complexity and the seriousness of the alleged misconduct to ensure that serious matters where there is material risk of harm, or potential harm, for the public, are prioritized. BCFSA focused on integrating and streamlining compliance and enforcement functions for the real estate, real estate development, and mortgage broker segments.

#### Real Estate Segment

- 95% of complaints were reviewed, assessed, and closed or assigned for investigation within 90 days from file opening.
- Investigations were completed for 79% of serious and very serious complaints within seven months.
- 80% of low and medium risk complaints were resolved within four months.
- 100% of first-time applications were processed within 21 days of receipt.
- 394 real estate development disclosure statements were received. 87% of the disclosure statements were reviewed and responded to within 20 business days. 65% of written undertakings were reviewed and responded to within 20 business days.

#### Mortgage Broker Segment

- 85% of complaints were reviewed, assessed, and closed or assigned for investigation within 90 days from file opening.
- 98% of first-time applications were processed within 21 days of receipt.

#### Financial Institutions

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<sup>1</sup> Market conduct monitoring activities include compliance reviews, examinations, and thematic reviews.

- 90% of complaints were resolved within three months.

In 2022/23, BCFSA continued to demonstrate commitment to developing market conduct monitoring activities. BCFSA established baselines for market conduct monitoring and continues to explore additional avenues to measure the effectiveness of monitoring activities.

### Performance measure(s) and related discussion

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
2.1a Percentage of complaints resolved within 90 days of receipt. <sup>1,2</sup>	N/A	Establish baseline percentage	75%

Data source: BCFSA

<sup>1</sup>All measures in calendar days.

<sup>2</sup>This performance measure was revised in the latest service plan. For more details on forward-looking planning information, including the performance measure and current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

BCFSA’s performance measure recognizes BCFSA’s commitment to efficient and effective processing of real estate and mortgage broker applications to do business in B.C. Applications where there are no concerns regarding the suitability of the applicants are processed and approved efficiently. In circumstances where concerns regarding an applicants’ qualifications and suitability are identified, thorough reviews of the application are conducted to ensure that all licensees and registrants are of good reputation, suitable, and fit to be licensed.

The performance measure was met. On the Integration Date, a large number of legacy real estate complaint files were transitioned to BCFSA. In 2022/23, investigation resources focused on reducing the inventory of real estate complaint files to ensure that new complaints can be investigated and resolved in a timely manner. Recognizing the expanded scope of BCFSA because of the integration, a new organization structure was put into place in the third quarter of 2022/23 to improve the efficiency of the compliance and enforcement functions across the real estate, real estate development, and mortgage broker segments. Going forward, the new baseline will be used for measuring the effectiveness of the overall complaint resolution process across all three segments.

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
2.1b Increase monitoring of market conduct activities <sup>1</sup>	N/A	Establish baseline	133

Data source: BCFSA

<sup>1</sup>This performance measure was revised in the latest service plan. For more details on forward-looking planning information, including the performance measure and current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

In 2022/23, BCFSA increased our market conduct monitoring activities in support of establishing a baseline target of 133 that would reflect new activities onboarded from real estate regulators plus the alignment of systems, processes, and file management practices.

With our proactive monitoring of market conduct activities, Real Estate Audit & Assurance – Exceeded target at 107 percent with 112 out of 105 planned examinations or inspections completed, Mortgage Brokers – Exceeded target at 110 percent with 22 out of 20 planned proactive monitoring activities completed, and Financial Institutions - Exceeded target at 113 percent with nine of eight planned activities completed.

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
2.1c Percentage of complete applications for new licensees processed within 21 days of receipt <sup>1,2</sup>	N/A	90%	99%

Data source: BCFSFA

<sup>1</sup>All measures in calendar days.

<sup>2</sup>This performance measure was revised in the latest service plan. For more details on forward-looking planning information, including the performance measure and current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

This performance measure recognizes BCFSFA’s commitment to efficient and effective processing of real estate and mortgage broker applications to do business in B.C. Applications where there are no concerns regarding the suitability of the applicants are processed and approved efficiently. In circumstances where concerns regarding an applicants’ qualifications and suitability are identified, thorough reviews of the application are conducted to ensure that all licensees and registrants are of good reputation, suitable, and fit to be licensed.

The performance measure was met. The introduction of new work processes and technologies resulted in 100 percent of complete real estate applications being processed within 21 days of receipt and 98 percent of complete mortgage broker application being processed within 21 days of receipt.

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
2.1d Mortgage broker continuing education is developed and delivered by BCFSFA <sup>1</sup>	N/A	50% of courses completed	50% of courses completed

Data source: BCFSFA

<sup>1</sup>This performance measure was revised in the latest service plan. For more details on forward-looking planning information, including the performance measure and current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

The performance measure was met. BCFSFA executed against its work plan and met the 50 percent year-end target. This included the Legal Update for Mortgage Brokers being launched in January 2023.

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
2.1e Real Estate development and strata rental <sup>2</sup> disclosures are reviewed and responded to within 21 days of receipt <sup>1</sup>	N/A	90%	87%

Data source: BCFSA

<sup>1</sup>This performance measure was revised in the latest service plan. For more details on forward-looking planning information, including the performance measure and current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

<sup>2</sup>*Strata Property Act* was amended November 2022 and these disclosures are no longer required.

The performance measure was not met. The target was achieved in 8 of 12 months resulting in 87 percent of all real estate development disclosure statements being reviewed and responded to within 21 business days. The months where the target was not achieved were months BCFSA received the highest volumes of filings. Also impacting results was BCFSA's focus on the implementation of early marketing requirements for development to modernize regulatory oversight of this segment. In 2022/23, policy amendments permitted early marketing for developments to begin sooner and with simpler and more uniform standards across all regions of BC. A total of 824 amendments related to this change in policy were received. Seventy percent of written undertakings contained in the amendments were reviewed and responded to within 21 business days.

## Objective 2.2: Support industry to adopt best practice conduct standards.

BCFSA is establishing a baseline measure of the effectiveness of licensee and mortgage broker education and will develop a multi-year action plan to strengthen sector education. Education of regulated individuals is key to maintaining and enhancing knowledge and professionalism in the industry.

### Key results

- Surveys were conducted after every Real Estate Continuing Education course.
- Education questions were included in the stakeholder engagement survey that was conducted in January/February 2023

### Summary of progress made in 2022/23

BCFSA is committed to equipping industry with the information, tools, and practices it needs to achieve and maintain high conduct standards.

Consumers rely on financial services at key moments in their life – buying a home, obtaining a loan, protecting their health and possessions, and retirement – and must have trust in confidence in the services they are receiving.

BCFSA is committed to driving continuous improvement in sector service through industry education. That commitment included a focus on key competencies and current issues (for

example, anti-money laundering) and exploration of opportunities to leverage infrastructure to service the needs of other regulatory sectors.

### Performance measure(s) and related discussion

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
2.2a Implement a survey to better understand the effectiveness of licensee education. <sup>1</sup>	N/A	Implement Survey	Implemented Survey

Data source: BCFSFA

<sup>1</sup>This performance measure was not carried forward in the latest service plan. For more details on forward-looking planning information, including the performance measure and current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

The performance measure was met. Surveys were conducted after every Real Estate continuing education course to assess learner satisfaction with content, delivery, course structure, and instructor. Education questions were included in a stakeholder engagement survey that was conducted in January/February 2023. After the findings are reviewed, follow-ups on the findings will commence in 2023/24.

### Objective 2.3: Work collaboratively with government to improve financial crisis preparedness and in particular, ensure a sustainable and effective deposit insurance program is in place.

CUDIC is a statutory corporation continued under the *Financial Institutions Act* ("FIA") and administered by BCFSFA. CUDIC is responsible for administering and operating the credit union deposit insurance fund. CUDIC guarantees the deposits and non-equity shares (issued before January 1, 2020) of British Columbia incorporated credit unions.

BCFSFA and CUDIC are committed to collaborating with stakeholders to maintain preparedness and confidence in the credit union system, in the face of changes such as consolidations and federal continuance, innovative technologies, climate impacts, and economic landscape.

#### Key results

- Held consultations on the Differential Premium System with the credit unions 2022/23.
- All preparatory work was completed in 2022/23 for implementation of the Differential Premium System in 2023/24.
- Issued an Advisory to credit unions in June 2022 announcing the Target Fund Range and Target Fund Size.
- Completed the current cycle of Fund size review.

## Summary of progress made in 2022/23

BCFSA and CUDIC are committed to maintaining a modern, effective, and efficient methodology in determining deposit insurance premiums that responds to the needs of a rapidly changing credit union system and its depositors. In support of this, BCFSA released proposed dynamic ranges and held an information session with credit unions.

Reflecting international best practices, BCFSA is committed to reviewing the Fund target size every four years, or after a shock event, to ensure the Fund size is credible and contributes to depositor confidence and system stability. In 2020/21, BCFSA engaged an actuarial firm to provide independent actuarial analysis and advice to the BCFSA and CUDIC Boards of Directors on the Fund target range, target point, and funding timeline. The actuarial modelling is part of a comprehensive internal review of both quantitative and qualitative factors, including regulatory powers and practices. The current cycle of Fund size review was completed in 2022/23.

Continuous enhancement of the Deposit Payout Program is a key component of BCFSA's crisis preparedness initiatives.

## Performance measure(s) and related discussion

Performance Measure	2020/21 Baseline	2021/22 Actual	2022/23 Target	2022/23 Actual
2.3a Continue to implement an effective Differential Premium System <sup>1,2</sup> <ul style="list-style-type: none"> <li>Percentage of Implementation</li> </ul>	50% completion of information sessions	100% completion of information sessions	75% implementation of complete	85% of implementation complete

Data source: BCFSA

<sup>1</sup>This performance measure was revised in the latest service plan. For more details on forward-looking planning information, including the performance measure and current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

<sup>2</sup>Previous references to Deposit insurance assessment methodology have been updated to Differential Premium System.

The performance measure was met. Consultations occurred in the period between November 2022 and January 2023. BCFSA will continue to communicate and engage with the credit unions and industry associations until implementation of the Differential Premium System is completed and premiums are collected and processed by CUDIC.

CUDIC and BCFSA are committed to maintaining a modern, efficient, and effective methodology for setting deposit insurance premiums that respond to the needs of a rapidly changing credit union system and its depositors. Industry consultation and engagement is an ongoing cornerstone of that commitment. BCFSA will build on consultations that led to approval of the methodology in June 2021 and has engaged the credit unions prior to implementation in 2023/24.

Performance Measure	2020/21 Baseline	2021/22 Actual	2022/23 Target	2022/23 Actual
2.3b Review and set Deposit Insurance fund size <sup>1</sup> <ul style="list-style-type: none"> <li>Percentage of completion of work to review, finalize and release new fund target size.</li> </ul>	85% Complete	100%	100%	100%

Data source: BCFSAs

<sup>1</sup>This performance measure was revised in the latest service plan. For more details on forward-looking planning information, including the performance measure and current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

The performance measure was met. Reflecting international best practices, BCFSAs is committed to reviewing the CUDIC Deposit Insurance Fund (the “Fund”) target size every four years, or after a shock event (e.g., economic shocks, changes to credit union composition due to consolidations or federal continuance), to ensure the Fund size is credible and contributes to depositor confidence and system stability. This is a forward-looking process that involves data collection, analysis, forecasts, and scenario modelling. Key activities taken to achieve this goal include:

- Reviewing the approach and parameters used to determine the adequacy of the current target Fund range, target point and funding timeline;
- Researching cross-jurisdictional best practices regarding the establishment of deposit insurance fund targets; and conduct consultations with credit union system and industry associations;
- Approving the Target Range and Target Fund Size at the May 2022 meeting of the BCFSAs Board of Directors; and
- Issuing a BCFSAs Advisory to credit unions in June 2022 announcing the Target Range and Target Size.

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
2.3c Continuous review and update of the CUDIC Deposit Payout Program <sup>1</sup>	10% of material updated	25% material updated	25% of material updated

Data source: BCFSAs

<sup>1</sup>PM 2.3c targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 75% of material updated and 95% of material updated, respectively.

The performance measure was met. Continuous enhancements of the CUDIC Deposit Payout Program is a key component of BCFSAs’s crisis preparedness initiatives. During 2022/23:

- The CUDIC Payout Playbook was updated.
- Work continued to enhance the technology support for a payout event including finalizing the business requirements for a payout solution.

- The consultation on the next version of requirements of credit union deposit data was completed in June 2022. A Regulatory Statement with respect to data requirements was issued in March 2023.
- Table-top exercise regarding a payout scenario took place in Q4 2022/23, with key takeaway's being incorporated into future crisis preparedness planning.

## **Goal 3: External Engagement**

### **Objective 3.1: Develop and maintain strong and active collaboration with stakeholders.**

To regulate effectively, and in a proportionate manner, BCFSA needs to engage with regulated entities and individuals to understand their views, challenges, and opportunities. External engagement supports BCFSA's understanding of risks to industry and consumers of financial services. As well, BCFSA needs to engage with governments and other regulators to understand emerging issues, share best practices, and look for opportunities to harmonize regulation, where possible.

#### **Key results**

- Actively participated in regulatory associations including working committees, with a view to monitoring emerging risks in the financial services sector, including those related to the COVID-19 pandemic.
- Delivered the report on Enhancing Consumer Protection in B.C.'s Real Estate Market.
- Successfully implemented the Homebuyer Rescission Period legislation.

#### **Summary of progress made in 2022/23**

Strategically, BCFSA reviews its participation in regulatory associations and forums to ensure alignment with BCFSA priorities. Active participation by BCFSA in regulatory associations at regularly scheduled meetings fosters harmonization and the development of common approaches to issues of national importance. Through chairing and participating in working committees and ongoing engagement with regulatory peers, BCFSA is aware of, and positioned to respond to, emerging regulatory issues. Full participation in reviews related to emerging issues in financial services provides BCFSA with awareness of developing risks which positions BCFSA to respond effectively.

**Performance measure(s) and related discussion**

<b>Performance Measure</b>	<b>2020/21 Baseline</b>	<b>2021/22 Actual</b>	<b>2022/23 Target</b>	<b>2022/23 Actual</b>
3.1a BCFSAs takes an active role in interprovincial forums regarding financial sector issues, and reviews existing leadership roles with a view to strategic alignment <sup>1</sup>	80% of meeting attendance	90%	100%	100%

Data source: BCFSAs

<sup>1</sup>This performance measure was not carried forward in the latest service plan. For more details on forward-looking planning information, including the performance measure and current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

The performance measure was met. BCFSAs takes an active role in interprovincial forums regarding financial sector issues as demonstrated by meeting attendance and advancement of shared regulatory priorities. These meetings included: CAPSA on pension related issues; MBRCC on mortgage brokers; RERC on real estate; CUPSA on credit unions; and CCIR on insurance. BCFSAs Team Members form the secretariat or are on working groups/leadership positions across the majority of these interprovincial forums. Notable national initiatives that BCFSAs has recently contributed to include development of common principles for mortgage brokers for cybersecurity preparedness and work on consumer awareness regarding climate change and natural catastrophes in the insurance and insurance intermediary industries.

<b>Performance Measure</b>	<b>2021/22 Baseline</b>	<b>2021/22 Actual</b>	<b>2022/23 Target</b>	<b>2022/23 Actual</b>
3.1b Number of scheduled meetings related to emerging financial regulatory trends and issues, including those related to the COVID 19 pandemic.	100% attendance	100% attendance	100% attendance	100% attendance
<ul style="list-style-type: none"> <li>Attendance at Provincial / Federal meetings.</li> <li>Attendance at Working Committees. <sup>1</sup></li> </ul>	90% attendance	95% attendance	100% attendance	100% attendance

Data source: BCFSAs

<sup>1</sup>This performance measure was not carried forward in the latest service plan. For more details on forward-looking planning information, including the performance measure and current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

The performance measure was met. BCFSAs participated in 100 percent of scheduled meetings related to emerging financial regulatory trends and issues. BCFSAs leads or contributes to a variety of initiatives that support harmonized positions on emerging financial issues or trends, which include Counter Illicit Finance Alliance-BC on the AML system; Insurance Council of B.C. on oversight of intermediaries and insurers; BCSC on private mortgage lenders; Task Force on Flood Insurance and Relocation on climate and natural catastrophe risk; the Condo and Strata Assignment Integrity Register administrator and the Land Title Survey administrator on real

estate matters; Financial Transactions and Reports Analysis Centre (“FINTRAC”) on AML and Money Service Businesses; and federal government departments and regulators on open banking and digital finance.

Performance Measure	2021/22 Baseline	2021/22 Actual	2022/23 Target	2022/23 Actual
3.1c Lead and participate in reviews related to high-priority or emerging financial services issues, as prioritized by government. <sup>1</sup>	100% delivery of objectives outlined by government.	100%	100%	100%

Data source: BCFSFA

<sup>1</sup>This performance measure was not carried forward in the latest service plan. For more details on forward-looking planning information, including the performance measure and current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

The performance measure was met. BCFSFA led reviews related to high-priority or emerging financial services issues and delivered 100 percent of objectives outlined by government. Following in-depth consultations with a diverse range of stakeholders, BCFSFA’s report, *Enhancing Consumer Protection in B.C.’s Real Estate Market*, was delivered to the Minister of Finance and publicly released in May 2023. The report provided advice on parameters for a cooling off period, as requested by Government. After considering BCFSFA’s report, the government decided to proceed with the introduction of a home buyer rescission period which was successfully implemented on January 3, 2023. BCFSFA worked with local real estate boards, and real estate and mortgage broker industry associations to facilitate webinars on the home buyer rescission period that reached thousands of real estate licensees and mortgage brokers.

### Objective 3.2: Mature and expand stakeholder engagement strategy.

BCFSFA is building its capacity in external engagement and has expanded existing tools and strategies to encompass a cross-financial services sector approach. In order to deliver on a cross-sectoral approach, BCFSFA developed a multi-year strategy that builds on the existing framework and takes into consideration best practices with respect to stakeholder engagement.

#### Key results

- The 2022/23 Regulatory Roadmap was developed and distributed to regulated entities and individuals.
- Established multi-year stakeholder engagement strategy and completed annual activities.
- Established an advisory group strategy.

### Summary of progress made in 2022/23

The use of the regulatory road map demonstrated consistency and transparency in planning and communicating BCFSA’s external engagement objectives regarding its regulatory program. Performance measure(s) and related discussion

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
3.2a Use of regulatory road map across the entire financial services sector, with engagement activities delivered as planned or occurring within two quarters of planning. <sup>1</sup>	N/A	60%	70%

Data source: BCFSA

<sup>1</sup>This performance measure was revised in the latest service plan. For more details on forward-looking planning information, including the performance measure and current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

The performance measure was met. The use of the regulatory road map demonstrates consistency and transparency in planning and communicating BCFSA’s external engagement objectives regarding its regulatory program. For 2022/23, the real estate services segment overseen by BCFSA was included in the regulatory roadmap for the first time. In total, for 2022/23, approximately 70 percent of planned engagement activities occurred within two quarters of planning. Consultations included: credit union capital modernization, a code of conduct for insurance companies, new rules for real estate teams, the CUDIC differential premium assessment; and the CUDIC deposit data requirements.

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
3.2b Establish multi-year stakeholder engagement strategy and completion of annual activities. <sup>1</sup>	N/A	Establish multi-year plan	Established multi-year plan

Data source: [type data source here]

<sup>1</sup>This performance measure was revised in the latest service plan. For more details on forward-looking planning information, including the performance measure and current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

The performance measure was met. BCFSA established a multi-year stakeholder engagement strategy to promote consistency across the organization, allow for consideration of best practices, and build on existing tools. A key deliverable of this strategy was the development of an approach on advisory groups for BCFSA. The approach, which was approved in 2022/23, will be implemented in 2023/24 and will see the establishment of both technical working groups and strategic segment roundtables.

### **Objective 3.3: Develop strong and strategic external communications planning.**

To ensure effective communication to all regulated entities and individuals as well as consumers, BCFSa has enhanced its strategic planning, implemented new ways of working through technology, and boosted its data analysis capabilities to allow for effective and targeted content development.

#### **Key results**

- A three-year Communications Strategy was developed.
- A data framework was developed with a detailed development timeline and reporting structure outlined to capture benchmarking, key performance indicators and goal achievement.
- Completed review of all existing consumer content.
- BCFSa's "Report a Concern" website pages were redesigned.
- Real Estate Buyer & Seller Guides were updated.

#### **Summary of progress made in 2022/23**

Stronger forward-looking communications efforts will support BCFSa's goals to build stronger relationships with all external stakeholders, ensure important regulatory measures are followed, increase consumer awareness, and allow for refinement of content to make it more relevant and available to stakeholders.

A multi-year communications strategy was established that builds upon current tools, successes, and best practices to enhance external regulatory content and heighten awareness of BCFSa in the public environment. Six goals, included related objectives, tactics, measurement, and audience mapping, were developed. The strategy will be evaluated and updated annually.

Capturing data and utilizing a developed data framework is underway allowing BCFSa to modernize, target, and ensure communications activities are effective. A variety of reporting methods will be employed including case-by-case, project specific or annual overview.

Consumer awareness of BCFSa's role and regulatory mandate across the financial services sector promotes consumer protection and allows for proactive identification and management of emerging issues through advertising, social media, and other communications avenues. A detailed consumer website audit was undertaken of the current content relevant to the public.

**Performance measure(s) and related discussion**

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
3.3a Establish multi-year communications strategy and update annually. <sup>1</sup>	N/A	Establish multi-year plan	Established multi-year plan

Data source: BCFSFA

<sup>1</sup>This performance measure was revised in the latest service plan. For more details on forward-looking planning information, including the performance measure and current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

The performance measure was met. The communications strategy captured both internal feedback as well as feedback received from relevant sector participants.

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
3.3b Establish data analysis and reporting framework to drive communications activities. <sup>1</sup>	N/A	Establish Framework	Established Framework

Data source: BCFSFA

<sup>1</sup>This performance measure was revised in the latest service plan. For more details on forward-looking planning information, including the performance measure and current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

The performance measure was met. A data framework was 100 percent completed with detailed development timeline and reporting structure outlined to ensure the achievement of goals. Full implementation will include benchmarking, Key Performance Indicators and reporting.

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
3.3c Establish a strategy for consumer-focused content and understand sector communications needs. <sup>1</sup>	N/A	100% of current website content reviewed.	100% of current website content reviewed.

Data source: BCFSFA

<sup>1</sup>This performance measure was not carried forward in the latest service plan. For more details on forward-looking planning information, including the performance measure and current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

The performance measure was met. A comprehensive website review of all consumer content was completed. The findings were reviewed, and a list of recommendations related to the website, social media, and brand were prioritized, as well as consumer-focused products such as “Report a Concern” website pages and updated Real Estate Buyer & Real Estate Seller Guides.

## Goal 4: BCFSA fosters a culture of employee engagement in support of a motivated, engaged employee.

### Objective 4.1: BCFSA employees are engaged and motivated.

Engaged and motivated employees contribute to higher levels of organizational success.

#### Key results

- Employee survey had a participation rate of 90%.
- Employee survey results were strong which translated into a 'Great Place to Work' certification.
- BCFSA was named to the list of "BC Top Employers."
- A robust learning and development framework was introduced to invest in our Team Members.

#### Summary of progress made in 2022/23

BCFSA continued to build a strong culture in which all Team Members are valued and receive the support to increase their skills, expand their knowledge, and develop their careers. By continuing to focus on workplace culture development, BCFSA will have the organizational capacity to achieve its objectives.

BCFSA measured employee engagement through a survey that generated a trust index rating that reflects employee perceptions on leadership, organizational credibility, respect, fairness, pride, and camaraderie in the workplace. The results of the survey were shared broadly in the organization. Team Members reviewed the results and determined action plans to address the issues that were identified.

#### Performance measure(s) and related discussion

Performance Measure	2021/22 Baseline	2021/22 Actual	2022/23 Target	2022/23 Actual
4.1a Annual employee engagement surveys will be conducted to measure employee engagement levels. <sup>1</sup>	Survey Completed	Survey Completed	Survey Completed	Survey Completed

Data source: BCFSA

<sup>1</sup>This performance measure was not carried forward in the latest service plan. For more details on forward-looking planning information, including the performance measure and current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

The performance measure was met. An employee survey was completed in January 2023. The participation rate was 90 percent, reflecting highly engaged team members. Year-over-year

improvements were achieved in all categories of the survey. BCFSA was awarded ‘Great Place to Work’ certification based on survey results. BCFSA was also named to a ‘BC Top Employer’ list as determined by Canada’s Top 100 Employers organization. Key contributors to those outcomes included:

- professional development opportunities for individuals at every stage of their career;
- tuition subsidies for those interested in continuing their education;
- leadership development programs for those interested in advancement; and
- flexible work hours to help employees balance work and their personal commitments.

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
4.1b Annual Action Plans based upon survey feedback to improve workplace culture will be actions. <sup>1</sup>	N/A	80% of actions successfully implemented	>95% of actions successfully implemented

Data source: BCFSA

<sup>1</sup>This performance measure was not carried forward in the latest service plan. For more details on forward-looking planning information, including the performance measure and current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

The performance measure was met. Action plans that were established in response to last year’s survey results were developed at both the BCFSA level and at the department level. The target of 80 percent of actions successfully implemented was exceeded with more than 95 percent of actions reported as implemented.

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
4.1c Survey results and action plans will be openly communicated to employees. <sup>1</sup>	N/A	Quarterly Updates provided	Quarterly Updates provided

Data source: BCFSA

<sup>1</sup>This performance measure was not carried forward in the latest service plan. For more details on forward-looking planning information, including the performance measure and current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

The performance measure was met. Survey results and action plans were openly and regularly communicated to employees through quarterly Town Hall sessions, Department meetings, and internal emails with relevant information available to all employees on BCFSA’s intranet. Communications included full visibility to survey results, action plans at both the organization and Department levels and the progress and/or results of action plan activities.

## Goal 5: New Initiatives

### Objective 5.1: Continue to work collaboratively with government, industry, and other stakeholders to review issues related to the cost and availability of insurance for strata corporations.

BCFSA continued its work with government, industry, and other stakeholders to seek solutions to return B.C.'s strata property insurance market to a healthy state.

#### Key results

- Presented findings from data call respecting strata insurance premiums to the Minister of Finance.

#### Summary of progress made in 2022/23

In January 2020, BCFSA was asked by the Government of British Columbia to formalize its research efforts to confirm changes in strata property insurance premiums and to gain further understanding of the underlying factors causing the increases. BCFSA issued a final report on strata insurance in December 2020 and has continued to work with government monitoring the market.

Building on the 2020 report, BCFSA provided a letter to the Minister of Finance on consumer premiums for strata insurance, concluding the follow-up work in this area.

#### Performance measure(s) and related discussion

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
5.1a Provide data and analysis on market conditions, per the request of government as follow-up to the 2020 report. <sup>1</sup>	N/A	Provide follow-up report.	Provided follow-up report.

Data source: BCFSA

<sup>1</sup>This performance measure was not carried forward in the latest service plan. For more details on forward-looking planning information, including the performance measure and current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

The performance measure was met.

### Objective 5.2: Collaborate with government and stakeholders to improve the effectiveness of B.C.'s Anti-Money Laundering Regime.

In 2022/23, BCFSA continued with its efforts to strengthen B.C.'s Anti-Money Laundering (AML) regime by implementing new initiatives where appropriate, sustaining existing initiatives, and working with stakeholders to support a holistic and strategic approach to AML in B.C.

## Key results

- BCFSFA is an active participant in working groups with all relevant AML stakeholders.

## Summary of progress made in 2022/23

The performance measure demonstrates BCFSFA's commitment to supporting the strengthening of the B.C.'s AML regime.

## Performance measure(s) and related discussion

Performance Measure	2020/21 Baseline	2021/22 Actual	2022/23 Target	2022/23 Actual
5.2a Participation in activities supporting the strengthening of the B.C. AML regime. <sup>1</sup>	100% participation	100%	100%	100%

Data source: BCFSFA

<sup>1</sup>For forward-looking planning information, including current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

The Performance Measure was met. In years prior to 2022/23, BCFSFA Team Members participated at the now concluded Cullen Commission of Inquiry (the “Cullen Commission”) through witness testimony during the proceedings, interviews with Cullen Commission staff, and the submission of written responses and materials. In 2022/23, BCFSFA continued to support the Cullen Commission as requested. Post-report communication with staff of the Ministry of Finance to consider the implications of the public report has occurred (see 5.2b).

BCFSFA was a key stakeholder at the partner level of the CIFA-BC, a cross-government consortium to implement public-private partnerships between financial institutions, regulators, and law enforcement to address financial crime and money laundering. BCFSFA participated in multiple workstreams at CIFA-BC, including leading the Money Services Business (MSB) workstream to deliver a MSB typology report to all CIFA-BC members in the Spring of 2022.

BCFSFA: (i) is an active participant in working groups with all relevant AML stakeholders (for example, police, securities regulators, AML enforcement bodies, and tax authorities); and (ii) directly collaborates with those in policy, regulation, and law enforcement roles to develop recommendations and forge agreements to support AML initiatives, enhance cross-regulatory investigation cooperation, and deter misconduct in the financial services sector.

BCFSFA continued to engage with FINTRAC on a semi-annual basis to obtain key updates on AML risks that the federal regulator had noted during the period.<sup>2</sup> Such risks were factored into the BCFSFA's supervision of PRFIs. BCFSFA also continued to incorporate AML risks into the overall risk assessments of PRFIs.

<sup>2</sup> BCFSFA has a memorandum of understanding in place with FINTRAC.

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
5.2b Develop and implement a BCFS AML strategy that responds to potential direction from the Cullen Inquiry 1	N/A	BCFS AML Strategy Approved	Although a BCFS AML Strategy was not approved, work commenced on several significant initiatives as directed by government

Data source: BCFS A

<sup>1</sup>PM 5.2b targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as “Implement BCFS AML strategy” and “Implement BCFS AML strategy”, respectively. For forward-looking planning information, including current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

Canada’s AML regime is complex with a variety of stakeholders with specific accountabilities at both the federal, provincial, and municipal levels. Given the negative impact of criminal activity, including the subsequent laundering of the proceeds from that activity, BCFS A views money laundering as significant risk to the Sector. As such, it is focused on ensuring that Sector participants are aware of and compliant with their regulatory accountabilities under different regimes.

The Cullen Commission Final Report (the “Report”), which was released in June 2022, contained a number of recommendations that, if implemented, would be led by BCFS A or require BCFS A involvement and would expand BCFS A’s current AML mandate. The government retains the accountability for deciding which Report recommendations will be implemented and policy/legislative timeline for implementation.

Following up on recommendations in the Report, the government has assigned BCFS A with additional accountabilities in relation to mortgage brokers and Money Services Businesses (“MSBs”)

Specifically, BCFS A is working to implement the new *Mortgage Services Act* which will strengthen the regulatory framework for mortgage brokers. As well, BCFS A also supported the Ministry in the development of the *Money Services Businesses Act* (the “MSB Act”). Under the MSB Act, BCFS A will be responsible for administering a registry of MSBs operating in B.C.

BCFS A will continue to work with government as it examines which of the remaining Report recommendations will be implemented. As this work is not contingent on the development of a formal BCFS A-specific AML strategy, the performance measure will be adjusted going forward.

## Financial Report

For the auditor's report and audited financial statements, see [Appendix B](#). These documents can also be found on the BCFSA website.

## Discussion of Results

RECBC and OSRE were integrated with BCFSA on August 1, 2021 (the "Integration Date"). On the Integration Date, the assets, liabilities, regulatory authorities, and related operational responsibilities of RECBC and OSRE were transferred to BCFSA, and OSRE and RECBC ceased to exist. Grants received from Government in 2021/22 relate to the Core Regulatory Suite project and integration. Fiscal 2022/23 represents the first full year of operations for BCFSA post integration.

## Financial Summary<sup>1</sup>

(\$000s)	2021/22 Actual	2022/23 Budget	2022/23 Actual	2022/23 Variance
<b>Revenues</b>				
Fees, Licenses & Recoveries	46,566	55,433	57,430	1,997
Education	6,386	7,956	8,567	611
Grants	9,949	-	-	-
Restructuring <sup>2</sup>	13,956	-	-	-
<b>Total Revenue</b>	<b>76,857</b>	<b>63,389</b>	<b>65,997</b>	<b>2,608</b>
<b>Expenses</b>				
Salaries and Benefits	32,694	40,452	41,005	553
Other	17,418	22,937	21,316	(1,621)
<b>Total Expenses</b>	<b>50,112</b>	<b>63,389</b>	<b>62,321</b>	<b>(1,068)</b>
<b>Net Income</b>	<b>26,745</b>	<b>-</b>	<b>3,676</b>	<b>3,676</b>
<b>Total [Liabilities/Debt]</b>	<b>8,914</b>	<b>7,377</b>	<b>7,739</b>	<b>362</b>
<b>Capital Expenditures</b>	<b>12,258</b>	<b>12,560</b>	<b>5,947</b>	<b>(6,613)</b>
<b>Accumulated Surplus</b>	<b>55,090</b>	<b>43,133</b>	<b>58,766</b>	<b>15,633</b>

<sup>1</sup> The above financial information was prepared based on current Generally Accepted Accounting Principles.

<sup>2</sup> RECBC and OSRE were integrated with BCFSA on August 1, 2021 (the "Restructuring Date" – or – "Integration Date").

## Variance and Trend Analysis

Revenue in fiscal 2022/23 exceeded budget primarily due to higher licensing volumes in the Real Estate Segment. Expenses were lower than budget primarily due to lower corporate costs including technology spend, with direct costs of regulation by Segment being in line with the budget.

## Risks and Uncertainties

In accordance with BCFSA's Enterprise Risk Management ("ERM") Policy and Framework, risks were identified across the organization at both the strategic and operational levels, primarily aligned to planning and change cycles, but also at any time an emerging risk was identified.

Enterprise level risks were assessed with Senior Executive risk owners on a quarterly basis, and resulting updates reported to the Board. New risk information was added where appropriate. The risk assessments were supported by a number of activities include environmental scans and guest speakers on strategic level risk topics, as well as SWOT ("Strengths, Weaknesses, Opportunities, and Threats) analysis and other assessment tools used by BCFSA during its strategic planning and reporting processes.

The BCFSAs Enterprise Risk Register, as at March 31, 2023, identified the following high-risk areas being managed by BCFSAs:

- Technology – risks associated with Cybersecurity and the protection of privacy issues, including matters related to the associated with disruptions to technology infrastructure or systems, whether internal or provided through third parties; and
- Market Conduct – risks associated with managing serious market conduct issues.

## Capital Expenditures

Significant IT Projects (over \$20 million in total)	Targeted Year of Completion	Project Cost to Mar 31, 2023 (\$m)	Estimated Cost to Complete (\$m)	Anticipated Total Cost (\$m)
<b>Core Regulatory Suite</b>	2023	14.8	8.4	23.2
<p>The Core Regulatory Suite (“CRS”) Project developed a suite of productivity tools that will help evolve BCFSAs into the future. It has allowed BCFSAs to update business processes and technology tools that are essential to regulatory operations, including offering a self-service portal accessible from the BCFSAs website.</p>				

## Appendix A: Progress on Mandate Letter Priorities

The following is a summary of progress made on priorities as stated in the 2021/22 Mandate Letter from the Minister Responsible.

2021/22 Mandate Letter Priority	Status as of March 31, 2023
Advance the BCFSAs risk-based and proportionate supervision of financial services sectors and efforts to enhance consumer protection.	<ul style="list-style-type: none"> <li>Work on this priority continues as part of day-to-day operations (refer to Objective 1.1, Objective 2.1 and 2.1).</li> </ul>
Engage and work with government, other B.C. regulators, sector participants, and applicable provincial and federal governments and regulators to identify and respond to priority issues in the financial services sector, including issues associated with the COVID-19 pandemic.	<ul style="list-style-type: none"> <li>Work on this priority continues as part of day-to-day operations Work and engagement associated with the COVID-19 pandemic is concluded (refer to Objective 3.1 and 3.2).</li> </ul>
Continue to work with the Superintendent of Real Estate, the Ministry of Finance Policy and Legislation Division, and the Real Estate Council of BC to complete integration of real estate regulation within the BCFSAs.	<ul style="list-style-type: none"> <li>Work on this priority has been completed (refer to <a href="#">Annual Service Plan Report 2021/2022</a>).</li> </ul>
Work collaboratively with government to improve finance crisis preparedness and in particular, ensure a sustainable and effective deposit insurance program is in place.	<ul style="list-style-type: none"> <li>Work on this priority continues as part of day-to-day operations (refer to Objectives 2.3).</li> </ul>
Continue to work collaboratively with government, industry, and other stakeholders to review issues related to the cost and availability of insurance for strata corporations.	<ul style="list-style-type: none"> <li>Work on this priority related to the delivery of reports to government has been completed (refer to Objective 5.1).</li> </ul>
Collaborate with government to improve the effectiveness of B.C.'s Anti-Money Laundering Regime.	<ul style="list-style-type: none"> <li>Work on this priority continues as part of day-to-day operations (refer to Objective 5.2).</li> </ul>

## Appendix B: Auditor's Report and Audited Financial Statements

**BC Financial Services Authority**  
**Financial Statements**  
As at March 31, 2023, and  
for the year ended March 31, 2023

# BC Financial Services Authority

## Management Report

For the year ended March 31, 2023 ('000)

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The financial statements of BC Financial Services Authority ("BCFSA") were prepared by management in accordance with the financial reporting framework disclosed in note 2 to the financial statements, and include amounts based upon management's best estimates and judgments. In management's opinion, the financial statements have been properly prepared within the framework of the accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, all information available at May 10, 2023.

Management is responsible for the integrity of the financial statements and has established systems of internal control to provide reasonable assurance that assets are safeguarded, and that reliable financial information is available on a timely basis. These systems include formal written policies and procedures, careful selection and training of qualified personnel, and appropriate delegation of authority and segregation of responsibilities within BCFSA.

The Board of Directors has established an Audit and Finance Committee to provide oversight in the fulfillment by management of these responsibilities. The Audit and Finance Committee, comprising directors who are not employees, meets with management and external auditors regarding the proper discharge of management's responsibilities with respect to financial statement presentation, disclosure, and recommendations on internal control.

The financial statements have been examined by BDO Canada LLP, BCFSA's independent external auditors. The external auditors' responsibility is to express their opinion on whether the financial statements, present fairly, in all material respects, BCFSA's financial position, results of operations, changes in net financial assets (debt) and cash flows in accordance with Canadian public sector accounting standards. Their Auditor's Report, which follows, outlines the scope of their examination and their opinion.



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**Blair Morrison**  
Chief Executive Officer



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**David Sherwood**  
Chief Financial Officer

**Vancouver, BC**  
**May 10, 2023**



Tel: 604 688 5421  
Fax: 604 688 5132  
vancouver@bdo.ca  
www.bdo.ca

BDO Canada LLP  
Unit 1100 -Royal Centre  
1055 West Georgia Street  
Vancouver, BC V6E 3P3 Canada

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## Independent Auditor's Report

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To the Board of Directors of the BC Financial Services Authority

And to the Minister of Finance, British Columbia

### Opinion

We have audited the financial statements of the BC Financial Services Authority ("BCFSA") which comprise the Statement of Financial Position as at March 31, 2023, and the Statements of Operations, Changes in Net Financial Assets and Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of BCFSA as at March 31, 2023, and its results of operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of BCFSA in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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.

In preparing the financial statements, management is responsible for assessing BCFSA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate BCFSA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing BCFSA's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 BCFSAs internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on BCFSAs ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause BCFSAs to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the BCFSAs to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of BCFSAs audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*BDO Canada LLP*

Chartered Professional Accountants

Vancouver, British Columbia  
May 11, 2023

# BC Financial Services Authority

## Statement of Financial Position

For the year ended March 31, 2023 ('000)

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	<u>March 31,</u> <u>2023</u>	March 31,
		<u>2022</u>
<b>Financial Assets</b>		
Cash and cash equivalents (note 3)	\$ 17,112	\$ 8,274
Investments (note 4)	15,000	15,447
Accounts receivable (note 5)	11,907	11,473
Due from government/other government organizations (note 6)	<u>224</u>	<u>10,043</u>
	<u>44,243</u>	<u>45,237</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	3,947	6,067
Deferred revenue	1,887	1,240
Employee future benefits (note 7)	1,096	1,036
Due to government/other government organizations (note 6)	<u>809</u>	<u>571</u>
	<u>7,739</u>	<u>8,914</u>
<b>Net financial assets</b>	<u>36,504</u>	<u>36,323</u>
<b>Non-financial assets</b>		
Tangible capital assets (note 10)	21,475	17,840
Prepaid expenses	<u>787</u>	<u>927</u>
	<u>22,262</u>	<u>18,767</u>
<b>Accumulated surplus</b>	<u>\$ 58,766</u>	<u>\$ 55,090</u>

Commitments (note 11)

Approved by the Board of Directors



Chair



Director

The accompanying notes are an integral part of the financial statements.

# BC Financial Services Authority

## Statement of Operations

For the year ended March 31, 2023 ('000)

	Annual Budget (note 14)	March 31, 2023	March 31, 2022
<b>Revenues</b>			
Licensing, registration, and other fees	\$ 43,960	\$ <b>45,938</b>	\$ 36,462
Education	7,956	<b>8,567</b>	6,386
Government grants	-	-	9,949
Recovery from government organizations (note 8)	10,512	<b>9,353</b>	9,197
Restructuring (note 15)	-	-	13,956
Other	961	<b>2,139</b>	907
	<u>63,389</u>	<u><b>65,997</b></u>	<u>76,857</u>
<b>Expenses</b> (note 12)			
Regulatory operations	53,115	<b>53,007</b>	41,056
CUDIC administration (note 8)	10,274	<b>9,314</b>	9,056
	<u>63,389</u>	<u><b>62,321</b></u>	<u>50,112</u>
<b>Annual surplus</b>	-	<b>3,676</b>	26,745
<b>Accumulated surplus – Beginning of year</b>	<u>55,090</u>	<u><b>55,090</b></u>	<u>28,345</u>
<b>Accumulated surplus – End of year</b>	<u>\$ 55,090</u>	<u>\$ <b>58,766</b></u>	<u>\$ 55,090</u>

The accompanying notes are an integral part of the financial statements.

**BC Financial Services Authority**  
**Statement of Changes in Net Financial Assets**  
**For the year ended March 31, 2023 ('000)**

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	Annual Budget (note 14)	<b>March 31, 2023</b>	March 31, 2022
<b>Annual surplus</b>	\$ -	\$ <b>3,676</b>	\$ 26,745
Acquisition of tangible capital assets	(12,560)	<b>(5,947)</b>	(12,258)
Amortization of tangible capital assets	3,481	<b>2,312</b>	1,594
	<u>(9,079)</u>	<u>41</u>	<u>16,081</u>
Acquisition of prepaid expenses	(980)	<b>(787)</b>	(927)
Use of prepaid expenses	927	<b>927</b>	660
	<u>(53)</u>	<u>140</u>	<u>(267)</u>
<b>Increase (decrease) in net financial assets</b>	(9,132)	<b>181</b>	15,814
<b>Net financial assets – Beginning of year</b>	<u>36,323</u>	<u><b>36,323</b></u>	<u>20,509</u>
<b>Net financial assets – End of year</b>	<u>\$ 27,191</u>	<u><b>\$ 36,504</b></u>	<u>\$ 36,323</u>

The accompanying notes are an integral part of the financial statements.

# BC Financial Services Authority

## Statement of Cash Flows

For the year ended March 31, 2023 ('000)

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	<u>March 31,</u> <u>2023</u>	March 31, 2022
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Annual surplus	\$ 3,676	\$ 26,745
Items not involving cash		
Amortization of tangible capital assets	2,312	1,594
Restructuring acquisition of tangible capital assets	-	(2,159)
	<u>5,988</u>	<u>26,180</u>
<b>Changes in non-cash assets and liabilities</b>		
Accounts receivable	(434)	1,242
Deferred revenue	647	-
Prepaid expenses	140	(267)
Accounts payable, accrued liabilities, and future employee benefits	(2,060)	5,489
Due to/from government/other government organizations	10,057	(9,834)
	<u>8,350</u>	<u>(3,370)</u>
<b>Investment activities</b>		
Change in investments, net	447	(15,447)
<b>Capital activities</b>		
Acquisition of tangible capital assets	(5,947)	(10,099)
<b>Increase (decrease) in cash</b>	<b>8,838</b>	<b>(2,736)</b>
<b>Cash and cash equivalents – Beginning of year</b>	<u>8,274</u>	<u>11,010</u>
<b>Cash and cash equivalents – End of year</b>	<u>17,112</u>	<u>8,274</u>

The accompanying notes are an integral part of the financial statements.

# BC Financial Services Authority

## Notes to the Financial Statements

For the year ended March 31, 2023 (tabular amounts in '000)

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### 1. Nature of operations

BC Financial Services Authority (“BCFSA”) is a Vancouver-headquartered regulatory crown agency of the Province of British Columbia. As the regulator of British Columbia’s financial services sector, BCFSA exercises the powers and performs duties under ten statutes. Its core regulatory accountabilities relate to credit unions, insurance and trust companies, mortgage brokers, pension plans, real estate services, real estate development marketing, and the administration of Credit Union Deposit Insurance Corporation of British Columbia (“CUDIC”).

BCFSA was created effective June 4, 2019, pursuant to the *Financial Services Authority Act*. On November 1, 2019, BCFSA assumed the regulatory accountabilities of Financial Institutions Commission (“FICOM”) which was originally established as part of the Ministry of Finance in 1989 to contribute to the safety and stability of the British Columbia financial sector.

The assets, liabilities, and accountabilities of Real Estate Council of British Columbia (“RECBC”) and the Office of the Superintendent of Real Estate (“OSRE”) were transferred to BCFSA under a restructuring on August 1, 2021 (note 15).

BCFSA is exempt from income taxes under the *Income Tax Act*.

### 2. Summary of significant accounting policies

#### Basis of accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards (“PSAS”), as issued by the Canadian Public Sector Accounting Board (“PSAB”).

#### Revenue recognition

BCFSA recognizes revenue in accordance with PS 3400 – Revenue (“PS 3400”). Revenue from exchange transactions, or revenue based on performance obligations, is recognized when the performance obligation is satisfied. Revenue from the issuance of a license or registration is recognized at the point in time when the license or registration is issued. Unilateral revenue, or revenue without performance obligations, is recognized when the authority to claim or retain an inflow of economic resources exists and collection is reasonably certain. Revenue from an annual filing fee, which is payable for a given operating period, is recognized at the commencement of the operating period to which the fee relates. Course fees are recorded as revenue when the service is provided, the amount to be received can be reasonably estimated, and collection is reasonably assured. Administrative penalties are initially deferred and recognized as revenue when they are expended in accordance with the requirements set out in relevant legislation.

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value.

# BC Financial Services Authority

## Notes to the Financial Statements

For the year ended March 31, 2023 (tabular amounts in '000)

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### 2. Summary of significant accounting policies – continued

#### Government transfers

Government transfers are recognized as revenue when the transfer is authorized, and any eligibility criteria have been met but is reduced by any stipulations that result in a liability. Amounts deferred as a result of stipulations are recognized in the period the stipulations are met.

#### Trusts

BCFSA administers the Credit Union Deposit Insurance Corporation of British Columbia (“CUDIC”), a related party of BCFSA that guarantees 100 per cent of deposits and non-equity shares (issued before January 1, 2020) of BCFSA authorized credit unions. BCFSA appoints the majority of the board members for the Real Estate Compensation Fund Corporation (“RECFC”). RECFC provides protection for members of the public who have entrusted real estate licensees (or unlicensed individuals related to the brokerage) with money that was either misappropriated or wrongfully converted, intentionally not paid over, or accounted for, or obtained by the fraud of a licensee or individual. Both CUDIC and RECFC meet the definition of a trust under administration and are not consolidated in BCFSA’s financial statements.

#### Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement, or betterment of the assets. Cost includes overhead directly attributable to construction, development, and interest costs that are directly attributable to the acquisition or construction of the asset.

The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

Furniture and equipment	5 years
Personal computer hardware	4 years
Computer servers and infrastructure hardware	5 years
Systems and software	2-10 years
Tenant improvements	lease term

Tangible capital assets are written down when conditions indicate that they no longer contribute to BCFSA’s ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. Any write-downs are accounted for as expenses in the statement of operations as impairment losses. Impairments recorded are never reversed.

# BC Financial Services Authority

## Notes to the Financial Statements

For the year ended March 31, 2023 (tabular amounts in '000)

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### 2. Summary of significant accounting policies – continued

#### Employee future benefits

a) Retirement allowance

Liabilities are recorded for employee retirement allowance benefits as employees render services to earn the benefits. The actuarial determination of the accrued benefit obligations uses the projected benefit method prorated based on service.

The cumulative unrecognized actuarial gains and losses on retirement allowance benefits are amortized over the expected average remaining service period of active employees covered under the plan. The discount rate used to measure the obligations is based on the Municipal Finance Authority of British Columbia's cost of borrowing.

b) Defined contribution plans and multi-employer benefit plans.

BCFSA and its employees contribute to the Public Service Pension Plan (the "Pension Plan"), a multi-employer defined benefit pension plan governed by the *BC Public Sector Pension Plans Act*. Defined contribution plan accounting is applied to multi-employer defined benefit plans and accordingly, contributions are expensed when they become payable.

#### Prepaid expenses

Prepaid expenses, which include rent and subscriptions for memberships, are expensed over the periods expected to benefit from them in the statement of operations.

#### Expenses

Expenses are recorded on an accrual basis. The cost of all goods consumed and services received during the year is expensed in the statement of operations.

#### Financial instruments

BCFSA's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and amounts due from/due to government and other government organizations. Financial instruments are initially recorded at fair market value and subsequently measured at cost.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

The fair values of the BCFSA's financial instruments generally approximate their carrying amounts due to their short terms to maturity.

# BC Financial Services Authority

## Notes to the Financial Statements

For the year ended March 31, 2023 (tabular amounts in '000)

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### 2. Summary of significant accounting policies – continued

#### Measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements as well as the reported amounts of revenue and expenses during the reporting period.

Significant areas requiring the use of estimates include the valuation of accounts receivable, estimated useful lives of tangible capital assets, contingent liabilities, and future costs to settle employee benefit obligations.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from the estimates.

#### Asset Retirement Obligation

BCFSA's has adopted PSAS 3280 effective March 31, 2023. There is no legal obligation associated with the retirement of a tangible capital asset to report.

### 3. Cash and cash equivalents

	<u>March 31, 2023</u>	<u>March 31, 2022</u>
Bank deposits	\$ 17,112	\$ 8,274

### 4. Investments

	<u>March 31, 2023</u>	<u>March 31, 2022</u>
Guaranteed Investment Certificate – 5.2%	\$ 15,000	\$ -
Guaranteed Investment Certificate – 1.2% - 1.7%	-	15,000
Guaranteed Investment Certificate – 2.7% - 2.9%	-	447
	<u>\$ 15,000</u>	<u>\$ 15,447</u>

# BC Financial Services Authority

## Notes to the Financial Statements

For the year ended March 31, 2023 (tabular amounts in '000)

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### 5. Accounts receivable

	<b>March 31, 2023</b>	March 31, 2022
Recoveries from CUDIC	\$ 1,248	\$ 915
Regulated Entities/Individuals	10,388	10,100
Penalties and Enforcement	859	890
Other	<u>2</u>	<u>18</u>
	<b>12,497</b>	<b>11,923</b>
Provision for uncollectible amounts	<u>(590)</u>	<u>(450)</u>
	<b>\$ 11,907</b>	<b>\$ 11,473</b>

### 6. Due to/from government and other government organizations

Due From:

	<b>March 31, 2023</b>	March 31, 2022
Province of British Columbia	\$ 95	\$ 9,738
Federal Government of Canada	<u>129</u>	<u>305</u>
	<b>\$ 224</b>	<b>\$ 10,043</b>

Due To:

Province of British Columbia	\$ 135	\$ 141
Federal Government of Canada	<u>674</u>	<u>430</u>
	<b>\$ 809</b>	<b>\$ 571</b>

# BC Financial Services Authority

## Notes to the Financial Statements

For the year ended March 31, 2023 (tabular amounts in '000)

### 7. Employee future benefits

a) Retirement allowance

Information about the BCFSA's retirement allowance is as follows:

	<b>March 31, 2023</b>	March 31, 2022
Accrued benefit obligation – Beginning of year	\$ 638	\$ 368
Transferred obligation	-	334
Current period benefit cost	61	33
Interest cost	24	10
Loss (gain) on accrued benefit obligation	-	(107)
Accrued benefit obligation – End of year	<u>723</u>	<u>638</u>
Unamortized actuarial gain	<u>373</u>	<u>398</u>
Liability – End of year	<u>\$ 1,096</u>	<u>\$ 1,036</u>

The significant actuarial assumptions adopted in measuring BCFSA's retirement allowance were as follows:

	<b>March 31, 2023</b>	March 31, 2022
At beginning of period		
Discount rate	3.70%	3.70%
Rate of compensation increase	3.00%	3.00%
Expected Average Remaining Service Life (years)	18	18

The most recent full actuarial valuation was prepared as of March 31, 2022, with the next full valuation expected to be prepared as of March 31, 2024.

b) Public Service Pension Plan

Employer contributions to the Pension Plan of \$3,051,533 were expensed during the period. Every three years, an actuarial valuation is performed to assess the financial position of the Pension Plan and the adequacy of funding. The most recent actuarial valuation for the Pension Plan at March 31, 2020, indicated a funding surplus of approximately \$2,667,000,000. The valuation does not attribute portions of the surplus to individual employers. The Pension Plan covers approximately 67,800 active members, of which approximately 320 were employees of BCFSA.

### 8. Inter-entity transactions

BCFSA administers the CUDIC, that guarantees 100 per cent of deposits and non-equity shares (issued before January 1, 2020) of BCFSA authorized credit unions. A Board Director of BCFSA is a Board Director of CUDIC. BCFSA has the ability to exercise control over CUDIC. BCFSA provides administrative services to CUDIC on a cost recovery basis.

# BC Financial Services Authority

## Notes to the Financial Statements

For the year ended March 31, 2023 (tabular amounts in '000)

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### 8. Inter-entity transactions - continued

RECFC provides protection for members of the public who have entrusted real estate licensees (or unlicensed individuals related to the brokerage) with money that was either misappropriated or wrongfully converted, intentionally not paid over, or accounted for, or obtained by the fraud of a licensee or individual. BCFSA appoints three of the five members of RECFC's Board of Directors. BCFSA collects fees on behalf of RECFC and recovers the costs incurred to collect these fees.

The following is a summary of revenue earned from inter-entity transactions:

	<b>March 31, 2023</b>	March 31, 2022
CUDIC	\$ 9,314	\$ 9,056
RECFC	39	28
Province of British Columbia	-	113
	<b>\$ 9,353</b>	<b>\$ 9,197</b>

As at March 31, 2023, BCFSA had amounts receivable from RECFC in the amount \$7,740.

### 9. Risk management

As a result of its financial instruments, BCFSA is exposed to credit risk and liquidity risk. A qualitative and quantitative analysis of those risks is provided below.

#### Credit risk

Credit risk is the risk of loss resulting from failure of an individual or group to honour their financial obligations. BCFSA's accounts receivable are due primarily from credit unions, pension plans, related entities, and insurance companies. To mitigate this risk, BCFSA periodically reviews the collectability of its accounts receivable and establishes a provision based on its best estimate of potentially uncollectible amounts. As at March 31, 2023, the amount of provision for losses was \$589,661 (note 5). BCFSA's cash, which is held at a Schedule I Canadian financial institution, was not exposed to significant credit risk.

#### Liquidity risk

Liquidity risk is the risk that BCFSA will not be able to meet its financial operating obligations as they become due. It is BCFSA's intention to meet its financial obligations through the collection of: current accounts receivable; cash on hand; and future licensing, registration, and other fee revenue.

BCFSA's principal source of revenue is from its licensing and registration accountabilities. All BCFSA's financial assets and liabilities mature within one year.

# BC Financial Services Authority

## Notes to the Financial Statements

For the year ended March 31, 2023 (tabular amounts in '000)

### 10. Tangible capital assets

March 31, 2023	Office Furniture	Information Technology Hardware	Systems and Software	Tenant Improvements	Total Assets
<b>Cost</b>					
Opening balance	\$ 395	\$ 1,269	\$ 15,167	\$ 2,338	\$ 19,169
Additions	66	121	4,736	1,024	5,947
Closing balance	<u>461</u>	<u>1,390</u>	<u>19,903</u>	<u>3,362</u>	<u>25,116</u>
<b>Accumulated amortization</b>					
Opening balance	116	329	845	39	1,329
Amortization	175	364	1,620	153	2,312
Closing balance	<u>291</u>	<u>693</u>	<u>2,465</u>	<u>192</u>	<u>3,641</u>
<b>Net book value</b>	<u>\$ 170</u>	<u>\$ 697</u>	<u>\$ 17,438</u>	<u>\$ 3,170</u>	<u>\$ 21,475</u>

March 31, 2022	Office Furniture	Information Technology Hardware	Systems and Software	Tenant Improvements	Total Assets
<b>Cost</b>					
Opening balance	\$ -	\$ 507	\$ 6,404	\$ 715	\$ 7,626
Additions	395	762	8,763	2,338	12,258
Disposals	-	-	-	(715)	(715)
Closing balance	<u>395</u>	<u>1,269</u>	<u>15,167</u>	<u>2,338</u>	<u>19,169</u>
<b>Accumulated amortization</b>					
Opening balance	-	-	-	450	450
Amortization	116	329	845	304	1,594
Disposals	-	-	-	(715)	(715)
Closing balance	<u>116</u>	<u>329</u>	<u>845</u>	<u>39</u>	<u>1,329</u>
<b>Net book value</b>	<u>\$ 279</u>	<u>\$ 940</u>	<u>\$ 14,322</u>	<u>\$ 2,299</u>	<u>\$ 17,840</u>

# BC Financial Services Authority

## Notes to the Financial Statements

For the year ended March 31, 2023 (tabular amounts in '000)

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### 11. Commitments

The aggregate minimum future annual rentals under operating leases and major contract commitments for the years ending March 31 are as follows:

	<u>Leases</u>
2024	\$ 1,072
2025	1,105
2026	1,143
2027	1,184
2028 - 2035	<u>9,896</u>
	<u>\$ 14,400</u>

### 12. Expenses by type

The following is a summary of expenses by object:

	<u>Year ended March 31, 2023</u>	<u>Year ended March 31, 2022</u>
Compensation and benefits	\$ 41,005	\$ 32,694
Professional services	8,467	8,508
Office and administrative	10,537	7,316
Amortization	<u>2,312</u>	<u>1,594</u>
	<u>\$ 62,321</u>	<u>\$ 50,112</u>

### 13. Trust assets

BCFSA acts as the administrator of CUDIC. The assets, liabilities, and operating results of CUDIC have not been included in the statement of financial position or in the statement of operations. As at March 31, 2023, the balances of CUDIC were as follows:

	<u>March 31, 2023</u>	<u>March 31, 2022</u>
Assets	\$ 860,534	\$ 810,706
Liabilities	<u>1,782</u>	<u>1,428</u>
Equity	<u>\$ 858,752</u>	<u>\$ 809,278</u>

# BC Financial Services Authority

## Notes to the Financial Statements

For the year ended March 31, 2023 (tabular amounts in '000)

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### 13. Trust assets – continued

The funds administered by the RECFC under *Real Estate Services Act* meet the definition of a trust under administration and were not included in the BCFSA financial statements. As at March 31, 2023, the balances of RECFC were as follows:

	<u>March 31, 2023</u>	March 31, 2022
Assets	\$ 23,700	\$ 22,733
Liabilities	<u>898</u>	<u>919</u>
Equity	<u>\$ 22,802</u>	<u>\$ 21,814</u>

### 14. Budgeted figures

Budgeted figures have been provided for comparison purposes and are from the budgets approved by the Board of Directors of BCFSA on January 5, 2022.

### 15. Restructuring transaction

The comparatives reflect the integration of RECBC and OSRE within BCFSA on August 1, 2021 (“Restructuring Date”). On the Restructuring Date, the assets, liabilities, regulatory authorities, and related operational responsibilities of RECBC and OSRE were transferred to BCFSA, and OSRE and RECBC ceased to exist. The net effect of the restructuring was recorded as revenue in the amount of \$13,955,959 on the statement of operations. The purpose of the integration was to create a single integrated regulator for B.C.’s financial services sector, which includes: credit unions, trust companies, insurance companies, mortgage brokers, pension plans, real estate services, and real estate development marketing. One of the goals of the integration was to simplify accountabilities and enhance regulatory oversight through more effective and efficient processes, investigations, and enforcements.

### 16. Comparative figures

Comparative figures have been adjusted to conform to changes in the current year presentation.