

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

**2020/21  
Annual Service Plan Report**



For more information on BC Financial Services Authority contact:

Suite 2800 – 555 West Hastings Street  
Vancouver, BC V6B 4N6

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

<https://www.bcfsa.ca>

Published by BC Financial Services Authority

## Board Chair's Accountability Statement



The *BC Financial Services Authority's 2020/21 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2020/21 – 2022/23 Service Plan* created in February 2020. The Board is accountable for those results as reported.

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

Stanley Hamilton  
Board Chair  
July 29, 2021

## **Table of Contents**

Board Chair’s Accountability Statement .....	3
Letter from the Board Chair & CEO.....	5
Purpose of the Annual Service Plan Report.....	6
Purpose of the Organization.....	6
Strategic Direction .....	7
Operating Environment.....	7
Report on Performance: Goals, Objectives, Measures and Targets.....	7
Financial Report.....	18
Discussion of Results.....	18
Financial Summary .....	18
Variance and Trend Analysis.....	18
Appendix A: Additional Information.....	20
Organizational Overview .....	20
Appendix B: Auditor’s Report and Audited Financial Statements.....	21

## 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, 2021. The goals and objectives described in this report were established in our [2020/21 – 2022/23 Service Plan](#) and align with our 2020/21 [Mandate Letter](#).

BCFSA had a successful year, substantively delivering against our Service Plan to protect the public and instill confidence in British Columbia’s financial services sector. Throughout 2020/21, BCFSA honoured the Government’s commitment to British Columbians to make life more affordable, deliver better services, and invest in a sustainable economy.

In 2020/21, BCFSA proactively engaged with the Ministry of Finance to ensure strategic alignment with the Ministry’s objectives and policy expectations. We regularly communicated with the Ministry on policy updates, major enforcement actions, and key initiatives including:

- releasing Strengthening Foundations, BCFSA’s report on the strata property insurance market in BC;
- working with the Real Estate Council of British Columbia (“RECBC”) and the Office of the Superintendent of Real Estate (“OSRE”) to prepare to create a single integrated regulator for the financial service sector including real estate; and
- advancing BCFSA’s risk-based and proportional supervision approach to overseeing the financial services sector.

We are proud of our accomplishments this year. With the expected completion of the integration RECBC and OSRE in 2021/2022, we will be better positioned to become to the modern, efficient, effective and integrated regulator that is needed to oversee the financial services sector.

Thank you.

Stanley Hamilton



Board Chair, BC Financial Services Authority  
July 29, 2021

Blair Morrison



CEO, BC Financial Services Authority  
July 29, 2021

## **Purpose of the Annual Service Plan Report**

The Annual Service Plan Report is designed 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, the Crown Corporation’s Board is required to report on the actual results of the Crown’s performance related to the forecasted targets documented in the previous year’s Service Plan.

## **Purpose of the Organization**

BC Financial Services Authority (“BCFSA”) is a Vancouver-based Crown agency of the Government of British Columbia. BCFSA has four core business areas that are organized around its areas of regulatory responsibility: pension plans, mortgage brokers, financial institutions (including credit unions, insurance, and trust companies) and the Credit Union Deposit Insurance Corporation (“CUDIC”).

On November 12, 2019, the Minister of Finance announced that BCFSA would also become responsible for regulation of the real estate industry, including licensing, conduct, investigations and discipline. The consolidation of real estate regulation within BCFSA is expected to be completed in 2021/22

### **Legislation and transparency**

BCFSA was established by the *Financial Services Authority Act, 2019* (“FSAA”). The FSAA is designed to improve accountability and oversight at BCFSA and align with regulatory best practices.

### **Financial services landscape**

The scope of BCFSA’s regulatory mandate reflects the size and complexity of the financial services sector in BC which includes:

- 40 credit unions with more than \$65 billion in assets plus two (2) Central credit unions;
- approximately 5,500 mortgage brokers and brokerages;
- over 650 pension plans with approximately \$178 billion in assets; and
- over 200 insurance and trust companies.

Note that many of the insurance and trust companies and some of the pension plans BCFSA oversees also operate in other provinces. Mortgage brokers may also be authorized to do business in other provinces. Central 1 Credit Union, which undertakes various centralized activities such as clearing and payments for credit unions, acts as a “Central credit union” in both BC and Ontario.

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”), the Credit Union Prudential Supervisors Association (“CUPSA”), the Canadian Association of Pension Supervisory Authorities (“CAPSA”) and the Mortgage Broker Regulators’ Council of Canada (“MBRCC”).

## Strategic Direction

The strategic direction set by Government in 2017, and expanded upon in the Board Chair's [2020 Mandate Letter](#) from the Minister Responsible, shaped the goals, objectives, performance measures and financial plan outlined in the 2020/21 BC Financial Services Authority ("BCFSA") [Service Plan](#) and actual results reported on in this annual report.

The global COVID-19 pandemic resulted in many shifts in priorities, structures and operations across the public sector. Any changes to BCFSA's goals, objectives, performance measures or financial plan to align with the strategic direction established by Government in late 2020 are presented in the 2021/22 Service Plan.

## Operating Environment

### Governance and funding

BCFSA is governed by an 11-member Board of Directors appointed by the Government of British Columbia. BCFSA is managed by a Chief Executive Officer (the "CEO") who is appointed by the Board. BCFSA's CEO currently leads a team of approximately 180 individuals in a variety of disciplines.

While BCFSA was granted some transition funding from the Government of British Columbia, the regulator is intended to operate as a self-funded entity with costs covered by fees paid by regulated entities and individuals. This funding model dates from the establishment of the Financial Institutions Commission in 1989. BCFSA must not incur or budget for a deficit without the prior written approval of the Minister of Finance. BCFSA consults with regulated entities and individuals prior to any fee changes. Cabinet approval is required to implement fee changes proposed by BCFSA.

BCFSA's key strategic priorities align our objectives and related strategies under each goal to demonstrate how BCFSA intends to work towards achieving these goals. BCFSA proactively engages in regular dialogue with the Ministry of Finance on all issues that intersect with the priorities of the Government of British Columbia to ensure strategic alignment with Government and Ministry objectives.

## Report on Performance: Goals, Objectives, Measures and Targets

### Goal 1: Risk-based Supervision and Consumer Protection

#### **Objective 1: Advance the BCFSA's risk-based and proportionate supervision of financial services sectors and efforts to enhance consumer protection**

BCFSA's supervisory mandate includes overseeing financial institutions, pensions funds and mortgage brokers. 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 and individuals to innovate and grow.

Global standards dictate a move towards risk-based supervision.

## Key Highlights

BCFSA successfully advanced its risk-based and proportional supervision of financial services sectors through various activities including:

- Created a Playbook for use by Supervision teams containing an updated Supervisory methodology with the introduction of a streamlined Risk Assessment Summary (“RAS”), Monitoring Journal and Monitoring Section. These tools support the application of Risk-based Supervision and a proportionate application of the Supervisory Framework.
- Developed an approach for supervision activities to enable a consistent methodology and approach to proportionate monitoring and on-site reviews, reflective of varying size, scope and complexity of regulated entities in BC.
- Interactions with Provincially Regulated Financial Institutions (“PRFIs”) by the Supervision Department averaged one monitoring meeting per month in FY2020-21, greatly aiding the introduction and execution of continuous monitoring. Discussion with more complex or higher risk PRFIs occur more frequently than monthly while other less complex and lower risk PRFIs occur at least quarterly.
- The Pensions Department successfully completed its first virtual on-site examination and is awaiting a response from the subject plan on its comments.
- BCFSA increased the number of mortgage broker examinations in 2020/21, driven by the results of a data call (a call to solicit/collect data and/or information) to Mortgage Investment Corporations. Examinations were focussed on business activities, practices, and compliance with registration requirements.

	Performance Measure(s)	2020/21 Baseline Target	2020/21 Actuals	2021/22 Target	2022/23 Target
1.1a	Revision and modernization of current Risk Framework. Risks across the financial services sector have evolved such that our process, procedures and methodologies to risk assessment as defined within the Supervisory Risk Framework, need to be reviewed and revised to reflect emerging risks.	50% of Framework revised	100% <sup>1</sup>	100%	100%
1.1b	Percentage of face-to-face supervisory meetings with financial institutions (credit unions, insurance companies and trust companies) in the fiscal year.	75% of institutions	100% <sup>2</sup>	85%	90%
1.1c	Increase targeted examinations of market conduct activities.	24 examinations	46	28	32
1.1d	Increase percentage of complaints resolved within 3 months.	70% of complaints	81%	75%	80%

Data source: BCFSA operational data.

<sup>1</sup>100%. Revision complete. Target for 21/22 and 22/23 to be maintenance of continuous updating.

<sup>2</sup> 100% Given COVID restrictions, face-to-face meetings have been augmented with virtual meetings. Expectation is for this to continue into 21-22 and 22-23. Target 100% over the next 2 years.



## **Discussion of Results**

(1.1a) During 2020/21, the Supervision Department revised both the BCFSA Supervisory Framework and the Credit Union Intervention Stage Rating Guideline. Revisions to both documents were undertaken to reflect the evolution of the BC financial services market since 2013 (date of last revisions) and to reflect the unique operating environment facing PRFIs.

With the various provincially mandated health measures designed to combat the COVID pandemic, travel to meet face-to-face with PRFIs was suspended. However, use of virtual meeting platforms enhanced both BCFSA and PRFI abilities to engage more frequently and in a more facilitatory ‘virtual face-to-face’ fashion. Updates in 2021-22 will include specific references to adoption of virtual face-to-face meetings as an integral part of BCFSA’s continuous monitoring regime. Use of these virtual meeting platforms will continue. See 1.1b below.

(1.1b) With the shift to Work From Home (“WFH”) due to the COVID Pandemic, face-to-face meetings were replaced with virtual meetings. COVID accelerated the trend towards more virtual communications and drove both BCFSA and the regulated entities to become more efficient and effective while using various virtual meeting platforms and tools, allowing us to exceed our target for 2020/21 of 75% of institutions.

(1.1c) The large increase (52%) in mortgage broker examinations conducted in 2020/21 is short-term, with examinations activities expected to return to more normal levels in 2021/22.

BCFSA has expanded the market conduct examinations performance measure in its 2021/22 Service Plan to more proactively identify, and intervene in, market conduct risks in the mortgage broker and financial institutions sectors. Those activities may include improved data collection and reporting requirements, thematic reviews of products or business practices, the issuance of regulatory expectations, review of industry codes of conduct, and targeted monitoring of specific regulated entities and individuals.

BCFSA will review the performance measure when it amalgamates with real estate regulators, to ensure a single consistent performance measure across an expanded market conduct program in BCFSA’s 2022/23 service plan.

(1.1d) BCFSA experienced a 30% increase in complaints across all market conduct program areas in 2020/21. Despite the increase in volume, average complaint turnaround times in program areas reduced or held steady compared to 2019/20. BCFSA will review the performance measure when it combines with real estate regulators, to ensure a single consistent performance measure across an expanded market conduct program in BCFSA’s 2022/23 service plan.

## **Goal 2: External Engagement**

### **Objective 2.1: Engage and work with sector participants and other provincial and federal regulators**

In order to regulate effectively and in a proportionate manner, BCFSA needs to engage with regulated entities and individuals to understand their views, challenges and opportunities. As well, BCFSA needs to engage with other regulators to look to opportunities to harmonize regulation, where possible.

### **Key Highlights**

- BCFSA participated in over 350 meetings with regulatory agencies and other sector stakeholders.
- BCFSA demonstrated its commitment to cooperation and harmonization with other regulators in Canada through 100% participation in National Regulatory Association (“NRA”) meetings including the Mortgage Broker Regulators’ Council of Canada (MBRCC), Canadian Council of Insurance Regulators (CCIR), Canadian Association of Pension Supervisory Authorities (CAPSA), and Credit Union Prudential Supervisors Association (CUPSA). Participation ranged from Chair and Vice-Chair duties, to secretariat support, to active participation including expert advice in formal consultation roles.
- NRA working group leadership and participation included MBRCC engagement with the mortgage broker industry on the impact of COVID-19, CCIR oversight of insurance ombudservices, CCIR review of best terms pricing, CUPSA centrals and payments system oversight, CUPSA International Financial Reporting Standards and supervisory standards development and implementation, and CAPSA work on Provisions for Adverse Deviation (“PfAD”).
- BCFSA met with the Bank of Canada on monthly basis to share information on emerging risks.
- CUDIC/BCFSA updated the International Association of Deposit Insurers (“IADI”) on deposit insurance and crisis preparedness on a quarterly basis.
- BCFSA enhanced its engagement with industry to understand and respond to the impact of COVID-19, including home warranty providers, Mortgage Investment Corporations, and the appraisal industry.
- BCFSA regularly attended community of interest sessions involving Public Sector Employers’ Council (“PSEC”) and other BC Crowns and initiated engagement with Federal Regulators.
- BCFSA has hired a VP, Sector Liaison to lead development and implementation of BCFSA’s stakeholder engagement framework.

	Performance Measure(s)	2020/21 Baseline Target	2020/21 Actuals	2021/22 Target	2022/23 Target
2.1a	Active attendance in regulatory organizations such as working committees.	80% attendance	100%	90%	100%
2.1b	Number of scheduled meetings related to emerging financial regulatory trends and issues. <ul style="list-style-type: none"> <li>Attendance at Provincial / Federal meetings</li> <li>Attendance at Working Committees.</li> </ul>	100% attendance 90% attendance	100% 90%	100% 95%	100% 100%
2.1c	Stakeholder Engagement Plan. <ul style="list-style-type: none"> <li>Percentage completion of the work to review and finalize a stakeholder engagement plan including the appointment of an Industry Liaison Officer.</li> </ul>	50% complete	60%	75%	100%

Data source: BCFSA operational data.

## Discussion of Results

In 2020/21, BCFSA successfully met or exceeded its external engagement targets with active participation in a number of regulatory association working committees and those relating to emerging financial regulatory trends and issues, including COVID-19 pandemic response, cyber risk, strata insurance, and climate risk.

BCFSA worked with sectors to provide regulatory relief and support the industry’s response to COVID-19.

(2.1a) and (2.1b)

BCFSA’s commitment to external engagement and active monitoring of risk impacting trends, data and learnings is reflected in its active attendance and facilitation of meetings throughout the year, which stood at 100% and over 90% respectively for performance measure 2.1a and 2.1b, respectively. Such meetings are documented, and minutes taken to reflect attendance and participation. BCFSA developed project plans, including RACIs (identifying responsible and accountable individuals) for regulatory associations. Articulating objectives and identifying roles helped BCFSA reach its goal of 100% attendance

Increased attendance and facilitation were achieved in large part due to the virtual meeting platforms deployed during COVID travel restrictions. This adoption of new meeting platforms is expected to continue and become an accepted meeting format for most participants moving forward.

(2.1c) The appointment of the VP, Sector Liaison in 2020/21 and development of a draft stakeholder engagement strategy puts BCFSA a little over halfway through completion of this target. Final approvals of strategy are being sought in early 2021/22 with implementation initiating soon after.

**Objective 2.2: Work collaboratively with government, industry, and other stakeholders to review issues related to the cost and availability of insurance for strata corporations**

**Key Highlights**

- In December 2020, BCFSa released *Strengthening Foundations*, a report on the strata property insurance market in BC. An estimated 1.5 million British Columbians reside in strata properties. The report concluded that the market is unhealthy, made findings regarding key marketplace drivers, and included recommendations regarding areas of focus for stakeholders to improve the health of the marketplace.
- The report was the result of over 100 stakeholder engagement sessions.
- As a result of BCFSa’s work, insurers have ceased the use of best terms pricing in the BC strata property market. Best terms pricing led to premium increases for many strata properties. CCIR subsequently struck a working group to review the use of best terms pricing across Canada.

	<b>Performance Measure(s)</b>	<b>2020/21 Baseline Target</b>	<b>2020/21 Actuals</b>	<b>2021/22 Target</b>	<b>2022/23 Target</b>
2.2a	Active attendance in meetings with government, industry and other stakeholders to review issues related to the cost and availability of insurance for strata corporations.	100% attendance	100%	100%	100%

Data source: BCFSa operational data.

**Discussion of Results**

BCFSa successfully issued a comprehensive report to government and the public on the state of BC’s strata property insurance market in December 2020. The report was underpinned by three targeted data calls, and over 15 engagement sessions with key stakeholders including meetings with individual insurers, insurance brokers, insurance and reinsurance associations, financial institution associations, strata homeowner associations and representatives, and peer regulators. BCFSa also heard from members of the public, including a grassroots group concerned with strata property insurance increases.

In 2020/21, BCFSa focused on understanding the root causes of the price increases and decrease in insurance supply from a regulatory perspective and addressing the pricing practice commonly used in the market “Best Terms Pricing”, which, with cooperation of the insurance industry, was effectively eliminated from the BC strata property insurance market as of January 1, 2021.

(2.2a) BCFSa met its reporting targets with the release of an interim report in June 2020 and the final report in December 2020.

BCFSA successfully engaged with key stakeholders through one-on-one discussions with insurers as well as virtual focus groups, with select organisations participating in moderated discussions to validate BCFSA’s findings regarding the state of the market.

BCFSA remains committed to working with partners to address key findings and recommendations in the BC strata insurance marketplace.

**Goal 3: Regulatory Governance and Legislation**

**Objective 3.1: Continue to work with the Superintendent of Real Estate, the Ministry of Finance, Policy and Legislation Division and the Real Estate Council of BC (RECBC) to establish a single regulator of real estate within the BCFSA.**

Government announced in November 2019 the establishment of BCFSA as the integrated real estate and financial services regulator for British Columbia. BCFSA is committed to working closely with all parties to achieve a successful transition and integration of real estate regulatory functions.

**Key Highlights**

- BCFSA participated across all areas of the project including attending project meetings and executing on deliverables.
- The CEOs from BCFSA, RECBC and the Office of the Superintendent of Real Estate (“OSRE”) participated in and presented at Steering Committee meetings. In Q4 2020/21, BCFSA’s CEO took over the role as Executive Sponsor of the project.
- Representatives from BCFSA attended all workstream lead committee meetings and participated in all workstreams committees.
- BCFSA readily sourced and provided additional resourcing to the workstreams where capacity support and/or expertise was needed.

	Performance Measure(s)	2020/21 Baseline Target*	2020/21 Actuals	2021/22 Target	2022/23 Target
3.1a	Percentage of participation in all relevant activities related to the establishment of a single regulator at the Ministry's request.	100% participation	100%	100%	N/A
	Execute on relevant milestones from transition plan.	75% completion	75%	100%	N/A

Data source: BCFSA operational data.

**Discussion of Results**

(3.1a) BCFSA successfully completed its project deliverables in 2020/21. In March 2021, Government passed the legislation required to integrate BCFSA, OSRE and RECBC.

**Objective 3.2: Provide information, advice and support to the Ministry of Finance as the Ministry undertakes a review of the *Mortgage Brokers Act*.**

BCFSA regulates the mortgage broker industry, which is a key component of BC’s financial services sector. BCFSA is committed to supporting the Ministry of Finance's review of the *Mortgage Brokers Act*.

**Key Highlights**

- In February 2021, BCFSA highlighted opportunities to strengthen the Act in testimony at the Cullen Commission of Inquiry into Money Laundering in British Columbia.

	<b>Performance Measure(s)</b>	<b>2020/21 Baseline Target*</b>	<b>2020/21 Actuals</b>	<b>2021/22 Target</b>	<b>2022/23 Target</b>
3.2a	Percentage of participation in all relevant activities related to the Ministry’s review of the <i>Mortgage Brokers Act</i> .	100% participation	100%	100%	100%

Data source: BCFSA operational data.

**Discussion of Results**

(3.2a) In 2020/21, BCFSA provided a written submission to the Ministry’s *Mortgage Brokers Act* Review Public Consultation, highlighting opportunities to modernize the regulation of the mortgage broker industry. BCFSA engaged in follow up discussions with the Ministry, coordination and information sharing with the BC Securities Commission, and other stakeholders, and provided testimony to the Cullen Commission on opportunities to strengthen the mortgage broker regulatory framework.

BCFSA remains committed to supporting the Government’s review of the Act.

**Goal 4: Deposit Insurance**

**Objective 4.1: Work collaboratively with government to ensure a sustainable and effective deposit insurance program and improve financial crisis preparedness.**

The Credit Union Deposit Insurance Corporation (“CUDIC”) is a statutory corporation continued under the *Financial Institutions Act* (“FIA”) and administered by BCFSA. CUDIC is responsible for administering and operating the credit union deposit insurance fund. The FIA authorizes CUDIC to guarantee the deposits and non-equity shares of provincially incorporated credit unions in British Columbia.

## Key Highlights

- BCFSAs updated its approach (known as the “Differential Premium System” or “DPS”) to determining CUDIC premiums.
- BCFSAs has commenced the final consultation with the sector on the DPS. An advisory setting out the DPS was issued to industry to begin the consultation.
- BCFSAs/CUDIC hosted two meetings with the industry association and four meetings with industry representatives to promote understanding and awareness of the proposed DPS.
- A full instructional guide and premium calculator were created to improve transparency and understanding of the DPS.
- A Comprehensive Fund Size Review (the “CFS Review”) commenced in the Spring 2021, with support from an external consultant, and is expected to conclude in early 2021/22.
- To support the CFS Review, BCFSAs initiated development of a financial model to measure solvency risk of credit unions as part of broad monitoring of the system. BCFSAs also finalized a research and literature review to support the development of a consultation paper to be released to the BC credit union system in 2021/22.

	Performance Measure(s)	2020/21 Baseline Target	2020/21 Actuals	2021/22 Target	2022/23 Target
4.1a	Continue to implement an effective Deposit Insurance assessment methodology. <ul style="list-style-type: none"> <li>• Percentage of information sessions completed post release.</li> </ul>	50% completion of information sessions	100%	75%	100%
4.1b	Review and set Deposit Insurance fund size. <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	85%	100%	100%

Data source: BCFSAs operational data.

## Discussion of Results

(4.1a) BCFSAs was successful in updating the premium assessment methodology (now referred to as the Differential Premium System or DPS) to better align with international standards and provide differentiation of premiums paid by credit unions. Consultations held between 2016 and 2021 with the credit union sector and other financial sector stakeholders have focused on ways to modernize the DPS.

In late 2020/early 2021, BCFSAs hosted information sessions with industry representatives and issued a proposed methodology for review and comment. Instead of focusing on a post-final advisory release engagement strategy with industry, BCFSAs hosted several meetings with industry prior to the final methodology release. Due to COVID and the Provincial election schedule, the release of DPS was paused until late 2020/21 rather than earlier in the year as originally planned. As two years had passed since the last industry consultation, BCFSAs

believed that all stakeholders would benefit from a review of the proposed methodology, allowing for final input from industry, prior to the methodology's final release. As a result, BCFSA hosted various meetings to promote an understanding and awareness of the proposed DPS methodology:

- two meetings with the industry association prior to the release of the proposed methodology;
- two meetings with industry representatives prior to the release of the proposed DPS methodology;
- three meetings with industry representatives after the release of the proposed methodology.

BCFSA reviewed the industry submissions and incorporated suggested adjustments into the final DPS methodology. The final advisory notifying all credit unions of the final DPS methodology, including supporting material and responses to industry questions, was issued on June 29, 2021.

(4.1b) In the fiscal year 2020/21, BCFSA focused on initiating the launch of the Comprehensive Fund Size Review. Engagement with an actuarial consulting firm was delayed until the Fall 2020 due to COVID. As a result, BCFSA updated its project plan to reflect the schedule change. The following tasks were completed since Fall 2020: the actuarial consulting firm's research and model preparation tasks; BCFSA's research and literature review tasks; and a draft version of the consultation paper and draft model scenarios. In its engagements with industry, BCFSA also raised awareness of the proposed project engagement schedule and timeline for input from the credit union sector.

## **Goal 5: Anti-Money Laundering**

### **Objective 5.1: Work collaboratively with government as it improves the effectiveness of BC's Anti-Money Laundering Regime**

In 2019, Government received two reports identifying opportunities to strengthen BC's anti-money laundering ("AML") system ("Combatting Money Laundering in BC", by the Expert Panel on Money Laundering in BC Real Estate, and "Dirty Money – Part 2", by Peter German and Associates). On May 15, 2019, Government announced the establishment of the Cullen Commission of Inquiry into Money Laundering in BC.

#### **Key Highlights**

- In early 2021, BCFSA provided testimony to the Cullen Commission of Inquiry into Money Laundering in BC on BCFSA's integration with real estate regulators, mortgage broker regulation, and supervision of financial institutions.



	<b>Performance Measure(s)</b>	<b>2020/21 Baseline Target</b>	<b>2020/21 Actuals</b>	<b>2021/22 Target</b>	<b>2022/23 Target</b>
5.1a	Percentage of participation in all relevant activities related to the review and implementation of AML improvements, and other complementary recommendations, as endorsed by Government. <sup>1</sup>	100% participation	100%	100%	100%
5.1b	Number of opportunities to strengthen the BCFSA’s AML role identified and implemented. <sup>1</sup>	10 opportunities identified	12	10	10

Data source: BCFSA operational data.

<sup>1</sup> BCFSA’s 2021/22 service plan includes revised performance measures for this goal and objective. New PMs highlight a more focussed policy direction on AML.

## Discussion of Results

(5.1a) BCFSA actively participated in the federal / provincial working group on money laundering in the real estate sector, partnered with the Financial Transactions and Reports Analysis Centre of Canada (“FINTRAC”) on information exchange under the terms of BCFSA and FINTRAC’s Information Sharing Agreement, and was a principal partner and active participant in the establishment of the Counter Illicit Finance Alliance BC (“CIFA-BC”). BCFSA also provided testimony to the Cullen Commission of Inquiry into Money Laundering in BC on its integration with real estate regulators, mortgage broker program, and financial institutions supervisory program.

(5.1b) BCFSA implemented 12 activities to strengthen its contributions to the AML system this year, including enhanced mortgage broker suitability assessments, issuance of industry advisories on beneficial ownership and land ownership transparency registries, investments in training, improvements to AML treatment in BCFSA’s supervisory framework, and a survey of AML controls in BC trust companies.

## Financial Report

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

### Discussion of Results

In fiscal 2020/21, an investment in a regulatory solution technology project commenced implementation, and costs totalling \$6.4M have been capitalized. Taking a staged implementation approach, amortization costs will commence in fiscal 2021/22 as the first stage of the solution is expected to be deployed.

### Financial Summary

(\$000)	2019/20 Actual	2020/21 Budget	2020/21 Actual	2020/21 Variance
<b>Revenue</b>				
Fees, Licenses & Recoveries	16,397	26,905	31,131	4,226 <sup>2</sup>
Grants	5,471	5,339	11,539	6,200 <sup>3</sup>
<b>Total Revenue</b>	<b>21,868</b>	<b>32,244</b>	<b>42,670</b>	<b>10,426</b>
<b>Expenses</b>				
Salary and Benefits	7,187	21,285	19,636	(1,649)
Other	4,972	9,707	9,250	(457)
<b>Total Expenses</b>	<b>12,159</b>	<b>30,992</b>	<b>28,886</b>	<b>(2,106)</b>
<b>Net Income</b>	<b>9,709</b>	<b>1,253</b>	<b>13,784</b>	<b>12,531</b>
<b>Total [Liabilities/Debt]</b>	<b>6,698</b>	<b>0</b>	<b>3,475</b>	<b>3,475</b>
<b>Capital Expenditures</b>	-	-	6,911	6,911
<b>Accumulated Surplus</b>	<b>14,561</b>	<b>2,024</b>	<b>28,345</b>	<b>26,321<sup>2</sup></b>

**Note 1:** The above financial information was prepared based on current Generally Accepted Accounting Principles.

**Note 2:** The Budget was prepared prior to the adoption of PS 3400 – Revenue Recognition

**Note 3:** \$6.200M additional operational funding to support technology project confirmed during 2020/21

### Variance and Trend Analysis

The fiscal 2020/21 budget was prepared based on approved government grant funding that had been received by BCFSA. The variance between budget and actual government grant revenue is due to government grant funding to support BCFSA's investment in technology. Revenues from licencing and registration are also higher than budget primarily due to adoption of public sector accounting standard PS3400 – revenue.

## **Risks and Uncertainties**

In November 2019, the Minister of Finance announced that the Real Estate Council of British Columbia (“RECBC”) and the Office of the Superintendent of Real Estate (“OSRE”) would be combined with BCFSA. The date when RECBC and OSRE transition to BCFSA (the “Transition Date”) will depend on when the required legislative amendments come into force, but it is anticipated to occur in the fiscal year ending March 31, 2022. On the Transition Date, the assets and liabilities of RECBC and OSRE will be transferred to BCFSA, and OSRE and RECBC, in their current forms, will both cease to exist. A transition project has been underway throughout fiscal 2020/21 in preparation for this change.

## **Appendix A: Additional Information**

### **Organizational Overview**

- [BCFSA Mandate](#)
- [BCFSA's business areas](#)
- [Location of BCFSA operations](#)

### **Corporate Governance**

- [BCFSA Governance](#)
- [BCFSA Board of Directors and of each Board Committee](#)

### **Contact Information**

BC Financial Services Authority  
800 - 555 West Hastings Street  
Vancouver BC, V6B 4N6  
PH: 604-660-3555  
Toll Free: 1-866-206-3030  
[BCFSA@bcfsa.ca](mailto:BCFSA@bcfsa.ca)  
[www.bcfsa.ca](http://www.bcfsa.ca)

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

BC Financial Services Authority  
Financial Statements  
As at March 31, 2021  
and  
for the year ended March 31, 2021

BC Financial Services Authority  
Management Report

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 14, 2021.

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.



---

Blair Morrison  
Chief Executive Officer



---

David Sherwood  
Chief Financial Officer

Vancouver, BC  
May 14, 2021



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

---

## Independent Auditor's Report

---

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 BC Financial Services Authority ("BCFSA"), which comprise the Statement of Financial Position as at March 31, 2021, and the Statements of Operations, Changes in Net Assets (Debt) and Cash Flows for the year ended March 31, 2021, 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 the BCFSA as at March 31, 2021, and its results of operations, its changes in net financial assets and cash flows for the for the year ended March 31, 2021 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 the 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 these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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 the BCFSA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the 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 the 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 the 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 the 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.

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 14, 2021

BC Financial Services Authority  
Statement of Financial Position  
As at March 31, 2021 (\$'000)

	March 31, 2021	March 31, 2020
<b>Financial Assets</b>		
Cash	\$ 11,010	\$ 8,911
Accounts receivable (note 3)	12,715	10,650
Due from government/other government organizations (note 4)	<u>259</u>	<u>1,024</u>
	<u>23,984</u>	<u>20,585</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 5)	2,177	2,622
Employee future benefits (note 6)	677	654
Due to government/other government organizations (note 4)	<u>621</u>	<u>3,422</u>
	<u>3,475</u>	<u>6,698</u>
Net financial assets	<u>20,509</u>	<u>13,887</u>
<b>Non-financial assets</b>		
Tangible capital assets (note 9)	7,176	583
Prepaid expenses	<u>660</u>	<u>91</u>
	<u>7,836</u>	<u>674</u>
Accumulated surplus (note 11)	<u>\$ 28,345</u>	<u>\$ 14,561</u>

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, 2021 (\$'000)

---

	Budget (note 14)	March 31, 2021	5 Months ended March 31, 2020
Revenues			
Licensing, registration and other fees	\$ 17,096	\$ 21,798	\$ 12,652
Government grants	5,346	11,539	5,471
Recovery from government organizations (note 7)	9,803	9,091	3,711
Other	-	242	34
	<u>32,245</u>	<u>42,670</u>	<u>21,868</u>
Expenses (note 12)			
Regulatory operations	21,565	20,445	8,691
CUDIC administration (note 7 and 13)	9,426	8,441	3,468
	<u>30,991</u>	<u>28,886</u>	<u>12,159</u>
Annual surplus	1,254	13,784	9,709
Accumulated surplus - Beginning of period (note 11)	<u>14,561</u>	<u>14,561</u>	<u>4,852</u>
Accumulated surplus - End of period	<u>\$ 15,815</u>	<u>\$ 28,345</u>	<u>\$ 14,561</u>

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

BC Financial Services Authority  
Statement of Changes in Net Financial Assets (Debt)  
For the year ended March 31, 2021 (\$'000)

---

	Budget	March 31, 2021	5 Months ended March 31, 2020
Annual surplus	\$ 1,254	\$ 13,784	\$ 9,709
Acquisition of tangible capital assets	-	(6,911)	-
Amortization of tangible capital assets	<u>505</u>	<u>318</u>	<u>132</u>
	<u>1,759</u>	<u>7,191</u>	<u>9,841</u>
Acquisition of prepaid expenses	(91)	(660)	(91)
Use of prepaid expenses	<u>91</u>	<u>91</u>	<u>74</u>
	<u>-</u>	<u>(569)</u>	<u>(17)</u>
Increase in net financial assets	1,759	6,622	9,824
Net financial assets - Beginning of period	<u>13,887</u>	<u>13,887</u>	<u>4,063</u>
Net financial assets - End of period	<u>\$ 15,646</u>	<u>\$ 20,509</u>	<u>\$ 13,887</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, 2021 (\$'000)

---

	March 31, 2021	5 Months ended March 31, 2020
Cash provided by (used in)		
Operating activities		
Annual surplus	\$ 13,784	\$ 9,709
Items not involving cash		
Amortization of tangible capital assets	<u>318</u>	<u>132</u>
	14,102	9,841
Changes in non-cash assets and liabilities		
Accounts receivable	(2,065)	(2,502)
Prepaid expenses	(569)	(17)
Accounts payable, accrued liabilities and future employee benefits	(422)	1,663
Due to / from government/other government organizations	<u>(2,036)</u>	<u>(74)</u>
	<u>(5,092)</u>	<u>(930)</u>
Capital Activities		
Acquisition of tangible capital assets	(6,911)	-
Increase in cash	2,099	8,911
Cash - beginning of year	<u>8,911</u>	<u>-</u>
Cash - end of year	<u>\$ 11,010</u>	<u>\$ 8,911</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, 2021 (Tabular amounts in \$'000)

---

### 1 Nature of operations

BC Financial Services Authority ("BCFSA") is a Vancouver-based crown regulatory 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 seven statutes. Its core regulatory accountabilities relate to credit unions, insurance and trust companies, mortgage brokers and pension plans and the administration of Credit Union Deposit Insurance Corporation ("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.

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

The COVID-19 pandemic "COVID-19" has had a significant impact on the economy of Canada and globally. BCFSA has not, to date, experienced significant financial impacts as a result of the pandemic. However, as COVID-19 continues to impact the financial services sector and the economy in general, there could be specific impacts on BCFSA's operations and financial results. Given the dynamic nature of these circumstances, the duration of disruption and the related financial impact cannot be reasonably estimated at this time. Potential impacts include reduced revenue from regulated entities.

### 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").

The financial statements were authorized for issue by the Board of Directors on May 13, 2021

#### 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.

Administrative penalties are initially deferred and recognized as revenue when they are expended in accordance with the requirements set out in relevant legislation.

# BC Financial Services Authority

## Notes to the Financial Statements

For the year ended March 31, 2021 (Tabular amounts in \$'000)

---

### 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, except to the extent that any stipulations result in a liability. Amounts deferred as a result of stipulations are recognized in the period the stipulations are met.

#### Trusts under administration

Trusts under administration by BCFSa include the assets and liabilities of CUDIC, a related party of BCFSa that guarantees all the deposits and non-equity shares of British Columbian regulated credit unions. Trusts under administration are not included in the financial statements, as the assets are not held for the benefit of BCFSa.

#### 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 and development, as well as 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 and software	3 years
Systems and software	5 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.

#### 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.

# BC Financial Services Authority

## Notes to the Financial Statements

For the year ended March 31, 2021 (Tabular amounts in \$'000)

---

### 2 Summary of significant accounting policies - Continued

#### Employee future benefits - Continued

##### a) Retirement allowance - Continued

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 include rent and subscriptions for memberships and are charged to expense, 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, 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, 2021 (Tabular amounts in \$'000)

---

### 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 and 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.

# BC Financial Services Authority

## Notes to the Financial Statements

For the year ended March 31, 2021 (Tabular amounts in \$'000)

### 3 Accounts receivable

	March 31, 2021	March 31, 2020
Recoveries from CUDIC	\$ 1,623	\$ 1,486
Regulated Entities/Individuals	10,993	9,148
Administrative orders	260	220
Other	28	17
	<u>12,904</u>	<u>10,871</u>
Provision for losses (note 8)	<u>(189)</u>	<u>(221)</u>
	<u>\$ 12,715</u>	<u>\$ 10,650</u>

### 4 Due to/from government and other government organizations

Due From:

	March 31, 2021	March 31, 2020
Province of British Columbia	\$ -	\$ 835
Federal Government of Canada	259	189
	<u>259</u>	<u>1,024</u>

Due To:

Province of British Columbia	337	3,047
Federal Government of Canada	284	375
	<u>\$ 621</u>	<u>\$ 3,422</u>

### 5 Accounts payable and accrued liabilities

	March 31, 2021	March 31, 2020
Trade accounts payables and accrued liabilities	\$ 1,016	\$ 1,508
Accrued salary and benefits liabilities	1,161	1,114
	<u>\$ 2,177</u>	<u>\$ 2,622</u>

# BC Financial Services Authority

## Notes to the Financial Statements

For the year ended March 31, 2021 (Tabular amounts in \$'000)

---

### 6 Employee future benefits

#### a) Retirement allowance

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

	March 31, 2021	March 31, 2020
Accrued benefit obligation - Beginning of period	\$ 323	\$ 343
Current period benefit cost	32	13
Interest cost	9	7
Benefits paid	-	(40)
(Gain)/loss on accrued benefit obligation	4	-
Accrued benefit obligation	368	323
Unamortized actuarial gain	309	331
Liability - End of period	\$ 677	\$ 674

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

	March 31, 2021	March 31, 2020
At beginning of period		
Discount rate	2.50%	2.60%
Rate of compensation increase	2.00%	2.00%
Expected Average Remaining Service Life (years)	18	18

The most recent full actuarial valuation was prepared as of March 31, 2020, the next expected full valuation will be prepared as of March 31, 2022.

#### b) Employee Pension Benefits

Employer contributions to Pension Plan of \$1,532,000 were expensed during the year. Every three years, an actuarial valuation is performed to assess the financial position of the plan and the adequacy of Pension Plan 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 actuary does not attribute portions of the surplus to individual employers. The Pension Plan covers approximately 64,000 active members, of which approximately 183 are employees of BCFSA.

### 7 Inter-entity transactions

BCFSA receives information technology services from the Province of British Columbia, a related party, at nominal charge.

BCFSA provides administrative services to CUDIC, a related party, on a cost recovery basis. Total recoveries from CUDIC for the year ended March 31, 2021 amount to \$8,441,000.

# BC Financial Services Authority

## Notes to the Financial Statements

For the year ended March 31, 2021 (Tabular amounts in \$'000)

---

### 8 Risk management

As a result of its financial instruments, BCFSAs 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. BCFSAs's accounts receivable in the amount of \$12,715,000 are due primarily from credit unions, pension plans, related entities and insurance companies. To mitigate this risk, BCFSAs 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, 2021, the amount of provision for losses is \$189,000 (note 3). BCFSAs's cash, which is held at Canadian financial institutions, is not exposed to significant credit risk.

#### Liquidity risk

Liquidity risk is the risk that BCFSAs will not be able to meet its financial operating obligations as they become due. It is BCFSAs'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.

BCFSAs's principal source of revenue is from its licensing and registration accountabilities.

All BCFSAs's financial assets and liabilities mature within one year.

### 9 Tangible capital assets

	Personal Computer	Systems and Software	Tenant Improve- ments	Total Assets
Cost				
Opening balance	\$ -	\$ -	\$ 715	\$ 715
Additions	507	6,404	-	6,911
Closing balance	<u>507</u>	<u>6,404</u>	<u>715</u>	<u>7,626</u>
Accumulated amortization				
Opening balance	-	-	132	132
Amortizations	-	-	318	318
Closing balance	<u>-</u>	<u>-</u>	<u>450</u>	<u>450</u>
Net book value	<u>\$ 507</u>	<u>\$ 6,404</u>	<u>\$ 265</u>	<u>\$ 7,176</u>

# BC Financial Services Authority

## Notes to the Financial Statements

For the year ended March 31, 2021 (Tabular amounts in \$'000)

---

### 10 Commitments and contingencies

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

	Rentals	Systems and software
2022	\$ 1,548	\$ 4,118
2023	512	-
2024	531	-
2025	550	-
2026	574	-
	<u>\$ 3,715</u>	<u>\$ 4,118</u>

### 11 Acquired assets

On November 1, 2019, BCFSFA purchased the assets and liabilities of FICOM at their net carrying amount as at October 31, 2019. The net surplus of FICOM of \$871,000 for the period April 1, 2019 to October 31, 2019 was provided to BCFSFA as an operating grant. The assets and liabilities acquired are recorded as the opening position in the statement of financial position consistent with BCFSFA's accounting policies. The opening accumulated surplus as at November 1, 2019 in the amount of \$4,852,000 represents the full effect of the adoption of PS 3400 by BCFSFA as part of its first financial statements under PSAS on formation. FICOM had not previously adopted PS 3400.

### 12 Expenses by type

The following is a summary of expenses by type:

	Year ended March 31, 2021	5 months ended March 31,2020
Compensation and benefits	\$ 19,636	\$ 7,187
Professional services	4,709	3,037
Office and administrative	4,223	1,803
Amortization	318	132
	<u>\$ 28,886</u>	<u>\$ 12,159</u>

# BC Financial Services Authority

## Notes to the Financial Statements

For the year ended March 31, 2021 (Tabular amounts in \$'000)

---

### 13 CUDIC administration

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, the balances of CUDIC are as follows:

	March 31, 2021	March 31, 2020
Assets	\$ 794,694	\$ 778,419
Liabilities	<u>2,987</u>	<u>4,250</u>
Equity	<u>\$ 791,707</u>	<u>\$ 774,169</u>

### 14 Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the budgets approved by the Board of Directors of BCFSA on January 9, 2020. The budget was prepared based on approved government grant funding that had been received by BCFSA. The variances between budget and actuals exist primarily due to government grant funding to support BCFSA's investment in technology that was received in 2020 and 2021 fiscal years.

### 15 Subsequent events

In November 2019, the Minister of Finance announced that the Real Estate Council of British Columbia ("RECBC") and the Office of the Superintendent of Real Estate ("OSRE") would be combined with BCFSA. The date when RECBC and OSRE transition to BCFSA (the "Transition Date") will depend on when the required legislative amendments come into force, but it is anticipated to occur in the fiscal year ending March 31, 2022. On the Transition Date, the assets and liabilities of RECBC and OSRE will be transferred to BCFSA, and OSRE and RECBC, in their current forms, will both cease to exist.