

**BC Financial Services Authority
(BCFSA)**

**2021/22
Annual Service Plan Report**

August 2022



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Board Chair's Accountability Statement



The BC Financial Services Authority *2021/22 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2021/22 – 2023/24 Service Plan* created in April 2021. 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 25, 2022

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Letter from BCFSA's Board Chair and 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, 2022. The goals and objectives described in this report were established in our [2021/22 – 2023/24 Service Plan](#) and align with our 2021/22 [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 2021/22, 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 2021/22, 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 key initiatives. This included the integration of the Real Estate Council of British Columbia ("RECBC") and the Office of the Superintendent of Real Estate ("OSRE") into BCFSA on August 1, 2021 to create a single integrated regulator for the financial service sector including real estate.

We are proud of our accomplishments this year. With the completion of the integration of RECBC and OSRE, we are better positioned to be the modern, efficient, effective and integrated regulator that is needed to oversee British Columbia's rapidly changing and evolving financial services sector.

Thank you.



Stanley Hamilton

Board Chair, BC Financial Services Authority
July 25, 2022



Blair Morrison

CEO, BC Financial Services Authority
July 25, 2022

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-headquartered Crown agency of the Government of British Columbia. BCFSA has five core areas of focus that are organized around its areas of regulatory accountabilities: pension plans; mortgage brokers; financial institutions (including credit unions, insurance, and trust companies) real estate and the Credit Union Deposit Insurance Corporation ("CUDIC").

BCFSA was established by the *Financial Services Authority Act, 2019* ("FSAA"). FSAA is 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 in which British Columbians can place their trust and confidence is essential to the province's economy. To achieve this objective, BCFSA safeguards the interests of 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 goal is to balance sector competitiveness with financial stability and federal and international standards with local market realities.

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 Responsible shaped the goals, objectives, performance measures, and financial plan outlined in the [2021/22 BC Financial Services Authority Service Plan](#) as well as actual results reported on in this Annual Service Plan Report.

Operating Environment

BCFSA began operations as a Crown agency on November 1, 2019, by assuming the regulatory accountabilities of the Financial Institutions Commission (“FICOM”). The transition was driven by the need to create a modern, efficient, and effective regulator with the independence and flexibility necessary to regulate a financial services sector that has grown both in importance and complexity.

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 integration of real estate regulation within BCFSA was completed on August 1, 2021.

Financial Services Landscape

The scope of BCFSA’s regulatory mandate reflects the size and complexity of the financial services sector in BC which, as of March 31, 2022, included:

- 37 credit unions with more than \$71 billion in assets;
- Almost 6,500 mortgage brokers and brokerages;
- 653 pension plans with approximately \$177.88 billion in assets;
- Over 250 insurance and trust companies; and
- Over 35,000 real estate licensees, brokerages, branches, and personal real estate corporations.

Many of the insurance and trust companies and some of the pension plans BCFSA oversees also operate in other provinces. Mortgage brokers and real estate licensees may 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”), and the Real Estate Regulators of Canada (“RERC”).

Risk Management Model 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 principles, concepts and

core processes in our supervisory framework apply to all the BCFSA regulated financial entities in British Columbia. The primary focus of BCFSA's supervisory work is to determine the impact of current and potential future financial events, both within British Columbia and externally.

Regarding the impact of the COVID-19 pandemic, the financial entities regulated by BCFSA, as a whole to date, have shown a degree of resilience in the face of the risks posed by the pandemic. BCFSA will continue to monitor the impact of the pandemic on consumers of financial services and industry. The pandemic, as well as wildfire and flood events in 2021, has raised some concerns regarding gaps between consumer expectations regarding certain insurance products and the actual operation of the products. By the same token, the pandemic has prompted the development of innovative new products and approaches in the marketplace.

The real estate market conditions have also reinforced the importance of advice that equips current and prospective homeowners to make decisions that are in their best long-term interests. The August 1, 2021, integration of the Office of the Superintendent of Real Estate and Real Estate Council of British Columbia within BCFSA should strengthen BCFSA's ability to address market conduct in the BC real estate market.

BCFSA is monitoring and preventing, where possible, financial services sector practices that take advantage of vulnerable British Columbians. We will also be reinforcing our expectation that the financial services sector treats consumers fairly.

Report on Performance: Goals, Objectives, Measures and Targets

Goal 1: Risk-based Supervision and Consumer Protection

Objective 1.1: Advance BCFSAs risk-based and proportionate supervision of financial services sectors and efforts to enhance consumer protection

BCFSAs supervisory mandate includes overseeing financial institutions, pension 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. International and domestic standards establish the framework for risk-based supervision.

Key Highlights

- In accordance with our practices (which require content and principles within the Supervisory Framework to be reviewed semi-annually for relevance and ongoing applicability), a review of the Supervisory Framework was completed in March 2022. No changes were made to the Supervisory Framework as a result of that review.
- Face-to-face (virtual) meetings were held with 100% of Provincially Regulated Financial Institutions (“PRFI”) in 2021/22. The number of meetings was in excess of 350 for Credit Unions and Insurance & Trust companies, with over 500 interactions with Pension Trustees and Plan Administrators. 22 Desk / Targeted Reviews occurred as scheduled with the related Supervisory Letters issued in accordance with our published timeframes.
- Targeted or cross-sector reviews were undertaken as required as a result of continuous monitoring. Four cross-sector reviews related to: AML; Info Security; Recovery Plan Survey; and Defined Contribution Pension Plans were completed.
- Exceeded the target of 28 market conduct monitoring activities, achieving 32 activities. These activities included targeted examinations, proactive suitability reviews, the issuance of regulatory expectations, and the undertaking of projects to enhance risk identification and intervention. Themes of focus included alternative mortgage lending, fraud prevention, the removal of certain products and practices from the BC marketplace, and enhanced conduct data and market intelligence gathering.
- 82% of complaints were resolved within three months as compared to the Service Plan goal of 75%.

Performance Measure(s)		2020/21 Baseline ¹	2021/22 Target	2021/22 Actuals	2022/23 Target ²
1.1a	Revision and modernization of current Risk Framework.	50% of Framework revised	75%	100%	100%
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.	75% of institutions	100%	100%	100%
1.1c	Increase monitoring of market conduct activities.	24 examinations	28 monitoring activities	32 monitoring activities	32 monitoring activities
1.1d	Increase percentage of complaints resolved within 3 months.	70% of complaints	75%	82%	80%

Data Source: BCFSA

¹ Baseline measures have been established based on BCFSA operational data.

² Future targets for this performance measure have been revised in the [2022/23 – 2024/25 Service Plan](#)

Discussion of Results

(1.1a) The Supervision Department revised the [Supervisory Framework](#) and posted on the BCFSA website.

(1.1b) With the shift to a hybrid work environment, BCFSA’s face-to-face (virtual) meetings were held with 100% of PRFIs in 2021/22. The number of meetings exceeded 350 for CU and I&T; Pension Trustees and Plan Administrators had over 500 interactions.

(1.1c) Exceeded the target of 28 market conduct monitoring activities, achieving 32 monitoring activities

(1.1d) Exceeded the target of 75%, achieving 82% of complaints resolved within three months.

Goal 2: External Engagement

Objective 2.1: Engage and work with government, other BC 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.

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 and to help identify potential trends needing to be addressed. As well, BCFSA needs to engage with other regulators to understand best practices and look for opportunities to harmonize regulation, where possible.

Increased engagement through the adoption of continuous monitoring and various touchpoints

with sector participants allows BCFSAs to improve awareness of implications of the COVID-19 pandemic on the Sector. Those touchpoints include engagement with industry associations and participation in industry events, chairing and participating in regulatory forums focussed on the COVID-19 pandemic including at the MBRCC and the CCIR, and targeted engagement with providers of certain financial products and services in BC.

BCFSAs conversations with industry inform its understanding of risks to industry and consumers of financial services, and BCFSAs response to those risks including any regulatory easing measures.

Key Highlights

- Participated in scheduled meetings of all regulatory associations related to BCFSAs areas of accountabilities.
- Actively participated in in interprovincial forums regarding financial services sector issues, such as Anti-Money Laundering (AML), insurance and COVID-19 related issues.
- Developed and implemented a stakeholder engagement framework to ensure a consistent and integrated approach to communicating on BCFSAs regulatory priorities.
 - In support of this framework, BCFSAs promoted and maintained a culture of engagement with stakeholders, built relationships and fostered dialogue – both within BCFSAs and across the Sector – in order to identify emerging trends and gaps to be addressed.
- Developed and used stakeholder engagement tools, such as BCFSAs regulatory roadmap, to dialogue with stakeholders.

Performance Measure(s)		2020/21 Baseline ¹	2021/22 Target	2021/22 Actuals	2022/23 Target
2.1a	BCFSAs takes an active role in interprovincial forums regarding financial sector issues.	80% attendance	90%	100%	100%
2.1b	Number of scheduled meetings related to emerging financial regulatory trends and issues, including those related to the COVID 19 pandemic. <ul style="list-style-type: none"> • Attendance at Provincial / Federal meetings. • Attendance at Working Committees. 	100% attendance 90% attendance	100% 95%	100% 95%	100% 100%
2.1c	Stakeholder Engagement Plan. <ul style="list-style-type: none"> • Percentage completion of the work to review and finalize a stakeholder engagement plan. • Appointment of an Industry Liaison Officer. 	50% complete 50% complete	75% 100%	75% 100%	100% 100%

Data Source: BCFSAs

¹ Baseline measures have been established based on BCFSAs operational data.

Discussion of Results

(2.1a) BCFSA continued to take an active role in interprovincial forums regarding financial sector issues throughout 2021/22. BCFSA participated in all national regulatory association meetings including the MBRCC, CCIR, CAPSA, and the Bank of Canada Systemic Risk Surveillance Committee. For the Supervision Department, the number of meetings was greater than 60. From the Compliance and Market Conduct Department, BCFSA Staff participated in over 100 meetings. Participation included chairing committees, furnishing secretariat support, and providing BCFSA's perspectives and expertise in working committee meetings.

BCFSA supported national alignment on a number of topics including regulatory responses to the impact of COVID-19 pandemic on the Sector, mortgage broker education standards, alternative mortgage lending, insurance ombudservice oversight, fair treatment of consumer standards in the insurance industry, mortgage broker cybersecurity standards, national review of best terms pricing in non-strata product lines, regulatory responses to climate change and natural catastrophes, credit union centrals and payments, accounting standards, and credit union codes of conduct.

(2.1b) In addition to the active participation in interprovincial forums as noted in 2.1a, BCFSA participated in a significant range of meetings related to emerging financial regulatory trends and issues. Highlights of those meetings included:

- Regular engagement with the financial services sector including with the Canadian Credit Union Association, the BC Real Estate Association, the BC MIC (Mortgage Investment Corporation) Managers Association, mortgage broker industry associations including the Canadian Mortgage Brokers Association and Mortgage Professionals Canada, appraisal industry associations, home warranty providers, and both life and general insurance industry associations;
- Participated in meetings of the International Association of Deposit Insurers;
- Provided an outline of its regulatory priorities to sector participants through attending the annual general meetings of regional BC real estate boards as well as to biannual regional credit union meetings;
- Amplified engagement with insurers, brokers, and their industry associations in the wake of wildfire and flooding events in 2021/22 to understand and respond to current and emerging risks;
- Maintained strong working relationships with co-regulators of financial services (for example, with the Insurance Council of BC) to ensure seamless and aligned oversight of insurers and intermediaries, and with the BC Securities Commission to ensure appropriate oversight of alternative mortgage lenders;
- Co-chaired a CIFA-BC working group on money services businesses; BCFSA is a principal partner and active participant in the Counter Illicit Finance Alliance (“CIFA”) - BC which supports information sharing and collaboration between partners to strengthen the BC anti-money laundering system.
- Regularly attended community of interest sessions involving Public Sector Employers’ Council Secretariat and other BC Crowns and has initiated engagement with Federal

regulators where appropriate;

- At the request of the Minister of Finance, BCFSA consulted with stakeholders regarding the parameters of a homebuyer's protection plan and other potential measures to enhance consumer protection in real estate; and
- Participated in the Bank of Canada's Systemic Risk Surveillance Committee Market Liquidity Workshop.

(2.1c) In 2021-22, BCFSA developed an organization-wide stakeholder engagement strategy and framework, with guiding principles aligned to organizational values. Areas of focus included:

- Strengthening internal collaboration;
- Establishing engagement tools and processes to standardize organization-wide approach;
- Supporting and advising on external stakeholder messaging, issues management;
- Establishing central coordination of incoming and outgoing engagement requests, external presentations; and
- Working to develop and implement BCFSA's advisory group strategy and framework.

This framework was developed prior to the integration of BCFSA with the Real Estate Council of British Columbia and the Office of the Superintendent of Real Estate. As outlined in the 2022-23 BCFSA Service Plan, BCFSA will update this strategy in reflection of the addition of real estate to BCFSA's regulatory accountabilities.

In support of this strategy, BCFSA has undertaken several initiatives, including:

- Established weekly reviews by the senior leadership team of upcoming engagements and emerging issues. Established monthly meetings of an enterprise-wide committee to share and review external stakeholder impact activities. These meetings have contributed to increased awareness, stronger internal collaboration and accountability, and improved consistency in BCFSA's messaging;
- The development of stakeholder engagement plans, tools and templates to support a consistent approach to consultation planning requirements; and
- Continued use of the Regulatory Roadmap, a key tool of the stakeholder engagement strategy, to communicate upcoming regulatory priorities to the financial services sector.

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 to complete integration of real estate regulation within the BCFSA.

In November 2019, the [Government announced](#) its intention to establish BCFSA as the integrated real estate and financial services regulator for British Columbia. BCFSA committed to working closely with all parties to achieve a successful transition and integration of real estate regulatory functions.

Key Highlights

The integration of the Real Estate Council of British Columbia and the Office of the Superintendent of Real Estate into BCFSA was successfully completed on August 1, 2021.

- BCFSA fully participated in all relevant activities related to the establishment of a single regulator at the Ministry's request.
- Together with the Ministry, Superintendent of Real Estate, and Real Estate Council of British Columbia, BCFSA developed and implemented an integrated transition plan.
- BCFSA participated actively and fully in all relevant activities that were necessary to successfully plan and implement the inclusion of real estate in BCFSA's mandate.
- BCFSA was represented at all steering committee meetings, and all sub-committee meetings under the project governance framework and provided written and verbal input into operational and policy discussions. BCFSA worked with all parties to achieve all transition plan milestones.

Performance Measure(s)		2020/21 Baseline ¹	2021/22 Target	2021/22 Actuals	2022/23 Target
3.1	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	100%	100%	N/A

Data Source: BCFSA

¹ Baseline measures have been established based on BCFSA operational data.

Discussion of Results

(3.1) BCFSA successfully delivered against the performance measures associated with this goal in 2021/22. BCFSA participated in all relevant activities related to the establishment of a single regulator consistent with the Ministry's request and executed on all relevant milestones from the transition. The result was the completion of the integration of real estate regulation into BCFSA effective August 1, 2021.

Goal 4: Deposit Insurance

Objective 4.1: Work collaboratively with government to improve financial crisis preparedness and in particular, ensure a sustainable and effective deposit insurance program is in place.

The Credit Union Deposit Insurance Corporation of British Columbia ("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 (issued before January 1, 2020) of provincially incorporated credit unions in British Columbia.

As part of maintaining the deposit insurance fund and guarantee, CUDIC pro-actively plans for credit union failures which are unlikely, and which may require depositors to be paid out from the fund. Financial crisis preparedness requires CUDIC and BCFSA to work across the entire credit union system and with partner agencies.

BCFSA and CUDIC are committed to working collaboratively with stakeholders to maintain preparedness and confidence in the credit union system. Key Highlights

BCFSA delivered against its 2021/22 work plan to approve and work towards implementation of an effective Deposit Premium System (“DPS”):

- Notification of all credit unions of the final DPS methodology, including supporting material and responses to industry questions, was issued in June 2021;
- Data and analysis work supporting implementation of the DPS methodology in 2023 was commenced; and
- Communication and information sessions with credit unions to support the implementation in 2023 commenced and are continuing.

Reviewed and set the Deposit Insurance Fund size through the following:

- Issued a consultation paper on Fund size in November 2021. Two consultation sessions were held in 2021/22 with Sector participants;
- Completed the actuarial analysis for Comprehensive Fund Size Review; and
- Scheduled the final advisory to credit unions for release in Spring 2022.

Performance Measure(s)		2020/21 Baseline ¹	2021/22 Target	2021/22 Actuals	2022/23 Target
4.1a	Continue to implement an effective Deposit Premium System. ² Percentage of information sessions completed post release.	50% completion of information sessions	75%	75%	100%
4.1b	Review and set Deposit Insurance Fund size. Percentage of completion of work to review, finalize and release new fund target size.	85% complete	100%	100% of report completed	100% to include board approval, and release of report

Data Source: BCFSA

¹Baseline measures have been established based on BCFSA operational data

²Previous reference to Deposit Insurance assessment methodology has been updated to Deposit Premium System which better reflects the terminology used in the sector.

Discussion of Results

(4.1a) Continue to implement an effective Deposit Premium System.

- Delivered against its 2021/22 work plan.

- The advisory notifying all credit unions of the final DPS methodology, including supporting material and responses to industry questions was issued in June 2021.
- Data and analysis work to support implementation of the DPS methodology in 2023 was commenced.
- Communication and information sessions with credit unions continue to support implementation in 2023.

(4.1b) Reviewed and set the Deposit Insurance Fund size.

- Issued a consultation paper on Fund size in November 2021 supported with two consultation sessions held in 2021/22 with Sector participants.
- Completed the actuarial analysis for Comprehensive Fund Size Review
- Finalized the advisory to credit unions (to be released in Spring 2022).

Goal 5: Strata Insurance¹

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 is continuing to support efforts being undertaken by the BC and federal governments, industry, and other stakeholders to return BC's strata property insurance market to a healthy state.

In January 2020, BCFSA was asked by the British Columbia Government 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 an interim report on strata insurance in June 2020 and a final report on strata insurance in December 2020. BCFSA also worked with industry to end the pricing practice known as Best Terms Pricing within BC's strata insurance market by the end of 2020.

Key Highlights

Key activities to achieve this objective:

- Monitored the status of the market to inform future potential government actions;
- Initiated a data call on behalf of the BC government in order to provide it with an update in 2022/23 on the state of premiums changes in the market;
- Provided advice as requested to government on potential actions;
- Worked with other key stakeholders to address information gaps in BC's strata property market;

¹ Previously reflected as 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" has been introduced as Goal 5 given the scope of recommendations noted in BCFSA's Final Report on Strata Insurance issued December 18, 2020.

- Worked with other Canadian regulators, the federal government, and industry on improving supply of strata property insurance including dialogue on ways to reduce exposure to earthquake and other natural catastrophe risks, capital, reserving and market entry requirements; and,
- Held discussions with other regulators on improving data collection nationally.

Performance Measure(s)		2020/21 Baseline ¹	2021/22 Target	2021/22 Actuals	2022/23 Target
5.1a	Continue to provide advice to government and engage with industry stakeholders on issues pertaining to the strata insurance market.	100% attendance	100%	100%	100%
5.1b	Ongoing monitoring of sector by reviewing data requirements.	N/A	50% ²	100%	100%
	Number of data calls using revised requirements.	3 data calls	1 data call	1 data call	0 data call

Data Source: BCFSA

¹Baseline measures have been established based on BCFSA operational data.

²New initiative, with target measurement based on percentage of available sector data reviewed.

Discussion of Results

(5.1a) Continue to provide advice to BC Government and engage with industry stakeholders on issues pertaining to the strata insurance market.

BCFSA provided strategic advice to government, other regulators, and industry representatives as required.

- In Q4 2021-22, BCFSA issued a data request to insurers writing strata property insurance in BC in order to provide an update on consumer premiums. BCFSA’s analysis of the data provided by insurers will be provided to government in 2022-23.

(5.1b) Ongoing monitoring of sector by reviewing data requirements.

- Maintained ongoing monitoring through engagements with government, other regulators, and industry representatives.
- Engaged proactively with stakeholders and industry representatives on the evolving status of the BC Strata Property Insurance Market and monitored economic indicators that may have a market impact, such as global insurance trends and new strata construction data.

Goal 6: Anti-Money Laundering

Objective 6.1: Collaborate with government to improve the effectiveness of BC’s Anti-Money Laundering Regime.

The Cullen Commission of Inquiry into Money Laundering in BC (the “Cullen Commission”) released its final report in June 2022 (this is outside of the current Annual Service Plan Report reporting period).

Key Highlights

- Provided advice, where required, on policy development and operational matters related to strengthening the BC Anti-Money Laundering (“AML”) regime.
- Sustained AML initiatives that were independently implemented in 2020/21.

Performance Measure(s)		2020/21 Baseline ¹	2021/22 Target	2021/22 Actuals	2022/23 Target
6.1a	Percentage of participation in all relevant activities related to the review and implementation of AML improvements, and other complementary recommendations, as endorsed by Government.	100% participation	100%	100%	100%
6.1b	Develop and implement a BCFSA AML strategy.	10 initiatives identified and implemented	BCFSA AML strategy approved	BCFSA AML strategy approved	75% of BCFSA AML strategy implemented ²

Data Source: BCFSA

¹ Baseline measures have been established based on BCFSA operational data.

² BCFSA’s development and implementation of an AML strategy will potentially be informed by the Cullen Commission of Inquiry into Money Laundering in BC. Delays in the issuance of the final report have pushed back BCFSA’s development timeframes beyond the ASPR reporting period.

Discussion of Results

(6.1a) Percentage of participation in all relevant activities related to the review and implementation of AML improvements, and other complementary recommendations, as endorsed by Government.

- BCFSA is a principal partner and active participant in the Counter-Illicit Finance Alliance BC, which supports information sharing and collaboration between law enforcement, regulators, and industry to strengthen the BC anti-money laundering system.
- In 2021/22, BCFSA co-chaired a money services businesses working group and contributed expertise to other CIFA-BC workstreams.

(6.1b) Develop and implement a BCFSA AML strategy. Highlighted initiatives are:

- Implemented a mandatory AML course for mortgage brokers
- Continued to enhance mortgage brokerage ownership reviews

- Cultivated information sharing with the BC Civil Forfeiture Office.
- Completed a cross-sector review of AML controls for BC credit unions and trust companies which established benchmarks to guide supervisory focus moving forward.

Financial Report

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

Discussion of Results

RECBC and OSRE were integrated with BCFSA on August 1, 2021 (the "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. Lawsuits and legal proceedings for or against RECBC were transferred to BCFSA and all RECBC assets and liabilities were transferred to BCFSA at no cost. The net effect of the restructuring was recorded as revenue in the amount of \$14M. There was no consideration paid and costs associated with the restructuring incurred by BCFSA totaled \$2.8M and have been expensed in the period they occurred.

Financial Summary

(\$000)	2020/21 Actual	2021/22 Budget	2021/22 Actual	2021/22 Variance
Revenue				
Fees, Licenses & Recoveries	31,131	32,667	46,566	13,899
Education	-	-	6,386	6,386
Grants	11,539	2,849	9,949	7,100
Restructuring (Note 2)	-	-	13,956	13,956
Total Revenue	42,670	35,516	76,857	41,341
Expenses				
Salary and Benefits	19,636	21,344	32,694	11,350
Other	9,250	14,172	17,418	3,246
Total Expenses	28,886	35,516	50,112	14,596
Net Income	13,784	-	26,745	26,745
Total [Liabilities/Debt]	3,475	4,395	8,914	4,519
Capital Expenditures	6,911	6,638	12,258	5,745
Accumulated Surplus	28,345	28,345	55,090	35,320

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

Note 2: RECBC and OSRE were integrated with BCFSA on August 1, 2021 (the "Restructuring Date")

Variance and Trend Analysis

The 2021/22 budget did not reflect any impact from the integration of real estate into BCFSA. Consequently, the 2021/22 budget did not include any of the transaction costs, funding or other expenses related to 8 months of real estate operations from August 1, 2021 to March 31, 2022, that are included in the 2021/22 actual results.

In 2020/21, an investment in a regulatory solution technology project commenced implementation, and costs to date totalling \$14.8M have been capitalized. Grant funding totalling \$13.3M has been received from government in support of this project, of which \$7.1M was granted in 2021/22 (\$6.2M - 2020/21). The grant funding was contingent and therefore was not included in the 2021/22 budget.

Risks and Uncertainties

In accordance with BCFSA’s Enterprise Risk Management (“ERM”) Policy and Framework, risks are 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 is identified.

Enterprise level risks are assessed with Senior Executive risk owners on a quarterly basis, and resulting updates reported to the Board. New risk information is added where appropriate. The risk assessments are 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 BCFSA Enterprise Risk Register, as of March 31, 2022, identifies the high-risk areas managed by BCFSA:

- Technology – risks associated with Cybersecurity and the protection of privacy issues, including matters related to potential disruptions to technology infrastructure or systems, whether internal or provided through third parties;
- People – risks associated with the retention and development of team members due to impacts of the pandemic and changes in the workplace; and
- Market Conduct – risks associated with effective management of serious market conduct issues.

Capital Expenditures

Significant IT Projects (over \$20 million in total)	Year of Completion	Project Cost to March 31, 2022 (\$M)	Estimated Cost to Complete (\$M)	Anticipated Total Cost (\$M)
Core Regulatory Suite	2023	14.8	8.4	23.2
The Core Regulatory Suite (“CRS”) Project is developing a suite of productivity tools that will evolve with BCFSA into the future. It will allow BCFSA to update business processes and technology tools that are essential to regulatory operations, including a self-service portal accessible from the BCFSA website.				

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
- Crown Agencies and Board Resourcing Office
- Plan & Report for Crown Corporations

Additional Information

- Financial Services Authority Act, 2019
- Credit Union Incorporation Act
- Financial Institutions Act
- Insurance Act
- Insurance (Captive Company) Act
- Mortgage Brokers Act
- Pension Benefits Standards Act
- 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)
- Real Estate Services Act
- Real Estate Development Marketing Act
- Strata Property Act

Contact Information

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Appendix B: Audited Financial Statements

BC Financial Services Authority
Financial Statements
As at March 31, 2022 and
for the year ended March 31, 2022

BC Financial Services Authority

Management Report

For the year ended March 31, 2022 ('000)

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 11, 2022.

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 11, 2022



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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, 2022, and the Statements of Operations, Changes in Net Assets and Cash Flows for the year ended March 31, 2022, 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, 2022, and its results of operations, its changes in net financial assets and cash flows for the for the year ended March 31, 2022 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 11, 2022

BC Financial Services Authority

Statement of Financial Position

For the year ended March 31, 2022 ('000)

	March 31, 2022	March 31, 2021
Financial Assets		
Cash and cash equivalents (note 3)	\$ 23,274	\$ 11,010
Investments (note 4)	447	-
Accounts receivable (note 5)	11,473	12,715
Due from government/other government organizations (note 6)	<u>10,043</u>	<u>259</u>
	<u>45,237</u>	<u>23,984</u>
Liabilities		
Accounts payable and accrued liabilities	6,067	2,177
Deferred revenue	1,240	-
Employee future benefits (note 7)	1,036	677
Due to government/other government organizations (note 6)	<u>571</u>	<u>621</u>
	<u>8,914</u>	<u>3,475</u>
Net financial assets	<u>36,323</u>	<u>20,509</u>
Non-financial assets		
Tangible capital assets (note 11)	17,840	7,176
Prepaid expenses	<u>927</u>	<u>660</u>
	<u>18,767</u>	<u>7,836</u>
Accumulated surplus	<u>\$ 55,090</u>	<u>\$ 28,345</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, 2022 ('000)

	Annual Budget (note 14)	March 31, 2022	March 31, 2021
Revenues			
Licensing, registration, and other fees	\$ 20,672	\$ 36,462	\$ 21,798
Education	-	6,386	-
Government grants	2,856	9,949	11,539
Recovery from government organizations (note 9)	11,711	9,493	9,091
Restructuring (note 16)	-	13,956	-
Other	277	611	242
	<u>35,516</u>	<u>76,857</u>	<u>42,670</u>
Expenses (note 13)			
Regulatory operations	24,086	41,056	20,445
CUDIC administration (note 9 and 14)	11,430	9,056	8,441
	<u>35,516</u>	<u>50,112</u>	<u>28,886</u>
Annual/period surplus	-	26,745	13,784
Accumulated surplus – Beginning of period	<u>28,345</u>	<u>28,345</u>	<u>14,561</u>
Accumulated surplus – End of period	<u>\$ 28,345</u>	<u>\$ 55,090</u>	<u>\$ 28,345</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, 2022 ('000)

	Annual Budget (Note 14)	March 31, 2022	March 31, 2021
Annual/period surplus	\$ -	\$ 26,745	\$ 13,784
Acquisition of tangible capital assets	(6,638)	(12,258)	(6,911)
Amortization of tangible capital assets	1,972	1,594	318
	<u>(4,666)</u>	<u>16,081</u>	<u>7,191</u>
Acquisition of prepaid expenses	(147)	(927)	(660)
Use of prepaid expenses	660	660	91
	<u>513</u>	<u>(267)</u>	<u>(569)</u>
Increase (decrease) in net financial assets	(4,153)	15,814	6,622
Net financial assets – Beginning of period	<u>20,509</u>	<u>20,509</u>	<u>13,887</u>
Net financial assets – End of period	<u>\$ 16,356</u>	<u>\$ 36,323</u>	<u>\$ 20,509</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, 2022 ('000)

	March 31, 2022	March 31, 2021
Cash provided by (used in)		
Operating activities		
Annual surplus	\$ 26,745	\$ 13,784
Items not involving cash		
Amortization of tangible capital assets	1,594	318
Restructuring acquisition of tangible capital assets (note 16)	<u>(2,159)</u>	<u>-</u>
	26,180	14,102
Changes in non-cash assets and liabilities		
Accounts receivable	1,242	(2,065)
Prepaid expenses	(267)	(569)
Accounts payable, accrued liabilities, and future employee benefits	5,489	(422)
Due to/from government/other government organizations	<u>(9,834)</u>	<u>(2,036)</u>
	<u>(3,370)</u>	<u>(5,092)</u>
Capital Activities		
Acquisition of tangible capital assets	(10,099)	(6,911)
Increase in cash	12,711	2,099
Cash and cash equivalents – beginning of period/year	<u>11,010</u>	<u>8,911</u>
Cash and cash equivalents – end of period/year	\$ <u>23,721</u>	\$ <u>11,010</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, 2022 (tabular amounts in '000)

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 16).

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”).

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.

BC Financial Services Authority

Notes to the Financial Statements

For the year ended March 31, 2022 (tabular amounts in '000)

2. Summary of significant accounting policies – continued

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.

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 included 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 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	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, 2022 (tabular amounts in '000)

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, 2022 (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 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.

3. Cash and cash equivalents

	March 31, 2022	March 31, 2021
Cash	\$ 8,274	\$ 11,010
GIC – 1.2% - Redeemable maturing September 2022	5,000	-
GIC – 1.3% - Cashable maturing March 2023	5,000	-
GIC – 1.7% - Redeemable maturing March 2023	5,000	-
	\$ 23,274	\$ 11,010

4. Investments

	March 31, 2022	March 31, 2021
GIC – 2.7% - Non-redeemable maturing December 2022	\$ 180	\$ -
GIC – 2.9% - Non-redeemable maturing February 2023	267	-
	\$ 447	\$ 11,010

BC Financial Services Authority

Notes to the Financial Statements

For the year ended March 31, 2022 (tabular amounts in '000)

5. Accounts receivable

	March 31, 2022	March 31, 2021
Recoveries from CUDIC	\$ 915	\$ 1,623
Regulated Entities/Individuals	10,100	10,993
Penalties and Enforcement	890	260
Other	18	28
	<u>11,923</u>	<u>12,904</u>
Provision for losses (note 10)	<u>(450)</u>	<u>(189)</u>
	<u>\$ 11,473</u>	<u>\$ 12,715</u>

6. Due to/from government and other government organizations

Due From:

	March 31, 2022	March 31, 2021
Province of British Columbia	\$ 9,738	\$ -
Federal Government of Canada	305	259
	<u>\$ 10,043</u>	<u>\$ 259</u>

Due To:

Province of British Columbia	\$ 141	\$ 337
Federal Government of Canada	430	284
	<u>\$ 571</u>	<u>\$ 621</u>

BC Financial Services Authority

Notes to the Financial Statements

For the year ended March 31, 2022 (tabular amounts in '000)

7. Employee future benefits

a) Retirement allowance

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

	March 31, 2022	March 31, 2021
Accrued benefit obligation – Beginning of period	\$ 368	\$ 323
Transferred obligation (note 16)	334	-
Current period benefit cost	33	32
Interest cost	10	9
Loss (gain) on accrued benefit obligation	<u>(107)</u>	<u>4</u>
Accrued benefit obligation – End of period	638	368
Unamortized actuarial gain	<u>398</u>	<u>309</u>
Liability – End of period	<u>\$ 1,036</u>	<u>\$ 677</u>

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

	March 31, 2022	March 31, 2021
At beginning of period		
Discount rate	3.70%	2.50%
Rate of compensation increase	3.00%	2.00%
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) Employee Pension Benefits

Employer contributions to the Pension Plan of \$2,546,747 were expensed during the period. 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 valuation does not attribute portions of the surplus to individual employers. The Pension Plan covers approximately 67,800 active members, of which approximately 340 were employees of BCFSA.

8. Inter-entity transactions

BCFSA provides administrative services to CUDIC and Credit Union Prudential Supervisors Association ("CUPSA"), both related parties, on a cost recovery basis. CUPSA facilitates communication amongst Credit Union regulatory authorities across Canada. Real Estate Errors and Omissions Insurance Corporation ("REEOIC") pools the insurance premiums paid by real estate licensees in a fund that is used to pay the costs of defending and indemnifying licensees against professional liability claims.

BC Financial Services Authority

Notes to the Financial Statements

For the year ended March 31, 2022 (tabular amounts in '000)

9. Inter-entity transactions - continued

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

	March 31, 2022	March 31, 2021
CUDIC	\$ 9,056	\$ 8,441
CUPSA	74	98
REEOIC	222	-
RECFC	28	-
Province of British Columbia	<u>113</u>	<u>552</u>
	<u>\$ 9,493</u>	<u>\$ 9,091</u>

In the period August 1, 2021, to March 31, 2022, BCFSA charged a fee of \$221,872 to the REEOIC for revenue collected on its behalf with respect to the REEOIC fund, and \$28,331 to the RECFC for revenue collected on its behalf with respect to the compensation fund. As at March 31, 2022, BCFSA had amounts receivable from REEOIC and RECFC in the amounts of \$43,223 and \$7,071, respectively.

The \$112,500 for the Province of British Columbia relates to a Service Level Agreement with OSRE that was in place prior to the restructuring that occurred on August 1, 2021 and ended on the restructuring date (note 16).

10. 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, 2022, the amount of provision for losses was \$450,000 (note 5). BCFSA's cash, which is held at Canadian financial institutions, 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, 2022 (tabular amounts in '000)

11. Tangible capital assets

March 31, 2022	Office Furniture	IT Hardware	Systems and Software	Tenant Improvements	Total Assets
Cost					
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>
Accumulated amortization					
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>
Net book value	<u>\$ 279</u>	<u>\$ 940</u>	<u>\$ 14,322</u>	<u>\$ 2,299</u>	<u>\$ 17,840</u>

Total asset additions of \$12,258,000 include \$2,159,000 in assets transferred through the restructuring transaction (note 16).

March 31, 2021	Office Furniture	IT Hardware	Systems and Software	Tenant Improvements	Total Assets
Cost					
Opening balance	\$ -	\$ -	\$ -	\$ 715	\$ 715
Additions	-	507	6,404	-	6,911
Disposals	-	-	-	-	-
Closing balance	<u>-</u>	<u>507</u>	<u>6,404</u>	<u>715</u>	<u>7,626</u>
Accumulated amortization					
Opening balance	-	-	-	132	132
Amortization	-	-	-	318	318
Disposals	-	-	-	-	-
Closing balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>450</u>	<u>450</u>
Net book value	<u>\$ -</u>	<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, 2022 (tabular amounts in '000)

12. Commitment and contingencies

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

	<u>Rentals</u>
2023	\$ 1,039
2024	1,072
2025	1,105
2026	1,143
2027 - 2035	<u>11,080</u>
	<u>\$ 15,439</u>

13. Expenses by type

The following is a summary of expenses by object:

	<u>Year ended March 31, 2022</u>	<u>Year ended March 31, 2021</u>
Compensation and benefits	\$ 32,694	\$ 19,636
Professional services	8,508	4,709
Office and administrative	7,316	4,223
Amortization	<u>1,594</u>	<u>318</u>
	<u>\$ 50,112</u>	<u>\$ 28,886</u>

14. 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, 2022, the balances of CUDIC were as follows:

	<u>March 31, 2022</u>	<u>March 31, 2021</u>
Assets	\$ 810,706	\$ 794,694
Liabilities	<u>1,428</u>	<u>2,987</u>
Equity	<u>\$ 809,278</u>	<u>\$ 791,707</u>

BC Financial Services Authority

Notes to the Financial Statements

For the year ended March 31, 2022 (tabular amounts in '000)

14. 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, 2022, the balances of RECFC were as follows:

	<u>March 31,</u> <u>2022</u>
Assets	\$ 22,733
Liabilities	<u>919</u>
Equity	<u>\$ 21,814</u>

15. 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 27, 2021. The approved budget does not include the effect of the restructuring that occurred on August 1, 2021 (note 16).

16. Restructuring Transaction

In November 2019, the Minister of Finance announced that RECBC and OSRE would be integrated within BCFSA. 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 business processes, investigations, and enforcements. RECBC and OSRE were integrated with BCFSA on August 1, 2021 (the "Restructuring Date").

Post Restructuring Date, BCFSA is focused on the financial services sector as a whole. As such, BCFSA is organized on a functional basis with departments with accountabilities which cover entire sector including the Supervision, Policy and Stakeholder Engagement, and Compliance and Market Conduct departments. Specifically, regarding real estate, BCFSA has the sole authority over real estate education and licensing as well as investigations and discipline responsibilities for licensed and unlicensed real estate activity, including real estate development marketing. It also has the authority to make rules governing the conduct of real estate licensees.

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. Lawsuits and legal proceedings for or against RECBC were transferred to BCFSA and all RECBC assets and liabilities were transferred to BCFSA at no cost. BCFSA has incurred a total of \$2,752,184 in restructuring related costs.

BC Financial Services Authority

Notes to the Financial Statements

For the year ended March 31, 2022 (tabular amounts in '000)

16. Restructuring Transaction – continued

A summary of the restructuring costs is as follows:

	March 31, 2022	March 31, 2021
Compensation and benefits	\$ 2	\$ 10
Outsourced services	230	84
Legal services	95	181
Professional services	584	843
Information systems	114	108
Office and administrative	38	21
Other expenses	150	498
Recoveries	-	(206)
	<u>\$ 1,213</u>	<u>\$ 1,539</u>

The net effect of the restructuring was recorded as revenue in the amount of \$13,955,959 on the statement of operations. There was no consideration paid and costs associated with the restructuring incurred by BCFSA have been expensed in the period they occurred. A summary of the assets and liabilities transferred to BCFSA were as follows:

	Transferred at August 1, 2021
Cash and cash equivalents	\$ 9,863
Accounts receivable	3,955
Accounts payable	(1,150)
Deferred revenue	(982)
Prepaid expenses	111
Tangible capital assets at net book value	<u>2,159</u>
Net amount of assets in excess of liabilities	<u>\$ 13,956</u>