

BC Financial Services Authority
("BCFSA")

2023/24
Annual Service Plan Report
August 2024



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Board Chair's Accountability Statement



The BC Financial Services Authority 2023/24 Annual Service Plan Report compares the organization's actual results to the expected results identified in the 2023/24 - 2025/26 Service Plan published in 2023. The Board is accountable for those results as reported.

Signed on behalf of the Board by:

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

Stanley Hamilton
Chair, Board of Directors
BC Financial Services Authority
August 31, 2024

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Letter from the Board Chair & CEO

On behalf of all of us at BCFSa, we are pleased to submit our Annual Service Plan Report for the year ending March 31, 2024. The goals and objectives described in this report were established in our 2023/24 – 2025/26 Service Plan and align with our 2021/22 Mandate Letter.

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

Throughout 2023/24, 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 2023/24, BCFSa continued to proactively engage with the Ministry of Finance to ensure strategic alignment with the Ministry’s objectives and policy expectations and regularly communicated with the Ministry on key initiatives. In 2023/24, we continued to modernize B.C.’s regulatory regime in accordance with the priorities contained in BCFSa’s Regulatory Roadmap. BCFSa also received both internal and external validation of our work to make BCFSa an employer of choice once again with a highly engaged team.

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

Thank you.



Stanley Hamilton
Chair, Board of Directors
BC Financial Services Authority
August 31, 2024



Blair Morrison
Chief Executive Officer
BC Financial Services Authority
August 31, 2024

Purpose of the Annual Service Plan Report

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

Strategic Direction

The strategic direction set by Government in 2020 and expanded upon in the Board Chair’s [2021/22 Mandate Letter](#) from the Minister Responsible shaped the goals, objectives, performance measures, and financial plan outlined in the [BC Financial Services Authority 2023/24 - 2025/26 Service Plan](#) and the actual results reported on in this annual report.

Purpose of the Organization

BCFSA, a key regulator for the financial services sector in the province (the “Sector”), helps to protect British Columbians during some of the most important financial decisions of their lives. As a Crown agency of the Government of British Columbia, BCFSA oversees credit unions, trust companies, insurance companies, pension plans, mortgage services, real estate services, real estate development marketing, and money services. BCFSA also administers the province’s deposit insurance regime through the Credit Union Deposit Insurance Corporation of British Columbia (“CUDIC”). BCFSA’s mission is to instill confidence in the Sector by focusing on the safety and soundness of regulated entities and consumer protection.

On November 1, 2019, in accordance with the Financial Services Authority Act, 2019 (“FSAA”), BCFSA began operations as a new Crown agency and assumed the regulatory accountabilities of the Financial Institutions Commission. The transition was driven by the need to create a modern, effective, and efficient regulator with the independence and flexibility necessary to regulate a sector that had grown both in importance and complexity and was facing further significant change moving forward.

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

BCFSA currently has accountabilities under the following eleven statutes and associated regulations:

- [Financial Services Authority Act](#)
- [Credit Union Incorporation Act](#)

- [Financial Institutions Act](#)
- [Insurance Act](#)
- [Insurance \(Captive Company\) Act](#)
- [Money Services Businesses Act*](#)
- [Mortgage Brokers Act**](#)
- [Mortgage Services Act***](#)
- [Pension Benefits Standards Act](#)
- [Real Estate Development Marketing Act](#)
- [Real Estate Services Act](#)
- [Strata Property Act](#)

Notes:

12 Acts are listed as the Mortgage Brokers Act will be replaced by the Mortgage Services Act.

* Enacted but not in force.

** Anticipated to be in force until the Mortgage Services Act comes into force.

*** Anticipated to replace Mortgage Brokers Act upon coming into force.

A properly functioning and efficient Sector is vital to the province's economy. BCFSA must safeguard the interests of consumers such as depositors, policyholders, beneficiaries, pension plan members, and home buyers while at the same time allowing the Sector to take reasonable risks and compete effectively. BCFSA balances both Sector competitiveness with financial stability and federal and international standards with local market realities.

Operating Environment

Financial Services Landscape

The scope of BCFSA's regulatory mandate reflects the size and complexity of the Sector in B.C. which, as of March 31, 2024, included:

- 32 credit unions with more than \$80 billion in assets;
- Over 600 pension plans with more than \$200 billion in assets;
- Over 200 insurance and trust companies (including extra-provincial);
- Over 7,000 mortgage brokers and brokerages; and
- Over 37,000 real estate licensees, brokerages, branches, and personal real estate corporations.

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

This landscape makes cooperation and harmonization with other regulators in Canada a priority. During 2023/24, BCFSA continued as an active partner in national regulatory

associations including: the Canadian Council of Insurance Regulators (“CCIR”); Credit Union Prudential Supervisors Association (“CUPSA”); Canadian Association of Pension Supervisory Authorities (“CAPSA”); Mortgage Broker Regulators’ Council of Canada (“MBRCC”); and the Real Estate Regulators of Canada (“RERC”).

Overview of Key Risks to Regulated Entities and the Broader Financial System

As a key regulator of the Sector, BCFSA continuously monitors risks to regulated entities and the broader financial system in the province. In 2023/24, BCFSA monitored a number of key risks including the macroeconomic environment, natural catastrophe and climate risk, crisis preparedness, and digitalization risk.

Macroeconomic Environment: Over the past year, the macroeconomic environment has evolved, with inflation continuing to drop from its high in June 2022 but remaining above the Bank of Canada’s target rate. In response, the Bank of Canada continued to tighten monetary policy in the first half of 2023, increasing interest rates on three occasions. Following the most recent increase in July 2023, rates remained steady throughout the balance of 2023/24 with attention shifting from how high rates might go to how long they might remain elevated. Persistently high interest rates created challenges and impacts across the economy and BCFSA’s regulated segments. Household spending on goods and services stalled in the latter half of 2023 and real estate sales in 2023 were the lowest in a decade in British Columbia. Credit unions, mortgage services, and real estate services and development marketing have all been impacted by the considerable slow down in commercial and residential real estate markets and the shift to a higher interest rate environment. The high interest rate environment and inflationary pressures have also created challenges for the insurance and reinsurance markets, although some of the more acute issues and challenges identified a year ago have begun to recede. Any volatility in the stock, bond, and real estate markets impacts pension returns. All these challenges have the potential to directly affect consumers in significant and varied ways. BCFSA continues to actively monitor the macroeconomic environment and impacts on consumers and regulated entities and continues to liaise with government as a trusted partner and source of market intelligence.

Natural Catastrophe and Climate Risk: The Sector in British Columbia continues to face risks associated with natural catastrophes and climate change. The extreme weather events of recent years, including a record wildfire season in 2023, have demonstrated the impact that a changing climate can have on the province. In British Columbia, an earthquake could cause physical damage to property and disruption at a scale much larger than any weather-related climate events. BCFSA released a natural catastrophe and climate risk comprehensive discussion paper for public consultation in 2023/24. Consistent with the exercise of its regulatory accountabilities in other areas, BCFSA’s approach to natural catastrophes and climate change risk will reflect an alignment with national initiatives while addressing the issues and challenges specific to financial service providers in B.C.

Crisis Preparedness: As demonstrated by the collapse of a number of international banks in 2023, a financial stress event can emerge quickly and spread rapidly, impacting not only an individual financial institution and its consumers, but also the broader financial system and the

economy within which it operates. BCFSA works to ensure the safety and soundness of individual financial institutions and to ensure confidence in the system as a whole. Key to minimizing and preventing financial crises is proactively engaging in crisis preparedness planning and implementing a broad and comprehensive crisis preparedness framework covering BCFSA's regulated financial institutions. BCFSA is continuing to work with regulated entities to enhance their operational resiliency and readiness should a financial stress event arise. At the same time, BCFSA is ensuring it is prepared to deal with the potential for a financial stress event at a provincially regulated financial institution through strengthening of internal programs and controls designed to enhance BCFSA's readiness.

Digitalization Risk: Transformative technology and the continued digitalization of financial products and services have the potential to bring significant benefits to British Columbians through the development of new and efficient services but also come with significant risks. These risks include the increasing threat of (a) cyber attacks on participants in the Sector and (b) a destabilization of the Sector caused by the disruption to traditional business and regulatory models through increased competition from non-traditional actors. BCFSA is actively monitoring and working with regulatory partners and government to address a changing digital environment. From consumer driven banking and the regulation of digital currencies and crypto assets to payments modernization and artificial intelligence, BCFSA is actively working to understand how these technological innovations will impact consumers and what safeguards might be needed to ensure consumers are protected.

Economic Statement

Following two years of strong recovery from the pandemic, economic growth in British Columbia moderated in 2023. After expanding by 3.9% in 2022, B.C.'s real GDP increased by 1.6% in 2023, the second highest growth rate among provinces (tied with Saskatchewan and Ontario) and outperforming the national average. Growth in B.C.'s real GDP was supported by service-producing industries such as real estate, rental, and leasing; professional, scientific and technical services; transportation and warehousing; and healthcare. Despite steady growth in the construction and mining, quarrying and oil and gas extraction sectors, output for goods-producing industries decreased in 2023, partly due to lower manufacturing activity. While B.C.'s economy continued to expand in 2023, some sectors such as transportation and warehousing and accommodation and food services have yet to fully return to pre-pandemic levels.

B.C.'s labour market continued to grow in 2023, with employment growth of 1.6% and wages and salaries increasing by 6.9%. However, B.C.'s unemployment rate rose to 5.2% in 2023 from 4.6% in the previous year as the labour force, supported by record high immigration, grew faster than employment. High interest rates tempered consumer spending on goods in 2023 and nominal retail sales edged down 0.1%. In 2023, price pressures in B.C. moderated among a broad number of goods and services but remained elevated. B.C.'s inflation rate averaged 3.9% in 2023, down from 6.9% in 2022. B.C. home construction activity strengthened in 2023. Housing starts totaled 50,490 units in 2023, the highest annual pace on record and up 8.1% compared to the previous year. High interest rates continued to weigh on home sales activity

last year. B.C. MLS home sales decreased by 9.2% in 2023, while the MLS average home sale price was 2.6% lower than 2022. On the external front, B.C.'s international merchandise exports declined by 13.5% in 2023, due to weaker global demand and lower commodity prices compared to 2022.

Report on Performance: Goals, Objectives, and Results

The following goals, objectives, and performance measures have been restated from the 2023/24 – 2025/26 service plan. For forward-looking planning information, including current targets for 2024/25 – 2026/27, please see the latest service plan on the [BC Budget website](#).

Goal 1: Enhance risk-based supervision

Objective 1.1: Advance BCFSA's risk-based and proportionate supervision of the Sector and efforts to enhance the overall safety and soundness of the Sector.

BCFSA's mission relates to the safety and soundness of the Sector and includes overseeing financial institutions and pension funds. Protecting consumers is a key part of this mission. A proportionate approach to supervision (how day-to-day supervision should be tailored to reflect the systemic importance, complexity, and risk profile of regulated entities) is required to protect consumers, while recognizing that sector participants vary in size and complexity. BCFSA's framework for risk-based supervision is informed by federal and international standards and adjusted for local market realities.

Key results

- Continual review of BCFSA's supervisory framework (the "Supervisory Framework") to ensure a consistent and modern approach to supervision of the Sector that evolved with the changing macro-economic environment. Areas of focus to better support the assessment of the safety and soundness of the Sector included the internal integration of the Market Conduct team with the Prudential Supervision team, and consideration of risks related to open banking and artificial intelligence.
- Revised the Supervisory Framework as required to reflect and align BCFSA's regulatory approach with advancements made by other federal and provincial regulators, including the management of risks related to cyber, anti-money laundering, and retail credit, to ensure modern, efficient, and effective regulation of the Sector.
- Developed an internal operational playbook for supervisory activities to enable a consistent methodology and approach to proportionate monitoring and risk assessment reviews reflective of varying size, scope, and complexity of regulated entities in B.C. Enhancements were made to Section Notes with Assessment Criteria

worksheets with the intention to improve operating efficiencies and better assess risk in the Sector.

- Designed and piloted monitoring processes to complete risk assessments for pension plans to better assess risk in the Sector. This risk assessment process, based on application of the risk framework, included both desk and on-site reviews.

Summary of progress made in 2023/24

BCFSA conducted in-depth and effective face-to-face meetings throughout 2023/24 with Provincially Regulated Financial Institutions (“PRFIs”) including:

- Conducted at least one per quarter touch point with all B.C. regulated credit unions, insurance companies, and trust companies.
- Credit Unions – held 526 calls/meetings and sent 1,713 pieces of written correspondence.
- Insurance and Trust Companies – held 112 calls/meetings and sent 321 pieces of written correspondence.
- Obtained ad hoc liquidity/funding data from all credit unions in response to the U.S. regional banking crises (Spring 2023).
- Conducted seven targeted reviews at specific institutions to assess risks idiosyncratic to an institution.
- Conducted the first and second phases of a thematic review pertaining to commercial lending risks in the credit union segment.

Such meetings combined with follow-up data requests have helped to ensure that risks were proactively identified at an early stage and ensured continued Sector safety and soundness.

Performance measures and related discussion

Performance Measures	2022/23 Actual	2023/24 Target	2023/24 Actual
[1a] Supervisory Framework to be reviewed at least annually for applicability with revisions as required to reflect changes in the financial services environment (new risks) and evolution in BCFSA tools and risk assessment processes or priorities. ¹	100% reviewed and revised as needed	100% reviewed and revised as needed	100% reviewed and revised as needed
[1b] Percentage of supervisory meetings (includes in person and virtual meetings) with each financial institutions (credit unions, insurance companies and trust companies) in the fiscal year. ²	100%	100%	100%

Data source: BCFSA Operational Data

¹PM [1a] targets for 2024/25 and 2025/26 were stated in the 2023/24 service plan as 100% reviewed and revised as necessary and 100% reviewed and revised as necessary, respectively.

²PM [1b] targets for 2024/25 and 2025/26 were stated in the 2023/24 service plan as 100% and 100%, respectively.

Performance Measures [1a] and [1b] were achieved. Ensuring the Supervisory Framework reflects current and emerging risk drivers is foundational to modern, effective, and efficient supervision of the Sector. BCFSAs Supervisory Framework provides the methodology which BCFSAs follows in assessing the risk profiles of regulated entities and is key to achieving its regulatory objectives.

Through engagement with the PRFIs, there is a shared accountability for ensuring regular dialogue and that BCFSAs is notified at an early stage when an institutions' risk profile changes. This is key to ensuring the ongoing strength and viability of the financial services system. These meetings were often facilitated with the use of virtual meeting platforms, which enhanced the effectiveness and efficiency of these engagements for both the PRFIs and BCFSAs.

Goal 2: Provide effective consumer protection

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

BCFSAs supports effective consumer protection by administering a range of proactive monitoring activities (i.e., audit/examination programs, and industry data calls and surveys) to identify and respond to emerging risks, and by setting robust requirements for registration or licensing with BCFSAs. In circumstances where there is non-compliance, the goal of BCFSAs compliance and enforcement model is to ensure that BCFSAs is able to resolve complaints efficiently using proportionate discipline actions to enforce regulatory requirements.

Key results

- Implemented risk-based complaint management processes to ensure that high risk complaints are prioritized in support of enhanced consumer protection.
- Proactively monitored market conduct activities to identify misconduct and developed and implemented new rules for the real estate segment for data collection and disclosure. Data collection rules, which are in support of better consumer protection, will ensure that BCFSAs receives data that is required to support ongoing monitoring and intervention where risky or harmful business practices are identified.
- Implemented licensing and registration processes to focus the application of entry standards on identifying and responding to higher risk applications, which require more information gathering and investigation to adequately assess an individual's or entity's suitability to do business in B.C. All was done in support of better consumer protection.
- Implemented a risk-based approach for the review of real estate developer disclosures and reviewed 99% of all disclosure statements within 20 business days to help provide better information to consumers.

- Conducted consultation on the expansion of the administrative penalty framework for real estate services to expand the framework to support prompt and efficient intervention for unlicensed activity and help to better protect consumers.

Summary of progress made in 2023/24

Timely complaint resolution is a key component of consumer protection in the Sector. In 2023/24, BCFSA delivered an operational plan to achieve targets for the resolution of complaints for the real estate, real estate development, mortgage services, and financial institutions segments. The targets consider the complexity and the seriousness of the alleged misconduct to ensure that serious matters where there is material risk of harm, or potential harm, to consumers, are prioritized. BCFSA focused on integrating and streamlining compliance and enforcement functions for the real estate, real estate development, and mortgage broker segments.

- **Real Estate and Mortgage Brokers Segment**

- 91% of complaints were reviewed, assessed, and closed or assigned for investigation within 90 days from file opening.
- 1,654 real estate complaint files were closed requiring no further action by BCFSA.
- 95% of first-time real estate licensing applications were processed within 15 days of receipt.
- 93% of applications for new registrations for mortgage brokers were processed within 15 days of receipt.
- 367 real estate development disclosure statements were received. 99% of the disclosure statements were reviewed and responded to within 20 business days. 97% of written undertakings were reviewed and responded to within 20 business days.

- **Financial Institutions**

- 92% of complaints were resolved within three months.

In 2023/24, BCFSA continued to demonstrate its commitment to developing market conduct monitoring activities. BCFSA significantly exceeded established targets related to market conduct monitoring activities and continued to explore additional avenues to measure the effectiveness of monitoring activities.

As of March 31, 2024, 220 proactive monitoring activities were completed:

- Financial Institutions, 8 activities completed;
- Real Estate Audit, 198 activities completed; and
- Mortgage Brokers, 14 activities completed.

Objective 2.2: Support industry to adopt best practice conduct standards

BCFSA provides industry with resources, knowledge, and education to support regulated entities to understand regulatory requirements and obligations and to ensure they always maintain the required standards of conducting their practice. Many regulated entities are required to complete continuing education courses as part of the licence or registration renewal cycle to ensure they maintain and enhance their skills and that they understand their role in the protection of consumers.

Key results

To help ensure that consumers are protected and served by registrants with the appropriate level of knowledge and skill (all in support of consumer protection), BCFSA:

- Developed and expanded continuing education standards.
- Developed and delivered continuing education for mortgage brokers.
- Equipped industry with the information, tools, and practices to support compliance with market conduct accountabilities.

Summary of progress made in 2023/24

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

Consumers are protected by having services delivered by competent and ethical regulated entities and individuals. The availability of relevant resources that address emerging risks across the Sector is critical to ensuring that regulated entities and individuals have the tools they need to properly service consumers in accordance with regulatory requirements. Continuing education supports consistency in knowledge and required standards of professionalism and service delivery among regulated entities and individuals.

BCFSA is committed to continuous improvement in industry education. This commitment includes a focus on key competencies and current issues (for example, anti-money laundering) and exploration of opportunities to leverage infrastructure to service the needs of other regulatory sectors.

BCFSA developed Legal Update 2024 for real estate licensees and mortgage brokers which was launched in January 2024 and developed Ethics 2024 for real estate licensees.

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

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

As part of maintaining the deposit insurance fund and guarantee, CUDIC pro-actively plans for unlikely credit union failures which requires 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 other regulatory agencies.

BCFSA and CUDIC are committed to working collaboratively with government to maintain preparedness and confidence in the credit union system, in the face of changes such as credit union consolidations and federal continuance, new technologies, climate impacts, and economic landscape.

Key results

- Implemented a Differential Premium System (“DPS”), a modern, effective, and efficient methodology, to determine deposit insurance premiums that better reflect the rapidly changing credit union system and provide better protection to depositors.
- Reviewed and updated the Manual and Playbook as matters evolved to help ensure that BCFSA is prepared to act quickly in any crisis.
- Worked collaboratively with government in continuous improvement in payout readiness, including contingent funding provisions to help ensure that BCFSA is prepared to act quickly in any crisis.

Summary of progress made in 2023/24

Maintenance of an appropriate Deposit Insurance Fund Size, a fair and equitable assessment of insurance premiums, and continuous improvement in payout readiness are critical elements in protecting depositors in B.C.

In 2023/2024, BCFSA implemented a DPS to help ensure that premiums paid better reflect risk. Over the year, BCFSA communicated and engaged with the credit unions and industry associations which supported 100% of premiums calculated under the DPS being paid to CUDIC.

Performance measures and related discussion

Performance Measures	2022/23 Actual	2023/24 Target	2023/24 Actual
[2a.i] Percentage of complaints resolved ¹ within 3 months of receipt ² resulting in timely & responsive outcomes	75%	75%	91%
[2a. ii] Increase monitoring of market conduct activities to proactively identify and prevent harmful business practices ³	133 monitoring activities	130 monitoring activities	220 monitoring activities completed
[2a. iii] Percentage of complete applications (requiring no further investigation) for new licensees processed within 15 business days of receipt ⁴	99%	90%	94%
[2a. iv] Mortgage broker continuing education required for relicensing is developed and delivered by BCFSA ⁵	50% of courses developed and delivered by BCFSA.	100% of courses developed and delivered.	100% of courses developed and 50% of courses delivered.
[2a. v] Real estate development and strata rental disclosures are reviewed and responded to within 20 business days of receipt ⁶	87%	90%	99%

Data source: BCFSA operational data

¹ Resolved" means reviewed, assessed, and closed or assigned for investigation.

²PM [2.a.i] targets for 2024/25 and 2025/26 were stated in the 2023/24 service plan as 75% and 75%, respectively.

³PM [2.a.ii] targets for 2024/25 and 2025/26 were stated in the 2023/24 service plan as 130 monitoring activities and 130 monitoring activities, respectively.

⁴PM [2a.iii] targets for 2024/25 and 2025/26 were stated in the 2023/24 service plan as 90% and 90%, respectively.

⁵PM [2a. iv] targets for 2024/25 and 2025/26 were stated in the 2023/24 service plan as 100% of courses developed and delivered and 100% of courses developed and delivered, respectively.

⁶PM [2a.v] targets for 2024/25 and 2025/26 were stated in the 2023/24 service plan as 90% and 90%, respectively.

Performance Measures [2a. i], [2a. ii], [2a.iii], and [2a. v] were achieved. Shorter average turnaround times on complaints demonstrates responsiveness to consumer interest in timely resolution of the issues they raise with the regulator. In 2023/24, BCFSA implemented a risk-based operational model to expedite the assessment of complaints and to prioritize the investigation of high and critical risk complaint files. BCFSA has continued to address misconduct fairly and proportionally using the available range of enforcement tools. BCFSA has increased the number of administrative penalties issued under the Real Estate Services Act ("RESA"), and the number of discipline penalties under RESA and the Mortgage Broker's Act ("MBA") to effectively address misconduct.

The notable increase in market conduct monitoring activities demonstrates BCFSA's commitment to continued investment in proactive market conduct supervision capabilities. Monitoring activities across BCFSA's regulated sectors included audits, targeted examinations of specific regulated entities and individuals, increased data collection and reporting

requirements, thematic reviews of products or business practices, the issuance of regulatory expectations, and implementation of industry codes of conduct.

BCFSA is committed to efficient and effective processing of real estate and mortgage broker applications to do business in B.C., without compromising the need to undertake a thorough review and investigation of high-risk applications to prevent unsuitable individuals and entities from doing business in B.C.

Timely review of filed disclosures helps to ensure that deficiencies and risks are identified early, and addressed by developers, to better protect the purchasers of multi-unit developments.

Performance measure [2a. iv] was partially achieved. Consumers should be able to expect consistent levels of competence and ethics from real estate licensees and mortgage brokers. There is an established and robust continuing education program for real estate licensees consisting of two mandatory regulated courses. By adopting this program for mortgage brokers, BCFSA is focusing on raising standards for this sector by building off BCFSA’s integrated approach to regulating the sector.

The focus in 2023/24 was on two courses: the Legal Update course and the Ethics course. Although the new Legal Update course was delivered to mortgage brokers, BCFSA delayed the delivery of a new Ethics course. The Mortgage Services Act (“MSA”) will impose new business requirements on mortgage brokers. BCFSA will require registrants to complete a transitional education course in preparation for the implementation of the Mortgage Services Act. As the exact nature of these requirements was unknown in 2023/24 (thereby making it difficult to create a learning course) and given the amount of new learning required of registrants, the delivery of the Ethics course was delayed. This delay drove the partial achievement of Performance Measure [2a.vi].

Performance Measures	2022/23 Actual	2023/24 Target	2023/24 Actual
[2b. i] Complete implementation of the Differential Premium System. ¹	85% of implementation complete	100% of implementation completed	100% of implementation completed
[2b. ii] Review and set Deposit Insurance ² fund size.	Completed for current review cycle	N/A	N/A
[2b.iii] Continuous review and update of the CUDIC Deposit Payout Program ³	25% of material updated	75% of material updated	75% of material updated

Data source: BCFSA operational data

¹PM [2b.i] Conducted every four years or after a system shock event. Next review cycle currently scheduled for FY2025/26.

²PM [2b.ii] targets for 2024/25 and 2025/26 were stated in the 2023/24 service plan as N/A

³PM [2b.iii] targets for 2024/25 and 2025/26 were stated in the 2023/24 service plan as 95% of material updated and continuous improvement, respectively.

Goal 3: Stakeholders are consistently and purposefully engaged by BCFSA

To regulate effectively, including in a proportionate manner, BCFSA needs to engage with regulated entities and individuals to understand their views, challenges, and opportunities. External engagement supports BCFSA's understanding of risks to industry and consumers of financial services.

Objective 3.1: Maintain strong and active collaboration with stakeholders

BCFSA is focused on engaging with stakeholders, which enables the organization to have a better understanding of how to develop and advance its regulatory priorities, as well as continually monitoring risks in the Sector.

Key results

- Achieved substantial completion of the items set out in the 2023/24 Regulatory Roadmap (the "Roadmap") in support of achieving enhanced Sector safety and soundness and consumer protection.
- Developed best practices for consultations undertaken pursuant to the Roadmap, to ensure consultations are comprehensive, and appropriate to risk and complexity to support more effective regulation of the Sector.
- Reported against the timely delivery of Roadmap items to stakeholders as measured by activities occurring within two quarters of their planned timeframe to provide transparency to the Sector and allow the Sector to comment or implement.

Summary of progress made in 2023/24

BCFSA uses different strategies to maintain strong and active engagement with stakeholders. The Roadmap is one of the primary means to communicate, and increasingly, receive feedback on regulatory priorities. The Roadmap outlines BCFSA's regulatory agenda for the coming three fiscal years. As these are priority projects, Sector participants can expect to be consulted in a comprehensive manner with respect to the project's impacts on the Sector. Examples of the progress made in 2023/24 include: Real Estate Services Rules Related to Data collection; annual Real Estate Data Call; Natural Catastrophes and Climate-Related Risks Discussion Paper; Capital Modernization Discussion Paper; Insurer Code of Conduct and Revision to Pensions Regulatory Statements.

Objective 3.2: Stakeholder engagement strategy is operationalized

BCFSA continued to build its capacity in external engagement and expanded existing tools and strategies to encompass a cross-Sector approach which ensures consistency across the Sector. In 2023/24, BCFSA developed and operationalized its stakeholder engagement strategy and advanced deliverables against that strategy.

Key results

- Finalized terms of reference, best practices, and selection criteria for industry roundtables for the credit union and real estate segments to enable BCFSA to receive input and feedback at both a technical and strategic level and improve the overall efficiency and effectiveness of regulation.
- Held the credit union roundtable in November 2023 and real estate roundtable in February 2024. Formalized use of technical working groups for feedback from Sector participants on regulatory initiatives to help improve the overall efficiency and effectiveness of regulation.
- Delivered an inaugural cross-Sector event in June 2023 with 249 attendees representing BCFSA's regulated entities and individuals. The goal was to increase Sector-wide awareness of the challenges facing the Sector and the interconnectedness of its various segments. 88.2% of attendees strongly agreed or agreed that the forum provided valuable insights and knowledge about B.C.'s financial services landscape.

Summary of progress made in 2023/24

BCFSA operationalized its stakeholder engagement strategy by standing up industry advisory groups and delivering an inaugural cross-Sector event that was determined to become part of BCFSA's steady-state operations.

Objective 3.3: Strategic communications plan activated

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

Key results

- Executed on a strategic communications plan to increase awareness of BCFSA's accountabilities to better deliver on its regulatory accountabilities for Sector safety and soundness and consumer protection.
- Operationalized use of data analytics and reporting to drive external activities, commencing internal communications reporting measures by Sector to measure and increase website visits, email open rates, survey participation and adjust content/vehicles where required to ensure greater Sector engagement and the achievement of BCFSA's regulatory accountabilities for Sector safety and soundness and consumer protection.

- Ensured deliverables were on-time and completed to a high standard consistent with BCFSAs position as a modern, effective, and efficient regulator.

Summary of progress made in 2023/24

To ensure effective communication to all regulated entities, stakeholders, and consumers through its strategic communications plan, BCFSAs enhanced its strategic planning, implemented new ways of working through technology, and boosted data analysis to allow for effective and targeted content development. BCFSAs incorporated the top three findings from its annual Sector surveys into updated Communications Policy and procedures. BCFSAs completed a biannual consumer awareness survey to inform a consumer-focused communications approach. An accessibility audit was conducted on the BCFSAs website with an Equity, Diversity, and Inclusion lens applied to internal and external communications across all segments. BCFSAs expanded the collection of data fields in both the credit union, and insurance and trust segments, to apply quantitative analytics to support risk assessments. Some specific areas included expanding the collection of: (i) residential mortgage data fields to assess the risk impact of higher interest rates and, (ii) funding data fields to assess the impact on liquidity risks. The information from data analytics were used to update regulatory guidelines and advisories on the Regulatory Roadmap – all in support of the achievement of BCFSAs regulatory accountabilities for Sector safety and soundness and consumer protection.

Performance measure and related discussion

Performance Measure	2022/23 Actual	2023/24 Target	2023/24 Actual
[3a] Significant regulatory projects are consulted on with Sector participants; reporting on how accurate the roadmap planning is by reporting on whether activities occur within two quarters of when planned on the roadmap ¹	100% of roadmap items consulted; 60% of activities happening within two quarters	100% of roadmap items consulted; 75% of activities happening within two quarters	100% of roadmap items consulted; 70% of activities happened within two quarters

Data source: BCFSAs operational data

¹PM [3a] targets for 2024/25 and 2025/26 were stated in the 2023/24 service plan as 100% of roadmap items consulted; 75% of activities happening within two quarters and 100% of roadmap items consulted; 80% of activities happening within two quarters, respectively.

Performance Measure [3a] was partially achieved. Certain Roadmap initiatives were not launched on the timelines noted in the Roadmap. This decision was made in response to the complex and dynamic risks posed largely by conditions in the macroeconomic environment and the desire of BCFSAs to engage directly with regulated entities, such as credit unions, on the issues. The challenges and impacts stem from elevated interest rates and a persistent inflationary environment, impacting both the broader economy and BCFSAs regulated segments throughout 2023/24. Although 100% of roadmap items were consulted, 70% of activities happened within two quarters (versus the target of 75%). This had no material impact on the efficiency and effectiveness of BCFSAs regulatory oversight of the Sector.

Performance Measures	2022/23 Actual	2023/24 Target	2023/24 Actual
[3b] Industry Advisory Groups formed ¹	Advisory group strategy developed	Stand-up advisory group strategy	Advisory groups formed
[3c] Cross-Sector event established ²	Plan cross-Sector event	Deliver cross-Sector event	Cross-Sector event delivered

Data source: BCFSAs operational data

¹PM [3b] targets for 2024/25 and 2025/26 were stated in the 2023/24 service plan as “Maintain and refine advisory group strategy” and “Maintain and refine advisory group strategy”, respectively.

²PM [3c] targets for 2024/25 and 2025/26 were stated in the 2023/24 service plan as “Deliver cross-Sector event” and “Deliver cross-Sector event”, respectively.

Performance measures [3b] and [3c] were achieved. As a result, a stakeholder engagement framework that encompassed the entire Sector was put into place. The framework supported consistent and purposeful engagement and communications with stakeholders. This is important given the interconnectedness of the various segments within the Sector.

Performance Measures	2022/23 Actual	2023/24 Target	2023/24 Actual
[3d.i] Execute against multi-year communications strategy and update annually. All external Sector activities identified and action plan underway. ¹	N/A	80% completion of annual activities	Achieved 80% completion of annual activities
[3d. ii] Data analysis and reporting used to make improvements to communications activities. ²	N/A	Benchmarking and KPIs set	Benchmarking and KPIs were put in place

Data source: BCFSAs operational data

¹PM [3d.i] targets for 2024/25 and 2025/26 were stated in the 2023/24 service plan as 90% completion of annual activities and “Renewed communications audit undertaken, and strategy updated”, respectively.

²PM [3d. ii] targets for 2024/25 and 2025/26 were stated in the 2023/24 service plan as quarterly reporting established and “Reset baseline and new KPI’s set to align with organizational goals”, respectively.

Performance measures [3d. i] and [3d. ii] were achieved. BCFSAs began implementation of its multi-year communications strategy, which was built upon current tools and best practices, to enhance the availability and usefulness of external regulatory content and boost consumer awareness of BCFSAs. The strategy was evaluated and updated as part of the annual cycle. Alongside strategy implementation, ongoing reporting practices and the use of analytical data allowed BCFSAs to continue modernizing its approaches and enhancing the effectiveness of its communications activities. The activities outlined in the strategy and put into place in 2023/24 are ingrained in BCFSAs’s steady-state operations.

Goal 4: Timely Response to Legislative Changes and Priorities

BCFSA is responsive to a changing regulatory environment and to government priorities in relation to the protection of consumers of financial services in B.C. and continues to modernize B.C.'s regulatory regime in accordance with the priorities contained in the Roadmap.

In the past year, BCFSA supported government on introducing major legislative frameworks in particular those related to the MSA and the Money Services Businesses Act ("MSBA"). Once implemented, both pieces of legislation will be responsive to the Cullen Commission Report on Money Laundering in B.C. and enhance consumers' confidence in the Sector.

Objective 4.1: Work with government to implement the new MSA

The MSA, the new legislation which received Royal Assent on November 3, 2022, is responsive to several recommendations set out of the Cullen Commission Report on Money Laundering in B.C., released on June 15, 2022. The MSA will modernize the mortgage broker industry in B.C. and greatly expand BCFSA's tools to regulate the mortgage broker segment. BCFSA will have the ability to set standards of conduct and enhance disclosure and reporting obligations through new rule-making powers. BCFSA will also be able to leverage enhanced compliance and enforcement processes and issue greater penalties for misconduct.

Key results

- Worked with government on the development of regulations and rules to complete the regulatory framework and manage transition from the previous framework to better achieve Sector safety and soundness and consumer protection.
- Executed against a project plan to implement the MSA including development of rules, regulations, education, and compliance and enforcement processes, as well as the technology changes needed to support the new licensing regime to better achieve Sector safety and soundness and consumer protection.
- Initiated the development of educational programs to support mortgage brokers to transition to the new regulatory regime, to update pre-licensing education requirements, and to develop continuing education and related support material to better achieve Sector safety and soundness and consumer protection.

Summary of progress made in 2023/24

BCFSA has established a project plan for implementation of MSA, which is being led by an Executive Steering Committee with support from a dedicated project management team. BCFSA has also provided ongoing advice to the government on regulations and rules.

The development of change management, communications, and stakeholder engagement strategies continued and will be executed when the final package of regulations, rules and fees are approved by government. A technical working group of industry participants was launched to provide advice on MSA implementation.

Objective 4.2: Collaborate with government and stakeholders to improve the effectiveness of B.C.'s Anti-Money Laundering Regime

In 2023/24, BCFSA continued its efforts to strengthen B.C.'s Anti-Money Laundering ("AML") regime by implementing new initiatives where appropriate, sustaining existing approaches and initiatives, and working with stakeholders to support a broad and integrated approach to AML in B.C.

Key results

- Provided advice to government, where required, and participated in policy development and operational matters related to B.C.'s AML regime, including supporting government in relation to the development of new regulatory frameworks for mortgage services and money services businesses all to better achieve Sector safety and soundness and consumer protection.
- Engaged regularly with FINTRAC throughout 2023/24 to better understand current and projected AML risks pertaining to BCFSA's federally regulated entities, such as anti-terrorist financing legislation, to better achieve Sector safety and soundness and consumer protection.
- Established a Steering Committee to oversee and coordinate BCFSA's Anti-Financial Crimes ("AFC"), including AML initiatives, including support of the government's legislative and policy response to the Cullen Commission Report on Money Laundering in BC released on June 15, 2022 (the "Cullen Commission") to better achieve Sector safety and soundness and consumer protection.
- Launched a new Ethics 2024 course for real estate licensees, including providing information on the role licensees play in supporting BC's AML regime and the need to comply with FINTRAC requirements to support confidence in the Sector.

Summary of progress made in 2023/24

Under the executive leadership of its Vice-President, Legal, BCFSA established a Steering Committee to oversee and coordinate BCFSA's AFC initiatives, including those related to AML. Financial Crime awareness, reporting, and compliance are key obligations throughout the Sector and BCFSA will continue to work with government to advance B.C.'s AFC measures including current and any future direction from the government regarding the Cullen Commission.

BCFSA was an active participant in the Counter-Illicit Finance Alliance of B.C. and its work to strengthen strategic information exchange between law enforcement, industry, and regulators as well as ongoing collaboration with FINTRAC in accordance with the Memorandum of Understanding between BCFSA and FINTRAC.

Performance measure and related discussion

Performance Measure	2022/23 Actual	2023/24 Target	2023/24 Actual
[4a] Execute an implementation project plan for a phased approach to the new MSA. ¹	Project plan in place.	Initial Regulations and Rules prepared and approved.	BCFSA provided technical support to the government on the substantive completion of the Regulations and Rules. Actions were undertaken in accordance with the project implementation plan.

Data source: BCFSA operational data

¹PM [4a] targets for 2024/25 and 2025/26 were stated in the 2023/24 service plan as “First phase of implementation completed” and “Full implementation of MSA”, respectively.

Performance measure [4a] was achieved. The MSA aligns more closely with other financial services legislation in B.C., including the current RESA, allowing for efficient and effective regulation, and helping to encourage responsible business conduct with more than 7,000 registered mortgages brokers in B.C. This will ultimately provide greater protection for both borrowers and lenders in B.C. and harmonize our province with other jurisdictions who have modernized their mortgage broker legislation.

Performance measure and related discussion

Performance Measure	2022/23 Actual	2023/24 Target	2023/24 Actual
[4b] Participation in ongoing activities supporting the strengthening of the B.C. AML regime ¹	100%	100%	100%

Data source: BCFSA operational data

¹PM [4b] targets for 2024/25 and 2025/26 were stated in the 2023/24 service plan as 100% and 100%, respectively.

Performance measure [4b] was achieved. In 2023/24, BCFSA engaged in dialogue with government including the Anti-Money Laundering Secretariat on several measures to strengthen B.C.’s AML regime. This included extensive engagement on a number of key Cullen Commission recommendations including those pertaining to the strengthened regulation of mortgage services and money services businesses in the province. BCFSA also engaged extensively with the federal government and FINTRAC concerning the incorporation of mortgage lenders, administrators and originators in the federal anti-money laundering and anti-terrorist financing (“AML/ATF”) regime, scheduled for implementation in Fall 2024. The performance measure demonstrates BCFSA’s commitment to supporting the strengthening of the B.C. AML and Canadian AML/ATF regimes.

Financial Report

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

Discussion of Results

BCFSAs saw revenue growth due to increased Real Estate Licensing renewals as well as higher penalties issued throughout the year. BCFSAs also saw increase recoveries from the Credit Union Deposit Insurance Corporation of British Columbia ("CUDIC") due to support provided to CUDIC on key projects to strengthen CUDIC's consumer protection position.

Financial Summary¹

(\$000s)	2022/23 Actual	2023/24 Budget	2023/24 Actual	2023/24 Variance
Revenues				
Fees, Licenses & Recoveries	57,430	54,878	60,872	5,994
Education	8,567	9,167	8,854	(313)
Total Revenue	65,997	64,045	69,726	5,681
Expenses				
Salaries and Benefits	41,005	42,666	47,211	4,545
Other	21,316	21,379	22,422	1,043
Total Expenses	62,321	64,045	69,633	5,588
Annual Surplus (Deficit)	3,676	-	93	93
Total Liabilities	7,739	8,914	9,493	579
Capital Expenditures	5,947	1,000	1,084	84
Accumulated Surplus	58,766	55,271	58,859	3,588

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

² RECBC and OSRE were integrated with BCFSa on the Integration Date (August 1, 2021).

Variance and Trend Analysis

In fiscal 2023/24, revenue exceeded the budget primarily due to higher licensing volumes in the Real Estate segment, reflecting strong market activity. However, expenses for the year were greater than budgeted, driven by higher employee costs from an increased headcount and additional costs for professional services due to new initiatives and the implementation of new systems.

Risks and Uncertainties

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

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

The BCFSAs Enterprise Risk Register, as of March 31, 2024, identified the following high-risk areas being managed by BCFSAs:

- Information Security & Privacy – risks associated with cybersecurity and the protection of privacy, including matters related to disruptions to technology infrastructure or systems, whether internal or provided through third parties; and
- Market Misconduct – risks associated with BCFSAs management of serious market conduct issues.

Appendix A: Progress on Mandate Letter Priorities

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

2021/22 Mandate Letter Priority	Status as of March 31, 2024
Advance the BCFSAs risk-based and proportionate supervision of financial services sectors and efforts to enhance consumer protection.	<ul style="list-style-type: none"> Work on this priority continues as part of day-to-day operations (refer to Objective 1.1, Objective 2.1 and 2.2).
Engage and work with government, other B.C. regulators, sector participants, and applicable provincial and federal governments and regulators to identify and respond to priority issues in the financial services sector, including issues associated with the COVID-19 pandemic.	<ul style="list-style-type: none"> Work on this priority continues as part of day-to-day operations. Work and engagement associated with the COVID-19 pandemic is concluded (refer to Objective 3.1 and 3.2).
Continue to work with the Superintendent of Real Estate, the Ministry of Finance Policy and Legislation Division, and the Real Estate Council of BC to complete integration of real estate regulation within the BCFSAs.	<ul style="list-style-type: none"> Work on this priority has been completed (refer to Annual Service Plan Report 2021/2022).
Work collaboratively with government to improve finance crisis preparedness and in particular, ensure a sustainable and effective deposit insurance program is in place.	<ul style="list-style-type: none"> Work on this priority continues as part of day-to-day operations (refer to Objectives 2.3).
Continue to work collaboratively with government, industry, and other stakeholders to review issues related to the cost and availability of insurance for strata corporations.	<ul style="list-style-type: none"> Work on this priority has been completed (refer to Annual Service Plan Report 2022/2023).
Collaborate with government to improve the effectiveness of B.C.'s Anti-Money Laundering Regime.	<ul style="list-style-type: none"> Work on this priority continues as part of day-to-day operations (refer to Objective 4.2).

Appendix B: Auditor's Report and Audited Financial Statements

BC Financial Services Authority
Financial Statements
As at March 31, 2024, and
for the year ended March 31, 2024

BC Financial Services Authority

Management Report

For the year ended March 31, 2024

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 9, 2024.

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



Joanna Carson
Chief Financial Officer

Vancouver, BC
May 9, 2024



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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 the BC Financial Services Authority ("BCFSA") which comprise the Statement of Financial Position as at March 31, 2024, and the Statements of Operations, Changes in Net Financial Assets and Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of BCFSA as at March 31, 2024, and its results of operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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



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

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

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

BDO Canada LLP

Chartered Professional Accountants

Vancouver, British Columbia
May 10, 2024

BC Financial Services Authority


Statement of Financial Position


As at March 31, 2024 ('000)

	<u>March 31, 2024</u>	<u>March 31, 2023</u>
Financial Assets		
Cash and cash equivalents	\$ 10,114	\$ 17,112
Investments (note 3)	25,000	15,000
Accounts receivable (note 4)	12,611	11,907
Due from government/other government organizations (note 5)	253	224
	<u>47,978</u>	<u>44,243</u>
Liabilities		
Accounts payable and accrued liabilities	3,999	3,947
Deferred revenue	3,208	1,887
Employee future benefits (note 6)	1,125	1,096
Due to government/other government organizations (note 5)	1,161	809
	<u>9,493</u>	<u>7,739</u>
Net financial assets	<u>38,485</u>	<u>36,504</u>
Non-financial assets		
Tangible capital assets (note 9)	19,589	21,475
Prepaid expenses	785	787
	<u>20,374</u>	<u>22,262</u>
Accumulated surplus	<u>\$ 58,859</u>	<u>\$ 58,766</u>

Commitments (note 10)

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, 2024 ('000)

	Annual Budget (note 13)	March 31, 2024	March 31, 2023
Revenues			
Licensing, registration, and other fees	\$ 42,988	\$ 46,667	\$ 45,938
Education	9,167	8,854	8,567
Recovery from government organizations	9,715	10,558	9,353
Other	<u>2,175</u>	<u>3,647</u>	<u>2,139</u>
	<u>64,045</u>	<u>69,726</u>	<u>65,997</u>
Expenses (note 11)			
Regulatory operations	54,598	59,265	53,007
CUDIC administration	<u>9,447</u>	<u>10,368</u>	<u>9,314</u>
	<u>64,045</u>	<u>69,633</u>	<u>62,321</u>
Annual surplus	-	93	3,676
Accumulated surplus – Beginning of year	<u>58,766</u>	<u>58,766</u>	<u>55,090</u>
Accumulated surplus – End of year	<u>\$ 58,766</u>	<u>\$ 58,859</u>	<u>\$ 58,766</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, 2024 ('000)

	Annual Budget (note 13)	March 31, 2024	March 31, 2023
Annual surplus	\$ -	\$ 93	\$ 3,676
Acquisition of tangible capital assets	(1,000)	(1,084)	(5,947)
Amortization of tangible capital assets	3,157	2,970	2,312
	<u>2,157</u>	<u>1,979</u>	<u>41</u>
Acquisition of prepaid expenses	(927)	(785)	(787)
Use of prepaid expenses	787	787	927
	<u>(140)</u>	<u>2</u>	<u>140</u>
Increase in net financial assets	2,017	1,981	181
Net financial assets – Beginning of year	<u>36,504</u>	<u>36,504</u>	<u>36,323</u>
Net financial assets – End of year	<u>\$ 38,521</u>	<u>\$ 38,485</u>	<u>\$ 36,504</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, 2024 ('000)

	<u>March 31,</u> <u>2024</u>	<u>March 31,</u> <u>2023</u>
Cash provided by (used in)		
Operating activities		
Annual surplus	\$ 93	\$ 3,676
Items not involving cash		
Amortization of tangible capital assets	<u>2,970</u>	<u>2,312</u>
	3,063	5,988
Changes in non-cash assets and liabilities		
Accounts receivable	(704)	(434)
Deferred revenue	1,321	647
Prepaid expenses	2	140
Accounts payable, accrued liabilities, and future employee benefits	81	(2,060)
Due to/from government/other government organizations	<u>323</u>	<u>10,057</u>
	1,023	8,350
Investment activities		
Change in investments, net	(10,000)	447
Capital activities		
Acquisition of tangible capital assets	(1,084)	(5,947)
Increase (decrease) in cash	(6,998)	8,838
Cash and cash equivalents – Beginning of year	<u>17,112</u>	<u>8,274</u>
Cash and cash equivalents – End of year	<u>10,114</u>	<u>17,112</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, 2024 (tabular amounts in '000)

1. Nature of operations

BC Financial Services Authority (“BCFSA”) is a Vancouver-headquartered Crown regulatory agency of the Government of British Columbia. BCFSA oversees the financial services sector which includes pension plans, mortgage brokers, real estate services, real estate development marketing, and financial institutions (credit unions and insurance and trust companies). BCFSA is working with the Ministry of Finance to establish regulatory oversight of money services businesses (“MSBs”) in B.C. BCFSA also administers the 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. On August 1, 2021, 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.

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

2. Summary of significant accounting policies

Basis of accounting

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

Revenue recognition

BCFSA recognizes revenue in accordance with PS 3400 – Revenue and PS 3100 – Restricted assets and revenue. Revenue from exchange transactions, or revenue based on performance obligations, is recognized when the performance obligation is satisfied. Revenue from the issuance of a license or registration is recognized at the point in time when the license or registration is issued. Unilateral revenue, or revenue without performance obligations, is recognized when the authority to claim or retain an inflow of economic resources exists and collection is reasonably certain. Revenue from an annual filing fee, which is payable for a given operating period, is recognized at the commencement of the operating period to which the fee relates. Course fees are recorded as revenue when the service is provided, the amount to be received can be reasonably estimated, and collection is reasonably assured. Administrative penalties are initially deferred and recognized as revenue when they are expended in accordance with the requirements set out in relevant legislation.

Cash and cash equivalents

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

BC Financial Services Authority

Notes to the Financial Statements

For the year ended March 31, 2024 (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 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 CUDIC, a related party of BCFSA that guarantees 100 per cent of deposits and non-equity shares (issued before January 1, 2020) of BCFSA authorized credit unions. BCFSA appoints the majority of the board members for the Real Estate Compensation Fund Corporation (“RECFC”). RECFC provides protection for members of the public who have entrusted real estate licensees (or unlicensed individuals related to the brokerage) with money that was either misappropriated or wrongfully converted, intentionally not paid over, or accounted for, or obtained by the fraud of a licensee or individual. Both CUDIC and RECFC meet the definition of a trust under administration and are not consolidated in BCFSA’s financial statements.

Tangible capital assets

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

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

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

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

BC Financial Services Authority

Notes to the Financial Statements

For the year ended March 31, 2024 (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.

Employee future benefits - continued

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, 2024 (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. Investments

	<u>March 31, 2024</u>	<u>March 31, 2023</u>
Guaranteed Investment Certificate – 5.0% - 5.25%	\$ 11,000	\$ 15,000
Guaranteed Investment Certificate – 4.6% - 4.9%	<u>14,000</u>	<u>-</u>
	<u>\$ 25,000</u>	<u>\$ 15,000</u>

4. Accounts receivable

	<u>March 31, 2024</u>	<u>March 31, 2023</u>
Recoverable from CUDIC	\$ 1,155	\$ 1,248
Regulated Entities/Individuals	10,561	10,388
Penalties and Enforcement	1,720	859
Other	<u>6</u>	<u>2</u>
	<u>13,442</u>	<u>12,497</u>
Provision for uncollectible amounts	<u>(831)</u>	<u>(590)</u>
	<u>\$ 12,611</u>	<u>\$ 11,907</u>

BC Financial Services Authority

Notes to the Financial Statements

For the year ended March 31, 2024 (tabular amounts in '000)

5. Due to/from government and other government organizations

Due From:

	March 31, 2024	March 31, 2023
Province of British Columbia	\$ -	\$ 95
Federal Government of Canada	<u>253</u>	<u>129</u>
	<u>\$ 253</u>	<u>\$ 224</u>

Due To:

Province of British Columbia	\$ 297	\$ 135
Federal Government of Canada	<u>864</u>	<u>674</u>
	<u>\$ 1,161</u>	<u>\$ 809</u>

6. Employee future benefits

a) Retirement allowance

Information about BCFSA's retirement allowance is as follows:

	March 31, 2024	March 31, 2023
Accrued benefit obligation – Beginning of year	\$ 723	\$ 638
Current year benefit cost	63	61
Interest cost	27	24
Loss (gain) on accrued benefit obligation	2	-
Benefit payment	<u>(37)</u>	<u>-</u>
Accrued benefit obligation – End of year	778	723
Unamortized actuarial gain	<u>347</u>	<u>373</u>
Liability – End of year	<u>\$ 1,125</u>	<u>\$ 1,096</u>

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

	March 31, 2024	March 31, 2023
At beginning of period		
Discount rate	4.50%	3.70%
Rate of compensation increase	3.00%	3.00%
Expected Average Remaining Service Life (years)	19	18

BC Financial Services Authority
Notes to the Financial Statements
For the year ended March 31, 2024 (tabular amounts in '000)

6. Employee future benefits - continued

The most recent full actuarial valuation was prepared as of March 31, 2024, with the next full valuation expected to be prepared as of March 31, 2026.

b) Public Service Pension Plan

Employer contributions to the Pension Plan of \$3,550,526 were expensed during the period. Every three years, an actuarial valuation is performed to assess the financial position of the Pension Plan and the adequacy of funding. The most recent actuarial valuation for the Pension Plan at March 31, 2020, indicated a funding surplus of approximately \$2,667,000,000. The valuation does not attribute portions of the surplus to individual employers. The Pension Plan covers approximately 70,780 active members, of which approximately 340 were employees of BCFSA.

7. Inter-entity transactions

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

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

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

	March 31, 2024	March 31, 2023
CUDIC	\$ 10,368	\$ 9,314
RECFC	<u>-</u>	<u>39</u>
	\$ <u>10,368</u>	\$ <u>9,353</u>

BC Financial Services Authority

Notes to the Financial Statements

For the year ended March 31, 2024 (tabular amounts in '000)

8. 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, 2024, the amount of provision for losses was \$831,194 (note 4). BCFSA's cash, which is held at a Schedule I Canadian financial institution, was not exposed to significant credit risk.

Liquidity risk

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

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

9. Tangible capital assets

March 31, 2024	Office Furniture	Information Technology Hardware	Systems and Software	Tenant Improve- ments	Total Assets
Cost					
Opening balance	\$ 461	1,390	19,903	3,362	25,116
Additions	437	207	337	103	1,084
Closing balance	<u>898</u>	<u>1,597</u>	<u>20,240</u>	<u>3,465</u>	<u>26,200</u>
Accumulated amortization					
Opening balance	291	693	2,465	192	3,641
Amortization	206	333	2,158	273	2,970
Closing balance	<u>497</u>	<u>1,026</u>	<u>4,623</u>	<u>465</u>	<u>6,611</u>
Net book value	\$ 401	\$ 571	\$ 15,617	\$ 3,000	\$ 19,589

BC Financial Services Authority

Notes to the Financial Statements

For the year ended March 31, 2024 (tabular amounts in '000)

9. Tangible capital assets - continued

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

10. Commitments

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

	<u>Leases</u>
2025	1,105
2026	1,143
2027	1,184
2028	1,212
2029	1,240
2030 - 2035	<u>7,319</u>
	\$ 13,203

11. Expenses by type

The following is a summary of expenses by type:

	<u>March 31, 2024</u>	March 31, 2023
Compensation and benefits	\$ 47,211	\$ 41,005
Professional services	8,787	8,467
Office and administrative	10,665	10,537
Amortization	<u>2,970</u>	<u>2,312</u>
	\$ 69,633	\$ 62,321

BC Financial Services Authority

Notes to the Financial Statements

For the year ended March 31, 2024 (tabular amounts in '000)

12. 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, 2024, the balances of CUDIC were as follows:

	March 31, 2024	March 31, 2023
Assets	\$ 913,524	\$ 860,534
Liabilities	<u>2,272</u>	<u>1,782</u>
Equity	<u>\$ 911,252</u>	<u>\$ 858,752</u>

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, 2024, the balances of RECFC were as follows:

	March 31, 2024	March 31, 2023
Assets	\$ 24,899	\$ 23,700
Liabilities	<u>889</u>	<u>898</u>
Equity	<u>\$ 24,010</u>	<u>\$ 22,802</u>

13. 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 6, 2023.

14. Comparative figures

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