



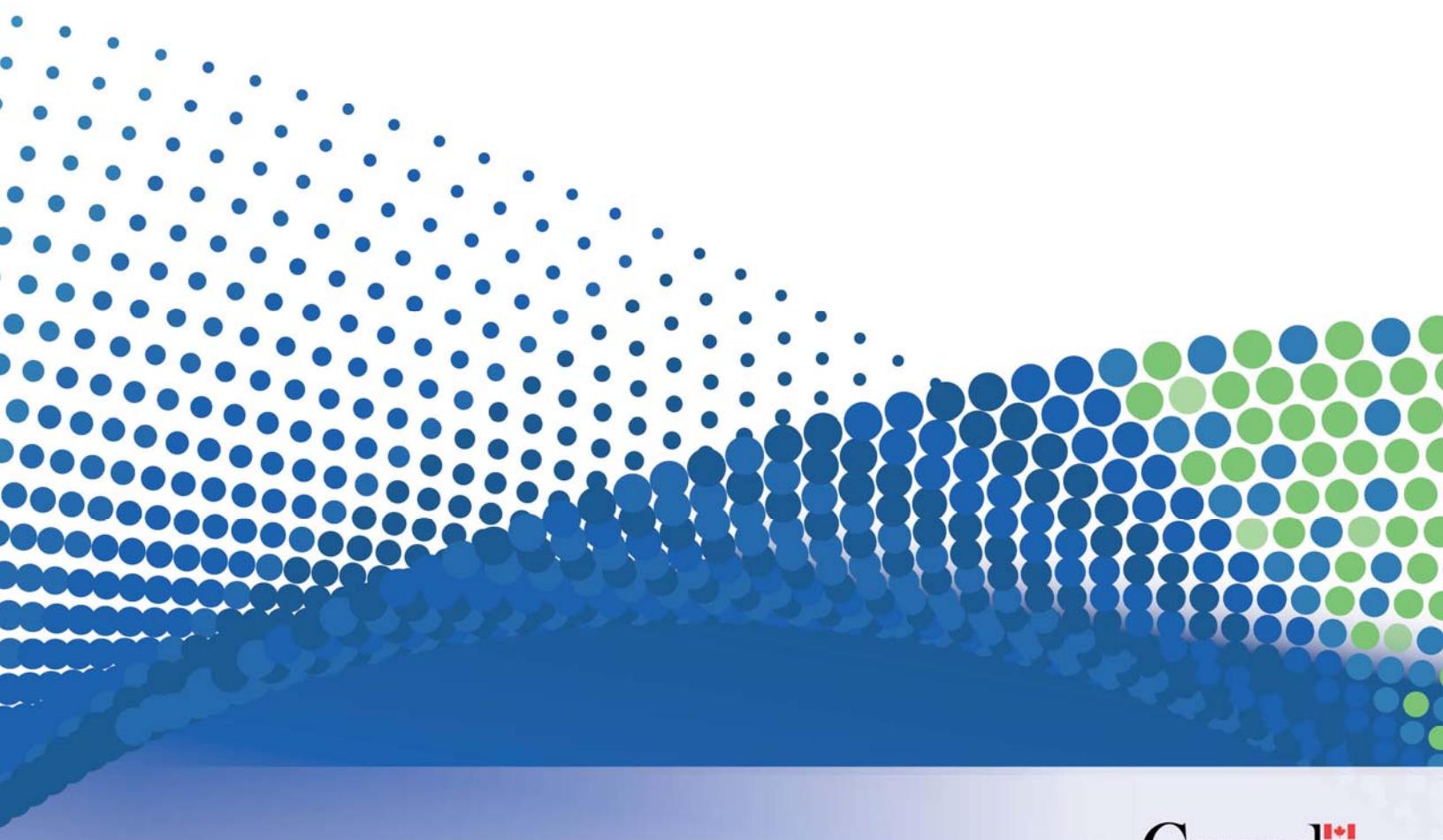
Financial Consumer  
Agency of Canada

Agence de la consommation  
en matière financière du Canada

# FINANCIAL CONSUMER AGENCY OF CANADA

## FUTURE-ORIENTED STATEMENT OF OPERATIONS

For the years ending March 31, 2016 and 2017



Canada

April 2016

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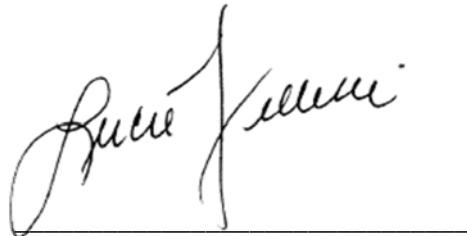
Ce document est aussi disponible en français sous le titre ***État des résultats prospectif***.

## Statement of Management Responsibility for the Future-Oriented Statement of Operations

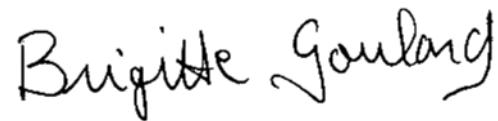
Responsibility for the compilation, content and presentation of the Future-Oriented Statement of Operations and the accompanying notes for the years ending March 31, 2016 and 2017 rests with the Financial Consumer Agency of Canada's (FCAC's) management, including the appropriateness of the underlying assumptions. This Future-Oriented Statement of Operations has been prepared by management based on the best information available and assumptions adopted as at January 22, 2016 in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The actual results achieved for the fiscal years covered in the accompanying Future-Oriented Statement of Operations will vary from the forecast information presented, and these variations may be material.

The Future-Oriented Statement of Operations has not been audited.



**Lucie M.A. Tedesco,**  
Commissioner  
Financial Consumer Agency of Canada



**Brigitte Goulard,**  
Deputy Commissioner  
Chief Financial Officer

Ottawa, Canada  
March 2, 2016

	Note	Planned Results 2017	Estimated Results 2016
<i>(in Canadian dollars)</i>			
<b>REVENUE</b>			
Assessments		\$ 13,261,108	\$ 12,524,225
<b>Total Revenue</b>		<b>13,261,108</b>	<b>12,524,225</b>
<b>EXPENSES</b>			
Salaries and Benefits	10	11,351,394	10,817,331
Professional Services		3,928,642	4,043,878
Information Management/Technology		1,266,558	1,135,099
Accommodation		816,494	796,226
Administrative and Other		470,020	379,602
Travel		358,000	282,089
Interest	12	70,000	70,000
<b>Total Expenses</b>		<b>18,261,108</b>	<b>17,524,225</b>
<b>Net Results of Operations before Government Funding and Administrative Monetary Penalties</b>			
		(5,000,000)	(5,000,000)
Government Funding	13	5,000,000	5,000,000
Net Results of Operations before Administrative Monetary Penalties		–	–
Administrative Monetary Penalties	11	–	–
Administrative Monetary Penalties Earned on Behalf of the Government	11	–	–
<b>Net Results of Operations</b>		\$ –	–

*The accompanying notes form an integral part of this Future-Oriented Statement of Operations.*

## 1. AUTHORITY AND OBJECTIVES

On October 24, 2001, the *Financial Consumer Agency of Canada Act* (the Act) came into force, establishing the Financial Consumer Agency of Canada (FCAC or the Agency). FCAC was established to protect consumers by supervising federally regulated financial entities and by strengthening the financial literacy of Canadians. The Agency is a department of the Government of Canada and is listed in Schedule I.1 of the Financial Administration Act. The Government of Canada is FCAC's parent and is the ultimate controlling party of FCAC.

FCAC's mandate is specifically set out in the *Financial Consumer Agency of Canada Act*, under sections 3(2) and 3(3). It must:

### **3(2)**

- (a) supervise financial institutions and external complaints bodies to determine whether the institution or body is in compliance with
  - (i) the consumer provisions applicable to them, and
  - (ii) the terms and conditions or undertakings with respect to the protection of customers of financial institutions that the Minister imposes or requires, as the case may be, under an Act listed in Schedule 1 and the directions that the Minister imposes under this Act;
- (b) promote the adoption by financial institutions and external complaints bodies of policies and procedures designed to implement the provisions, terms and conditions, undertakings or directions referred to in paragraph (a);
- (b.1) promote the adoption by financial institutions of policies and procedures designed to implement
  - (i) voluntary codes of conduct that are designed to protect the interests of their customers, that are adopted by financial institutions and that are publicly available, and
  - (ii) any public commitments made by them that are designed to protect the interests of their customers;
- (c) monitor the implementation of voluntary codes of conduct that are designed to protect the interests of customers of financial institutions, that have been adopted by financial institutions and that are publicly available and to monitor any public commitments made by financial institutions that are designed to protect the interests of their customers;
- (d) promote consumer awareness about the obligations of financial institutions and of external complaints bodies under consumer provisions applicable to them and about all matters connected with the protection of consumers of financial products and services; and
- (e) foster, in co-operation with any department, agency or agent corporation of the Government of Canada or of a province, financial institutions and consumer and other organizations, an understanding of financial services and issues relating to financial services;
- (f) monitor and evaluate trends and emerging issues that may have an impact on consumers of financial products and services; and

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

**3(3)**

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

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

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

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

Section 18(3) of the Act provides that the Agency's costs of operations are to be assessed to the industry. Pursuant to section 13(2) of the Act, FCAC's operations are typically funded entirely through this process. FCAC is, however, entitled to receive a statutory expenditure as authorized under section 13(3) of the Act.

FCAC's assessment revenues are charged in accordance with the *Financial Consumer Agency of Canada Assessment of Financial Institutions Regulations* and the financial assessment methodology of payment card network operators, which outline the methodologies used to determine each institution's assessment.

The Agency manages its working capital requirements by borrowing funds from the Government of Canada as authorized under section 13(1) of the Act.

## 2. BACKGROUND INFORMATION

This Future-Oriented Statement of Operations was authorized for issue by FCAC on March 2, 2016. FCAC's principal activities are described in Note 1. The head office is located at 427 Laurier Avenue West in Ottawa, Ontario, Canada.

## 3. SIGNIFICANT ASSUMPTIONS

The Future-Oriented Statement of Operations has been prepared on the basis of the government priorities and the plans of the Agency as described in FCAC's 2016-17 business plan. The significant assumptions are as follows:

- (a) Expenses and revenues, including the determination of amounts internal and external to the government, are based on historical experience and trends, as well as known new requirements.
- (b) FCAC's full-time equivalent (FTE) staffing level is forecast to increase by four FTE in the year ending March 31, 2017 to deliver its mandate as detailed in note 1.
- (c) FCAC is continuing to make capital investments to upgrade its aging core infrastructure and applications as part of the implementation of its multi-phase Information Management/Information Technology Strategy and in accordance with the Government of Canada's initiatives.
- (d) The employee benefit rate for both 2015-16 and 2016-17 is estimated to be at 25% of salaries.
- (e) The salary economic adjustment of 0.5% for 2015-16 and 1% for 2016-17 represents FCAC's best estimates at the time this Future-Oriented Statement of Operations was prepared.
- (f) The estimated results for the year ending March 31, 2016 are projected results based on year-to-date spending at October 22, 2015. The forecast for the year ending March 31, 2017 reflects management's most recent estimate based on the significant assumptions noted in this section and FCAC's business plan for 2016-17. It also assumes that there will be no changes to FCAC's funding model.

## 4. VARIATIONS AND CHANGES TO THE FORECAST FINANCIAL INFORMATION

While every attempt has been made to reasonably forecast results for the remainder of the year ending March 31, 2016 and for the year ending March 31, 2017, actual results achieved for both years are likely to vary from the forecast information presented, and this variation could be material.

In preparing this Future-Oriented Statement of Operations, FCAC has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Factors that could lead to material differences between the Future-Oriented Statement of Operations and the historical financial statements include:

- (a) the timing in filling new and vacant positions
- (b) the timing and amount of contracts put in place to support the Agency's many projects and initiatives
- (c) implementation of new terms and conditions of employment
- (d) further changes to the operating budget to respond to supervisory and regulatory reforms and additional demands related to the mandate of the Agency
- (e) fluctuations in the discount rate used to calculate actuarial gain/loss on the severance and sick leave liabilities.

Once the business plan is presented and approved, FCAC will not be updating the forecasts for any changes in financial resources. Variances will be explained in the Annual Report. Updates will be undertaken when a new business plan is developed.

## 5. BASIS OF PREPARATION

The Future-Oriented Statement of Operations has been prepared on an historical cost basis and is presented in Canadian dollars because that is the currency of the primary economic environment in which FCAC operates.

### **Statement of compliance**

The Future-Oriented Statement of Operations of FCAC has been prepared in accordance with IFRS as issued by the IASB. The accounting policies are based on the IFRS applicable as at September 30, 2015 and encompass individual IFRS, International Accounting Standards (IAS), and interpretations made by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC). The policies set out below are consistently applied to all periods presented.

## 6. SIGNIFICANT ACCOUNTING POLICIES The principal accounting policies of FCAC are set out below

### a) Impairment of financial assets

FCAC assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred “loss event”) and if that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortized cost, FCAC first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant or collectively for financial assets that are not individually significant. If FCAC determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset’s original effective interest rate.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the Statement of Operations depending on the receivable that gave rise to the initial impairment.

### b) Property, plant and equipment

Property, plant and equipment is stated at historical cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Historical cost includes the costs of replacing parts of property and equipment when incurred, if the recognition criteria are met. Repair and maintenance costs are recognized in the Statement of Operations as incurred.

Amortization is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Assets	Useful Life
Furniture and fixtures	7 years
Leasehold improvements	lesser of useful life or remaining term of the lease
Informatics software	5 years
Office equipment	4 years
Informatics hardware	3 years

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively if appropriate.

### c) Intangible assets

Intangible assets consist of internally developed and externally purchased software that is not an integral part to the related hardware.

Following initial recognition of the development expenditure as an asset, the historical cost model is applied, requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Intangible assets acquired separately are measured on initial recognition at cost. The cost of internally developed software consists of directly attributable costs necessary to create, produce and prepare the software to be capable of operating in the manner intended by FCAC.

FCAC holds intangible assets that have finite lives and are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method are reviewed at least at each financial year end. Amortization is calculated using the straight-line method over the estimated useful life of five years and is recorded in the relevant expense line item depending on the business activity to which the expense pertains. Amortization of the assets begins when development is complete and the assets are available for use. They are amortized over the period of expected future benefit.

Costs incurred during the pre-development stage are expensed in the period incurred.

**d) Impairment of non-financial assets**

FCAC assesses at each reporting date whether there are any internal indicators that an asset may be impaired (i.e., damaged assets or assets no longer being used). If any indication exists, or when annual impairment testing for an asset is required, FCAC estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. There is no risk of not recovering the carrying amount of the asset given FCAC's cost recovery business model.

FCAC assesses internally developed intangible assets not yet in use for impairment on an annual basis.

**e) Employee benefits**

*i. Short-term benefits*

Short-term benefits are recorded in the Statement of Operations when an employee has rendered the service. Unpaid short-term compensated leave that has vested at the reporting date is accrued at year end and not discounted. Short-term compensated leave expected to occur within 12 months of the reporting date is classified as short-term employee benefits. FCAC contributes to the Government of Canada sponsored Public Service Health Care Plan and Public Service Dental Care Plan for employees.

*ii. Post-employment benefits*

**Pension benefits**

Substantially all of the employees of FCAC are covered by the public service pension plan (the Plan), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and FCAC to cover current service costs. Pursuant to legislation currently in place, FCAC has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of FCAC.

**Severance benefits**

On termination of employment, employees are entitled to certain benefits provided for under their conditions of employment through a severance benefits plan. The cost of these benefits is accrued as the employees render their services necessary to earn severance benefits. The severance benefits are based upon the final salary of the employee.

The cost of benefits is actuarially determined as at March 31 of each year using the projected benefit method prorated on services. The obligation is unfunded. The calculation of the liability is based upon a current market discount rate that is based on the market yields at the valuation date on high-quality corporate bonds and other actuarial assumptions, which represent management's best long-term estimates of factors such as future wage increases and employee resignation rates. All actuarial gains (losses) are recognized in the Statement of Operations in the period in which they arise.

### **Other benefits**

The Government of Canada sponsors a variety of other benefit plans from which former employees may benefit upon retirement. The Public Service Health Care Plan and the Pensioners' Dental Service Plan are the two major plans available to FCAC retirees. These are defined benefit plans sponsored by the Government of Canada. Contributions are required by FCAC to cover current service costs. Pursuant to legislation currently in place, FCAC has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total obligation of FCAC with respect to these plans.

#### *iii. Other long-term benefits*

##### **Sick leave**

Employees are eligible to accumulate sick leave until retirement or termination. Unused sick leave is not eligible for payment on retirement or termination, nor can it be used as vacation. All sick leave is an accumulating non-vesting benefit. A liability is recorded for sick leave balances expected to be taken in excess of future allotments.

The cost of sick leave, as well as the present value of the obligation, is determined using an actuarial valuation. Any gains and losses are recognized in net results in the period in which they arise.

##### **f) Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases (net of any incentives received from the lessor) are charged to the Statement of Operations on a straight-line basis over the period of the lease.

FCAC does not have borrowing authority and therefore cannot enter into lease agreements that are classified as finance leases. FCAC has established procedures to review all lease agreements and identify if the proposed terms and conditions would result in a transfer to FCAC of substantially all the benefits and risks incidental to ownership.

FCAC records the costs associated with operating leases in the Statement of Operations in the period in which they are incurred.

##### **g) Government funding**

Government funding, including statutory expenditures, are recognized when there is reasonable assurance that the funding will be received and when all attached conditions have been complied with. When the funding relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. The funding and corresponding expense items are recognized at their gross amounts.

## **h) Revenue recognition**

FCAC recognizes revenue so as to recover its expenses. Any amounts that have been billed for which costs have not been incurred are classified as unearned assessments on the Statement of Financial Position. Revenue is recorded in the accounting period in which it is earned (service provided) whether or not it has been billed or collected. At March 31 of each year, amounts may have been collected in advance of the incurrence of costs or provision of services or, alternatively, amounts may not have been collected and are owed to FCAC. FCAC assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. FCAC has concluded that it is acting as a principal in all of its revenue arrangements.

**Assessments** – Revenue from assessments is recognized based on actual costs incurred. The assessments are charged to recover costs, and all costs are considered recoverable. Assessments are billed annually based on an estimate of the current fiscal year's costs of operations together with an adjustment for any differences between the previous year's assessed costs and actual costs. The assessment process is undertaken before December 31 in each year, in accordance with section 18(1) of the Act. As a result, at March 31 of each year, amounts may have been collected in advance of the incurrence of costs or, alternatively, funds may be owed to the Agency to fund its costs of operations.

The Commissioner may issue administrative monetary penalties when violations to consumer provisions occur. These penalties are imposed in cases where the Commissioner believes that there has been either a violation of the consumer provisions or non-compliance with any Compliance Agreement entered into pursuant to an act listed in Schedule 1 of the *Financial Consumer Agency of Canada Act*. The penalty amount may be as high as \$50,000 for an individual and \$500,000 for an institution. Penalties levied by FCAC are non-respendable and are to be remitted to the Consolidated Revenue Fund (CRF). The funds are not available to FCAC and, as a result, the penalties do not reduce the amount that FCAC assesses the industry in respect of its operating costs.

## 7. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of FCAC's Future-Oriented Statement of Operations requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, as well as the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability, in which case the impact will be recognized in the financial statements of a future fiscal period.

### **Judgments**

In the process of applying its accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the Future-Oriented Statement of Operations:

#### *Operating lease commitments – FCAC as lessee*

Public Works and Government Services Canada (PWGSC) enters into commercial property leases for FCAC's office space and recovers such cost from FCAC. FCAC also enters into leases for certain office equipment. FCAC has determined, based on an evaluation of the terms and conditions of the arrangements that significantly all of the risks and rewards of ownership have not been transferred to FCAC and, as such, it accounts for these contracts as operating leases.

#### *Administrative monetary penalties – FCAC as principal*

FCAC has determined it is the principal in the arrangement and has recorded revenue on a gross basis.

### **Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### *Estimated useful lives of assets*

The estimated useful lives of property, plants and equipment, and intangible assets are based on management's intentions with respect to the asset, historical experience with the asset, internal asset management plans and other factors as determined by management. The useful lives are reviewed on an annual basis, and any revisions to the useful lives are accounted for prospectively.

#### *Severance benefits*

The cost of the defined benefit severance plan, as well as the present value of the obligation, is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases and departure rates. All assumptions are reviewed annually as at March 31. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in Canada with an AAA or AA rating and with maturities matching the estimated cash flows of the severance payments. Departure rates are based

on experience from the Public Service of Canada and include mortality, disability, termination and retirement. Future salary increases and pension increases are based on expected future inflation rates in Canada.

*Sick leave*

The cost of sick leave as well as the present value of the obligation is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases, usage rates and departure rates. All assumptions are reviewed annually as at March 31. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in Canada with an AAA or AA rating and with maturities matching the estimated sick leave usage. Departure rates are based on experience from the Public Service of Canada and include mortality, disability, termination and retirement. Future salary increases are based on expected future inflation rates in Canada.

*Discount rates*

Since the estimated cash flows of the severance payments and the estimated sick leave usage are unrelated, the discount rates determined above may differ.

## 8. RELATED PARTY TRANSACTIONS

**a) The ultimate parent**

The Government of Canada is the ultimate parent of FCAC and it has control over FCAC.

**b) Compensation of Key Management Personnel**

Key management personnel includes the following positions: the Commissioner, Deputy Commissioner, Financial Literacy Leader and Directors of FCAC. Total compensation forecasted to be paid to key management personnel for the year ending March 31 is provided in the table below.

	<b>2017</b>	<b>2016</b>
Short-term employee benefits (including salaries)	\$ 1,667,555	\$ 1,640,164
Post-employment benefits	429,464	418,159
Other long-term benefits	27,132	25,488
<b>Total</b>	<b>2,124,151</b>	<b>2,083,811</b>
<b>Average Number of Employees</b>	<b>9</b>	<b>9</b>

### c) Government-related entities

FCAC is related, in terms of common ownership, to all Government of Canada departments, agencies and crown corporations. FCAC enters into transactions with these entities in the normal course of business and on normal trade terms.

For the year ending March 31, 2016, FCAC forecasts the purchases of goods and services of \$4,504,313 (2017 - \$4,544,341) and forecasts revenue of \$180,000 (2017 - \$0) from transactions with other government departments. Individually these transactions are in the normal course of business. Although most transactions are not individually significant, FCAC forecasts the following individually significant transactions:

Entity	Nature	2017 Expenditures	2016 Expenditures
Treasury Board Secretariat	Pension contributions and other employee benefits	\$ 2,217,525	\$ 2,061,821
Employment and Social Development Canada	Professional Services	-	168,000
Public Works and Government Services Canada	Accommodation, translation services and other services	751,083	751,083
Office of the Superintendent of Financial Institutions	Financial and internal audit services	367,120	350,000
Department of Justice	Legal services	250,000	239,786
Canadian Human Rights Commission	Human resources services	327,307	327,333
Shared Services Canada	Communication and other services	141,316	141,316

The FCAC receives \$5 million annually of government funding for its financial literacy program to support initiatives to strengthen the financial literacy of Canadians. This statutory expenditure has been recognized into net results and shown on the Future-Oriented Statement of Operations. There are no unfulfilled conditions or contingencies attached to this statutory expenditure.

## 9. EMPLOYEE BENEFITS - PENSION BENEFITS

Substantially all of the employees of FCAC are covered by the public service pension plan (the Plan), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and FCAC. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The general contribution rate forecasted for the end of the year is 11.856 % (2016 – 11.580%). Total contributions of \$877,583 (2016 – \$807,806) are expected to be recognized as an expense during the year.

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of two percent of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Québec Pension Plan benefits and are indexed to inflation.

## 10. HUMAN RESOURCES EXPENSE

	<b>2017</b>	<b>2016</b>
Wages and salaries	\$ 9,038,286	\$ 8,437,412
Other benefits	1,410,121	1,440,216
Post-employment benefits other than severance	877,583	807,806
Other personnel costs	8,404	113,991
Severance benefits	17,000	17,907
<b>Total Human Resources Expenses</b>	<b>\$ 11,351,394</b>	<b>\$ 10,817,332</b>

## 11. ADMINISTRATIVE MONETARY PENALTIES

Administrative monetary penalties (AMPs) levied by FCAC are remitted to the CRF. The funds are not available for use by FCAC and, as a result, the penalties do not reduce the amount that FCAC assesses the industry in respect of its operating costs.

For the year ending March 31, 2016, FCAC is forecasted to levy \$0 (2017 – \$0) in AMPs. This forecast only includes the AMPs for which a Notice of Decision has been rendered at the time of the preparation of the Future-Oriented Statement of Operations. The purpose of issuing AMPs is to encourage federally regulated financial entities (FRFEs) to comply with the consumer provisions that are applicable to them. As such, FCAC does not plan on issuing a specific number or value of AMPs per year and is unable to forecast the level of future non-respondable revenue derived from the issuance of AMPs.

## 12. NON-BUDGETARY EXPENDITURES

FCAC is funded mainly through assessments on the financial entities it regulates and supervises. By December 31 of each year, the Commissioner must determine the total expenses incurred by the Agency during the preceding fiscal year for, or in connection with, the administration of the *Financial Consumer Agency of Canada Act* and the consumer provisions, as well as the Codes it supervises. The Commissioner then assesses each federally regulated financial entity a portion of these expenses, as determined by regulation or the financial assessment method for payment card network operators. Interim assessments are also possible. An assessment is considered to be a debt due to Her Majesty and is payable immediately, with interest on any unpaid amount.

To temporarily fund expenses until institutions are assessed, before March 31 of each year, the Agency must seek ministerial authority to borrow from the CRF for the next fiscal year, up to a predetermined limit; it is expected that \$11 million will be sufficient for each fiscal year 2015-16 and 2016-17. The authority to borrow from the CRF is granted under section 13 of the *Financial Consumer Agency of Canada Act*. The Agency pays interest on the funds borrowed.

## 13. GOVERNMENT FUNDING

FCAC receives an annual statutory expenditure of \$5 million for financial literacy. This statutory expenditure is recognized into net results and shown on the Future-Oriented Statement of Operations. There are no unfulfilled conditions or contingencies attached to this statutory expenditure.