

BUILDING FOR THE FUTURE

ANNUAL REPORT 2015-2016



Financial Consumer
Agency of Canada

Agence de la consommation
en matière financière du Canada

Canada

CONTENTS

4	INTRODUCTION
5	The future is now. FCAC is ready.
10	The organization
11	FCAC facts 2015–16
12	THE YEAR IN REVIEW
13	Strategic priorities scorecard
14	Priority 1: Conduct transparent and proactive supervision
22	Priority 2: Lead and coordinate a national strategy for financial literacy
31	Priority 3: Strengthen collaboration and engagement with stakeholders
36	Priority 4: Promote awareness of consumer rights and responsibilities
42	Priority 5: Increase contributions to financial consumer policy discussions
47	Priority 6: Leverage resources and infrastructure to enhance efficiencies
50	THE NUMBERS
51	Program alignment architecture
52	Analysis of complaints
55	Program 1: Supervision and Promotion
58	Program 2: Financial Literacy
61	Internal Services
63	Leaving no trace: Our progress towards sustainability
67	FINANCIALS
68	Financial highlights
75	Financial statements
84	Notes to the financial statements
105	CONNECT WITH US

OUR MANDATE IS TO PROTECT CANADIAN FINANCIAL CONSUMERS.

We do this by promoting and ensuring compliance with federal financial sector legislation, and by empowering consumers through financial literacy.

We know it takes expertise, flexibility and agility to be an effective regulator in today's rapidly changing, increasingly complex financial marketplace. We are preparing for the challenges ahead by modernizing our Supervision Framework, strengthening our partnerships, researching market trends, and cultivating an innovative workplace culture.

– Lucie Tedesco, FCAC Commissioner



INTRODUCTION

Commissioner's message



THE FUTURE IS NOW. FCAC IS READY.

Canadian consumers face a financial marketplace that is more dynamic than ever before, impacting the way we spend, save and invest our money. This year, the Financial Consumer Agency of Canada (FCAC) continued to solidify itself as Canada's financial consumer watchdog—ready for any challenge on the road ahead.

Today we can pay for a coffee with a smartphone, borrow money through an Internet lending service, and pay bills by tapping on a tablet. While the pace of innovation offers consumers more choice and greater convenience, it also creates new challenges and risks. The proliferation of financial products and services makes it all the more important that FCAC continue to hone its supervisory and financial education efforts in support of consumer protection.

“We are fortunate to live in a country as rich in opportunity as Canada. Financial regulation that protects consumers is one of the elements that has contributed to that success. A second element is a financial industry that empowers its customers and takes an active role in helping them build wealth. A third comprises Canadians who embrace lifelong learning to hone the skills that enable them to achieve financial success.”

Lucie Tedesco

Of course, financial consumers are changing as well. On one hand, seniors are Canada's fastest-growing demographic, throwing a spotlight on FCAC information and tools that support retirement security. On the other, digital-centric millennials are open to change, and less deferential to old ways of doing business. In this shifting landscape, FCAC is constantly adapting to ensure that federally regulated financial entities (FRFEs) respect consumer rights, and that their clients understand the rights and responsibilities in place to protect their interests.

The regulator of tomorrow

Since 2001, FCAC has been protecting Canadian financial consumers through effective supervision of the FRFEs they rely upon. As we deliver on this mandate, we must maintain the highest regulatory standards by taking actions today that will ensure we can respond appropriately to tomorrow's challenges.

As markets and consumers change, we do not always know what the next big challenge will be. What we can do is build flexible innovation into our organizational genes—so that we can respond more nimbly and capably when the need arises.

This past year, FCAC continued to sharpen its focus on those institutions and situations that present the greatest compliance risks to consumers. We continuously gathered data from regulated entities to assess their risk of breaching consumer-protection provisions, while monitoring the marketplace for emerging issues. This risk-based approach enables FCAC to maximize limited resources in a dynamic environment.

To be a modern regulator, we also need to be a strong collaborator. By communicating our expectations to regulated entities early and often, we are building a culture of transparency and predictability. In 2015-16, FCAC also deepened its engagement with all levels of government, other regulators, industry associations, consumer groups and other stakeholders. Highlights this year included hosting our second annual Industry Sessions and our first Consumer Groups Summit.

FCAC is also strengthening Canada's voice internationally. This past year, for instance, I was honoured to continue serving as vice-chair of the International Financial Consumer Protection Organisation (FinCoNet). Regulators from around the world shared crucial insights about confronting the realities of a global marketplace.

Throughout 2015-16, FCAC undertook an extensive process to develop a new Supervision Framework—slated for stakeholder consultation and publication in fiscal 2016-17. This framework will embody my vision for effective oversight in today's financial marketplace and will position FCAC as a regulator for tomorrow.

Giving consumers the tools to succeed

This was a milestone year for financial literacy as we launched the [National Strategy for Financial Literacy—Count me in, Canada](#). This is our roadmap to empowering consumers with the knowledge, skills and confidence they need to make responsible financial decisions. (See feature on p. 29.)

We began this work in 2014-15 when Financial Literacy Leader Jane Rooney engaged industry, education and community organizations to gather their ideas on how to help Canadians reach their financial goals. Now she is putting that strategy into action with concrete initiatives to help Canadians take charge of their financial futures.

FCAC has long led the way in building Canadians' awareness of their financial rights and responsibilities. Our consumer education efforts help ensure financial institutions equip customers with the information they need to make smart decisions. In 2015-16, we went a step further with our "Rights and Responsibilities" (R+R) campaign, leveraging social and traditional media to drive key messages home to millions of Canadians. (See feature on p. 39.) No fewer than 21 financial institutions featured our R+R messages through their own communication channels.

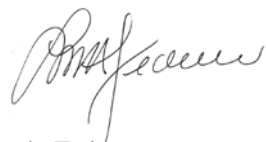
FCAC's website also continued to offer consumers a wealth of free tools and information. The site includes selector tools to help Canadians identify financial products that best meet their needs. It also provides resources to support their passage through many life events—from applying for a student loan to buying a home to planning for retirement.

Our eye on the future

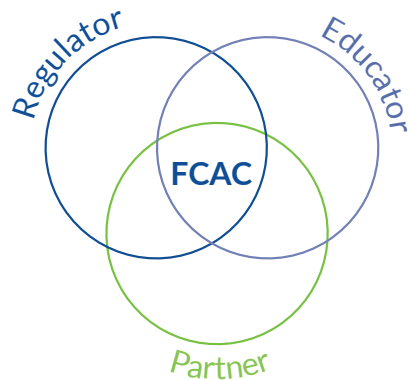
FCAC enhanced its capacity this year to gather and analyze the information it needs to face future challenges. By researching market trends and emerging issues that may affect consumers, we can do a better job of protecting them—today and in the years to come.

This year's [Auto Finance: Market Trends](#) report demonstrates how FCAC is staying ahead of the curve. This research was developed in consultation with provincial regulatory authorities, industry and subject matter experts. Already it has influenced FCAC's supervision priorities and informed consumer education material about the risks of extended-term auto loans. It has also demonstrated FCAC's commitment to contributing to relevant policy discussions.

We must adapt our supervisory approach as innovations are introduced into the marketplace. Over the past 12 months, FCAC achieved significant results, responding to today's needs in ways that also build our capacity to face tomorrow's challenges. Now as we look to the year ahead, we are ready to do even more to empower financial consumers—and to ensure they benefit from the consumer protections put in place by the Government of Canada.



Lucie Tedesco
Commissioner



OUR MANDATE

OUR VISION

OUR VALUES

THE ORGANIZATION

FCAC helps Canadians navigate and prosper in today's ever-changing financial marketplace. To succeed at this, we must excel as a **regulator**, an **educator** and a **partner**.

We are a federal government agency that protects Canadian financial consumers. We do this by supervising federally regulated financial entities (FRFEs), promoting consumer rights and responsibilities, and strengthening Canadians' financial literacy. Our work benefits millions of Canadians and helps to foster a more transparent, fair and secure financial services marketplace.

Helping the people of Canada strengthen their financial well-being.

As federal government employees, we are guided by our respect for democracy, people and integrity. From this foundation, we are also guided by values that allow us to successfully achieve our mandate: **innovation**, **collaboration** and **excellence**.

Feature:
FCAC FACTS
2015-16



367
regulated entities



708
compliance issues
investigated



2,175,346
website visits
(up 45% from 2014-15)



276,041
uses of online calculators,
product selectors and
financial literacy tools
(up 87%)



1,480
Financial Literacy Month
events featured in FCAC's
online calendar
(up 17%)



1,840
traditional media
mentions
(up 174%)



2,254,762
Twitter post impressions
(up 79%)



1,409,819
YouTube video views
(up 3,126%)



446,825
Facebook post impressions
(up 391%)



THE YEAR IN REVIEW

Progress on our six priorities

2015-16 Highlights



STRATEGIC PRIORITIES SCORECARD

PRIORITY 6

Leverage resources and infrastructure to enhance efficiencies

PRIORITY 5

Increase contribution to financial consumer policy discussions

PRIORITY 1

Conduct proactive and transparent supervision

PRIORITY 2

Lead and coordinate the national strategy for financial literacy

PRIORITY 3

Strengthen collaboration and engagement with stakeholders

PRIORITY 4

Promote awareness of consumer rights and responsibilities

FCAC

PRIORITY 1

CONDUCT TRANSPARENT AND PROACTIVE SUPERVISION

FCAC supervises and promotes responsible market conduct among Canada's federally regulated financial entities (FRFEs) to ensure consumers are protected.

The Agency oversees consumer protections grounded in legislation, regulations, voluntary codes of conduct and public commitments. It fosters a robust and predictable regulatory culture by engaging continuously with FRFEs and stakeholders and proactively researching emerging marketplace trends and issues.

Deputy
Commissioner's
report

A MODERN APPROACH TO SUPERVISION AND PROMOTION

This year, we continued to upgrade FCAC's supervision function to ensure we are ready for the challenges that lie ahead. In particular, we strengthened our capacity to research and analyze market trends, and made strides in updating the tools we use to promote, monitor and enforce responsible market conduct by FRFEs.

As a modern regulator, our approach is to be pre-emptive to prevent problems before they reach the marketplace and impact consumers. In 2015-16, we worked closely with FRFEs to ensure their products, policies and practices comply with legislation, voluntary codes of conduct and public commitments.



“We maximize transparency by communicating our market conduct insights and expectations to financial institutions—early, often and through continuous dialogue.”

Brigitte Goulard

February was a personal highlight: we held our second annual Industry Sessions – one with banks, insurance companies and external complaints bodies (ECBs), and another for payment card network operators (PCNOs) and other market participants. These sessions presented opportunities to communicate FCAC's expectations and share research on market trends and emerging risks to consumers.

Upgrading our supervision framework

We are reporting strong market conduct among FRFEs again this year, with no major or systemic concerns. In 2015-16, FCAC investigated 708 potential breaches of federal legislation, regulations, voluntary codes of conduct and public commitments. All compliance issues were addressed in a timely and effective manner.

Through various enforcement tools, including 18 FRFE action plans, FCAC also brought about behavioural changes that led to significant market conduct improvements. Some FRFEs updated credit card statements or other disclosures for clarity. Others developed training materials to ensure frontline staff meet their obligations to consumers. Still others were required to improve internal documentation to avoid compliance breaches.

FCAC's modernized approach to supervision supports these strong levels of voluntary compliance. For instance, we continue to focus our resources on those FRFEs and issues that pose the greatest risks to consumers and merchants. This approach also strengthens our ability to respond to the challenges presented by a rapidly changing financial services environment.



Fiscal 2015-16 was the first full year of operation for FCAC's retooled Supervision and Promotion Branch, now encompassing two distinct divisions. The Supervision and Enforcement Division took the lead on the day-to-day supervision of FRFEs. This enabled the Promotion and Policy Division to focus on promoting sound market conduct, researching emerging trends and informing policy discussions on consumer issues.

Throughout the year, both divisions engaged in a process to develop a new Supervision Framework. This framework will clearly outline the principles and tools that FCAC will deploy to promote, monitor and enforce responsible market conduct among FRFEs. A consultation with stakeholders is planned for the fall, with publication anticipated for fiscal 2016-17.

Emphasizing transparency and proactivity

By communicating its expectations early and often, FCAC continues to foster an environment that is transparent and therefore predictable for its stakeholders. This activity takes various forms, from issuing formal guidance to engaging FRFEs in intensive cycles of supervision. This year, we also published our Stakeholder Engagement and Consultation Framework outlining how we consult on consumer protection matters.

In addition, we strengthened our capacity to research marketplace issues and risks for consumers. For instance, our analysis of the auto finance marketplace supported new supervision priorities and consumer education material. Research strengthens FCAC's role as an identifier of emerging trends, boosting our readiness to respond as conditions change.

In April 2015, following amendments to the *Code of Conduct for the Credit and Debit Card Industry in Canada* by the Department of Finance, FCAC held industry and public sessions to clarify the interpretation of its provisions. We also formed a stakeholder working group to help payment card networks and other participants comply with their disclosure obligations. The same group helped develop a “fee disclosure box” template that clearly displays the costs of common transactions and processing methods.

I am confident we are building the tools we need to meet future challenges. By keeping our focus on the road ahead, FCAC will continue to evolve as a proactive and transparent regulator that effectively protects Canadian financial consumers.



Brigitte Goulard
Deputy Commissioner



Our Objectives

What We Delivered

Undertake proactive supervision of FRFes through the effective use of the processes set out in the FCAC compliance framework

- Investigated 708 potential or actual breaches of legislation, regulations, voluntary codes of conduct, and public commitments.
- Resolved all issues by working continuously with FRFes, systematically deploying tools to promote, monitor and enforce compliance.
- Worked intensively with FRFes to develop/monitor 18 individual action plans to ensure compliance with market conduct obligations.
- Met or exceeded all internal performance standards and targets in handling compliance and enforcement matters.

Continue to optimize FCAC supervisory tools and strengthen communication with stakeholders

- Developed a draft for a streamlined Supervision Framework presenting FCAC's principles, approaches and tools (slated for public consultation and release in 2016-17).
- Published a Stakeholder Engagement and Consultation Framework outlining how FCAC consults on consumer protection matters.
- Extended the use of case management software to better process questions, complaints and case analyses.



Increase industry outreach

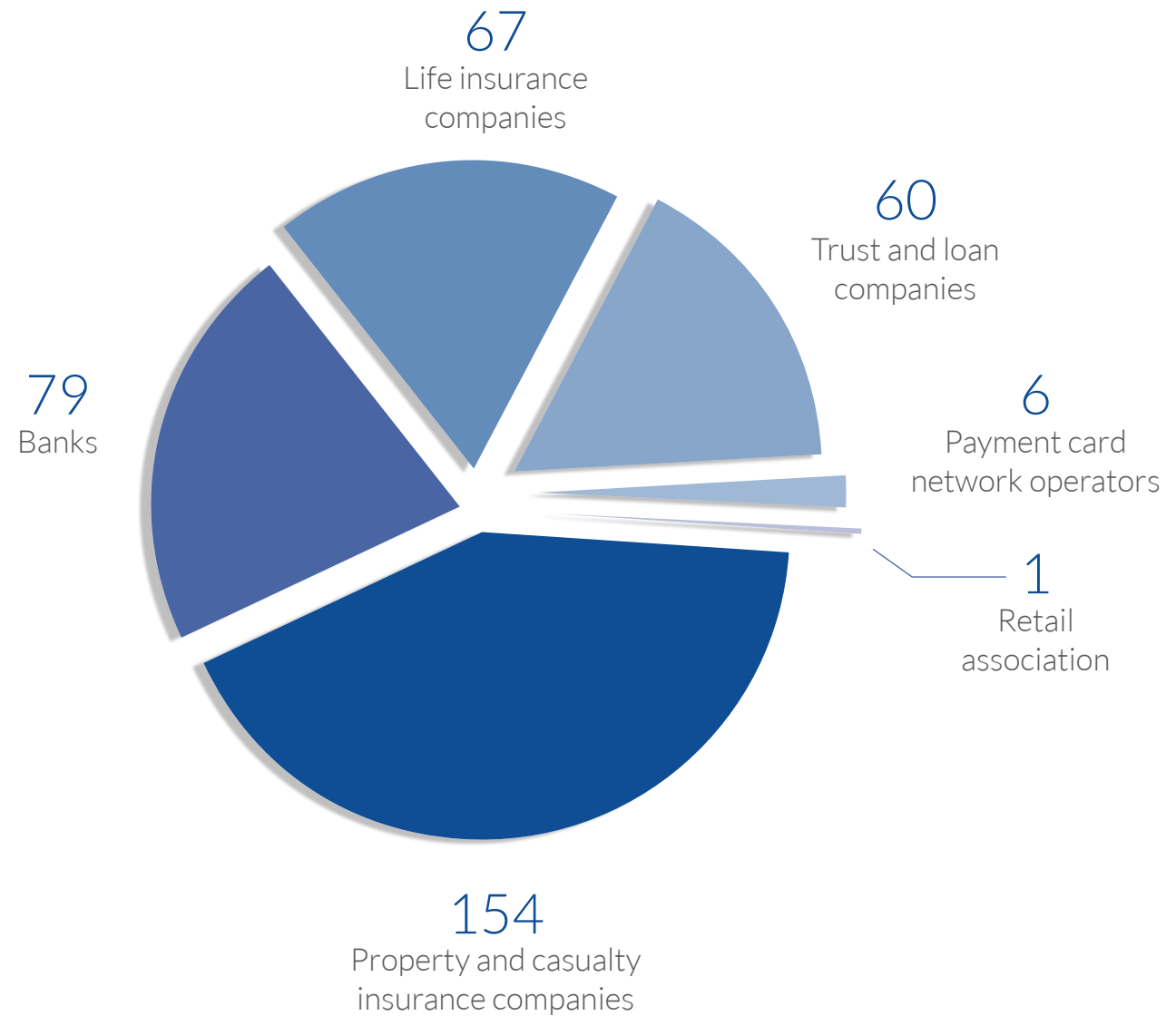
- Held the second annual Industry Sessions to build trust and share research, priorities and expectations, with one session for ECBs, banks and insurance companies, and another for PCNOs and others.
- Held 16 Commissioner meetings with FRFE executives, boards and senior staff, industry associations and other stakeholders to discuss compliance concerns, expectations and marketplace trends.
- Conducted industry consultations on the Stakeholder Engagement and Consultation Framework, Commissioner's Guidance on Branch Closures, and enhancements to the *Code of Conduct for the Credit and Debit Card Industry in Canada*.

Provide proactive and timely assistance on key and emerging compliance matters

- Provided interpretations on specific topics, products and compliance matters as part of FCAC's continuous dialogue with FRFEs.
- Facilitated implementation of the April 2015 amendments to the *Code of Conduct for the Credit and Debit Card Industry in Canada*:
 - ♦ communicated new requirements via the FCAC website and held industry and public sessions to clarify its interpretation
 - ♦ formed a stakeholder working group to help PCNOs and others implement new transparency requirements
 - ♦ developed a "fee disclosure box" template to display fees for common transactions and processing methods

367 ENTITIES REGULATED

As at March 31, 2016



PRIORITY 2

LEAD AND COORDINATE A NATIONAL STRATEGY FOR FINANCIAL LITERACY

As the federal government's lead on financial literacy, FCAC coordinates nationwide efforts to help Canadians increase their financial knowledge, skills and confidence at every stage of their lives.

This year, we launched the *National Strategy for Financial Literacy—Count me in, Canada*. Our goal is to mobilize all sectors of the economy—public, private and non-profit—to take on initiatives that will empower Canadians to better manage their finances today, while preparing for a secure future.

Financial Literacy Leader's Report



TAKING ACTION ON FINANCIAL LITERACY

This was a landmark year for financial literacy. We launched our national strategy, released key research findings and coordinated the most successful Financial Literacy Month to date.

Canadians make decisions every day that affect their financial well-being. That's why I am such a passionate believer in financial literacy. This truly is an essential life skill for Canadians of all ages and circumstances, especially in today's dynamic financial marketplace.

Reflecting on this past year, I am proud of the progress we've made in helping Canadians acquire new knowledge, skills and confidence for a lifetime of sound financial decisions. We see more organizations offering financial literacy programs and more people accessing FCAC tools and resources.

Moving from strategy to action

In 2015, we launched the *National Strategy for Financial Literacy-Count me in, Canada*. This capped off months of coast-to-coast consultations, with vital input from our National Steering



National Steering Committee on Financial Literacy

Representing diverse
sectors and regions, steering
committee members were
instrumental in developing the
national strategy for financial
literacy, and they are among
its leading champions.

We salute
our 2014-16 members:

Camille Beaudoin,
Autorité des marchés financiers

Leslie Byrnes,
Canadian Life & Health
Insurance Association

Laurie Campbell,
Credit Canada Debt Solutions

Terry Campbell,
Canadian Bankers Association

Committee on Financial Literacy (see sidebar). This is our roadmap to rally stakeholders across the country and help Canadians manage their money and plan for the future.

My focus as Financial Literacy Leader now shifts to implementing the strategy through concrete initiatives. This work includes connecting Canada's 12 major financial literacy networks as regional hubs for our nationwide push to strengthen Canadians' financial skills, knowledge and confidence.

Already, stakeholders have begun reporting on 39 new financial literacy initiatives inspired by the national strategy—from workshops for seniors to e-learning modules to an innovative youth mentorship program. These efforts complement 41 initiatives already underway in support of the seniors, financial literacy strategy launched a year earlier. And we're just getting started.

This past year, we continued efforts to contribute to policy-making at various levels. For instance, we co-chaired a meeting of provincial curriculum directors on financial literacy in secondary schools. We participated in national advisory group discussions of student aid and federal policy. I was also pleased to serve as Canada's representative on the OECD's International Network on Financial Education (INFE)'s technical committee and advisory board, and as chair of its working group on core competencies. INFE members are watching Canada's progress closely as a model to follow.

Shelley Clayton,

University of New Brunswick
Financial Aid Office

Mary Condon,

Ontario Securities Commission

Pat Foran,

CTV News

Suzanne Gendron,

Mouvement Desjardins

Terry Goodtrack,

Aboriginal Financial Officers
Association of Canada

Kelley Keehn,

Financial Author

Cary List,

Financial Planning Standards Council

Elizabeth Mulholland,

Prosper Canada

Andrew Nicholson,

Financial and Consumer Services
Commission of New Brunswick

Gary Rabbior,

Canadian Foundation for
Economic Education

Cairine Wilson,

Chartered Professional
Accountants of Canada

Building on research

FCAC takes an evidence-based approach to priority-setting, increasingly relying on research to keep our work relevant in a dynamic financial landscape.

This year, we formed a research subcommittee of the National Steering Committee on Financial Literacy. After conducting an environmental scan and gap analysis, this group has already developed a research plan aligned with the national strategy.

In November 2015, FCAC co-hosted the Financial Literacy and Well-Being Forum with the Behavioural Economics in Action at Rotman (BEAR) research centre at the University of Toronto. This symposium assembled more than 100 experts to share cutting-edge research in financial literacy.

We also published *Managing Money and Planning for the Future: Key Findings from the 2014 Canadian Financial Capability Survey*. This report provides insights into Canadians' financial knowledge, abilities and behaviour. It shows that too few know how much they need to save to retire comfortably. It also shows that too few have a household budget.

The good news is that among Canadians who do have a budget, 93 percent generally stick to it—and this is true across education and income levels. Additional research underscored the role of confidence in financial decision-making. We are already leveraging these findings and building them into how we develop and deliver financial literacy initiatives.

Building momentum for tomorrow

I am pleased to report that November 2015 was our most successful Financial Literacy Month (FLM) to date. In the Canadian Financial Literacy Database alone, stakeholders promoted nearly 1,500 FLM workshops, seminars and other events. The Commissioner and I spoke at 21 FLM events, meeting countless Canadians. FCAC's exposure in social and traditional media reached into the millions throughout the month.

Buoyed by momentum, armed with research and fuelled by engaged stakeholders across the country, we are ready to address Canada's most pressing financial literacy needs.

To help Canadians better manage money and debt, we've developed information aimed at building their knowledge, skills and confidence to address the rapidly changing financial marketplace. This includes resources to help post-secondary students manage student debt and to assist adult Canadians in planning financially for their retirement.

We look forward to meeting these challenges and helping organizations on the frontlines provide timely, relevant and easy-to-understand material to help consumers make financial decisions that suit their needs. We want to see Canadians lead the way as some of the best-informed, most confident financial decision makers in the world.



Jane Rooney
Canada's Financial Literacy Leader



Our Objectives

What We Delivered

Launch and implement a national strategy for financial literacy in collaboration with stakeholders

- Launched the *National Strategy for Financial Literacy—Count me in, Canada* in June 2015.
- Financial Literacy Leader met with 125 organizations and presented at 65 events to promote or consult on the national strategy.
- Supported 41 stakeholder initiatives under the standalone national strategy for seniors' financial literacy, released the previous year.
- Identified 39 additional new financial literacy initiatives undertaken by stakeholders, aligned with the national strategy.
- Hosted and chaired three meetings of the National Steering Committee on Financial Literacy.
- Formed a research subcommittee that conducted an environmental scan and gap analysis, then created a national research plan.

Continue developing the Canadian Financial Literacy Database (CFLD) of resources to support the national strategy

- Expanded CFLD content to feature 1,151 financial literacy resources (up 27%), 1,696 events (up 23%) and 5 funding programs—attracting more than 31,500 unique visits (up 66%).
- Added new functionality: expanded scope to include funding programs; added a filter for initiatives accepting volunteers; deployed an interactive answer key for the self-assessment quiz.



Measure and report on Canadians' financial literacy

- Published *Managing Money and Planning for the Future: Key Findings from the 2014 Canadian Financial Capability Survey*, presenting details at the 2015 Financial Literacy and Well-Being Forum.
- Played a lead role in benchmarking youth financial literacy levels in Canada as part of the Organisation for Economic Co-operation and Development (OECD) Programme for International Student Assessment (PISA) Financial Literacy Assessment.
- Continued to work with Prosper Canada and the Canadian Bankers Association to develop a financial literacy evaluation toolkit.

Coordinate Financial Literacy Month (November)

- Coordinated organizations presenting FLM events nationwide—including 1,480 events promoted in the CFLD (up 17%)—and raised FCAC's profile with 21 speeches by the Commissioner and Financial Literacy Leader.
- Promoted FLM on social media: FLM Facebook posts reached 62,000 users; there were 6,900 keyword mentions across all social platforms; the hashtag #FLM2015 had a potential reach of five million.

Promote and expand FCAC's current financial literacy resources

- Updated and promoted FCAC's three financial literacy programs:
 - ♦ *Your Financial Toolkit*—website visits up 92%
 - ♦ *Financial Basics*—e-learning video views up 153%
 - ♦ *The City*—reached 11,401 new students and 756 new teachers

Feature:
NATIONAL
STRATEGY FOR
FINANCIAL
LITERACY:
LAUNCHED!

Launching the *National Strategy for Financial Literacy—Count me in, Canada* was a landmark accomplishment for FCAC in 2015-16. The strategy is our roadmap to equipping Canadians to make sound decisions as their needs and circumstances change throughout their lifetimes.

It sets out to help Canadians in three areas:

- managing their money and debt wisely
- planning and saving for the future
- preventing and protecting themselves against fraud and financial abuse

The strategy was based on consultations with stakeholders across the country, with significant contributions from our National Steering Committee on Financial Literacy (see sidebar on p. 24). It calls on the public, private and non-profit sectors to join forces in helping Canadians make financial literacy a lifelong journey.

Our goal is to empower Canadians to meet their financial challenges head-on during this time of rapid change. As innovation fuels increasing complexity in the marketplace, it becomes ever more important for Canadians to embrace financial literacy.



Our research shows that making sound financial decisions depends on knowledge and skill, as well as confidence. To sustain confidence in the face of change, it has never been more important for Canadians to have a solid grasp of financial basics. We are guided by a vision of a financially literate population that is ready to tackle every life event with confidence—whether buying a home, paying for an education, starting a family or planning for retirement.

The *National Strategy for Financial Literacy—Count me in, Canada* is aimed at engaging organizations to work towards common goals. Now FCAC's focus has shifted to seeking concrete commitments to take action to improve outcomes for Canadians.

For more details, download the [national strategy](#).

PRIORITY 3

STRENGTHEN COLLABORATION AND ENGAGEMENT WITH STAKEHOLDERS

Working with our stakeholders in a spirit of openness, honesty and transparency is core to our values and helps us achieve richer outcomes for consumers.

FCAC regularly engages with other regulators, industry associations, consumer groups and others to share knowledge, best practices and resources. Stakeholder collaboration is the heart of the national financial literacy strategy. FCAC's supervisory approach also relies on continuous dialogue with FRFes to promote responsible market conduct.



Our Objectives

Increase collaboration with government departments and agencies, regulators and community organizations to share knowledge, best practices and research, and to build relationships

What We Delivered

- Chaired regular meetings of the federal Interdepartmental Committee on Financial Literacy and the National Steering Committee on Financial Literacy.
- Hosted FCAC's first annual Consumer Groups Summit, assembling 14 consumer groups to discuss research, priorities and emerging trends.
- Held the second annual Industry Sessions to continue the dialogue with FRFEs sharing FCAC research, priorities and expectations.
- Led the most successful Financial Literacy Month to date, with dozens of stakeholders promoting 1,480 events through the Canadian Financial Literacy Database alone.
- Launched the Small Change app with United Way Ottawa to help users track how small spending changes add up to big savings.
- Collaborated with provincial regulatory authorities, industry and subject matter experts on FCAC's research on auto financing trends.
- Partnered with more than two dozen stakeholders in media relations, contributing more than 20 FCAC executive quotes to news releases.



Develop mechanisms and processes to strengthen relationships, collaboration and engagement with key stakeholders and partners

- Published a Stakeholder Engagement and Consultation Framework outlining how FCAC consults on consumer protection matters.
- Developed a database to track stakeholder engagement led by the Financial Literacy program.
- Formed a research subcommittee to develop a national research plan addressing gaps in understanding financial literacy needs.

Raise awareness of FCAC and its mandate among consumers and other stakeholders

- Grew social media reach: 1,409,819 YouTube video views (up 3,126%), 2,254,762 Twitter post impressions (up 79%), 446,825 Facebook post impressions (up 391%), and 2,175,346 website visits (up 45%).
- Grew traditional media reach: achieved 24 million impressions of ready-to-use FCAC articles in 750 publications; and earned 1,840 print, radio, television and other media mentions (up 174%).
- Implemented the Commissioner's outreach plan, including five major media interviews and 16 meetings with FRFE executives and boards, consumer groups, industry associations and other stakeholders.
- Implemented the Financial Literacy Leader's outreach plan, including meeting with 125 organizations to discuss the *National Strategy for Financial Literacy-Count me in Canada*.

Feature:
FCAC CONSUMER
GROUPS SUMMIT

In February 2016, FCAC hosted its first annual Consumer Groups Summit in collaboration with Industry Canada. This full-day event brought together 14 Canadian consumer groups to discuss financial consumer protection issues.

The Commissioner led constructive sessions on trends in non-traditional lending, mobile payments and auto finance. Participants had opportunities to engage with subject-matter experts as well as representatives from other regulators and the federal departments of Industry and Finance. They also provided validating feedback on FCAC's new auto finance consumer education material.



FCAC Consumer Groups Summit:

Participating consumer groups

Consumers' Association of Canada
Credit Counselling Canada
Union des consommateurs
du Québec
Public Interest Advocacy Centre
Consumers Council of Canada
Automobile Consumer Coalition
Automobile Protection Association
Consumer Interest Alliance Inc.
Canadian Association of Family
Resource Programs
Consumer Association of
Saskatchewan
Option consommateurs
FAIR Canada
Éditions Protégez-Vous

In evaluation surveys, participants gave the summit an average rating of 3.8 out of 4. Many said they appreciated having a venue not only to learn from FCAC, but also to share their own concerns and priorities. Some also proposed topics to explore in more depth at future summits, including financial technologies and behavioural issues in financial decision-making.

The event supported several FCAC objectives, including highlighting our priorities, raising awareness of our regulatory role and gathering information on emerging trends and issues. It also provided FCAC staff with an opportunity to continue building relationships with groups involved in frontline work with consumers.

Formal events with stakeholders are important dates in FCAC's calendar. For example, in February 2015, the Agency also hosted its second annual Industry Sessions, two days of intensive dialogue with FRFES. In November 2015, FCAC co-hosted the Financial Literacy and Well-Being Forum in Toronto with the Behavioural Economics in Action at Rotman (BEAR) research centre.

PRIORITY 4

PROMOTE AWARENESS OF CONSUMER RIGHTS AND RESPONSIBILITIES

By raising Canadians' awareness of their financial rights *and* responsibilities, we ensure they can benefit fully from the consumer protections they are afforded.

Informed consumers are better positioned to make responsible decisions that meet their financial needs and to participate fully in the financial marketplace. Fostering an understanding that most consumer rights come with corresponding responsibilities also helps Canadians avoid costly surprises.



Our Objectives

Establish and/or enhance online resources to help financial consumers make responsible financial decisions

What We Delivered

- Created educational and multimedia content based on FCAC research on auto finance, highlighting consumers' rights, responsibilities, risks and alternatives.
- Developed educational and multimedia content on three themes where research revealed low awareness of consumer rights and responsibilities:
 - ♦ debit/credit card fraud protection (keeping PINs secret)
 - ♦ mortgage repayment penalties
 - ♦ credit card cash advances
- Published and/or developed educational content on:
 - ♦ financial implications of being a caregiver
 - ♦ understanding external complaints bodies
 - ♦ new protections regarding debit and credit card payments
- Increased content in the Canadian Financial Literacy Database to offer public access to 1,151 resources (up 27%) and to 1,696 events (up 23%) held throughout the year.



Maximize the use of marketing and communication tools and strategies to promote Canadians' awareness of their rights and responsibilities

- Promoted FCAC messages through social media, attracting a record 2,175,346 website visits (up 45%), 2,254,762 Twitter post impressions (up 79%), 1,409,819 YouTube video views (up 3,126%), and 446,825 Facebook post impressions (up 391%).
- Developed and launched the “Rights and Responsibilities” (R+R) integrated marketing campaign focussing on three themes, generating some 45 million product and advertising impressions (Jan.–Mar. 2016). (See feature on p. 39 for details on the R+R campaign.)
- Produced ready-to-air radio segments and ready-to-print news articles using the R+R campaign as a prototype, achieving 24 million impressions through 750 publications.
- Developed strategic collaborations with 21 financial institutions (including 13 FRFEs) to feature FCAC campaign content on their own websites, social media channels and other platforms.

Feature:
**RIGHTS AND
RESPONSIBILITIES**
Spreading the
message

FCAC is always seeking ways to ensure Canadians understand their rights and responsibilities in the financial marketplace—and the vital links between them.

The results of a 2011 consumer survey revealed important gaps in consumer awareness:

- **PIN protection:** 33 percent of respondents incorrectly believed that financial institutions allow them to share their debit/credit card PIN (personal identification number) with family members. In fact, doing so could void their access to fraud protection.
- **Credit card cash advances:** 60 percent incorrectly believed that they wouldn't pay interest on a cash advance as long as they cleared their credit card balance by the due date. In fact, interest begins accruing immediately on cash advances.
- **Mortgage penalties:** 62 percent incorrectly believed that paying off or renegotiating their mortgage early would never leave them liable for more than three months' interest. In fact, most borrowers have signed onto more punitive mortgage terms.



FCAC developed its “Rights and Responsibilities” (R+R) campaign in response to these findings. By the end of the fiscal year in March 2016, R+R messages or advertisements had been featured at least 45 million times from coast to coast to coast through online and traditional channels. The campaign continues in 2016–17 with additional R+R themes.

FCAC took an integrated marketing approach to this campaign, packaging R+R messages in complementary channels such as social media infographics, ready-to-use news articles, prepackaged radio segments and educational website content. The centrepiece was a series of animated videos that attracted nearly 3 million views in February and March alone.

For this campaign, FCAC collaborated with 21 financial institutions (including 13 FRFes), leveraging their social media, Web and direct mail channels to reach financial consumers. Going forward, this multiplier model offers FCAC the potential to reach millions more Canadians with consumer education messages.

The R+R campaign is one of the innovative ways in which FCAC is empowering Canadians with the skills, knowledge and confidence they need to thrive in today’s financial marketplace.

Feature:
**RIGHTS AND
RESPONSIBILITIES
CAMPAIGN BY
THE NUMBERS**
(Jan.-Mar. 2016)



Products:

3 animated
videos

5 infographics

3 website banner
series

1 FRFE
mail insert

12 Fifth Story
news articles

3 ready-to-air
radio segments

+ educational
content



Video:

2.75 million

views through FCAC's
online channels alone



Direct mail:

1 million

reached through FRFE
credit card statement inserts



Web:

47,172

unique visits to
the campaign landing page



Advertising:

15 million

Facebook ad impressions



Media:

24 million

impressions of Fifth Story
articles in 750 publications



Partnership:

21

financial institutions promoted
R+R products through their
own channels

PRIORITY 5

INCREASE CONTRIBUTIONS TO FINANCIAL CONSUMER POLICY DISCUSSIONS

To ensure that consumer protection keeps pace with changes in the marketplace, FCAC contributes regularly to domestic and international policy dialogue.

Our proactive, multifaceted approach includes researching market trends, publishing analysis and engaging with stakeholders on many levels. These activities empower FCAC as a credible voice for financial consumer protection in policy discussions.



Our Objectives

What We Delivered

Carry out relevant industry research and identify emerging trends

- Published *Auto Finance: Market Trends*, a research report exploring trends in indirect lending and the growth and risks of extended-term auto loans.
- Published *Managing Money and Planning for the Future: Key Findings from the 2014 Canadian Financial Capability Survey*.
- Led the first benchmarking of youth financial literacy levels in Canada as part of the Organisation for Economic Co-operation and Development (OECD) Programme for International Student Assessment (PISA) Financial Literacy Assessment.
- Conducted research on the link between financial confidence and financial outcomes and the role of financial literacy in retirement preparedness.

Contribute to Canadian policy development

- Provided data and contributed to policy discussions of financial consumer protection through participation in the federal Senior Advisory Committee (SAC) and meetings with various provincial regulators.
- Co-hosted the *Financial Literacy and Well-Being Forum* with the Behavioural Economics in Action at Rotman (BEAR) research centre (November 2015).



Participate in international policy discussions

- Participated in the April 2015 First Nations Financial Literacy roundtable convened by the Public Policy Forum, exploring financial literacy as a driver for Indigenous economic development.
- Participated in advisory group discussions on student aid and federal policy at the invitation of Employment and Social Development Canada, the group's co-chair.
- Co-chaired a meeting of curriculum directors from provincial ministries of Education on approaches to financial literacy in secondary schools.
- Commissioner continued serving as vice-chair of the International Financial Consumer Protection Organisation (FinCoNet), fostering global dialogue among regulators. FCAC led a working group that built an online "supervision toolbox."
- Financial Literacy Leader represented Canada on the International Network on Financial Education (INFE) advisory board and technical committee, co-chairing the working group that developed the Core Competencies for Youth Framework.
- Maintained dialogue with regulators in other countries, sharing market intelligence and learning how they are responding to common challenges.
- Participated in a 30-country collaboration to field and report on the OECD Survey on Financial Literacy and Financial Inclusion.
- Presented findings on links between financial literacy and retirement well-being at the 2015 U.S. Consumer Financial Protection Bureau annual research conference.



Feature:
SHINING A LIGHT
ON AUTO FINANCE

This year, FCAC published research on the changing landscape of auto finance in Canada. [Auto Finance: Market Trends](#) explores trends in indirect lending and extended-term car loans, which present short-term benefits and long-term risks to consumers.

In Canada, the average new car loan now has a term of six to eight years, up from the traditional four to five years. These extended-term loans now constitute around 60 percent of the car loan portfolios of Canada's largest financial institutions. The appeal to consumers is clear: at a given purchase price, longer terms offer lower monthly payments. However, extended-term loans mean higher total financing costs—and they encourage consumers to buy “more car” than they could otherwise afford.

Despite choosing longer loan terms, many consumers are still trading in their cars after four or five years. When they do, many still owe more on their loans than their car is worth. When these consumers then roll their outstanding principal into a new loan for a new car, they may set themselves on a treadmill of mounting debt.



The Commissioner released *Auto Finance: Market Trends* at the National Press Theatre on March 8, 2016. Follow-up media interviews and an ambitious marketing plan aimed at consumers generated more than 300 mentions of long-term auto loan concerns in print, broadcast and online media. Building on this public profile, FCAC developed engaging website content to guide consumers in making responsible car financing decisions.

The Agency has also refocused its supervision resources on auto loans offered by federally regulated banks to improve the disclosure provided to consumers. At the same time, FCAC is continuing its dialogue with provincial and territorial governments to ensure car buyers get the information they need to make sound financing choices.

Buying a car is one of the biggest purchases most Canadians will make, next to a home. That means car loans are a significant contributor to household debt, which stands near a record-high of over 165 percent of disposable income. Higher-debt households are increasingly vulnerable to interest rate and employment shocks—and many are struggling to save for retirement.

Auto finance offers a window onto some Canadians' relationship with debt, including a tendency to prioritize cash flow over long-term planning. This insight helps inform responses at every level of FCAC's activities—from financial literacy initiatives through FRFE supervision to policy discussions at many levels.

PRIORITY 6

LEVERAGE RESOURCES AND INFRASTRUCTURE TO ENHANCE EFFICIENCIES

Being effective in today's environment means making continuous improvements that support FCAC's efforts to reach its goals and respond to new challenges.

People, processes, technologies and other infrastructure all contribute to our long-term success. FCAC works continuously to ensure that its human resources practices are up to date, that its financial management is sound and that its information technology effectively supports its mandate.



Our Objectives

What We Delivered

Strengthen human resources practices

- Implemented a People Management Framework to ensure the right skills and competencies are in place for FCAC to meet program needs, ensure effective people management and realign efficiencies. This included:
 - ◆ reassessing organizational design and structure
 - ◆ reallocating resources to gain efficiencies and productivity
 - ◆ reviewing the performance pay and recognition program
 - ◆ establishing service standards for timely recruitment
 - ◆ assessing internal candidates for effective succession planning

Enhance financial management

- Developed custom reports using Cognos Business Intelligence software to facilitate the generation and understanding of financial reports.



Participate in the Government of
Canada's common information
technology transformation initiatives

- Developed an Open Government Implementation Plan as required by Treasury Board Secretariat.
- Upgraded all FCAC educational website content for usability and standards compliance in preparation for the transition to a single Government of Canada website (Canada.ca) in 2016-17.

Strengthen key process
documentation, internal controls,
systems and processes

- Developed a Travel Protocol and Hospitality Protocol to ensure consistency and adherence to policies and directives.
- Developed collaboration procedures to guide FCAC programs when engaging with external organizations.
- Enhanced case management software to better facilitate the processing of questions and complaints, and the analysis of compliance cases.
- Developed an automated tool to transfer online complaints and inquiries to a correspondence-management application.
- Implemented a secure file transfer protocol (FTP) tool that is better adapted to FCAC's document-sharing needs.
- Drafted a three-year Information Management/Information Technology plan based on analysis of business and Government of Canada priorities.



THE NUMBERS

A closer look at the numbers
that define our work and performance

PROGRAM ALIGNMENT ARCHITECTURE

In 2015-16, FCAC's programs and sub-programs were organized according to the following framework.



COMPLAINT
HANDLING

ANALYSIS OF COMPLAINTS

The federally regulated financial entities (FRFEs) supervised by FCAC must comply with market conduct obligations that exist to protect consumers. FCAC investigates complaints about potential breaches of these obligations. When there is a breach of law, code of conduct or public commitment, we take action to ensure FRFE compliance.

Banks, retail associations and federal trust, loan and insurance companies must, by law, have a complaint-handling process for consumers. Part of FCAC's role is to ensure an appropriate process is in place—and followed—when a consumer files a complaint with one of these institutions. The three-step process is set out below.

Step 1

Front-line local level

Consumers should try to resolve problems directly with the managers or customer service representatives of their financial institutions.

Step 2

Senior level or internal ombudsman

If an issue cannot be resolved at the local level, a complaint may be referred to a senior staff member or internal ombudsman.

Step 3

Third-party review

If an issue is not resolved through steps 1 and 2, the complaint is reviewed by a third party or an external complaints body (ECB).

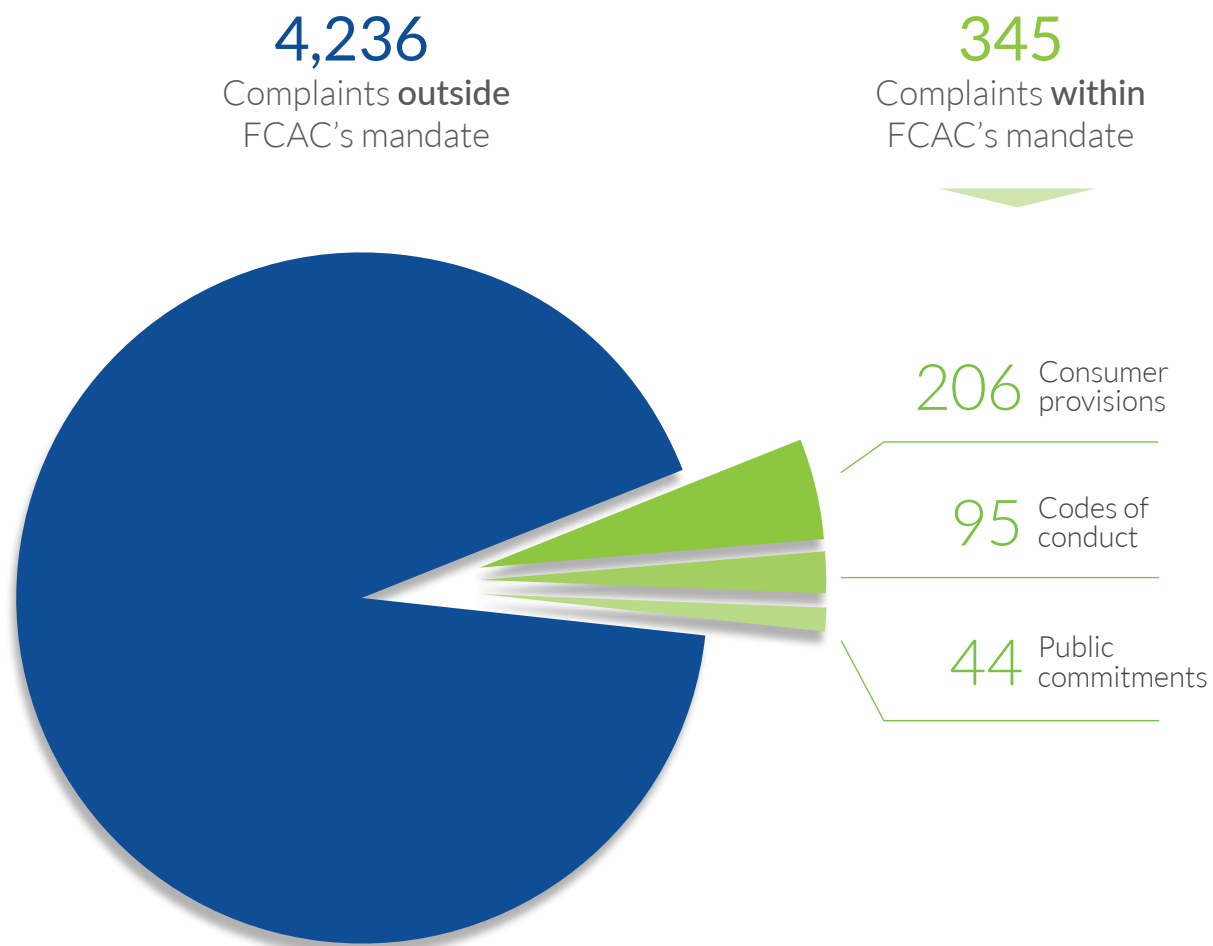
FCAC

Consumers may also contact FCAC if they think their complaint involves a possible violation of a consumer protection law, a public commitment or a code of conduct.

Provincial regulator

Depending on the type of financial institution, a consumer may also contact a provincial regulator.

COMPLAINTS RELATED TO COMPLIANCE



PROGRAM 1

SUPERVISION AND PROMOTION

This program protects consumers and merchants by ensuring federally regulated financial entities (FRFEs) comply with market conduct obligations set out in legislation, regulations, voluntary codes of conduct and public commitments. The program also promotes responsible market conduct by communicating FCAC's expectations, conducting research on trends and issues affecting financial consumers, contributing to policy discussions, and promoting consumers' rights and responsibilities. The Supervision and Promotion Branch leads program delivery, with significant contributions from communications and other shared services.

2015-16 Financial Resources (\$ Millions)

Planned Spending	Actual Spending
3.70	3.52

2015-16 Human Resources (FTEs)

Planned	Actual
25.2	26.1

Expected Results	Performance Indicators	Targets/Deliverables	Performance Status	Performance Summary
FCAC is proactive and transparent in monitoring activities in the federal financial services industry.	Industry stakeholders are aware of the nature, reason and outcome of FCAC monitoring activities.	The nature of supervisory activities, the process followed to carry them out, and the outcomes of the activities are communicated to industry and other stakeholders as per established time frames. Target: Time frames met 85% of the time	Exceeded	100% of complaints were triaged within 5 business days of receipt. 100% of compliance concerns identified in investigations were raised with FRFEs within 30 business days. 100% of informal actions were prepared and submitted to FRFEs within 180 days of identifying the potential non-compliance issue.
		Forward-looking plans and priorities to promote transparent and proactive supervision with all FRFEs are created and communicated each fiscal year.	Met	FCAC used the February 2016 Industry Session to communicate its annual plan and future priorities to all key industry stakeholders.

FRFEs comply with requirements set out in the legislation, regulations, voluntary codes of conduct, and public commitments.	Potential areas of FRFE non-compliance are identified, investigated and resolved promptly through the effective use of compliance tools.	Formal and/or informal compliance tools (as set out in the Compliance Framework) are applied to all identified compliance issues.	Met	Formal and informal compliance tools were used to meet targets in all identified compliance issues.
		Corrective actions undertaken by FRFEs in relation to compliance actions are reviewed by FCAC within 90 days of receipt of the FRFE report.	On track	All action plans except one were completed within the established time frame.
		All investigations of potential non-compliance with consumer provisions are completed within the legislated two-year time frame.	Met	All investigations were completed within the two-year time frame.
FRFEs implement all relevant consumer protection requirements to the benefit of financial consumers in Canada.	FRFEs are aware of their consumer protection obligations.	FRFEs are informed of existing, amended or new requirements that they must meet through direct communication and/or via FCAC's website as per internal service standards (no later than 10 business days after they come into force).	Met	No new legislative or regulatory requirements came into force in 2015-16. In April 2015, the Department of Finance amended the <i>Code of Conduct of the Credit and Debit Card Industry</i> . As per our internal service standards, we communicated these new code requirements via FCAC's website.
		Outreach activities are conducted, including annual training sessions, conferences and one-on-one meetings with FRFEs.	Met	FCAC held Industry Sessions in February 2016—one for banks, insurance companies and ECBs and another for PCNOs. These sessions were part of a continuing dialogue, presenting unique opportunities to share research results, future plans and FCAC's expectations of FRFEs. FCAC relationship managers conducted approximately 50 one-on-one meetings with FRFEs.

PROGRAM 2

FINANCIAL LITERACY

This program enhances Canadians' financial knowledge, skills and confidence, and elevates Canadians' understanding of their responsibilities and those of federally regulated financial entities (FRFEs). In 2015-16, FCAC worked on a number of initiatives involving committee work, promotion, research, collaboration, publishing, surveying, and implementing outreach plans and other initiatives to strengthen financial literacy among Canadians. The Financial Literacy team leads program delivery, with significant contributions from communications and other shared services.

2015-16 Financial Resources (\$ Millions)

2015-16 Human Resources (FTEs)

Planned Spending	Actual Spending	Planned	Actual
9.05	8.19	41.4	40.20

Expected Results	Performance Indicators	Targets/Deliverables	Performance Status	Performance Summary
FCAC consumer information is useful, easy to understand and presented in clear language.	Consumer level of satisfaction related to the usefulness and ease of understanding of FCAC's information (online feedback).	Average satisfaction level of 3.5 out of 5	Exceeded	Web content: 4.0 satisfaction rating <i>Your Financial Toolkit</i>: 3.9 satisfaction rating <i>Financial Basics</i>: 4.5 satisfaction rating

Canadians are aware of and make use of the FCAC website.	Number of consumers using FCAC's online information.	Increase of 5% in website visits year-over-year.	Exceeded	Website visits: 45% increase year-over-year.
	Use of the Canadian Financial Literacy Database by consumers and organizations.	Increase of 5% in visits to the database year-over-year.	Exceeded	Database visits: 66% increase year-over-year, with more than 31,500 visits. More than 18,814 Canadians tried the associated self-assessment quiz.
		Average satisfaction level of 3.5 out of 5.	Exceeded	Canadian Financial Literacy Database: 3.8 satisfaction rating
Coordination and collaboration with stakeholders increases.	The national strategy for financial literacy is launched and an action plan is implemented with stakeholders.	National strategy for financial literacy (including seniors' strategy) launched, monitored and reported.	On track	FCAC launched the <i>National Strategy for Financial Literacy—Count me in, Canada</i> on June 9, 2015, using the launch to galvanize stakeholders to plan concrete initiatives. 39 new initiatives were reported to FCAC through its Web page for strategy supporters. 41 initiatives were undertaken to implement the standalone national strategy for seniors' financial literacy.
	The Canadian Financial Literacy Database (CFLD) is developed, populated and promoted.	Resources and events in the database increase by 5% year-over-year.	Exceeded	266 financial literacy resources were added to the database, which reached a total of 1,151 resources by March 31, 2016—an increase of 27% over the last year. 1,696 events were published during 2015-16—a 23% increase over the 1,375 submitted in 2014-15.

INTERNAL SERVICES

FCAC's Internal Services teams provide specialized services to meet the needs of FCAC programs and fulfill various corporate obligations.

2015-16 Financial Resources (\$ Millions)

Planned Spending	Actual Spending
4.77	4.67

2015-16 Human Resources (FTEs)

Planned	Actual
18.4	18.70

Corporate Services ensures best practices are adopted to manage operations, including developing and implementing policies, procedures and reporting structures. Its resources and activities are applied across the organization to deliver the following services: financial management; human resources; information management and technology; real property; material management; and acquisitions. Highlights from 2015-16 include:

- transitioning FCAC's HR system to PeopleSoft, which provides better analytics and allows employees to self-manage some transactions online in real time
- reviewing its compensation framework to ensure FCAC continues to recruit and retain a skilled workforce

Information Management/Information Technology (IM/IT) manages initiatives that enhance FCAC's ability to deliver its mandate; ensures compliance with GC policies and modernization priorities; ensures flexible, reliable and secured infrastructure; and maintains a very high level of technical expertise. This expertise includes: application development and support; infrastructure evolution and maintenance; IT security; information management; business analysis, intelligence and reporting; and project management. Highlights from 2015-16 include:

- developing an Open Government Implementation Plan as required by Treasury Board Secretariat, and leading FCAC's ongoing transition to the integrated Canada.ca platform
- enhancing FCAC's case management software to streamline the processing of questions and complaints, and the analysis of compliance cases
- drafting a three-year information management and information technology plan based on business requirements and Government of Canada priorities

LEAVING NO TRACE: OUR PROGRESS TOWARDS SUSTAINABILITY

Green Procurement

FCAC continued to meet its targets in green government operations in 2015-16, from integrating environmental considerations into corporate policies, processes and practices to engaging employees in greening operations and reusing or recycling workplace materials and assets responsibly.

Implementation Strategy Element or Best Practice	Target 2015-16	Actual Results 2015-16
Integrate environmental considerations into corporate policies, processes and practices in accordance with FCAC refresh cycles.	100%	Updated internal contracting policy to include green procurement practices, with a verification system to ensure goods and services are environmentally responsible. Policy now contains a scorecard with criteria that employees can use to ensure contractors are environmentally friendly.

Review contract documents to ensure they include a clause addressing environmental considerations in work performance.

Seeking to reach
“achieved”

Contract documents, such as the Request for Proposal Template and the Contract Request Form, now include a link to the Public Works and Government Services Canada (PWGSC) Policy on Green Procurement along with PWGSC tools to ensure green procurement.

Use green consolidated procurement instruments for goods and services such as commercial publications, flat prints, office furniture, general-purpose automated data-processing equipment (including firmware), software, supplies and support equipment.

100%

The following goods and services were procured through green consolidated procurement instruments (PWGSC standing offers and supply arrangements): commercial publications, flat prints, office furniture, general-purpose automated data-processing equipment, software, supplies and support equipment.

Increase awareness of the Policy on Green Procurement among managers.

Seeking to reach
“achieved”

Contract Request Forms now include a link to the PWGSC Policy on Green Procurement to raise awareness and provide project authorities with references and access to a list of environmental considerations.

In 2015-16, FCAC set and achieved targets of 100% for specialists completing the Canada School of Public Service Green Procurement course and for managers and functional heads of procurement and materiel whose performance evaluation included green procurement.

Performance Indicator	Target 2015-16	Actual Results 2015-16
Number and percentage of specialists in procurement and materiel management who will complete the Canada School of Public Service Green Procurement course or equivalent.	100%	All specialists in procurement and materiel management have completed the Canadian School of Public Service Green Procurement course.
Number and percentage of managers and functional heads of procurement and materiel whose performance evaluation includes support for and contribution towards green procurement.	100%	The performance agreement of all managers and functional heads of procurement/materiel management included an objective to support and contribute to green procurement initiatives for 2015-16.

SUSTAINABLE WORKPLACE OPERATIONS

FCAC continued to become a more sustainable workplace in 2015-16 through environmentally responsible use of materials and employee education about green government practices.

Performance Indicator	Target 2015-16	Actual Results 2015-16
Maintain existing approaches to sustainable workplace practices (e.g., responsible printer ratios and paper usage; green meetings).	Print ratio 8:1 or better	Exceeded: achieved print ratio of 11:1
Engage employees in practices to “green” government operations.	Seeking to reach “achieved”	Employees were encouraged to adopt greening strategies. Laptops were provided to promote on-screen review and less printing; printers were set to duplex by default; only recycled paper was purchased. FCAC operated in a building that is Leadership in Energy & Environmental Design (LEED)-certified by the Canadian Green Building Council.
Reuse or recycle workplace material and assets in an environmentally sound and secure manner.	100%	Asset disposal was undertaken as per PWGSC instructions through GCSurplus, Computers for Schools and e-waste. A renovation/refit project was completed using existing office furniture instead of buying new.



FINANCIALS

FINANCIAL HIGHLIGHTS

The Financial Consumer Agency of Canada (FCAC) is a federal government agency that recovers its costs mainly through asset-based, premium-based or transaction-based assessments of the financial entities it supervises.

In addition to revenues from assessments, FCAC receives a statutory expenditure of \$5,000,000 to support its efforts to collaborate and coordinate its activities with stakeholders to improve and strengthen Canadians' financial literacy, as presented in the Statement of Operations under Government Funding. FCAC is entitled to receive parliamentary appropriations as authorized under section 13(3) of the *Financial Consumer Agency of Canada Act*.

FCAC's total expenses of \$16,375,780 for fiscal year 2015-16 represent an overall decrease of \$801,730 (4.67 percent) compared with the previous fiscal year. This variance is mainly due to lower spending on professional services in fiscal 2015-16.

Professional services expenses in fiscal 2015-16 are \$1,191,079 less than in fiscal year 2014-15, when FCAC undertook the Canadian Financial Capability Survey at a cost of \$1,060,000. As this survey is undertaken every five years, it was not repeated in 2015-16. Furthermore, lower-than-expected spending on advertising contributed to the overall reduction in professional services expenses.

Human resource costs increased by \$765,264 (7.57%) as vacant and new positions continued to be filled throughout fiscal year 2015-16. This increased cost also covers planned growth in employees' compensation in accordance with the terms and conditions of employment.

Information management and information technology expenses were lower by \$157,479 in fiscal year 2015-16 due to savings realized by having internal employees complete application and software development tasks rather than hiring external resources.

Accommodation costs decreased by \$73,332 due to a decrease in amortization costs in fiscal year 2015-16 for leasehold improvements that became fully amortized in fiscal year 2014-15.

Travel expenses were \$99,002 lower in fiscal year 2015-16 than those of 2014-2015, when the Agency funded travel for staff and others to attend its national financial literacy conference, which is held every three years. Moreover, travel budgets in fiscal year 2015-16 were underused due to reduced event participation during the federal election called in August 2015.

Since its inception, the Agency has been guided by the management principle that it should focus on delivering core programs arising from its mandate. FCAC has therefore opted to use common and/or shared services to provide corporate services when it has been cost effective to do so.

Strategic management partnerships continue to give the Agency the flexibility it needs to manage evolving programs as cost effectively and efficiently as possible.

Transition to Public
Sector Accounting
Standards (PSAS)

CHANGES IN ACCOUNTING STANDARDS

In December 2014, the Public Sector Accounting Board (PSAB) issued amendments to the Public Sector Accounting Standards (PSAS). These amendments introduced the concept of a new public sector entity—referred to as a government component—and provided guidance on the basis of accounting to be used by such entities. FCAC is considered a government component and is required to adopt PSAS effective in fiscal year 2017-18.

FCAC has chosen to approach the conversion in five phases: (1) diagnostic assessment; (2) design and planning; (3) assessment, design and development; (4) implementation; and (5) post-implementation review. FCAC completed the first two phases and began the third phase during fiscal year 2015-16; phases three and four will be completed during fiscal year 2016-17.

Impact of adopting the Public Sector Accounting Standards

FCAC has not yet fully quantified the impact of PSAS adoption on its financial statements; however, the following areas have been identified for potential differences:

- financial statement presentation
- employee benefits (including severance benefits)
- capital and intangible assets

Financial statement presentation

FCAC's financial statements presented in accordance with PSAS will differ from those presented in accordance with the International Financial Reporting Standards (IFRS)

The key differences include:

- changes to how the Statement of Financial Position is presented, including the elimination of reporting non-current assets and liabilities separately and the addition of a net debt position
- the elimination of the Statement of Other Comprehensive Income (OCI) and the addition of a Statement of Net Debt
- the inclusion of planned results in the Statement of Operations and Statement of Net Debt

Employee benefits (severance and sick leave liabilities)

IFRS requires entities to recognize actuarial gains and losses in full as they arise and in income or in other comprehensive income, depending on the nature of the benefit that gave rise to the actuarial gain or loss. PSAS will require these gains or losses to be amortized into income over the expected average remaining service life of the related employee group.

Future changes to PSAS

Capital and intangible assets

PSAS considers computer software to be a tangible capital asset, whereas IFRS considers it to be an intangible asset. Upon transition to PSAS, FCAC will be required to reclassify all computer software as tangible capital assets.

First-time Adoption by Government Organizations, Section PSAS 2125 requires that the accounting policies in effect as at March 31, 2018 be applied to the opening PSAS statement of financial position as at April 1, 2016. FCAC monitors PSAS developments to ensure that the impacts of any potential or actual changes to PSAS are appropriately considered in its changeover plan.

The transition to PSAS is a significant undertaking. As the implementation phase has just started, FCAC is unable, at this time, to quantify the full impact of PSAS on its financial statements. The following table outlines the elements of FCAC's conversion to PSAS and presents an assessment of progress towards achieving these objectives. As the project progresses or further changes to PSAS occur, changes to the transition plan may be required.

FCAC PSAS conversion approach:

Assessment as at
March 31, 2016

Project phase	Milestone	Status
Diagnostic assessment		
Identify differences in IFRS/PSAS accounting policies	External advisor's report presented to FCAC's Executive and Audit Committees	Completed
Design and planning		
Launch project, establish project governance	Project governance and policy choices identified	Completed
Assessment, design and development		
- Identify solutions to PSAS and evaluate - Develop training and communications plan - Develop final solutions to PSAS	Solutions approved by FCAC's Executive and Audit Committees	To be completed in 2016-17
Implementation		
- Roll-out PSAS solutions - Test and remediate	Financial systems and processes are able to capture and report PSAS information	To be completed in 2016-17
Post-implementation review		
- Debrief management and assess implementation - Ongoing PSAS update and related change management	Ongoing process post-implementation	To be started in 2017-18

Statement of
Management
Responsibility
Including Internal
Control over Financial
Reporting
March 31, 2016

FINANCIAL STATEMENTS

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2016, and all information contained in these statements, rests with the management of the Financial Consumer Agency of Canada (FCAC). These financial statements have been prepared by management in accordance with International Financial Reporting Standards.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of this information is based on management's best estimates and judgment, and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of FCAC's financial transactions.

Management is also responsible for maintaining an effective system of internal control over financial reporting (ICFR) designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded, and that transactions are properly authorized and recorded in accordance with the *Financial Administration Act* and other applicable legislation, regulations, authorities and policies.

Management seeks to ensure the objectivity and integrity of data in its financial statements by carefully selecting, training and developing qualified staff; through an organizational structure that provides appropriate divisions of responsibility; through communication programs aimed at ensuring that regulations, policies, standards and managerial authorities are understood throughout FCAC; and by conducting an annual assessment of the effectiveness of the system of internal control over financial reporting.

The system of ICFR is designed to mitigate risks to a reasonable level based on an ongoing process to identify key risks, to assess the effectiveness of associated key controls, and to make any necessary adjustments.

FCAC will be subject to periodic Core Control Audits performed by the Office of the Comptroller General, and will use the results of such audits to adhere to the Treasury Board *Policy on Internal Control*.

In the interim, FCAC has undertaken a risk-based assessment of the system of ICFR for the year ended March 31, 2016, in accordance with the Treasury Board *Policy on Internal Control*. The results and action plan are summarized in the annex.

Deloitte LLP has audited FCAC's financial statements and reports on its audit to the Minister of Finance. This report does not include an audit opinion on the annual assessment of the effectiveness of FCAC's internal controls over financial reporting.



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

Ottawa, Canada
July 5, 2016



Brigitte Goulard
Deputy Commissioner
Chief Financial Officer

Independent Auditor's Report

To the Minister of Finance

We have audited the accompanying financial statements of the Financial Consumer Agency of Canada, which comprise the statement of financial position as at March 31, 2016, and the statements of operations, other comprehensive income, changes in deficiency and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standard Board, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Financial Consumer Agency of Canada as at March 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standard Board.



Chartered Professional Accountants
Licensed Public Accountants

July 5, 2016
Ottawa, ON

Statement of Financial Position as at March 31, 2016

(in Canadian dollars)	Note	2016	2015
ASSETS			
Current Assets			
Cash Entitlement		\$ 2,325,320	\$ 1,650,739
Trade Receivables, Net	7	88,551	4,926,047
Other Receivables	7	16,663	11,164
Prepaid Expenses		90,041	15,924
Non-current Assets			
Property Plant and Equipment	9	311,115	375,164
Intangible Assets	10	789,835	855,662
TOTAL ASSETS		\$ 3,621,525	\$ 7,834,700
LIABILITIES			
Current Liabilities			
Loan Payable		\$ –	\$ 4,000,000
Trade and Other Payables	8,15	2,634,573	3,020,632
Unearned Assessments		445,055	285,135
Employee Benefits – Sick leave	11	370,363	373,544
Employee Benefits – Severance	11	9,764	7,706
Non-current Liabilities			
Employee Benefits – Severance	11	175,739	161,652
Total Liabilities		\$ 3,635,494	\$ 7,848,669
DEFICIENCY			
Accumulated Deficit	17	(13,969)	(13,969)
TOTAL LIABILITIES AND DEFICIENCY		\$ 3,621,525	\$ 7,834,700

Operating Lease Arrangements and Other Commitments 13

Approved by:



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



Brigitte Goulard
Deputy Commissioner
Chief Financial Officer

The accompanying notes
are an integral part of these
Financial Statements.

Statement of
Operations
for the year ended
March 31, 2016

(in Canadian dollars)	Note	2016	2015
REVENUE			
Assessments		\$ 12,079,723	\$ 12,238,721
Other Revenue		2,530	309
Total Revenue		\$ 12,082,253	\$ 12,239,030
EXPENSES			
Salaries and Benefits		10,878,799	10,113,535
Professional Services		3,013,899	4,204,978
Information Management/Technology		1,066,942	1,224,421
Accommodation		792,384	865,716
Administrative and Other		361,235	387,804
Travel		231,853	330,855
Interest	15	30,668	50,201
Total Expenses		\$ 16,375,780	\$ 17,177,510
Net Results of Operations before Government Funding and Administrative Monetary Penalties		(4,293,527)	(4,938,480)
Government Funding	16	4,317,245	4,934,209
Net Results of Operations before Administrative Monetary Penalties		23,718	(4,271)
Administrative Monetary Penalties	12	-	-
Administrative Monetary Penalties Earned on Behalf of the Government	12	-	-
NET RESULTS OF OPERATIONS		\$ 23,718	\$ (4,271)

The accompanying notes
are an integral part of these
Financial Statements.

Statement of Other
Comprehensive
Income
for the year ended
March 31, 2016

(in Canadian dollars)

	Note	2016	2015
Net Results of Operations		\$ 23,718	\$ (4,271)
Other Comprehensive Income			
Re-measurement Gains (Losses) on Defined Benefit Plans	11	(23,718)	4,271
Total Comprehensive Income		\$ -	\$ -

The accompanying notes
are an integral part of these
Financial Statements.

Statement of Changes in Deficiency

(in Canadian dollars)

Accumulated Deficit (unaudited)

Deficit as at March 31, 2014	\$ (13,969)
Net Results of Operations	(4,271)
Other Comprehensive Income	4,271
Deficit as at March 31, 2015	\$ (13,969)
Net Results of Operations	23,718
Other Comprehensive Income	(23,718)
Deficit as at March 31, 2016	\$ (13,969)

The accompanying notes
are an integral part of these
Financial Statements.

Statement of
Cash Flows
for the year ended
March 31, 2016

(in Canadian dollars)	Note	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Receipts from Financial Entities and Other Government Departments		\$ 22,204,707	\$ 13,888,935
Cash Paid to Suppliers and Employees		(17,317,683)	(16,721,465)
Interest Paid	15	(42,347)	(38,522)
Net Cash Provided by (Used in) Operating Activities		4,844,677	(2,871,052)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of Property Plant and Equipment	9	(71,454)	(263,293)
Acquisition of Intangible Assets	10	(98,642)	(473,278)
Net Cash Used in Investing Activities		(170,096)	(736,571)
CASH FLOWS FROM FINANCING ACTIVITIES			
New Borrowings	15	8,000,000	10,000,000
Repayments		(12,000,000)	(6,000,000)
Net Cash (Used in) Provided by Financing Activities		(4,000,000)	4,000,000
NET INCREASE IN CASH ENTITLEMENT		674,581	392,377
CASH ENTITLEMENT, BEGINNING OF THE YEAR		1,650,739	1,258,362
CASH ENTITLEMENT, END OF YEAR		\$ 2,325,320	\$ 1,650,739

The accompanying notes
are an integral part of these
Financial Statements.

for the year ended
March 31, 2016
(in Canadian dollars)

NOTES TO THE FINANCIAL STATEMENTS

1. AUTHORITY AND OBJECTIVES

On October 24, 2001, the *Financial Consumer Agency of Canada Act* (the FCAC Act, or the Act) came into force, establishing the Financial Consumer Agency of Canada (FCAC, or the Agency). FCAC is responsible for strengthening the oversight of consumer protection measures in the federally regulated financial sector, expanding consumer education activities, and 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 ultimate controlling party.

Specifically, FCAC fulfills the roles listed in sections 3(2) and 3(3) of the FCAC Act, as follows.

3 (2) The objects of the Agency are to

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

3 (3) The objects of the Agency are also to

- (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 parliamentary appropriation 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

The financial statements for the year ended March 31, 2016, were authorized for issue by the Commissioner of the Financial Consumer Agency of Canada on July 5, 2016. The head office is located at 427 Laurier Avenue West in Ottawa, Ontario, Canada. FCAC's principal activities are described in Note 1.

3. BASIS OF PRESENTATION

The financial statements have been prepared on a historical cost basis, except for cash entitlement that has been measured at fair value.

The financial statements are presented in Canadian dollars because that is the currency of the primary economic environment in which FCAC operates.

Statement of compliance

The financial statements of FCAC have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The accounting policies used in the financial statements are based on the IFRS applicable as at March 31, 2016, 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.

4. NEW AND AMENDED STANDARDS AND DISCLOSURES

New accounting standards framework

In December 2014, the Public Sector Accounting Board made revisions to the CPA Canada Public Sector Accounting Handbook (PSA Handbook). As a result of these revisions, FCAC is no longer considered an Other Government Organization, but rather a government component. As a government component, FCAC is required to adopt Public Sector Accounting Standards (PSAS) as its basis of accounting effective for the fiscal year commencing on April 1, 2017.

New standards and interpretations not yet adopted

Disclosure initiative

In December 2014, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* (IAS 1), to provide better guidance to assist entities with applying judgement when meeting the presentation and disclosure requirements of IFRS. The amendments clarify that materiality applies to the financial statements on the whole and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that entities should use professional judgement in determining where and in what order information is presented in the financial statements. FCAC plans to adopt these changes beginning April 1, 2016. The impact of these changes on the financial statements is not expected to be significant.

New standards and interpretations not yet adopted with implementation dates after FCAC's conversion to PSAS

The IASB has also issued amendments to existing IFRS or new IFRS with an implementation date that is after FCAC's conversion to PSAS on April 1, 2017. These new or revised standards that would be applicable for FCAC were it not converting to PSAS are:

1. IFRS 9 *Financial Instruments* – for annual periods beginning on or after January 1, 2018,
2. IFRS 15 *Revenue from Contracts with Customers* – for annual periods beginning on or after January 1, 2018,
3. IFRS 16 *Leases* – for annual periods beginning on or after January 1, 2019, and
4. IAS 7 *Statement of Cash Flows* – for annual periods beginning on or after January 1, 2017.

Since the aforementioned have implementation dates after FCAC's required conversion to PSAS, and FCAC does not intend to early-adopt any of them, further elaboration on the standards is not provided.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of FCAC are set out below:

a) Cash entitlement

FCAC does not have its own bank account. All of the financial transactions of the Agency are processed through the Consolidated Revenue Fund (CRF), a banking facility administered by the Receiver General for Canada. FCAC's cash entitlement represents the amount the Agency is entitled to withdraw from the CRF without further authority. This amount does not earn interest.

b) Financial instruments

The classification of financial instruments is determined by FCAC at initial recognition and depends on the purpose for which the financial assets were acquired or liabilities were incurred. All financial instruments are recognized initially at fair value.

The fair value of financial instruments on initial recognition is based on the transaction price, which represents the fair value of the consideration given or received. Subsequent to initial recognition, financial instruments are measured based on the accounting treatment corresponding to their classification.

CLASSIFICATION	ACCOUNTING TREATMENT
Fair Value through Net Results	Cash Entitlement is classified as "Fair Value through Net Results." Cash Entitlement is measured at fair value.
Loans and Receivables	Trade Receivables and Other Receivables are classified as "Loans and Receivables." Loans and Receivables are non-derivative financial assets with fixed or determinable payments that are not debt securities. Subsequent to initial recognition, Loans and Receivables are measured at amortized cost using the effective interest method. Any gain, loss or interest income is recorded in revenues or expenses depending on the nature of the loan and receivable that gave rise to the gain, loss or interest income.
Other Financial Liabilities	Trade and Other Payables, and Unearned Assessments are classified as "Other Financial Liabilities." Other Financial Liabilities are non-derivative financial liabilities that have not been designated at fair value. Subsequent to initial recognition, Other Financial Liabilities are measured at amortized cost using the effective interest method. Any gain, loss or interest expense is recorded in revenues or expenses depending on the nature of the financial liability that gave rise to the gain, loss or interest expense.

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 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 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 assets' 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*.

c) 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 cost of replacing parts of property, plant 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 or 4 years

Software is capitalized as property, plant and equipment when the software is integral to the use of the related hardware. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively if appropriate.

d) Intangible assets

Intangible assets consist of internally developed and externally purchased software that is not an integral part of 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 their useful economic lives and assessed for impairment whenever there is an indication that the intangible assets 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 their estimated useful lives 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.

e) Impairment of non-financial assets

FCAC assesses at each reporting date whether there are any internal indicators that an asset may be impaired (e.g., damaged or no longer in use). 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

f) 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 are accrued at year end and not discounted. Short-term compensated leave expected to occur within twelve months of the reporting date is classified as a short-term employee benefit. FCAC contributes to the Government of Canada-sponsored Public Service Health Care Plan and Dental Service Plan for employees.

ii) Post-employment benefits

Pension benefits

Substantially all FCAC employees 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

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, and represents the only obligation of FCAC for 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 valuation of the liability is based upon a current market discount rate, which is based on the market yields at the *Statement of Financial Position* 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 Other Comprehensive Income in the *Statement of Other Comprehensive Income*.

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.

g) 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 the borrowing authority to 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.

h) Government funding

Government funding, including parliamentary appropriations, 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 item are recognized at their gross amounts.

i) 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. 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 FCAC 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 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.

6. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of FCAC's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and 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 that have the most significant effect on the amounts recognized in the financial statements:

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, 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 at the *Statement of Financial Position* date 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, plant 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; 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 AAA or AA ratings 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 are based on expected future inflation rates in Canada.

Further details about the assumptions used are given in Note 11(a).

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 AAA or AA ratings 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.

There are no other accounting assumptions or estimates that have been identified to have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next fiscal year.

7. TRADE AND OTHER RECEIVABLES

The breakdown of all amounts owing to FCAC, by type, is as follows:

	Federally Regulated Financial Entities	Other	TOTAL March 31, 2016
Trade Receivables	\$ 89,031	\$ –	\$ 89,031
Allowance for Doubtful Accounts	(480)	–	(480)
Trade Receivables, net	\$ 88,551	–	\$ 88,551
OTHER			
Related Parties	–	3,173	3,173
Other Receivables	–	13,490	13,490
Total Other	–	\$ 16,663	\$ 16,663
TOTAL	\$ 88,551	\$ 16,663	\$ 105,214
% OF TOTAL EXPOSURE	84.2%	15.8%	100.0%

	Federally Regulated Financial Entities	Other	TOTAL March 31, 2015
Trade Receivables	\$ 4,937,047	\$ –	\$ 4,937,047
Allowance for Doubtful Accounts	(11,000)	–	(11,000)
Trade Receivables, net	\$ 4,926,047	–	\$ 4,926,047
OTHER			
Related Parties	–	5,628	5,628
Other Receivables	–	5,536	5,536
Total Other	–	\$ 11,164	\$ 11,164
TOTAL	\$ 4,926,047	\$ 11,164	\$ 4,937,211
% OF TOTAL EXPOSURE	99.8%	0.2%	100.0%

FCAC records an allowance for doubtful accounts considering the age of an outstanding receivable and the likelihood of its collection. Provisions are also made where collection of the receivable is doubtful based on information gathered through collection efforts. An allowance is reversed once collection of the debt is successful or the amount is written off. Impairment losses on accounts receivable recognized during the year ended March 31, 2016 were \$480 (March 31, 2015: \$1,000). Recoveries during the same period totaled \$6,000 (March 31, 2015: \$Nil).

A trade receivable will be considered to be impaired and written off when

FCAC is certain that collection will not occur and all requirements of the *Debt Write-Off Regulations, 1994* have been met. A total of \$5,000 was written off during the year ended March 31, 2016 (March 31, 2015: \$Nil). During the year, no interest was earned on impaired assets and none of the past due amounts were renegotiated. Those that are neither past due nor provided for or impaired are considered to be fully collectible.

As at March 31, 2016, the aging of non-related party trade receivables was as follows (for terms and conditions relating to related party receivables, refer to Note 8):

Days outstanding	Current	31-60	61-90	91-120	> 120	Total
March 31, 2016	\$ -	\$ -	\$ 88,551	\$ -	\$ 480	\$ 89,031
March 31, 2015	\$ 47,330	\$ -	\$ 4,876,717	\$ -	\$ 13,000	\$ 4,937,047

All assessments receivable and accrued assessments are recoverable from federally regulated financial entities (includes banks, trust and loan companies, life insurance companies, property and casualty insurance companies, retail associations and payment card network operators).

FCAC regulates more than 350 financial entities and does not have a significant receivable from any individual financial entity.

Refer to Note 15(c) for further information on credit risk applicable to FCAC.

8. RELATED PARTY TRANSACTIONS

a) The ultimate parent

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

b) Compensation of key management personnel

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

	2016	2015
Short-term employee benefits	\$ 1,640,310	\$ 1,696,215
Post-employment benefits	368,086	425,153
Other long-term benefits	21,149	24,347
Total	\$ 2,029,545	\$ 2,145,715
Average Number of Employees	9	9

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.

During the year ended March 31, 2016, FCAC purchased goods and services for \$4,930,496 (2015: \$5,920,052) and earned revenue of \$301,852 (2015: \$233,357) from transactions with other government departments. Individually, these transactions were in the normal course of business. Although most transactions are not individually significant, FCAC did have the following individually significant transactions:

Entity	Nature	2016 Expenditures	2016 Payables	2015 Expenditures	2015 Payable
Treasury Board Secretariat	Pension contributions and other employee benefits	\$ 2,097,844	\$ 147,826	\$ 1,927,184	\$ 206,031
Public Works and Government Services Canada	Accommodation, translation services and other services	1,023,389	17,092	1,129,927	132,944
Office of the Superintendent of Financial Institutions	Finance and actuarial services	373,527	11,677	396,076	65,716
Department of Justice	Legal services	257,730	19,671	278,298	2,222
Canadian Human Rights Commission	Human resources services	313,752	–	333,939	87
Shared Services Canada	Communication and other services	155,885	8,661	156,672	19,128
Statistics Canada	Research Services	–	–	1,085,875	–
Employment and Social Development Canada	Research Services	168,000	–	–	–

As at March 31, 2016, the amounts of trade receivables and trade and other payables from these related parties are \$3,173 (March 31, 2015: \$5,628) and \$253,661 (March 31, 2015: \$519,983), respectively.

FCAC was granted a parliamentary appropriation of up to \$ 5,000,000 for the fiscal year ended March 31, 2016 (2015: \$ 5,000,000) to support,

collaborate and coordinate its activities and efforts with stakeholders to improve and strengthen the financial literacy of Canadians. During the year ended March 31, 2016, FCAC spent an appropriation of \$4,317,245 (2015: \$4,934,209).

9. PROPERTY, PLANT AND EQUIPMENT

Cost	Leasehold improvements	Furniture and fixtures	Office equipment	Informatics hardware	Informatics software	Total
Balance at March 31, 2014	\$ 922,463	\$ 867,379	\$ 58,531	\$ 321,992	\$ 20,244	\$ 2,190,609
Additions	–	53,601	–	209,692	–	263,293
Balance at March 31, 2015	\$ 922,463	\$ 920,980	\$ 58,531	\$ 531,684	\$ 20,244	\$ 2,453,902
Additions	–	6,339	–	65,115	–	71,454
Disposals/transfers of assets	–	–	(17,526)	(221,001)	–	(238,527)
Balance at March 31, 2016	\$ 922,463	\$ 927,319	\$ 41,005	\$ 375,798	\$ 20,244	\$ 2,286,829
Accumulated depreciation and impairment						
Balance at March 31, 2014	\$ 873,331	\$ 686,857	\$ 54,521	\$ 279,751	\$ 20,244	\$ 1,914,704
Depreciation expense	49,132	46,487	3,046	65,369	–	164,034
Balance at March 31, 2015	\$ 922,463	\$ 733,344	\$ 57,567	\$ 345,120	\$ 20,244	\$ 2,078,738
Disposals/transfers of assets	–	–	(17,526)	(221,001)	–	(238,527)
Depreciation expense	–	46,895	964	87,644	–	135,503
Balance at March 31, 2016	\$ 922,463	\$ 780,239	\$ 41,005	\$ 211,763	\$ 20,244	\$ 1,975,714
Net book value						
Balance at March 31, 2015	–	\$ 187,636	\$ 964	\$ 186,564	–	\$ 375,164
Balance at March 31, 2016	–	\$ 147,080	–	\$ 164,035	–	\$ 311,115

None of the assets held have any restriction on title and none of the assets have been pledged as security for liabilities. As at March 31, 2016, FCAC had \$1,642,473 of capital assets at cost that were fully depreciated and still in use. These assets are near the end of their useful lives, and their fair value is insignificant.

10. INTANGIBLE ASSETS

Cost	Software	Software under development	Total
Balance at March 31, 2014	\$ 373,998	\$ 219,433	\$ 593,431
Additions	100,977	372,301	473,278
Transfer to in use	181,011	(181,011)	–
Balance at March 31, 2015	\$ 655,986	\$ 410,723	\$ 1,066,709
Additions	25,228	73,414	98,642
Transfer to in use	484,137	(484,137)	–
Disposals/transfers of assets	(27,042)	–	(27,042)
Balance at March 31, 2016	\$ 1,138,309	–	\$ 1,138,309
Accumulated amortization			
Balance at March 31, 2014	\$ 116,246	\$ –	\$ 116,246
Amortization	94,801	–	94,801
Balance at March 31, 2015	\$ 211,047	\$ –	\$ 211,047
Amortization	164,469	–	164,469
Dispositions	(27,042)	–	(27,042)
Balance at March 31, 2016	\$ 348,474	\$ –	\$ 348,474
Net book value			
Balance at March 31, 2015	\$ 444,939	\$ 410,723	\$ 855,662
Balance at March 31, 2016	\$ 789,835	\$ –	\$ 789,835

As at March 31, 2016, FCAC had \$72,058 in intangible assets at cost that were fully amortized and still in use. These assets are near the end of their useful lives, and their fair value is insignificant.

11. EMPLOYEE BENEFITS

a) Post-employment benefits

i. Pension benefits

Substantially all FCAC employees 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 contributions. The general contribution rate effective at the end of the period was 11.012% (2015: 11.242%). Total contributions of \$936,218 (2015: \$874,775) were recognized as expenses in the current period.

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 2 percent of pensionable service multiplied by 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.

ii. Severance benefits

Information about FCAC's severance benefit plan is presented in the table below.

	March 31, 2016	March 31, 2015
Accrued Benefit Obligation, beginning of the year	\$ 169,358	\$ 227,349
Current service cost	8,468	7,504
Interest cost	5,615	8,141
Benefits paid	(21,656)	(69,365)
Actuarial (gain)/loss	23,718	(4,271)
Accrued Benefit Obligation, end of the year¹	\$ 185,503	\$ 169,358
Current Portion of Accrued Benefit Obligation, end of the period	\$ 9,764	\$ 7,706
Long-term Portion of Accrued Benefit Obligation, end of the period	175,739	161,652
Accrued Benefit Obligation, end of the year¹	\$ 185,503	\$ 169,358
Net Benefit Plan Cost		
Current service cost	\$ 8,468	\$ 7,504
Interest cost	\$ 5,615	\$ 8,141
Actuarial (gain)/loss	\$ 23,718	\$ (4,271)
Benefit Cost	\$ 37,801	\$ 11,374

¹ The cost corresponding to annual changes in the accrued benefit liability is recovered from FCAC's various sources of revenue outlined in Note 5(i) to the financial statements. Amounts collected in excess of benefits paid are presented on the *Statement of Financial Position* under the heading of Cash Entitlement.

Annually, as at March 31 of each year, FCAC obtains an actuarial valuation of its accrued benefit obligation. Cumulative actuarial losses (gains) recorded in income since April 1, 2010, the date of FCAC's transition to IFRS, is \$155,348 (2015: \$131,630).

The significant actuarial assumption adopted in measuring FCAC's accrued benefit obligation is a discount rate of 3.73% (2015: 3.45%). For measurement purposes, management's best estimate for the general salary increases to estimate the current service cost and the accrued benefit obligation as at March 31, 2016 is an annual economic increase of 1.0% for the plan year 2017 and 2018 (2015: 0.5% for the plan year 2016 and 2017). Thereafter, an annual economic increase of 1.0% is assumed (2015: 1.0%). The average remaining service period of active employees covered by the benefit plan is 17 years (2015: 16 years).

Amounts for the current and previous four periods are as follows:

Employee benefits—severance	Accrued benefit obligation	Actuarial losses (gains) recognized during the period
March 31, 2016	\$ 185,503	\$ 23,718
March 31, 2015	169,358	(4,271)
March 31, 2014	227,349	68,640
March 31, 2013	570,785	81,270
March 31, 2012	430,540	41,227

Sensitivity analysis

The discount rate used to estimate the present value of the severance benefit obligation has a significant effect on the obligation at the end of the year, as well as on the current service and interest costs. A 1.0% change in the discount rate would have had the following effects for 2016:

Change in discount rate of 1.0%	Increase	Decrease
Accrued benefit obligation	\$ (19,173)	\$ 22,927

These sensitivities are hypothetical and should be interpreted with caution.

The relationship of a change in assumption to the change in value may not be linear. Changes in one factor may result in changes in another, which may magnify or counteract the sensitivities.

b) Other long-term benefits

i. Sick leave

Information about FCAC's sick leave plan is presented in the table below.

	March 31, 2016	March 31, 2015
Accrued Benefit Obligation, beginning of the year	\$ 373,544	\$ 313,927
Current service cost	59,469	49,643
Interest cost	13,831	13,430
Benefits used	(11,656)	(43,327)
Actuarial (gain) loss	(64,825)	39,871
Accrued Benefit Obligation, end of the year¹	\$ 370,363	\$ 373,544
Net Benefit Plan Cost		
Current service cost	\$ 59,469	\$ 49,643
Interest cost	13,831	13,430
Actuarial (gain) loss	(64,825)	39,871
Benefit Cost	\$ 8,475	\$ 102,944

¹ The cost corresponding to annual changes in the accrued benefit liability is recovered from FCAC's various sources of revenue outlined in Note 5(i) to the financial statements. Amounts collected in excess of benefits paid are presented on the *Statement of Financial Position* under the heading of Cash Entitlement.

Annually, as at March 31 of each year, FCAC obtains an actuarial valuation of its accrued benefit obligation. Actuarial assumptions are reviewed at each valuation date. Cumulative actuarial losses recorded in income since April 1, 2010, the date of FCAC's transition to IFRS, are \$166,499 (2015: \$231,324).

The significant actuarial assumption adopted in measuring FCAC's accrued benefit obligation is a discount rate of 3.73% (2015: 3.48%). For measurement purposes, management's best estimate for the general salary increases to estimate the current service cost and the accrued benefit obligation as at March 31, 2016 is an annual economic increase of 1.0% for the plan year 2017 and 2018 (2015: 0.5% for 2016 and 2017). Thereafter, an annual economic increase of 1.0% is assumed (2015: 1.0%). The average remaining service period of active employees covered by the benefit plan is 17 years (2015: 16 years).

Amounts for the current and previous four periods are as follows:

Employee benefits—sick leave	Accrued benefit obligation	Actuarial losses (gains) recognized during the period
March 31, 2016	\$ 370,363	\$ (64,825)
March 31, 2015	373,544	39,871
March 31, 2014	313,927	(70,122)
March 31, 2013	325,749	56,109
March 31, 2012	235,950	194,212

Sensitivity analysis

The discount rate and sick leave usage rate used to estimate the present value of the sick leave obligation has a significant effect on the obligation at the end of the year, as well as on the current service and interest costs. A 1.0% change in the discount rate or the sick leave usage rate would have had the following effects for 2016.

Change in discount rate of 1.0%	Increase	Decrease
Accrued benefit obligation	\$ (44,770)	\$ 54,032
Change in usage rate of 1.0%	Increase	Decrease
Accrued benefit obligation	\$ 17,032	\$ (17,032)

These sensitivities are hypothetical and should be interpreted with caution. The relationship of a change in assumption to the change in value may not be linear. Changes in one factor may result in changes in another, which may magnify or counteract the sensitivities.

12. ADMINISTRATIVE MONETARY PENALTIES

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

In the year ended March 31, 2016, FCAC levied \$Nil (2015: \$Nil) in administrative monetary penalties.

13. OPERATING LEASE ARRANGEMENTS

Minimum lease payments under operating leases recognized as an expense during the year ended March 31, 2016 were \$1,555,514 (2015: \$1,564,817).

FCAC has entered into operating lease agreements for office space and office equipment and contracts for services. These leases have an average life of between one and four years, with no renewal option included in the contracts. There are no restrictions placed upon FCAC when entering into these leases. The minimum aggregate annual payments for future fiscal years are as follows:

	2016	2015
Within one year	\$ 1,480,998	\$ 1,484,387
After one year but not more than five years	1,870,447	3,893,988
More than five years	—	—
Total	\$ 3,351,445	\$ 5,378,375

14. HUMAN RESOURCES EXPENSE

	2016	2015
Wages and salaries	\$ 8,317,967	\$ 7,962,750
Other benefits	1,517,914	1,222,060
Post-employment benefits other than severance	936,218	874,775
Other personnel costs	92,617	38,305
Severance benefits	14,083	15,645
Total Human Resources Expense	\$ 10,878,799	\$ 10,113,535

15. FINANCIAL RISK MANAGEMENT

FCAC's financial liabilities include Trade and Other Payables, and Unearned Assessments. The main purpose of these liabilities is to provide short-term financing for FCAC's operations. Financial assets include Cash Entitlement, Trade and Other Receivables.

FCAC is exposed to market risk, credit risk and liquidity risk in connection with financial instruments.

a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity risk. FCAC is exposed to currency risk on any amounts payable that are to be settled in a currency other than the Canadian dollar, and is exposed to interest rate risk as discussed below. FCAC is not exposed to other price risk.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. FCAC's exposure to the risk of changes in foreign exchange rates relates primarily to the Agency's operating activities (when expenses are denominated in a currency other than the Canadian dollar).

FCAC manages its exposure to currency risk by structuring its contracts in Canadian dollars wherever possible. The majority of FCAC's transactions are denominated in Canadian dollars; consequently, FCAC's exposure to currency risk is insignificant.

There is no impact to revenue since all billings are done in Canadian dollars.

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. FCAC's exposure to the risk of market interest rates relates primarily to FCAC's loans payable with floating interest rates as determined by the Department of Finance Canada. FCAC attempts to reduce the borrowings necessary by effectively forecasting its required cash flows from assessments from financial entities. FCAC is not authorized to enter into any arrangements in order to reduce its exposure to interest rate risk.

The table below demonstrates the sensitivity of FCAC's operating expenses to a one-percentage-point fluctuation in market interest rates, with all other variables held constant.

	Fluctuation in Interest Rate	Effect on Expenses
March 31, 2016	+1%	\$ 37,781
	-1%	(37,781)
March 31, 2015	+1%	\$ 46,109
	-1%	(46,109)

c) Credit risk

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument, resulting in a financial loss for FCAC. The maximum exposure FCAC has to credit risk as at March 31, 2016, is \$105,214 (March 31, 2015: \$4,937,211), which is equal to the carrying value of its Trade Receivables, Accrued Assessments and Other Receivables.

All federally regulated financial entities are required to register with FCAC and pay the assessments as established by FCAC. Any loss incurred by FCAC as a result of a counterparty's not meeting its obligations is recorded in the year incurred and collected in the following year, as outlined in the FCAC Act. All remaining receivables are with other government organizations, where there is minimal potential risk of loss. FCAC does not hold collateral as security.

d) Liquidity risk

Liquidity risk is the risk that FCAC will encounter difficulty in meeting obligations associated with current and future financial liabilities. FCAC's objective is to maintain sufficient cash entitlement by collecting assessments and fees in order to meet its operating requirements. FCAC manages liquidity risk through a detailed annual planning and billing process, which is structured to allow for sufficient liquidity from one billing period to the next.

FCAC's objective is to accurately estimate its operating costs for the year in order to accurately estimate the assessments and fees to be collected from federally regulated financial entities.

FCAC's policy is to satisfy liabilities by the following means (in decreasing order of priority):

- Cash entitlement
- Borrowings from the CRF

The table below summarizes the maturity profile of FCAC's financial liabilities at March 31, 2016 and March 31, 2015, based on contractual undiscounted payments. When the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which FCAC can be required to pay. When amounts are due in installments, each installment is allocated to the earliest period in which FCAC can be required to pay.

	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	Greater than 5 years	March 31, 2016 Total
Trade and Other Payables	\$ 384,124	\$ 1,828,649	\$ 421,800	\$ –	\$ –	\$ 2,634,573
Unearned Assessments	–	–	445,055	–	–	445,055
Total	\$ 384,124	\$ 1,828,649	\$ 866,855	\$ –	\$ –	\$ 3,079,628
Trade and Other Payables	\$ 430,155	\$ 2,190,921	\$ 399,556	\$ –	\$ –	\$ 3,020,632
Unearned Assessments	–	–	\$ 285,135	–	–	285,135
Total	\$ 430,155	\$ 2,190,921	\$ 684,691	\$ –	\$ –	\$ 3,305,767

Balances due within 12 months equal their carrying amounts, as the impact of discounting is insignificant.

By March 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 FCAC Act and the consumer provisions. The Commissioner then assesses each federally regulated financial entity a portion of these expenses, as determined by regulation or the financial assessment methodology of payment card network operators. Interim assessments are also possible. To temporarily fund expenses until entities 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. The authority to borrow from the CRF is granted under section 13 of the FCAC Act. For the year ended March 31, 2016, the Minister has approved up to \$11,000,000 (2015: \$11,000,000). All amounts borrowed must be repaid within one year. The Agency pays interest on the funds borrowed as described under “Interest Rate Risk.”

As at March, 2016 FCAC had used \$Nil (2015: \$4,000,000) of this facility. Refer to Note 1 for further information on FCAC’s authority.

The liquidity of FCAC’s financial assets is outlined in Note 7, “Trade and Other Receivables.”

16. GOVERNMENT FUNDING

FCAC was granted a parliamentary appropriation of up to \$5,000,000 for the fiscal year ended March 31, 2016 (2015: \$5,000,000) to support, collaborate and coordinate its activities and efforts with stakeholders to improve and strengthen the financial literacy of Canadians. During the year ended March 31, 2016, FCAC spent an appropriation of \$4,317,245 (2015: \$4,934,209).

17. DEFICIENCY

Accumulated Deficit: \$46,533 of Accumulated Deficit was created as part of FCAC’s transition to IFRS from Canadian generally accepted accounting principles on April 1, 2010. This balance was reduced by \$32,564 as a result of operations during the year ended March 31, 2011 under IFRS. The balance has not changed since the transition to IFRS.

Capital Management: FCAC includes its Accumulated Deficit, entitled “Deficiency,” in its definition of capital. FCAC is prohibited from issuing its own capital or its own debt to meet any capital requirements. FCAC operates on a cost recovery basis. Its objective when managing capital is to closely manage actual costs to those estimated and communicated to its paying stakeholders. Any operating shortfall or excess is factored into the assessments and fees charged to regulated entities in the following year. FCAC fully recovered all of its costs incurred in the year.

FCAC is not subject to any externally imposed capital requirement.

FCAC did not change its capital management objectives, policies or processes during the year ended March 31, 2016.



CONNECT WITH US

Website	fcac.gc.ca itpaystoknow.gc.ca
Telephone (Consumer Services Centre) <i>Toll-free</i>	1-866-461-3222
TTY (for persons with hearing impairment) <i>Toll-free</i> <i>In Ottawa or outside Canada</i>	1-866-914-6097 613-947-7771
Email	info@fcac.gc.ca
Fax <i>Toll-free</i> <i>In Ottawa or outside Canada</i>	1-866-814-2224 613-941-1436
Twitter	@FCACan
YouTube	FCACan
Facebook	FB.com/FCACan
Postal address	Financial Consumer Agency of Canada Enterprise Building 427 Laurier Avenue West Ottawa, Ontario K1R 1B9