

Financial Institutions Commission of BC

Service Plan

Fiscal Year 2005/2006 – Fiscal Year 2007/2008

February 15, 2005



**BRITISH
COLUMBIA**

Province of British Columbia
Ministry of Finance

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Vision, Mission and Values

Vision

To be the most progressive and cost-effective regulator in Canada of financial services, pensions, and real estate services.

Mission

Maintain confidence in British Columbia's financial services sector by effective regulation.

Values

FICOM VALUES

Our actions are guided by the following values:

Effectiveness — We focus on obtaining results, even when they are difficult to measure, rather than on activities. We anticipate problems before they arise and address them in a timely manner.

Integrity — We value honesty, cooperation, transparency, reliability, fairness and respect within the workplace and demonstrate these qualities in the exercise of our regulatory function.

Professionalism — We take pride in the quality of our work and continually strive to improve ourselves by seeking knowledge, revising our methods and providing innovative solutions.

Accountability — We are accountable for the decisions we make.

Section 1: Plan In Brief

Responsibilities

The Financial Institutions Commission of British Columbia (“FICOM”) is responsible for regulating financial services in the Province of British Columbia — this includes credit unions, trust services, insurance, pensions, mortgage brokers, and multi-unit real estate developments.

FICOM’s mission is to maintain confidence in the financial services sector by effective regulation. Confidence in financial services is of fundamental importance to a strong and vibrant provincial economy.

In support of its mission, FICOM has seven organizational goals:

Goal 1:	British Columbians have confidence in credit unions and trusts.
Goal 2:	British Columbians have confidence in insurers.
Goal 3:	British Columbians have confidence in provincially registered pension plans.
Goal 4:	British Columbians have confidence that mortgage brokers are regulated effectively.
Goal 5:	British Columbians have confidence in the regulation of multi-unit real estate development marketing and the approval process for strata plans.
Goal 6:	The investigative activities of FICOM deter non-compliance with statutes and criminal activities related to financial services in British Columbia.
Goal 7:	FICOM is administratively effective and efficient.

Section 2: Resource Summary

Projected Annual Operating Budget By Program (\$000)

Core Businesses	2004/05 Estimates	2005/06 Forecast	2006/07 Forecast	2007/08 Forecast
Operating Expenditures				
Credit Unions and Trusts	3,600,000	4,730,000	4,800,000	4,900,000
Insurance	1,760,000	2,155,000	2,300,000	2,400,000
Pensions	900,000	1,120,000	1,200,000	1,250,000
Real Estate and Mortgage Brokers	2,445,000	2,930,000	3,000,000	3,100,000
Recoveries	(10,205,000)	(10,934,000)	(11,299,000)	(11,649,000)
Totals	1,500,000	1,000	1,000	1,000

Projected Staffing Complement By Program (FTEs)

Core Businesses	2004/05	2005/06 Forecast	2006/07 Forecast	2007/08 Forecast
Staff FTEs				
Credit Unions and Trusts	40.3	40.3	40.3	40.3
Insurance	16.1	16.1	16.6	16.6
Pensions	10.3	11.3	11.3	11.3
Real Estate and Mortgage Brokers	23.3	23.3	23.8	23.8
Totals	90	91	92	92

Section 3:

Overview of FICOM and Core Business Areas

FICOM has four core business areas that are organized around its areas of regulatory responsibility.

Credit Unions and Trusts

- Regulates credit unions and trust services under the *Financial Institutions Act* and the *Credit Union Incorporation Act*.
- Administers deposit insurance for credit unions through the Credit Union Deposit Insurance Corporation.

Insurance

- Responsible for the regulation of insurers under the *Financial Institutions Act*, *Insurance Act*, *Insurance (Captive Company) Act*, and *Insurance (Marine) Act*.
- The Insurance Council of B.C. is responsible for licensing insurance sales agents and adjusters.
- The Superintendent may appeal disciplinary decisions of the Insurance Council.

Pensions

- Regulates pension plans registered in British Columbia under the *Pension Benefits Standards Act*.

Real Estate and Mortgage Brokers

- Regulates mortgage brokers under the *Mortgage Brokers Act*.
- Regulates the marketing of multi-unit real estate developments under the *Real Estate Development Marketing Act*.
- Approves strata plan schedules under the *Strata Property Act*.

- Under the *Real Estate Services Act*, the Real Estate Council of British Columbia is a self-regulatory organization (“SRO”) that regulates real estate brokerages and representatives, and property managers. Effective January 2006, strata managers will also be regulated by the Real Estate Council.
- The Superintendent of Real Estate has powers to intervene in the regulation of real estate professionals if an urgent concern for the public interest arises, and is responsible for investigating unlicensed real estate activities.
- The Superintendent may appeal disciplinary decisions of the Real Estate Council.

Support Functions

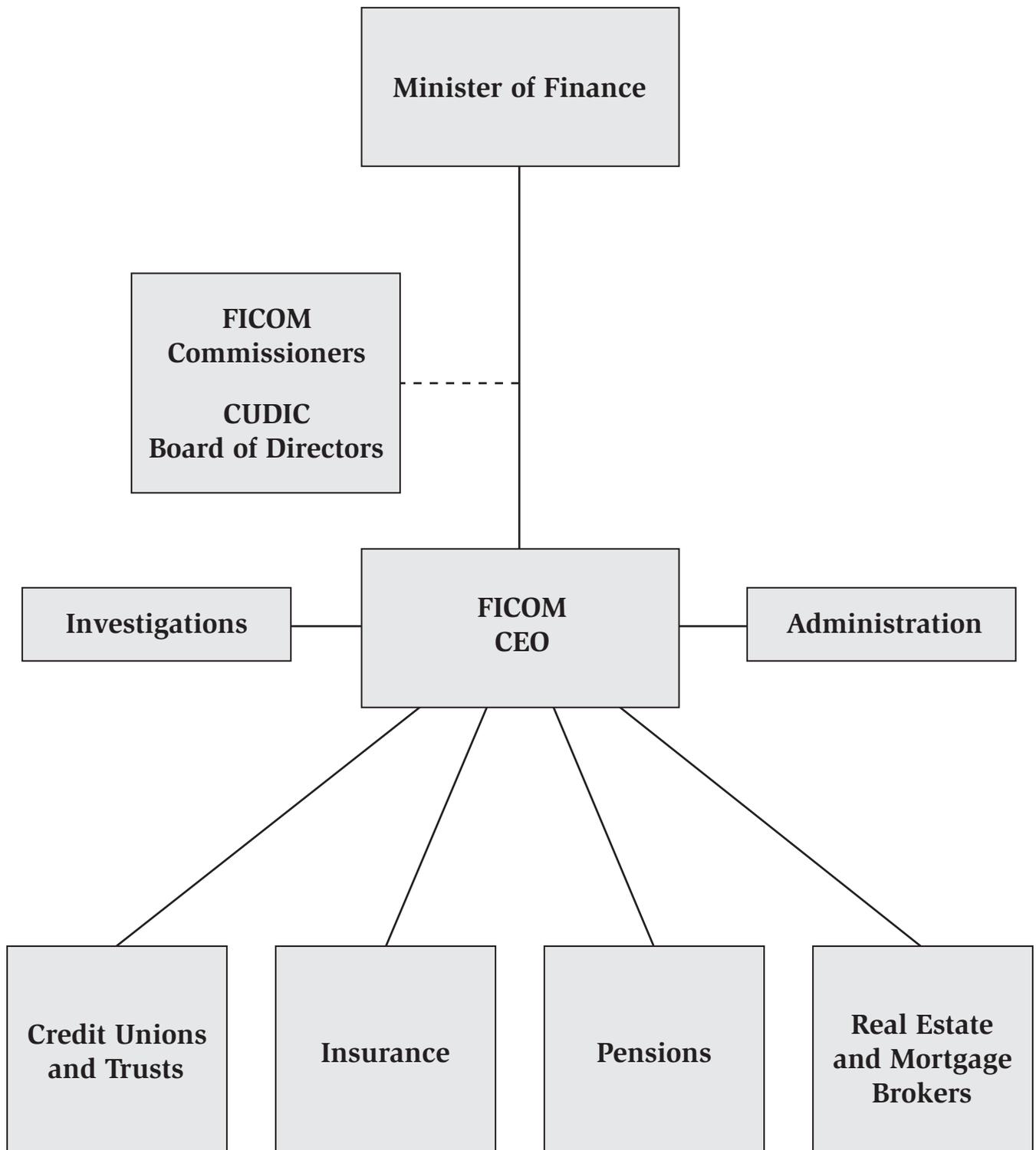
INVESTIGATIONS

The Investigations department investigates significant statutory breaches of all acts administered by FICOM. It also investigates related criminal matters, such as fraud, that may be uncovered in the course of these investigations.

ADMINISTRATION

FICOM’s core business areas are supported by the following departments: Records, Systems, Accounting, Strategic Initiatives and Operational Planning, and the CEO’s office. These departments provide a wide variety of services including records management, reception, communications, systems support, accounting, budgeting, purchasing, freedom of information requests, policy research, legislative reviews, performance planning and reporting, strategic human resources management, and secretarial support.

Organizational Chart



Section 4:**Goals, Objectives, Strategic Activities and Results****Approach to Performance Planning**

As a BC government entity, FICOM prepares its service plan in accordance with guidelines issued by the Ministry of Finance's Treasury Board. These are general guidelines for all BC government entities.

Because of FICOM's role as a regulator, some deviations from the prescribed guidelines are necessary. The guidelines call for a process of first identifying goals, then objectives, and then strategies. Expected results are then to be tracked relative to performance measures.

As a variant on this prescribed approach, FICOM has identified goals, then responsibilities, and then strategic activities. FICOM reports on its identified performance measures — outcome, output and efficiency measures — and its strategic activities in its annual report. This approach is better suited to FICOM's role as a regulator.

FICOM identified its intention to use confidence indices for outcome reporting on Goals 1, 2 and 3 in its 2004/05 service plan. FICOM has now prepared a discussion paper on the use of confidence indices for performance reporting and the paper will be available on FICOM's website in May 2005 (www.fic.gov.bc.ca).

Organizational Goals

FICOM has identified seven organizational goals:

Goal 1:	British Columbians have confidence in credit unions and trusts.
Goal 2:	British Columbians have confidence in insurers.
Goal 3:	British Columbians have confidence in provincially registered pension plans.
Goal 4:	British Columbians have confidence that mortgage brokers are regulated effectively.
Goal 5:	British Columbians have confidence in the regulation of multi-unit real estate development marketing and the approval process for strata plans.
Goal 6:	The investigative activities of FICOM deter non-compliance with statutes and criminal activities related to financial services in British Columbia.
Goal 7:	FICOM is administratively effective and efficient.

Overview of FICOM's Strategic Activities

Starting in 2001, FICOM began dramatically changing its regulatory and supervisory approach. Like many other financial services regulators in the world, FICOM has adopted a risk-based approach. FICOM now focuses on the key risks relative to individual financial institutions and registrants.

Goal 1: *British Columbians have confidence in credit unions and trusts.*

OUTCOME/KEY INDICATOR

Confidence index for BC credit unions.

CORE BUSINESS AREA

Credit Unions and Trusts.

RESPONSIBILITIES

FICOM has broad responsibilities relative to credit unions and trusts in British Columbia. The primary focus of FICOM's regulatory activities is the solvency of these institutions but FICOM also administers their registration system and, through the Credit Union Deposit Insurance Corporation (CUDIC), administers deposit insurance for credit unions.

The specific regulatory responsibilities of FICOM are as follows:

- 1) Identify credit unions and their specific practices that pose a risk to depositors and ensure that remedial action is taken.
- 2) Identify trusts and their specific practices that pose a risk to clients and ensure that remedial action is taken.
- 3) Provide a timely and efficient registration system for credit unions and trusts.
- 4) Monitor regulatory burden on credit unions and trusts and seek to reduce where possible.
- 5) Ensure that adequate research into emerging risks and policy issues is conducted.
- 6) Support CUDIC and ensure it is administered effectively and efficiently.
- 7) Oversee activities that are delegated to Stabilization Central Credit Union.

STRATEGIC ACTIVITIES

The following activities represent how FICOM is meeting its regulatory responsibilities for credit unions and trusts in fiscal 2005-06:

- 1) Administer and evaluate the newly implemented risk-based supervisory framework for credit unions.
- 2) Review current regulatory requirements for credit unions and trusts, and recommend elimination of unnecessary regulatory burden.

- 3) Review emerging policy issues and assist with corresponding updates to the legislation and regulation that applies to credit unions and trusts.
- 4) Monitor major risks to the BC credit union system that could result in the deposit insurance fund being impaired.
- 5) Update CUDIC's communications materials and related regulatory requirements to ensure that they meet contemporary needs.
- 6) Implement new CUDIC investment policy.
- 7) Update protocol agreement with Stabilization Central Credit Union.
- 8) Consult with stakeholders and survey the public on the regulatory effectiveness of FICOM's activities related to credit unions and trusts.

PERFORMANCE REPORTING

FICOM has developed a confidence index to track its effectiveness in regulating credit unions and trusts at an outcome/key indicator level. FICOM's annual report includes detailed performance reporting.

Goal 2: *British Columbians have confidence in insurers.*

OUTCOME/KEY INDICATOR

Confidence index for BC insurers.

CORE BUSINESS AREA

Insurance.

RESPONSIBILITIES

FICOM regulates the solvency and market conduct of insurers, and registers captive insurance companies operating in British Columbia. However, FICOM's specific responsibilities for solvency vary depending on the jurisdiction of incorporation.

Solvency regulation ensures that insurers operating in British Columbia can be reasonably expected to have the resources to meet the policy obligations they enter into. FICOM is the principal regulator of solvency for BC's incorporated insurers, and is the secondary regulator of solvency for extra-provincial insurers.

FICOM regulates market conduct for all insurers in BC. FICOM enforces the market conduct provisions of BC's insurance statutes.

The specific regulatory responsibilities of FICOM are as follows:

- 1) Supervise insurers and address solvency concerns with their operations.
- 2) Address insurer related statutory market conduct issues.
- 3) Provide a timely and efficient registration system for insurers and captive insurance companies.
- 4) Identify opportunities to streamline and harmonize regulations with other jurisdictions, and otherwise eliminate unnecessary regulatory.
- 5) Ensure that adequate research into emerging risks and policy issues is conducted.
- 6) Maintain a strong working relationship with the Insurance Council of BC.

STRATEGIC ACTIVITIES

The following activities represent how FICOM is meeting its regulatory responsibilities for insurance in fiscal 2005-06:

- 1) Administer and evaluate the newly implemented risk-based supervisory framework for insurers.

- 2) Review regulatory requirements for insurers with other regulators and attempt to eliminate unnecessary requirements.
- 3) Review emerging risks and policy issues, and assist with corresponding updates to the legislation and regulation that applies to insurers.
- 4) Develop an electronic filing system for financial information and filings required of insurers.
- 5) Consult with stakeholders and survey the public on the regulatory effectiveness of FICOM's insurance related activities.

PERFORMANCE REPORTING

FICOM has developed a confidence index to track its effectiveness in regulating insurers at an Outcome/Key Indicator level. FICOM's annual report includes detailed performance reporting.

Goal 3: *British Columbians have confidence in provincially registered pension plans.*

OUTCOME/KEY INDICATOR

Confidence index for BC's provincially registered pension plans.

CORE BUSINESS AREA

Pensions.

RESPONSIBILITIES

FICOM is responsible for the regulation of provincial pension plans in British Columbia under the *Pension Benefits Standards Act*. As the regulator, FICOM has two fundamental responsibilities:

- It oversees the financial health of pension plans and administers the rules for the investment of plan assets, funding standards, and solvency standards; and,
- It oversees adherence by pension plans to minimum standards for eligibility, vesting, portability, survivor benefits, employer contributions, and disclosure to members.

The specific regulatory responsibilities of FICOM are as follows:

- 1) Provide an efficient registration system for pension plans.
- 2) Monitor pension plans for legislative and regulatory compliance.
- 3) Review requests for consent by the Superintendent to plan amendments and other regulatory activities.
- 4) Respond to public queries regarding pension plans.
- 5) Intervene when pension plans are not administered in accordance with significant statutory requirements.
- 6) Ensure that adequate research into emerging risks and policy issues is conducted.
- 7) Identify opportunities to streamline and harmonize regulations with other jurisdictions, and otherwise eliminate unnecessary regulatory burden.

STRATEGIC ACTIVITIES

The following activities represent how FICOM is meeting its regulatory responsibilities for pensions in fiscal 2005-06:

- 1) Implement first phase of a risk-based approach to pension plan regulation.

- 2) Develop an electronic system for required pension plan filings.
- 3) Review emerging policy issues and assist with corresponding updates to the legislation and regulation that applies to pensions.
- 4) Review pension plan disclosure requirements.
- 5) Consult with stakeholders and survey the public on the regulatory effectiveness of FICOM's activities related to pensions.

PERFORMANCE REPORTINGS

FICOM has developed a confidence index to track its effectiveness in regulating pensions at an Outcome/Key Indicator level. FICOM's annual report includes detailed performance reporting.

Goal 4: *British Columbians have confidence that mortgage brokers are regulated effectively.*

OUTCOME/KEY INDICATOR

Public confidence in mortgage brokers.

CORE BUSINESS AREA

Real Estate and Mortgage Brokers.

RESPONSIBILITIES

FICOM is the regulator of mortgage brokers, who are registered to arrange, buy, sell, administer or fund mortgages on real estate.

The regulatory responsibilities of FICOM related to mortgage brokers are as follows:

- 1) Maintain an efficient registration system for mortgage brokers.
- 2) Regulate mortgage brokers in British Columbia.
- 3) Investigate unregistered mortgage broker activity.

STRATEGIC ACTIVITIES

The following activities represent how FICOM is meeting its regulatory responsibilities for mortgage brokers in fiscal 2005-06:

- 1) Develop a risk-based framework for mortgage broker regulation.
- 2) Encourage industry group development and discipline among mortgage brokers.
- 3) Enhance performance reporting on the processing of required mortgage broker applications.

PERFORMANCE REPORTING

The following performance measures have been identified for FICOM's regulation of mortgage brokers related activities:

- Survey of confidence in mortgage brokers.
- Annual qualitative review of mortgage broker related complaints received by FICOM.
- Timeliness of processing of mortgage broker applications.

DISCUSSION OF INDIVIDUAL PERFORMANCE MEASURES

Survey of Confidence in Mortgage Brokers

A survey of consumer confidence in mortgage brokers provides a general perspective on how well the regulatory system is operating.

Qualitative Review of Annual Complaints Received By FICOM and of Investigations Undertaken By FICOM Regarding Mortgage Brokers

A qualitative review of the complaints received by FICOM regarding mortgage brokers and related investigations provides an understanding of how well the regulatory framework is functioning and potential gaps in it.

Timeliness of Processing of Mortgage Broker Applications

The processing of applications received in a timely manner provides a measure of both effectiveness and efficiency.

Goal 5: *British Columbians have confidence in the regulation of multi-family residential real estate development marketing and the approval process for strata plans.*

OUTCOME/KEY INDICATOR

Internal review of administrative effectiveness in addressing real estate development and strata plan responsibilities.

CORE BUSINESS AREA

Real Estate and Mortgage Brokers.

RESPONSIBILITIES

FICOM administers the *Real Estate Development Marketing Act* and *Strata Property Act*. The Superintendent of Real Estate has limited powers under the *Real Estate Services Act*.

The regulatory responsibilities of FICOM related to real estate and strata plans are as follows:

- 1) Ensure that developers of new multi-unit real estate developments provide complete disclosure to consumers.
- 2) Approve strata plan schedules under the *Strata Property Act*.
- 3) Investigate unlicensed real estate activity.
- 4) Intervene in the regulation of real estate professionals if a serious concern for the public interest arises.

STRATEGIC ACTIVITIES

The following activities represent how FICOM is meeting its regulatory responsibilities for mortgage brokers and real estate in fiscal 2005-06:

- 1) Implement a risk-based approach to processing of filings under the *Real Estate Development Marketing Act*.
- 2) Maintain a strong working relationship with the Real Estate Council of British Columbia to ensure that regulatory responsibilities are harmonized.
- 3) Maintain a strong working relationship with the British Columbia Securities Commission to ensure that regulatory responsibilities are harmonized.

PERFORMANCE REPORTING

The following performance measures have been identified for FICOM's real estate and strata plan activities:

- Monitoring of the marketing of certain real estate developments for compliance with disclosure requirements.
- Timeliness of processing of real estate related filings.
- Timeliness of processing strata plan approvals.

DISCUSSION OF INDIVIDUAL PERFORMANCE MEASURES

Monitoring of the Marketing of Certain Real Estate Developments for Compliance with Disclosure Requirements

Whether or not disclosure requirements are widely adhered to by real estate developers provides a good measure of how well the public interest is supported.

Timeliness of Processing of Real Estate Filings

The processing of filings that are required of certain real estate developers in a timely manner provides a measure of both effectiveness and efficiency.

Timeliness of Processing of Strata Plan Approvals

The processing of strata plan approvals in a timely manner provides a measure of both effectiveness and efficiency.

Goal 6: *The investigative activities of FICOM deter non-compliance with statutes and criminal activities related to financial services in British Columbia.*

OUTCOME/KEY INDICATOR

Survey of industries regulated by FICOM on FICOM's effectiveness in conducting investigations of serious non-compliance with statutes and criminal activities.

CORE BUSINESS AREA

Support service to all core business areas.

RESPONSIBILITIES

FICOM has responsibilities for investigating the specific sectors of the financial services industry that are regulated by FICOM, including investigations of statutory breaches and criminal activity.

FICOM is not responsible for investigations of federally regulated financial services providers such as banks.

The specific regulatory responsibilities of FICOM are as follows:

- 1) Respond professionally to all enquiries and complaints received and, where appropriate, direct the public to government, industry or self-regulatory organizations (SROs) as required.
- 2) Investigate complaints of statutory and regulatory contraventions in British Columbia related to provincially-regulated financial services if a significant impact on public confidence in the financial services sector is probable.
- 3) Investigate complaints of criminal activity involving provincially-regulated financial services in British Columbia to ensure that the public is protected from criminal activity.
- 4) Provide information to the public on detecting fraudulent or other inappropriate business practices to help them avoid being victimized.
- 5) Provide information to financial institutions on fraud schemes that may have a systemic impact.

STRATEGIC ACTIVITIES

The following activities represent how FICOM is meeting its regulatory responsibilities for investigations in fiscal 2005-06:

- 1) Streamline enquiry and complaint processing through implementation of contact centre at FICOM.
- 2) Compare activity and performance reporting for investigations with that of comparable entities.
- 3) Review complaints received regarding financial institutions and registrants to determine trends and develop a proactive regulatory response.

PERFORMANCE REPORTING

- Survey of financial services stakeholders on FICOM's investigative effectiveness.
- Comparative review of FICOM's investigative effectiveness.
- Internally produced year-end report on FICOM's investigative effectiveness.

DISCUSSION OF INDIVIDUAL PERFORMANCE MEASURES

Survey of Regulated Financial Services Providers of FICOM's Investigative Effectiveness

Financial services providers generally have a good understanding of the types of issues that necessitate investigations of statutory breaches and/or may involve criminal activity, and the challenges involved in such investigations. This understanding allows them to reasonably evaluate FICOM's effectiveness in investigations.

Comparative Review of FICOM's Investigative Effectiveness

A comparative review of FICOM's investigative effectiveness provides an objective assessment.

Internally Produced Year-end Report on FICOM's Investigative Effectiveness

An internal assessment of FICOM's investigative effectiveness provides a good measure of the effectiveness in investigations activities as judged from the standpoint of what approaches were taken in conducting investigations and their relative success.

Goal 7: *FICOM is administratively effective and efficient.*

OUTCOME/KEY INDICATOR

Comparative review of administrative services.

CORE BUSINESS AREA

Support services to all core business areas.

RESPONSIBILITIES

FICOM operates under a “\$1000 vote” for budgeting purposes: it is a self-funded entity. As such, it is responsible for ensuring that it operates in an administratively effective and efficient manner.

FICOM has identified the following as specific administrative and operational responsibilities:

- 1) Ensure that FICOM’s working environment supports staff productivity and development.
- 2) Ensure that FICOM’s computer systems reach the standard required of both staff and regulated entities.
- 3) Ensure that FICOM’s accounting functions are efficient and that financial reporting is meaningful.
- 4) Ensure that FICOM’s purchasing and inventory functions are efficient.
- 5) Ensure that FICOM’s records management functions are efficient.
- 6) Ensure that “make vs. buy” analysis is completed as part of ongoing corporate planning.
- 7) Ensure that FICOM has adequately assessed organizational risks and that identified risks are responsibly managed.
- 8) Provide information to financial institutions on regulatory compliance as legislation and regulations are updated and revised.
- 9) Respond professionally to freedom of information (FOI) requests made to FICOM.
- 10) Prepare and publish service plan and annual report in accordance with BC government guidelines and statutory deadlines.
- 11) Maintain an effective website that meets the communication needs of the public and industry stakeholders.

STRATEGIC ACTIVITIES

The following activities represent how FICOM is meeting its administrative and operational responsibilities in 2005-06:

- 1) Develop and implement new information systems to increase electronic filing at FICOM.
- 2) Update risk management program for FICOM to identify and manage risks that FICOM faces.
- 3) Conduct a strategic planning session with FICOM executive staff to address developing issues in financial services regulation and their administrative and operational consequences for FICOM.
- 4) Review effectiveness of newly implemented communications plan.
- 5) Produce service plan on time and to a standard that is at least equal to comparable BC government agencies.
- 6) Produce annual report on time and to a standard that is at least equal to comparable BC government agencies.
- 7) Examine all opportunities to increase efficiencies through outsourcing.
- 8) Maintain website to a standard that is at least equal to comparable BC government agencies.
- 9) Ensure that the Financial Services Tribunal is administered effectively and efficiently.

PERFORMANCE REPORTING — EFFECTIVENESS MEASURES

Comparison of Website with that of Comparable BC Government Agencies

The comparison of FICOM's website with that of comparable BC government agencies provides a good indication of how effectively FICOM is communicating with the public.

Comparison of Annual Report with that of Comparable BC Government Agencies

The comparison of FICOM's annual report with that of comparable BC government agencies provides a good indication of how effectively FICOM is communicating with the public.

Comparison of Service Plan with that of Comparable BC Government Agencies

The comparison of FICOM's service plan with that of comparable BC government agencies provides a good indication of how effectively FICOM is communicating with the public.

Completion of Freedom of Information Requests within Statutory Deadlines

The *Freedom of Information and Protection of Privacy Act* specifies deadlines for processing freedom of information (FOI) requests. FICOM tracks FOI requests for adherence to these deadlines.

PERFORMANCE REPORTING — EFFICIENCY MEASURES

Credit Unions

- Total credit union regulatory fees per \$1000 of system assets
- Total deposit insurance assessments per \$1000 of system deposits
- Total credit union regulatory fees and total deposit insurance assessments per \$1000 of system assets

Insurance

- Total insurance regulatory fees per \$1000 of premiums written

Pensions

- Regulatory fees per pension plan member — defined benefit plan
- Regulatory fees per pension plan member — defined contribution plan
- Regulatory fees per \$1000 of pension plan assets — defined benefit plan
- Regulatory fees per \$1000 of pension plan assets — defined contribution plan

Mortgage Brokers and Real Estate

- Total regulatory fees per mortgage sub-broker
- Total regulatory fees per mortgage broker

