



Financial Consumer
Agency of Canada

Agence de la consommation
en matière financière du Canada

Value for Canadians



ANNUAL REPORT
2004 – 2005



Protecting Consumers  Informing Canadians

Canada

OUR MISSION

The Financial Consumer Agency of Canada (FCAC) is committed to improving Canada's financial marketplace by:

- supervising financial institutions efficiently and effectively with respect to meeting their obligations to consumers; and
- providing information that enables consumers to understand their rights and make informed financial decisions.

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Enterprise Building, 6th Floor
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Ottawa, Ontario K1R 1B9

September 23, 2005

The Honourable Ralph Goodale, P.C., M.P.
Minister of Finance
House of Commons
Ottawa, Ontario K1A 0M6

Dear Minister:

I am pleased to submit to you the annual report of the Financial Consumer Agency of Canada for the period from April 1, 2004, to March 31, 2005, its third full year of operation.

Yours truly,

William G. Knight
Commissioner

Letter from the Commissioner

March 31, 2005, marked the end of the Financial Consumer Agency of Canada's third full year of operation. The past three years have been an important period, during which we worked to build a strong and effective agency from the ground up. Now we are moving into a new phase: we have an established organization with a clear understanding of the needs of Canadian consumers.

Drawing on our experience, we have better defined the Agency's role as a regulator of market conduct in the federally regulated financial services sector. And with three full years behind me as the first Commissioner of the Financial Consumer Agency of Canada, today I am able to comment on market conduct in the sector, and what it means to Canadian consumers.

As they participate in an increasingly complex financial marketplace, consumers face considerable challenges. In such a marketplace, clear and accurate consumer information is essential to making informed choices, as is appropriate market conduct. As a market conduct regulator, our job is to ensure that all participants in the system have the information they need. A fundamental cornerstone of an effective market conduct system is, in consequence, proper disclosure.



The Financial Consumer Agency of Canada was created by Parliament to protect Canadian consumers, and to ensure that they have the information they need to actively participate in and strengthen the financial services marketplace. With our dual mandate to protect and inform, we fulfill an important function that is indispensable to a healthy, competitive and fair marketplace.

I am proud of what we have achieved in providing Canadians with information that was previously unavailable or difficult to obtain. Following are some of the outstanding accomplishments, issues and goals that marked the past fiscal year.

During 2004–05, the Financial Consumer Agency of Canada broke new ground by identifying consumer information gaps and creating new tools to fill those gaps.

In December 2004, for example, the Agency launched an on-line branch-closure database; this contains dates and locations of more than 700 Canadian bank branch closures dating back to February 2002. While the information on such closures had been previously disclosed by the banks through their annual Public Accountability Statements, this was the first time that all the details had been assembled and made available to consumers in one place and in real time. It is also the first time that the information has been housed in a searchable database. Consumers are not the only ones to benefit from the accessibility of this information; researchers, consumer groups and other players in the financial marketplace can now identify areas that need financial services.

In March 2004, the Agency launched another first-ever tool: an on-line complaint-handling database. This gives consumers easy access to the step-by-step complaint procedures of any Canadian bank or federally regulated trust, loan or insurance company. Many institutions had procedures in place before the Agency came into being, but consumers had little help in determining what steps were involved, whom they should contact at each step, and what their alternatives were if they could not resolve a dispute with their financial institution by internal means. For the first time ever, consumers now have an up-to-date, interactive tool to help them navigate the complaint-handling process of any of the federally regulated financial institutions in Canada.

In addition to these interactive consumer resources, the Financial Consumer Agency of Canada is breaking ground in other significant ways. In 2003-04, the Agency began reviewing bank mortgage documents to determine whether the mortgage prepayment penalty clauses were clear and accurate. As a result of the review, in 2004-05 several banks took steps to ensure that their mortgage penalty clauses use clear language and include all the information needed by borrowers to determine such costs. Through our work with the industry in this area, consumers now receive much clearer disclosure information.

In my view, both the Agency and the industry must be transparent. When something goes wrong, the financial institutions involved should step forward and address the issue openly. With greater awareness of problems, consumers and the industry can identify inappropriate market conduct and work together in their own capacities to improve the system.

During 2004-05, I publicly named and assessed Administrative Monetary Penalties against two financial institutions that had not complied with federal consumer protection legislation. In November 2004, I announced that an institution had violated the *Cost of Borrowing (Trust and Loan Companies) Regulations* by failing to fully disclose in writing the nature and amount of the non-interest fee for changing the frequency of mortgage payments. In the second decision, I announced that another institution had violated the *Cost*

of Borrowing (Banks) Regulations by placing advertisements in its retail branches that indicated an interest rate on a mortgage without disclosing the term of the loan. I levied a penalty of \$50,000 in the case of the first institution and \$30,000 in the case of the second.

In addition to our work in the marketplace, the Financial Consumer Agency of Canada is striving to reach still more Canadians and improve our own best practices internally.

In October and November 2004, the Agency partnered with the Canada Revenue Agency and Social Development Canada in an initiative that brought information about banking rights and the benefits of direct deposit to more than 7 million Canadians. With the Financial Consumer Agency of Canada as the lead, the partners distributed information with all GST rebate, Child Tax Benefit, Old Age Security and Canada Pension Plan cheques. As a direct result, over 230,000 more beneficiaries signed up for direct deposit, a safer and faster way to receive their money.

Another notable event of this past fiscal year was my appearance before the Senate Standing Committee on Banking, Trade and Commerce. I was delighted to appear before the Committee and share with the Senators some of the important work the Agency is doing, along with the contributions we have made during the past three years. I also addressed some points raised by the Senators about significant issues facing Canadian financial consumers today, and I discussed the

information gaps that the Financial Consumer Agency of Canada may be able to fill in these areas. Some of the topics raised included payday loans, credit card solicitation practices and the growing problem of fraud linked to electronic banking.

Payday loans are a concern that I have highlighted since the first annual report of the Agency in 2001. The payday loans industry has been expanding remarkably quickly, and its services attract growing numbers of consumers. To ensure that consumers have ready access to clear and accurate information, the Agency has developed a brochure explaining the additional expense involved in using payday loans. The brochure also contains information about other short-term funding options offered by regulated financial institutions, such as lines of credit, bank loans and overdraft protection. With our partners, we will continue to explore the reasons behind the growth of payday loan companies so that we can best inform consumers about their choices.

To make sound decisions, consumers need information. That is why I will continue to monitor the solicitation practices of the industry in the area of credit cards. In the past year, financial institutions have offered credit cards with “rates as low as” rather than specifying the actual rates. In my view, this practice is not acceptable. Before they apply for a credit card, consumers must be told what the rate of interest will be. Without full disclosure, Canadians cannot shop around and make informed choices.

Consumers must also be aware not only of rates and fees, but of the risks they face with any financial service or product. As increasing numbers of Canadians turn to on-line banking, our job will be to ensure that consumers are aware of the risks involved.

The Agency will closely monitor new electronic or on-line products that offer consumers the option of paying for goods directly from their bank accounts. Next year, we will report to Parliament on the progress of a new public commitment made by the banks to protect consumers from fraud and unauthorized transactions that may result from using the on-line payment system.

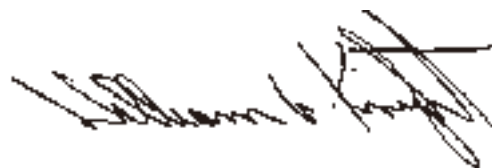
During 2005-06, I hope to continue working with the industry and our partners on these and other important issues. In particular:

- We will complete the analysis of a “mystery shopping” exercise performed to gauge compliance with the *Access to Basic Banking Services Regulations*.
- With Social and Enterprise Development Innovations and with the Policy Research Initiative, we will co-host the first-ever national symposium on the topic of financial capability.

- We will continue to work with our international colleagues on sharing best practices as regulators of the financial services industry and its market conduct in each of our countries.

In closing, I would like to thank our partners, our stakeholders and the financial institutions we regulate for their ongoing cooperation and responsiveness.

I also thank my staff for the tremendous energy and creativity they bring to their work. Through their dedication to the vision of the Agency and their commitment to protecting consumers, they continue to be a source of inspiration.



William G. Knight, Commissioner
Financial Consumer Agency of Canada

THE YEAR IN REVIEW

01



Overview

At the Financial Consumer Agency of Canada (FCAC), our work is guided by our vision of a fair and competitive financial marketplace in which Canadians can easily obtain reliable information to help them make sound financial decisions. After three full years of operation, the Agency has reached a state of development that affords it a clear understanding of the needs of Canadian financial consumers and allows it to function effectively as a regulator of market conduct.

MAKING A DIFFERENCE TO CONSUMERS

FCAC works proactively to inform Canadians about financial matters. Through our oversight and monitoring of the federally regulated financial services industry, we improve the marketplace for consumers.

During 2004–05, we continued to use a wide range of methods to tell Canadians about their rights and responsibilities in the financial marketplace. We distributed more than 500,000 copies of our consumer publications, in print as well as through our Web site. We also upgraded the Web site, adding to it two new databases designed to keep consumers informed.

Over the year, we expanded our ongoing plain-language initiatives. We updated our plain-language publications on the *Access to Basic Banking Services Regulations*. With other government departments, we worked to help Canadians with low levels of literacy understand their financial rights.

In addition, our work on informing consumers involved mortgage document improvements, consumer fraud alerts, service-fee monitoring, outreach through trade shows and conferences, and participation in international forums on market conduct regulation.

LISTENING TO CANADIANS

An ongoing FCAC priority is listening to consumers and responding to their concerns. As a result of our outreach initiatives, the Consumer Contact Centre handled 26,145 telephone calls in 2004–05. This was a startling increase of 69 percent over the previous year and more than double the number handled during 2002–03, our first year of operation.

Information collected from consumer contacts helps FCAC to update and improve the “Questions and Answers” section of our Web site—an increasingly comprehensive source of current financial consumer information.

We also continue to monitor what consumers think about our Contact Centre service. We will conduct a survey examining consumer satisfaction with the service during 2005–06.

REGULATING MARKET CONDUCT

Openness and disclosure are essential tools in keeping consumers informed. Transparency also reminds financial institutions that they are under scrutiny. For these reasons, we publish the Commissioner’s major decisions on the FCAC Web site. By such means the Agency exerts a clear influence on the behaviour and responsiveness of financial institutions.

The Compliance and Industry Relations Branch undertook several other initiatives in 2004–05, including a mystery shopping exercise on access to basic banking and an update of the compliance framework.

DEVELOPMENT OF THE ORGANIZATION

FCAC is a relatively new organization. As we develop our programs, we continue to cover matters never dealt with before. Previously, several federal entities shared responsibility for overseeing the financial sector; when the Agency formed, multiple responsibilities were

consolidated within FCAC’s mandate, making oversight much more effective. An overall compliance framework now guides federally regulated financial institutions on how to respond to problems of compliance with consumer-oriented provisions. As a regulator of market conduct, the Agency systematically monitors compliance.

These are a few of the ways in which FCAC is having an impact on Canada’s financial services sector and consumers. We will continue to build on our foundations to meet Canadians’ demand for information and assistance as they participate daily in the financial marketplace.



During 2004–05, we continued to use a wide range of methods to tell Canadians about their rights and responsibilities in the financial marketplace. We distributed more than 500,000 copies of our consumer publications, in print as well as through our Web site.

Consumer Education and Public Affairs Branch

INFORMING CANADIANS

During 2004–05, FCAC’s Consumer Education and Public Affairs Branch maintained its focus on giving Canadians the information they need to function effectively in the financial marketplace.

The Branch’s proactive approach provides unique value for all Canadians. We furnish consumers with independent, objective information about a variety of financial products and services, and also about appropriate market conduct in the financial sector. FCAC has introduced new tools, such as the branch-closure database and the complaint-handling database; these further empower Canadians by providing timely and useful information. We promote the use of plain language in the financial services industry to make information easy to understand, and we disseminate it in creative, cost-effective ways through our outreach initiatives.

Information products and tools for Canadians

Plain-language initiatives

- *Understanding the needs of lower-literacy Canadians*

According to the International Adult Literacy Survey, 22 percent of adult Canadians have serious problems comprehending any printed material at all. Another 24 percent are capable of only simple reading tasks.¹

To fulfill its mandate of protecting and informing consumers, FCAC works to help *all* Canadians—including those with lower literacy levels—understand the financial information given to them.

Since its beginnings, FCAC has been active in a variety of plain-language initiatives. The Agency has produced several plain-language publications for audiences with lower literacy levels. We have developed relationships with other plain-language organizations and have participated in targeted outreach opportunities.

As well, FCAC has focused on building internal expertise with plain-language communication by having FCAC staff attend literacy conferences, undergo specialized plain-language training and attend focus-testing sessions with lower-income, lower-literacy Canadians.

- *Focus testing*

During 2003–04, FCAC conducted focus groups to find out how lower-income and lower-literacy consumers reacted to two of the Agency’s printed brochures: *Opening a Personal Bank Account* and *Cashing your Government of Canada Cheque for Free* (see *Annual Report 2003–2004*, p. 11). The testing helped the Agency understand how these consumers use and understand its materials, and how the information can be made more accessible for them.

¹ *Reading the Future: A Portrait of Literacy in Canada*, Statistics Canada, 1996.

In 2004–05, FCAC used the findings from the focus-testing sessions to revise and redesign its brochures. The response has been positive: one of the brochures, *Cashing your Government of Canada Cheque for Free*, was recently selected to be a core publication in Service Canada offices across the country.

Along with Human Resources and Skills Development Canada (HRSDC), in February and March 2005 FCAC participated in a new round of focus testing with lower-literacy Canadians.

The sessions tested a joint publication of the two organizations on Registered Education Savings Plans.

- **Collaboration with other plain-language experts**

FCAC maintains close relationships with external plain-language experts. Since 2003, an independent editorial board has reviewed the Agency's plain-language publications for readability. This approach continued during 2004–05.

The Agency also works with the Fédération canadienne pour l'alphabétisation en français (FCAF). This organization has helped the Agency assess the literacy levels of our publications and has provided recommendations on how to make them more accessible to lower-literacy consumers.

FCAC staff have contributed to FCAF's "Towards Clearer Communications" forums across Canada (see p. 14) by sharing our focus-testing findings with other plain-language experts.

- **Working with the industry**

FCAC has entered into an agreement with MasterCard Canada to undertake a project improving the clarity of credit card disclosure documents. The project will examine 14 English and French solicitation/application forms and will evaluate the literacy level needed to understand them. The evaluation findings will guide the development of recommendations and revision of the forms.

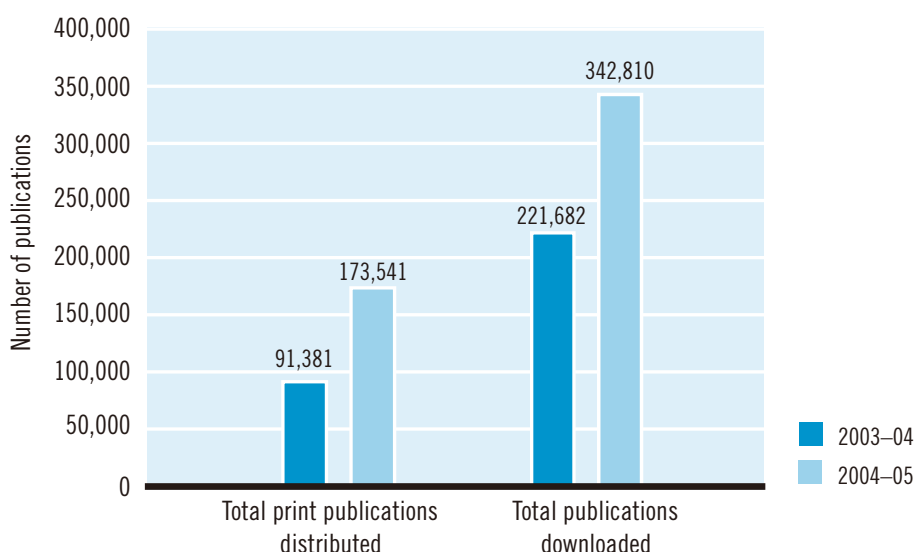
Publications

- FCAC issued revised versions of its two plain-language publications: *Opening a Personal Bank Account* and *Cashing your Government of Canada Cheque for Free*.
- In view of the popularity of FCAC's on-line guide, *The ABCs of Mortgages*, the Agency issued a print version. The guide covers:
 - understanding mortgages;
 - consumers' rights and responsibilities;
 - applying for a mortgage; and
 - the do's and don'ts of mortgages.
- During the past year, FCAC developed a brochure for consumers entitled *The Cost of Payday Loans*. Originally available in electronic format, the publication proved so popular that the Agency issued a print version. *The Cost of Payday Loans* helps consumers understand:
 - payday loans and how they work;
 - whether payday loans affect credit ratings;
 - how to find out what a payday loan costs;

- how the cost of a payday loan compares with that of other credit products; and
- how to prevent problems and save money.

Chart 1 shows the distribution of FCAC publications during 2004-05. Including both print publications and electronic downloads, the total volume increased by 61 percent from 2003-04.

Chart 1: Distribution of FCAC publications¹



¹ Not included in the number of publications downloaded are 14,880 downloads of documents that were authored by FCAC but not originally intended for release to the public, such as FCAC's *Compliance Framework*.

Surveys and studies

- In February 2005, FCAC hired an independent research company, Ipsos-Reid, to determine:
 - why consumers might not have a chequing or savings account;
 - why consumers use payday loan services or cheque-cashing outlets;
 - whether consumers had been turned down when applying to open an account and whether they knew why they had been refused; and
 - consumers' level of familiarity with the Agency.

FCAC will use the survey findings to help build consumers' financial knowledge and awareness of their rights and focus outreach activities.

- During 2004-05, FCAC staff carried out a service-fee monitoring study and prepared a report on changes in banking service fees. The study's objective was to better understand the trends related to retail banking service fees in Canada from June 2001 to June 2004. Trends were identified at the national and provincial levels, as well as by individual institution. FCAC will update the study in 2005-06.

Web site resources

During 2004–05, the FCAC Web site averaged close to 1,300 visitors per day, almost doubling the daily average for the previous year (see **Table 1**). There were more than 450,000 visits to the site during the year, up from 254,854 in 2003–04. The annual number of visits to the Web site has more than tripled since our first full year of operation in 2002–03.

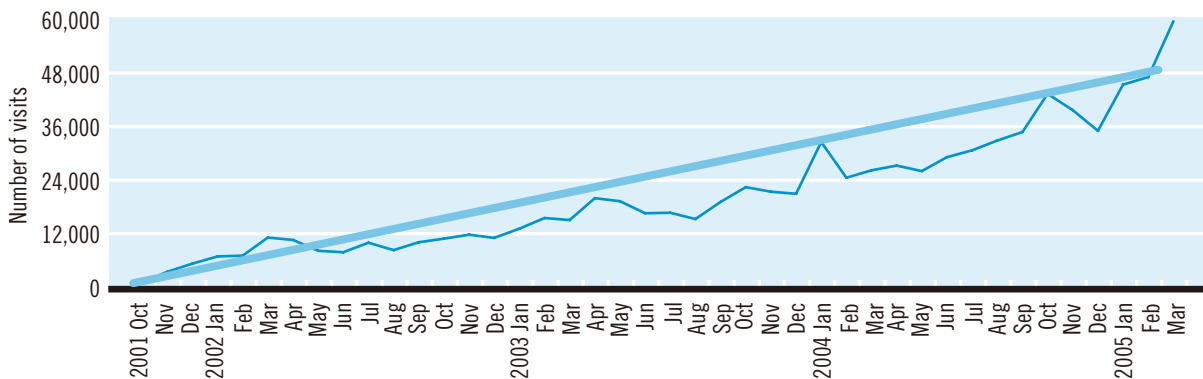
Visits to the Web site peaked at 59,612 in March 2005, at least partly as a result of the advertising campaigns in that month. The FCAC publication most frequently downloaded was *Credit Cards and You*, followed by the brochures (both old and new versions) describing Canadians’ rights when opening a bank account. In all, there were 342,810 downloads from the Web site during 2004–05.

Table 1: FCAC Web site usage

	2002–03	2003–04	2004–05
Number of visits ¹	132,197	254,854	458,253
Average number of visits per day	362	696	1,300
Number of visits to FCAC quizzes	—	6,593	11,652
Number of visits to Cost of Banking tool	—	14,744	7,492

¹ The number of visits is the total number of times that visitors came to FCAC’s site. If a visitor is idle longer than 30 minutes, the visit is considered to be terminated. If the visitor continues to browse the site after being idle for more than 30 minutes, a new visit is counted.

Chart 2: FCAC Web site visits per month, since launch



FCAC complaint-handling database

Launched in March 2005, the complaint-handling database is a Web-based tool that helps consumers find and understand the complaint-handling procedures for specific financial institutions. Users can search by type of financial institution or by the name of a bank, insurance company, loan company, retail association or trust company.

FCAC branch-closure database

With the on-line branch-closure database, consumers can view branch closures by date, location or financial institution. They can also find the location of branches to which their accounts have been moved.

On-line guides and tools

In March 2005, we updated and reissued two of our major on-line publications, *Credit Cards and You* and the *Cost of Banking Guide*. A comprehensive guide, *Credit Cards and You* helps consumers compare the various credit cards available in Canada, as well as the service fees that apply to certain transactions. The *Cost of Banking Guide* helps consumers find the banking service packages that best suit their needs.

Commissioner's decisions

To meet its objectives of transparency and disclosure, in 2004–05 FCAC again posted the Commissioner's final decisions on compliance cases on the FCAC Web site.

Questions and Answers

The "Questions and Answers" section of FCAC's Web site is one of Canada's most extensive consumer resources for information about financial issues. During 2005–06, FCAC will revise the "Questions and Answers" user interface to make it more user-friendly.

Outreach

As a relatively small organization, FCAC must work hard to deliver information to Canadians. With unstinting support from our partners, the Agency's outreach work has been gaining in scope, specialization and sophistication.

Plain-language outreach

- FCAC participated in "Towards Clearer Communications"—a project organized by the Fédération canadienne pour l'alphabétisation en français. The project involved cross-Canada forums to raise awareness of the benefits of plain language when communicating to the public at large. By participating in the forums, we shared our experience in creating documents for people with low levels of literacy.
- In a series of pilot workshops, FCAC representatives used our freshly completed "Train the Trainer" manual to provide information about the Agency and the *Access to Basic Banking Services Regulations*. Promoting plain-language principles, the manual was designed to be accessible to newcomers and Canadians with lower levels of literacy.

The 26 workshops were held in Toronto at YMCAs, adult day schools, adult co-op centres and employment centres. The target audiences were new Canadians, landed immigrants and novice investors. The workshops reached more than 790 people directly during 2004–05.

- FCAC and HRSDC jointly mounted a National Homelessness Initiative pilot project. FCAC organized workshops for service providers who deal with at-risk and homeless people in the Kitchener-Waterloo and Cambridge areas. The three workshops supplied information to 32 service providers and 20 at-risk individuals.

Cheque inserts

Through partnerships with the Canada Revenue Agency and Social Development Canada, during 2004–05 FCAC reached 7.5 million consumers. We distributed to them information about consumers' rights to a bank account, access to low-fee accounts and the direct-deposit option for federal government cheques.

The information was inserted in mailings of all GST rebate, Child Tax Benefit, Old Age Security and Canada Pension Plan cheques issued in October and November 2004. As a result, more than 230,000 Canadians switched to direct deposit for their GST and Child Tax Benefit cheques. This gave them a safer and faster means of getting their money, while lowering costs for taxpayers.



FCAC keeps up with emerging issues such as e-mail and Web site fraud, and informs consumers about them through the "Consumer Alerts" section of its Web site.

Consumer alerts

FCAC keeps up with emerging issues such as e-mail and Web site fraud, and informs consumers about them through the "Consumer Alerts" section of its Web site. This year, the Agency issued alerts on topics such as fraudulent "phishing" e-mails and viruses. It also provided information for Jetsgo customers who had purchased tickets with their credit cards.

Presentation to staff of Members of Parliament

FCAC organized a one-hour, bilingual presentation for MPs' staff who deal with constituents. Entitled "Parliament and FCAC: Helping Canadian Financial Consumers," the presentation introduced FCAC and explained its role and mandate. Many MPs' constituency offices now carry FCAC publications for distribution to the public.

Financial Forums

Since 2003, FCAC has attended the Financial Forum Investor Conferences and Exhibitions, sharing space with the Canada Deposit Insurance Corporation. The events are an opportunity to make Canadian investors more

aware of the Agency. Forums were held in early 2005 in Toronto and Vancouver, together attracting approximately 6,000 participants.

International Forum on Financial Consumer Protection and Education

The FCAC Commissioner attended the second meeting of the International Forum on Financial Consumer Protection and Education, held in Ireland in October 2004. At the Forum meeting, more than 17 member countries shared information on consumer protection and consumer awareness of the financial services sector.

Canada Pavilion

At the 2004 Festival of Lights in Charlottetown, FCAC participated in the Canada Pavilion, offering the 19,000 festival-goers an introduction to the Agency. Funded by Public Works and Government Services Canada, each summer the touring pavilion showcases federal government organizations at venues across the country. During the coming year, FCAC will reach even more Canadians by participating in a larger number of such shows in cities all over Canada, broadening the scope of its outreach and achieving a much greater public presence.

Advertising

In March 2005, FCAC ran “Connect to the Source,” a bilingual advertising campaign intended to raise Canadians’ awareness of the services offered by the Agency.

The campaign covered major cities across Canada through a variety of print and on-line media, including the popular Web site www.canoe.ca. Some 6.95 million consumers were reached through the print media and more than 1.2 million through the Internet.

Consumer Contact Services

Consumer Contact Services (CCS) is responsible for managing all communications that FCAC receives from consumers, whether by telephone, e-mail, letter or personal visit. CCS is often the first point of contact between a consumer and the Agency. Its highly trained staff ensure that:

- consumers are treated properly and professionally;
- consumers’ inquiries or complaints are assessed correctly;
- the right information is provided promptly; and
- each consumer’s issue is assigned appropriately within FCAC for handling.

Most Canadians contact FCAC through the toll-free telephone number maintained by the Consumer Contact Centre. Centre representatives answer questions and offer assistance in both official languages from 8:30 A.M. to 6:00 P.M., Eastern time, Monday through Friday. Callers may leave a message after hours, on weekends and on statutory holidays. Their messages are answered on the next business day.

For more details about Consumer Services operations, see p. 49.

Media relations

FCAC considers the media a key channel for giving the public access to important financial information. During 2004–05, the Agency responded to many calls from journalists seeking information about the issues faced by financial consumers. As a result, FCAC received more than 200 media mentions, enabling us to reach over 20 million Canadians with vital information about the financial marketplace.² This type of coverage is by far the most cost-effective way for FCAC to inform Canadians about their rights and raise their awareness of the Agency.

In coverage of FCAC, the top three issues that the media wrote about were credit card problems, service fees, and two major Commissioner's decisions publicly naming FirstLine Mortgages and the Laurentian Bank as having violated federal legislation that protects financial consumers.



Looking forward

During 2005–06, the Consumer Education and Public Affairs Branch will continue to focus on providing Canadians with understandable, objective information. We will highlight important rights and issues for consumers, such as the *Access to Basic Banking Services Regulations* and how these regulations safeguard their rights to essential banking services.

A second focus will be on promoting a clearer definition of the issue of “financial capability” as it relates to Canadians, and on fostering consumers’ ability to handle their money

effectively, no matter what their income level. With Social and Enterprise Development Innovations and with the Policy Research Initiative, FCAC will jointly host a national symposium that will work toward developing a better understanding of the level of financial capability as it exists in Canada, and of what needs to be done to enhance and increase it.

Finally, through existing as well as new partners, we will continue our outreach work to inform Canadians about their rights, and to tell consumers about FCAC and how they can benefit from our services.

² FCAC calculates its overall media “impressions” by adding up the circulation numbers of the various media in which the Agency was mentioned. In some cases, it was not possible to ascertain the circulation numbers for certain media, in which case nothing was added to the overall total.

Compliance and Industry Relations Branch

PROTECTING CONSUMERS

FCAC's Compliance and Industry Relations Branch monitors and enforces the legislation that protects consumers when they deal with financial institutions. On finding an institution to be in violation of a consumer provision, the Commissioner may implement one or more of the following enforcement measures: Letter of Reprimand, Compliance Agreement or Administrative Monetary Penalty.

Commissioner's major decisions

In November 2004, the Commissioner publicly announced that two federally regulated financial institutions had been found in violation of legislation that protects financial consumers. The Commissioner imposed fines totalling \$80,000 on these institutions.

- FirstLine Mortgages, a division of CIBC Mortgages Inc., was fined \$50,000 for violating paragraph 8(1)(q) of the *Cost of Borrowing (Trust and Loan Companies) Regulations*. The institution did not fully disclose in writing the nature and amount of the non-interest fee for changing the frequency of mortgage payments. As a result of FCAC's intervention, all FirstLine Mortgage customers were provided with a fee schedule.
- Laurentian Bank of Canada was fined \$30,000 for violating subsection 19(1) of the *Cost of Borrowing (Banks) Regulations*. The bank had placed advertisements in its retail

branches that indicated an interest rate on a mortgage without disclosing the term of the loan, as required by the Regulations.

Immediately after FCAC's intervention, Laurentian Bank removed the advertisements from its branches. The bank also amended its internal policies on in-branch advertisements to ensure future compliance with the Regulations.

MBNA case

In March 2004, MBNA Canada Bank filed an application for judicial review and an appeal in the Federal Court of Canada against the decision by the Commissioner to issue a penalty of \$50,000 for a violation of subsection 11(1) of the *Cost of Borrowing (Banks) Regulations*. The Commissioner had determined that the wording of credit card application forms indicating a "rate as low as" was in violation of the Regulations in that it failed to disclose an annual interest rate.

As a result of the bank's application for judicial review, the Court ordered the decision to be quashed, based on a procedural technicality. The court did not address the substance of the issue contained in the appeal. FCAC has since refined its case-processing procedures to take into account the decision of the Court and increase its efficiency in dealing with such situations in the future.³ The updated procedures will become effective during 2005-06.

³ For details of the decision of the Federal Court of Canada on this case, see: <http://decisions.fct-cf.gc.ca/fct/2004/2004fc1665.shtml>

Other decisions by the Commissioner

The following decisions by the Commissioner show how FCAC protects and informs consumers, and how it promotes transparency in the financial services industry. The decisions are representative of those published on the FCAC Web site in 2004–05. They involve cases in which the Commissioner made a final decision about a violation of regulations, or about non-compliance with a code of conduct or a public commitment.

- **Failure to provide a disclosure statement on a regular basis**

A consumer contacted FCAC to report that, although he had been carrying a balance on his credit card, he was not receiving disclosure statements. An investigation revealed that, for approximately 10 months, the bank had failed to provide the client with monthly statements as required by the *Cost of Borrowing (Banks) Regulations*. As a result, a Letter of Reprimand was issued, noting one violation against the bank.

The bank discovered that a “statement hold” message had been incorrectly placed on the client’s profile. After correcting the error for the client, the bank reviewed its internal procedures to ensure that statements are mailed to customers as required.

- **Failure to cash a federal government cheque**

A bank refused to cash a federal government cheque for a non-customer who presented valid identification and met the prescribed conditions set out by the *Access to Basic Banking Services Regulations*. The bank

subsequently failed to provide a written notice of refusal to the client. As a result, a Letter of Reprimand was issued, noting two violations against the bank.

In response to FCAC’s intervention, the bank enhanced the training course for new employees to place greater emphasis on the Regulations. It also distributed a message to all branch managers and employees, drawing attention to the requirements of the Regulations.

- **Failure to disclose charges and conditions**

An annual examination by FCAC revealed that a bank had failed to display and make available a written statement of the conditions for opening an account and cashing a federal government cheque, as required under the *Access to Basic Banking Services Regulations*. The bank had also failed to display and make available copies of a statement of the applicable charges for deposit accounts. A Letter of Reprimand was issued, noting three violations against the bank.

The bank subsequently entered into a Compliance Agreement with FCAC. The bank agreed to review all the relevant consumer provisions for all of its branches, to report to FCAC on how it was meeting each of the consumer provisions, to discuss any compliance deficiencies it identified and the corrective measures taken, and to comply with an on-site FCAC examination to ensure that the bank met its consumer obligations.

- **Refusal to open a retail deposit account**

Within a two-month period, FCAC received six complaints from consumers that various branches of a certain bank had refused to open a retail deposit account for them because of prejudicial information about them on their credit file. During the same period, FCAC also received a seventh, similar complaint reported by the bank itself.

The Commissioner noted that, under the *Access to Basic Banking Services Regulations*, prejudicial information on a consumer's credit history does not, by itself, constitute reasonable grounds for concluding that an account will be used for illegal or fraudulent purposes, nor will it automatically result in a refusal to open an account. The Commissioner therefore issued a Letter of Reprimand, noting seven violations against the bank.

FCAC's intervention caused the bank to re-examine and enhance its account-opening procedures. The bank also offered to open retail accounts for the consumers it had previously refused. It has not received any similar complaints since implementing the new procedures.

- **Request to vary the time and manner of branch closure notification**

As a result of construction problems at a new branch location intended to replace an existing branch, a bank failed to provide complete notices of branch closure for the closing branch to the Commissioner and to customers within the four-month time frame required by the *Notice of Branch Closure Regulations*.

However, the bank had made an effort to provide a partial notice to both customers and the Commissioner seven months before the proposed date of closure. The bank had also provided the Commissioner and customers with updates on the situation as information became available. In consequence, the bank's request to vary the time and manner of giving notice was granted.

Updating the compliance framework

During 2004–05, FCAC reviewed and updated its compliance framework. All of the Agency's proposed changes were presented to various industry and consumer associations for comment. In March 2005, the framework was updated with substantial changes and posted on the FCAC Web site.

Mystery shopping exercise

The *Access to Basic Banking Services Regulations* came into force as of September 30, 2003. During 2004–05, FCAC conducted a large-scale mystery shopping exercise to measure the banks' performance in complying with the new Regulations. Between November 2004 and March 2005, mystery shoppers visited numerous bank branches and attempted to cash a federal government cheque and/or open an account. They also collected brochures at each branch to verify disclosure of information. The results of the exercise will be analyzed during 2005–06.

Mortgage penalty disclosure

During 2003–04, FCAC reviewed the clarity of language used by seven banks in the disclosure of the prepayment penalty clause within mortgage documents. The Agency

examined more than 100 mortgage documents containing mortgage prepayment clauses in both English and French.

The review revealed common weaknesses and instances of potential non-compliance in the documents of five of the seven banks. During 2004–05, FCAC required the institutions involved to take corrective measures with respect to the prepayment clause. The banks accepted all of FCAC’s suggestions. FCAC will be closely monitoring the implementation of these changes.

Debit card code

FCAC has a mandate to monitor the *Canadian Code of Practice for Debit Card Services* for federally regulated financial institutions. The code stipulates that, under certain conditions, consumers will not be held liable for unauthorized use of their debit card.

During 2004, the code was revised to clarify the procedures for addressing unauthorized transactions and other transaction problems. The revised version is scheduled for

implementation in September 2005. Once the revised code is in place, FCAC will continue to monitor how federally regulated financial institutions comply with it.

Annual examinations

In fall 2004, FCAC conducted its third annual general examination of all 424 federally regulated financial institutions to evaluate how they comply with applicable consumer provisions. FCAC found that the institutions were in overall compliance with the provisions. However, the Agency opened individual compliance cases where specific issues were raised.

Compliance Connection

This year the Branch continued to publish its quarterly newsletter for the financial services industry, entitled *Compliance Connection*. Among the topics covered were the review of the compliance framework, cheque holding regulations, and how to improve compliance with the *Access to Basic Banking Services Regulations*.

Looking forward

During 2005–06, FCAC will continue to monitor ongoing credit card issues, especially those involving the “rates as low as” marketing technique. Another focus will be emerging electronic banking issues, such as the question of who bears responsibility when an electronic transaction is flawed. We will also look closely at the issue of disclosure as

it applies to co-borrowers. Internationally, we will continue our involvement and cooperation with regulators in other countries.

In past years FCAC focused on consumers’ problems with debit cards, and it will continue doing so in 2005–06. The year’s mystery shopping exercise will examine the use of these cards.

02

VALUE FOR CANADIANS

FCAC provides a valuable service to Canadians by dealing effectively and efficiently with their concerns related to the financial marketplace.



Issues that concern Canadians

FCAC tracks a large volume of inquiries and complaints through its Consumer Contact Centre, through direct personal contacts, and through e-mail and regular mail. The following charts and tables show how and why Canadians contacted FCAC during 2004–05.

TOTAL NUMBER OF INQUIRIES AND COMPLAINTS RECEIVED

Table 2 shows the total number of inquiries and complaints received during the year, broken down by location. The majority of the persons who contacted FCAC and who also gave their locations were from Ontario, Alberta or Quebec.

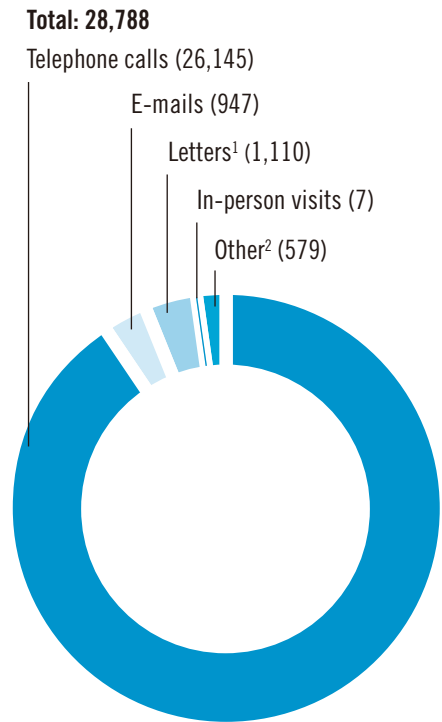
Table 2: Total contacts received by FCAC, by location, 2004–05

Location	Total
Alberta	2,966
British Columbia	1,813
Manitoba	1,121
New Brunswick	880
Newfoundland	409
Nova Scotia	818
Nunavut	18
Northwest Territories	29
Ontario	7,239
Prince Edward Island	71
Quebec	5,784
Saskatchewan	710
Yukon	15
USA	96
International, other than USA	74
Unknown ¹	6,745
Total	28,788

¹ The location was not indicated by the person contacting FCAC.

Chart 3 shows how consumer inquiries and complaints reached FCAC. Of the 28,788 total consumer contacts, 90.8 percent were by telephone.

Chart 3: Total contacts received by FCAC, by source, 2004-05



¹ Includes letters, faxes and telephone calls that required a written response.
² Includes cases initiated by FCAC, and self-reported complaints from financial institutions.

Charts 4 and 5 show the inquiries and complaints FCAC received, by type of financial institution and by origin.

Chart 4: Total contacts received by FCAC, by type of federally regulated financial institution, 2004-05

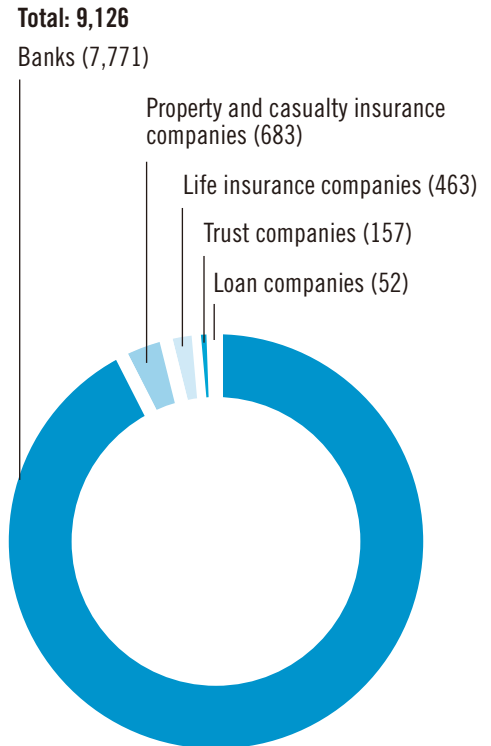


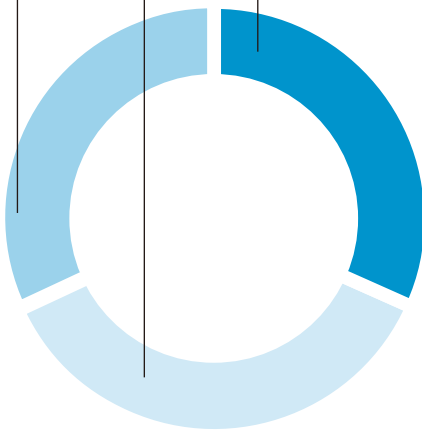
Chart 5: Contacts received by FCAC, by origin, 2004–05

Total: 28,788

Federally regulated financial institutions (9,126)

Non-federally regulated financial institutions (10,471)

FCAC's cheque-insert awareness campaign¹ (9,191)



¹ FCAC's cheque-insert campaign centred largely on consumers' rights when dealing with banks and/or trust companies. Many of the inquiries or contacts stemming from this initiative related directly to federally regulated financial institutions.



Of the 28,788 total consumer contacts received by FCAC, 90.8 percent were by telephone.

Table 3 shows the inquiries and complaints received by FCAC during the year, excluding compliance matters.

Table 3: Inquiries and complaints received excluding compliance matters, by category,¹ 2004-05

Category	Complaints	Inquiries	Total
Accounts			
ABMs	53	40	93
Access to funds	58	40	98
Agreements	10	2	12
Bill payments (in-branch)	0	1	1
Charges	75	65	140
Cheques	305	1,110	1,415
Closed	48	16	64
Coercive tied selling	1	3	4
Collection	32	12	44
Debit cards	45	82	127
Direct deposits	4	882	886
Drafts or money orders	3	0	3
Fraud	15	27	42
Interest rates	4	7	11
Internet banking	13	10	23
Opening	106	487	593
Overdraft	21	7	28
Point-of-sale purchases	3	1	4
Pre-authorized debits	65	39	104
Privacy issues	90	116	206
Quality of service	71	12	83
Right of offset	67	61	128
Statements	1	0	1
Telephone banking	2	1	3
Transfers	1	2	3
Other	140	539	679
Subtotal	1,233	3,562	4,795
Credit Cards			
Applications	16	106	122
Bill payments	93	79	172
Cancellations	28	38	66
Changes to terms and conditions	17	11	28
Collection	218	63	281
Complaint-handling procedures	3	0	3
Convenience cheques	5	1	6
Debt management	6	11	17
Deposits	3	3	6

Table 3: Inquiries and complaints received excluding compliance matters, by category,¹ 2004–05 (continued)

Category	Complaints	Inquiries	Total
Disclosure	0	1	1
Fees	52	53	105
Fraud	58	44	102
Insurance	49	95	144
Interest rates	64	68	132
Internet banking	2	1	3
Pre-authorized debits	2	0	2
Privacy issues	3	5	8
Quality of service	30	6	36
Solicitations	76	62	138
Transfer of balances	15	8	23
Other	127	438	565
Subtotal	867	1,093	1,960
Credit Reporting / Credit History			
Credit bureaus	119	764	883
Credit counselling	5	103	108
Subtotal	124	867	991
Financial Institutions			
Banknotes	7	11	18
Branch closures	108	150	258
Branches	1	1	2
Coins	0	1	1
Complaint-handling procedures	35	67	102
Contact information	2	11	13
Estate matters	42	57	99
Exchange rates	8	37	45
Legitimacy	0	16	16
Maximum interest rate	4	39	43
Quality of service	86	20	106
Regulatory	0	11	11
Safety deposit boxes	2	1	3
Subtotal	295	422	717
General Inquiries			
FCAC	0	7	7
Referrals to other departments or organizations	4	107	111
Regulations	7	423	430
Small/medium-sized enterprises	34	179	213
Other	720	11,033	11,753
Subtotal	765	11,749	12,514

Table 3: Inquiries and complaints received excluding compliance matters, by category,¹ 2004–05 (continued)

Category	Complaints	Inquiries	Total
Insurance			
Car	26	30	56
General	5	14	19
Home	32	24	56
Life	11	19	30
Loan	0	1	1
Medical	1	0	1
Mortgage	0	1	1
Small/medium-sized enterprises	5	5	10
Not specified	362	560	922
Subtotal	442	654	1,096
Investments			
Canada Savings Bonds	3	16	19
Guaranteed investment certificates	6	2	8
Mutual funds	1	5	6
Pensions	1	9	10
Registered Education Savings Plans	13	39	52
Registered Retirement Income Funds	1	1	2
Registered Retirement Savings Plans	12	10	22
Not specified	393	904	1,297
Subtotal	430	986	1,416
Loans			
Car loans	41	207	248
Leases	8	24	32
Lines of credit	49	29	78
Mortgages	289	349	638
Payday loans	2	2	4
Personal loans	4	6	10
Student loans	45	181	226
Not specified	465	490	955
Subtotal	903	1,288	2,191
Grand total	5,059	20,621	25,680

¹ Also excluded are media contacts.

COMPLIANCE-RELATED INQUIRIES AND COMPLAINTS RECEIVED

The following tables present information about FCAC's contacts with Canadians regarding compliance with the consumer provisions and codes of conduct.

Table 4 shows FCAC's history of compliance contacts received since 2003–04. During 2004–05, the number of such contacts decreased by approximately 12 percent from the previous year.

Table 4: Total compliance contacts received, by category

	2003–04	2004–05
Codes of conduct and public commitments¹		
Complaints	268	220
Inquiries	44	9
Self-reported complaints ²	0	11
Consumer provisions		
Complaints	490	517
Inquiries	33	18
Self-reported complaints ³	334	418
Filings	395	176
Total	1,564	1,369

¹ For definitions of these terms, see Appendix A (Glossary).

² To date, the Commissioner has not exercised his right to require financial institutions to self-report complaints related to codes of conduct or public commitments.

³ For a definition, see Appendix A (Glossary).

Table 5 gives an overview of the compliance caseload by type of compliance matter. During 2004-05, 1,342 cases were opened; 1,142 were closed by the year's end.

Table 5: Compliance matters relating to consumer provisions, codes of conduct, public commitments and filings¹

Consumer provisions	Cases pending at end of 2003-04	Cases opened during 2004-05	Cases closed during 2004-05	Cases pending at end of 2004-05
Accounts				
Disclosure of charges for account maintenance	1	0	1	0
Disclosure of charges for new or second accounts	0	5	4	1
Disclosure of charges	1	47	39	9
Disclosure of interest rates on accounts and method of calculation	5	4	5	4
Disclosure of required information in written notice of refusal	0	1	0	1
Displaying and making available information on the <i>Access to Basic Banking Services Regulations</i>	1	1	1	1
General	0	1	1	0
Provision of account agreements and complaint procedures	0	4	3	1
Provision of advance notice for new and/or increased charges	0	78	68	10
Provision of written notice of refusal	1	8	6	3
Refusal to open — General	13	66	63	16
Refusal to open because of bankruptcy	6	6	11	1
Refusal to open because of credit history	32	60	60	32
Refusal to open because of lack of proper identification	7	31	33	5
Requirement of minimum deposit or balance to open account	0	2	2	0
Branch closures				
Provision of required notice	3	7	8	2
Request for public meeting ²	4	9	13	0
Request to vary notification requirements	0	2	2	0
Second request for public meeting	0	1	1	0
Coercive tied selling				
Displaying and making available notice relating to the prohibition on coercive tied selling	1	3	3	1
General	4	16	13	7

Table 5: Compliance matters relating to consumer provisions, codes of conduct, public commitments and filings¹ (continued)

	Cases pending at end of 2003–04	Cases opened during 2004–05	Cases closed during 2004–05	Cases pending at end of 2004–05
Consumer provisions				
Complaint procedures				
Establishment of complaint-handling procedures	1	1	2	0
Requirement for FRFI ³ other than a bank to be a member of a third-party dispute resolution organization	3	69	12	60
Compliance of affiliate	2	2	3	1
Cost of borrowing — General	1	2	0	3
Credit cards				
Disclosure in plain language	0	1	0	1
Disclosure of changes to non-interest charges	0	1	0	1
Disclosure of changes to the cost of borrowing or credit agreement	4	24	23	5
Disclosure of cost of borrowing when issued	17	48	44	21
Disclosure of non-interest charges when issued	5	42	24	23
Disclosure of required information in monthly statements	7	15	18	4
Disclosure of required information in advertisements	0	2	1	1
Disclosure of required information in application forms	4	10	10	4
Disclosure of the cost of borrowing expressed as a rate per annum	14	3	14	3
Disclosure relating to optional services	4	51	47	8
General	5	28	28	5
Provision of monthly statements	14	57	24	47
Request to keep a minimum balance	1	0	1	0
Disclosure of charges for services	2	4	4	2
Disclosure of cheque holding policy	0	34	28	6
Disclosure of interest rates — General	0	7	6	1
Disclosure of interest rates in advertisements	0	1	1	0
Examination — Institution-specific	0	1	0	1
Government of Canada cheques				
Displaying and making available information on the <i>Access to Basic Banking Services Regulations</i>	1	1	1	1
Fee charged for cashing	1	1	2	0
Provision of written notice of refusal	0	2	0	2
Refusal to cash	5	13	13	5
Index-linked deposits — Disclosure of required information	0	2	2	0

Table 5: Compliance matters relating to consumer provisions, codes of conduct, public commitments and filings¹ (continued)

Consumer provisions	Cases pending at end of 2003-04	Cases opened during 2004-05	Cases closed during 2004-05	Cases pending at end of 2004-05
Lines of credit				
Disclosure of changes to the cost of borrowing or credit agreement	0	6	3	3
Disclosure of cost of borrowing when issued	0	5	2	3
Disclosure of non-interest charges when issued	0	1	0	1
Disclosure of required information in advertisements	0	1	1	0
Disclosure relating to optional services	0	2	0	2
General	0	7	6	1
Provision of monthly statements	2	7	4	5
Loans				
Disclosure of changes to the cost of borrowing or credit agreement	6	7	7	6
Disclosure of cost of borrowing when issued	0	5	3	2
Disclosure of non-interest charges when issued	0	2	1	1
Disclosure of required information following a missed payment	0	2	2	0
Disclosure of required information in advertisements	1	0	0	1
Disclosure of the cost of borrowing expressed as a rate per annum	0	1	0	1
Disclosure relating to optional services	0	2	1	1
General	2	9	6	5
Provision of annual statements	0	2	2	0
Mortgages				
Disclosure of changes to the cost of borrowing or credit agreement	5	7	8	4
Disclosure of cost of borrowing when issued	2	11	8	5
Disclosure of information relating to repayments, rebates or charges	9	50	48	11
Disclosure of non-interest charges when issued	1	2	3	0
Disclosure of required information following a missed payment	0	3	1	2
Disclosure of required information in advertisements	2	1	2	1
Disclosure of the cost of borrowing expressed as a rate per annum	0	2	0	2
Disclosure provided within a specified time frame	0	1	1	0
Disclosure relating to optional services	1	5	4	2
General	0	11	8	3
Requirement to provide 21 days' notice before mortgage renewal date	2	2	4	0
Provision of Public Accountability Statement	0	7	1	6
Subtotal	203	935	771	367

Table 5: Compliance matters relating to consumer provisions, codes of conduct, public commitments and filings¹ (continued)

Codes of conduct and public commitments	Cases pending at end of 2003–04	Cases opened during 2004–05	Cases closed during 2004–05	Cases pending at end of 2004–05
Codes of conduct				
Authorized insurance activities	2	12	10	4
Debit card code	14	63	56	21
Principles of Consumer Protection for Electronic Commerce	0	13	13	0
Small Business Banking Code of Conduct	3	14	15	2
Subtotal	19	102	94	27
Public commitments				
Accessibility of complaint procedures	2	24	22	4
Agreement to offer low-cost accounts	0	2	1	1
Credit cards — General	2	1	2	1
Credit cards — Zero liability	16	86	73	29
General	0	3	3	0
Guidelines for the Transfer of Registered Plans	1	8	6	3
Undertaking on unsolicited services	1	5	5	1
Subtotal	22	129	112	39
Filings				
	Filings pending at end of 2003–04	Filings opened during 2004–05	Filings closed during 2004–05	Filings pending at end of 2004–05
Branch closures				
Provision of closure notice	8	83	86	5
Provision of closure notice — Less than 500 metres	0	24	23	1
Provision of notice for in-store, agency or satellite branches ⁴	1	9	9	1
Provision of notice for temporary closure ⁴	0	27	27	0
Provision of complaint-handling procedures by new institutions	4	18	13	9
Public Accountability Statements	0	12	7	5
Revised complaint-handling procedures⁴	0	3	0	3
Subtotal	13	176	165	24
Grand total 2003–04	139	1,437	1,322	254
Grand total 2004–05	257	1,342	1,142	457

1 Statistical data for 2003–04 are presented differently in last year's and this year's report. The discrepancy is the result of FCAC's new data-tracking system and the reclassification of some cases. The data-tracking system now allows classification of consumer contacts in greater detail. Broad categories such as "loans" have been broken down into more specific categories such as "mortgages" or "lines of credit." In order to be as accurate as possible, FCAC may also reclassify cases in which further investigation reveals that the complaint or inquiry relates more directly to a different issue from that originally identified.

2 For a definition, see Appendix A (Glossary).

3 FRFI: federally regulated financial institution.

4 These filings are not required by legislation, but were submitted by the financial institutions concerned to keep the Commissioner informed.

Table 6 shows how FCAC closed compliance cases for which action had been taken during 2004–05. The 26 closed cases involved

30 violations resulting in Letters of Reprimand, Compliance Agreements and (in two cases) Administrative Monetary Penalties.

Table 6: Compliance cases closed where action was taken, 2004–05

Consumer provisions	Number of cases closed with violations	Number of violations identified	Commissioner's decision
Accounts			
Failure to display and make available information on the <i>Access to Basic Banking Services Regulations</i>	1	1	1 Letter of Reprimand and 1 Compliance Agreement ¹
Refusal to open because of bankruptcy	1	1	1 Letter of Reprimand
Refusal to open because of credit history	11	12	5 Letters of Reprimand
Refusal to open because of lack of proper identification	1	1	1 Letter of Reprimand
Branch closures			
Failure to meet filing requirements	3	4	1 Letter of Reprimand
Credit cards			
Failure to disclose cost of borrowing when issued	1	2	1 Letter of Reprimand
No monthly statement provided	1	1	1 Letter of Reprimand
Disclosure of charges			
	1	1	1 Letter of Reprimand and 1 Compliance Agreement ¹
Federal cheques			
Fee charged to cash	1	1	1 Letter of Reprimand
Failure to display and make available information on the <i>Access to Basic Banking Services Regulations</i>	1	1	1 Letter of Reprimand and 1 Compliance Agreement ¹
Refusal to cash	2	3	2 Letters of Reprimand
Mortgages			
Failure to disclose fees when issued	1	1	1 Notice of Violation and Administrative Monetary Penalty (\$50,000)
Failure to disclose required information in an advertisement	1	1	1 Notice of Violation and Administrative Monetary Penalty (\$30,000)
Total	26	30	

¹ The same Letter of Reprimand and Compliance Agreement were issued for these three cases.

Table 7 shows how many cases relating to the consumer provisions were closed during 2004–05, by type of disposition.

In total, 771 cases were closed. Of these, 26 involved violations.

Table 7: Cases closed relating to the consumer provisions, by type of disposition, 2004–05

Consumer provision	Non-violation	Violation	Withdrawn	Not granted	Granted	Total number of cases closed
Accounts						
Disclosure of charges for account maintenance	1					1
Disclosure of charges for new or second accounts	4					4
Disclosure of charges	38		1			39
Disclosure of interest rates on accounts and method of calculation	5					5
Displaying and making available information on the <i>Access to Basic Banking Services Regulations</i>		1				1
General	1					1
Provision of account agreements and complaint procedures	3					3
Provision of advance notice for new and/or increased charges	62		6			68
Provision of written notice of refusal	3		3			6
Refusal to open — General	52		11			63
Refusal to open because of bankruptcy	7	1	3			11
Refusal to open because of credit history	33	11	16			60
Refusal to open because of lack of proper identification	30	1	2			33
Requirement of minimum deposit or balance to open account	2					2
Branch closures						
Provision of required notice	5	3				8
Request for public meeting			4	7	2	13
Request to vary notification requirements				1	1	2
Second request for public meeting				1		1
Coercive tied selling						
Displaying and making available notice relating to the prohibition on coercive tied selling	3					3
General	9		4			13

Table 7: Cases closed relating to the consumer provisions, by type of disposition, 2004–05 (continued)

Consumer provision	Non-violation	Violation	Withdrawn	Not granted	Granted	Total number of cases closed
Complaint procedures						
Establishment of complaint-handling procedures	2					2
Requirement for FRFI ¹ to be a member of a third-party dispute resolution organization	12					12
Compliance of affiliate	3					3
Credit cards						
Disclosure of changes to the cost of borrowing or credit agreement	22		1			23
Disclosure of cost of borrowing when issued	43	1				44
Disclosure of non-interest charges when issued	24					24
Disclosure of required information in advertisements	1					1
Disclosure of required information in application forms	10					10
Disclosure of required information in monthly statements	17		1			18
Disclosure of the cost of borrowing expressed as a rate per annum	13		1			14
Disclosure relating to optional services	46		1			47
General	27		1			28
Provision of monthly statements	22	1	1			24
Request to keep a minimum balance	1					1
Disclosure of charges for services	3	1				4
Disclosure of cheque holding policy	26		2			28
Disclosure of interest rates — General	5		1			6
Disclosure of interest rates in advertisements	1					1
Government of Canada cheques						
Displaying and making available information on the <i>Access to Basic Banking Services Regulations</i>		1				1
Fee charged for cashing	1	1				2
Refusal to cash	9	2	2			13
Index-linked deposits — Disclosure of required information	2					2
Lines of credit						
Disclosure of changes to the cost of borrowing or credit agreement	3					3
Disclosure of cost of borrowing when issued	2					2
Disclosure of required information in an advertisement	1					1
General	4		2			6
Provision of monthly statements	3		1			4

Table 7: Cases closed relating to the consumer provisions, by type of disposition, 2004–05 (continued)

Consumer provision	Non-violation	Violation	Withdrawn	Not granted	Granted	Total number of cases closed
Loans						
Disclosure of changes to the cost of borrowing or credit agreement	7					7
Disclosure of cost of borrowing when issued	3					3
Disclosure of non-interest charges when issued			1			1
Disclosure of required information following a missed payment	1		1			2
Disclosure relating to optional services	1					1
General	5		1			6
Provision of annual statements	2					2
Mortgages						
Disclosure of changes to the cost of borrowing or credit agreement	7		1			8
Disclosure of cost of borrowing when issued	7		1			8
Disclosure of information relating to repayments, rebates or charges	46		2			48
Disclosure of non-interest charges when issued	2	1				3
Disclosure of required information following a missed payment	1					1
Disclosure of required information in an advertisement	1	1				2
Disclosure provided within a specified time frame	1					1
Disclosure relating to optional services	3		1			4
General	6		2			8
Requirement to provide 21 days' notice before mortgage renewal date	4					4
Provision of Public Accountability Statement	1					1
Total	659	26	74	9	3	771

¹ FRFI: federally regulated financial institution.

Table 8 shows how FCAC dealt with cases related to codes of conduct and public commitments during 2004–05. A total of 206 such cases were closed; the three major issues

were related to credit cards (zero liability), debit card codes and the accessibility of complaint procedures.

Table 8: Compliance cases closed relating to codes of conduct and public commitments,¹ by type of disposition, 2004–05

	Compliance	Non-compliance	Withdrawn ²	Not a compliance matter ³	Total cases closed during 2004–05
Codes of conduct					
Authorized insurance activities	8	1	1	0	10
Debit card code	49	0	7	0	56
Principles of Consumer Protection for Electronic Commerce	13	0	0	0	13
Small Business Banking Code of Conduct	8	0	7	0	15
Public commitments					
Accessibility of complaint procedures	19	0	3	0	22
Agreement to offer low-cost accounts	1	0	0	0	1
Credit cards — General	2	0	0	0	2
Credit cards — Zero liability	63	3	7	0	73
General	2	0	0	1	3
Guidelines for the Transfer of Registered Plans	2	0	4	0	6
Undertaking on unsolicited services	3	0	2	0	5
Total	170	4	31	1	206

¹ For definitions of these terms, see Appendix A (Glossary).

² Cases are often withdrawn when consumers do not respond to FCAC's attempts to contact them in order to continue with a review of the complaint.

³ After further review, it was decided that the case was not a compliance matter.

Table 9 shows how FCAC handled complaints about branch closures during 2003–04 and 2004–05. During the latter year, there were only two cases in which the Commissioner required

a public meeting of FCAC, the bank and other interested parties in the community to discuss the closure.

Table 9: Matters related to branch closures

	2003–04	2004–05
Closure notices filed by financial institutions¹	371	143
Complaints received related to branch closures²	258	108
Requests to change the branch closure notice requirements		
Granted	4	1
Not granted	3	1
Pending	0	0
Received	6	2
Requests for public meetings on branch closures³		
Pending	4	0
Received	40	10
Withdrawn	6	4
Number of branches closing for which meeting requests were received, required or not required		
Branches for which meeting requests were received	18	9
Branches for which meetings were not required by the Commissioner ⁴	5	6 ⁵
Branches for which meetings were required by the Commissioner	10	2

¹ This is the total number of branch closure filings, including those not falling under the regulatory definition of a branch, as well as requests to vary the required notice.

² These are complaints related to branch closures; the complainants did not request a meeting.

³ Some were multiple requests pertaining to the same branch.

⁴ Institutions will often voluntarily hold a public meeting without a formal requirement from the Commissioner.

⁵ Includes a request for a second meeting subsequent to a meeting required by the Commissioner.

Addressing Canadians' concerns

HOW FCAC MANAGES A COMPLAINT

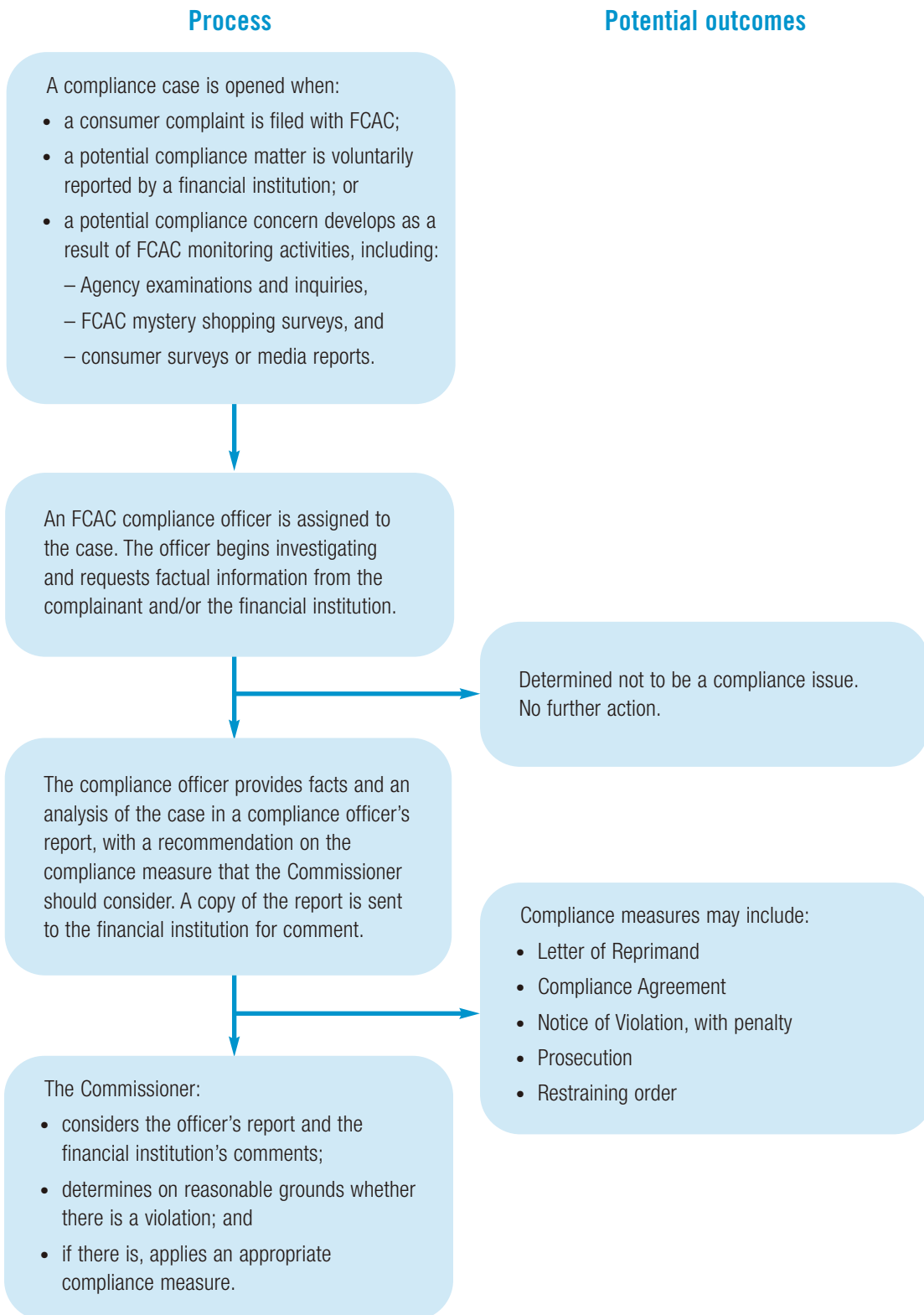
When a consumer contacts FCAC with a complaint, it is examined to determine whether it falls within the Agency's jurisdiction and whether it involves a possible contravention of the law. If more clarification of the matter is required, the complainant will receive a call back from FCAC within 48 hours.

If the complaint does involve a possible contravention of the law, an FCAC compliance officer will contact the consumer's financial institution to discuss the complaint. If further action is recommended, an officer may request factual information in writing from the complainant and the institution. At the same time, FCAC informs the consumer about the financial institution's complaint-handling procedures. If the matter is not within our mandate, we direct the complainant to the organization best equipped to deal with the consumer's issue.



When a consumer contacts FCAC with a complaint, it is examined to determine whether it falls within the Agency's jurisdiction and whether it involves a possible contravention of the law.

Figure 1: FCAC compliance case management process, as of March 31, 2005



FCAC's operations

OPERATIONAL ROLES AND RESPONSIBILITIES

Commissioner

The FCAC Commissioner is appointed for a period of up to five years. The first and current Commissioner is William G. Knight. His responsibilities include:

- reporting to Parliament annually through the Minister of Finance, and to the Minister of Finance regularly, about FCAC's activities and findings;
- managing the operations of FCAC, including taking responsibility for all aspects of its program, finances, administration and human resources management;
- supervising approximately 424 federally regulated financial institutions to determine whether they are complying with applicable consumer protection legislation, and with their own voluntary codes of conduct and public commitments; and
- expanding national education initiatives to identify and meet consumers' needs for financial knowledge.

The FCAC Commissioner is an ex officio member of the Board of Directors of the Canada Deposit Insurance Corporation (CDIC) and a member of the Board's Governance Committee. He is also a member of both the Financial Institutions Supervisory Committee, chaired by the Superintendent of Financial Institutions, and the Senior Advisory Committee, chaired by the Deputy Minister of Finance. In this latter capacity, the FCAC

Commissioner advises on key consumer issues, offering important input for the policy advice that the committee provides to the Minister of Finance.

Consumer Education and Public Affairs Branch

The *Financial Consumer Agency of Canada Act* requires FCAC to promote consumer awareness about the obligations of financial institutions under the applicable consumer provisions, and to foster an understanding of financial services and related issues. To fulfill this requirement, FCAC's Consumer Education and Public Affairs Branch is responsible for:

- producing information materials to enhance consumers' knowledge of financial institutions' legal obligations, and of financial products and services;
- carrying out research and surveys;
- disseminating information via the media, the FCAC Web site and stakeholders;
- reaching out to community groups, associations and other stakeholders; and
- handling correspondence with consumers and operating a call centre (a joint venture with CDIC).

Compliance and Industry Relations Branch

The FCAC Compliance and Industry Relations Branch monitors financial institutions to ensure that they comply with the consumer provisions of the *Bank Act*, the *Trust and Loan Companies Act*, the *Insurance Companies Act* and the *Cooperative Credit Associations Act*.

The consumer provisions are listed in Appendix B, p. 72. They deal with:

- opening retail deposit accounts;
- cashing federal government cheques;
- closing retail branches;
- coercive tied selling;
- disclosing cheque holding policies;
- providing information to consumers about FCAC;
- disclosing information about account charges and interest;
- producing Public Accountability Statements;
- establishing procedures for dealing with complaints; and
- disclosing the cost of borrowing.

The Branch also monitors compliance with voluntary codes of conduct and public commitments put in place by financial institutions or associations of institutions to protect consumers. The codes cover topics such as debit cards and credit relations with small businesses.

In addition, the Compliance and Industry Relations Branch is responsible for:

- investigating and responding to complaints relating to the consumer provisions that fall under any of the acts within FCAC's jurisdiction;
- managing the compliance framework and ensuring that federally regulated financial institutions conform to it;
- monitoring FCAC's tracking systems to identify trends;
- encouraging financial institutions to develop policies and procedures for implementing the consumer provisions that apply to them; and
- promoting a culture of compliance within federally regulated financial institutions.

Among the Branch's tools for monitoring compliance are mystery shopping, consumer surveys, analysis of complaints and inquiries, annual and special examinations of federally regulated financial institutions, and studies by third parties.

FCAC ensures compliance with legislation and regulations by applying administrative measures, imposing fines, or publicly disclosing the nature of a violation, the name of the offender and the amount of the monetary penalty imposed. Among the factors determining the approach to a specific case are the severity and scope of the problem, the degree of intent or negligence, and the compliance history of the financial institution concerned.

To fulfill its mandate of maintaining productive relations with the financial services industry, FCAC meets regularly with financial institutions. Some of the contacts take place quarterly to share information on topics of common interest, such as monitoring activities, industry-wide compliance issues, and the Commissioner's position on compliance with legislation, regulations, voluntary codes and public commitments. The ultimate purpose is to protect Canadian consumers of financial products and services, and to promote regulatory compliance. The backbone of this new compliance culture is unqualified cooperation on the part of the financial institutions.

Administrative Services Branch

The Administrative Services Branch provides FCAC with such services as human resources, financial management, access to information and privacy, materiel management, facilities management, records management, informatics, security, occupational health and safety, mail, and courier.

FCAC contracts with the Office of the Superintendent of Financial Institutions for its human resources and financial services, and with Public Works and Government Services Canada for its technology and communications services.

Legal Services Branch

The federal Department of Justice provides legal services to FCAC. A senior counsel from Justice Canada is part of the management structure of FCAC and reports directly to the Commissioner. The senior counsel furnishes advice on all aspects of FCAC's mandate and operations.

MODERN MANAGEMENT

Following an independent Comptrollership Capacity Assessment, FCAC established an action plan that described the activities, areas of responsibility, time frames and monitoring that would help improve the Agency's management processes. We then carefully scrutinized these opportunities in the context of FCAC's mandate, size, financial resources and maturity. As a result of these evaluations, we concentrated on making improvements in the following four categories.

1) Integrated performance information

During March 2004, FCAC worked with Consulting and Audit Canada to develop its Results-based Management and Accountability Framework (RMAF).

This includes:

- a "logic model," describing the FCAC program in terms of its planned activities, related outputs and intended outcomes;
- an evaluation strategy, presenting the evaluation issues, questions and data; and
- a reporting strategy.

The performance indicators and methodology employed in FCAC's evaluation strategy use existing data from our extensive, ongoing performance measurement. During 2004-05, we continued to enhance our data capture and tracking systems to ensure that the information collected will satisfy the requirements of the RMAF.

In addition, we adopted a performance measurement framework to serve as a guide for FCAC's projects, and to ensure that our projects help achieve FCAC's strategic goals. We also implemented financial coding for important projects so that we can produce cost-benefit analyses when and as we need them.

2) Human resources

During 2004-05, we expanded our annual employee survey to gauge FCAC staff's perception of various organizational issues and their level of satisfaction in relation to these issues.

To increase accountability and improve staff understanding of areas of responsibility, we used a risk-based approach to review and update FCAC's key policies, processes and procedures. The Compliance and Industry Relations Branch has now completed the update. For 2005–06, we are planning an independent review of the Branch's main activities and the frameworks, processes and procedures related to them.

We also developed information about FCAC's organizational values, including the obligations of management and staff, and we made this information available to all FCAC personnel.

3) Integrated risk management

In March 2005, we completed a preliminary corporate risk profile for FCAC. During the second quarter of 2005, we continued to develop FCAC's business process risk matrix to ensure that we have identified all risk categories, and have performed the necessary impact and control self-assessments.

Our 2005–07 business plan incorporates several activities that will help mitigate the risks identified in the preliminary corporate risk profile.

4) Rigorous stewardship

We established an Audit Committee with a specific charter, and established a memorandum of understanding with the Office of the Superintendent of Financial Institutions (OSFI) for the provision of internal audit services.

We also produced a targeted internal audit plan for 2005–06, with the support of OSFI's Audit and Consulting Services. Once our business process risk matrix is complete, we will produce a balanced internal audit plan by September 2005. Our 2005–07 business plan includes several activities related to the targeted internal audit plan.

In other stewardship areas, we improved our capacity for reporting about FCAC's programs so that senior management will have the information needed to reinforce the decision-making process. We also carried out a travel and hospitality audit, and completed our physical inventory so that we can track and protect FCAC's assets.

FCAC's performance

During FCAC's first three years of operation, from late 2001 through 2004, our work sought to achieve three key operational results.

These were:

- to establish an agency managed transparently, efficiently and effectively;
- to establish education and information programs that empower consumers of financial services to make informed choices and decisions; and
- to institute a program of compliance and monitoring of financial institutions' legislated responsibilities, voluntary codes of conduct and public commitments related to protecting the interests of their consumers.

Following are our major performance achievements, broken down according to these three objectives.

Achievements related to establishing the Agency

In this area, we have:

- set up all administrative, informatics and operational services;
- hired a highly skilled and motivated workforce;
- implemented several best practices in support of modern management;
- established performance standards for our services;
- developed communications and consultation strategies to include the feedback and views of our stakeholders; and

- created a strategic planning process that involves participation by stakeholders.

Achievements related to establishing a framework for consumer education and information

In this area, we have:

- developed and produced more than 20 brochures, publications and electronic tools to provide a broad array of consumer information on financial topics, and distributed more than 400,000 of these publications from 2001 to 2004;
- developed an effective outreach program by establishing partnerships with federal departments, provincial agencies and non-governmental organizations, giving the Agency a national presence;
- developed a comprehensive Web site to provide consumers with information about their rights, and about the financial products and services they need; and
- developed a Results-based Management and Accountability Framework, with specific indicators to evaluate FCAC's programs.

Achievements related to ensuring that consumers' rights are protected by the Agency's compliance and monitoring program

In this area, we have:

- set up regular meetings and information exchanges with other federal organizations, and continue to work with them on specific projects;

- established a compliance framework and compliance procedures to ensure that federally regulated financial institutions respond to compliance problems related to the consumer provisions;
- invited the financial services industry to provide suggestions and comments on the compliance framework;
- published the results of our compliance activities in each of FCAC's annual reports to Parliament, and posted the Commissioner's decisions on FCAC's Web site; and

- put in place an internal system for monitoring compliance cases to ensure that all cases are closed within two years.

FCAC's impact on Canada's financial marketplace

Since its inception, FCAC has had a significant impact on Canada's financial marketplace, and on the consumers who use its services and products. **Figure 2** shows the Agency's growing influence and the extent of its impact on market behaviour, particularly on federally regulated financial institutions (FRFIs).

Figure 2: FCAC's impact on the Canadian financial marketplace

Item or issue	Progress made since FCAC's inception
<i>Federal oversight of the financial services sector as it relates to consumers</i>	Oversight responsibilities (previously dispersed among various organizations) have been consolidated at FCAC, with direct reporting to Parliament through the Minister of Finance. The result is that oversight has been considerably strengthened.
<i>Monitoring of regulations and self-regulations, as they relate to consumers</i>	FCAC developed a compliance framework to monitor how FRFIs comply with their obligations and commitments to consumers.
<i>Monitoring of FRFIs' actions as they relate to compliance issues</i>	Monitoring of compliance issues is now systematic and unified. FCAC works with FRFIs to ensure that consumers are informed when compliance problems arise, and that consumers are advised of their right to use their institution's complaint-handling procedures.
<i>Measurement of FRFIs' compliance with consumer provisions, codes of conduct and public commitments</i>	FCAC introduced measurement tools, such as annual examinations and mystery shopping exercises to verify FRFIs' compliance with consumer provisions, codes of conduct and public commitments. FCAC works with financial institutions to resolve any issues or concerns.
<i>Review of FRFIs' disclosure practices as they relate to consumers</i>	FCAC initiated two systematic reviews of industry disclosure practices and documents. Several institutions are now working to improve the quality of their disclosure to consumers.

Figure 2: FCAC's impact on the Canadian financial marketplace (continued)

Item or issue	Progress made since FCAC's inception
<i>Review of FRFIs' branch-closure filings</i>	Previously, there had been no requirement to file branch closure notices for formal review. To date, FCAC has reviewed hundreds of branch-closure filings to ensure that appropriate consultations took place between the banks and the communities they served. FCAC has also attended several branch-closure meetings, held on the instruction of the Commissioner, and has added a branch-closure database to its Web site to help consumers stay informed of these changes.
<i>Access to plain-language information about FRFIs' legal obligations to consumers, as well as objective information to help consumers compare and better understand certain financial products and services</i>	FCAC identified and filled consumer information gaps in the marketplace by creating and providing plain-language publications about financial products and services, and about consumers' rights when dealing with FRFIs.
<i>Access to a federal agency for consumers who want to report a problem with a financial institution or request information</i>	Previously, there had been no single access point for consumers who wanted to report a problem with an FRFI or request information about a financial service or product. Consumers now have toll-free telephone access to FCAC's Consumer Contact Centre to report a problem with their financial institution, or to obtain information about financial products and services. Consumers can also contact FCAC by e-mail, by regular mail or in person.
<i>Comparative data related to features and prices of financial products and services</i>	FCAC provides consumers with useful comparative data and easy-to-understand information about many financial products and services. This helps consumers benefit from a competitive marketplace.
<i>Questions and answers on financial products and services</i>	FCAC has developed one of Canada's most extensive question-and-answer resources about financial products and services. FCAC builds its question-and-answer database by analyzing information obtained through its consumer contacts. FCAC tracks and identifies issues of concern to Canadians on a regular basis.
<i>Reporting to Parliament on compliance and consumer issues</i>	Previously, reporting to Parliament on financial consumer issues had been fragmented. Through its Annual Report, FCAC provides Parliament with a consolidated view of compliance issues, as well as the leading issues and concerns raised by consumers.

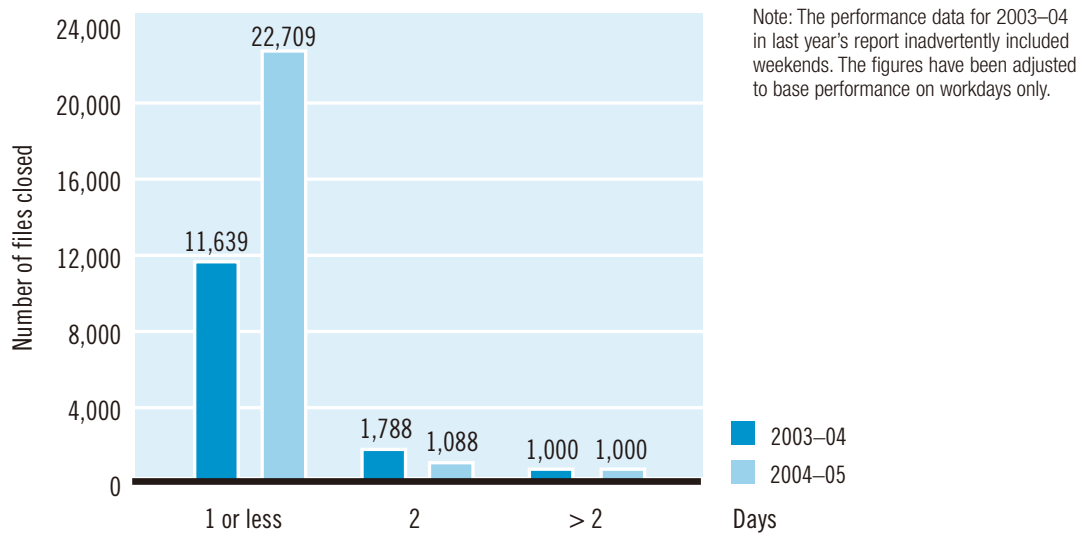
Consumer service performance

FCAC carries out statistical tracking of its service performance in three main areas: the Consumer Contact Centre; the Correspondence Unit; and the Compliance and Industry Relations Branch.

Consumer Contact Centre

During 2004–05, the Consumer Contact Centre handled 26,145 telephone calls, an increase of 69 percent over the previous year and more than double the number handled during 2002–03, our first year of operation. The average wait time for the vast majority of callers was less than 12 seconds. For further Consumer Contact Centre performance statistics, see **Chart 6**.

Chart 6: Time taken to close a file related to a telephone call received by the Consumer Contact Centre

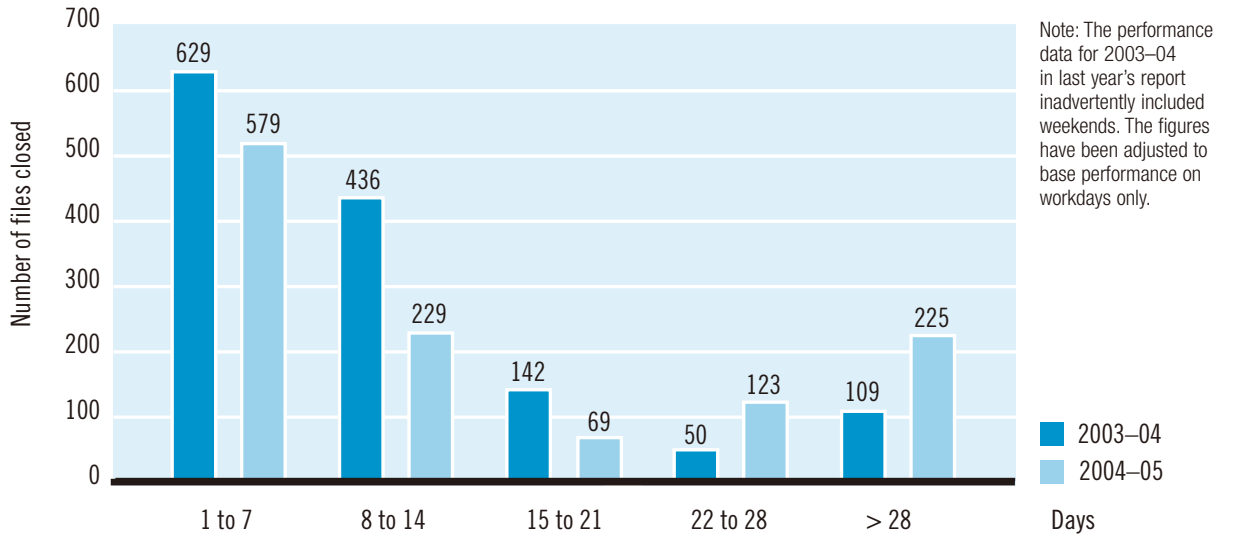


Correspondence Unit

The Correspondence Unit deals with e-mail messages and letters sent to FCAC by

consumers. During 2004-05, we responded to 65.9 percent of all such communications within 14 working days of their receipt.

Chart 7: Time taken to close a file generated by a consumer's letter, an e-mail or an in-person visit for non-compliance related matters

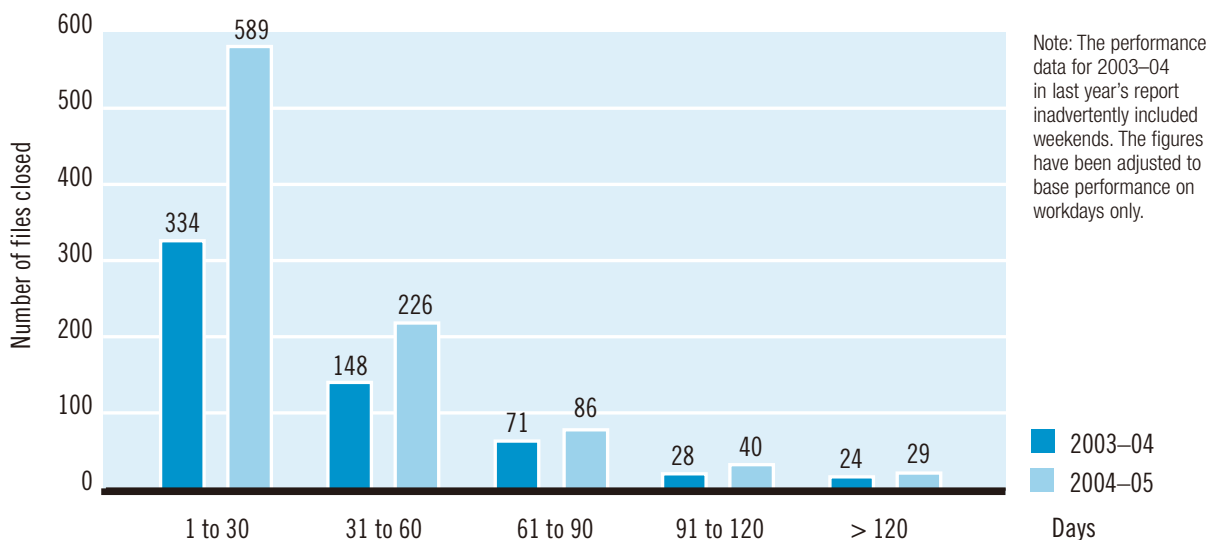


Compliance and Industry Relations Branch

The Compliance and Industry Relations Branch processes compliance-related files as

expeditiously and effectively as possible. As shown in **Chart 8**, 60 percent of the files were closed within 30 days of being opened. Slightly more than 84 percent were closed within 60 days.

Chart 8: Time taken to close a file related to a compliance matter



Consumer evaluation of major FCAC publications and quizzes

• *Credit Cards and You*

In early 2005, we asked consumers to give us their impressions of one of our major publications, *Credit Cards and You*.

While this was not a large-scale survey, it established that more than 90 percent of consumers who were familiar with the guide rated it as “good to excellent.”

• *Cost of Banking Guide*

Consumers were also asked to give us their impressions of the *Cost of Banking Guide*, another FCAC publication. The survey sample was small but provided useful feedback. Approximately 80 percent of the respondents found both the guide and its related on-line tool to be “good to excellent.”

Chart 9: Overall impression by consumers of *Credit Cards and You*

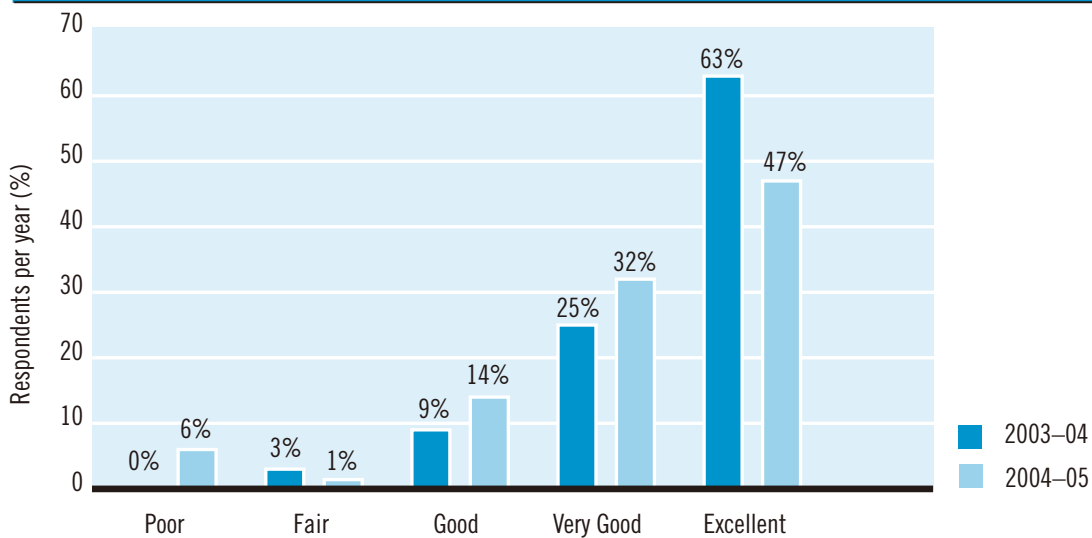
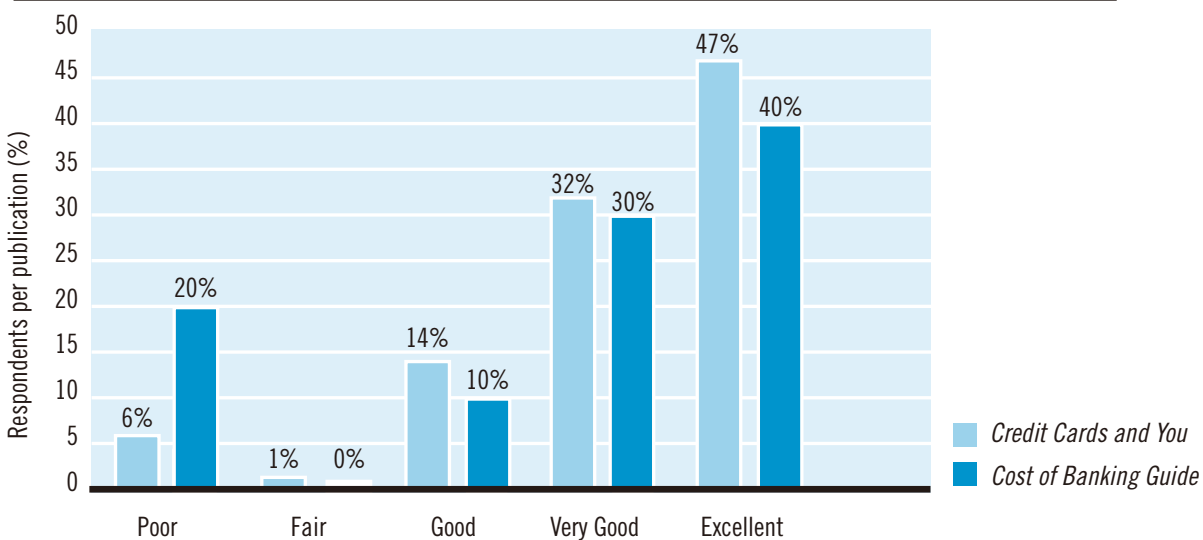


Chart 10: Overall impression by consumers of *Credit Cards and You* and *Cost of Banking Guide*, 2004-05



03

FINANCIAL STATEMENTS



Financial highlights

The Financial Consumer Agency of Canada (FCAC) is a federal government institution that is funded through assessments paid by federally regulated financial institutions. Banks pay more than 90 percent of FCAC's costs since most of the consumer provisions overseen by the Agency apply to them and their financial products.

This annual report presents information on FCAC's third full year of operations. The budget for 2004–05 was projected at \$7.75 million; at the conclusion of the fiscal year, total expenditures amounted to \$7.25 million. The surplus of approximately \$500,000 included a \$200,000 annual budget contingency allowance that was not required. Surpluses were recorded notably in the budget centres for travel, human resources costs, and general administrative costs (translation costs, interest costs, etc.).

After three full years of operating under a mandate from Parliament, the Agency has its supporting programs in place and these are adjusting to the demands made on FCAC. Among Canadians in general, awareness of the Agency and its work remains low. Rather than financing a broad public awareness campaign, with possibly short-term outcomes, the Agency has targeted its outreach efforts by building

relationships that have mutual longer-term benefits. These partnerships provide a good base from which to expand outreach to FCAC's target audiences. We have developed a performance measurement framework and, depending on the project, we will enter into memorandums of understanding with partners concerning delivery of specific elements of our program. We will thereby be better able to monitor the extent to which the partnerships help us meet our mandate. As a result of the strong demand for FCAC's services, in 2003–04 the workload remained heavier than planned in the Agency's two core areas: Compliance, and Consumer Education and Public Affairs. We responded by budgeting three additional positions for 2004–05, bringing the number of full-time positions to 38.

With regard to key financial commitments, this year we renewed our agreements for external provision of several corporate services. We have common services agreements with the Office of the Superintendent of Financial Institutions (for financial and human resources administration, internal audit services, and research services), the Canada Deposit Insurance Corporation (for a joint call centre), and Public Works and Government Services Canada (for information technology support).

Concerning our stewardship of funds, in 2004-05 the Agency began work on establishing an internal audit program, building on the annual audit of our financial statements carried out by the Auditor General of Canada. An audit committee was established with a specific charter, and a targeted internal audit plan was approved. The first task undertaken has been an audit of the Agency's travel and hospitality expenses. Once the report is ready in both official languages, the audit results will be posted on the FCAC Web site.

The Agency's management is committed to delivering an effective program that meets the expectations of Parliament and Canadian consumers. At the same time, management fully supports the principles of modern comptrollership and strives to implement them.

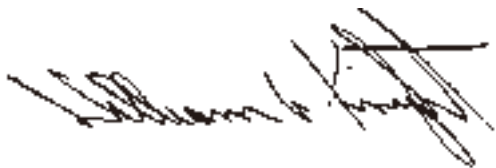


Management's Responsibility for the Financial Statements

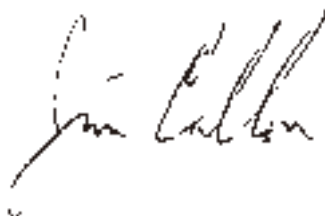
Responsibility for the integrity and objectivity of the accompanying financial statements and the consistency with all other information contained in this annual report rests with the management of the Financial Consumer Agency of Canada (FCAC).

These financial statements, which include amounts based on management's best estimates as determined through experience and judgment, have been prepared in accordance with Canadian generally accepted accounting principles. Management has developed and maintained books of accounts, records, internal controls, management practices, and information systems designed to provide reasonable assurance that the assets are safeguarded and controlled, resources are managed economically and efficiently in the attainment of corporate objectives, and that transactions are in accordance with the *Financial Administration Act* and regulations as well as FCAC policies and statutory requirements.

The Auditor General of Canada, the independent auditor for the Government of Canada, has audited the transactions and financial statements of FCAC, and reports on her audit to the Minister of Finance.



William G. Knight
 Commissioner
 Financial Consumer Agency of Canada



Jim Callon
 Deputy Commissioner
 Financial Consumer Agency of Canada

Ottawa, Canada
 May 27, 2005



AUDITOR'S REPORT

To the Minister of Finance

I have audited the statement of financial position of the Financial Consumer Agency of Canada as at March 31, 2005 and the statements of operations and equity of Canada and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

John Rossetti, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 27, 2005

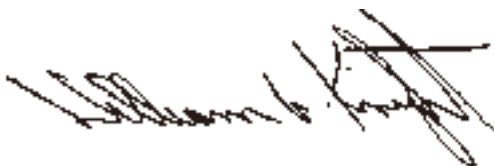
STATEMENT OF FINANCIAL POSITION

As at March 31

	2005	2004
Assets		
Current		
Cash Entitlement	\$ 3,247,346	\$ 2,002,702
Assessments Receivable	42,166	130,569
Other Current Assets	606	1,741
Other Assets	83,238	92,713
Capital Assets (note 6)	440,832	576,235
Total Assets	3,814,188	2,803,960
Liabilities		
Current		
Accounts Payable and Accrued Liabilities (notes 7,8)	1,563,711	577,785
Unearned Revenue	600,582	624,110
Loan Payable (note 7)	1,500,000	1,500,000
Severance Benefits (note 5)	149,895	102,065
Total Liabilities	3,814,188	2,803,960
Equity of Canada	—	—
Total Liabilities and Equity of Canada	\$ 3,814,188	\$ 2,803,960

Commitments (note 9)

Approved by:



William G. Knight
Commissioner, Financial Consumer Agency of Canada

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

STATEMENT OF OPERATIONS AND EQUITY OF CANADA

For the year ended March 31

	2005	2004
Revenue		
Assessments	\$ 7,157,400	\$ 6,176,587
Other Revenue	10,923	985
Total Revenue	7,168,323	6,177,572
Expenses		
Salaries and Benefits (notes 4, 5)	3,731,373	3,343,679
Professional Services (note 8)	1,562,410	1,090,732
Accommodation (notes 8, 9)	672,184	652,047
Information Management / Information Technology Costs (note 8)	559,871	424,478
Travel	109,564	115,960
Interest (note 8)	97,103	126,017
Other	435,818	460,659
Total Expenses	7,168,323	6,213,572
Operating Results before Administrative Monetary Penalties and Government Funding	—	(36,000)
Administrative Monetary Penalties (note 10)	80,000	17,000
Parliamentary Appropriation — Modern Comptrollership (note 11)	—	36,000
Net Operating Results	80,000	17,000
Equity of Canada, Beginning of Year		
Administrative Monetary Penalties earned on behalf of the Government	(80,000)	(17,000)
Equity of Canada, End of Year	\$ —	\$ —

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

STATEMENT OF CASH FLOWS

For the year ended March 31

	2005	2004
Cash flows from operating activities		
Cash Receipts from Financial Institutions	\$ 7,432,983	\$ 6,286,795
Cash Paid to Suppliers and Employees	(5,937,410)	(6,274,442)
Interest Paid	(121,129)	(127,298)
Non-Respendable Administrative Monetary Penalties Remitted to the Consolidated Revenue Fund (note 10)	(80,000)	(17,000)
Cash Provided by (Used for) Operating Activities	1,294,444	(131,945)
Investing Activities		
Acquisition of Capital Assets (note 6)	(49,800)	(65,393)
Cash Used for Investing Activities	(49,800)	(65,393)
Financing Activities		
New Borrowings	6,000,000	6,000,000
Repayments	(6,000,000)	(5,850,000)
Cash Provided by Financing Activities	—	150,000
Cash Entitlement		
Increase (decrease) in cash entitlement	1,244,644	(47,338)
Cash Entitlement, Beginning of Year	2,002,702	2,050,040
Cash Entitlement, End of Year	\$ 3,247,346	\$ 2,002,702

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

1. Authority and objectives

On October 24, 2001, the *Financial Consumer Agency of Canada Act* (the Act) came into force, establishing the Financial Consumer Agency of Canada (FCAC, or the Agency). The Financial Consumer Agency of Canada is responsible for strengthening the oversight of consumer protection measures in the federally regulated financial sector and for expanding consumer education activities. The Agency is a department of the Government of Canada and is listed in schedule I.1 of the *Financial Administration Act*.

FCAC's mandate is specifically set out in the *Financial Consumer Agency of Canada Act*. It must:

- a) **supervise** financial institutions to determine whether they are in compliance with the consumer provisions applicable to them;
- b) **promote** the adoption by financial institutions of policies and procedures to implement consumer provisions applicable to them;
- c) **monitor** the implementation of financial institutions' publicly available voluntary codes of conduct that are designed to protect the interests of their customers, and monitor any public commitments made by financial institutions to protect the interests of their customers;
- d) **promote** consumer awareness about the obligations of financial institutions under consumer provisions applicable to them; and
- e) **foster** an understanding of financial services and issues relating to financial services, in cooperation with any department, agency or Crown corporation of the Government of Canada, or of a province, financial institution, or consumer or other organization.

Section 18(3) of the Act provides that the Agency's costs of operations are to be assessed to the industry. FCAC's operations are typically funded entirely through this process.

FCAC assessment revenues are charged in accordance with the *Financial Consumer Agency of Canada Assessment of Financial Institutions Regulations*, which outline the methodology 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. Summary of significant accounting policies

a) Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The Agency is dependent on its assessments of financial institutions to fund its costs of operations, including those related to employee future benefits.

b) Revenue recognition

FCAC matches its revenue to its operating costs. Any assessments that have been billed and for which costs have not been incurred are classified as unearned revenue on the statement of financial position.

Assessments are billed annually based on an estimate of the current fiscal year's costs of operations together with an accounting of the previous year's assessed costs against actual costs incurred. 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 operation.

c) Employee future benefits

i) Pension benefits

FCAC's eligible employees participate in the Public Service Pension Plan (the Plan) administered by the Government of Canada. Both employees and FCAC contribute to the cost of the Plan. The Agency's contribution amount is currently based on a multiple of employees' required contributions, and may change over time depending on the experience of the Plan. These contributions represent the total pension obligations of the Agency and are charged to operations on a current basis. FCAC is not required under present legislation to make contributions with respect to any actuarial deficiencies of the Plan.

ii) Severance benefits

On termination of employment, employees are entitled to certain benefits provided for under their conditions of employment through a severance benefits plan. The cost of these benefits and the total severance obligation are periodically actuarially determined. The benefit cost is accrued as employees render the services necessary to earn severance benefits. The benefit cost and the total severance liability were actuarially determined for the fiscal year ended March 31, 2005, and for the fiscal year ended March 31, 2004.

The cost of the severance benefits is actuarially determined using the projected benefit method prorated on services. The valuation of the liability is based upon a current market discount rate and other actuarial assumptions, which represent management's best long-term estimates of factors such as future wage increases and employee resignation rates. The excess of any net actuarial gain (loss) over 10% of the benefit obligation is amortized over the average remaining service period of active employees.

In those years where no actuarial review is performed, management prepares an estimate of the closing employee future benefits liability, based on the most recent actuarial report and current employee information.

d) Cash entitlement

The Financial Consumer Agency of Canada 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.

e) Assessments receivable

Assessments receivable are stated at amounts expected to be ultimately realized and represent a debt due to Her Majesty.

f) Capital assets

All capital assets are initially recorded at acquisition cost. Amortization of capital assets is calculated on a straight-line basis over the estimated useful life of the asset, as follows:

<i>Asset class</i>	<i>Amortization period</i>
Furniture and fixtures	7 years
Leasehold improvements	lesser of useful life or term of the lease
Informatics software	5 years
Office equipment	4 years
Informatics hardware	3 years

3. Measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items involving the use of estimates and assumptions are the benefit cost and the total severance benefits liability.

4. Pension benefits

FCAC and all eligible employees contribute to the Public Service Pension Plan. This pension plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index. The estimated employer contributions to the Public Service Pension Plan during the year were \$348,679 (2004—\$324,052).

5. Severance benefits

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

	2005	2004
Accrued benefit obligation, beginning of year	\$ 176,217	\$ 114,430
Current service cost	31,543	19,876
Interest cost	11,615	6,353
Benefits paid	—	(41,456)
Actuarial loss	55,070	77,014
Accrued benefit obligation, end of year ¹	274,445	176,217
Unamortized net actuarial loss	(124,550)	(74,152)
Accrued benefit liability	149,895	102,065
Current service cost	31,543	19,876
Interest cost	11,615	6,353
Amortization of net actuarial losses ²	4,672	—
Adjustment ³	—	(48,401)
Net benefit plan expense	\$ 47,830	\$ (22,172)

¹ The accrued benefit obligation is not funded as funding is provided when benefits are paid. Accordingly, there are no plan assets.

² The amortization period is the remaining average service period of active employees.

³ The accrued benefit liability was estimated at March 31, 2003; therefore, an adjustment was required to the 2004 expense to reflect the actuarially determined accrued benefit liability at March 31, 2004.

A discount rate of 5.13% (2004—6.05%) was applied in measuring the Agency's accrued benefit obligation. Management's best estimate for the general salary increases used to estimate the current service cost and the accrued benefit obligation as at March 31, 2005, is an annual economic increase of 2.5% for the plan year 2006 (2004—2.5% for the plan years 2005 and 2006). Thereafter an annual economic increase of 2.9% (2004—3%) is assumed. The average remaining service period of the active employees covered by the benefit plan is 12 years (2004—11 years).

6. Capital assets

Category	Gross book values			Accumulated amortization			Net book values	
	Opening balance	Additions	Closing balance	Opening balance	Amortization expense	Closing balance	2005	2004
Furniture and fixtures	\$ 433,434	\$ 38,699	\$ 472,133	\$ 130,699	\$ 63,842	\$ 194,541	\$ 277,592	\$ 302,735
Leasehold improvements	382,843	—	382,843	203,280	89,781	293,061	89,782	179,563
Informatics software	79,974	11,101	91,075	21,459	16,180	37,639	53,436	58,515
Office equipment	51,662	—	51,662	20,555	12,915	33,470	18,192	31,107
Informatics hardware	10,643	—	10,643	6,328	2,485	8,813	1,830	4,315
Total	\$ 958,556	\$ 49,800	\$ 1,008,356	\$ 382,321	\$ 185,203	\$ 567,524	\$ 440,832	\$ 576,235

7. Loan payable

FCAC funds its ongoing operations with cash advanced from the Consolidated Revenue Fund.

The terms and conditions of the loan agreement for funds advanced as at March 31, 2005, together with comparatives for the preceding year, are as follows:

	2005	2004
Principal amount	\$ 1,500,000	\$ 1,500,000
Maturity date	March 4, 2006	February 23, 2005
Interest rate	2.89%	2.25%

Interest is due upon maturity, and is recorded in Accounts Payable and Accrued Liabilities.

8. Related party transactions

FCAC is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. The Agency has entered into service agreements with several departments and one Crown corporation for the supply of key services to the Agency and its staff in carrying out its mandate. FCAC currently works with the following partners:

- Public Works and Government Services Canada (PWGSC)
- Canada Deposit Insurance Corporation (CDIC)
- the Office of the Superintendent of Financial Institutions (OSFI)

FCAC also enters into transactions with other government entities in the normal course of business and on normal trade terms applicable to all individuals and enterprises. The following table summarizes the impact of the Agency's significant related-party transactions for the year on total expenses and the amounts due to (from) those related parties at the end of the year. The transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Related Party and Nature of Service Provided	2005		2004	
	Expense	Payable/ (Receivable)	Expense	Payable/ (Receivable)
PWGSC				
Accommodation	\$ 467,846	\$ —	\$ 467,388	\$ —
Management / Information Technology	410,587	403,412	350,562	(60,438)
Translation Services	145,976	22,449	123,245	5,279
Other Services	27,202	27,202	—	—
	1,051,611	453,063	941,195	(55,159)
Treasury Board				
Employee Benefits	680,841	38,529	628,079	62,117
CDIC—Professional Services				
Call Centre Administration	395,847	155,589	259,369	70,726
OSFI—Professional Services				
Financial Services	110,000	(286)	110,008	—
Human Resources Services	95,819	1,181	92,525	—
Internal Audit Services	47,000	47,000	—	—
Research Services	17,938	—	7,024	—
	270,757	47,895	209,557	—
Department of Finance				
Interest on Loan from the Consolidated Revenue Fund	97,103	3,253	125,947	3,462
Total	\$ 2,496,159	\$ 698,329	\$ 2,164,147	\$ 81,146

9. Commitments

Contractual commitments arising from service agreements entered into with various departments and one Crown corporation for the supply of key services to the Agency, as well as future minimum lease payments for the remaining term of the Agency's lease for office space are outlined below.

Year ending March 31	Service agreements	Operating lease	Total
2006	\$ 724,872	\$ 291,347	\$ 1,016,219
2007	743,201	—	743,201
2008	385,702	—	385,702
2009	397,607	—	397,607
2010	410,107	—	410,107
Total	\$ 2,661,489	\$ 291,347	\$ 2,952,836

10. Administrative monetary penalties

The Commissioner of the FCAC may issue Notices of Violations and impose an administrative penalty in cases where he 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 to the *Financial Consumer Agency of Canada Act*. The penalty amount may be as high as \$50,000 for an individual and \$100,000 for an institution.

Penalties levied by FCAC are non-respendable and are to be remitted to the Consolidated Revenue Fund. The funds are not available to FCAC and are not included in the balance of the Cash Entitlement. As a result, the penalties do not reduce the amount that FCAC assesses the industry in respect of its operating costs.

FCAC levied \$80,000 (2004—\$17,000) in administrative monetary penalties during fiscal year 2004–05.

11. Parliamentary appropriation

FCAC did not receive a parliamentary appropriation during the fiscal year 2004–05. During fiscal year 2003–04, FCAC was granted a non-recurring appropriation of \$36,000 to be applied to activities consistent with the Government Modern Comptrollership initiative.

12. Comparative figures

Certain 2004 comparative figures have been reclassified to conform to the presentation adopted in 2005.

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04

APPENDICES



Appendix A

GLOSSARY

Administrative Monetary Penalty

A monetary penalty that the Commissioner can impose after determining that a violation has been committed. The penalty could be as high as \$50,000 for an individual or \$100,000 for an institution. The amount is determined on the basis of three criteria: the degree of intent or negligence of the violator, the harm done by the violation, and any history of previous violations.

Case

A file opened by FCAC's Compliance and Industry Relations Branch pertaining to a compliance matter, such as an alleged contravention of a consumer provision, code of conduct or public commitment. Circumstances surrounding the matter are reviewed and assessed by the Branch.

Closed case

A compliance case closed between April 1 and March 31 of the reporting year.

Code of conduct

A code adopted by a financial institution or an industry association and made publicly available (for example, on its Web site), designed to protect the interests of customers of that institution or industry. FCAC monitors whether federally regulated financial institutions comply with their voluntary codes of conduct.

Coercive tied selling

The use of coercion or undue pressure to induce an individual to obtain a product or service from a particular person, bank or affiliate, as a condition for obtaining another product or service from that same source.

Complaint

A verbal or written expression of dissatisfaction by a consumer, related to any area of activity of a financial institution.

Complaint-handling procedure

A procedure that federally regulated financial institutions are legally required to put in place for dealing with complaints made by persons who have requested or received products or services from a financial institution in Canada. Financial institutions must file their complaint-handling procedures with FCAC.

Compliance Agreement

An agreement entered into by the Commissioner and the senior management of a financial institution, specifying corrective measures designed to further compliance with the consumer provisions, and setting out a time frame for implementation of the measures.

Compliance, finding of

A finding by FCAC, after investigation of a complaint, that the actions of the financial institution concerned are consistent with the law, or with the institution's voluntary code of conduct or public commitment governing such actions.

Compliance framework

A framework outlining how FCAC supervises financial institutions' compliance with the legislated consumer provisions, and how it monitors the institutions' compliance with voluntary codes of conduct and public commitments.

Compliance measures

A series of actions that the Commissioner may implement when an institution is found to have violated a consumer provision. Determined on a case-by-case basis, the compliance measures range from a Letter of Reprimand to proceedings initiated through a Notice of Violation, and may include an Administrative Monetary Penalty.

Consumer provision

A provision of federal legislation/regulations identified as a consumer provision in section 2 of the *Financial Consumer Agency of Canada Act*. When designated by regulation, contravention of such a provision constitutes a violation.

Examination

An examination conducted by FCAC, as circumstances require, to satisfy the Commissioner that a financial institution is complying with the consumer provisions, as well as with its code of conduct or public commitment. FCAC forwards the conclusions of such examinations to the Minister of Finance.

Filing

A document that a federally regulated financial institution is required, by legislation (the *Bank Act*, the *Cooperative Credit Associations Act*, the *Insurance Companies Act* or the *Trust and Loan Companies Act*), to file with FCAC.

Letter of Reprimand

An administrative measure, provided for in FCAC's compliance framework. The Commissioner may issue a Letter of Reprimand in a case where a violation by a financial institution involves a non-systemic problem, and where the matter is not serious enough to require a Notice of Violation and a monetary penalty. In a letter sent to the institution, the Commissioner notes the violation and, if applicable, confirms that the institution has taken the proper corrective action. The violation forms part of the institution's compliance history.

Non-compliance, finding of

After investigation by FCAC, a determination that the actions of a particular financial institution do not comply with the law or with the terms of a voluntary code of conduct or a public commitment applicable to that institution.

Non-violation, finding of

A finding by FCAC, after investigation of a complaint, that the actions of the financial institution concerned are consistent with its consumer provision obligations.

Notice of Violation

A notice provided for by law and issued by the Commissioner, informing a financial institution that there are reasonable grounds to believe that the institution has violated a consumer provision. The *Financial Consumer Agency of Canada Act* requires the notice to state the name of the institution that committed the violation, the nature of the violation and the proposed amount of the Administrative Monetary Penalty to be levied against the institution by FCAC. After the Commissioner issues a Notice of Violation and receives representations from the institution, he decides on a balance of probabilities whether the financial institution committed the violation and, where appropriate, issues a Notice of Decision. The Notice of Decision describes any Administrative Monetary Penalty imposed. The Commissioner may also publicize the violation.

Opened case

A case opened in FCAC's tracking system between April 1 and March 31 of the reporting year.

Pending case

A compliance case still under investigation by FCAC as of March 31 of the reporting year.

Public Accountability Statement

A statement that each financial institution with \$1 billion or more in equity is required, by law, to publish annually and file with the FCAC Commissioner. The statement describes the contributions made by the institution to Canada's economy or society.

Public commitment

A commitment adopted and made publicly by a financial institution (for example, on its Web site), designed to protect the interests of customers of that institution. FCAC monitors compliance by federally regulated financial institutions with their public commitments.

Self-reported complaint / Reportable complaint

A complaint involving a consumer provision that is escalated to the reportable level of a financial institution's complaint-handling process. FCAC's compliance framework requires federally regulated financial institutions to inform the Agency of any reportable complaint (as defined in the framework) that involves a consumer provision.

Violation

The contravention of a consumer provision, as defined by the *Financial Consumer Agency of Canada Designated Violations Regulations*.

Withdrawn case

A case on which action has been discontinued, either because the consumer who lodged the complaint has withdrawn it or because the consumer did not respond to FCAC's attempts to contact him or her in order to obtain the facts necessary for continuing the investigation.

Appendix B

CONSUMER PROVISIONS AND REGULATIONS

The *Financial Consumer Agency of Canada Act* identifies consumer provisions under the following legislation:

- the *Bank Act*;
- the *Insurance Companies Act*;
- the *Trust and Loan Companies Act*; and
- the *Cooperative Credit Associations Act*.

The following table summarizes the legislated consumer provisions that the Agency administers, and the types of federally regulated financial institutions affected by each provision.

<i>Type of consumer provision</i>	<i>Banks</i>	<i>Trust and loan companies</i>	<i>Insurance companies</i>	<i>Retail associations</i>
Requirement to disclose interest and charges applicable to deposit accounts	X	X		X
Requirement to disclose the cost of borrowing	X	X	X	X
Requirement to have procedures for protecting customer information (no regulations in effect)	X	X	X	X
Requirement to open retail deposit accounts	X			
Requirement to provide notice that deposits are not insured when bank is not a member of CDIC	X			
Requirement to offer a standard low-cost account (not in effect) <i>Note: Instead of a regulatory approach to bring this provision into effect, eight financial institutions have voluntarily committed to providing a low-cost account within guidelines established by the government.</i>	X			
Within 14 days of opening a retail deposit account by telephone, consumer's right to close the account without charge	X	X		X

<i>Type of consumer provision (continued)</i>	<i>Banks</i>	<i>Trust and loan companies</i>	<i>Insurance companies</i>	<i>Retail associations</i>
Prohibition on charging for cashing government cheques	X	X		X
Obligation to cash government cheques to a maximum of \$1,500, as specified by regulation	X			
Requirement to provide notice before closing a retail branch	X	X		X
Requirement for each institution with equity of \$1 billion or more to file a Public Accountability Statement	X	X	X	
Requirement to set up complaint procedures and to file a copy of those procedures with FCAC	X	X	X	X
Requirement to join a separate complaints resolution organization		X	X	X
Restriction concerning coercive tied selling	X			
Requirements to disclose information to consumers in accordance with regulations (e.g. regulations on index-linked deposits, cheque holding policies)	X	X	X	X
Consumers' right to prepay loans	X	X	X	X
Requirement for an institution to provide information about FCAC when consumers have complaints about the institution's compliance with consumer provisions	X	X	X	X

<i>Related matters</i>	<i>Banks</i>	<i>Trust and loan companies</i>	<i>Insurance companies</i>	<i>Retail associations</i>
Requirement for FCAC to monitor industry codes of conduct and public commitments (e.g. codes dealing with debit cards or with small and medium-sized businesses)	X	X	X	X
Requirement for FCAC to report annually, in aggregate form, on the number and types of complaints brought to its attention	X	X	X	X
Requirement for institutions to provide information to the Commissioner as necessary	X	X	X	X
Requirement for annual compliance examination and reporting	X	X	X	X
Ability to enter into Compliance Agreements	X	X	X	X
Requirement to pay assessments for funding of FCAC	X	X	X	X
Ability to designate contraventions that are subject to administrative penalties	X	X	X	X

STATUS OF CONSUMER PROVISIONS AND RELATED REGULATIONS

as of March 31, 2005

<i>Name of regulations</i>	<i>Status</i>	<i>Reference No.</i>
<i>Access to Basic Banking Services Regulations</i>	in force	SOR/2003-184
<i>Cheque Holding Policy Disclosure (Banks) Regulations</i>	in force	SOR/2002-39
<i>Complaint Information (Authorized Foreign Banks) Regulations</i>	in force	SOR/2001-370
<i>Complaint Information (Banks) Regulations</i>	in force	SOR/2001-371
<i>Complaint Information (Canadian Insurance Companies) Regulations</i>	in force	SOR/2001-373
<i>Complaint Information (Foreign Insurance Companies) Regulations</i>	in force	SOR/2001-372

<i>Name of regulations (continued)</i>	<i>Status</i>	<i>Reference No.</i>
<i>Complaint Information (Retail Associations) Regulations</i>	in force	SOR/2001-374
<i>Complaint Information (Trust and Loan Companies) Regulations</i>	in force	SOR/2001-375
<i>Cost of Borrowing (Authorized Foreign Banks) Regulations</i>	in force	SOR/2002-262
<i>Cost of Borrowing (Banks) Regulations</i>	in force	SOR/2001-101
<i>Cost of Borrowing (Canadian Insurance Companies) Regulations</i>	in force	SOR/2001-102
<i>Cost of Borrowing (Foreign Insurance Companies) Regulations</i>	in force	SOR/2001-103
<i>Cost of Borrowing (Retail Associations) Regulations</i>	in force	SOR/2002-263
<i>Cost of Borrowing (Trust and Loan Companies) Regulations</i>	in force	SOR/2001-104
<i>Disclosure of Charges (Authorized Foreign Banks) Regulations</i>	in force	SOR/99-278
<i>Disclosure of Charges (Banks) Regulations</i>	in force	SOR/92-324
<i>Disclosure of Charges (Retail Associations) Regulations</i>	in force	SOR/2003-297
<i>Disclosure of Interest (Authorized Foreign Banks) Regulations</i>	in force	SOR/1999-272, as amended by SOR/2001-468
<i>Disclosure of Interest (Banks) Regulations</i>	in force	SOR/1992-321, as amended by SOR/2001-469
<i>Disclosure of Interest (Retail Associations) Regulations</i>	in force	SOR/2003-298
<i>Disclosure of Interest (Trust and Loan Companies) Regulations</i>	in force	SOR/1992-322, as amended by SOR/2001-470
<i>Disclosure on Account Opening by Telephone Request (Authorized Foreign Banks) Regulations</i>	in force	SOR/2001-471
<i>Disclosure on Account Opening by Telephone Request (Banks) Regulations</i>	in force	SOR/2001-472
<i>Disclosure on Account Opening by Telephone Request (Retail Associations) Regulations</i>	in force	SOR/2003-299
<i>Disclosure on Account Opening by Telephone Request (Trust and Loan Companies) Regulations</i>	in force	SOR/2001-473
<i>Financial Consumer Agency of Canada Assessment of Financial Institutions Regulations</i>	in force	SOR/2001-474
<i>Financial Consumer Agency of Canada Designated Violations Regulations</i>	in force	SOR/2002-101

<i>Name of regulations (continued)</i>	<i>Status</i>	<i>Reference No.</i>
<i>Index-linked Deposits Interest Disclosure Regulations</i>	in force	SOR/2002-102
<i>Notice of Branch Closure (Banks) Regulations</i>	in force	SOR/2002-104, as amended by SOR/2003-70
<i>Notice of Branch Closure (Cooperative Credit Associations) Regulations</i>	in force	SOR/2002-105, as amended by SOR/2003-70
<i>Notice of Branch Closure (Trust and Loan Companies) Regulations</i>	in force	SOR/2002-106, as amended by SOR/2003-70
<i>Notices of Uninsured Deposits Regulations</i>	in force	SOR/99-388, as amended by SOR/2002-338
<i>Public Accountability Statements (Banks, Insurance Companies, Trust and Loan Companies) Regulations</i>	in force	SOR/2002-133

Appendix C

MAJOR CODES OF CONDUCT AND PUBLIC COMMITMENTS MONITORED BY FCAC

Codes of conduct

Canadian Bankers Association (CBA) Code of Conduct for Authorized Insurance Activities

Outlines the banks' standards for branch employees to offer credit, travel and personal accident insurance. Deals with training, disclosure, promotion practices, customer privacy protection and customer redress.

Canadian Code of Practice for Consumer Debit Card Services

Outlines industry practices and consumer/industry responsibilities. Designed to protect Canadian consumers who use debit card services.

Codes of Conduct for Bank Relations with Small and Medium-Sized Businesses

Each bank develops and applies its own code to the business activities it conducts with small and medium-sized enterprise (SME) customers. Every code includes the key elements of the CBA Model Code of Conduct, the minimum standard for banks dealing with SMEs.

Principles of Consumer Protection for Electronic Commerce: A Canadian Framework

Intended to guide the actions of businesses, consumers and governments in Canada to develop a consumer protection framework for electronic commerce over open networks, including the Internet.

Public commitments

Credit Cards

Several financial institutions have made formal commitments to protect consumers from the unauthorized use of credit cards. These commitments outline consumers' liability for fraudulent transactions.

Guidelines for the Transfer of Registered Plans

Commitment to respect a designated maximum amount of time that banks may require to process transfers of deposit-type registered plans.

Low-Cost Accounts

Eight Canadian financial institutions have undertaken to offer accounts that meet guidelines set out by the federal government since February 2001, with the aim of ensuring that Canadians have access to affordable banking services.

Plain-Language Mortgage Documents

Reflect the banks' commitment to improving the understandability of residential mortgage documents.

Undertaking on Right of Rescission of Index-linked Deposits Purchased by Telephone

For telephone purchasers of index-linked deposits who have not received the required written statement prior to purchase, seven Canadian financial institutions have committed to allowing the opportunity to rescind the purchase within 48 hours from the actual or deemed receipt of such a statement, whichever is earlier.

Undertaking on Unsolicited Services

Six Canadian financial institutions have committed to implementing procedures designed to protect consumers when offering unsolicited services.

Note: For definitions of the terms "code of conduct" and "public commitment," see Appendix A (Glossary).

