



# Financial Consumer Agency of Canada

## *Business Plan* *April 2005 – March 2007*

Ottawa





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## Introduction

The Financial Consumer Agency of Canada (FCAC) is an agency of the federal government established in the Fall of 2001. FCAC is responsible for the oversight of consumer protection measures in the federally regulated financial sector and for expanding consumer education activities. The Agency has 38 full-time employees (FTEs), located in Ottawa. Its annual budget is recovered through an annual assessment on the federally regulated financial institutions (FRFIs), primarily retail banks.

FCAC's mandate derives from the key recommendations on consumer protection proposed by the Ministerial Task Force on the Future of the Canadian Financial Services Sector (1998). In responding to the Task Force's recommendations, then Minister of Finance Paul Martin issued the Government's White Paper: *Reforming Canada's Financial Services Sector, A Framework for the Future*. The White Paper stated:

Given that financial services are a necessity of everyday life and that consumers and financial institutions do not have the same information, understanding or bargaining power, it is critical that consumers be treated fairly in their dealings with financial institutions<sup>1</sup>.

The government believes that the [FCAC] will play a meaningful role in ensuring a balanced relationship between consumers and financial institutions<sup>2</sup>.

The Minister's statement that accompanied the White Paper explained:

The creation of this Agency reflects the government's view that consumer protection, together with the prudential regulation undertaken by the Office of the Superintendent of Financial Institutions, is integral to the necessary oversight by the government of the financial sector<sup>3</sup>.

For the Government, the creation of FCAC had a secondary objective of consolidating responsibilities under one agency. The White Paper stated:

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<sup>1</sup> Department of Finance, *Reforming Canada's Financial Services Sector*, White Paper, June 25, 1999, p. 46.

<sup>2</sup> *Ibid.*, p. 55.

<sup>3</sup> Department of Finance, *Reforming Canada's Financial Services Sector*, Statement by the Honourable Paul Martin, Minister of Finance, June 25, 1999.



At present, various parts of the federal government are involved in oversight of the financial sector, including the Office of the Superintendent of Financial Institutions (OSFI), the Department of Finance, Industry Canada and the Canada Deposit Insurance Corporation.

In addition to monitoring compliance with regulation and self-regulation, these departments and agencies also play a limited role in assisting consumers who have questions about the financial sector and in providing information on certain financial products and services, such as credit cards and service charge packages on accounts at deposit-taking institutions.

Consumer groups have expressed a desire for better consumer protection in their dealings with financial institutions.

In response, the government will consolidate and strengthen existing oversight activities currently dispersed among various federal entities. **The government will establish the Financial Consumer Agency of Canada [FCAC] that will report to the Minister of Finance<sup>4</sup>.**

The Agency seeks to meet the Government's objectives by providing Canadians with a responsive program that focuses on consumers and the issues that they bring to our attention. As a regulator, we work with financial institutions (FIs) to address consumer matters in an open manner, using a "no-surprises" approach.

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<sup>4</sup> *Ibid.*, p. 54.



## Business Environment

### Nature of the Canadian financial services sector

An essential pillar of the Canadian economy, the financial services sector, which extends right across the country, is reputed to be one of the most stable and healthy financial sectors in the world. It provides a system for financing, ensuring and facilitating transactions that support day-to-day commerce within the Canadian and world economies. The sector

- employs more than half a million Canadians;
- provides a yearly payroll of more than \$24 billion;
- represents 5 per cent of Canada's gross domestic product; and
- yields more than \$9 billion annually in tax revenue to all levels of government<sup>5</sup>.

The sector includes both provincially and federally regulated financial institutions. Whereas credit unions and finance companies come under provincial authority, all banks are under federal law. For insurance companies and trust and loan companies, jurisdiction is shared between the provincial and federal governments, depending on the activities of each company. Canada's financial sector currently includes the following number and types of federally regulated institutions<sup>6</sup>:

- 19 domestic banks
- 27 foreign banks
- 17 foreign bank branches (full-service)
- 5 foreign bank branches (lending services)
- 44 trust companies
- 22 loan companies
- 97 life and health insurance companies
- 187 property and casualty insurance companies.

Federally regulated banks account for more than 70 per cent of the total assets of the Canadian financial services sector<sup>7</sup>.

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<sup>5</sup> Department of Finance Web site (<http://www.fin.gc.ca>) figures, Jan. 28 2005.

<sup>6</sup> Office of the Superintendent of Financial Institutions Web site (<http://www.osfi-bsif.gc.ca>) figures, Jan. 28, 2005.

<sup>7</sup> Department of Finance Web site (<http://www.fin.gc.ca>), consulted Jan. 28 2005.



In addition to federally regulated institutions, there are also provincially regulated institutions, which include:

- more than 1,278 credit unions and caisses populaires (as of 2002)
- more than 200 investment dealers
- 75 mutual fund management companies
- 69 pension fund managers
- more than 4,000 independent financial, deposit and mortgage brokers
- 6,550 financing firms, with assets of more than \$5 million.

## Responsibility for a fair and competitive marketplace

As in other sectors of the economy, responsibilities are shared between consumers, industry and governments to ensure that the sector functions appropriately and competitively.

### Consumers

For a competitive market to function well, consumers are expected and must be willing to make a reasonable effort to become aware of the features of the products and services they wish to buy. They must also be willing to shop around to compare pricing, quality and service. Thus, the term “shop around” has become a key theme for FCAC in its consumer messaging.

### Industry

The public expects the financial industry to offer a variety of products and services at competitive prices, and to make information about these products and services easy to obtain, easy to understand and easy to compare with information about similar products or services. Competition can foster product innovation, diversity and lower prices, but it does not necessarily promote appropriate market conduct.

### Governments

Governments ensure that Canada’s financial system adopts and maintains prudent practices for the benefit of the overall stability and security of the system, while recognizing the need for financial institutions to compete effectively. In particular, governments expect the financial sector to provide a stable and secure marketplace for financial transactions. Governments are also expected to act in the public interest when the competitive system is not functioning as smoothly or fairly as it should. Sometimes the balance of power can tilt too far, and it becomes evident that certain basic standards or rules must be established for the industry as a whole, to maintain a marketplace that is fair for consumers. In fact, all G-7 countries, and many other major market economies, have regulators for financial market conduct.



As the 1999 White Paper stated:

Strong, efficient and profitable financial institutions are vital to Canada's economic success<sup>8</sup>.

Canada is also widely acknowledged for having one of the safest and soundest financial sectors in the world. This is a valuable asset in a rapidly changing global economy.

Although it is not the responsibility of government to effect change within the sector, it is incumbent upon government to put into place a policy framework that allows the sector to evolve, while preserving its soundness and ensuring that its evolution benefits consumers<sup>9</sup>.

It is the responsibility of both financial institutions and the government to establish the conditions that create a marketplace of well-informed consumers and a sufficient number of competitive suppliers. Adequate information and range of choice, backed by strong regulatory oversight and an effective redress process, will ensure a relative balance of power between the consumer and the provider and justify consumer confidence in their financial institutions. This, in turn, will deliver the best results for consumers, firms and the economy as a whole<sup>10</sup>.

In its financial sector legislation, the Government has set out its responsibility for supervising the federally regulated Canadian financial services sector. The Office of the Superintendent of Financial Institutions is responsible for issues dealing with safety and soundness, the Canada Deposit Insurance Corporation (CDIC) for issues concerning deposit insurance, and FCAC for consumer education and protection.

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<sup>8</sup> *Reforming Canada's Financial Services Sector*, p. 9.

<sup>9</sup> *Ibid.*, p. 10.

<sup>10</sup> *Ibid.*, p. 46.



## The Agency's Program

### Statutory mandate

*The Financial Consumer Agency of Canada Act* sets out the mandate for the Agency. It states that the Agency is to:

- 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, as well as 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 the consumer provisions applicable to them; and
- e) **foster** an understanding of financial services and issues relating to financial services, in co-operation with any department, agency or agency corporation of the Government of Canada or of a province, financial institution and consumer and other organization.

### FCAC mission statement

FCAC is committed to improving Canada's financial marketplace by:

- supervising financial institutions efficiently and effectively with respect to fulfilling their obligations to consumers, and
- providing information to consumers to enable them to understand their rights and to make informed financial decisions.





Specifically, FCAC will improve the marketplace by:

- applying appropriate compliance procedures through a responsive regulatory framework that will raise the industry's level of compliance with the consumer provisions;
- monitoring and reporting on industry compliance with voluntary industry codes of conduct and public commitments agreed to by financial institutions, to ensure consumers benefit from these commitments; and
- developing educational programs and information tools for consumers that will:
  - increase consumers' awareness of their rights;
  - inform consumers of the redress mechanisms that are available to them;
  - improve the availability and accessibility of market information that will enable consumers to understand their costs, risks and options when they purchase financial products and services;
  - lead to a better understanding of the financial sector, and its products and services.

## Overview of FCAC's activities: The first three years

### Protecting consumers—Compliance and monitoring

The Agency is responsible for overseeing the financial institutions' compliance with the various consumer provisions of the *Bank Act*, the *Insurance Companies Act*, the *Trust and Loan Companies Act* and the *Co-operative Credit Associations Act*. In addition, the *Financial Consumer Agency of Canada Act* mandates the Agency to monitor compliance by financial institutions with their codes of conduct and public commitments, which are designed to protect the interests of their customers.

In the nearly three years since it was established, FCAC has put in place an efficient and effective risk-based compliance framework that, we believe, applies an appropriate level of oversight to federally regulated financial institutions. We have been reviewing this compliance framework over the past few months, and will be updating our practices to ensure that FCAC is able to continue to monitor the financial institutions appropriately.



### *Activities*

The Agency's key compliance activity involves investigating complaints filed by consumers or self-reported by financial institutions that may involve a contravention of the law. Some institutions have also brought complaints about a competitor to FCAC's attention. In several instances, FCAC was asked to launch an immediate investigation, to re-establish a level playing field. In addition, we proactively verify compliance through special annual examinations, as well as by random market testing through "mystery shopping".

When FCAC identifies a compliance issue, it may take the following action:

- issue a compliance letter requesting that an institution take steps to correct a problem;
- enter into a formal compliance agreement with an institution to deal with serious or systemic issues; and/or
- issue a notice of decision, impose a financial penalty and make public the nature of the violation.

If a complaint relates to an institution's code of conduct or public commitment, the Agency investigates the complaint to determine the institution's level of compliance with the code or the commitment. The Agency reports its findings, in aggregate form, in its annual report to Parliament.

### **Informing Canadians—Education**

One of FCAC's main objectives is to establish a significant consumer education and information program that will help individuals from all walks of life participate in the financial sector. This program is intended to enhance consumers' knowledge of the financial institutions' obligations to them, under the consumer provisions, as well as their understanding of financial products and services, and related issues.

Over the past three years, FCAC has worked diligently to build relationships with various stakeholders and the media, in order to expand consumer education activities across Canada.

### *Activities*

#### Consumer education and research

In keeping with the above objective, in its first three years of operation (October 2001–September 2004), FCAC's priority was to produce a variety of information materials on the obligations of federally regulated financial institutions to Canadian consumers. This information had never before been available to consumers in the financial marketplace.





We worked with plain-language experts to develop brochures and booklets that are specifically targeted to low-income and low-literacy consumers.

FCAC researches financial products to develop relevant educational information for consumers. For example, we produce information to help consumers understand how credit card interest is calculated and how to compare credit card products with respect to fees and features. We produce an annual report that compares the features and service fees of the bank accounts offered by various financial institutions. This helps consumers shop around to find the best service package for them, at the lowest cost.

Where financial information is lacking or incomplete, we fill the gaps so that consumers can obtain objective, reliable information. We believe that informed consumers create a better marketplace. We recognize the issues that are important to consumers and research these issues to provide consumers with timely information.

### Responding to Canadians

In partnership with the Canada Deposit Insurance Corporation (CDIC), FCAC operates a call centre that responds to financial inquiries from Canadians. Information officers provide answers to individual consumers' questions and also refer callers elsewhere, for further information.

We respond with the same individual attention to the hundreds of letters and e-mails that we receive.

FCAC routinely updates its Web site with information for consumers, the financial industry, the media and other stakeholders. We have enhanced the site by developing interactive financial tools, quizzes and calculators, and will continue to do so in the future.

### Outreach programs

Not only does FCAC respond to Canadians who contact the Agency; it also proactively reaches out to Canadians by:

- developing joint projects and partnerships with industry and community groups that are interested in improving Canadians' financial knowledge or literacy;
- developing and presenting information seminars about FCAC's responsibilities and the financial industry's obligations to consumers;



- developing and providing information tools that community groups and other organizations can use to improve their members' understanding of financial products and services; and
- maintaining ongoing communications with the media, as a channel for disseminating important information to consumers.

### Program demands and effectiveness

To measure our effectiveness, we track not only the number of cases generated under our mandate, but also the outcome of any action taken. As a relatively new organization, FCAC now has three fiscal years of data it can use to measure its effectiveness or the outcome of its compliance and consumer education activities. The following section provides an overview of these activities.

#### Compliance and Industry Relations

##### *Caseload*

With the coming into force of the *Access to Basic Banking Services Regulations*, in September 2003, all of the regulations FCAC oversees are now in place. Even though, the overall number of compliance files opened fell in fiscal year 2004-05, mainly because of the significant decrease of legislative filings related to branch closures, our workload related to consumer provisions cases continues to increase. This is to be expected for a relatively new agency. It is difficult to predict when and at what level FCAC's caseload will stabilize when the Agency has an ongoing objective of increasing awareness of its services among consumers, potentially resulting in an additional caseload.





<b>Compliance files opened</b>					
<b>Type of work</b>	No. of case files April 2002– March 2003	No. of case files April 2003– March 2004	% change 2004 vs. 2003	No. of case files <sup>11</sup> April 2004– March 2005	% change 2005 vs. 2004
Review of legislative filings of documents <sup>12</sup>	375	395	5 ↑	175	56 ↓
Consumer provision cases	374	776	107 ↑	932	20 ↑
Code of conduct and public commitment cases	243	268	10 ↑	230	14 ↓
<b>Total number of compliance files opened</b>	<b>992</b>	<b>1,439</b>	<b>45↑</b>	<b>1,337</b>	<b>7 ↓</b>

<sup>11</sup> The figures are preliminary and may change slightly during the Annual Report process.

<sup>12</sup> Number of branch closure filings decreased significantly in 2004–05.



<b>Commissioner's decisions Three-year summary: October 24, 2001–September 30, 2004</b>	
Letters of Reprimand (these include 104 violations)	49
Notices of Violation <sup>13</sup> <ul style="list-style-type: none"> <li>▪ <i>Failure to comply with Cost of Borrowing Regulations (3)</i></li> <li>▪ <i>Failure to comply with Notice of Branch Closure Regulations (1)</i></li> <li>▪ <i>Failure to file complaint procedures (1)</i></li> </ul>	5
➤ <i>Administrative Monetary Penalties</i>	\$97,000
Compliance Agreements	2
Branch closure meetings granted <sup>14</sup>	17
Branch closure meetings not granted <sup>15</sup>	20

The Commissioner's decisions outlined in the preceding table relate to the following issues:

- Refusal to open a bank account
- Disclosure of charges
- Cashing federal government cheques for free
- Coercive tied-selling
- Complaint-handling process

<sup>13</sup> As of September 30, 2004, other cases were open, but a decision had not yet been made or finalized.

<sup>14</sup> The numbers related to *Branch closure meetings granted* are for the period October 24, 2001–August 31, 2004.

<sup>15</sup> The numbers related to *Branch closure meetings not granted* are for the period October 24, 2001—August 31, 2004.



- Cost of borrowing – Credit cards
- Cost of borrowing – Mortgages
- Cost of borrowing – Loans
- Branch closures

### *Outcome*

In 100 per cent of the compliance cases decided by the Commissioner, the FRFIs took corrective measures to fix the problems that were identified by the Agency<sup>16</sup>. In approximately 43 per cent of those cases<sup>17</sup>, the corrective measures involved procedural changes in the FRFIs while in 57 per cent of the cases, the corrective measure was limited to improvements in the non-compliant branches.

For the purposes of this analysis, the term “procedural changes” refers to the corrective measures taken by FRFIs that were not limited to a single non-compliant branch and that resulted in changes to corporate processes.

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<sup>16</sup> Does not include cases related to *Branch closure meetings granted or not granted* (see previous chart, p. 12).

<sup>17</sup> Does not include cases related to *Branch closure meetings granted or not granted* (see previous chart, p. 12).



*Codes of conduct and public commitments*

Three-year summary: October 24, 2001–September 30, 2004	
Codes of conduct and Public Commitments for which letters of non-compliance were sent to FRFIs	Total
Account opening <sup>18</sup> :	
➤ Refusal to open–Bankruptcy	4
➤ Refusal to open–Credit history	17
➤ Refusal to open–Identification	5
Debit Card Code	4
Insurance Code	1
Credit cards–Public commitments	
➤ Zero-liability policy	6
➤ Optional services (long-distance plan with FI)	1
<b>Total cases of non-compliance</b>	<b>38</b>

*Outcome*

With reference to the above table, corrective action was implemented in approximately 69 per cent of the 38 cases related to the codes of conduct and public commitments. In general, when an FRFI did take corrective action, it related to solving a problem concerning an individual consumer.

However, it is important to note that, in some cases, FRFIs made procedural changes following the receipt of letters of non-compliance — to be compliant with the anticipated *Access to Basic Banking Regulations* that were coming into force.

<sup>18</sup> The figures related to the public commitment on access to basic banking are for the period October 24, 2001–September 30, 2003. The *Access to Basic Banking Regulations* did not come into force until September 30, 2003.





### *Annual examinations*

In addition to responding to complaints, FCAC undertakes both annual and targeted industry examinations.

As of September 30, 2004, FCAC had carried out approximately 950 annual examinations of federally regulated financial institutions. Some examinations are conducted over the telephone, with specific questions related to the consumer provisions. Another method FCAC uses is to send questionnaires to the FRFIs, which they are required to fill out and return to FCAC. The Agency's Compliance team examines the responses, to determine if there is any lack of disclosure related to the consumer provisions. FCAC's findings from the annual examinations are shown in the following chart.

<b>Three-year summary: October 24, 2001–September 30, 2004</b>	
<b>Consumer provisions for which FCAC identified a lack of compliance, with respect to disclosure</b>	
Account openings	3
Cashing Government of Canada cheques for free	1
Disclosure of charges	4
Coercive tied selling	15
Third-party dispute resolution body	4
<b>Total</b>	<b>27</b>

### *Outcome*

In more than 95 per cent of the cases related to annual examinations, FRFIs implemented the corrective measures required by FCAC. One case relating to the disclosure of charges is still pending.



### *Mystery shopping*

Testing the marketplace through “mystery shopping” is one of FCAC’s many compliance activities<sup>19</sup>. FCAC undertakes mystery-shopping exercises to verify what consumers experience when they visit their bank branch or use the bank’s products or services.

The objectives of the mystery-shopping exercise are to:

- determine what information is made available to consumers who use a bank branch or a bank Web site;
- identify areas for improvement with respect to the institutions’ meeting specific legislative requirements; and
- identify “best practices” in the financial sector.

In fiscal year 2003–04, FCAC commissioned a mystery-shopping exercise related to specific consumer provisions; namely, the information being disclosed to consumers. FCAC conducted the exercise in more than 1,600 bank branches across Canada. The results showed that, in about 25 per cent of the cases, there was room for improvement with respect to branch practices. The financial institutions involved worked with FCAC to develop action plans to improve their performance.

In fiscal year 2004–05, FCAC conducted another mystery-shopping exercise. This exercise focused on compliance with the *Access to Basic Banking Services Regulations*; specifically, in the following three areas:

- account-opening procedures;
- disclosure documents; and
- cheque-cashing procedures.

The results of this survey are still being analyzed.

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<sup>19</sup> Compliance activities can include: reviews of reports, literature and surveys; inquiries into consumer complaints; an analysis of the reporting by financial institutions; and on-site examinations.





## *Outcome*

The mystery-shopping exercises that FCAC has undertaken to date will establish a benchmark that the Agency can use to measure any future improvements in the financial industry's compliance with the consumer provisions. When FCAC completes a mystery-shopping exercise, it analyzes the data to identify any shortcomings, and makes public the aggregate results. We then work with specific financial institutions to put in place solutions to rectify any shortcomings.

## *Other outcomes – Compliance*

FCAC's compliance activities are intended to improve the level of compliance of FRFIs with the consumer provisions, for the benefit of all Canadian financial consumers. Compliance problems can be systemic in nature. By addressing the concerns of one consumer, FCAC enables other consumers to benefit. For example, one complaint in a credit card case resulted in a Letter of Reprimand to the bank. The bank resolved the disclosure issue, for the benefit of 1.6 million consumers. In another credit card case, the bank resolved a disclosure issue, which benefited more than 170,000 consumers. Other outcomes from our Compliance activities include the following.

- FCAC has worked with the financial institutions to ensure customers were informed when compliance problems involved the disclosure of fees, the calculation of interest or mortgage penalties. These institutions sent corrective notices to several million Canadians and if the matter involved an issue of redress, consumers were also advised of their right to make use of the complaint-handling process.
- We have also worked on behalf of Canadians to ensure that the financial institutions respect their public commitments and industry codes of conduct. For example, in many cases where Canadians were refused access to bank accounts, we were able to persuade the institutions to provide accounts to these consumers.
- We have raised consumer issues in a quarterly industry forum, and discussed ways to improve disclosure for products or services not covered by the current regulations. For example, we expressed our concern about the quality of disclosure with regard to a new investment product. Several key institutions are now providing better disclosure in their advertisements.



- We have launched two major reviews of the industry's disclosure practices. The first related to credit cards, and the second to mortgage penalty clauses. This type of review involves analyzing hundreds of pages of documents that institutions use to market their products to millions of customers. As a result of our findings, several institutions are now working proactively to improve their quality of disclosure.
- We have reviewed branch closure filings for more than 500 bank branches. The *Branch Closures Regulations* act as a catalyst for ensuring that consultations take place between the banks and the communities they serve, and enable the communities to discuss issues openly with the banks. Some banks have become more proactive in this area, by holding meetings with their customers without FCAC having to intervene. In some instances, when they are closing branches, banks have also volunteered to:
  - install or leave an automated banking machine (ABM) in the community;
  - extend the hours of operation of branches in the surrounding area;
  - make donations to key community groups;
  - offer mobile, in-home services for certain types of banking services;
  - donate their building to the community or to a credit union;
  - waive fees for customers transferring products to other local institutions.

## Consumer Education and Public Affairs

### *Workload*

FCAC's Consumer Education and Public Affairs Branch undertakes a number of activities to support the Agency's mandate. The branch's key activities include:

- the production and distribution of consumer information material
- research and analysis
- media relations and public relations
- Web site management
- outreach activities
- call centre management
- correspondence
- the development of a communications strategy/planning.



The branch's work also involves responding to general inquiries and complaints, on an individual basis, through FCAC's call centre. In 2004, in partnership with the Canada Revenue Agency and Social Development Canada, FCAC initiated two cheque-insert projects, in which more than seven million inserts were mailed to Canadians across the country. For the duration of this project (approximately one month), the Agency entered into an agreement with Reference Canada to assist with calls from consumers, since FCAC's Consumer Contact Centre was not equipped to handle the volume of phone calls anticipated. The call volume generated by this project was approximately 9,120 calls over two months. Cheque-insert messages focused on access to basic banking services, low-cost accounts and direct deposits. As a result of this mailing, more than 230,000 consumers signed up to have their pension, social security, GST and other Government cheques deposited directly into their bank account. This initiative decreased the Government's costs and, at the same time, informed Canadians on how to obtain a low-cost account, as well as access to their funds more quickly, with fewer problems, and reduce the chances of their cheques being stolen or fraudulently cashed.

For our analysis of the workload of the Consumer Education and Public Affairs Branch and, specifically, of the Consumer Contact Centre, we have excluded the phone calls generated by the cheque-insert project. The branch's activity can be summarized as follows.

- The volume of calls handled by our Consumer Contact Centre increased by 33 per cent in fiscal year 2003–04, and by another 11 per cent in fiscal year 2004–05. The geographic breakdown of the calls we received generally mirrors the provincial breakdown of Canada's population.
- The volume of e-mails and letters directly answered by our Correspondence unit increased by 9 per cent in fiscal year 2003–04 and by another 5% in 2004–05.





### Contacts – Consumer Education & Public Affairs (CEPA) Branch

Type of contacts	No. of contacts April 2002– March 2003	No. of contacts April 2003– March 2004	% change 2003–04 vs. 2002–03	No. of contacts April 2004– March 2005 <sup>20</sup>	% change 2004–05 vs. 2003–04
Telephone calls	11,517	15,366	33 ↑	17,027	11 ↑
Letters and e-mails	1,252 <sup>21</sup>	1,367 <sup>22</sup>	9 ↑	1,439	5 ↑
<b>No. of contacts directly answered by CEPA branch</b>	<b>12,769</b>	<b>16,733</b>	<b>31 ↑</b>	<b>18,466</b>	<b>10 ↑</b>
Telephone calls generated from cheque-insert initiatives				9,128	N/A
Letters and e-mails related to Option consommateurs' initiative on ABM surcharges	1,026	72			
<b>Total No. of Contacts received by CEPA branch</b>	<b>13,795</b>	<b>16,805</b>	<b>22 ↑</b>	<b>27,594</b>	<b>64 ↑</b>

In fiscal year 2004–05, we used part-time employees and students to help answer correspondence. We also established a framework to determine the order of priority for responding to inquiries and complaints. Because of the ongoing volume of correspondence, we plan to add one full-time employee in this area in fiscal year 2005–06, to ensure that we meet our service standards for responding to consumers. Consumers will continue to receive the information they need within an appropriate timeframe, so that it is pertinent and useful.

<sup>20</sup> The figures are preliminary and may change slightly during the Annual Report process

<sup>21</sup> These exclude 1,026 contacts related to Option consommateurs' initiative on ABM surcharges. To respond to these cases, FCAC developed and sent a generic letter to each consumer.

<sup>22</sup> These exclude 72 contacts related to Option consommateurs' initiative on ABM surcharges.



The demand for our publications also rose substantially—especially from organizations requesting multiple copies to distribute in their offices or locations across Canada.

Our material continued to be very popular at the trade shows attended by Agency staff in Toronto and Vancouver. The growing demand for our publications has increased our workload with respect to packaging and shipping.

In fiscal year 2004-05, the number of visits to FCAC’s Web site also increased substantially resulting in more of our publications being downloaded.

### FCAC Web site and publications

	April 2002– March 2003	April 2003– March 2004	% change 2003– 04 vs. 2002–03	April 2004– March 2005 <sup>23</sup>	% change 2004–05 vs. 2003–04
Print publications distributed	50,115	91,381	82↑	152,867	67 ↑
Publications downloaded	45,616	221,682	386 ↑	361,794 <sup>24</sup>	63 ↑
Web site visits	132,197	254,854	93 ↑	464,740	82 ↑

<sup>23</sup> The figures are preliminary and may change slightly during the Annual Report process

<sup>24</sup> This figure represents an estimate and is subject to change in the Annual Report.



**CONSUMER EDUCATION AND PUBLIC AFFAIRS**  
**Three-year summary: October 24, 2001–September 30, 2004<sup>25</sup>**

Activity or result	
Publications and electronic tools produced (e.g., quizzes and calculators)	20
Publications distributed (print and electronic)	706,156
Consumer contacts (excluding compliance matters and filings)	44,536
Outreach partners <ul style="list-style-type: none"> <li>➤ federal departments</li> <li>➤ provincial and municipal governments</li> <li>➤ non-government organizations<sup>26</sup></li> </ul> Presentations at adult learning centres <sup>27</sup> (to approximately 270 low-income consumers) Publications distributed through partners (approximately 70,200, included in total publications distributed)	3 8 6 6
Web site visits <ul style="list-style-type: none"> <li>➤ More than 34,500 per month (as of September 2004)</li> </ul>	602,470
Media coverage <ul style="list-style-type: none"> <li>➤ Initiated by FCAC (659)</li> <li>➤ Initiated by the media (206)</li> </ul>	875

<sup>25</sup> Statistics are for the period October 24, 2001–September 30, 2004, unless mentioned otherwise.

<sup>26</sup> Depending on the issue, we also work with Option consommateurs, the Public Interest Advocacy Centre and other consumer groups and organizations.

<sup>27</sup> Presentations include 3 at the Yorkdale Adult Learning Centre; 1 at the YMCA Newcomer Information Centre; and 2 at the Hull Adult Education Centre.





### ***Outcomes — Educational Mandate***

In keeping with our educational mandate, we focused on producing clear, plain-language information materials that explain the obligations of financial institutions to consumers, to ensure that Canadians know about their rights and what they are entitled to receive from financial institutions. With this knowledge, consumers who are not satisfied will know how to get their problems resolved. Informed consumers raise the standard of market behaviour. As a result of FCAC's activities:

- Canadians can now access more than 15 publications on a broad variety of financial issues.
- Through our toll-free number, Canadians can obtain financial information as well as contact information for other financial organizations, and can inform us about any problems they are encountering with a financial institution. During our extended business hours, callers can speak directly with an FCAC representative, without going through an automated telephone “response tree”. After business hours, callers can leave a message; they will receive a call back within 48 hours.
- We analyze the contacts received at our call centre on a weekly basis, and monitor and report on the financial issues that consumers bring to our attention. This enables us to quickly identify any issues of concern to Canadians, and address any information needs or gaps in the marketplace. On a quarterly basis, we produce plain-language financial information to meet this need.
- FCAC acts as a useful source of information for media looking for a consumer perspective for articles on financial products and services. An analysis of the media articles published between April 1, 2004 and May 31, 2004, indicates that FCAC was a source for an estimated 85 per cent of all print articles featuring a consumer perspective<sup>28</sup>. Moreover, a single newspaper article can reach millions of readers across Canada.

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<sup>28</sup> Content analysis by In-Media, August 18, 2004.



- Through our print and electronic materials, Canadians can obtain information on key financial products, and compare their features and pricing. This enables consumers to better understand what their options are when choosing a financial product. Such information is currently unavailable elsewhere. By providing consumers with useful comparative data and easy-to-understand information, FCAC helps them benefit from a competitive market.
- FCAC has one of the most informative Web sites that exist for Canadian financial consumers. We are continually updating our site to ensure that the information is current and is organized in such a way that consumers can find the information they need easily and quickly. The site features one of the most extensive question-and-answer sections on financial products and services anywhere in Canada. Consumers who visit our Web site can learn about the financial institutions' obligations towards them and understand the issues involved in purchasing a financial product or service, or in dealing with a financial institution.

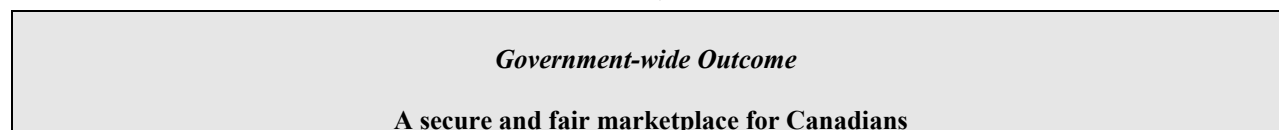
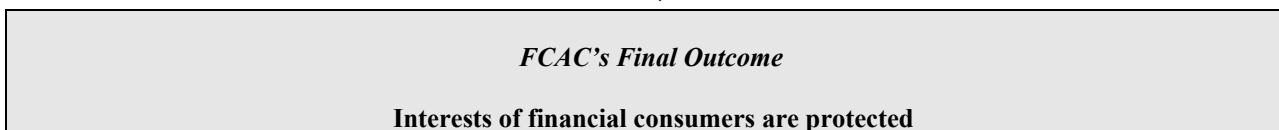
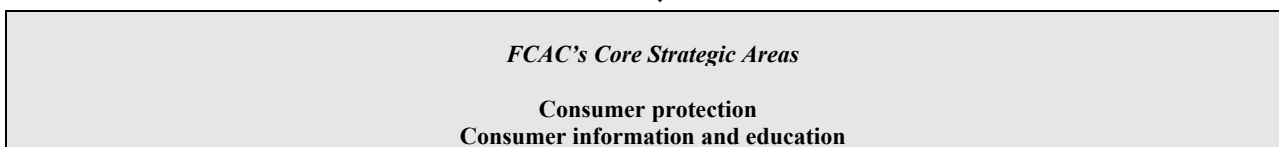


### Overview of FCAC’s strategic outcomes, activities and performance indicators — April 2005 – March 2007

As FCAC moves forward in defining its strategic outcomes, supporting activities and performance indicators it is crucial that these continue to be aligned with the Agency’s mandate and the Government desired outcomes.

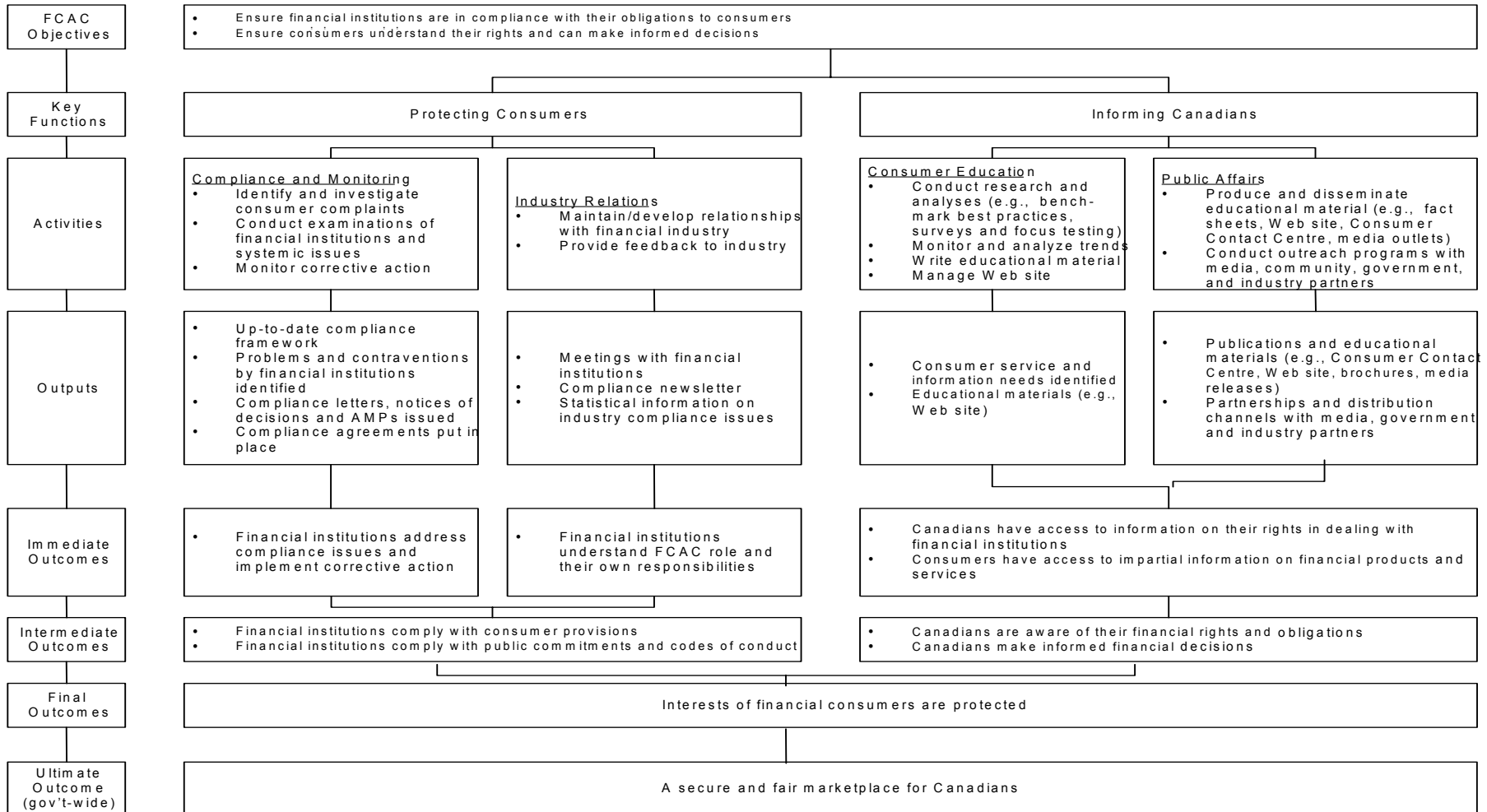
As stated in subsection 3.(2) of the *FCAC Act*, the Agency’s objectives are to:

- 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, as well as 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 the 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 agency corporation of the Government of Canada or of a province, financial institution and consumer and other organization.*





Financial Consumer Agency of Canada (FCAC) – Logic Model RMAF





## Consumer protection

Summary of activities				
Strategic outcomes	Key outputs	Ongoing activities	New activities 2005–06 — 2006–07	Key performance indicators (Measures/targets)
<ul style="list-style-type: none"> <li>Timely correction of compliance issues in the marketplace</li> <li>Increased FRFI compliance with consumer provisions, codes of conduct and public commitments</li> </ul>	<ul style="list-style-type: none"> <li>Identification of compliance matters</li> <li>Investigation reports</li> <li>Examination reports</li> <li>Enforcement action</li> </ul>	<ul style="list-style-type: none"> <li>Mystery shopping</li> <li>Trend analysis of consumer contact data</li> <li>Annual examinations</li> <li>FRFI-specific or industry-wide examinations</li> <li>Investigation of cases</li> <li>Negotiation and monitoring of compliance agreements</li> </ul>	<ul style="list-style-type: none"> <li>Self-reporting by FRFIs of cases related to targeted codes of conduct and/or public commitments</li> <li>Inclusion of section in annual examinations about new products offered by FRFIs</li> </ul>	<ul style="list-style-type: none"> <li>On average, industry compliance levels are increasing annually.</li> <li>On an annual basis, the percentage of corrective action completed by FRFIs, within the agreed-upon timeframes, is at least 90 per cent.</li> </ul>
	<ul style="list-style-type: none"> <li><i>Compliance Connection</i></li> <li>Open and frequent communications with FRFIs to share information on compliance issues and respond quickly to inquiries from institutions about the application of the compliance framework</li> <li>Reports on performance service standards</li> <li>Statistical reports</li> </ul>	<ul style="list-style-type: none"> <li>Keep compliance framework up to date</li> <li>Prepare communications material</li> <li>Analyze pertinent data and produce reports</li> <li>Meet with FRFIs</li> </ul>	<ul style="list-style-type: none"> <li>Report card to FRFIs' Board of Directors following their annual examination, as required</li> </ul>	<ul style="list-style-type: none"> <li>Periodic feedback from stakeholders through independent surveys or interviews. Targets will be set once baselines are established (2006–07).</li> <li>On an annual basis FCAC's performance standards are met in at least 70 per cent of cases, on average.</li> <li>The two-year time limit for action related to compliance cases is met 100 per cent of the time.</li> </ul>
	<ul style="list-style-type: none"> <li>Government and other organizations are informed of consumer marketplace issues, FCAC's activities and the Commissioner's perspective on key issues</li> </ul>	<ul style="list-style-type: none"> <li>Complete various reports</li> <li>Participate in key interdepartmental committees and meetings</li> <li>Meet with appropriate and pertinent organizations</li> <li>Participate in public speaking engagements</li> </ul>		<ul style="list-style-type: none"> <li>Periodic feedback from stakeholders through independent surveys or interviews. Targets will be set once baselines are established (2006–07).</li> </ul>



**Consumer information and education**

Summary of activities				
Strategic outcomes	Key outputs	Ongoing activities	New activities 2005–06 — 2006–07	Key performance indicators (Measures/targets)
<ul style="list-style-type: none"> <li>• FCAC is a key credible source of objective information on:               <ul style="list-style-type: none"> <li>▪ financial products and services;</li> <li>▪ the obligations of federally regulated financial institutions toward consumers.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ FCAC makes available and distributes to Canadians plain-language publications, on a variety of financial products and issues.</li> <li>▪ FCAC’s interactive Web site meets the information needs of Canadian financial consumers.</li> <li>▪ Provision of a quality call centre and correspondence services on financial matters to Canadians.</li> <li>▪ Provision of quality research, studies and analysis on consumer issues related to financial products and services.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Update current publications, brochures and booklets</li> <li>▪ Revise and update Web site information</li> <li>▪ Update interactive tools</li> <li>▪ Expand and update comprehensive questions and answers on financial issues</li> <li>▪ Undertake consumer surveys on a variety of issues</li> <li>▪ Analyze consumer contact data and make results public, when appropriate</li> </ul>	<ul style="list-style-type: none"> <li>▪ Develop tip sheets related to financial products, FRFIs’ obligations and consumers’ rights</li> <li>▪ Develop and implement new interactive information tools</li> <li>▪ Develop and implement multimedia applications for FCAC Web site</li> <li>▪ Enhance readability of Web site information (plain language)</li> <li>▪ Carry out general consumer surveys</li> <li>▪ Undertake a call centre survey</li> </ul>	<ul style="list-style-type: none"> <li>▪ The average annual satisfaction rating for FCAC publications (print and Web) is at least 3.5 out of 5.</li> <li>▪ The overall number of print publications increases by at least 20 per cent a year.</li> <li>▪ The number of publications downloaded increases by at least 20 per cent in 2005–06 and 15 per cent in 2006–07.</li> <li>▪ The average annual satisfaction rating for FCAC’s interactive tools is at least 3.5 out of 5.</li> <li>▪ By March 2007, the number of Web site visits is at least 55,000 per month.</li> <li>▪ By March 2006, consumers’ satisfaction rating for the overall outcome of their contact with the consumer contact centre will:               <ul style="list-style-type: none"> <li>○ increase from 55% to 58%, when related to a complaint</li> <li>○ increase from 81% to 85%, when related to a request for information.</li> </ul> </li> <li>▪ On average, FCAC’s performance standards are met at least 80 per cent of the time.</li> <li>▪ FCAC obtains periodic feedback from stakeholders, partners and the media, through independent surveys or interviews. Targets will be set once baselines are established (2006–07).</li> <li>▪ FCAC is viewed, by consumers who contact it, as a credible source of objective information on:               <ul style="list-style-type: none"> <li>▪ financial products and services, and</li> <li>▪ the obligations of federally regulated financial institutions to consumers.</li> </ul>               Target will be set once the baselines are established (by March 2006).             </li> </ul>



Summary of activities				
Strategic outcomes	Key outputs	Ongoing activities	New activities 2005–06 — 2006–07	Key performance indicators (Measures/targets)
<ul style="list-style-type: none"> <li>Increased awareness by Canadians of FCAC's services.</li> </ul>	<ul style="list-style-type: none"> <li>FCAC's information materials are available to consumers across Canada.</li> <li>A network of strong and appropriate partnerships is in place to enhance the availability and knowledge of FCAC's services and information products, and to support its mandate.</li> <li>A network of media channels is established across Canada to enhance awareness of FCAC's services and information products.</li> </ul>	<ul style="list-style-type: none"> <li>Produce and distribute <i>Consumer Inquiries and Complaints</i></li> <li>Produce and post <i>Commissioner's decisions</i> on FCAC's Web site</li> <li>Participate in public speaking engagements</li> <li>Produce and distribute FCAC's <i>Annual Report</i></li> <li>Participate in consumer forums and pavilions</li> <li>Produce and distribute news releases</li> <li>Develop articles for print media</li> </ul>	<ul style="list-style-type: none"> <li>Expand cheque-insert and direct-mail initiatives, to reach low-income Canadians</li> <li>Expand the "Train the Trainer" initiative</li> <li>Develop partnerships in support of a national "Financial Capability Forum"</li> <li>In partnership with appropriate credit-card associations, implement a plain-language credit card project</li> <li>Explore the use of unpaid media publicity</li> <li>Explore and pilot a call-in show on cable TV (3-4 shows a year)</li> <li>Prepare videos on financial topics</li> </ul>	<ul style="list-style-type: none"> <li>At least 50,000 print publications are distributed through FCAC's partners per year.</li> <li>The number of Canadians reached through consumer forums and pavilions is at least 20,000 per year.</li> <li>The number of low-income and low-literacy consumers reached per year is at least 2,000 directly, through workshops, and 10,000 indirectly, through the sharing of information.</li> <li>Increase of general consumers' level of awareness of FCAC as a "consumer protection agency" from 12% in March 2005 to 14% by March 2007.</li> </ul>



**Provision of an effective, efficient citizen-focused program**

The adoption of best practices is essential to support FCAC’s mandate and to accomplish, in the most effective and efficient manner, its strategic outcomes and activities. Therefore, FCAC has identified two major objectives in relation to the delivery of an effective and efficient citizen focused program and that respect the Management Accountability Framework:

- ensure that FCAC applies “best practices” to manage the program, and puts in place the appropriate policies, procedures and reporting structure;
- ensure that “best practices” are in place with respect to human resource management policies and practices.

**Best practices—Management**

<b>Summary of activities</b>			
<b>Key outputs</b>	<b>Ongoing activities</b>	<b>New activities 2005–06 — 2006–07</b>	<b>Key performance indicators (Measures/targets)</b>
<p><b>Strategic and business results-based planning</b></p> <ul style="list-style-type: none"> <li>• An integrated planning process is in place.</li> <li>• Management and employee goals and objectives are compatible with the Agency’s objectives and planned activities.</li> <li>• Corporate risks are identified and managed.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Continue the implementation of an integrated planning process</li> <li>▪ Update the corporate risk profile and link the findings to the planning process and internal audit plan</li> </ul>		<ul style="list-style-type: none"> <li>▪ Independent Comptrollership Capacity Assessment (CCA) for relevant items is at least 3, on average.</li> </ul>





<b>Summary of activities</b>			
<b>Key outputs</b>	<b>Ongoing activities</b>	<b>New activities 2005–06 — 2006–07</b>	<b>Key performance indicators (Measures/targets)</b>
<p><b>Corporate processes and procedures are documented and in place.</b></p>		<ul style="list-style-type: none"> <li>▪ Identify activities, current processes and any gaps that need to be addressed</li> <li>▪ Map out and document new processes and procedures</li> <li>▪ Increase monitoring/audits</li> <li>▪ Enhance Intranet</li> </ul>	<ul style="list-style-type: none"> <li>▪ No significant divergence from key processes and procedures is indicated in internal audit reports.</li> <li>▪ Independent Comptrollership Capacity Assessment (CCA) for relevant items is at least 3, on average.</li> </ul>
<p><b>Integrated performance management</b></p> <ul style="list-style-type: none"> <li>• A performance measurement and evaluation framework is in place.</li> <li>• Report-monitoring performance indicators are available on FCAC’s Web site.</li> <li>• Results of programs or initiatives meet the outcomes initially set out.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Implement a results-based management accountability framework (RMAF)</li> <li>▪ Ensure current systems capture pertinent data and produce desired reports</li> <li>▪ Implement project-related coding</li> <li>▪ Produce performance-measurement reports</li> </ul>	<ul style="list-style-type: none"> <li>▪ Implement a performance measurement framework</li> <li>▪ Develop benchmarks and analyze FCAC service standards and performance</li> <li>▪ Review FCAC’s program delivery approach</li> </ul>	<ul style="list-style-type: none"> <li>▪ No significant divergence from key procedures in approved frameworks is indicated in internal audit reports.</li> <li>▪ Independent Comptrollership Capacity Assessment (CCA) for relevant items is at least 3, on average.</li> </ul>



Summary of activities			
Key outputs	Ongoing activities	New activities 2005–06 — 2006–07	Key performance indicators (Measures/targets)
<p><b>Financial management and stewardship</b></p> <ul style="list-style-type: none"> <li>An assets database, with related asset codes, is in place.</li> <li>A risk-based internal audit program is in place.</li> <li>A tested business resumption plan is in place.</li> <li>The Agency's MOUs for financial services, information technology (IT), internal audit services, human resources (HR) and the call centre are supported by a cost/benefit analysis</li> </ul> <p><b>Communications</b></p> <ul style="list-style-type: none"> <li>A general FCAC policy on public consultation is in place.</li> <li>There is enhanced communications with key stakeholders and partners.</li> </ul>	<ul style="list-style-type: none"> <li>Review fulfillment of obligations under Memoranda of Understanding (MOUs)</li> <li>Review cost/benefit analysis of Agency's MOUs</li> </ul>	<ul style="list-style-type: none"> <li>Automate systems to track FCAC assets</li> <li>Implement a risk-based internal audit program</li> <li>Test and implement a business resumption plan</li> </ul>	<ul style="list-style-type: none"> <li>No significant divergence from key procedures in approved frameworks is indicated in internal audit reports.</li> <li>Independent Comptrollership Capacity Assessment (CCA) for relevant items is at least 3, on average.</li> </ul>
	<ul style="list-style-type: none"> <li>Hold meetings with stakeholders and partners</li> </ul>	<ul style="list-style-type: none"> <li>Develop a framework for consultations</li> <li>Survey and/or interview key stakeholders and partners on key issues</li> </ul>	<ul style="list-style-type: none"> <li>Independent Comptrollership Capacity Assessment (CCA) for relevant items is at least 3, on average.</li> <li>Periodic feedback is obtained from stakeholders through independent surveys or interviews. Targets will be set once baselines are established (2006–07).</li> </ul>



**Best practices—Human resources**

Summary of activities			
Key outputs	Ongoing activities	New activities 2005–06 — 2006–07	Key performance indicators (Measures/targets)
<p><b>Human resources</b></p> <ul style="list-style-type: none"> <li>• FCAC has a skilled, knowledgeable and motivated workforce.</li> <li>• Individual results and achievements meet goal commitments.</li> <li>• Career development and training show progress against objectives.</li> <li>• Quality accommodation, facilities and work tools are in place.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Continue to implement competency-based recruitment and flexible HR management practices</li> <li>▪ Review goal commitment forms to identify any gaps</li> <li>▪ Monitor and report on service standards</li> <li>▪ Hold meetings to share information on key issues</li> <li>▪ Continue to implement training strategies and tools</li> </ul>	<ul style="list-style-type: none"> <li>▪ Revise HR practices and give presentations to staff</li> <li>▪ Develop core training to ensure high competency levels are maintained for FCAC staff</li> <li>▪ Develop a training evaluation program</li> <li>▪ Research and implement a noise reduction policy</li> </ul>	<ul style="list-style-type: none"> <li>▪ Annual employee survey shows overall level of satisfaction of at least 3.25 out of 4 (where 3 means “agree” and 4 means “strongly agree” with the survey’s statements).</li> <li>▪ Independent Comptrollership Capacity Assessment (CCA) for relevant items is at least 3, on average.</li> </ul>



## Performance indicators and evaluation

With the phasing in of important regulations and the increasing visibility of FCAC, the Agency's workload has grown rapidly. Now that all of the supporting regulations are in effect—the last regulation came into force in September 2003—our legislative mandate is complete.

When FCAC was established in the Fall of 2001, we put in place a case-tracking system, which management uses to set priorities. We produce comparative statistics of the contacts we receive on a quarterly and yearly basis. The value of our performance measurement system will improve as we collect enough historical data to perform multi-year comparisons and more in-depth trend analysis.

In 2004, FCAC worked with Consulting and Audit Canada to develop its results-based management and accountability framework (RMAF). The RMAF is organized into four main sections:

- a profile, outlining the background, objectives, and activities of the organization;
- a “logic model”, describing the program in terms of its planned activities, related outputs and intended outcomes (see page 26 of this document);
- an evaluation strategy, presenting the evaluation issues, questions, and data; and
- a reporting strategy.

The performance indicators and methodology used in FCAC's evaluation strategy make use of the existing data from its extensive ongoing performance measurement.

To ensure that all pertinent program data is collected by our case-tracking system, we are enhancing the technology we use, and updating our management-reporting capabilities.

In our 2005–07 business plan, we have included specific measures and targets that will serve as performance indicators, where baselines were already established. We use a variety of evaluation methods and cycles to monitor these and other performance indicators. We will produce, and make available on our Web site, our program and performance management evaluation report, on an annual basis.



The following is a summary of the evaluation planning cycle that FCAC uses to monitor and report on its performance indicators.

Indicator/Reports	Cycle			
	Every year	Every two years	Every three years	Every five years
<b>Contact statistics</b>				
<ul style="list-style-type: none"> <li>At various times during the year, FCAC produces a number of statistical reports related to its programs. For reporting purposes, these will be consolidated on an annual basis.</li> </ul>	X			
<ul style="list-style-type: none"> <li>FCAC also produces, at various intervals, a number of statistical reports related to its activities (publications, partnerships, Web site, feedback from consumers, trade shows, Train the Trainer initiative, etc.) For annual reporting purposes, these will be consolidated by category.</li> </ul>	X			
<b>Analytical reports</b>				
<ul style="list-style-type: none"> <li>Reports on caseload/workload and FCAC's performance related to service standards</li> </ul>	X			
<ul style="list-style-type: none"> <li>FCAC produces, at various intervals, a number of reports related to case management and trend analysis. For annual reporting purposes, these will be consolidated by category.</li> </ul>	X			
<ul style="list-style-type: none"> <li>Media monitoring and analysis</li> </ul>	X			
<ul style="list-style-type: none"> <li>Review of program delivery methodology</li> </ul>		X 2006-07		
<ul style="list-style-type: none"> <li>Cost/benefit analysis of MOUs</li> </ul>		X 2005-06		
<b>Surveys/interviews</b>				
<ul style="list-style-type: none"> <li>Ad-hoc questions on current issues-Omnibus surveys</li> </ul>	X			
<ul style="list-style-type: none"> <li>Employee survey</li> </ul>	X			
<ul style="list-style-type: none"> <li>Consumer Contact Centre survey</li> </ul>		X 2005-06		
<ul style="list-style-type: none"> <li>Mystery shopping and results summary</li> </ul>	X			
<ul style="list-style-type: none"> <li>General consumer survey</li> </ul>			X 2006-07	
<ul style="list-style-type: none"> <li>Stakeholder/partner survey and interviews</li> </ul>			X 2006-07	



Indicator/Reports	Cycle			
	Every year	Every two years	Every three years	Every five years
<b>Governance and financial reporting</b>				
▪ Annual report	X			
▪ Program and performance management evaluation report	X			
▪ Internal audit plan update and audit reports	X			
▪ Corporate risk profile—Update	X			
▪ Employee goal-setting and performance evaluation	X			
▪ Comptrollership Capacity Assessment—Update			X 2007–08	
▪ RMAF— Update				X 2008–09





## Management of the Agency

### Structure

FCAC is organized into five functional areas:

- Compliance and Industry Relations
- Consumer Education and Public Affairs
- Administrative Services
- Legal Services
- Executive

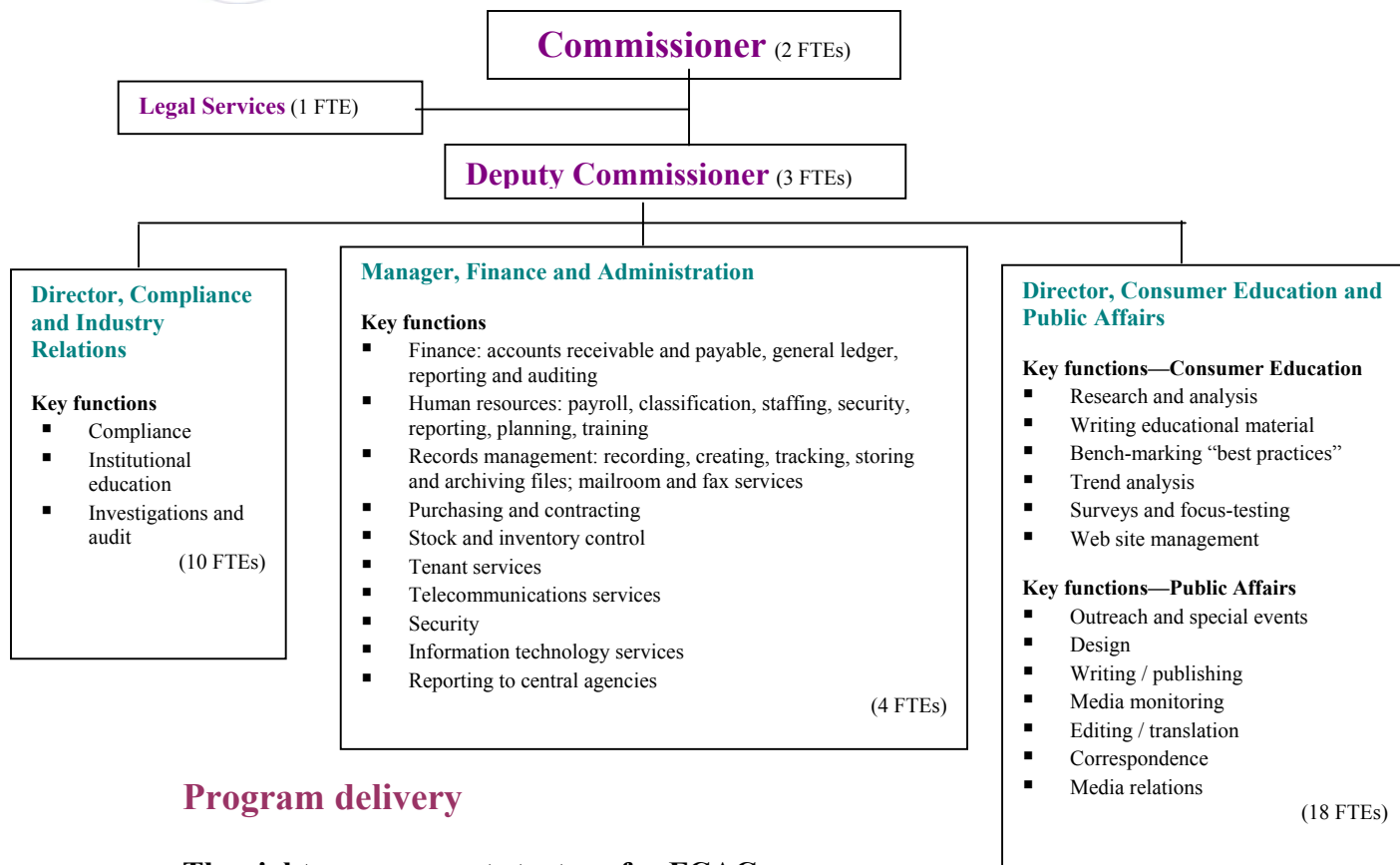
The Compliance and Industry Relations Branch is responsible for the Agency's compliance activities, including annual and special examinations and day-to-day case management. The branch works with the financial industry to foster an open exchange of information on issues of mutual concern.

The Consumer Education and Public Affairs Branch is responsible for FCAC's consumer education program, outreach program, the Consumer Contact Centre, a correspondence unit, publications, communications, and Web site design and management.

The Administrative Services Branch is responsible for procurement, contracts and supplies, facility management, central agency reporting, security, telecommunications, records management, mail and delivery services, and informatics. The branch contracts out services where it is efficient and effective to do so.

The Legal Services Branch consists of one senior counsel from Justice Canada, who provides legal research, and advice and support to the Agency.

The Executive Branch includes the Commissioner, the Deputy Commissioner and support staff. The branch manages the Agency and makes decisions on compliance matters.



### Program delivery

#### The right management strategy for FCAC

##### *Focusing on our mandate —The use of shared services*

In setting up the Agency, management decided to focus its strengths on the delivery of the legislative based program. Management sought out service agreements with larger organizations that could offer the staff expertise, technology and economies of scale to provide FCAC with quality corporate services. Service agreements were negotiated with other agencies and departments that have similar corporate objectives and values and that can offer the breadth of experience and skills to meet FCAC’s corporate support requirements. The Agency therefore contracted out the following services, through common services agreements:

- human resources administration
- financial administration
- audit services





- research and library services
- call centre services
- information technology services.

One of its key objectives was to use strategic partnerships to achieve efficiencies and “leverage” in program delivery. The management practices and concepts introduced by FCAC at that time are consistent with the recent Treasury Board directive for a shared-services approach to the delivery of financial, material, human resources and information technology services.

Building strategic partnerships can be considered a “best practice”, since it provides the flexibility needed to manage an evolving program, and reduces inefficiency. This enables the FCAC to focus on its core mandate, and to dedicate the resources required to achieve its outcomes.

In keeping with this practice, FCAC undertook the following initiatives:

- We established a partnership with the Canada Deposit Insurance Corporation (CDIC) to share and expand CDIC’s existing “live-voice” call centre, which can respond quickly to inquiries and complaints from Canadians.

With the growing demand on the call centre due to greater public awareness of FCAC’s services, we expect our contract costs with CDIC to increase in fiscal year 2006-07 if we are to respond effectively to consumers and, at the same time, respect agreed-upon service standards.

- We established a partnership with the Office of the Superintendent of Financial Institutions (OSFI), to provide FCAC’s financial administration, assessment billing, human resources, payroll and benefit services, and research services based on a cost recovery model.

In 2004–05, we expanded our agreement with OSFI to include support services for the development of the Agency’s corporate risk profile and internal audit plan. Starting in 2005–06, OSFI will provide support to FCAC for the implementation of its internal audit plan and the updating of its corporate risk profile.



- We established a new government model for the delivery of information technology (IT) services by Public Works and Government Services Canada (PWGSC). This agreement makes use of PWGSC's strengths in technology support and purchasing. During a three-year pilot project, PWGSC supplied full IT and communications services to FCAC. We are currently reviewing this MOU.
- In 2004–05, with the growing demand for our print materials, we implemented a pilot project for packaging and mailing our publications. We will be renewing this contract in 2005–06.
- As part of our emergency planning, we are also working with CDIC, OSFI and the Bank of Canada to share the cost of a business resumption facility.

FCAC and its partners have been innovative in pursuing shared services, in support of the Agency's program. This enables us to avoid unnecessary duplication; to build on the strength and expertise of others; and to achieve economies of scale.

### ***Recruitment challenges***

In setting up and managing any small agency such as FCAC there are always significant challenges in attracting and retaining talented staff. Small agencies have a limited capacity to offer future career mobility and opportunities for promotion, due to the limited number of positions available. In addition, small agencies generally need candidates with a diverse skill set, given the higher level of multi-tasking required. Small agencies also have much less capacity to offer long-term training and development opportunities to potential candidates.

In considering some of these recruitment issues—particularly when in start-up mode—the decision was made to establish the Agency as a separate employer, with legislation linking it to the *Public Service Employment Act* (PSEA). This gave FCAC the authority to adopt “best practices” with respect to competitive human resources policies, including compensation, which enabled the Agency to attract candidates from the financial sector. Under the PSEA legislation, the Agency must adhere to the staffing policies of the Public Service Commission, which allow Agency employees to have access to the entire public service, with respect to career planning. Career advancement is one of the key deciding factors for professionals joining an organization.



### ***Flexibility in staffing — Meeting the demands of the program***

As a small agency dealing directly with the public, FCAC's workload can be unpredictable at times depending upon the issues, the agency's initiatives and the media attention FCAC generates. Management strives to address any surge in work by setting priorities to balance workload and has adopted the strategy of employing casual employees and students on a temporary basis, usually for a six months period or less.

When workload demands are expected to be temporary but remain high for longer periods of time (but usually less than a year), depending on the urgency, management will recruit staff either through secondments from other organizations or through the normal staffing process, by way of external competitions.

The Agency has a regulatory role — to supervise the market conduct of financial institutions — and an educational role — to foster a better understanding among Canadians of the obligations of financial institutions towards them, as well as of the financial products and services they need. When recruiting staff, it is essential to find candidates who have experience dealing with financial institutions and have a good knowledge base in retail financial services. Recruiting such individuals enhances the Agency's credibility in dealing with financial institutions and consumers.

Given the diversity of financial services, it is also important for that diversity to be reflected in the experience and knowledge of FCAC's staff. This means that when the Agency undertakes staffing, it generally targets specific areas of expertise or knowledge to ensure that it has a full spectrum of talent to rely on. To maintain this talent pool, the Agency makes use of external competitions; longer-term secondments through Interchange Canada; and deployments with organizations that have the personnel FCAC requires, for a specific period of time.

### ***Development of existing staff/succession planning***

FCAC tries to strike a balance between external staffing and the need to develop a depth of experience among current staff. The Agency provides developmental assignments to existing staff for this purpose and also makes use of "acting" assignments and internal secondments. Normally these types of assignments will be for periods up to a year. This supports the Agency's need to develop its internal capacity to deal with unexpected absences and to ensure the development of candidates for the purposes of succession planning.



### *Diversity in the workplace*

Management supports the principle of employment equity and diversity in the workforce. FCAC's staffing process encourages the targeting of specific groups, and the hiring of students. This is done in the context of a small, specialized agency that must serve Canadians in both official languages.

## **Human Resources**

As noted earlier, FCAC's workload has increased significantly. Management has dealt with this increase by setting priorities for handling issues and establishing reasonable response standards. This has resulted in a greater backlog of compliance cases, and some cutbacks to our consumer education program. To maintain FCAC's ability to protect and respond to consumers in a timely manner, management decided to increase staffing in 2003-04 and 2004-05.

### **2005-07**

We have reviewed the workload trends and conclude that the Compliance Branch caseload, related to consumer provisions, codes of conduct and public commitments, will continue to climb or at a minimum, hold steady for the near future. For all these cases, FCAC will continue to assess and/or investigate each case on a risk-based approach. Following FCAC's investigations, not all cases will involve a contravention of the law or a compliance issue.

Although a compliance officer is expected to handle an average of 30 cases at a time (large and small) in addition to other compliance projects, recent statistics show that this number has nearly doubled. The current figure is just under 60 cases per officer. (The *FCAC Act* legislates a two-year limitation for compliance actions.) At this time the caseload is manageable with existing staff when combined with the introduction of a compliance risk evaluation process that will allow the Agency to focus on the best use of compliance resources.

The Consumer Education and Public Affairs Branch also faces continuing pressures, due to an increase in correspondence. In 2005-06, we will be adding one full-time employee in this area, to address this backlog. We will also continue to make use of casual employees and students to assist with correspondence, as required.





<b>Human resources by branch – full time equivalents<sup>29</sup></b>				
	2003–04 (actual)	2004–05 (actual)	2005–06 (planned)	2006–07 (planned)
Compliance and Industry Relations	9	10	10	10
Consumer Education and Public Affairs	16	18	19	19
Legal Services	1	1	1	1
Administrative Services	4	4	4	4
Executive	5	5	5	5
<b>Total</b>	<b>35</b>	<b>38</b>	<b>39</b>	<b>39</b>

<sup>29</sup> Excluding temporary staff such as students and casual employees.



## Program expenditures

Fiscal year 2004–05 is the third full fiscal year for the Agency. As the chart on page 45 indicates, the actual expenses for fiscal years 2002–03 and 2003–04 were significantly below our original budget.

Whenever forecasts and actual expenditures differ significantly, these differences are explained in the Agency's annual business plan. For example, some of the factors that account for the key differences between expenses forecast and actual expenses are as follows:

- postponement of planned activities due to delays in bringing regulations into force;
- adoption of new approaches to reduce costs, such as cost-sharing with partners on particular projects;
- postponement of new projects because of more immediate demands;
- receipt of lower-than-expected bids on contracts;
- changes in management strategy or focus during the year. One example is the adoption by FCAC of a less expensive approach to raising public awareness of the Agency, by using media relations instead of paid advertising to generate more print media coverage.

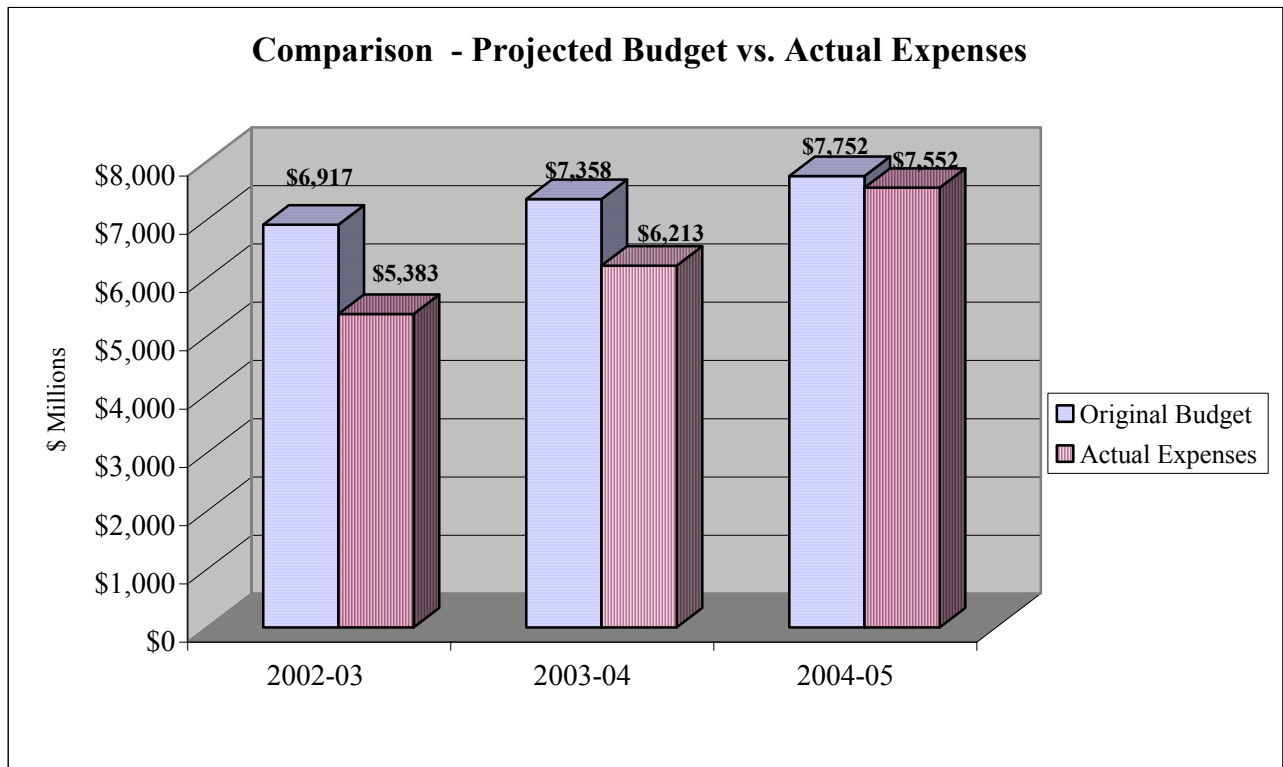
Our successful partnering projects with other government departments help reduce our expenses. A recent example is the implementation of a mandatory business resumption plan, which we are undertaking with the Bank of Canada and CDIC. We also recently augmented our shared-services agreement with OSFI, which is now supplying internal audit services and research services to us, in addition to the other services we contracted for. These services are provided on a cost-recovery basis, at a much lower cost than if we contracted them out to a consulting firm.

We have also taken a targeted approach for our outreach program by building relationships that have mutual, longer-term benefits. By building solid partnerships during our first years of operation, we have put in place a good base from which to expand our outreach activities.

By fiscal year 2004-05, the Agency was well underway, since all of the regulations governing FCAC's activities were in place; key partnerships and service agreements had been established; our compliance framework was in place; and most of the staffing had been completed.



Therefore, we expect that our annual expenditures will be in line with our budget figures. A breakdown of the budget figures by key item for fiscal years 2004-05, 2005-06 and 2006-07 is provided on page 46.



2002-03: Represents the first full fiscal year of operation.

2003-04: FCAC's full legislative mandate was in place by September 2003.

2004-05: Expenses are those forecast for the current fiscal year.



## Financial Forecast

<b>Annual program expenditures and budget forecasts</b>					
<b>2003-04 – 2006-07 (\$000s)</b>					
	<b>2003-04</b>	<b>2004-05</b>		<b>2005-06</b>	<b>2006-07</b>
	<b>Final expenditures</b>	<b>Approved budget</b>	<b>Revised budget as of Dec. 2004</b>	<b>Budget forecast<sup>1</sup></b>	<b>Budget forecast<sup>1</sup></b>
<b>Salaries and benefits</b>	3,343	3,858	3,816	4,379	4,543
<b>Development and training</b>	98	111	98	111	120
<b>Travel</b>	116	194	159	121	128
<b>Operating costs</b> (office equipment, supplies, printing, translation, surveys, call centre, service contracts, etc.)	1,454	1,995	2,160	1,973	2,247
<b>Information management / information technology</b>	424	560	541	541	567
<b>Facilities</b> (lease, maintenance, amortization)	652	674	668	689	614
<b>Total program expenditures</b>	<b>6,087</b>	<b>7,392</b>	<b>7,442</b>	<b>7,814</b>	<b>8,219</b>
Interest	126	160	110	125	125
Contingency fund <sup>2</sup>	---	200	---	200	200
<b>Total costs</b>	<b>6,213</b>	<b>7,752</b>	<b>7,552</b>	<b>8,139</b>	<b>8,544</b>

<sup>1</sup> Includes anticipated cost adjustments to salaries and benefits, as well as cost of products and services used.

<sup>2</sup> FCAC's budget includes a contingency fund that represents three to five per cent of its annual budget. This fund has not been used to date.





## Financial highlights for 2004–05

The budget forecast for the current fiscal year was \$7.8 million. The Agency is on target for staying within budget. Based on our third-quarter analysis, the major variances with this budget can be explained as follows.

- The interest rate for borrowing funds was lower than expected, which resulted in lower interest costs for FCAC. Assessments were also sent out sooner, which meant that the financial institutions made their payments earlier in the fiscal year.
- Travel costs are expected to be about 30 per cent below those forecast, partly because there was less branch closure activity across the country. In addition, with the experience FCAC has acquired managing trade show activities in major centres, it will require less staff for its information booths.
- Information technology costs decreased because of the new agreements negotiated for support services. In addition, we received more competitive bids for contract services (for example, for revisions to Webcims case management software). The combined effect resulted in lower figures than forecast.
- Our printing and publication costs rose significantly, since we took advantage of the opportunity to print and distribute more than seven million inserts that were mailed with federal government cheques, in partnership with other government departments.
- Our communications costs were higher due to a temporary increase in the support staff required for our call centre — to handle a higher call volume resulting from our cheque insert: approximately 9,120 calls. We also purchased some print advertising to build on the public awareness generated by these inserts.
- Treasury Board increased the cost of employee benefits by two per cent. This increase was retroactive to the beginning of the fiscal year.
- The cost associated with several mandatory Treasury Board programs (internal audit, audit planning and risk analysis) was lower than forecast, because of our agreement with OSFI for shared services, rather than using outside consultants.
- The annual contingency fund of \$200,000 was not required.
- Although we had planned and budgeted for two mystery shopping exercises this year, we only undertook one such exercise due to delays in finalizing the debit card code of conduct.



### **Financial highlights (projected) for 2005–06**

The Agency continues to experience a strong demand for its services, as noted on pages 7 through 24. This is reflected in the higher costs associated with meeting that demand, both in terms of publications and staffing. This demand is continuing to rise despite the low level of awareness of FCAC by Canadians. However, in keeping with our educational mandate, we will continue our efforts to raise public awareness of FCAC as a prime source of objective, reliable financial information for consumers, including information on the obligations of financial institutions towards consumers.

Here are some of the budget highlights we anticipate for the next fiscal year:

- We will add one full-time employee to our Correspondence unit, to handle the backlog in correspondence. Although last year we made use of casual employees and students in this area, because the demand has again slightly increased, we will be hiring on a more permanent basis.
- We will provide a cost-of-living increase (of 2.5%) to staff as of April 1, 2005. We will also factor in a certain percentage for salary increases, based on performance, since most staff will be moving up through the salary range.
- We will budget for a full year of costs associated with the new positions that were created last year (in 2004–05). Most of these positions were filled only in the latter part of the last fiscal year.
- Our travel expenses will decrease by 30 per cent from our previous forecast.
- Our printing and publishing costs will increase significantly, compared to previous budgets, to cover the reprinting and distribution of our brochures and other information materials, as well as other mailings. Our production and distribution costs will also be higher because of the “Train-the-Trainer” kits we are developing.
- Because of the higher volume of FCAC material being requested by consumers, our mailing and distribution costs will be higher.
- We will have incurred a full year of costs for the research services OSFI provides to FCAC. Last year we only budgeted for these services for six months.
- Since interest rates are expected to remain low, we have reduced our anticipated interest costs by about 20 per cent from our previous forecasts.



### **Financial highlights (projected) for 2006-07**

The Agency will continue to monitor key performance indicators to provide FCAC with the information it needs to assess the results being achieved, and to develop its ongoing programs. As the Agency becomes the prime source of objective, reliable information about the obligations of financial institutions towards consumers, and about financial products and services, we expect that this will place additional demands on the call centre.

#### ***Operating costs***

- As part of its performance measurement evaluation plan:
  - FCAC will commission another general consumer survey, similar to the first one the Agency commissioned in June 2001. We have budgeted \$100,000 for this activity.
  - For the first time, FCAC will undertake a general survey of, and interviews with, its key stakeholders and partners, on a variety of issues. We have budgeted \$100,000 for this activity.
- We anticipate an increase in FCAC's contract costs for the call centre. We have budgeted \$70,000 to cover this increase.

#### ***Facilities***

- Most of FCAC's amortization costs relate to leasehold improvements, which represent approximately \$90,000. FCAC's lease will expire in 2006-07.



## Industry assessments

FCAC is funded entirely by industry assessments. By December 31 of each year, the Commissioner must determine the total amount of expenses incurred by the Agency during the preceding fiscal year for, or in connection with, the administration of the *FCAC Act* and the consumer provisions. The Commissioner then assesses each financial institution a portion of these expenses, as determined by regulation. Interim assessments are also possible. The assessments are considered to be a debt due to Her Majesty, and are payable immediately, with interest on any unpaid amount.

