



Financial Consumer  
Agency of Canada

Agence de la consommation  
en matière financière du Canada



# Financial Consumer Agency of Canada (FCAC)

## *Program and Performance Management Evaluation Report*

For the period April 1, 2004 to March 31, 2005

Ottawa, November 2005

Protecting Consumers  
Informing Canadians



Protéger les consommateurs  
Informer les Canadiens

Canada 

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## 1. Commissioner's Message

I am pleased to present the first annual *Program and Performance Management Evaluation Report* for the Financial Consumer Agency of Canada (FCAC). The report focuses on the results achieved during fiscal year 2004-05. Since this is the Agency's first such report, we have also provided comparable data from previous fiscal years, where pertinent and appropriate.

The Agency's *Program and Performance Management Evaluation Report* complements our *Annual Report* and annual *Business Plan*, by providing additional details on FCAC's results and achievements, in relation to its strategic outcomes. The report highlights the Agency's impact and contributions to the Canadian financial marketplace, as well as the benefits it has provided to Canadians.

The increasingly complex financial marketplace presents considerable challenges to consumers. In this type of marketplace, clear and accurate consumer information is essential if consumers are to make informed choices. 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 participate actively in and strengthen the financial services marketplace. With our dual mandate to protect and inform, we fulfil an important function that is indispensable to a healthy, competitive and fair marketplace.

A fundamental cornerstone of an effective market conduct system is proper disclosure. As a market conduct regulator, FCAC enforces the disclosure requirements and other consumer provisions of the various Acts that govern federally regulated financial institutions.

The results we have achieved so far demonstrate the important progress we have made in meeting the Agency's strategic outcomes, as well as the Government-wide strategic outcome of "a secure and fair marketplace for Canadians".<sup>1</sup>

I am proud of what we have achieved in providing Canadians with information that was previously unavailable or difficult to obtain. Our Consumer Contact Centre and correspondence unit are the primary vehicles through which FCAC finds out about and addresses consumers' questions and concerns. The Agency also works jointly with federally regulated financial institutions, with which it has established a professional working relationship, to address compliance issues in a "transparent" manner and to put in place solutions to rectify any shortcomings with respect to consumers. We are continuing to build a network of relevant partners to ensure that the Agency's information, messages and publications reach the consumers who need them the most.

Consistent with our commitment of transparency and accountability, we aim to demonstrate, in this report, the progress we have made in meeting the Agency's strategic outcomes, as well as the results we have achieved in relation to the outputs we set out in our business plan for 2004-05.

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<sup>1</sup> *Canada's Performance 2004*, Annual report of the Government of Canada to Parliament, p. 42.

## 2. Summary of FCAC's Performance

As indicated in the Commissioner's message, the Agency's mandate is as follows: to protect Canadian financial consumers; to ensure that they have the information they need to participate actively in the financial services marketplace; and to strengthen this marketplace. In our business plan for 2004-05, we outlined several strategic outcomes that are directly related to our mandate and that support the desired Government-wide outcome.

The following is a list of the key results and achievements related to each of our strategic outcomes for fiscal year 2004-05. We have also provided an aggregate rating of "Met expectations" or "Did not meet expectations" to indicate our progress in meeting each of our strategic outcomes.

Strategic outcomes	Key results and achievements	Rating – Progress made in meeting strategic outcomes
1. Increased compliance by the federally regulated financial institutions (FRFIs) with the legislation and regulations, as well as with their public commitments and codes of conduct  2. Protection of the interests of financial consumers who use financial services	<ul style="list-style-type: none"> <li>▪ In 100 percent of the cases decided, the federally regulated financial institutions (FRFIs) implemented corrective measures, following the Commissioner's decisions.</li> <li>▪ In 75 percent of the cases decided, the FRFIs implemented corrective measures, following the receipt of letters of non-compliance related to the codes of conduct and public commitments.</li> <li>▪ In 100 percent of the cases decided, the FRFIs implemented corrective measures, following FCAC's findings of disclosure failures related to the consumer provisions during its annual examinations.</li> <li>▪ Banks amended the prepayment clauses in mortgage documents, following the Agency's industry review related to mortgage prepayment penalty clauses.</li> </ul>	Met expectations
3. Improvements to the consumer protection framework, by providing expert advice to the government on legislative changes	<ul style="list-style-type: none"> <li>▪ We inform the Department of Finance, on a regular basis, of patterns and trends related to consumer contacts and emerging issues. We also provide information to other key stakeholders and partners, as appropriate.</li> <li>▪ FCAC produced two reports for the Minister. One report presented the results and findings related to the annual examination process; the second provided highlights of the industry review of mortgage prepayment penalty clauses.</li> </ul>	Met expectations

Strategic outcomes	Key results and achievements	Rating – Progress made in meeting strategic outcomes
Improvements to the consumer protection framework, by providing expert advice to the government on legislative changes <i>(cont'd.)</i>	<ul style="list-style-type: none"> <li>▪ Reviewed and provided comments on the Canadian Payments Association's consultation paper related to on-line payment requirements and to draft Rule E2. We shared our comments and concerns with the industry through their industry association, the Canadian Bankers Association (CBA). As a result, on behalf of its members, the CBA developed a public commitment to address the issues raised.</li> <li>▪ FCAC identified gaps and issues in the financial marketplace related to consumer protection legislation, for consideration by the Department of Finance during the legislative review process.</li> </ul>	
4. Increased awareness and understanding by Canadians of their rights and of the obligations of federally regulated financial institutions	<ul style="list-style-type: none"> <li>▪ Since its inception, FCAC has developed and implemented several vehicles and initiatives to foster consumers' awareness of their rights and the obligations of the FRFIs, such as the following: <ul style="list-style-type: none"> <li>➢ a Consumer Contact Centre, accessible through a toll-free telephone number. In 2004-05, the Agency received 26,145 telephone calls.</li> <li>➢ a correspondence unit. In 2004-05 the Agency received 2,057 letters and e-mails.</li> <li>➢ a comprehensive Web site. In 2004-05 the number of visits to the site exceeded 458,000.</li> <li>➢ In 2004-05, FCAC partnered with Canada Revenue Agency and Social Development Canada on a cheque-insert campaign, largely centred on consumers' rights when dealing with a bank and/or trust company. More than 7,000,000 inserts were mailed to Canadians across the country. The call volume generated by this project was 9,191 calls.</li> </ul> </li> </ul>	Met expectations
5. Greater accessibility to credible information about financial products and services, to help consumers make informed decisions about product selection, costs and financial risks	<ul style="list-style-type: none"> <li>▪ As of March 31, 2005, FCAC had made available to consumers 21 publications and a number of interactive tools on a variety of financial topics, including consumers' rights.</li> <li>▪ FCAC has also developed one of Canada's most extensive question-and-answer databases on financial products and services, including consumers' rights.</li> </ul>	Met expectations

Strategic outcomes	Key results and achievements	Rating – Progress made in meeting strategic outcomes
6. Greater knowledge of the consumer dispute resolution systems in the financial sector	<ul style="list-style-type: none"> <li>▪ The proportion of consumers who indicated that they were “very aware” that financial institutions have an ombudsman to help address customer complaints increased from 19 percent in 1998 to 24 percent in 2003.</li> <li>▪ In 2004-05, FCAC implemented a complaint-handling procedures database on its Web site. This Web-based tool will help consumers find out about the complaint-handling procedures for specific FRFIs.</li> </ul>	Met expectations
7. Greater awareness of the services offered to financial consumers by the Government of Canada	<ul style="list-style-type: none"> <li>▪ The percentage of consumers who said they were “aware” of FCAC went from 0 percent in October 2001 to 16 percent in May 2005.</li> <li>▪ The percentage of consumers who associate FCAC with a “consumer protection agency” increased from 0 percent in October 2001 to 12 percent in May 2005.</li> <li>▪ In 2004-05, FCAC partnered with Canada Revenue Agency and Social Development Canada on a cheque-insert campaign largely centred on consumers’ rights when dealing with a bank and/or trust company. More than 7,000,000 cheque inserts were mailed to Canadians across the country.</li> <li>▪ FCAC introduced a pilot “Train-the-Trainer” project. This initiative provides workshops specifically aimed at low-literacy consumers, on a variety of financial issues. The first sessions focussed on access to basic banking (ABB). There were 29 sessions held in 2004-05, attracting about 800 consumers.</li> </ul>	Met expectations

This document also includes the results related to FCAC’s key expected outputs. In the vast majority of cases, the results matched expectations.

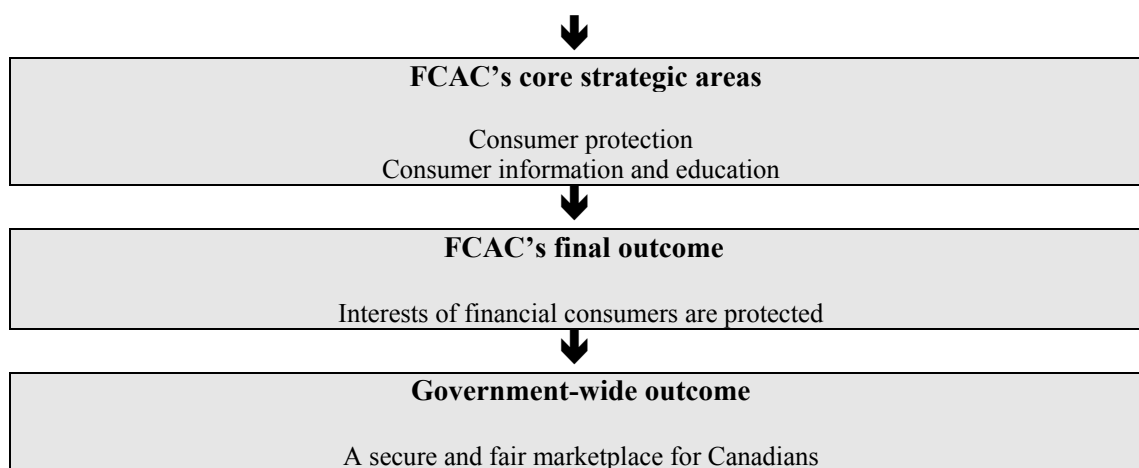
### 3. Overview of FCAC

#### 3.1. Mandate and links with the desired Government-wide outcome

As FCAC continues to define its strategic outcomes, supporting activities and performance indicators it is crucial that these remain aligned with the Agency's mandate and the desired Government-wide outcome.

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 designed to implement the consumer provisions applicable to them;
- c. **monitor** the implementation of voluntary codes of conduct that are designed to protect the interests of customers of financial institutions, that have been adopted by financial institutions and that are publicly available and to monitor any public commitments made by financial institutions that are designed to protect the interests of their customers;
- d. **promote** consumer awareness about the obligations of financial institutions under consumer provisions applicable to them; and
- e. **foster**, in co-operation with any department, agency or agency corporation of the Government of Canada or of a province, financial institutions and consumer and other organizations, an understanding of financial services and issues relating to financial services.





### 3.2. 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 the financial industry's compliance with the voluntary codes of conduct and public commitments agreed to by the financial institutions, to ensure that consumers benefit from these commitments; and
- developing educational programs and information tools that will:
  - increase consumers' awareness of their rights;
  - inform consumers of the redress mechanisms available to them;
  - improve the availability and accessibility of market information that will enable consumers to understand the 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.

### 3.3. Total financial resources for FCAC

Fiscal year	Planned spending	Actual expenditures
2004-05	\$ 7,752,000	\$7,168,000
2003-04	\$7,358,000	\$6,213,000 <sup>2</sup>

For details on FCAC's final expenditures for 2004-05, see page 61. To view the Agency's complete financial statements, see our *Annual Report*, which is available on the Agency's Web site at: <http://www.fcac-acfc.gc.ca/eng/publications/default.asp#ar>

### 3.4. Total human resources for FCAC

Fiscal year	Planned full-time equivalents (FTEs)	Actual full-time equivalents (FTEs)
2004-05	38	38
2003-04	35	35

Human resources by branch — Full-time equivalents <sup>3</sup>		
	Fiscal year 2004-05	Fiscal year 2003-04
Compliance and Industry Relations	10	9
Consumer Education and Public Affairs	18	16
Legal Services	1	1
Administrative Services	4	4
Executive	5	5
<b>Total</b>	<b>38</b>	<b>35</b>

<sup>2</sup> FCAC's full legislative mandate was in place at the end of September 2003.

<sup>3</sup> Excluding temporary staff, such as students and casual employees.

### 3.4.1. Organizational structure

As of March 31, 2005, FCAC was 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. As of fiscal year 2005-06, FCAC will consolidate the responsibilities related to industry relations under the Public Affairs unit of the Consumer Education and Public Affairs Branch.

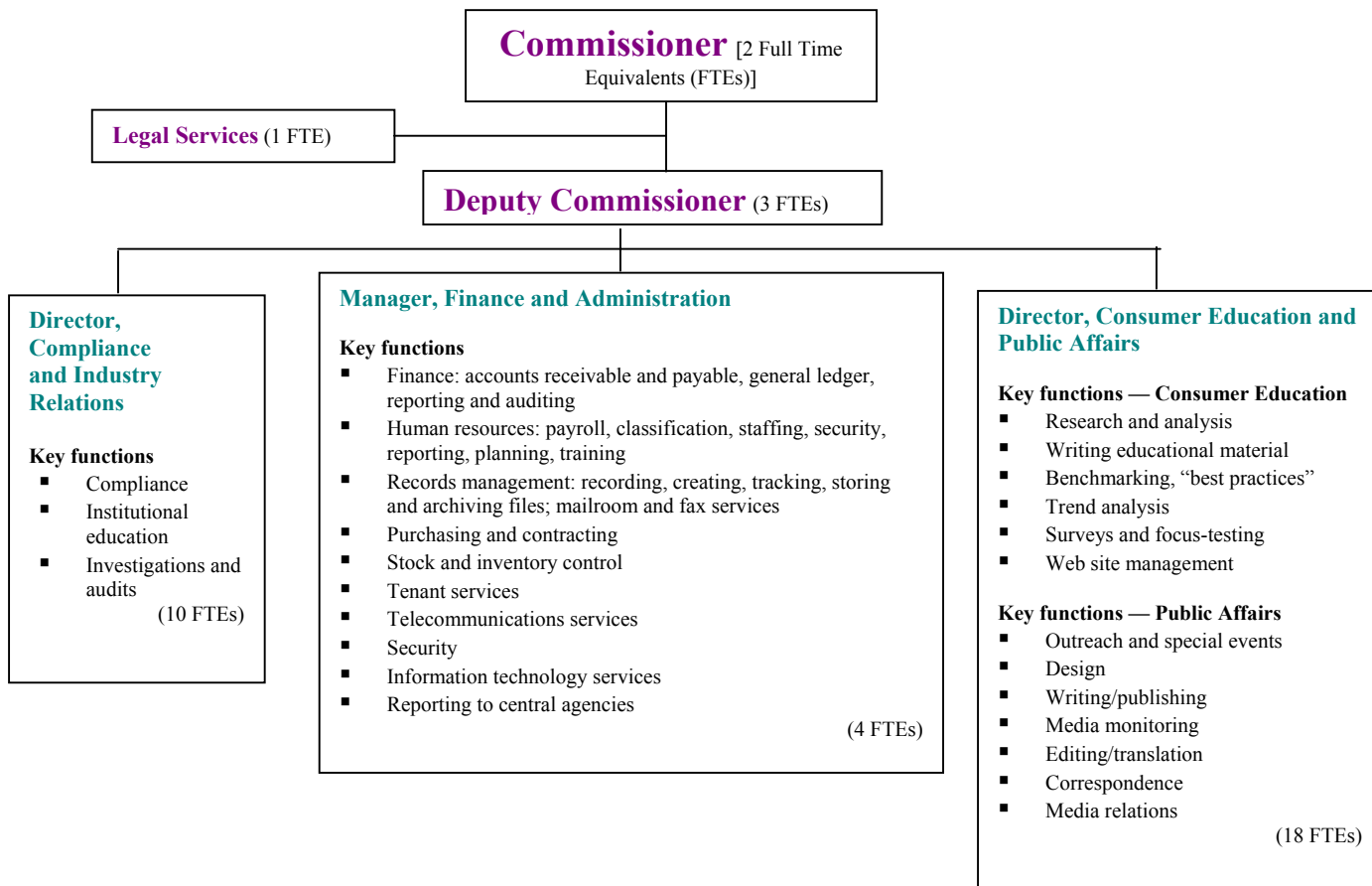
The Consumer Education and Public Affairs Branch is responsible for FCAC's consumer education program, outreach program, the Consumer Contact Centre, the correspondence unit, publications, communications, and Web site design and management.

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, when 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.

## Organization chart, as of March 31, 2005



### 3.5. Financial institutions regulated

The Financial Consumer Agency of Canada (FCAC) monitors and supervises financial institutions that are regulated at the federal level. These institutions include all banks and federally incorporated or registered insurance, trust and loan companies and co-operative credit associations.

#### Number of organizations per category of federally regulated financial institutions, as of March 31, 2005

	<b>Banks</b> (domestic and foreign)	<b>Trust and loan companies</b>	<b>Life insurance companies</b> (domestic and foreign)	<b>Property and casualty companies</b> (domestic and foreign)	<b>Cooperative credit and retail associations</b>	<b>Total</b>
Number of organizations	73	66	92	187	8	426

## 4. Overall FCAC Performance

### 4.1. Operating environment

#### 4.1.1. Business environment

##### 4.1.1.1. 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. In 2003, the sector

- employed more than 600,000 Canadians;
- provided a yearly payroll of more than \$35 billion;
- represented 6 per cent of Canada's gross domestic product; and
- contributed more than \$13 billion in tax revenue to all levels of government.<sup>4</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 among the provincial and federal governments, depending on the activities of the individual companies. As of March 31, 2005, Canada's financial sector included the following number and types of federally regulated institutions:

- 19 domestic banks
- 27 foreign banks
- 22 foreign bank branches (full-service)
- 5 foreign bank branches (providing lending services)
- 44 trust companies
- 22 loan companies
- 92 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>5</sup>

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<sup>4</sup> Department of Finance Web site (<http://www.fin.gc.ca>) figures, as of Sept. 9, 2005.

<sup>5</sup> Department of Finance Web site (<http://www.fin.gc.ca>), as of Sept. 9, 2005.

In addition to federally regulated institutions, there are also provincially regulated institutions, which include:<sup>6</sup>

- 1,298 credit unions and caisses populaires (as of 2003)
- 207 securities dealers (as of 2003)
- 270 mutual fund companies (as of 2003)

#### **4.1.1.2. Responsibility for a fair and competitive marketplace**

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

##### **Consumers**

For a competitive market to function well, consumers are expected to, 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.

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<sup>6</sup> Department of Finance Web site (<http://www.fin.gc.ca>) figures, as of Sept. 9, 2005.

## **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.

### **4.1.1.3. How we support the Government's priorities**

#### **4.1.1.3.1. Government-wide initiatives — Enhancing the interests of consumers**

The Government of Canada set out its priorities with respect to protecting consumers in its 1999 White Paper:

Strong, efficient and profitable financial institutions are vital to Canada's economic success.<sup>7</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>8</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.

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<sup>7</sup> *Reforming Canada's Financial Services Sector*, p. 9.

<sup>8</sup> *Ibid.*, p. 10.



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>9</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 (OSFI) 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.

The Government's commitment to enhance the interests of consumers was reiterated in its 2005 *Budget Plan*. The plan states:

Government is committed to providing a fair and balanced framework that preserves the health and strength of the sector and, at the same time, allows its evolution to benefit all Canadians. To strike that balance, it is important to ensure that consumer rights are adequately protected. The Budget Plan provides examples of proposals to adjust the legislative framework to ensure that the Canadian financial services industry continues to benefit Canadian consumers.<sup>10</sup>

Some of the examined proposals indicated in the Budget Plan include a general review of the disclosure provisions and establishing a maximum time limit related to holds on cheques.

FCAC's mandate, mission and strategic outcomes are directly related to the ultimate achievement of the Government-wide outcome of a "secure and fair marketplace for Canadians".<sup>11</sup> In its *Annual Report*, the Agency makes available to parliamentarians key information on financial issues, questions and concerns of Canadian consumers. In addition, it provides, in aggregate form, compliance-related data about the financial institutions it regulates, with respect to the consumer provisions that are applicable to them and the codes of conduct and public commitments instituted by the federally regulated financial institutions to protect the interests of their customers.

FCAC also supports the Government's legislative reviews by providing information on trends and emerging issues related to the key areas that it regulates to help ensure that that evolution of the financial sector continues to benefit all Canadians.

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<sup>9</sup> *Ibid.*, p. 46.

<sup>10</sup> *The Budget Plan 2005*, Government of Canada, p. 342.

<sup>11</sup> *Canada's Performance*, Annual Report to Parliament 2004, p. 42.

#### **4.1.1.3.2. Government-wide initiatives — Modern management**

The Government's management accountability framework (MAF) provides departments and agencies with a set of 10 statements summarizing the Government's expectations for modern public service management, to achieve high organizational performance. The MAF incorporates all of the elements of modern comptrollership and builds on the foundation it provides. Modern comptrollership is about creating a solid foundation based on four pillars (integrated financial and non-financial performance information, sound risk management, appropriate control, and values and ethics).

In support of this Government-wide initiative, FCAC is currently implementing an action plan that was established following an independent comptrollership capacity assessment in October 2003. For more information on FCAC's results and progress in implementing modern management initiatives, see page 56.

## 4.1.2. Demands on FCAC services

### 4.1.2.1. Compliance activities

The following section provides general statistics on FCAC's compliance workload.

#### Compliance contacts received, by category

	April 2004 – March 2005	% change 2004–05 vs. 2003–04	April 2003 – March 2004	% change 2003–04 vs. 2002–03	April 2002 – March 2003
Consumer provisions	<b>953</b>	11 ↑	<b>857</b>	117 ↑	<b>395</b>
➤ Complaints	517		490		334
➤ Inquiries	18		33		21
➤ Self-reported	418		334		40 <sup>12</sup>
Codes of conduct and public commitments	<b>240</b>	23 ↓	<b>312</b>	8 ↑	<b>290</b>
➤ Complaints	220		268		242
➤ Inquiries	9		44		48
➤ Self-reported <sup>13</sup>	11		–		–
Filings <sup>14</sup>	<b>176</b>	55 ↓	<b>395</b>	5 ↑	<b>375</b>
<b>Total</b>	<b>1,369</b>	12 ↓	<b>1,564</b>	48 ↑	<b>1,060</b>

<sup>12</sup> The compliance framework came into effect on September 1, 2002.

<sup>13</sup> FRFIs are not required to self-report codes of conduct and public commitments at the present time.

<sup>14</sup> The filings declined in fiscal year 2004-05, since there were fewer branch closures that year.

**Compliance matters relating to consumer provisions, codes of conduct, public commitments and filings**

	April 2004 – March 2005	% change 2004–05 vs. 2003–04	April 2003 – March 2004	% change 2003–04 vs. 2002–03	April 2002 – March 2003
Cases opened (does not include inquiries)	<b>1,342</b>	7 ↓	<b>1,437</b>	45 ↑	<b>991</b>
Cases closed (may include pending cases from previous year)	<b>1,142</b>	14 ↓	<b>1,322</b>	50 ↑	<b>882</b>
Cases pending at year-end (March 31)	<b>457</b>	80 ↑	<b>254</b>	63 ↑	<b>155</b>

Even though the overall number of compliance files that were opened declined in fiscal year 2004-05 — mainly because of the significant decrease in legislative filings related to branch closures — FCAC’s workload related to consumer provision 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 because of the Agency’s ongoing objective of increasing consumers’ awareness of its services, which could result in an increased caseload.

For an analysis of the disposition related to the consumer provisions, codes of conduct and public commitments, see page 30.

#### 4.1.2.2. Consumer Education and Public Affairs activities

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
- consumer contact 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 consumer contact centre and correspondence unit.

	April 2004 – March 2005	% change 2004–05 vs. 2003–04	April 2003 – March 2004	% change 2003–04 vs. 2002–03	April 2002 – March 2003
Inquiries received, excluding compliance matters	20,621	123 ↑	9,267	35 ↑	6,882
Complaints received, excluding compliance matters	5,059	17 ↓	6,070	2 ↓	6,200
<b>Total</b>	<b>25,680</b>	<b>67 ↑</b>	<b>15,337</b>	<b>17 ↑</b>	<b>13,082</b>

The total number of contacts FCAC received increased by 67 per cent, in fiscal year 2004–05. Part of this increase is due to two government cheque-insert projects FCAC undertook, mailing more than 7,000,000 inserts to Canadians across the country. FCAC's cheque-insert campaign centred largely on consumers' rights when dealing with banks and/or trust companies. The call volume generated by this project was 9,191 calls, over two months. FCAC undertook this initiative in partnership with the Canada Revenue Agency and Social Development Canada.

The geographic breakdown of the contacts FCAC receives usually mirrors the provincial breakdown of Canada's population.

The demand for FCAC publications also rose substantially — especially since the organizations involved requested multiple copies to distribute at their offices or locations across Canada.

Our material continued to be very popular at the trade shows in which FCAC participated, in Toronto and Vancouver.

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

	April 2004 – March 2005	% change 2004–05 vs. 2003–04	April 2003 – March 2004	% change 2003–04 vs. 2002–03	April 2002 – March 2003
Print publications distributed	<b>173,541</b>	90 ↑	<b>91,381</b>	82 ↑	<b>50,115</b>
Publications downloaded	<b>342,810</b>	55 ↑	<b>221,682</b>	386 ↑	<b>45,616</b>
Web site visits	<b>458,253</b>	80 ↑	<b>254,854</b>	93 ↑	<b>132,197</b>
Average number of Web site visits per month	<b>38,188</b>	Same as above	<b>21,238</b>	Same as above	<b>11,016</b>

### 4.1.3. Risk identification and assessment

In 2004-05, FCAC produced a preliminary corporate risk profile, identifying and assessing the key risks facing the Agency. FCAC categorized the key risks in order of priority, and outlined specific strategies to mitigate the risks in its business plan for 2005-07. The key risks identified include the following.

Risks	Impact	Risk-mitigating strategies
Loss of critical mass of employees due to turnover	<p>Since FCAC is a small agency — 38 FTEs in 2004-05 — the loss of several key staff may:</p> <ul style="list-style-type: none"> <li>➤ adversely affect FCAC’s ability to achieve its strategic objectives in the short term, as well as to provide quality services to consumers, in accordance with FCAC service standards;</li> <li>➤ affect the investigation and resolution of compliance cases, in accordance with FCAC service standards and the legislative requirements.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Offer a competitive compensation package to recruit and retain qualified personnel, including individuals from the financial sector</li> <li>➤ Provide timely and effective professional development, including Agency-wide competency-based training for every position, as well as career management training programs. FCAC signed a Memorandum of Understanding with Seneca College to develop a “compliance-driven” course that will benefit and meet the training needs of compliance officers who work in the financial industry, as well as at FCAC.</li> <li>➤ Annual staff survey to monitor issues that could affect the work environment, and addressing these issues in a timely manner</li> <li>➤ Identify critical activities and/or areas for which documented policies, procedures and processes must be in place, and fill any gaps</li> </ul> <p>This process will include a timetable for the proactive review of policies, procedures and processes related to these critical activities.</p>

Risks	Impact	Risk-mitigating strategies
<p>Limited budget and little expectation for any significant budget increase, but increased expectations of stakeholders and consumers</p>	<ul style="list-style-type: none"> <li>➤ FCAC may not be able to meet consumers' needs in a timely manner.</li> <li>➤ FCAC may not be able to address the needs and/or areas of concern of its partners and stakeholders, including parliamentarians.</li> <li>➤ FCAC may not be able to assess thoroughly and deal with emerging issues in the marketplace that could negatively affect consumers, which might result in delays in fixing marketplace problems and addressing the harm done to consumers.</li> </ul>	<ul style="list-style-type: none"> <li>➤ FCAC has made specific target groups and partners a priority. These are outlined in FCAC's business plan.</li> <li>➤ The business plan consultation process gives FCAC's partners and stakeholders an overview of the Agency's key objectives and activities for a specific time period. They then have an opportunity to voice their suggestions and concerns regarding the direction FCAC is taking. The business plan is a public document, which is available on FCAC's Web site.</li> <li>➤ FCAC undertakes consumer surveys to assess and analyze consumer issues, as well as consumers' satisfaction with FCAC services.</li> <li>➤ In the Compliance and Correspondence units, FCAC has enhanced its risk-based approach to dealing with consumer contacts and compliance cases, to make the best use of existing resources.</li> <li>➤ FCAC periodically reviews the costs and benefits of the Agency's MOUs, to ensure that they are still a good fit and continue to provide "good value for money".</li> <li>➤ FCAC is starting to build a solid network of partners, to obtain leverage, in support of its mandate.</li> </ul>
<p>Data capturing and quality control – risk of data used for decision making and reporting being incomplete, erroneous or inadequate</p>	<ul style="list-style-type: none"> <li>➤ The quality of the data could become compromised because of a lack of timeliness, accuracy, relevancy, etc.</li> <li>➤ FCAC could make uninformed decisions, which would hinder its ability to achieve its objectives.</li> </ul>	<ul style="list-style-type: none"> <li>➤ One Consumer Education employee and one Compliance employee assess the integrity of the data captured and reclassify this information, if appropriate.</li> <li>➤ Biweekly reports are prepared for presentation to senior management. The reports could highlight potential inconsistencies and errors, compared with previous reporting periods. FCAC has acquired software to assist with data analysis.</li> </ul>



<b>Risks</b>	<b>Impact</b>	<b>Risk-mitigating strategies</b>
Data capturing and quality control – risk of data used for decision making and reporting being incomplete, erroneous or inadequate <i>(cont'd.)</i>	<ul style="list-style-type: none"> <li>➤ FCAC might not be able to monitor its activities and programs effectively, or report their results and findings with confidence to its stakeholders and partners.</li> </ul>	<ul style="list-style-type: none"> <li>➤ FCAC has completed Phase 1 of its Webcims reconfiguration project, which included revamping the “key words” structure for inputting data, and determining the pertinent data required for monitoring and reporting purposes.</li> <li>➤ FCAC plans to upgrade its data capturing and tracking system, in light of the recent reconfiguration, in order to generate data integrity reports that will flag incomplete case data, if any.</li> <li>➤ The information technology (IT) representatives do a daily backup of the Webcims tracking system.</li> <li>➤ A history log will be available with the new version of Webcims (2005 to 2007).</li> </ul>
Successful court challenges of FCAC decisions	<ul style="list-style-type: none"> <li>➤ These may adversely affect the Agency’s reputation and lead to questioning of FCAC’s competence as a regulator.</li> </ul>	<ul style="list-style-type: none"> <li>➤ FCAC recently revised the Compliance framework it had developed (to include lessons learned from a specific case), in consultation with its stakeholders and partners. Legal Services was also involved in the revision of the document.</li> <li>➤ Legal Services is part of the review of FCAC’s key compliance policies and procedures.</li> <li>➤ Case management meetings serve as a useful forum to assess and analyze all of FCAC’s compliance cases objectively, and review the compliance officers’ conclusions and recommendations.</li> <li>➤ Compliance has improved its method of assessing and investigating compliance cases, with the development of a “risk evaluation” form. This will allow all officers to determine the priority of cases the same way, and spend more time on the more substantive cases. Compliance plans to incorporate this new case priority methodology into FCAC’s case tracking system in 2005-06 (which is in the business plan for 2005-07).</li> <li>➤ FCAC will identify the activities, current processes and any gaps that need to be addressed by the various branches, and map out and outline the key processes and procedures (in the business plan for 2005-07).</li> </ul>

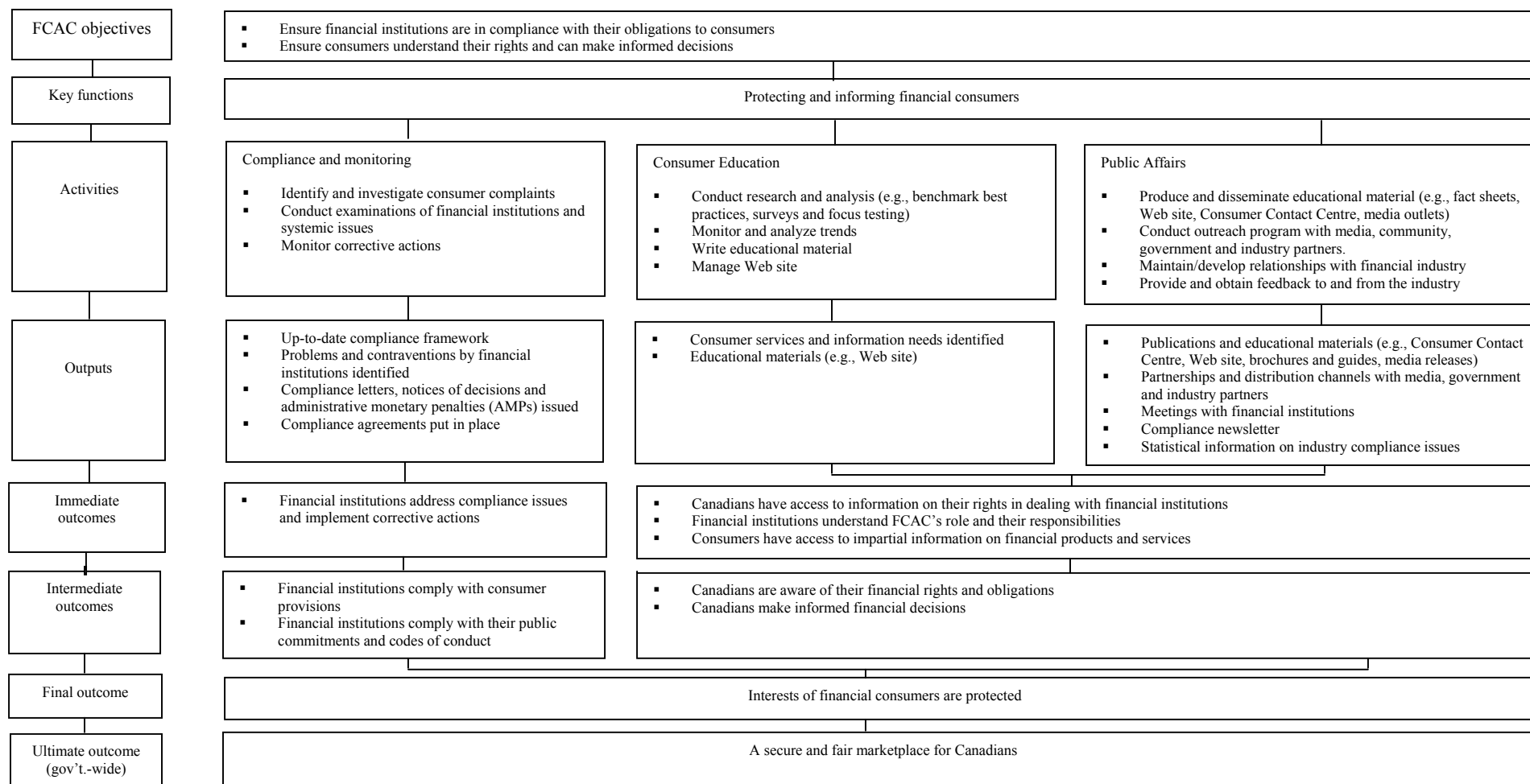
Risks	Impact	Risk-mitigating strategies
Successful court challenges of FCAC decisions ( <i>cont'd.</i> )		<ul style="list-style-type: none"> <li>➤ FCAC's targeted internal audit plan<sup>15</sup> has scheduled a review of compliance and monitoring (CM) services in 2005-06 (which is in the business plan for 2005-07).</li> </ul>
Perception by consumers that their needs are not being met	<ul style="list-style-type: none"> <li>➤ Consumers' satisfaction with FCAC services may decline if they perceive that FCAC is not meeting their expectations. This could adversely affect FCAC's reputation.</li> <li>➤ FCAC would have a difficult time meeting its strategic outcomes and mandate, and therefore supporting the Government-wide outcome, which would hinder the Agency's relevance.</li> </ul>	<ul style="list-style-type: none"> <li>➤ FCAC has a Consumer Contact Centre (which consumers can call toll-free) that allows one-on-one discussions with consumers. The Centre's knowledgeable staff are trained to respond to consumers' questions as accurately and effectively as possible.</li> <li>➤ FCAC conducts research on consumer issues by general consumer surveys as well as by other means, to better understand consumers' needs and concerns, and provide them with information about specific products and services.</li> <li>➤ FCAC produces material for various target groups, using language that is appropriate for each group, including consumers with lower levels of literacy and education.</li> <li>➤ FCAC provides feedback forms to consumers, so that they can rate its publications (print and electronic) and provide their comments and suggestions for improvement.</li> <li>➤ FCAC conducts regular consumer contact surveys to obtain information on the level of satisfaction of consumers with FCAC's services.</li> </ul>

FCAC will continue to monitor and implement its risk-mitigating strategies, and make sure that it considers and incorporates these and other pertinent risks into its strategic planning and business planning processes.

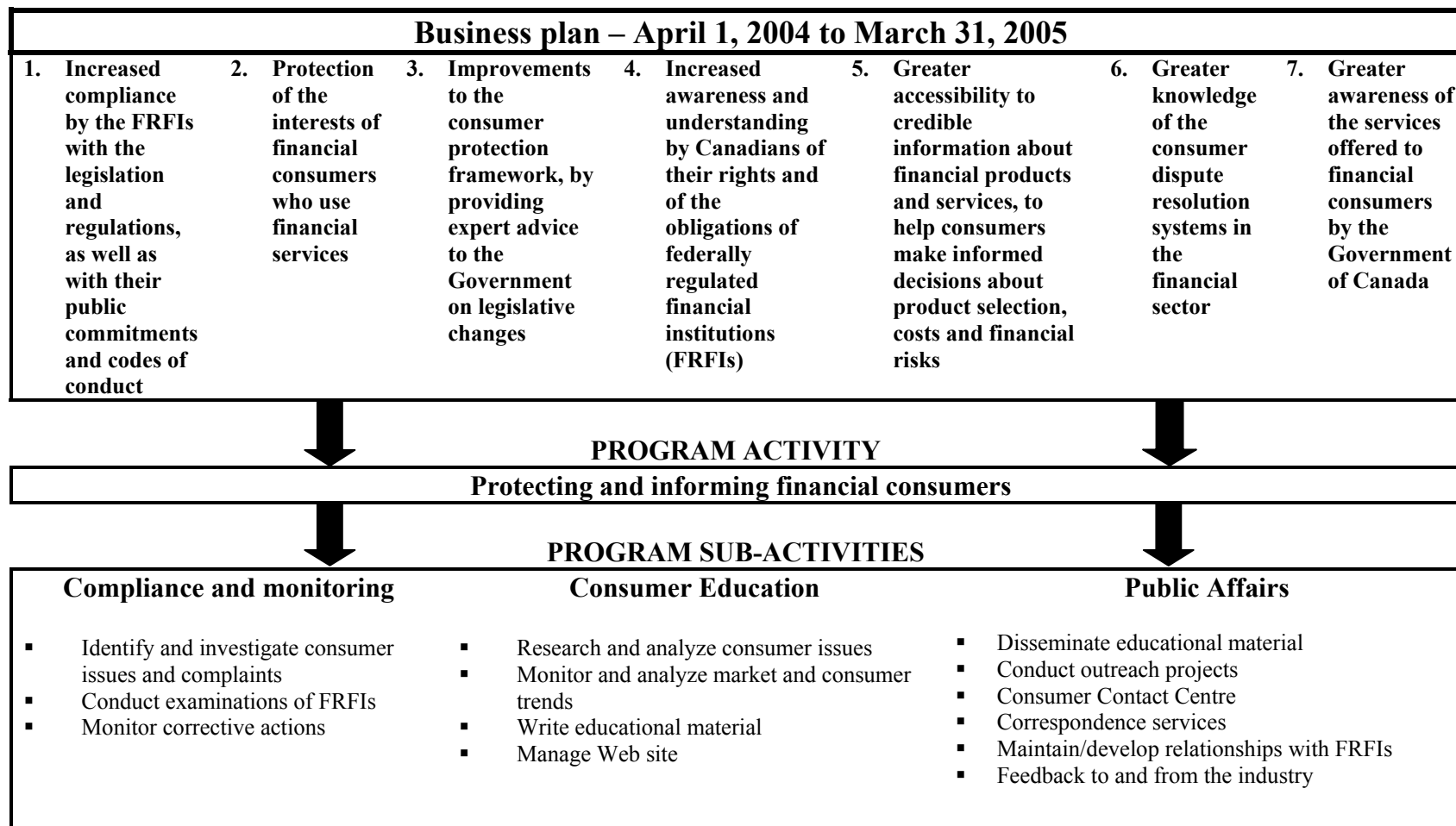
<sup>15</sup> This is an internal audit plan that focuses on *one* fiscal year.

## 4.2. FCAC's accountability framework

### 4.2.1. Results-based management accountability framework (RMAF) – Logic model



#### 4.2.2. FCAC's strategic outcomes



### 4.2.3. Impact of FCAC's program on the Canadian financial marketplace and the benefits to Canadian financial consumers

Item or issue	Progress made since FCAC's inception
Federal oversight of the financial services sector as it relates to consumers	Oversight responsibilities — previously spread among various organizations — were consolidated at FCAC, with direct reporting to Parliament through the Minister of Finance. This has resulted in a considerable strengthening of oversight.
Monitoring of regulations and self-regulations related to consumers	FCAC developed a compliance framework to monitor how FRFIs are complying with their obligations and commitments to consumers.
Monitoring of the FRFIs' actions related to compliance issues	Monitoring of compliance issues is now systematic and unified. FCAC works with the FRFIs to ensure that the institutions advise consumers when compliance problems arise, and inform them of their right to use the institution's complaint-handling process.
Measurement of the FRFIs' compliance with the consumer provisions, codes of conduct and public commitments	FCAC introduced proactive measurement tools, such as annual examinations and annual mystery-shopping exercises to verify the FRFI's compliance with the consumer provisions, codes of conduct and public commitments. FCAC works with the financial institutions to resolve any issues or concerns.
Review of the FRFIs' disclosure practices related to consumers	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.
Review of the FRFIs' branch-closure filings	Previously, there was no requirement for FRFIs 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 serve. FCAC has attended several branch-closure meetings, held at the instruction of the Commissioner, and added a branch-closure database to its Web site to keep consumers informed of these changes.
Access to plain-language information about the FRFIs' legal obligations to consumers, as well as objective information to help consumers compare and better understand certain financial products and services	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 the FRFIs.

<b>Item or issue</b>	<b>Progress made since FCAC's inception</b>
Access to a federal agency for consumers who wish to report a problem with a financial institution, or request information	Prior to FCAC's creation, there was no single access point for consumers who wanted to report a problem with a FRFI, or to request information about a financial product or service. Consumers now have toll-free telephone access to FCAC's Consumer Contact Centre, if they wish to report a problem with their financial institution, or obtain information about financial products or services. Consumers can also contact FCAC by e-mail, by mail or in person.
Comparative information related to features and prices of financial products and services	FCAC provides consumers with useful comparative statistics and easy-to-understand information about many financial products and services. This enables consumers to compare products and services and ensures a competitive marketplace.
Questions and answers on financial products and services	FCAC has developed one of Canada's most extensive question-and-answer databases about financial products and services. A good portion of the content of this database is based on information FCAC obtains through consumer contacts. FCAC tracks, identifies and analyzes issues of concern to Canadians on an ongoing basis.
Reporting to Parliament on compliance and consumer issues	Prior to FCAC's creation, reporting to Parliament on financial consumer issues was fragmented. Through its <i>Annual Report</i> , FCAC provides Parliament with a consolidated view of compliance issues, and of the key issues and concerns raised by consumers.

### **4.3. Performance analysis for 2004-05**

#### **4.3.1. Performance analysis by strategic outcome**

This section assesses FCAC's program and performance with regard to the key expected outputs and strategic outcomes outlined in its business plan for 2004-05.

FCAC's strategic outcomes have also been linked to the Agency's core strategic areas. All branches work together to ensure the achievement of the Agency's objectives, strategic outcomes and key outputs.

##### **Consumer protection**

1. Increased compliance by the FRFIs with the legislation and regulations, as well as with their own public commitments and codes of conduct
2. Protection of the interests of financial consumers who use financial services
3. Improvements to the consumer protection framework, by providing expert advice to the Government on legislative changes

##### **Consumer information and education**

4. Increased awareness and understanding by Canadians of their rights and of the obligations of federally regulated financial institutions
5. Greater accessibility to credible information about financial products and services, to help consumers make informed decisions about product selection, costs and financial risks
6. Greater knowledge of the consumer dispute resolution systems in the financial sector
7. Greater awareness of the services offered to financial consumers by the Government of Canada




Many public-sector organizations, including FCAC, face a common challenge: how to relate the overall results they have achieved to the progress they have made in meeting the Government-wide outcome. There is often no clear link between the decisions rendered, the initiatives undertaken by the Agency, and the ultimate improvement of Canada's financial marketplace, since outcomes are affected by many factors outside the individual agency's or department's control. This holds true for a public-sector agency such as FCAC, which is just one of many players who provide financial information and education to consumers. Due to the many partners and players involved in this process, we are not able to credit FCAC alone with improving the efficiency and accessibility of the financial system. However, by objectively measuring and reporting on our performance, we are able to demonstrate effectively our contribution to the Government-wide outcome of "a secure and fair marketplace for Canadians".


In addition, since many of FCAC's strategic outcomes relate to consumer awareness and knowledge of financial sector issues, it will take years for the Agency to achieve its strategic outcomes and the ultimate Government-wide outcome. However, we can identify and demonstrate that we are making progress towards these outcomes.

### Methods used to rate FCAC's progress

The following are the methods we have used to rate FCAC's progress in meeting its strategic outcomes, and to measure the results achieved against the key expected outputs included in the business plan for 2004-05 and/or results from the previous year, when available.

#### 1) Quantitative method: A rating scale

Rating	Symbol
Improvement over past year	
Consistent with past year	
Decline from past year	

In those instances where 2004-05 or 2003-04 data is not available, we have assigned a rating of .

#### 2) Qualitative method

- a) Did not meet expectations
- b) Met expectations



#### 4.3.1.1. Progress made in meeting the strategic outcomes linked to FCAC's core area of consumer protection

##### Strategic outcome # 1

**Increased compliance by the FRFIs with the legislation and regulations, as well as with their own public commitments and codes of conduct**

##### Strategic outcome # 2

**Protection of the interests of financial consumers who use financial services**

FCAC's compliance program monitors and ensures that federally regulated financial institutions respect their own legislated obligations, voluntary codes of conduct and public commitments.

#### Compliance cases closed relating to consumer provisions, by type of disposition

	April 2004 – March 2005		April 2003 – March 2004		April 2002 – March 2003	
		(%)		(%)		(%)
Consumer provision cases excluding matters related to branch closures, except for “provision for required notice”						
Violation	26	3.8	20	4.0	23	17.4
Non-violation	659	96.2	483	96.0	109	82.6
<b>Total</b>	<b>685</b>	<b>100</b>	<b>503</b>	<b>100</b>	<b>132</b>	<b>100</b>
Matters related to branch closures <sup>16</sup> excluding “provision for required notice”						
Not granted	9	75.0	34	75.6	93	71.5
Granted	3	25.0	11	24.4	37	28.5
<b>Total</b>	<b>12</b>	<b>100</b>	<b>45</b>	<b>100</b>	<b>130</b>	<b>100</b>

Over a short period of time, FCAC has built a professional relationship with all of the federally regulated financial institutions, and works closely with them to ensure that they meet their obligations to consumers. In cases where it finds violations, FCAC supports the institutions to put in place solutions to rectify any shortcomings. For more information on the types of violations related to the consumer provisions, see the Commissioner's decisions, on page 33.

<sup>16</sup> Includes requests for public meetings.

With regard to requests for a meeting on branch closures, we have seen a shift, over the past three years, from “granted” to “not granted”. This is partly because of the way banks close branches today, which differs significantly from even a few years ago. Various banks proactively consult with communities and introduce measures, such as the following, to lessen the negative impact on the community and the public:

- send letters or telephone each customer concerning the branch closure, and provide the phone number of both the closing and the receiving branch, in case customers have any concerns or questions;
- hold consultations with local political representatives, prior to announcing the closure publicly;
- automatically transfer all of a customer’s accounts, including pre-authorized payments and direct deposits;
- maintain staff continuity by moving staff to the receiving branch.

#### **Compliance cases closed relating to codes of conduct and public commitments, by type of disposition**

	April 2004 – March 2005		April 2003 – March 2004		April 2002 – March 2003	
		%		%		%
Non-compliance	4	2.4	22	13.3	13	8.3
In compliance	170	97.7	143	86.6	143	91.2
<b>Total</b>	<b>174</b>	<b>100</b>	<b>165</b>	<b>100</b>	<b>156</b>	<b>100</b>

When we analyze the progress the FRFIs have made in complying with their codes of conduct and public commitments, we can witness a positive movement since 2002-03. It is important to note that several cases related to access to basic banking (ABB) services are included in the figures shown for 2002-03 (10 cases) and 2003-04 (16 cases), since ABB was a public commitment until September 30, 2003. After this date, any ABB cases where violations were noted were included as part of the Commissioner’s decisions. For more information on the compliance issues related to the codes of conduct and public commitments, see page 35.

You can find all of the details related to the cases by consumer provision, codes of conduct, public commitments and filings, in FCAC’s 2004-05 *Annual Report*, which is available on the Agency’s Web site at:

**<http://www.fcac-acfc.gc.ca/eng/publications/default.asp#ar>**

To further evaluate the contribution of FCAC's compliance program towards achieving the Agency's strategic outcomes (indicated on page 28), we also examined the following categories:

- Commissioner's decisions
- Letters of non-compliance related to codes of conduct and public commitments
- Examinations
  - annual: survey of federally regulated financial institutions with regard to compliance matters, undertaken by FCAC on an annual basis
  - special: targeted examination focused on a compliance matter of concern to FCAC (may include several FRFIs)
  - on-site: targeted examinations focused on a compliance matter of concern to FCAC (involves individual FRFIs)
- Industry review: research and review of industry practices
- Analysis of mystery-shopping results

Within these categories, we examined the steps taken by the FRFIs, following FCAC's action. These are broken down into two categories: "corrective measures" and "procedural changes".

For the purposes of this analysis, we have defined a "corrective measure" as a measure that is limited to a non-compliant branch, whereas the term "procedural change" means any corrective measure taken by the FRFIs, whose implementation was *not* limited to a non-compliant branch and potentially modified internal processes.

It is important to note that a Commissioner's decision may trigger a corrective measure — to address any non-compliance at a branch level — as well as a subsequent procedural change — to ensure that the situation is not repeated throughout the entire institution.


### Commissioner's decisions

Disposition of cases	April 2004 – March 2005	April 2003 – March 2004
Letters of Reprimand	<b>14</b> (includes 28 violations)	<b>17</b> (includes 35 violations)
Notices of Violation	<b>2</b> (includes 2 violations)	<b>2</b> (includes 4 violations)
<ul style="list-style-type: none"> <li>▪ Failure to comply with <i>Cost of Borrowing Regulations</i></li> <li>▪ Failure to comply with <i>Notice of Branch Closure Regulations</i></li> </ul>	2	1
Administrative Monetary penalties imposed	\$80,000	\$15,000
Compliance agreements	<b>1</b>	<b>1</b>
Branch closure meetings granted (related to cases)	<b>2</b>	<b>11</b>
Branch closure meetings not granted (related to cases) — One decision can relate to more than one case	<b>6</b>	<b>6</b>
Non-compliance decision — upheld by Commissioner — concerning the zero liability public commitment for credit cards	<b>1</b>	<b>0</b>

The 2004-05 Commissioner's decisions listed in the preceding table related to the following issues:

- Bank accounts — Refusal to open
- Government of Canada cheques — Refusal to cash
- Government of Canada cheques — Refusal to cash for free
- Disclosure of charges
- Cost of borrowing — Credit cards
- Cost of borrowing — Mortgages
- Branch closures

**Outcome**

	April 2004 – March 2005 (%)	April 2003 – March 2004 (%)	Movement 2004-05 vs. 2003-04	Rating 2004-05
Percentage of cases <sup>17</sup> where FRFIs implemented corrective measures, following the Commissioner's decision	100	100	 2004-05 vs. 2003-04	Met expectations

In addition to corrective measures, several FRFIs implemented procedural changes, following the Commissioner's decision.

	April 2004 – March 2005 (%)	April 2003 – March 2004 (%)
Percentage of cases where FRFIs implemented procedural changes — over and above any corrective measures — following the Commissioner's decision	60	85


For details on the corrective measures and procedural changes that the FRFIs implemented following the Commissioner's decisions, see Appendix 1.

<sup>17</sup> Several compliance cases may be part of *one* Commissioner's decision.

### Codes of conduct and public commitments

Codes of conduct and public commitments for which FCAC sent letters of non-compliance to the FRFIs	April 2004 – March 2005	April 2003 – March 2004
Insurance code	1	0
Credit cards — Public commitment <ul style="list-style-type: none"> <li>➤ Zero-liability policy</li> </ul>	3	4
Account openings: <sup>18</sup> <ul style="list-style-type: none"> <li>➤ Refusal to open — Bankruptcy</li> <li>➤ Refusal to open — Credit history</li> <li>➤ Refusal to open — Identification</li> </ul>	Not appl. Not appl. Not appl.	2 10 4
Debit card code	0	2

### Outcome

	April 2004 – March 2005 (%)	April 2003 – March 2004 (%)	Movement 2004-05 vs. 2003-04	Rating 2004-05
Percentage of cases where FRFIs implemented corrective measures, following letters of non-compliance	75	68	 2004-05 vs. 2003-04	Met expectations

Contrary to the Commissioner's decision, not all FRFIs implemented corrective measures, after receiving a letter of non-compliance. In general, if they did do so, the measures related to individual consumers. In 2004-05, there were no procedural changes, as a result of letters of non-compliance.

For details on the corrective measures the FRFIs implemented, after receiving letters of non-compliance, see Appendix 2.

<sup>18</sup> Since the *Access to Basic Banking (ABB) Regulations* did not come into force until September 30, 2003, the figures relating to the public commitment on ABB, for the fiscal year 2003-04, are from April 1, 2003 to Sept. 30, 2003. After September 30, 2003, any ABB cases where violations were noted were included as part of the Commissioner's decisions.

### Annual examinations

In fall 2004, FCAC conducted its third annual general examination of all of the federally regulated financial institutions to evaluate how they were complying with the applicable consumer provisions. FCAC conducted some of these examinations by telephone, asking specific questions related to the consumer provisions. Another method involved sending a questionnaire to the FRFIs, which they had to fill out and return to FCAC. The compliance team examined the responses, to determine if there were any disclosure failures related to the consumer provisions. Overall, FCAC found that the institutions were in compliance with the provisions. Below are the findings related to the annual examinations.

<b>Consumer provisions for which FCAC identified a lack of compliance, with respect to disclosure</b>	<b>April 2004 – March 2005</b>	<b>April 2003 – March 2004</b>
Cheque-holding policy	3 <sup>19</sup>	0
Coercive tied selling	3	4
Access to basic banking	3 <sup>20</sup>	5 <sup>21</sup>
Third-party dispute resolution body	50	2
Disclosure of charges	0	3


In some instances, the annual examination findings resulted in a compliance case, and in the Commissioner imposing a compliance measure.

<sup>19</sup> As of March 31, 2005, one case was still open.

<sup>20</sup> As of March 31, 2005, two cases were still open.

<sup>21</sup> Since the *Access to Basic Banking (ABB) Regulations* did not come into force until September 30, 2003, the figures relating to ABB for the fiscal year 2003-04 are from Sept. 30, 2003 to March 31, 2004.

### ***Outcome***

	April 2004 – March 2005 (%)	April 2003 – March 2004 (%)	Movement 2004-05 vs. 2003-04	Rating 2004-05
Percentage of cases closed where the FRFIS implemented corrective measures, following FCAC's findings	100	100	 2004-05 vs. 2003-04	Met expectations

In 2004-05, when the FRFIs implemented corrective measures, these involved procedural changes in all of the cases closed.

For details of the procedural changes the FRFIs introduced, following FCAC's findings of disclosure failures related to the consumer provisions, see Appendix 3.

### **Special examination — Credit cards**

In 2004-05, FCAC undertook a special examination involving four FRFIs with regard to a credit card product.

### ***Issue***

At the time of application, consumers did not know what the interest rate on their credit card would be. The interest rate depended on a credit bureau verification of the consumer. Consumers usually did not find out what the rate was until they received their credit card and credit card agreement.



### ***Outcome***

Once FCAC had completed its fact-finding and analysis, it forwarded the results to the FRFIs involved, who then implemented the following corrective measures:

- Three out of four FRFIs stopped offering this product.
- One FRFI amended its internal processes to enable customers to find out what their interest rate was, before applying for a credit card.

FCAC is continuing to monitor this important issue.

### **On-site examinations**

In 2004-05, FCAC conducted an on-site examination at one of the federally regulated financial institutions, to review the FRFI's compliance with FCAC's compliance framework. We are currently reviewing the FRFI's comments and response to our report. If the FRFI in question does implement any corrective measures, they will be included in our *Program and Performance Management Evaluation Report* for 2005-06.

### **Industry review — Mortgage prepayment penalty clauses**

An industry review may span several fiscal years, as was the case for FCAC's first industry review related to mortgage prepayment penalty clauses. This review started in May 2002, as a result of an investigation into a consumer complaint. FCAC found that the clause of a major bank's statement of disclosure, describing a type of penalty called "interest rate differential" (IRD), did not contain all the necessary information — as required by the Regulations — to enable the actual penalty to be calculated.

In 2003-04, FCAC conducted an industry review regarding the banks' level of compliance with the disclosure of prepayment penalty clauses in mortgage documents, as required by the Regulations. Since Canada's banks, in 2003, accounted for 82.8 per cent of mortgage approvals related to \$138 billion worth of National Housing Act and conventional financing for new and existing homes,<sup>22</sup> FCAC focused its efforts on reviewing specific sections of the mortgage disclosure documents of several major Canadian banks.

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<sup>22</sup> Canada Mortgage and Housing Corporation (CMHC), *2004 Canadian Housing Observer*, p. 43.

FCAC examined the disclosure documents of seven major banks with regard to their prepayment penalty clauses, since these banks represented a significant share of the mortgage market in Canada. In each case, the Agency looked for the precise information used to calculate the prepayment penalty and evaluated the clarity of the language used.

During its review, FCAC examined more than 100 mortgage documents—in English and French—containing mortgage prepayment clauses.

### *Issue*

In the first phase of its industry review, FCAC found similar weaknesses and instances of non-compliance in documents from five of the seven banks. However, the level of complexity of the prepayment clauses in the industry varied widely. Some were very complex and difficult to understand. There were also ambiguities and contradictions between documents, the omission of information required to calculate the prepayment penalty and, at times, a lack of clarity of language.

In 2004-05, FCAC required the institutions to implement a number of corrective measures with respect to prepayment clauses. FCAC's review and subsequent intervention resulted in significant changes to the mortgage disclosure documents used by the industry, for the benefit of Canadian consumers.

### *Outcome*

Banks amended the prepayment clauses in their mortgage documents, and made corrections to any errors in calculation FCAC identified.

For details of the other corrective measures the FRFIs implemented, following FCAC's industry review, see Appendix 4.

The next phase of FCAC's review will address the disclosure practices of other mortgage lenders with respect to prepayment penalty clauses. FCAC will send a letter to all of the other federally regulated retail mortgage-lending institutions, requesting that each institution review the prepayment clauses in its disclosure documents to ensure compliance with the Regulations.

### **Mystery shopping — Aggregate results**

As indicated previously, the *Access to Basic Banking Services Regulations* came into force on September 30, 2003. In 2004-05, FCAC conducted a large-scale mystery-shopping exercise to measure the banks' performance in complying with the new regulations.

The following elements were among those assessed for compliance levels during the mystery-shopping exercise:

- the consumer's ability to open a retail deposit account;
- the consumer's ability to cash a federal government cheque.

During the mystery-shopping exercise we were able to obtain information on:

- whether banks provided consumers with written notices of refusal, in cases where refusals occurred;
- whether banks asked consumers to pay a fee, in order to cash a federal government cheque;
- whether banks requested a minimum deposit, for consumers to open an account; and
- the kinds of identification banks required, for consumers to open an account or cash a federal government cheque.

### **Number of branches visited, by issue**

- Mystery shoppers visited 212 branches for the purposes of cashing a federal government cheque.
- They visited 292 branches for the purposes of opening an account.

### ***Aggregate results related to cashing a federal government cheque***

A total of 192 out of 212 attempts to cash a federal government cheque were successful, resulting in an overall **success rate of 91 percent**.


### ***Aggregate results related to opening a bank account***

Mystery shoppers were able to open an account 245 times out of 292, resulting in an overall **success rate of 84 percent** for opening accounts.

In several cases, banks asked shoppers for additional identification. A bank may request additional identification in specific situations, such as if it has reasonable grounds to suspect that the consumer may be misrepresenting himself. Since the mystery shopper agreed to present the additional identification requested, he was able to open an account.

We have categorized these types of situations as “successful”, since we have no indication, at this time, that the bank would not have opened the account if the mystery shopper had refused to comply with its request.

***How these figures compare with previous mystery-shopping exercises related to access to basic banking services***

	<b>Cheque cashed successfully (%)</b>	<b>Bank account opened successfully (%)</b>	<b>Movement</b>
2004-05 <sup>23</sup>	91.0	84.0	 2004-05 vs. 1998
1998 <sup>24</sup>	82.0	59.0	

It is important to note that the methodology used in the previous mystery-shopping exercise was not exactly the same as for this exercise. Nevertheless, the information gathered shows some indication that, over the years, there has been a positive movement towards enhanced access to basic banking services for Canadian consumers.

In addition, the rules governing access to basic banking services were different in 2004-05 than in 1998. As stated previously, the *Access to Basic Banking Services Regulations* have existed since September 30, 2003. Prior to that date, access to basic banking services was provided for through public commitments.

FCAC will continue to conduct mystery-shopping exercises, to ensure that FRFIs are complying with the applicable consumer provisions, including the *Access to Basic Banking Services Regulations*. We will also continue to work with specific banks, to address any shortcomings identified. We will include the corrective measures the FRFIs have implemented in our *Program and Performance Management Evaluation Report* for 2005-06.

More details on the results and methodology of the 2004-05 mystery-shopping exercise are available on our Web site at:

**<http://www.fcac-acfc.gc.ca/eng/compliance/default.asp>**

<sup>23</sup> Ekos Research & Associates, November 2004 to March 2005.

<sup>24</sup> AC Neilson, August 1998 (commissioned by the Canadian Bankers Association).

### Strategic outcome # 3

#### Improvements to the consumer protection framework by providing expert advice on legislative changes to the Government

To evaluate FCAC's contribution towards this strategic outcome, we assessed — and have indicated below — the results of key activities in relation to “key expected outputs”, directly related to this strategic outcome. FCAC shares its key compliance statistics, as well as information of a general nature on consumer contacts, with the Department of Finance, when appropriate. We also provide pertinent information to the Finance Minister's Office as well as to our colleagues on the Senior Advisory Committee (SAC)<sup>25</sup> and the Financial Institutions Supervisory Committee (FISC).<sup>26</sup>

Key expected outputs		
Effective and modern compliance framework and compliance policies/ manuals/ guidelines	<p style="text-align: center;"><b>OVERALL RESULTS RELATED TO KEY EXPECTED OUTPUT</b></p> <ul style="list-style-type: none"> <li>➤ In 2002-03, FCAC implemented a compliance framework and compliance procedures to ensure that federally regulated financial institutions respond to compliance problems related to the consumer provisions.</li> <li>➤ The compliance framework was reviewed in 2004-05. FCAC invited the financial services industry (stakeholders, consumer groups and other federal departments) to provide suggestions and comments on the compliance framework.</li> <li>➤ FCAC put in place an internal system for monitoring compliance cases, to ensure that all cases are closed within two years.</li> </ul>	Met expectations

<sup>25</sup> SAC is an interdepartmental committee, chaired by the Deputy Minister of Finance. Other members include: the Commissioner of FCAC; the Superintendent of OSFI; the Governor of the Bank of Canada; and the Chairman of CDIC. The committee's chief function is to provide a forum for interdepartmental discussions, whose outcomes are incorporated into advice provided to the Minister.

<sup>26</sup> FISC is a committee created by statute. Its mandate is to exchange information on supervisory issues concerning individual financial institutions. The Superintendent of OSFI chairs this committee.

Key expected outputs	Key results	Rating
Increased ministerial awareness and understanding of marketplace issues affecting consumers, and of the activities of the Agency	<p style="text-align: center;"><b>OVERALL RESULTS RELATED TO KEY EXPECTED OUTPUT</b></p> <ul style="list-style-type: none"> <li>➤ FCAC produced two reports for the Minister in 2004-05. One presented results and findings related to FCAC's annual examination of the FRFIs (mandatory under federal legislation); the second provided highlights of FCAC's industry review of mortgage prepayment penalty clauses. Unlike the results of examinations, the results of industry reviews are not subject to mandatory reporting to the Minister. Therefore, FCAC will report its findings related to industry reviews to the Minister, as appropriate.</li> <li>➤ On an annual basis, FCAC also presents its <i>Annual Report</i> to the Minister, for tabling in Parliament.</li> </ul>	Met expectations
Increased Department of Finance awareness and understanding of compliance and monitoring trends, to assist it in its policy work	<p style="text-align: center;"><b>OVERALL RESULTS RELATED TO KEY EXPECTED OUTPUT</b></p> <ul style="list-style-type: none"> <li>➤ FCAC and Department of Finance's representatives have discussions on a biweekly basis. The purpose of these conference calls and meetings is to keep each other abreast of developments on issues of common interest. FCAC informs the Department of Finance of patterns and trends related to consumer contacts, as well as any emerging issues.</li> <li>➤ FCAC also identifies gaps and issues in the financial marketplace related to consumer protection legislation, for consideration by the Department of Finance.</li> </ul>	Met expectations
Increased awareness, by key federal regulators, of compliance matters that may affect their work	<p style="text-align: center;"><b>OVERALL RESULTS RELATED TO KEY EXPECTED OUTPUT</b></p> <ul style="list-style-type: none"> <li>➤ FCAC works closely with its key partners in advancing the Agency's long-term strategic outcomes and intermediate outcomes. The departments and agencies it partners with constitute Canada's network of financial regulation and supervision, and provide a system of deposit insurance.</li> </ul> <p>At the federal level, FCAC's partners include: the Department of Finance, the Bank of Canada, the Office of the Superintendent of Financial Institutions and the Canada Deposit Insurance Corporation. FCAC also collaborates, when appropriate, with provincial and territorial regulatory agencies. FCAC is a member of SAC and FISC and shares key consumer-related statistics and information on emerging issues with these partners.</p>	Met expectations

Key expected outputs	Key results	Rating
<p>Increased awareness by Parliament of the FRFIs' level of compliance with the consumer provisions, and of financial consumer issues</p>	<p style="text-align: center;"><b>OVERALL RESULTS RELATED TO KEY EXPECTED OUTPUT</b></p> <ul style="list-style-type: none"> <li>➤ In its <i>Annual Report</i>, FCAC consolidates and publishes the results of its compliance activities; information on its consumer contacts; and any emerging consumer issues that may be of interest to Parliament.</li> <li>➤ In February 2004, FCAC appeared before the Senate Standing Committee on Banking, Trade and Commerce. The Commissioner shared with the senators some of the important work the Agency is doing, along with the contributions it has made over the past three years. He also addressed some points raised by the senators about the significant issues facing Canadians: <ul style="list-style-type: none"> <li>❑ The Agency highlighted its concerns about payday loans in its first <i>Annual Report</i>. In 2004, with the support of many interested partners, FCAC developed a booklet explaining the additional costs involved in using payday loans. The booklet also compares and provides information about other types of short-term loans offered by the federally regulated financial institutions.</li> <li>❑ In the past several years, more and more institutions have been offering credit card products that did not disclose to consumers, when they applied for a card, the actual interest rate on the credit card. The interest rate charged depended on a credit bureau check of the consumer. Consumers usually did not find out what this rate was until they received their credit card and credit card agreement. In the Commissioner's view, this practice is not acceptable.</li> </ul> </li> </ul> <p>Once FCAC completed its fact-finding and analysis on this issue and sent the results to the banks involved, the banks implemented corrective measures (for more information, see page 37).</p>	<p>Met expectations</p>

Key expected outputs	Key results	Rating
<p>Increased awareness by Parliament about the FRFIs' level of compliance with the consumer provisions, and of financial consumer issues (cont'd.)</p>	<ul style="list-style-type: none"> <li data-bbox="703 289 1255 1045"> <p>❑ In 2004-05, FCAC provided comments and recommendations to the Canadian Payments Association (CPA) regarding its "On-Line Payment Requirements Consultation Paper" and draft Rule E2: "Exchange for the Purpose of Clearing and Settlement of Electronic On-Line Payments". In reviewing the CPA paper, we noted that the proposed payment initiative was one in which the consumer authorizes his/her financial institution to make a payment to a participating merchant. Under this new on-line payment method, consumers would not be able to revoke or recall their payment, for any reason. Since there was no recourse offered in the clearing for this new payment method, consumers would have had to resolve any dispute they had directly with the merchant or vendor, or their financial institution. There was no dispute mechanism or code of conduct for dealing with problems or complaints. FCAC, among others, was of the view that, at a minimum, a code of conduct outlining specific consumer protection measures for on-line payments made with this proposed new payment method should be developed.</p> <p>As a result, the Canadian Bankers Association, on behalf of its members, developed a public commitment related to this issue. This public commitment applies the principles of the <i>Canadian Code of Practice for Consumer Debit Card Services</i> to on-line payments with respect to customers' deposit accounts. The commitment came into effect on May 25, 2005 and can be viewed on CBA's Web site at: <b>www.cba.ca</b></p> </li> <li data-bbox="659 1415 1230 1593"> <p>➤ In September 2004, FCAC made a one-hour presentation to MPs' staff who deal with constituents. The session was intended to inform them about FCAC, and its role and the services it provides to Canadian financial consumers. The session attracted 60 participants.</p> </li> </ul>	

For the Agency's results with respect to the remaining key expected outputs related to FCAC's core strategic area of consumer protection, see Appendix 5.



#### 4.3.1.2. Progress made in meeting the strategic outcomes linked to FCAC's core area of consumer information and education

##### **Strategic outcome # 4**

##### **Increased awareness and understanding by Canadians of their rights and of the obligations of federally regulated financial institutions (FRFIs)**

To monitor the progress FCAC has made in meeting this strategic outcome, the FCAC transition team commissioned a general consumer survey in June 2001. This provided the Agency with information about consumers' perceived knowledge of many financial industry issues, including consumers' rights and the obligations of FRFIs. The 2001 results or findings will serve as a benchmark or baseline for subsequent evaluation of the progress made in meeting this strategic outcome.

Since its inception, FCAC has developed and implemented several vehicles and initiatives to foster consumers' awareness of their rights and of the obligations of federally regulated financial institutions. They include:

- a toll-free telephone line to the Consumer Contact Centre (CCC). In 2004-05, the Agency received 26,145 telephone calls.
- a correspondence unit. In 2004-05, the Agency received 2,057 letters and e-mails.
- a comprehensive Web site. In 2004-05, the number of visits to this site exceeded 458,000.
- a 2004-05 cheque-insert campaign, centred largely on consumers' rights when dealing with a bank and/or trust company. More than 7,000,000 cheque inserts were mailed to Canadians across the country. The call volume generated by this project was 9,191 calls, over two months.

For more information on these and other initiatives that FCAC implemented to increase awareness and understanding by Canadians of their rights and of the obligations of federally regulated financial institutions, see Appendix 6.

As FCAC's evaluation plan for 2005-07 indicates, the next general consumer survey will be undertaken in 2006-07, with a three-year cycle between surveys.

### **Strategic outcome # 5**

#### **Greater accessibility to credible information about financial products and services, to help consumers make informed decisions about product selection, costs and financial risks**

By March 31, 2005, FCAC had made 21 publications and interactive tools available to consumers. These include:

- Eight brochures and booklets, seven of which focus on consumers' rights (e.g., *Access to Basic Banking Services*, *Branch Closures*, *Cost of Borrowing*).
- Six consumer guides on a variety of issues (credit cards, mortgages, bank account fees, payday loans, index-linked deposits).

*Credit Cards and You* and *The Cost of Banking* provide consumers with useful comparative tables and easy-to-understand information about features and prices. This helps consumers better understand often complex financial products and services and reduces the amount of comparison-shopping required so that consumers can benefit more easily from a competitive marketplace.

- Five interactive tools:
  - ❑ three quizzes (on credit cards, mortgages, rights and responsibilities)
  - ❑ a mortgage qualifier calculator
  - ❑ an interactive tool on the cost of banking.

This last item is an on-line tool designed to help consumers find the best banking service package to meet their needs. It takes the information consumers provide and uses it to assess their banking needs. It then presents them with the most appropriate banking service packages.

- Two searchable databases, on the following topics:
  - ❑ the complaint-handling procedures of the FRFIs, and
  - ❑ bank branch closures.
- FCAC has also developed one of Canada's most extensive question-and-answer databases related to financial products and services.




### Strategic outcome # 6

#### Greater knowledge of the consumer dispute resolution systems in the financial sector

In its June 2001 survey, FCAC asked consumers to assess their knowledge of the dispute-resolution systems available to them, with the following question: “Are you aware that financial institutions have an ombudsman to help address customer complaints?”

This question was taken from a previous survey commissioned by the Mackay task force in March 1998, and repeated in a 2003 survey undertaken by the Public Interest Advocacy Centre (PIAC) — a not-for-profit organization that is also concerned with consumers’ interests, with which FCAC collaborates on many projects.

Below is the percentage of respondents who answered “Yes”, they were “Very aware” or “Somewhat aware” that financial institutions have an ombudsman to help address customer complaints.

	Very aware	Somewhat aware	Movement
2004-05	This question was not asked in FCAC’s survey in fiscal year 2004-05 or, to the best of our knowledge, in surveys undertaken by our partners or stakeholders.		 2004-05 vs. 2003-04
	(%)	(%)	
Spring 2003 <sup>27</sup>	24	19	 “Yes, very aware” — 2003 vs. 2001
June 2001 <sup>28</sup>	18	22	 “Yes, very aware — 2001 vs. 1998
March 1998 <sup>29</sup>	19	20	

<sup>27</sup> Survey commissioned by PIAC and conducted by Ekos, Spring 2003.

<sup>28</sup> Survey commissioned by FCAC and conducted by Ekos, June 2001.

<sup>29</sup> Survey commissioned by the Mackay Task Force, March 1998.

FCAC will again include this question, or a similar one, in future general consumer surveys to assess whether consumers are becoming more aware about the FRFIs' complaint-handling procedures, including the fact that they have an ombudsman to address customer complaints.

In 2004-05, FCAC added a complaint-handling procedures database to its Web site. This on-line tool will help consumers find out about the complaint-handling procedures for specific federally regulated financial institutions (FRFIs).



**Strategic outcome # 7**

**Greater awareness of the services offered to financial consumers by the Government of Canada**



Since its creation in October 2001, FCAC has been working to inform consumers about the Agency, and about its mandate and services. Partly because of our limited budget (see financial tables, p. 61), we have developed partnerships with specific consumer associations, community-based organizations, not-for-profit associations, provincial departments and agencies, and other federal departments, to extend our reach to consumers. In addition, FCAC's media relations program has also contributed significantly towards meeting this strategic outcome.

Specific initiatives such as the 2004-05 cheque-insert campaign, which FCAC undertook in partnership with the Canada Revenue Agency and Social Development Canada, have also helped foster Canadians' awareness of the services the Government of Canada offers to financial consumers.

### Percentage of consumers who said they were aware of FCAC

	Awareness of FCAC <sup>30</sup> (%)	Movement
May 2005 <sup>31</sup>	16	 May 2005 vs. March 2004
March 2004 <sup>32</sup>	15	 March 2004 vs. October 2001
October 2001	0	Not applicable, since FCAC was created on October 24, 2001

### Percentage of consumers who associated FCAC with a “consumer protection agency”

	Awareness of FCAC as a consumer protection agency (%)	Movement
May 2005	12	 May 2005 vs. March 2005
March 2005 <sup>33</sup>	13	 March 2005 vs. October 2001
October 2001	0	Not applicable, since FCAC was created on October 24, 2001



<sup>30</sup> The question posed to consumers in CDIC’s omnibus survey of 2004 and in the Ipsos-Reid survey of 2005 was slightly different, as were the possible consumer responses. The CDIC survey asked: “Are you aware of the Financial Consumer Agency of Canada?” The possible responses were: “Yes, clearly aware”, “Yes, vaguely aware” and “No”. The Ipsos-Reid survey asked: “Have you ever heard, read or seen anything about the Financial Consumer Agency of Canada?” The possible responses were “Yes”, “No” or “Maybe”. For the purposes of comparison, FCAC interpreted the response “Maybe” as being similar to “Vaguely aware”. In future surveys, the question posed to consumers will be the latter one.

<sup>31</sup> Ipsos-Reid omnibus survey, May 2005.

<sup>32</sup> CDIC survey, March 2004.

<sup>33</sup> Ipsos-Reid omnibus survey, March 2005.

**Percentage of consumers who associated FCAC with “knowing your rights/banking rights”**

	<b>FCAC associated with “knowing your rights/banking rights” (%)</b>	<b>Movement</b>
May 2005	4	 May 2005 vs. March 2005
March 2005	4	 March 2005 vs. October 2001
October 2001	0	Not applicable, since FCAC was created on October 24, 2001

For details of results for all of the key expected outputs related to FCAC’s core strategic area of consumer information and education, see Appendix 6.

## 4.3.2. Measurement of key performance results against service standards

### 4.3.2.1. Time statistics

#### 4.3.2.1.1. Compliance Branch's activities related to FCAC's core strategic area of consumer protection

As indicated previously, FCAC's full legislative mandate was not in place until September 30, 2003, when the *Access to Basic Banking Regulations* came into force. Because of the lack of data that existed with regard to FCAC's complete mandate, as well as its unknown caseload, no formalized standards existed in 2004-05, except related to specific assignments that are part of FCAC's overall case processing.

Issue/Action	Results	Standards	Rating
Time taken to close a file related to a compliance matter	April 2004 – March 2005: 85% of compliance cases <sup>34</sup> closed within 90 working days	No formalized standards existed in 2004-05.  FCAC plans to finalize, and make available, the Agency's service standards and targets by March 31, 2006.	Met expectations

<sup>34</sup> Includes consumer provision, code of conduct, public commitment and filing cases.

**4.3.2.1.2. Consumer Education and Public Affairs activities related to FCAC's core strategic area of consumer information and education**

Issue/Action	Results	Standards	Rating
Average wait time for consumers who contacted the Consumer Contact Centre	<p>April 2004 – March 2005: Approximately 12 seconds</p> <p>April 2003 – March 2004: Approximately 9 seconds</p>	<p>No formalized standards existed in 2004-05.</p> <p>FCAC plans to finalize, and make available, the Agency's service standards and targets by March 31, 2006.</p>	Met expectations
Time taken to close a file related to a telephone call received by the Consumer Contact Centre	<p>April 2004 – March 2005: 92% of cases were closed within 1 day.</p> <p>April 2003 – March 2004: 81% of cases were closed within 1 day.</p>	<p>No formalized standards existed in 2004-05.</p> <p>FCAC plans to finalize and make available the Agency's service standards and targets by March 31, 2006.</p>	Met expectations
Time taken to close a file related to a consumer's letter, fax or e-mail, or to an in-person visit, for non-compliance related matters	<p>April 2004 – March 2005: 45% of cases were closed within 7 working days.</p> <p>April 2003 – March 2004: 46% of cases were closed within 7 working days.</p>	<p>FCAC's service commitment for replying to written correspondence was seven working days. However, there was no specific target set.</p> <p>FCAC plans to finalize and make available the Agency's service standards and targets by March 31, 2006.</p>	Did not meet expectations



### 4.3.2.2. Qualitative statistics

#### 4.3.2.2.1. Consumer Education and Public Affairs activities related to FCAC's core strategic area of consumer information and education

In 2003-04, FCAC commissioned a survey of clients of the Consumer Contact Centre. (The makeup of the Centre's clients was two people seeking information to every person registering a complaint.) The survey provided a baseline that FCAC can use to set targets for improvement. Since this survey will be undertaken every two years, no data is available for 2004-05.

Issue/Action	Results	Standards	Rating
Respondents who indicated they were satisfied with the overall outcome of their contact with FCAC's Consumer Contact Centre	<p>April 2004 – March 2005: N/A</p> <p>April 2003 – March 2004:</p> <p>For contacts characterized as inquiries, 81%</p> <p>For contacts characterized as complaints, 55%<sup>35</sup></p>	Based on the 2003-04 results, FCAC established improvement targets for the 2005-06 survey.	Met expectations

<sup>35</sup> These are related to consumer complaints about a financial institution, a product or service. Consumers often have a high level of frustration and expect FCAC to resolve their issue with their financial institution. FCAC's authority is specific to the legislative provisions that were established to protect the rights of financial consumers. FCAC ensures that the FRFIs have in place a complaint-handling process that complies with the legislation. It provides consumers information on their respective FRFIs complaint-handling process to help them resolve their specific issue. When a complaint is received from a consumer concerning a consumer provision, the FCAC reviews the material to determine if there is compliance of the Bank Act. If non-compliance is suspected, the FCAC will contact the financial institution to obtain additional information. If it is determined that the financial institution has not complied with legislation, FCAC will seek appropriate compliance action. The matter then becomes one between the Regulator (FCAC) and the financial institution.

We also use consumer feedback forms for several of our publications and interactive tools.

Issue/Action	Results	Standards	Rating
Consumers' overall impression of <i>Credit Cards and You</i>	April 2004 – March 2005: 4.13/5 <sup>36</sup> April 2003 – March 2004: 4.48/5	3.5 out of 5	Met expectations
Consumers' overall impression of the <i>Cost of Banking</i> guide	April 2004 – March 2005: 3.7/5 <sup>37</sup> April 2003 – March 2004: N/A	3.5 out of 5	Met expectations

For details of these and other performance results, see Appendix 6.

<sup>36</sup> FCAC's target for consumer satisfaction for *Credit Cards and You* was a rating of 3.5 out of 5, where 3 represents "Good", 4 represents "Very good" and 5 represents "Excellent".

<sup>37</sup> FCAC's target for consumer satisfaction for the *Cost of Banking Guide* was a rating of 3.5 out of 5, where 3 represents "Good", 4 represents "Very good" and 5 represents "Excellent".

### **4.3.3. Modern management initiatives and outcomes**

This section summarizes FCAC's results and progress with Government-wide initiatives related to the Management Accountability Framework (MAF).

Following an independent Comptrollership Capacity Assessment in October 2003, FCAC drew up an action plan summarizing the activities, areas of responsibility, timeframes and monitoring that would improve the Agency's management processes. We then carefully scrutinized the areas marked for improvement against FCAC's mandate, size, financial resources and maturity. As a result of this evaluation, we concentrated on making improvements in the four categories listed in the following table.

<b>Modern Management Improvement Initiatives</b>		
<b>Improvement category</b>	<b>Initiatives/Projects</b>	<b>How they support FCAC's strategic outcomes</b>
Integrated performance information	<ul style="list-style-type: none"> <li>➤ Results-based management accountability framework</li> <li>➤ Performance measurement and evaluation framework</li> <li>➤ Enhanced data capturing and tracking system</li> <li>➤ Project-specific financial coding</li> </ul>	<ul style="list-style-type: none"> <li>➤ These initiatives enable program managers and senior management to adopt common performance indicators, evaluation questions and timeframes for use in the evaluation of the Agency's programs.</li> <li>➤ They also ensure that pertinent data are tracked and collected, to allow effective evaluation of and reporting on the Agency's programs.</li> </ul>
Human resources	<ul style="list-style-type: none"> <li>➤ Enhanced employee survey</li> <li>➤ Enhanced business and activity processes</li> <li>➤ Enhanced goal commitment documentation</li> <li>➤ Clear statement /framework of Agency's core values and ethics</li> </ul>	<ul style="list-style-type: none"> <li>➤ Staff are motivated and committed to meeting the Agency's strategic outcomes.</li> <li>➤ Employees have a clear understanding of what is required and how their individual responsibilities and goals link with FCAC's overall goals and strategic objectives.</li> </ul>
Integrated risk management	<ul style="list-style-type: none"> <li>➤ Corporate risk profile</li> <li>➤ Business process risk matrix for FCAC's key activities</li> <li>➤ Integrated risk management</li> </ul>	<ul style="list-style-type: none"> <li>➤ Understanding risk management is crucial to identifying and assessing important risks that might hinder FCAC's ability to meet its strategic outcomes, and to implement and monitor effective risk-mitigating strategies.</li> </ul>
Rigorous stewardship	<ul style="list-style-type: none"> <li>➤ Review and update of key policies, practices and procedures</li> <li>➤ Management tools to reinforce decision-making</li> <li>➤ Creation of an assets database</li> <li>➤ Internal audit program</li> </ul>	<ul style="list-style-type: none"> <li>➤ It is crucial to maintain the public's confidence that FCAC uses its financial resources responsibly and strives for "best value for money".</li> </ul>

## ***Outcomes***

### **Integrated performance information**

In March 2004, FCAC worked with Consulting and Audit Canada to develop a 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.

In fiscal year 2004-05, we continued to enhance our data capturing and tracking system to ensure that the information collected satisfies the requirements of the RMAF.

We adopted a performance measurement framework to serve as a guide for FCAC projects and ensure that they help the Agency achieve its strategic outcomes. We also implemented financial coding for important projects so that we can produce a cost-benefit analysis for significant projects when and as we need it.

In our 2005–07 business plan, we have included specific measures and targets that will serve as performance indicators where we already have established baselines. We use a number of different evaluation methods and cycles to monitor these and other performance indicators.

### **Human resources**

In 2004-05, we expanded our annual employee survey to gauge FCAC employees’ perceptions of various organizational issues, and their level of satisfaction with these issues.

To increase accountability and improve employees’ understanding of their areas of responsibility, we used a risk-based approach to develop, review and update FCAC’s key policies, processes and procedures. The Compliance and Industry Relations Branch has developed and documented its key procedures and processes. These risk-based reviews and updates will continue in 2005-06.

We are also planning an independent review of the Branch’s main activities and frameworks, as well as the processes and procedures related to them.

We have upgraded the documents related to employee goal commitments to continue to get a “buy-in” from staff for the Agency’s strategic objectives. These documents include the required competencies for each employee’s position; the training deemed necessary for the existing positions; and further training required for professional development.

We have also created information materials on FCAC’s organizational values, including the obligations of both management and staff, and have made this information available to all FCAC employees.

### **Integrated risk management**

In March 2005, we drafted a preliminary corporate risk profile for FCAC. In fiscal year 2005-06, we will complete this risk profile and continue to develop a business process risk matrix for the Agency, to ensure that we have identified all of the risk categories, as well as the key activities, and that we have performed the necessary self-assessment pertaining to impact and control.

We incorporated several activities into our business plan for 2005-07 that will help mitigate the risks we identified in our preliminary corporate risk profile. Monitoring the corporate risk profile, the business process risk matrix and the implementation of risk-mitigating activities will form an intrinsic part of FCAC’s strategic planning and business planning processes.

### **Rigorous stewardship**

In 2004-05, FCAC established an Audit Committee with a specific charter. We also enhanced our shared services’ initiatives by entering into a Memorandum of Understanding with the Office of the Superintendent of Financial Institutions (OSFI) to provide internal audit services. This will complement the annual audit of FCAC’s financial statements by the Office of the Auditor General of Canada.

When the Agency was first set up, management focussed its attention on delivering FCAC’s legislative program. We therefore opted to use common and/or shared services for the provision of *generic* corporate services, whenever possible. With this in mind, management sought to establish service agreements with larger organizations that could offer the staff expertise, technology and economies of scale to provide FCAC with quality corporate services.

FCAC, therefore, negotiated service agreements with other agencies and departments that have similar corporate objectives and values and can offer the breadth of experience and skills to meet FCAC's corporate support requirements. FCAC has contracted out the following services, through common service agreements:

- human resources administration (with the Office of the Superintendent of Financial Institutions [OSFI])
- financial administration (OSFI)
- audit services (OSFI)
- research and library services (OSFI)
- consumer contact centre services (Canada Deposit Insurance Corporation)
- information technology services (Public Works and Government Services Canada)

One of FCAC's key objectives in doing this was to use strategic partnerships to achieve efficiencies, and to "leverage" program delivery. The management practices and concepts FCAC has introduced are consistent with the recent Treasury Board directive for a shared-services approach for the delivery of financial, material and human resources, and information technology services.

Building strategic partnerships is a "best practice", since it provides the flexibility needed to manage an evolving program, and reduces inefficiency. This will enable FCAC to focus on its core mandate, and to dedicate the resources required to achieve its outcomes.

In 2004-05, we 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.<sup>38</sup> In our 2005-07 business plan, we introduced several activities related to the targeted plan. We plan to complete the balanced internal audit plan and present it to the Audit Committee for approval by January 2006, so that we can consider and include the resources required to implement the plan's main activities.

In other areas of stewardship, we improved our capacity for reporting on FCAC's programs, so that senior management will have the information they need to reinforce the Agency's decision-making. In 2005-06, we will continue to enhance our reporting capability, through the use of specialized software, especially in the area of performance and service standards.

We also carried out a travel and hospitality audit, and completed our physical assets inventory, to enable us to track and protect FCAC's assets. The travel and hospitality audit report is available on our Web site at: <http://www.fcac-acfc.gc.ca/eng/about/default.asp>. In 2005-06, the targeted internal audit plan will include an audit of FCAC's contracting and procurement services.

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<sup>38</sup> This is a multi-year audit plan, based on a risk approach.

## 5. Financial Tables

### 5.1. Comparison of actual program expenditures to planned budget

	April 2004 – March 2005	April 2003 – March 2004 <sup>39</sup>
	Final expenditures (in thousands of dollars)	Final expenditures (in thousands of dollars)
Salaries and benefits	3,731	3,343
Development and training	109	98
Travel	110	116
Operating costs (office equipment, supplies, printing, translation, surveys, call centre, service contracts, etc.)	1,889	1,454
Information management/ Information technology	560	424
Facilities (lease, maintenance, amortization)	672	652
<b>Total program expenditures</b>	<b>7,071</b>	<b>6,087</b>
Interest	97	126
<b>Total actual expenditures</b>	<b>7,168</b>	<b>6,213</b>
<b>Total planned budget</b>	<b>7,752</b>	<b>7,358</b>

For more details on FCAC's final expenditures for 2004-05, and for the Agency's complete financial statements, see our *Annual Report*, which is available on our Web site at: <http://www.fcac-acfc.gc.ca/eng/publications/default.asp#ar>

<sup>39</sup> FCAC's full legislative mandate was in place by September 2003.



## 6. Industry Assessments

FCAC is funded entirely by industry assessments. By December 31 of each year, the Commissioner must determine the total expenses incurred by the Agency during the preceding fiscal year for, or in connection with, the administration of the *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.

In order to temporarily fund expenses until the institutions are assessed, the Agency must, on an annual basis, before March 31 each year, seek Ministerial authority to be able to borrow from the Consolidated Revenue Fund (CRF) for the next fiscal year, up to a predetermined limit. This authority is granted by Section 13 of the *Financial Consumer Agency of Canada Act*. FCAC pays interest on the funds borrowed.

FCAC was granted borrowing authority to access up to \$8 million for the fiscal year 2004-05. The actual funds borrowed during fiscal year 2004-05 were composed of three advances:

- On February 23, 2004, FCAC received an advance of \$1.5 million, with a maturity date of one year.
- On July 16, 2004, FCAC received an additional advance of \$4.5 million, with a maturity date of February 23, 2005. FCAC repaid the \$1.5 million and \$4.5 million advances, with interest, on February 23, 2005.
- On February 23, 2005, FCAC received a new advance of \$1.5 million, for a term of one year.

## **Appendix 1: Corrective measures and procedural changes implemented by the FRFIs with regard to the Commissioner's decisions for 2004-05**

The following section summarizes some of the corrective measures implemented by the FRFIs. It is important to note that not every FRFI (if there is more than one) introduced *all* of the corrective measures indicated below. A corrective measure usually applies to only *one* customer.

### **Corrective measures taken by the FRFIs**

#### **Bank accounts — Refusal to open**

- **Because of credit history** (3 FRFIs)
  - In all cases, the banks offered to open an account for the customer.
  - The banks conducted training for their staff on the *Access to Basic Banking Regulations* and on their own related policies and procedures.
- **Because of bankruptcy** (1 FRFI)
  - The bank offered to open a bank account for the customer. It also waived the fee for the account service package for six months, as a goodwill gesture.
- **Because of identification** (1 FRFI)
  - The bank offered to open an account for the customer.
  - The FRFI retrained the employee involved on its account-opening policies and procedures, and reviewed the account-opening process with all branch staff.

#### **Government of Canada cheques**

- **Refusal to cash** (2 FRFIs)
  - Consumers were able to cash their cheque.
  - The branch manager reinforced the bank's initial training and communications regarding the implementation of the *Access to Basic Banking Regulations*.
  - The FRFI distributed a message to all branch managers and employees, reinforcing the requirements of the Regulations.
- **Refusal to cash for free** (1 FRFI)
  - The bank reimbursed the customer for the fees charged.
  - It also provided immediate training to the new employee related to the cashing of federal government cheques.

### **Cost of borrowing — Credit cards**

- **Disclosure of required information: the date from which interest accrues, the grace period and the method of calculating interest (1 FRFI)**
  - The FRFI sent a letter to the customers affected, apologizing for any inconvenience. The letter included the information that was previously missing.
  - It also authorized its service representatives to reimburse the customers affected.
- **Disclosure statements on a periodic basis: at least once a month (1 FRFI)**
  - When the FRFI was advised that a “statement-hold” message had been incorrectly put on the client’s file, it referred the consumer to the appropriate division of the bank. Staff in that section removed the message and mailed out copies of the customer’s statements.

### **Cost of borrowing — Mortgages**

- **Disclosure of the terms of mortgages in advertisements (1 FRFI)**
  - The FRFI involved removed the signs, even though it had interpreted the Regulations differently.
  - It sent FCAC a copy of its internal procedures related to the consumer provisions.
- **Disclosure of non-interest charges for loans (1 FRFI)**
  - The FRFI involved provided its customers with a schedule of charges for loans.

### **Zero-liability policy — Credit cards/Public commitments (1 FRFI)**

- The bank determined that the transaction in question was fraudulent, and reimbursed the consumer.

## Procedural changes introduced by the FRFIs

The following is a consolidated list of the procedural changes that the FRFIs implemented. It is important to note that *not every FRFI* (if there is more than one) introduced *all* of the procedural changes listed.

### Bank accounts — Refusal to open

- **Because of credit history** (2 out of 3 FRFIs implemented procedural changes)
  - The FRFIs re-examined and amended the account-opening procedures for personal deposit accounts.
  - They reviewed and implemented new internal processes and procedures to ensure compliance with the *Access to Basic Banking Regulations*.
  - They implemented system enhancements, so that an automatic prompt would remind staff that they should not necessarily refuse to open an account for individuals who were not eligible for overdraft protection.
- **Because of bankruptcy** (1 FRFI)
  - The FRFI in question now opens basic accounts (with some restrictions) for consumers even if a “fraudulent” message appears on its system. The FRFI made adjustments to the system, which allow branch representatives to override it manually to open accounts, even if the alert message appears.

### Government of Canada cheques

- **Refusal to cash** (1 out of 2 FRFIs)
  - The FRFI involved improved its training course for new employees, placing a greater emphasis on the *Access to Basic Banking Regulations*. The bank also sent a message to all branch managers and employees, reinforcing the requirements of the Regulations.

### Disclosure of charges (1 FRFI)

- The FRFI displayed its statement of fees and charges at each of its locations.
- It revised its internal processes, to make the disclosure statements available.
- It also reviewed all of the relevant consumer provisions, as defined in the *FCAC Act*, for all of its branches.

**Cost of borrowing — Mortgages**

- **Disclosure of the terms of mortgages in advertisements (1 FRFI)**
  - The FRFI involved revised its internal policies, to ensure that all of its promotional materials complied with the Regulations.
  - It also made changes to its system, to include, in all of its consumer statements, a 1-800 number that customers can call to obtain more information on a product or service.
- **Disclosure of non-interest charges for loans (1 FRFI)**
  - The FRFI involved revised the wording of its credit agreement, to improve its disclosure of non-interest charges. This included mentioning the charges customers often asked questions about, as well as charges that are higher.

**Branch closures (1 FRFI)**

- The FRFI involved made changes to its internal procedures, to ensure they would comply, in future, with the branch closure regulations.

**Zero-liability policy — Credit cards/Public commitments (1 FRFI)**

- Now, when the bank makes a decision concerning liability, it sends a letter notifying the customer about the decision. The bank also decided to improve its standard letter, and will include a statement advising customers to contact the bank if they have any concerns with its decision.

**Appendix 2: Corrective measures taken by the FRFIs with regard to letters of non-compliance related to codes of conduct and public commitments for 2004-05**

**Insurance code of conduct — Disclosure of fees related to insurance products (1 FRFI)**

- The FRFI involved reimbursed the consumer for the fees charged.

**Zero-liability policy (public commitment) — Credit cards (2 FRFIs)**

- In two out of three cases, the FRFIs reimbursed the consumer. The total amount reimbursed was \$33,872.

### **Appendix 3: Procedural changes implemented by the FRFIs following FCAC's findings of disclosure failures related to the consumer provisions during the annual examination process**

#### **Cheque-holding policy — Cases closed (2 FRFIs)**

- Both the FRFIs involved have subsequently disclosed their cheque-holding policies. One of them is disclosing this information in its agreements, and has also agreed to disclose it in its account statements.

#### **Coercive tied selling — Cases closed (3 FRFIs)**

- All three FRFIs are now displaying the notice of disclosure of the prohibition on coercive tied selling.

#### **Access to basic banking — Cases closed (1 FRFI)**

- The FRFI has revised its internal processes for making disclosure statements available.

#### **Third-party dispute resolution body (1 FRFI)**

- The FRFI involved is now a member of the dispute-resolution body: the Ombudsman for Banking Services and Investments.

#### **Disclosure of charges (1 FRFI)**

- The FRFI is now displaying its statement of fees and charges at each of its locations and has also revised its internal processes, to make disclosure statements available.

#### **Appendix 4: Corrective measures implemented by the FRFIs following FCAC's findings related to its industry review of mortgage prepayment penalty clauses**

In addition to banks amending erroneous and incomplete prepayment clauses in mortgage documents, and making corrections to any errors in calculation identified by FCAC, other corrective measures banks have undertaken, as a result of FCAC's intervention, are as follows:

- amended documents to provide greater clarity to consumers concerning how the rate is calculated for the interest rate differential (IRD);
- added a worksheet to disclosure documents, to help consumers figure out their prepayment costs;
- implemented procedures to vet disclosure documents, following translation, to ensure consistency between English and French documents;
- a bank is voluntarily assessing which consumers were affected in order to provide financial redress.





### Appendix 5: Other results related to the key expected outputs for 2004-05 for FCAC's core strategic area of consumer protection

Key expected		
Compliance newsletters intended for the FRFIs	<p style="text-align: center;"><b>OVERALL RESULTS RELATED TO KEY EXPECTED OUTPUT</b></p> <p>➤ In 2004-05, FCAC produced three compliance newsletters. The main purpose of the newsletter was to keep the FRFIs abreast of FCAC projects that may involve them, as well as sharing information of a general nature on the applicable consumer provisions, codes of conduct and public commitments. Among the specific topics covered in 2004-05, are the following:</p> <ul style="list-style-type: none"> <li>▪ banks' obligations related to the consumer provisions and to their own codes of conduct and public commitments;</li> <li>▪ cheque-holding policy disclosure regulations related to banks;</li> <li>▪ overview of the changes to FCAC's compliance framework, following the consultation process.</li> </ul>	Met expectations
Cooperative and professional relationships with key stakeholders	<p style="text-align: center;"><b>OVERALL RESULTS RELATED TO KEY EXPECTED OUTPUT</b></p> <p>➤ In addition to keeping the FRFIs informed through the compliance newsletter, FCAC holds regular meetings with industry associations to share information and discuss emerging issues. 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 of conduct and public commitments.</p> <p>We encourage financial institutions to develop policies and procedures for implementing the consumer provisions that apply to them. We also take every opportunity to promote a culture of compliance within the federally regulated financial institutions, to attain our ultimate objective: the protection of Canadian consumers of financial products and services. The backbone of this new compliance culture is the unqualified cooperation of the financial institutions.</p> <p>We also correspond and meet with specific FRFIs to discuss compliance and other related matters and work with them to address any issues or shortcomings.</p> <p>In 2006-07, we plan to survey our key stakeholders and partners to gauge their perception on key issues.</p>	Met expectations

Key expected outputs	Key results	Rating
Semi-annual as well as special reports on monitoring activities	<p style="text-align: center;"><b>←→ OVERALL RESULTS RELATED TO ←→</b> <b>KEY EXPECTED OUTPUT</b></p> <ul style="list-style-type: none"> <li>➤ In 2004-05, FCAC produced and sent 71 semi-annual reports to the banks. These reports are intended to provide banks with relevant compliance information applicable to them. For instance, a report will let a bank know how many compliance cases are open, and the nature and status of the cases.</li> </ul>	Met expectations
<ul style="list-style-type: none"> <li>➤ Investigations</li> <li>➤ Legal opinions</li> <li>➤ Policies</li> <li>➤ Officers' reports on case files</li> <li>➤ Compliance agreements</li> <li>➤ Commissioner's determinations on: <ul style="list-style-type: none"> <li>▪ violations of the law by FIs</li> <li>▪ holding a public meeting for a branch closure</li> <li>▪ granting an exception or variance in public notices</li> <li>▪ Administrative Monetary penalties</li> </ul> </li> <li>➤ Public Notices of Violation</li> </ul>	For the results related to the key outputs listed here, see pages 30 to 45.	


### Appendix 6: Results related to the key expected outputs for 2004-05 for FCAC’s core strategic area of consumer information and education

Key expected		
<p>Provide timely information by responding directly to consumers’ inquiries and complaints: through the call centre, by correspondence, by e-mail and by in-person visits</p> <p><i>Source: FCAC data tracking and management system</i></p>	<p style="text-align: center;"><b>OVERALL RESULTS RELATED TO KEY EXPECTED OUTPUT</b></p> <p><b>Consumer Contact Centre</b></p> <p>In 2004-05, the Consumer Contact Centre handled 26,145 telephone calls (including 9,191 calls resulting from FCAC’s cheque-insert awareness campaign.). This represents an increase of 69 percent over the previous year. Telephone calls account for more than 90 percent of consumer contacts.</p> <p>Average wait time for the vast majority of callers:            2004-05 — Approximately 12 seconds            2003-04 — Approximately 9 seconds</p> <p>Files relating to telephone calls received by the Consumer Contact Centre that were handled and closed in one day or less:            2004-05 — 92%            2003-04 — 81%</p>	<p style="text-align: center;"><b>MET EXPECTATIONS</b></p> <p style="text-align: center;">Met expectations</p> <p style="text-align: center;"> </p>

Key expected outputs	Key results	Rating
<p>Provide timely information by responding directly to consumers' inquiries and complaints: through the call centre, by correspondence, by e-mail and by in-person visits <i>(cont'd.)</i></p> <p><i>Source:</i> Consumer Contact Centre Client Survey — December 2003</p>	<p>In 2003-04, FCAC commissioned a survey of clients of the Consumer Contact Centre. (The ratio of clients seeking information to those registering a complaint was 2 to 1.) This survey provided a baseline for setting targets for improvement. Since the survey will be repeated every two years, no data was available for 2004-05.</p> <ul style="list-style-type: none"> <li>▪ Respondents who felt there was a need for government supervision of financial institutions to ensure consumer protection: 2004-05 — N/A 2003-04 — 93%</li> <li>▪ Respondents who felt the call centre staff they dealt with performed their job "very well": 2004-05 — N/A 2003-04 — 88%</li> <li>▪ Respondents who said that they would recommend FCAC to others who had issues with the banking industry: 2004-05 — N/A 2003-04 — 86%</li> <li>▪ Respondents who felt the call centre staff was responsive to their needs: 2004-05 — N/A 2003-04 — 80%</li> </ul> <p>For some key elements of the survey, there was a strong correlation between consumers' satisfaction levels and their reason for contacting FCAC (to ask for information or to register a complaint about a financial institution, a product or a service).</p> <ul style="list-style-type: none"> <li>▪ Respondents who said they were satisfied with the professionalism of the operator: 2004-05 — N/A</li> </ul> <p>Contacts characterized as "inquiries": 2003-04 — 94%</p> <p>Contacts characterized as "complaints": 2003-04 — 84%</p> <li>▪ Respondents who said they were satisfied with the amount of time they had to wait to have their call answered: 2004-05 — N/A</li> <p>Contacts characterized as inquiries: 2003-04 — 86%</p> <p>Contacts characterized as complaints: 2003-04 — 76%</p>	<p>⊕</p> <p>⊕</p> <p>⊕</p> <p>⊕</p> <p>⊕</p> <p>⊕</p> <p>⊕</p> <p>⊕</p>







Key expected outputs	Key results	Rating
<p>Provide timely information by responding directly to consumers' inquiries and complaints: through the call centre, by correspondence, by e-mail and by in-person visits (cont'd.)</p> <p>Source: Consumer Contact Centre Client Survey — December 2003</p>	<ul style="list-style-type: none"> <li>▪ Respondents who said they were satisfied with the amount of time it took to address their concerns: 2004-05 — N/A</li> </ul> <p>Contacts characterized as inquiries: 2003-04 — 86%</p> <p>Contacts characterized as complaints: 2003-04 — 70%</p> <ul style="list-style-type: none"> <li>▪ Respondents who said they were satisfied with the overall outcome of the contact: 2004-05 — N/A</li> </ul> <p>Contacts characterized as inquiries: 2003-04 — 81%</p> <p>Contacts characterized as complaints: 2003-04 — 55%</p> <p>The 2003-04 Consumer Contact Centre client survey showed that consumers who where registering a complaint were turning to FCAC to have their problem solved, and not just to obtain information on how to resolve their problem. FCAC's authority is specific to the legislative provisions that were established to protect the rights of financial consumers. FCAC ensures that the FRFIs have in place a complaint-handling process that complies with the legislation. It provides consumers information on their respective FRFIs complaint-handling process to help them resolve their specific issue. It is important to note that FCAC does not offer redress. Despite the fact that FCAC provided consumers who registered a complaint pertinent information on how to go about dealing with their issue, many consumers perceived that FCAC did not resolve their problem.</p> <p>In the past year, we went to great lengths to emphasize and explain our role and mandate to callers. It is important for FCAC to inform consumers about the legal limitations of the Agency's role and responsibilities, as outlined in the <i>FCAC Act</i>. We will continue to assist consumers who register a complaint and provide them with all of the pertinent information to help resolve their problem, including giving them detailed information on the federally regulated financial institutions' complaint-handling procedures.</p> <p>In our business plan for 2005-07, we introduced specific improvement targets, including targets relating to consumers' satisfaction with FCAC's Consumer Contact Centre.</p>	<p>⊕</p> <p>⊕</p>


Key expected outputs	Key results	Rating
<p>Provide timely information by responding directly to consumers' inquiries and complaints: through the call centre, by correspondence, by e-mail and by in-person visits <i>(cont'd.)</i></p> <p><i>Source: FCAC data tracking and management system</i></p>	<p><b>Correspondence Services unit</b></p> <p>In 2004-05, the Correspondence Services unit received 1,441 consumer contacts, which were generated by letters, faxes, e-mails and in-person visits that were not related to compliance matters. This is consistent with the previous year's figure of 1,459. The correspondence unit handled and closed 1,165 files. This represents a 14.7 per cent decrease from 2003-04.</p> <ul style="list-style-type: none"> <li>▪ Percentage of files generated by a consumer's letter, fax or e-mail, or by an in-person visit — for non-compliance-related matters — that were handled and closed in seven working days or less: 2004-05 — 45% 2003-04 — 46%</li> <li>▪ Percentage of files generated by a consumer's letter, fax or e-mail, or by an in-person visit — for non-compliance-related matters — that were handled and closed in eight to 14 working days: 2004-05 — 20% 2003-04 — 32%</li> </ul> <p>Since FCAC's service commitment for replying to written correspondence, in 2004-05, was seven days, we did not meet our expectation of providing consumers with a written response within the established timeframe.</p> <p>In 2005-06, we will introduce a number of measures to alleviate workload pressures. We are currently considering various improvements that will enable us to provide a comprehensive, quality response to consumers within a timeframe that is timely and reasonable:</p> <ul style="list-style-type: none"> <li>▪ We have implemented a priority system for tracking and managing incoming correspondence more effectively. We will also compare our service commitments with those of other organizations, and revise them accordingly, while keeping in mind consumers' expectations for service delivery.</li> <li>▪ We have added one full-time employee to the Correspondence Services unit, to ensure that consumers will continue to receive the information they need within an appropriate timeframe, so that the information remains pertinent and useful.</li> </ul> <p>We will also assess how we can survey consumers who contact FCAC by letter, e-mail or fax, to gauge their satisfaction levels with FCAC's correspondence services while, at the same time, respecting the privacy laws.</p>	<p>Did not meet expectations</p> <p style="text-align: center;">⊕</p> <p style="text-align: center;">⊖</p>

Key expected		
<p>Provide an interactive Web site with all of the resources, links and references required to meet the information needs of financial consumers</p> <p><i>Source:</i> FCAC Web statistics</p>	<p style="text-align: center;"><b>←←← OVERALL RESULTS RELATED TO KEY EXPECTED OUTPUT →→→</b></p> <p>FCAC's Web site contains information, publications and interactive tools for consumers on a wide variety of subjects:</p> <ul style="list-style-type: none"> <li>▪ consumers' rights and responsibilities;</li> <li>▪ financial products and services, including useful comparative data to help consumers benefit from a competitive marketplace;</li> <li>▪ consumer alerts.</li> </ul> <p>As of March 31, 2005, there were 21 publications and interactive tools on FCAC's Web site. The site also includes a resource centre with consumer information and educational material from a number of Canadian organizations, as well as from FCAC.</p> <p>In 2004-05, FCAC added two major databases to its Web site:</p> <ul style="list-style-type: none"> <li>▪ a complaint-handling procedures database of FRFIs, and</li> <li>▪ a branch closure database.</li> </ul> <p>The complaint-handling procedures database is an on-line tool that helps consumers find the complaint-handling procedures for specific federally regulated financial institutions (FRFIs). Users can search the database by type of financial institution or by the name of a bank, insurance company, trust or loan company, or retail association.</p> <p>With the branch closure database, consumers can look up branch closures by date, location or FRFI. They can also find the locations of the branches where their accounts have been moved.</p> <p>FCAC has updated its other on-line guides and tools (<i>Credit Cards and You</i>, <i>The Cost of Banking</i> and its related interactive tool, and the Question-and-Answer section) to keep the information timely and useful.</p> <p>We also issued "consumer alerts", to provide tips and warnings to help protect consumers and their finances.</p> <p>Number of visits to FCAC Web site: 2004-05 — 458,253 2003-04 — 254,854</p>	<p style="text-align: center;"><b>←←← MET EXPECTATIONS →→→</b></p> <div style="text-align: center;">  </div>

Key expected		
<p>Issue timely, high-quality educational material and information in plain language</p>	<p style="text-align: center;"><b>OVERALL RESULTS RELATED TO KEY EXPECTED OUTPUT</b></p> <p>Since its inception, FCAC has been active with a variety of plain-language initiatives. The Agency has produced more than 12 plain-language brochures and guides for various audiences, including for consumers with low literacy levels. We are collaborating with external plain-language experts to produce and, in some cases, revise publications to meet the needs of lower-literacy consumers.</p> <p>As of March 31, 2005, FCAC had produced the following publications for consumers:</p> <ul style="list-style-type: none"> <li>▪ Eight brochures and booklets, seven of which focus on consumers' rights (e.g., <i>Access to Basic Banking Services</i>, <i>Branch Closures</i>, <i>The Cost of Borrowing</i>). In 2004-05, FCAC revised the brochures related to access to basic banking (<i>Opening a Personal Bank Account</i> and <i>Cashing a Federal Government Cheque for Free</i>) following some focus-testing the Agency carried out in 2003-04. Service Canada selected one of these brochures, <i>Cashing your Government of Canada Cheque for Free</i>, as a core publication for Service Canada offices across the country.</li> <li>▪ Six consumer guides on a variety of issues (credit cards, mortgages, bank account fees, payday loans, index-linked deposits).</li> </ul> <p>In 2004-05, FCAC updated several guides to ensure they remain timely and accurate (<i>Credit Cards and You</i>, <i>Cost of Banking</i>). FCAC also produced two new publications, as a result of consumer contacts, to address emerging market issues (<i>ABCs of Mortgages</i>, <i>The Cost of Payday Loans</i>).</p> <ul style="list-style-type: none"> <li>▪ Five interactive tools (available only on FCAC's Web site) that include: <ul style="list-style-type: none"> <li>➢ three quizzes (on credit cards, mortgages, and rights and responsibilities);</li> <li>➢ a mortgage-qualifier calculator</li> <li>➢ an interactive "cost of banking" tool (updated in 2004-05).</li> </ul> </li> <li>▪ Two searchable databases (available only on FCAC's Web site): <ul style="list-style-type: none"> <li>➢ complaint-handling procedures for the FRFIs</li> <li>➢ bank branch closures.</li> </ul> </li> </ul> <p>Both of these databases date from 2004-05.</p>	<p style="text-align: center;"><b>MET EXPECTATIONS</b></p>






Key expected outputs	Key results	Rating
<p>Issue timely, high-quality educational material and information in plain language (<i>cont'd.</i>)</p> <p><i>Source:</i> FCAC data tracking file</p> <p><i>Source:</i> FCAC Web statistics</p> <p><i>Source:</i> Consumer feedback forms (print and on-line versions)</p>	<p>In 2004-05, FCAC continued to update its extensive Question-and-Answer section on its Web site, to address several issues resulting from consumer contacts. In the coming fiscal year, FCAC will revise the question-and-answer interface, to make it more user-friendly.</p> <p>To meet its objectives of transparency and disclosure, in 2004-05 FCAC again posted the Commissioner's final decisions on its Web site.</p> <p><b>Publications distributed</b></p> <p>Print publications: 2004-05 — 173,541 2003-04 — 91,381</p> <p>Publications downloaded from FCAC's Web site: 2004-05 — 342,810 2003-04 — 221,682</p> <p><b>Feedback received</b></p> <p>The feedback FCAC has received from consumers on its publications cannot be considered conclusive, since FCAC did not conduct any large-scale readership surveys. However, this information does indicate that consumers generally have a positive view of FCAC's publications and interactive tools.</p> <p>Percentage of consumers who rated our publication <i>Credit Cards and You</i> "Good to excellent": 2004-05 — 93% 2003-04 — 97%</p> <p>Percentage of consumers who rated our <i>Cost of Banking</i> publication and interactive tool "Good to excellent": 2004-05 — 80% 2003-04 — N/A</p> <p>Percentage of respondents who rated FCAC's interactive Credit Card quiz, Mortgage quiz and Rights and Responsibilities quiz "Good to excellent": 2004-05 — 90% 2003-04 — N/A</p> <p>Percentage of respondents who answered "Yes" to the question "Did you learn anything by taking the Credit Card quiz, or Mortgage quiz, or Rights and Responsibilities quiz?": 2004-05 — 71% 2003-04 — N/A</p>	     


Key expected		
<p>Developed partnerships for strategic plans to address key financial issues for vulnerable financial consumers:</p> <ul style="list-style-type: none"> <li>▪ financial literacy in Canada</li> <li>▪ lack of awareness of access to complaint redress systems</li> <li>▪ debt/budget management</li> </ul> <p><i>Source:</i> Feedback forms, completed by participants following training sessions</p>	<p style="text-align: center;"><b>OVERALL RESULTS RELATED TO KEY EXPECTED OUTPUT</b></p> <p><b>Financial Capability Symposium</b></p> <p>In 2004-05, FCAC partnered with Social and Enterprise Development Innovations (SEDI) and Policy Research Initiatives (PRI), to begin planning a national symposium seeking answers to the following questions:</p> <ul style="list-style-type: none"> <li>▪ How well do Canadians understand financial matters; apply their knowledge to make financial decisions; and take responsibility for these decisions?</li> <li>▪ What does this mean for policymakers?</li> </ul> <p>The symposium featured leading-edge national and international experts in the field of financial literacy who engaged with government, the non-profit sector and business representatives in two days of discussions about the current state of policy and practice surrounding these increasingly important topics.</p> <p><b>Results</b></p> <p>The pre-symposium consultations were successful, and the symposium, which attracted approximately 150 participants, was held in June 2005. However, it is premature to provide a rating for this initiative.</p> <p><b>“Train-the-Trainer” initiative</b></p> <p>In 2004-05, FCAC continued with its “Train-the-Trainer” initiative, which began in 2003-04, as a pilot project. Its objective was to train representatives from organizations that work directly with FCAC’s target audiences, and provide them with key information on banking issues, so they can respond to their clients’ needs. The project involved workshop sessions on a variety of financial topics, aimed directly at low-literacy consumers. The first sessions focussed on access to basic banking (ABB). Several of the YMCA workshops directly targeted new immigrants. Following the successful pilot project, FCAC developed an ABB Train-the-Trainer manual with the assistance of its editorial board. FCAC will implement the new training materials in 2005-06.</p> <p><b>Results</b></p> <p>Number of sessions conducted/Number of low-literacy, low-income consumers and new immigrants reached:  2004-05 — 29 sessions/Approximately 800 consumers  2003-04 — N/A</p>	<p style="text-align: center;"><b>MET EXPECTATIONS</b></p> <p style="text-align: center;">Met expectations</p> 

Key expected outputs	Key results	Rating
<p>Developed partnerships for strategic plans to address key financial issues for vulnerable financial consumers:</p> <ul style="list-style-type: none"> <li>▪ financial literacy in Canada</li> <li>▪ lack of awareness of access to complaint redress systems</li> <li>▪ debt/budget management (cont'd.)</li> </ul>	<p><b>Training sessions targeting newcomers</b></p> <p>Percentage of consumers at the training sessions who rated the information provided as “Good to excellent”: 2004-05 — 99% 2003-04 — N/A</p> <p>Percentage of consumers at the training sessions who rated the course material handed out as “Good to excellent”: 2004-05 — 98% 2003-04 — N/A</p> <p><b>Training sessions targeting low-income and low-literacy consumers</b></p> <p>Percentage of consumers at the training session who rated the session “Good to excellent”: 2004-05 — 98% 2003-04 — N/A</p> <p><b>Cheque-insert project</b></p> <p>In October and November 2004, FCAC partnered with the Canada Revenue Agency and with Social Development Canada in a project that focussed attention on consumers’ banking rights and the benefits for Canadians of direct deposit of federal government cheques. FCAC was the lead partner in this project because of its plain-language expertise. The partners distributed information on these issues with GST rebate, Child Tax Benefit, Old Age Security and Canada Pension Plan cheques. This initiative will be repeated in 2005-06.</p> <p><b>Results</b></p> <p>Number of consumers provided with information about consumers’ rights to a bank account, access to low-fee accounts and the direct deposit option for federal government cheques: 2004-05 — 7.5 million 2003-04 — N/A</p> <p>Number of telephone calls from consumers requesting more information, as a result of this initiative: 2004-05 — 9,191 2003-04 — N/A</p> <p>Number of consumers who signed up for direct deposit (a safer and faster way to receive their money), following this initiative: 2004-05 — Approximately 230,000 2003-04 — N/A</p>	<p style="text-align: center;">⊕</p> <p style="text-align: center;">⊕</p> <p style="text-align: center;">⊕</p> <p style="text-align: center;">⊕</p> <p style="text-align: center;">⊕</p> <p style="text-align: center;">⊕</p> <p style="text-align: center;">⊕</p> <p style="text-align: center;">⊕</p> <p style="text-align: center;">Met expectations</p>

<b>Key expected outputs</b>	<b>Key results</b>	<b>Rating</b>
<p>Developed partnerships for strategic plans to address key financial issues for vulnerable financial consumers:</p> <ul style="list-style-type: none"> <li>▪ financial literacy in Canada</li> <li>▪ lack of awareness of access to complaint redress systems</li> <li>▪ debt/budget management</li> </ul> <p><i>(cont'd.)</i></p>	<p><b>Credit card disclosure documents</b></p> <p>FCAC has entered into an agreement with MasterCard Canada to undertake a project to improve the clarity of credit card disclosure documents. The project's objective is to examine 14 English and French solicitation and/or application forms and evaluate the literacy level needed to understand them. The findings of this evaluation will guide the development of recommendations and the revision of the forms. Since this project is made up of various phases that will take place over several years, it is premature to provide a rating for this initiative.</p>	

Key expected		
<p>Increase visibility of services provided by FCAC through media stories and other events across Canada.</p>	<p style="text-align: center;"><b>← OVERALL RESULTS RELATED TO KEY EXPECTED OUTPUT →</b></p> <p><b>Speaking engagements</b></p> <p>In 2004-05, FCAC employees participated in a conference organized by the Fédération canadienne pour l’alphabétisation en français (FCAF): “Towards Clearer Communications”. This involved attending five FCAF forums across Canada, aimed at raising awareness of the benefits of using plain language when communicating with the public. FCAC had worked with FCAF previously to produce several plain-language publications.</p> <p>By participating in the forums, we shared our experience in creating documents for people with low levels of literacy. We also communicated important findings from our focus-testing related to our plain-language publications. These information forums will continue in 2005-06.</p> <p><b>Results</b></p> <p>Number of sessions held/Number of individuals from provincial organizations (mainly government) reached who have an interest in plain-language issues:  2004-05 — 5 sessions/Approximately 455 individuals  2003-04 — N/A</p> <p><b>Financial Forums and Canada Pavilions</b></p> <p>In 2004-05, FCAC again participated in the “Financial Forums”. These events provide an opportunity to make Canadians more aware of the Agency and its services. FCAC also began participating last year in the Canada Pavilion. This initiative, funded by Public Works and Government Services Canada, showcases federal government organizations at various pavilions across the country.</p> <p><b>Result:</b></p> <p>Number of Canadian consumers reached through financial forums and Canada pavilions:  2004-05 — 25,000  2003-04 — 9,000</p>	<p style="text-align: center;"><b>← MET EXPECTATIONS →</b></p> <p>Met expectations</p> <p style="text-align: center;">⊕</p> <p>Met expectations</p> <p style="text-align: center;">⊕</p>


Key expected outputs	Key results	Rating
<p>Increase visibility of services provided by FCAC through media stories and other events across Canada (cont'd)</p> <p>Source: FCAC data tracking file</p>	<p><b>Media coverage</b></p> <p>FCAC considers the media to be a key channel for providing the public with important financial information. In 2004-05, the FCAC responded to many calls from journalists seeking information about the issues financial consumers face. Even though the Agency obtained positive results with its media contacts in 2004-05, the results were below what it had been able to achieve in 2003-04. There are two main reasons for this:</p> <ul style="list-style-type: none"> <li>We did not cover any new topics, or include any new booklets, in <i>Credit Cards and You</i> (our most popular publication). Likewise, the updates to <i>Credit Cards and You</i> did not produce the same amount of media interest as when FCAC introduces new topics or booklets.</li> <li>We only had one media person who was responsible for developing and maintaining a relationship with the key media, and providing them with our information materials. That person left FCAC in October 2004 and was not replaced until July 2005 because of a shortage of qualified media or communications specialists.</li> </ul> <p><b>Results</b></p> <p>Media mentions: 2004-05 — 204 2003-04 — 431</p> <p>Media impressions: 2004-05 — Approximately 20.1 million 2003-04 — Approximately 46.7 million</p> <p>Media articles considered “positive” in tone: 2004-05 — 72% 2003-04 — 60%</p> <p>FCAC records the tone of media coverage as “positive” if it accurately conveys FCAC’s messages and mentions the Agency. Positive coverage usually also includes the promotion of FCAC’s services.</p>	<p>Partially met expectations</p> <p></p> <p></p> <p></p>

Key expected outputs	Key results	Rating
<p>Increase visibility of services provided by FCAC through media stories and other events across Canada <i>(cont'd)</i></p> <p><i>Source:</i> Ipsos-Reid omnibus surveys (March 2005 and May 2005)</p>	<p><b>National print and Web advertising campaign</b></p> <p>In March 2005, FCAC ran a national print and Web advertising campaign, using a variety of print and Internet media. We reached approximately 6.95 million consumers through the print campaign and more than 1.2 million through the Internet. Our objective was to increase general awareness of the Agency among Canadians by one percent over the existing benchmark or baseline of 15 percent (obtained from a 2004 CDIC omnibus survey).</p> <p><b>Results</b></p> <p>Percentage of Canadians who indicated they were aware of FCAC:<sup>40</sup>  2004-05 — 16% (May 2005)  2003-04 — 15%</p> <p>Even though FCAC's objective was met, the number of contacts generated and the number of publications distributed, as a result of this initiative, was very low. Although the number of visits to our Web site did peak during the month when the awareness campaign took place, this increase may not be solely attributable to the advertising campaign.</p>	<p>Partially met expectations</p> <p style="text-align: center;"></p>

<sup>40</sup> The question that the CDIC omnibus survey of 2004 asked consumers, as well as the possible responses, were slightly different from those of the Ipsos-Reid survey of 2005. The CDIC survey asked: "Are you aware of the Financial Consumer Agency of Canada?" The possible responses were: "Yes, clearly aware", "Yes, vaguely aware" and "No". In contrast, the Ipsos-Reid survey asked: "Have you ever heard, read or seen anything about the Financial Consumer Agency of Canada?" The possible responses were: "Yes", "No" or "Maybe". For the purposes of comparison, FCAC interpreted the "Maybe" responses as being similar to "Vaguely aware". In future surveys, the question posed to consumers will be the latter one.

Key expected		
<p>Increase the distribution of FCAC information, by using the expertise and reach of key stakeholders in various communities and organizations</p> <p><i>Source: FCAC data tracking file</i></p>	<p style="text-align: center;"><b>OVERALL RESULTS RELATED TO KEY EXPECTED OUTPUT</b></p> <p><b>Partnership with the Canada Revenue Agency</b></p> <p>In 2004-05, FCAC established a partnership with the Canada Revenue Agency (CRA). FCAC contributed various publications to meet the information needs of the target audiences of two CRA programs. The first was the Community Volunteer Income Tax Program, which helps lower-income Canadians complete their tax returns. FCAC provided CRA with <i>Access to Basic Banking Services</i> brochures for distribution to consumers through this program. The second was CRA’s Teaching Taxes program, which provides materials to help 5,000 high-school teachers in Canada educate students about the Canadian tax system. FCAC provided CRA with publications on credit cards and banking service packages, which include information aimed specifically at students. FCAC will continue this partnership in 2005-06.</p> <p><b>Results</b></p> <p>Number of FCAC publications distributed through the two CRA programs (this number was included earlier in the total print publications figure):                  2004-05 — Approximately 59,000                  2003-04 — N/A</p> <p><b>YMCA — Greater Toronto Area</b></p> <p>As part of the Train-the-Trainer initiative, FCAC distributed <i>Access to Basic Banking Services</i> brochures to participants in information sessions organized by the YMCA.</p> <p><b>Results</b></p> <p>Number of FCAC publications distributed through the Train-the-Trainer initiative (this number was included earlier in the total print publications figure):                  2004-05 — Approximately 800                  2003-04 — N/A</p>	<p style="text-align: center;"><b>MET EXPECTATIONS</b></p> <p style="text-align: center;">Met expectations</p> <p style="text-align: center;">⊕</p> <p style="text-align: center;">Met expectations</p> <p style="text-align: center;">⊕</p>



Key expected outputs	Key results	Rating
<p>Increase the distribution of FCAC information, by using the expertise and reach of key stakeholders in various communities and organizations <i>(cont'd.)</i></p> <p>Source: FCAC data tracking file</p>	<p><b>Other partnerships</b></p> <p>FCAC also initiated contacts with other federal, provincial and municipal governments (including welfare and social services offices).</p> <p><b>Results</b></p> <p>Number of publications distributed through other partnerships (this number was included earlier in the total print publications figure): 2004-05 — 13,600 2003-04 — N/A</p> <p>In the coming fiscal year, we will continue to work with our partners, to try to reach consumers and provide them with relevant information to meet their banking needs.</p> <p>Service Canada offices across the country will carry FCAC's brochure <i>Cashing Your Government of Canada Cheque for Free</i> as a core publication.</p>	<p>Met expectations</p> <p style="text-align: center;"></p>

## Appendix 7: 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.

Type of consumer provision	Banks	Trust and loan companies	Insurance companies	Retail associations
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 ( <i>no regulations in effect</i> )	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 ( <i>not in effect</i> ) <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
Prohibition on charging for cashing government cheques	X	X		X
Obligation to cash government cheques under \$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

<b>Type of consumer provisions</b>	<b>Banks</b>	<b>Trust and loan companies</b>	<b>Insurance companies</b>	<b>Retail associations</b>
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

<b>Related matters</b>	<b>Banks</b>	<b>Trust and loan companies</b>	<b>Insurance companies</b>	<b>Retail associations</b>
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

### Appendix 8: Status of the consumer provision regulations, as of March 31, 2005

Name of regulations	Status	Reference no.
<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>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

Name of regulations	Status	Reference no.
<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>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

Name of regulations	Status	Reference no.
<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 9: Major codes of conduct and public commitments monitored by FCAC**

### **Codes of conduct**

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

This code outlines the banks' standards for branch employees who offer credit, travel and personal accident insurance. It deals with training, disclosure, promotion practices, customer privacy protection and customer redress.

#### **Canadian Code of Practice for Consumer Debit Card Services**

This code outlines industry practices and consumer/industry responsibilities. It is 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**

This framework is 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**

These guidelines state 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**

These 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.