

Financial Institutions Commission

Service Plan

Fiscal Year 2007/2008 – Fiscal Year 2009/2010

February 20, 2007



**BRITISH
COLUMBIA**

The Best Place on Earth

Table of Contents

Section 1:	Plan In Brief	5
Section 2:	Resource Summary	7
Section 3:	Overview of FICOM and Core Business Areas	9
Section 4:	Performance Planning – Organizational Goals, Responsibilities, Strategic Activities and Results	13

Vision, Mission and Values

Vision

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

Mission

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

Values

FICOM VALUES

Our actions are guided by the following values:

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

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

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

Accountability — We are accountable for the decisions we make.

SECTION 1:	PLAN IN BRIEF
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Responsibilities

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

FICOM’s mission is to maintain confidence in the financial services sector by effective regulation.

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

Goal 1:	British Columbians have confidence in credit unions and trusts.
Goal 2:	British Columbians have confidence in insurers.
Goal 3:	British Columbians have confidence in provincially regulated pensions plans.
Goal 4:	British Columbians have confidence that mortgage brokers are regulated effectively.
Goal 5:	British Columbians have confidence in the administration of the <i>Real Estate Development Marketing Act</i> as well as the approval process for strata plans.
Goal 6:	The investigative activities of FICOM deter non-compliance with statutes and criminal activities related to financial services in British Columbia.
Goal 7:	FICOM is administratively effective and efficient.

SECTION 2: RESOURCE SUMMARY

Projected Annual Operating Budget by Program

Core Businesses	2006/2007	2007/2008	2008/2009	2009/2010
Operating Expenditures*				
Credit Union & Trust	4,767,600	5,397,600	5,667,500	5,950,800
Insurance	2,345,200	2,252,600	2,365,300	2,483,400
Pensions	1,348,200	1,501,200	1,576,100	1,655,000
Real Estate and Mortgage Brokers	3,198,000	3,349,600	3,517,100	3,692,800
Recoveries	(11,658,000)	(12,500,000)	(13,125,000)	(13,781,000)
Totals	1,000	1,000	1,000	1,000

* Operating expenditures expressed in constant dollars.

Projected Staffing Complement by Program Full Time Equivalents (FTEs)

Core Businesses	2006/2007	2007/2008	2008/2009	2009/2010
Staff FTEs				
Credit Union & Trust	47.6	49.1	49.1	49.1
Insurance	18.1	19.6	19.6	19.6
Pensions	13.3	14.8	14.8	14.8
Real Estate and Mortgage Brokers	21.0	21.5	21.5	21.5
Totals	100.0	105.0	105.0	105.0

SECTION 3:**OVERVIEW OF FICOM AND
CORE BUSINESS AREAS**

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

Credit Unions and Trusts

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

Insurance

- Responsible for the regulation of insurers under the *Financial Institutions Act*, *Insurance Act*, *Insurance (Captive Company) Act*, and *Insurance (Marine) Act*.
- The Insurance Council of British Columbia is responsible for licensing insurance intermediaries — agents and adjusters.
- The Superintendent of Financial Institutions may appeal disciplinary decisions of the Insurance Council, and is responsible for investigating unlicensed insurance activities.

Pensions

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

Mortgage Brokers and Real Estate

- Regulates mortgage brokers under the *Mortgage Brokers Act*.
- Regulates the marketing of multi-unit real estate developments under the *Real Estate Development Marketing Act*.
- Approves strata plan schedules under the *Strata Property Act*.
- Under the *Real Estate Services Act*, the Real Estate Council of British Columbia, a self regulatory organization, regulates real estate brokerages and representatives, and property managers. Effective January 2006, strata managers are regulated by the Real Estate Council.
- The Superintendent of Real Estate has powers to intervene in the regulation of real estate professionals if an urgent concern for the public interest arises, and is responsible for investigating unlicensed real estate activities.
- The Superintendent may appeal disciplinary decisions of the Real Estate Council.

SUPPORT FUNCTIONS

FICOM also has two support areas.

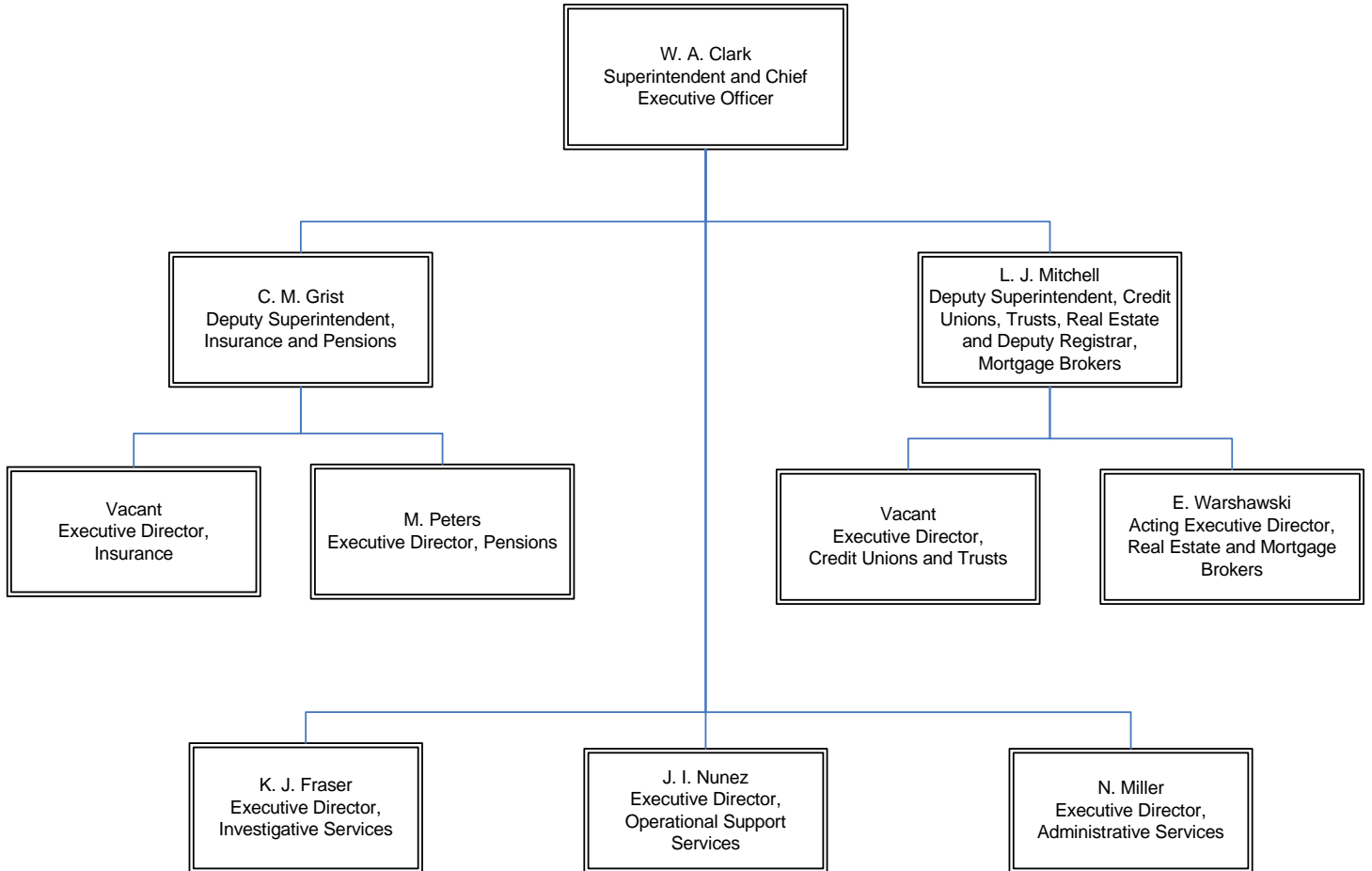
Investigations

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

Administration

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

Organizational Chart



SECTION 4:	PERFORMANCE PLANNING – ORGANIZATIONAL GOALS, RESPONSIBILITIES, STRATEGIC ACTIVITIES AND RESULTS
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As a British Columbia government entity, FICOM prepares its service plan in accordance with guidelines issued by the Ministry of Finance's Treasury Board.

As a financial services regulator, these guidelines can be adhered to, but with some limitations. FICOM uses a process of identifying organizational goals and then listing the specific regulatory responsibilities that fall under each organizational goal. Strategic activities are then identified for each area.

Strategic activities represent how FICOM is improving its functions as a financial services regulator in the coming years.

FICOM also identifies key performance indicators. FICOM reports on its results in its annual report.

Organizational Goals

FICOM has identified seven organizational goals:

Goal 1:	British Columbians have confidence in credit unions and trusts.
Goal 2:	British Columbians have confidence in insurers.
Goal 3:	British Columbians have confidence in provincially regulated pensions plans.
Goal 4:	British Columbians have confidence that mortgage brokers are regulated effectively.
Goal 5:	British Columbians have confidence in the administration of the <i>Real Estate Development Marketing Act</i> as well as the approval process for strata plans.
Goal 6:	The investigative activities of FICOM deter non-compliance with statutes and criminal activities related to financial services in British Columbia.
Goal 7:	FICOM is administratively effective and efficient.

Goal 1:

British Columbians have confidence in credit unions and trusts.

OUTCOME/KEY INDICATOR

Confidence in British Columbia credit unions and trusts.

CORE BUSINESS AREA

Credit Unions and Trusts.

RESPONSIBILITIES

FICOM has broad responsibilities relative to credit unions and trusts in British Columbia. The primary focus of FICOM's regulatory activities is the monitoring of the solvency of these institutions. FICOM also administers the granting of business authorizations and, through the Credit Union Deposit Insurance Corporation (CUDIC), provides deposit insurance for credit union depositors up to prescribed limits.

The specific regulatory responsibilities of FICOM are as follows:

1. Identify credit unions and their specific practices that pose a risk to depositors and take regulatory action where appropriate.
2. Identify trusts and their specific practices that pose a risk to clients and take regulatory action where appropriate.
3. Provide a timely and efficient business authorization system for credit unions and trusts.
4. Ensure that CUDIC meets its responsibilities.
5. Oversee supervisory activities.

STRATEGIC ACTIVITIES

In 2007-08, FICOM will carry out the following activities to improve its regulation of credit unions and trusts:

1. Finalize implementation of the risk-based supervisory framework by instituting a peer review process to ensure quality and consistency of risk assessments.
2. Consult with stakeholders and survey the public on the regulatory effectiveness of FICOM's activities related to credit unions and trusts.
3. Repatriate the collection of credit union financial data to FICOM from Stabilization Central Credit Union.
4. Ensure that emerging trends, risks and policy issues are closely monitored.
5. Monitor regulatory burden on credit unions and trusts and seek to reduce the burden where possible.

6. Review CUDIC treasury procedures to ensure that the risk tolerance strategies, as set out in CUDIC's Investment and Lending Policy, are implemented to meet fund objectives and optimize financial yields.
7. Investigate a variable rate assessment structure for deposit insurance premiums.
8. Develop contingency plans and procedures for deposit insurance payouts.
9. Provide ongoing training to staff to promote up-to-date skills and knowledge.

PERFORMANCE REPORTING

FICOM monitors confidence in financial institutions and evaluates its effectiveness as a financial services regulator. FICOM's annual report includes detailed performance reporting.

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

OUTCOME/KEY INDICATOR

Confidence in British Columbia insurers.

CORE BUSINESS AREA

Insurance.

RESPONSIBILITIES

FICOM regulates the solvency and market conduct of insurers, and registers captive insurance companies operating in British Columbia. However, FICOM's specific responsibilities for solvency vary depending on the jurisdiction of an insurer's incorporation. FICOM does not regulate the Insurance Corporation of British Columbia ("ICBC").

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

FICOM regulates market conduct for all insurers in British Columbia. Market conduct supervision addresses problems identified with insurers complying with their statutory obligations.

The specific regulatory objectives of FICOM in the insurance area are as follows:

1. Accurate risk assessments of insurers and timely effective intervention and feedback.
2. Address insurer related statutory market conduct issues.
3. Provide a timely and efficient business authorization system for insurers and captive insurance companies, and address licensing issues.
4. Maintain a strong working relationship with the Insurance Council of British Columbia.

STRATEGIC ACTIVITIES

In 2007-08, FICOM will carry out the following activities to improve its regulation of insurance:

1. Continue to administer and improve the risk-based supervisory framework for insurers.
2. Review regulatory requirements for insurers with other regulators and work to eliminate unnecessary requirements.

3. Review emerging risks and policy issues, and assist the Ministry of Finance with updates to the legislation and regulations that apply to insurers, particularly with regard to the *Insurance Act*, *Financial Institutions Act* and the *Insurance (Captive Company) Act*.
4. Ensure that emerging trends, risks and policy issues are closely monitored.
5. Consult with stakeholders and survey the public on the regulatory effectiveness of FICOM's insurance related activities.
6. Develop and implement a more risk-based market conduct regulatory framework.

PERFORMANCE REPORTING

FICOM monitors confidence in financial institutions and evaluates its effectiveness as a financial services regulator. FICOM's annual report includes detailed performance reporting.

Goal 3:

British Columbians have confidence in provincially regulated pensions plans.

OUTCOME/KEY INDICATOR

Confidence in British Columbia's provincially regulated pension plans.

CORE BUSINESS AREA

Pensions.

RESPONSIBILITIES

FICOM regulates the solvency and funding of most pension plans in British Columbia, and sets guidelines for the investment of pension funds for all pension plans. FICOM also monitors pension plans for compliance with minimum standards under the *Pension Benefits Standards Act*. FICOM is not responsible for programs administered by the federal government such as the Canada Pension Plan ("CPP"), Old Age Security ("OAS"), or Guaranteed Income Supplement ("GIS").

Regulation of solvency and funding is designed to protect the financial health of pension plans so that pension plans may meet their obligations to pension plan members.

FICOM oversees compliance by pension plan administrators with minimum standards for eligibility, vesting, portability, survivor benefits and disclosure to plan members. FICOM regulates administration of BC pension plans to ensure that identified administrative matters are dealt with in a timely manner.

The specific regulatory responsibilities of FICOM are as follows:

1. Provide an efficient registration system for pension plans.
2. Identify pension plans and specific practices that may increase risk, and take appropriate regulatory action.
3. Respond to public queries regarding pension plans.

STRATEGIC ACTIVITIES

In 2007-08, FICOM will carry out the following activities to improve its regulation of pension plans:

1. Review administrative practices to improve operational efficiency and focus resources on areas of high risk.
2. Continue to develop and implement a risk-based regulatory system for pensions.

3. Implement electronic filing for required pension filings.
4. Review emerging inter-jurisdictional policy issues and assist with corresponding updates to the legislation and regulations that apply to pensions.
5. Implement annual on-site examination procedures.
6. Ensure that emerging trends, risks and policy issues are closely monitored.
7. Identify opportunities to streamline and harmonize regulations with other jurisdictions, and otherwise eliminate unnecessary regulatory burden.
8. Consult with stakeholders and survey the public on the regulatory effectiveness of FICOM's activities related to pensions.

PERFORMANCE REPORTING

FICOM monitors confidence in financial institutions and evaluates its effectiveness as a financial services regulator. FICOM's annual report includes detailed performance reporting.

Goal 4:	<i>British Columbians have confidence that mortgage brokers are regulated effectively.</i>
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OUTCOME/KEY INDICATOR

Confidence in British Columbia mortgage brokers.

CORE BUSINESS AREA

Mortgage Brokers.

RESPONSIBILITIES

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

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

1. Maintain an efficient and effective registration system for mortgage brokers.
2. Investigate unregistered mortgage broker activity.
3. Investigate fraudulent or other illegal conduct arising out of or in conjunction with mortgage broker activities.
4. Develop and maintain communication with industry organizations and other regulators.
5. Maintain a strong working relationship with the British Columbia Securities Commission.

STRATEGIC ACTIVITIES

In 2007-08, FICOM will carry out the following activities to enhance its regulation of mortgage brokers:

1. Refine the risk-based framework for mortgage broker regulation.
2. Continue to make improvements and to monitor the processing of mortgage broker applications and renewals.
3. Ensure the Free Trade Agreement with the Province of Alberta is implemented for the mortgage broker industry.
4. Review the mortgage broker application form, and the disclosure forms used by mortgage brokers.

PERFORMANCE REPORTING

FICOM has identified the timeliness of processing mortgage broker applications and renewals as a key performance measure. Fast and efficient processing of applications and renewal provides a good measure of both effectiveness and efficiency.

Goal 5:

British Columbians have confidence in the administration of the Real Estate Development Marketing Act as well as the approval process for strata plans.

OUTCOME/KEY INDICATOR

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

CORE BUSINESS AREA

Real Estate.

RESPONSIBILITIES

FICOM administers the *Real Estate Development Marketing Act* and has certain responsibilities associated with the review of strata plans under *Strata Property Act*. The Superintendent of Real Estate has certain limited responsibilities under the *Real Estate Services Act*.

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

1. Ensure that developers of new multi-unit real estate developments and building lots outside municipalities provide complete disclosure to consumers.
2. Approve strata plan schedules under the *Strata Property Act*.
3. Investigate unlicensed real estate activity.
4. Intervene in the regulation of real estate licensees where a serious concern for the public interest arises.
5. Maintain a strong working relationship with the Real Estate Council of British Columbia.

STRATEGIC ACTIVITIES

In 2007-08, FICOM will carry out the following activities to enhance its regulation of real estate:

1. Refine the risk-based approach to processing of filings under the *Real Estate Development Marketing Act*.

PERFORMANCE REPORTING

FICOM has identified the timeliness of the processing of real estate related filings and strata plan approvals as a key performance measure. Fast and efficient processing of filings provides a good measure of both effectiveness and efficiency.

Goal 6:

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

OUTCOME/KEY INDICATOR

Annual internal review of investigative effectiveness.

CORE BUSINESS AREA

Support service to all core business areas.

RESPONSIBILITIES

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

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

The specific regulatory responsibilities of FICOM are as follows:

1. Respond professionally to enquiries and complaints received and, where appropriate, direct the public to government, industry or self-regulatory organizations as required.
2. Review complaints of statutory and regulatory contraventions in British Columbia related to provincially-regulated financial services and investigate further if significant concerns are raised.
3. Review complaints of criminal activity involving provincially-regulated financial services in British Columbia and investigate further if significant concerns are raised.
4. Provide information to the public on detecting fraudulent or other inappropriate business practices.
5. Provide information to financial institutions on fraud schemes that may have a systemic impact.

STRATEGIC ACTIVITIES

In 2007-08, FICOM will carry out the following activities to improve its investigations function:

1. Undertake a program to identify problem issues in the regulated financial sectors.
2. Implement an education program in conjunction with industry representatives.
3. Implement new investigative case management software.

4. Implement new investigations file management software within the investigations department.

PERFORMANCE REPORTING

- Internally produced year-end report on FICOM's investigative effectiveness.

DISCUSSION OF INDIVIDUAL PERFORMANCE MEASURES

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

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

Goal 7:	<i>FICOM is administratively effective and efficient.</i>
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OUTCOME/KEY INDICATOR

Comparative review of administrative services.

CORE BUSINESS AREA

Support services to all core business areas.

RESPONSIBILITIES

FICOM operates under a “\$1,000 vote” for budgeting purposes and is a self-funded entity. As such, it is responsible for ensuring that it operates in an administratively effective and efficient manner.

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

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

STRATEGIC ACTIVITIES

In 2007-08, FICOM will carry out the following activities to improve its administrative function:

- Ongoing review of developing issues in financial services regulation and analysis of potential consequences to FICOM.
- Identify and develop succession plans for critical-at-risk positions.
- Integrate individual employee training and development with corporate performance objectives and goals.
- Enhance staff retention through the promotion of a quality work environment.
- Recruit new employees by promoting graduate and co-operative student opportunities at the Commission.
- Continue to identify, develop and integrate information system modules to enable improvements in services and risk-based regulation.
- Continue to update information and resource material made available to the public through FICOM's website.
- Implement refinements to enquiry and complaint tracking system (ENTRAK).
- Analyze statistical data from Contact Center to increase efficiency in key service areas.
- Move to full implementation of Pension's information management system.
- Implement monthly schedule for in-house computer skills training.
- Ensure electronic payment options maximized wherever applicable.
- Review and redefine contract management procedures.

PERFORMANCE REPORTING — EFFICIENCY MEASURES

Comparison of Website with that of Comparable BC Government Agencies

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

Comparison of Annual Report with that of Comparable BC Government Agencies

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

Comparison of Service Plan with that of Comparable BC Government Agencies

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

Completion of Freedom of Information Requests within Statutory Deadlines

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

Succession Planning

Succession plans for critical-at-risk positions completed by September 30, 2007.

Integrated Training

Number of staff who has a formal EPDP: 100% (baseline from 2006 survey: 45%)

Staff Retention

Staff turnover: improvement from baseline (2006) of 16%

Employee engagement rating: improvement from baseline (2006 survey) of 53

Recruitment of new employees

Co-operative or internship placements: at least 18 placements based on 3 work terms per year.

PERFORMANCE REPORTING — EFFICIENCY MEASURES

Credit Unions

- Total credit union regulatory fees per \$1,000 of system assets.
- Total deposit insurance assessments per \$1,000 of system deposits.
- Total credit union regulatory fees and total deposit insurance assessments per \$1,000 of system assets.

Insurance

- Total insurance regulatory fees per \$1,000 of premiums written.

Pensions

- Regulatory fees per pension plan member — defined benefit plan.
- Regulatory fees per pension plan member — defined contribution plan.
- Regulatory fees per \$1,000 of pension plan assets — defined benefit plan.
- Regulatory fees per \$1,000 of pension plan assets — defined contribution plan.

Mortgage Brokers and Real Estate

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