

# Annual

# Risk Outlook

June 2026

# Contents

<b>CEO Message</b>	<b>3</b>
<b>Current risk environment</b>	<b>4</b>
Macroeconomic conditions	5
Housing market	6
Digital disruption	7
Financial crime	8
Natural catastrophes	9
<b>Industry risks and activities</b>	<b>10</b>
Credit unions	11
Insurance	14
Trusts	17
Pensions	18
Real estate services	20
Real estate development marketing	23
Mortgage services	24
Money services business	25

# CEO Message

It has become almost a truism to say that the environment we operate in today is more complex and less predictable. The risk in repeating that observation is that it can begin to lose meaning, but it has become a truism for a reason: it points to something real about the environment in which we now operate.

That reality is not simply that there are more risks, or that individual risks are harder to forecast. It is that risks increasingly move through systems in connected ways. Economic, technological, geopolitical, and environmental developments can interact, reinforce one another, and create effects that are difficult to anticipate in advance.

This matters because the industries BCFSA oversees are woven into decisions people and organizations make every day, from buying a home or protecting against loss, to saving, borrowing, and planning for the future. When risks move through the system in more connected and less predictable ways, failing to understand them can have real consequences.

An overly narrow response can also have consequences. If risk is treated only as something to prevent or suppress, we can weaken the very capacity the system needs to create value, adapt, and respond. Those strengths matter not only because they support people and the economy, but because they are part of what allows the system to manage risk effectively.

Taken together, these realities sharpen the demands on effective risk management. Prevention and mitigation remain essential, but they are no longer sufficient on their own. Outcomes increasingly depend on whether risks are recognized early, interpreted clearly, and responded to as conditions evolve. In that environment, the ability to recover, adapt, and maintain continuity is not an afterthought; it is a critical part of how we respond to risk.

Meeting that challenge requires more than strong practices within individual organizations. It requires an ongoing conversation that raises our collective understanding of risk, helps develop a common language, and creates a stronger foundation for aligned action when risks emerge, including risks we may not have anticipated.

BCFSA's first Annual Risk Outlook is intended to contribute to that conversation. It does not seek to predict specific outcomes or catalogue every possible risk. Instead, it sets out our current perspective on the forces shaping the risk environment and offers a common frame for interpreting emerging conditions, supporting dialogue, and informing action as risks evolve.

No single organization has a complete view of this environment. By making our thinking more explicit, we hope to support better shared judgment, more informed exchanges, and more coordinated action across the system. In doing so, our goal is to contribute to a financial services system in British Columbia that remains resilient, adaptive, and capable of supporting confidence and sustainable growth.

**Tolga Yalkin**

Chief Executive Officer and Chief Statutory Officer

# Current risk environment

British Columbia's financial institutions and professionals are operating in an environment characterized by rapid and unpredictable change, increased interconnectedness, and reduced capacity to absorb shocks. Together, these conditions are affecting how risks emerge, spread, and are experienced across the financial services sector.

- **Rapid and unpredictable change:** Economic conditions, technological developments, new market entrants, and market innovations are changing the landscape quickly and unevenly. These shifts are altering competitive dynamics, delivery models, and consumer expectations, placing pressure on financial institutions and professionals to adapt. The challenge is not only to keep pace with change, but to make timely decisions with incomplete information while maintaining effective governance, controls, and service continuity. As a result, there is often less time to assess emerging risks, adjust business models, and respond before pressures affect operations, consumers, or confidence.
- **Increased interconnectedness:** Risks are less likely to occur in isolation. Financial institutions, professionals, consumers, technology providers, intermediaries, such as insurance agents and brokers, and public-sector partners are increasingly connected through shared infrastructure, third-party relationships, distribution channels, data flows, and common exposures. As a result, pressures in one part of the system can affect others more quickly, including through housing markets, digital systems, cyber incidents, financial crime, natural catastrophes, or shifts in consumer behaviour. Multiple pressures may also emerge at the same time or reinforce one another, creating compounding effects. This can make outcomes more difficult to anticipate, contain, and manage.
- **Reduced capacity to absorb shocks:** Financial institutions, professionals, and consumers are operating with less room to absorb disruption. Tighter margins, increased operational complexity, and uneven capacity can complicate efforts to anticipate, manage, and recover from stress. For consumers, affordability pressures, high indebtedness, and changing market conditions can reduce financial flexibility and increase vulnerability to financial shocks. As a result, disruptions may be harder to absorb and have a deeper and more lasting effect on operations, consumer outcomes, or confidence.

Against this backdrop, we are tracking five major risk drivers for their impact on the broader financial services sector in British Columbia and on the eight industries we oversee. This first section of the risk outlook sets out how we understand these risk drivers, and the second section sets out how we understand risks in each industry and the supervisory and regulatory actions we plan to take over the coming year.



## Macroeconomic conditions

B.C. is adjusting to a period of heightened uncertainty and volatility with pockets of sustained pressure. The province's economy grew by two per cent year over year in 2025 despite heightened trade uncertainty, but growth has been uneven across sectors.

Forestry and the communities that depend on it have been particularly affected by U.S. trade policies. Higher borrowing and construction costs continue to impact household and business balance sheets, while labour market conditions have softened, with unemployment rising and remaining above six per cent over the past year.

Slower population growth, including B.C.'s first population contraction in recent history, is also moderating consumption and investment, with federal caps on non-permanent residents expected to remain a near-term headwind. Energy price spikes linked to global conflicts may further constrain household disposable income and dampen consumer spending.

Although overall financial system indicators remain broadly resilient, these pressures are being felt unevenly across regulated industries, regions, households, and businesses. Some pressures appear to be stabilizing, while others persist or may intensify, particularly those related to indebtedness, affordability, sector-specific trade exposure, labour-market weakness, and external shocks. Macroeconomic conditions are therefore likely to continue evolving unevenly, depending on how trade policy, labour markets, inflation, population dynamics, and global developments unfold.

**We are monitoring** whether uneven macroeconomic pressure begins to spread, reinforce other pressures, or show up in regulated industries. Key signals include rising credit stress, weaker borrower resilience, reduced transaction and lending activity, delayed development or business investment, strain in trade-exposed communities, and declining consumer confidence.

## Housing market

The housing market is structurally significant to B.C.'s economy and central to several regulated industries. Because housing and real estate-related activity affect credit, mortgage services, real estate development marketing, real estate services, insurance, and household financial resilience, shifts in the housing market can have system-wide implications.

The current market adjustment is therefore affecting more than home prices, with impacts on construction employment, housing supply, affordability, labour mobility, and economic growth. So far, that adjustment has shown up less through a sharp price correction than through reduced activity and shifts in the composition of housing demand and new supply.

Higher financing costs and persistent affordability pressures have reduced transaction volumes and moderated borrowing demand. They are also affecting existing borrowers as mortgages renew at higher rates and financing options become more constrained. Mortgage delinquencies have risen in major urban centres across the province, though they remain within historical norms, suggesting localized rather than widespread stress on households.

Slower development activity is also evident, with fewer projects advancing and greater uncertainty around financing and completion. Weaker pre-sale demand, higher costs, tighter financing conditions, policy changes affecting population growth, and shifts in foreign buyer activity are reducing activity levels and changing the mix of housing demand. At the same time, a shift toward purpose-built rental construction is changing the composition of new supply.

**We are monitoring** whether the housing market adjustment stabilizes or begins to transmit more broadly through households, development activity, regulated industries, and confidence. Key signals include resale activity and prices relative to historical norms, mortgage renewal and refinancing pressure, delinquency trends, borrower resilience, pre-sale demand, project financing and completion risk, the pace and mix of new disclosure filings, and shifts in demand and supply driven by population trends, policy changes, and the move toward purpose-built rental construction.

## Digital disruption

Several digitalization developments are converging across financial services, including artificial intelligence, payments modernization, consumer-driven data, digital platforms, and cryptocurrency. Together, these developments are increasing the speed, scale, and interdependence of financial activity. At the same time, their integration into day-to-day financial services may be slower and more uneven than expected as legacy systems, data quality, implementation costs, consumer uptake, governance capability, and evolving regulatory frameworks shape adoption.

This creates two related risks. First, digital systems can transmit disruption more quickly across firms, platforms, service providers, and consumers, making operational, conduct, cyber, fraud, and data risks harder to contain within a single institution or firm. Second, the benefits and risks of digital adoption are likely to unfold unevenly. Implementation challenges, consumer uptake, regulatory development, and differences in institutional capacity will shape how quickly technologies are adopted and how their effects materialize across industries.

This said, the adoption and real-world impact of these developments may be more gradual or uneven than expected as implementation challenges, consumer uptake, evolving regulatory frameworks, and emerging risks shape how digital technologies are integrated in practice. Even where technologies or frameworks are established, their effects on business models, market structure, and consumer outcomes may take time to materialize and may differ across industries.

Digitalization is also changing consumer expectations and business models. Consumers increasingly expect faster, simpler, and more integrated services. Firms that cannot adapt may face declining relevance, market share, and financial sustainability pressure, while smaller firms may face challenges because of capacity and scale constraints. At the same time, more digital and complex delivery models can make it harder for consumers to compare offerings, understand risks, and know what protections and responsibilities apply.

**We are monitoring** whether digital developments become embedded in financial services faster, more unevenly, or in different ways than governance, risk management, and operational capabilities can absorb. Key signals include the pace and unevenness of adoption, AI and model governance maturity, cyber and operational incidents, fraud and data misuse, third-party and platform dependencies, the evolution of consumer-driven banking, payments modernization and crypto-asset frameworks, capacity constraints among smaller institutions and professionals, and consumer confusion or harm in increasingly complex digital channels.

## Financial crime

Financial crime exposure is expanding and becoming more complex as digitalization, evolving criminal techniques, and the use of financial institutions and professional channels create more opportunities to enable and conceal illicit activity. As financial services become more digital and interconnected, institutions, professionals, and consumers are exposed to a broader and more complex threat environment.

In B.C., this exposure is shaped by structural features of the provincial economy, including cross-border connectivity, a high-value real estate market, and diverse population dynamics. Criminals frequently target seniors, newcomers, and other consumers who may face information, language, or trust-based vulnerabilities, particularly through digital and payments-enabled scams, such as investment fraud, impersonation, and extortion.

Those same exposure points are becoming easier to exploit as advances in AI and other digital tools are lowering barriers to entry while increasing the scale, sophistication, and targeting of financial crime. Bad actors can exploit gaps in systems, controls, third-party relationships, and consumer awareness more quickly and at greater scale. As a result, fraud, cyber-enabled activity, money laundering, and misuse of professional channels are becoming harder to detect and contain, increasing the potential for risks to transmit across the system, including through well-managed financial institutions and brokerages.

The impact of financial crime is also growing. Canadian Anti-Fraud Centre data shows reported fraud losses increasing from approximately \$165 million in 2020 to over \$704 million in 2025 – more than quadrupling in five years, with total reported losses since 2022 exceeding \$2.4 billion. These figures likely underestimate the true scale of consumer harm and system exposure because only a small fraction of incidents are reported.<sup>1</sup>

Effective response depends on strong regulatory and enforcement frameworks, but also on coordination across regulators, law enforcement, and different orders of government. That coordination remains difficult to execute in practice. Over time, the growing scale, sophistication, and coordination of financial crime can erode consumer trust, strain oversight and response capacity, and undermine the integrity of the financial system.

**We are monitoring** whether financial crime is becoming more scalable, coordinated, and difficult to detect or contain across institutions, professions, platforms, and consumers. Key signals include reported and suspected fraud losses, under-reporting trends, AI-enabled impersonation and targeting, cyber-enabled fraud, misuse of professional or trust channels, suspicious transaction patterns, third-party and platform vulnerabilities, cross-border activity, targeting of seniors and newcomers, and the effectiveness of coordination across regulators, law enforcement, and government.

<sup>1</sup> Canadian Anti-Fraud Centre (CAFC), Annual Reports (2021, 2022) and Fraud Prevention Month Release (2026), Government of Canada.

## Natural catastrophes

B.C.'s exposure to natural catastrophes is becoming a more significant financial resilience issue for households, businesses, governments, and the financial services sector. Floods, wildfires, earthquakes, and severe weather events can cause direct damage to homes, businesses, and infrastructure, while also disrupting local economies, housing markets, credit conditions, and insurance availability.

Recent years have seen a rising share of insured and uninsured losses associated with these events, alongside increasing concentration of population and economic activity in higher risk regions. Industry data indicates that Alberta and B.C. together account for more than half of insured catastrophe losses in Canada over the past decade, driven primarily by wildfire, flood, and severe weather events. Earthquake risk in B.C. remains a distinct concern: a major Lower Mainland event could result in losses exceeding \$100 billion, while only about 42 per cent of residential properties are insured, indicating a significant protection gap.

Insured catastrophe losses in Canada have increased materially over time, rising from an annual average of roughly \$700 million in the early 2000s to multiple multi-billion-dollar years since 2020, including a record year of approximately \$9 billion in 2024. B.C.'s hazard profile is also evolving, with more frequent and severe wildfire and flood events affecting specific regions, adding pressure to insurance availability, affordability, and risk-transfer decisions.

As these risks materialize and evolve, insurers and lenders are adapting their exposure management, underwriting, pricing, and risk-transfer decisions. These adjustments support financial resilience, but they can also shift more risk to property owners, households, businesses, and governments where coverage becomes less available, less affordable, and more limited. Over time, these dynamics may affect where people can live and work, what assets can be economically sustained, and how risk is distributed across the province.

**We are monitoring** whether natural catastrophe exposure is increasing financial strain, protection gaps, or market disruption across households, insurers, lenders, communities, and governments. Key signals include insured and uninsured loss trends, insurance and reinsurance availability and pricing, coverage limitations, deductibles and exclusions, property-level risk concentration, lender exposure in higher-risk regions, earthquake insurance uptake, post-event recovery capacity, and the extent to which risk is shifting to consumers or the public sector.

**These five risk drivers** frame BCFSAs regulatory and supervisory focus for the year ahead. They are structural and, in many cases, reinforcing, creating conditions in which risks can emerge more quickly, spread more broadly, and become harder to isolate within a single industry. This makes resilience and adaptation central to effective risk management across the sector and reinforces the need for proactive, insight-driven oversight from BCFSAs.

# Industry risks and activities

The system-level conditions described above provide important context for the industry risks that follow. Many of those risks reflect how broader risk drivers are transmitted through the business models, market structures, and consumer relationships of each industry. The relationship is not always direct. Some industry risks arise from the interaction of multiple drivers, while others are shaped by industry-specific legal, regulatory, or structural developments. They should therefore be read as both a reflection of broader system pressures and an assessment of the particular features of each industry.

The regulatory activities and supervisory focus areas that accompany each industry are informed by these risks, but they are not intended to map one-to-one to each risk statement. Some respond directly to a specific risk. Others support broader regulatory objectives, strengthen foundational capabilities across multiple risks, or reflect legal, policy, or strategic priorities. Together, the industry risks, regulatory activities, and supervisory focus areas show how BCBSA understands the risk environment in each industry and how we intend to respond over the coming year.



## Credit unions

**Strategic relevance and execution capability.** In a competitive and evolving market, credit unions are adjusting their strategies, business models, and service offerings to respond to changing member needs, delivery channels, and expectations. These changes place greater demands on governance, risk management, and operational capacity. Where strategic ambition outpaces institutional capability, weaknesses can emerge in execution discipline, oversight, and control environments. This increases the risk that strategic initiatives are not delivered as intended, affecting financial performance, member outcomes, and long-term viability.

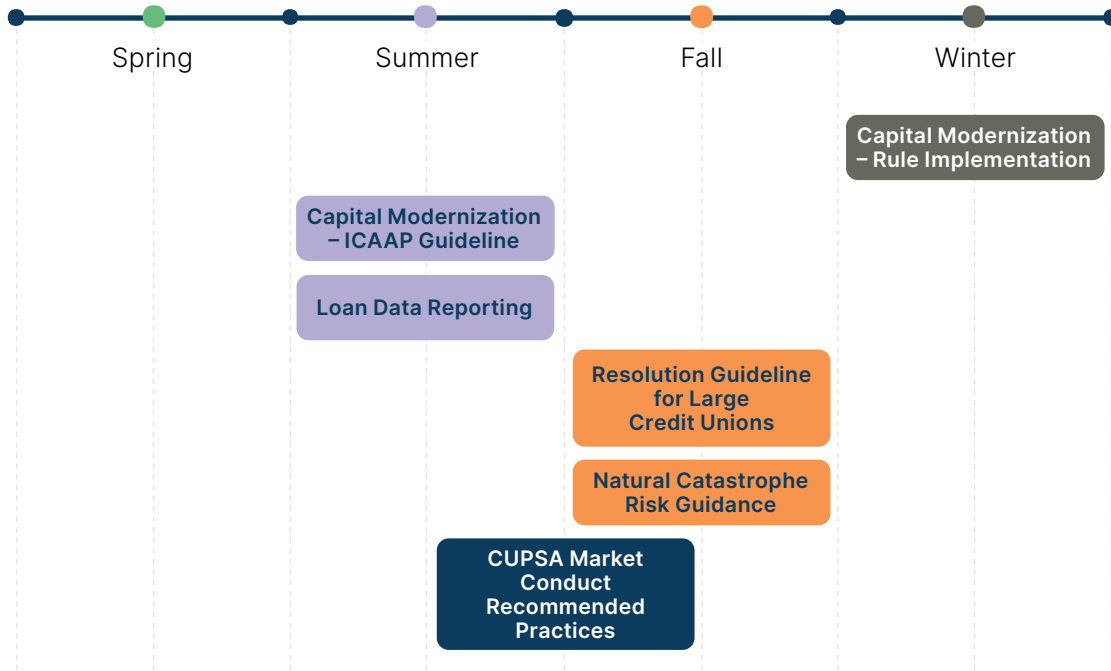
**Operational resilience, technology, and cyber risk.** Greater reliance on digital systems, data, and third party providers is increasing operational and cyber risk exposure across the credit union industry. As institutions modernize core systems, adopt advanced analytics, or explore artificial intelligence, the effectiveness of these initiatives depends on corresponding improvements in governance, controls, and expertise. Preparedness remains uneven. Where capabilities lag behind system complexity or external dependencies, credit unions may be more vulnerable to service disruption, cyber incidents, or third-party failures. Enhanced data collection is improving visibility into these risks, while also highlighting gaps in resilience and incident response capability.

**Market volatility and interest rate risk.** Ongoing uncertainty in interest rate movements and broader market conditions continues to challenge balance sheet management. These pressures affect earnings, liquidity, and capital through valuation sensitivity, funding costs, and margin compression. Credit unions with concentrated exposures or limited balance sheet flexibility are more susceptible to shocks in either direction. In this context, the effectiveness of treasury and liquidity management becomes a key determinant of resilience. Where treasury capabilities are underdeveloped or not well integrated into overall risk management, market volatility can amplify financial strain and constrain strategic options.

**Credit risk and borrower affordability pressure.** Sustained affordability pressures and housing market adjustments are increasing stress in loan portfolios, with impacts varying by credit union and exposure profile. Higher debt servicing costs, elevated living expenses, and tighter business margins are weakening borrower resilience. While overall credit performance remains stable, emerging strain is evident in some pockets. Where underwriting, risk monitoring, or portfolio management practices are not aligned with changing conditions, this can lead to more rapid deterioration in asset quality. Over time, rising borrower vulnerability may translate into higher delinquencies, affecting earnings, capital, and member outcomes.

## REGULATORY ACTIVITIES

### Timeline



### Descriptions

**Capital Modernization – Rule Implementation**

Implement the capital modernization framework, including issuance and application of the capital rule and related supervisory guidance, to strengthen capital quality, comparability, and forward looking resilience assessments.

**Capital Modernization – ICAAP Guideline**

Consult on revisions to the Internal Capital Adequacy Assessment Process (ICAAP) Guideline to align with the capital modernization framework.

**Loan Data Reporting**

Implement loan data reporting requirements to improve visibility into credit risk, portfolio composition, and emerging stress across the sector.

**Resolution Guideline for Large Credit Unions**

Issue a resolution guideline setting expectations for recovery and resolution planning, including coordination with system partners and payout preparedness.

**Natural Catastrophe Risk Guidance**

Develop illustrative guidance on best practices to support credit unions in identifying, measuring, and managing the financial risks associated with natural catastrophes.

**CUPSA Market Conduct Recommended Practices**

Adopt and implement common practices developed by the Credit Union Prudential Supervisors Association’s (CUPSA) Market Conduct Working Group on product or service suitability and complaints management.

**SUPERVISORY FOCUS AREAS**

Focus area	What BCFSa will do
Strategic relevance and viability	Assess the credibility and executability of credit unions’ strategies, including assessing whether strategic objectives are supported by governance capacity, financial resources, and risk management capabilities appropriate to institutional size and complexity.
Governance and risk management capability	Assess board, senior management, and risk management effectiveness, including oversight, renewal, risk literacy, and the ability to identify, escalate, and address material risks in a timely manner.
Treasury and interest-rate risk management	Heighten supervision of treasury practices and capabilities, including liquidity management and balance sheet and income statement stress testing, with a particular focus on elevated risk exposures, capital quality, and earnings sustainability.
Technology, cyber, and third-party risk	Scrutinize operational resilience, cybersecurity readiness, and reliance on third party service providers, including whether technology modernization initiatives and cyber readiness are supported by appropriate governance, controls, and delivery capability.
Credit risk	Monitor retail and commercial credit portfolios, with supervisory engagement focused on emerging deterioration, risk concentrations, underwriting standards, and the effectiveness of credit risk monitoring and controls.



## Insurance

**Natural catastrophe exposures.** Natural catastrophes reflect a growing structural risk for insurers, with direct implications for underwriting, capital resilience, and risk transfer. While recent loss experience has been moderate and reinsurance conditions have eased, underlying exposure continues to build as population and economic activity concentrate in higher-risk areas. Over time, increasing loss frequency and severity are putting pressure on pricing, coverage terms, and risk appetite. Insurers are adapting through underwriting discipline and exposure limits, which supports financial resilience but can also reduce coverage availability or affordability in certain regions. The earthquake protection gap in B.C. illustrates how these dynamics can leave significant risk with households and communities.

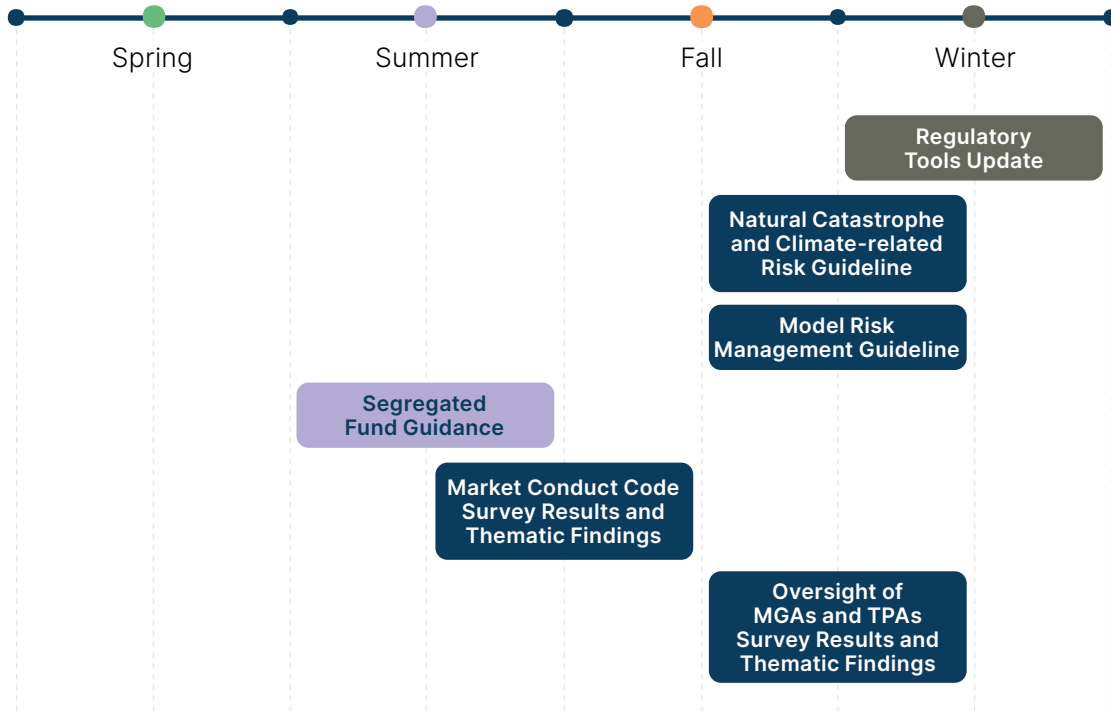
**Evolving distribution models.** More complex distribution models, including expanded use of managing general agents and other service providers, are increasing operational and conduct risk. As underwriting, claims handling, and customer interactions are spread across multiple entities, it becomes more difficult to maintain consistent oversight and ensure fair consumer outcomes. At the same time, greater reliance on external service providers increases operational dependence and reduces direct control over critical functions. Where governance, oversight, or accountability across the value chain is not well-established, risk to consumer outcomes and operational resilience can increase.

**Elevated investment and financial resilience risks.** Market volatility, inflation, and changing interest-rate conditions are affecting both sides of insurers' balance sheets. On the asset side, valuation sensitivity and reinvestment risk can affect returns and capital strength. On the liability side, claims inflation is increasing the cost of meeting obligations, particularly in property and casualty lines. These pressures can narrow margins, increase earnings volatility, and weaken financial resilience under stress. Where asset-liability management, reserving practices, or capital planning are not sufficiently robust, insurers may face greater difficulty absorbing shocks.



## REGULATORY ACTIVITIES

Timeline



### Descriptions

**Regulatory tools update**

Issue amended select regulatory tools due to the introduction of B.C.'s Restricted Insurance Agent Licensing Regime, including Regulatory Statement 24-008 Product Warranty, Vehicle Warranty, and Automobile Insurance, Information Bulletin INS-15-002 Creditor's Group Insurance, and others as applicable.

**Natural Catastrophe and Climate-related Risk Guideline**

Develop and consult on a guideline to support insurer resilience and more consistent approaches to managing natural catastrophes and climate-related risks, covering governance, risk identification, scenario analysis, and integration of risks into enterprise risk management and strategic planning.

**Model Risk Management Guideline**

Develop and consult on a model risk management guideline to support more consistent approaches to managing risks arising from the use of models, including advanced analytics and artificial intelligence, covering governance, model validation, and the identification, assessment, management of model-related risks in decision making processes.

**Segregated Fund Guidance**

Publish an Advisory outlining how BCFSa will adopt the Canadian Council of Insurance Regulators (CCIR) Segregated Fund guidance.

**Market Conduct Code Survey Results and Thematic Findings**

Publication of consolidated findings from a survey on industry's adoption of the BCFSa Code of Market Conduct in B.C.

**Oversight of MGAs & TPAs Survey Results and Thematic Findings**

Publish consolidated findings from a survey on insurers' relationships with managing general agents (MGAs) and third-party administrators (TPAs) in B.C. to improve visibility of delegated functions across distribution models.

## SUPERVISORY FOCUS AREAS

Focus area	What BCFSa will do
Natural catastrophe exposure	Focus on insurers' governance, risk management, and reinsurance arrangements in managing natural catastrophe risk, including how these risks are reflected in underwriting, pricing, and capital planning.
Investment risk	Heighten scrutiny of investment risk profiles, as elevated market volatility continues to expose insurers to reinvestment, valuation, and market risks across asset classes.
Financial and operational resilience	Assess insurers' ability to maintain adequate capital and liquidity through periods of stress, considering earnings volatility, investment and market risks, reinsurance effectiveness, and capital buffers.
Technology, cyber, and data risk	Bring greater attention to cybersecurity readiness, data protection, and the governance of technology enabled tools where failures or misuse could result in operational disruption.
Artificial intelligence and model driven practices	Monitor the use of AI and machine learning in underwriting, pricing, and claims, with attention to governance, control, and transparency.
MGA oversight and distribution chain conduct	Monitor insurers' governance and oversight of MGAs and other intermediaries, particularly where operational complexity and delegation may weaken visibility into consumer outcomes.
Market conduct disclosures	Monitor insurers' communications and disclosures to consumers, including clarity of product terms and exclusions.
Coordination with CCIR on market conduct related activities	Conduct CCIR cooperative supervisory activities related to fair treatment of consumers expectations; work with Canadian Life and Health Insurance Association on developing better practices for Life and Health insurers on oversight over TPAs; and, refine Annual Statements on Market Conduct filing templates.

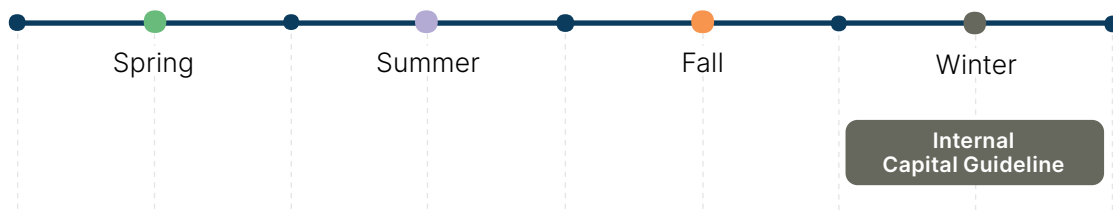
## Trusts

**Concentration and business model vulnerability.** Many trust companies operate with narrow or specialized business models, making them more sensitive to economic slowdowns and changing market conditions. Revenue and client concentration can amplify the impact of adverse conditions, particularly where earnings depend on a limited set of products, counterparties, or market segments. In a stressed environment, limited diversification may reduce financial flexibility and increase pressure on business viability and the ability to sustain services and meet client obligations.

**Operational resilience and technology risk.** Trust companies face elevated operational and technology risks due to the long term, judgment intensive, and information critical nature of fiduciary activities. Sustained accuracy, system continuity, and protection of sensitive client data are essential to meeting these obligations. Weaknesses in operational governance, management capability, data practices, or cyber resilience can disrupt service delivery and undermine confidence in a firm’s ability to fulfill fiduciary responsibilities.

### REGULATORY ACTIVITIES

Timeline



Descriptions

**Internal Capital Guideline**

Develop and consult on an Internal Capital Guideline for trust companies to strengthen their resilience by articulating internal capital expectations aligned with business model complexity, fiduciary risk, and long duration obligations.

### SUPERVISORY FOCUS AREAS

Focus area	What BCFSa will do
Business model concentration and viability	Assess business model sustainability, including revenue and client concentration, complexity, and reliance on specialized capabilities, and differentiate supervisory intensity based on fiduciary discretion, duration of obligations, and diversification of activities.
Operational resilience and technology risk	Undertake supervisory assessment of operational resilience by evaluating documentation quality, reliance on key individuals and third party providers, and the adequacy of systems, data management, and cyber governance to support the continuity of trust services and protection of sensitive client information.

## Pensions

**Governance and fiduciary competence.** The quality of pension plan governance varies across the industry. Plans differ in the strength of their governance structures, the depth of investment and funding oversight, and their internal capacity to manage compliance and risk. Many rely heavily on external advisors for actuarial, legal, and investment functions, as well as to discharge key governance and fiduciary responsibilities. Where oversight of those advisors is weak or poorly defined, gaps in accountability can emerge. Where plan administrators lack a clear understanding of their fiduciary obligations or resources to discharge them effectively, risks to oversight, decision-making, and member outcomes increases.

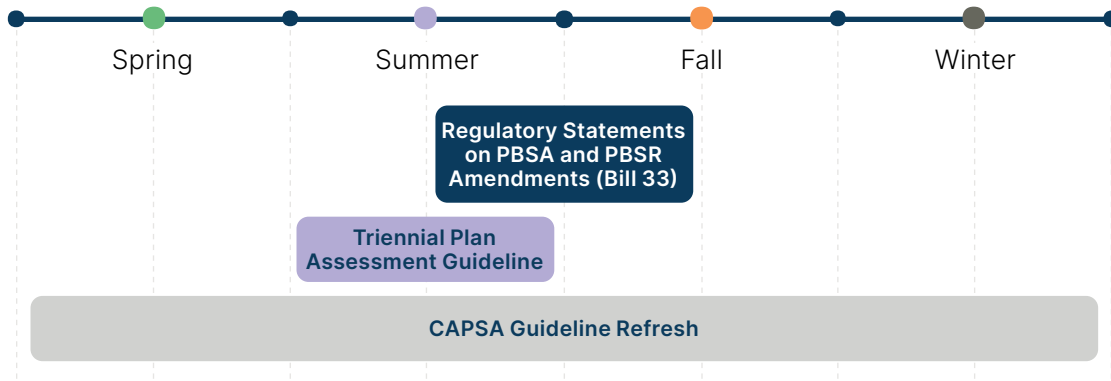
**Operational resilience and third-party risk.** Pension plans are increasingly reliant on third-party administrators and service providers to deliver core functions, creating operational dependencies and third-party risk. Legacy systems and uneven technological maturity can limit resilience, particularly in responding to disruptions, cyber incidents, or service provider outages. With limited direct operational control in some arrangements, gaps in oversight, contractual safeguards, or incident preparedness can increase the risk of service disruption or data compromise affecting plan administration and member confidence.

**Investment risk and asset liquidity pressure.** Market volatility and changing interest rate conditions are increasing pressure on pension plan investment portfolios, including greater exposure to illiquid or less transparent assets. While these strategies may support long-term return objectives, they can reduce flexibility under stress. Where liquidity demands rise or funding pressures intensify, plans may face challenges meeting obligations without forced asset sales, potentially crystallizing losses and weakening funded positions.



## REGULATORY ACTIVITIES

Timeline



Descriptions

**Regulatory Statements on PBSA and PBSR Amendments (Bill 33)**

Issue regulatory statements to support clearer governance, administration, and member protection expectations, clarifying requirements arising from recent amendments to the Pension Benefits Standards Act (PBSA) and Regulation (PBSR), including changes affecting plan administration, governance, and member protections.

**Triennial Plan Assessment Guideline**

Issue a guideline establishing expectations for preparing and documenting triennial plan assessments, supporting stronger governance discipline, oversight, and risk management practices that is proportionate to plan's size, complexity and risk profile.

**CAPSA Guideline**

Actively contribute to a review and refresh of Canadian Association of Pension Supervisory Authorities (CAPSA)'s guidelines, with a view to aligning provincial expectations with updated national standards while supporting more consistent governance and risk management expectations across the industry.

## SUPERVISORY FOCUS AREAS

Focus area	What BCFSa will do
Sponsor viability and plan sustainability	Assess the financial health of plan sponsors and the implications for funding, contribution stability, and long term plan sustainability, particularly in sectors experiencing economic stress.
Governance maturity and oversight capacity	Assess governance effectiveness, including trustee oversight, role clarity, and risk management capability, with consideration of differences in governance maturity relative to proportionate regulatory expectations.
Investment risk and asset liquidity	Scrutinize investment strategies and exposure to illiquid assets, particularly where market volatility or funding pressure could increase the risk of forced asset sales or impair the ability to meet obligations.
Operational resilience and third-party dependence	Focus on operational resilience risks arising from reliance on administrators and service providers, with a particular focus on governance, contractual oversight, data security, and contingency arrangements.
Risk management practices	Assess the extent to which plans have implemented and embedded risk management practices consistent with CAPSA Guideline No. 10, particularly where gaps may affect the ability to anticipate or manage emerging operational and investment risks.

## Real estate services

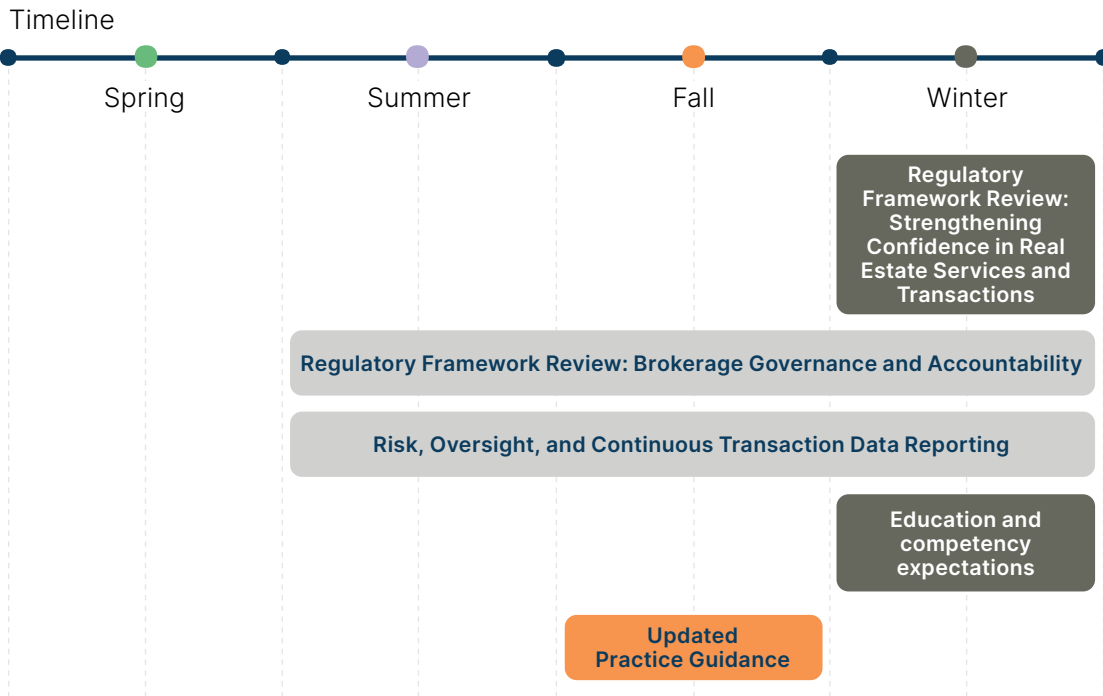
**Brokerage governance and business model sustainability.** Sustained profitability pressure is testing the viability of brokerage business models and, in some cases, weakening governance and internal controls. Where financial stress coincides with models that emphasize individual licensee autonomy over brokerage level oversight, effective supervision can become strained. This increases the risk of conflicts of interest and weaknesses in trust account management, including inappropriate access to client funds or delayed detection of irregularities. Gaps in oversight and reconciliation practices heighten the risk of consumer harm and can undermine confidence.

**Legal and regulatory disruption.** Competition law actions related to commission structures and Multiple Listing Service (MLS) systems may require changes to pricing, contracting, and service delivery models. At the same time, evolving legislation and case law may add complexity to transaction processes in B.C. Where industry practices do not adapt in a timely or consistent manner, these changes can lead to compliance gaps, inconsistent consumer experiences, and reduced clarity around roles and obligations in real estate transactions.

**Cyber and fraud risk.** Greater reliance on digital platforms and electronic transactions is increasing exposure to cybersecurity threats and fraud, including risks to personal information and consumer trust funds. These risks are amplified where brokerages face financial pressure, which can weaken internal controls, monitoring, and segregation of duties. Cyber incidents, payment redirection fraud, privacy breaches, or misuse of trust funds can result in direct consumer harm and undermine confidence in how information and funds are safeguarded.



## REGULATORY ACTIVITIES



### Descriptions

**Regulatory Framework Review: Strengthening Confidence in Real Estate Services and Transactions**

Undertake a comprehensive review of the real estate regulatory framework as part of efforts to strengthen confidence in the sector and ensure rules and disclosures keep pace with evolving business practices and consumer expectations related to transparency, fairness, and professionalism.

**Regulatory Framework Review: Brokerage Governance and Accountability**

Examine options to strengthen brokerage governance while appropriately balancing liability, accountability, and regulatory burden in response to evolving business practices and pressures on brokerage oversight and accountability models.

**Risk, Oversight, and Continuous Transaction Data Reporting**

Initiate structured assessments of licensee, brokerage, and system level risks to strengthen oversight across the industry, supported by the continuous collection of transaction level data, enabling more timely, comprehensive, and data-driven identification, monitoring, and mitigation of emerging risks.

**Education and competency expectations**

Enhance the continuing education program to support learning outcomes and industry compliance with legal and regulatory requirements, including through additional applied practice courses.

**Updated Practice Guidance**

Transition to a biannual release of new and updated guidelines, in addition to publishing the Brokers' Brief and the Real Estate Bulletin to provide targeted and timely guidance and support ongoing updates to the licensee knowledge base.

## SUPERVISORY FOCUS AREAS

Focus area	What BCFSa will do
Conduct risk and fairness	Focus on practices, incentives, and business models that may create information asymmetries or unfair consumer outcomes, particularly conflicts of interest, misleading information, and other conduct risks, particularly where market pressures or incentive structures weaken consumer outcomes.
Trust account controls	Heighten attention on governance and control environments where financial or viability pressure may increase risks related to trust account access, reconciliation, and oversight.
Cyber and fraud risk	Engage and scrutinize cybersecurity practices and social engineering fraud risks, particularly where they intersect with trust account management and consumer protection.
Crisis preparedness and coordination	Assess preparedness for brokerage stress events (e.g. sudden brokerage failure or wind up), including coordination, escalation, and response arrangements informed by past incidents.

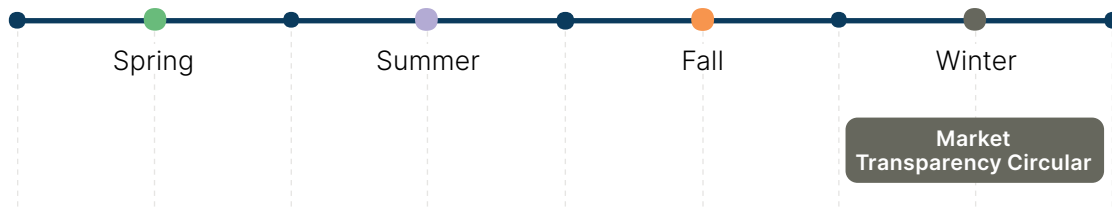


## Real estate development marketing

**Distressed developments.** A significant slowdown in the real estate market, particularly a sharp decline in condominium pre-sales, has reduced the number of projects advancing and increased financial pressure on developers and developments under construction. Elevated inventories of unsold units, slower population growth, and broader economic uncertainty are straining earnings and liquidity, contributing to layoffs and a rise in distressed developments. In this environment, developers may face greater difficulty meeting disclosure, marketing, and contractual obligations, increasing the risk of delays, project cancellations, and consumer harm.

### REGULATORY ACTIVITIES

Timeline



Descriptions

**Market Transparency Circular**

Develop market intelligence outputs to improve transparency around developer filings and market trends.

### SUPERVISORY FOCUS AREAS

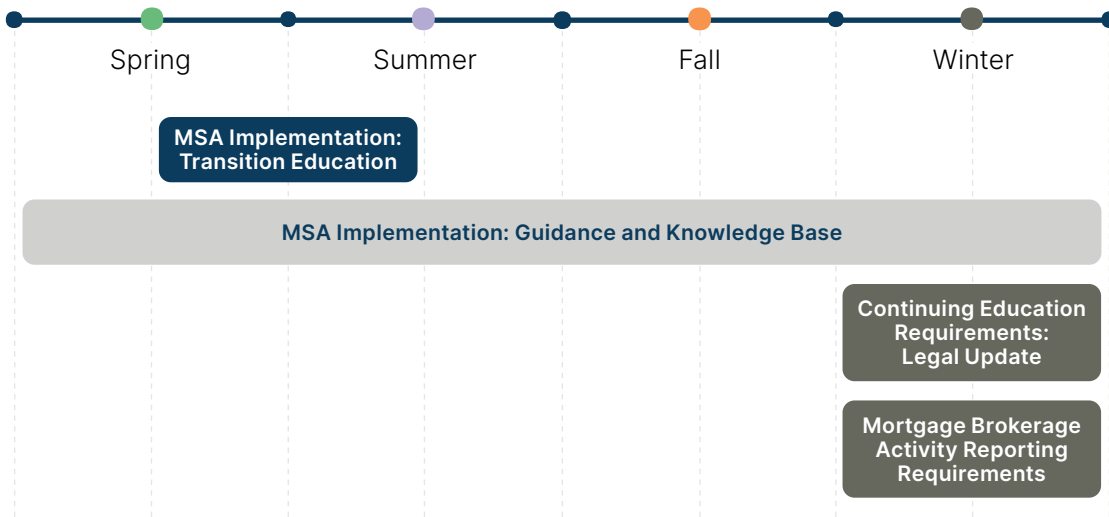
Focus area	What BCFSa will do
Distressed developments	Heighten supervision of developments exhibiting signs of financial or project distress, particularly where deteriorating market conditions increase risks to purchasers, including compliance with cease marketing requirements, management of purchaser funds held in trust, and adherence to disclosure obligations.
Market integrity and disclosure quality	Focus on the accuracy, completeness, and timeliness of disclosures provided to purchasers, particularly where market conditions increase the risk of delayed, altered, or cancelled projects.

## Mortgage services

**MSA regulatory framework adoption.** The Mortgage Services Act (MSA) and related regulations and rules will come into effect on October 13, 2026. The new framework requires mortgage service providers to adjust business models, operational practices, and compliance frameworks. BCFSA is supporting the transition through mandated education and practice guidance. Where governance capacity, controls, or implementation planning are insufficient, there is a risk of non-compliance during the transition period, leading to inconsistent consumer protection and uneven outcomes.

### REGULATORY ACTIVITIES

Timeline



Descriptions

**MSA Implementation: Transition Education**

Implement mandatory transitional education for all mortgage brokers to support industry transition to the new regulatory framework, focusing on MSA licensing, brokerage administration, and licensee duties and responsibilities, among other topics and specific education targeted for principal brokers.

**MSA Implementation: Guidance and Knowledge Base**

Develop and publish a guidance library (Knowledge Base) and FAQs to support industry and public understanding of MSA requirements, including topic-specific clarification where required.

**Continuing Education Requirements: Legal Update**

Develop Legal Update 2027 for mortgage brokers with a focus on putting the MSA into practice to support licensees with ongoing adjustments to the new regulatory regime, incorporating category-specific use case scenarios to demonstrate applicability, alignment, and compliance with the new regulatory framework.

**Mortgage Brokerage Activity Reporting Requirements**

Establish formal requirements for mortgage brokerage activity reporting.

## SUPERVISORY FOCUS AREAS

Focus area	What BCFSa will do
MSA transition and implementation oversight and outreach	Monitor and enforce adherence to new regulatory requirements, with a focus on how brokerages and licensees implement them in practice, through compliance self-assessments and targeted examinations to support effective adoption, focusing on product suitability, disclosure practices, and fiduciary duties.
Business models and corporate structures	Provide continued supervision of complex or multi-entity business structures and licensing suitability to ensure regulatory accountability and clarity of roles and responsibilities.
Compliance culture and remediation	Strengthen emphasis on brokerage governance and the role of brokerages and the principal broker within the compliance chain, recognizing their critical responsibility for overseeing and ensuring regulatory compliance at the brokerage level.

## Money services business

**Money services business regulatory framework implementation.** The Money Services Businesses Act (MSBA) received Royal Assent in May 2023, but is not yet in force. As the regulatory framework is finalized, money services businesses will be required to register with BCFSa and meet new regulatory requirements. In this transition period, there is a risk that firms are not fully prepared to meet regulatory expectations, particularly where governance, compliance capacity, or awareness of obligations is limited. This can result in inconsistent compliance, gaps in oversight, and increased exposure to financial crime and consumer harm. BCFSa is supporting the Government of B.C. and will engage with industry participants to support the transition to the new regulatory regime.



600-750 West Pender Street

Vancouver, BC V6C 2T8

604 660 3555

866 206 3030 (Toll free)

[info@bcfsa.ca](mailto:info@bcfsa.ca)

[bcfsa.ca](https://bcfsa.ca)

 **Confidence  
Starts Here**