Discussion paper

# BCFSA Fee Review Framework

BCFSA

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| **APPROVED BY** | Tolga Yalkin |
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# 1 Introduction

BC Financial Services Authority (BCFSA) is an industry-funded regulator responsible for supervising financial services in British Columbia, including insurance companies, pensions, credit unions, real estate services, real estate development marketing, mortgage services, and trust companies.

Regulated industries, government, and consumers all benefit from a regulatory system that is effective, clear, and sustainable. Maintaining that system requires ongoing investment in the people, expertise, technology, and oversight needed to respond to emerging risks, changing market conditions, and evolving expectations.

BCFSA is proposing a predictable and clear fee review process that uses regular review and consultation to keep fees current and aligned with regulatory activity, while reducing the likelihood of large, infrequent fee changes.

Because BCFSA is funded by the industries it regulates, it is important that those industries understand how fee reviews are conducted, what factors may be considered, and when they occur.

BCFSA is engaging with industry before finalizing this framework. Feedback will inform the proposed framework, implementation considerations, and potential impacts for regulated industries. Any specific fee changes proposed as part of this framework are subject to government approval.

# 2 Why BCFSA is proposing a fee review framework

The objective of the proposed framework is to establish a predictable, consistent approach to future fee reviews so regulated industries have clarity as to how reviews will be conducted. Regulated industries need clarity on when fees may be reviewed, what factors will be considered, and how potential changes will be assessed so they can plan and make informed business decisions. This predictability supports long-term planning and a more stable operating environment by reducing uncertainty around future fee changes.

The current unevenness partly reflects BCFSA's integration history. When separate regulatory functions were brought together, BCFSA inherited different fee structures and review practices. Over time, those differences have left BCFSA-regulated industries on different review cycles: some fee models have been updated recently while others have remained largely unchanged for many years.

Under the current fee review model, fees may remain unchanged for extended periods while the cost of regulation continues to evolve. This can create misalignment between fees and regulatory costs. When fee reviews eventually occur, several years of accumulated cost pressures may need to be addressed at once, resulting in larger fee adjustments than would likely be required under a more regular review cycle.

A regular review framework would provide greater certainty by setting clear expectations for the timing, scope, and approach for future reviews. It would also create a more consistent process across industries while recognizing that each industry has its own regulatory context and fee structure. By evaluating fees more consistently, the framework would reduce the likelihood of larger, infrequent fee changes.

A predictable framework must also be paired with cost discipline. Last summer and fall, BCFSA undertook a comprehensive sustainability review to reduce costs, strengthen financial planning, and focus resources on work that supports its mandate. These measures included reducing staffing levels, streamlining operations, deferring non-critical initiatives, reducing reliance on external consultants, and strengthening controls on discretionary spending.

BCFSA's public reporting shows the early financial impact of these measures. Total expenses declined from $81.3 million in fiscal 2025 to $80.1 million in fiscal 2026, despite one-time transition costs required to reduce BCFSA's ongoing cost base, and are budgeted at $77 million in fiscal 2027. This represents a reduction of approximately $4.3 million, or more than 5 per cent, compared to fiscal 2025, despite ongoing inflationary pressures. Public reporting also notes significant reductions in non-salary expenditures, including professional services, information systems, occupancy, and legal costs, achieved through targeted cost-management measures while continuing to support core regulatory responsibilities.

A regular fee review process is not a substitute for that ongoing discipline. BCFSA will continue to look for opportunities to manage costs, improve productivity, streamline processes, and make effective use of technology. The framework provides a transparent way to assess whether fees remain aligned with regulatory work after those stewardship efforts and realized efficiencies are taken into account.

The framework would establish a process for reviewing fees. Its purpose is to provide greater predictability about how fee reviews occur, not to predetermine future fee outcomes. A review may result in a recommendation to increase fees, decrease fees, modify a fee model, or make no changes. Any resulting fee change would continue to require the applicable government approval before implementation.

# 3 Proposed fee review framework

BCFSA is proposing a fee review framework that establishes two complementary review mechanisms:

1. Annual cost-based fee reviews
2. Comprehensive fee reviews

The two review mechanisms serve different purposes. Annual cost-based reviews assess whether fees remain aligned with current regulatory costs, while comprehensive reviews assess whether an industry's fee model remains effective and fit for purpose.

Annual cost-based fee reviews would provide a yearly assessment of whether fees remain aligned with the cost of regulation and whether an incremental fee adjustment within the existing fee model is justified. Annual reviews would focus on cost alignment and not generally respond to short-term volatility and temporary market fluctuations or reopen broader questions about fee model design, regulatory mandate, service levels, or other structural issues.

Comprehensive fee reviews would provide a more detailed assessment of significant fee-related issues, including broader questions about the design, operation, appropriateness, and broader industry impacts of an industry's fee model. Each regulated industry will be scheduled for a comprehensive review at least every five years.

Together, these reviews create a predictable process for assessing fees over time while preserving the existing approval requirements for any future fee changes. The framework would establish BCFSA's review process only. It would not approve future fee changes or delegate fee-setting authority to BCFSA.

| Annual cost-based fee review | Comprehensive fee review |
|---|---|
| • Provides a yearly check on whether fees remain aligned with current regulatory costs. | • Provides a broad assessment of the effectiveness of the fee model and whether it remains fit for purpose. |
| • Focuses on cost alignment within the existing fee model using historical financial performance as the basis for review. | • Considers multi-year trends and changes in policy, legislation, regulatory responsibilities, markets, industry structure, costs, revenues, or other relevant factors, depending on the issue being reviewed. |
| • Supports no fee adjustment or an incremental cost-alignment adjustment within the existing fee model. | • Supports recommendations to change fee rates, adjust caps or thresholds, modify the fee model where warranted, or make no changes. |

The annual cost-based fee review would help determine whether fees remain appropriately aligned with current regulatory costs and whether any incremental adjustment is warranted within the existing fee model. It would result in one of two outcomes.

First, if the review indicates that fees remain appropriately aligned with current regulatory costs, no fee adjustment would be proposed.

Second, if the review indicates that fees are no longer appropriately aligned with current regulatory costs, BCFSA may consider an incremental adjustment. Any such adjustment would be limited to restoring cost alignment within the existing fee model and would not reopen broader questions about fee design, regulatory mandate, service levels, or other structural issues.

The annual review may also identify broader fee-related concerns that are outside the scope of that narrow review. BCFSA would consider those concerns when determining the timing and scope of a comprehensive fee review, including whether a comprehensive review should occur sooner than scheduled.

Comprehensive reviews would be scheduled for each regulated industry at least every five years and may occur sooner where BCFSA identifies significant fee-related issues that cannot reasonably be addressed through an annual cost-based fee review.

# 4 How the framework is implemented across industries

BCFSA would apply the same review framework across all regulated industries through a phased implementation approach. While comprehensive reviews would be scheduled for each industry at least every five years, the initial sequencing would vary to reflect recent fee changes, reviews already underway, and industry-specific statutory or operational requirements. The table below shows the proposed sequencing for bringing each industry into the comprehensive review cycle.

Regulated industries would be engaged on any proposed fee change before it is recommended to government for approval.

| | 2026 | 2027 | 2028 |
|---|---|---|---|
| **INDUSTRY** | Pensions*<br>Mortgage services* | Credit unions<br>Trust companies<br>Insurance | Real estate services<br>Real estate development marketing |

*For pensions and mortgage services, the 2026 comprehensive fee reviews considered industry-specific cost recovery issues and included forward-looking assumptions on inflation, consistent with historical practice. As a result, for the period 2026–2029, these regulated industries would not be subject to an annual cost-based fee review but would be monitored to determine whether material changes in regulatory responsibilities, market conditions, costs, revenues, or the operation of the fee model warrant a change to planned comprehensive review timing.

Money services businesses are not included in the framework table because the regulatory regime has not yet come into force. BCFSA will consider fee-setting and review processes for that industry as part of implementation of the Money Services Businesses Act (not in force).

# 5 Discussion questions

The following questions are intended to guide feedback on the proposed fee review framework, engagement and implementation. Respondents may answer any and provide additional comments on issues they consider relevant.

### 1. Overall framework

What aspects of the proposed fee review framework work well, and what aspects could be improved?

### 2. Clarity and predictability

What additional clarity, if any, would help industry better understand when and how annual reviews and comprehensive reviews would occur?

### 3. Annual reviews

What factors should BCFSA consider when determining whether a fee adjustment is warranted through an annual review?

### 4. Comprehensive reviews

What factors, events, or changes should lead BCFSA to undertake a comprehensive review, including earlier than scheduled?

### 5. Engagement and feedback

What information, opportunities for input, or approaches would support meaningful engagement with industry during annual and comprehensive fee reviews?

### 6. Transparency and decision-making

How should BCFSA communicate the results of a fee review, including the rationale for any fee changes and how industry feedback was considered?

### 7. Implementation and final considerations

What implementation considerations, industry-specific impacts, or other factors should BCFSA take into account before finalizing and implementing the framework?

# 6 Engagement approach and next steps

BCFSA is seeking feedback on the proposed fee review framework, including the two review components, implementation considerations, and measures that support transparency and predictability.

Feedback will help identify impacts, refine implementation considerations, and inform future fee reviews.

### Participants and feedback

BCFSA welcomes feedback from regulated industries, industry associations, consumer and investor representatives, pension plan sponsors and administrators, professional advisors, Indigenous interest holders, and other interested parties.

Once the framework is in place, BCFSA would inform regulated industries of the outcome of annual cost-based fee reviews and comprehensive fee reviews. BCFSA would also engage with regulated industries when considering fee changes, fee model changes, or changes to comprehensive review timing.

Feedback may be submitted through our online feedback form or by email to engage@bcfsa.ca.

### Confidentiality and publication

Participation in the consultation is voluntary. BCFSA will publish a summary of the feedback received and will not attribute comments to individual respondents. Please note that individual, non-anonymized submissions may be shared with the Ministry of Finance. Any fee changes resulting from this process would be subject to further industry engagement, BCFSA recommendations, and government approval before implementation.

BCFSA collects, uses, and discloses personal information in accordance with the Freedom of Information and Protection of Privacy Act (British Columbia) and its Privacy Policy.

Any personal information that you choose to provide will be collected under section 26(c) of the Freedom of Information and Protection of Privacy Act (British Columbia) for the purpose of informing BCFSA's fee review framework. If you have any questions about BCFSA's collection of personal information, please contact BCFSA's Privacy Officer at foi@bcfsa.ca.

### Engagement deadline

The engagement period will remain open until October 16, 2026. Feedback received after this date may not be considered.

### Additional engagement

BCFSA may also undertake targeted engagement activities during the engagement period. Feedback from these discussions will be considered alongside written submissions.

### Next steps

Following completion of engagement, BCFSA will review feedback, evaluate potential impacts and implementation considerations, and finalize its proposed fee review approach.

BCFSA will publish a report summarizing feedback and will use the input received to inform implementation of the framework, including future annual cost-based fee reviews and comprehensive fee reviews for each regulated industry.

Where future fee changes or fee model changes are being considered, BCFSA would engage regulated industries before developing recommendations for government.

## Conclusion

The proposed fee review framework is intended to support a more predictable and consistent approach to reviewing fees across BCFSA-regulated industries. By establishing annual cost-based reviews every year and comprehensive reviews at least every five years, or sooner where warranted, the framework would help regulated industries better understand when reviews may occur, what factors may be considered, and how the scope of a review would be determined.

The framework would establish the process BCFSA will use to assess fees and develop recommendations over time. It would not approve future fee changes. Any fee change arising from an annual cost-based fee review or comprehensive fee review would remain subject to the applicable government approval process before implementation.

600-750 West Pender Street

Vancouver, BC V6C 2T8

604 660 3555

Toll free 866 206 3030

info@bcfsa.ca

**bcfsa.ca**

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