

**Ministry of Finance**  
**BRIEFING DOCUMENT**

**To:** Honourable Kevin Falcon  
Minister of Finance  
and Deputy Premier

**Date Requested:**  
**Date Required:**

**Initiated by:** Consumer Taxation  
Programs Branch (CTPB)

**Date Prepared:** January 19, 2012

**Ministry Contact:** Jordan Goss  
Executive Director, CTPB

**Phone Number:** (250) 387-0611  
**Email:** Jordan.Goss@gov.bc.ca

**Cliff #:** 252007

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**TITLE:** Amend the Tobacco Tax Act Regulation to clarify and support  
current policies and practices

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**PURPOSE:**  
(X) **DECISION REQUIRED**

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**COMMENTS:** The Tobacco Tax Act Regulation is not consistent with and does not fully authorize current administrative policies and practices. The proposed minor amendments will clarify select definitions and modernize the language in provisions relating to current administration and operational practices. No industry or operational changes will result from the proposed amendments.

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Executive Director approval: 

ADM approval: 

DM approval: 

**DATE PREPARED:** January 19, 2012

**TITLE:** Amend the Tobacco Tax Act Regulation to clarify and support current policies and practices

**ISSUE:** Minor regulatory amendments<sup>1</sup> to clarify, correct inconsistencies and remove duplication in the tobacco tax regulations

**BACKGROUND:**

The Tobacco Tax Act Regulation, B.C. Reg. 66/2002, is significantly outdated and contains unclear, conflicting and duplicated provisions.

The issues include:

- descriptions of the classes of dealer's permits are outdated. For example, a "cigar wholesale dealer" is restricted to selling only cigars. In practice, most cigar wholesale dealers also sell other types of product such as pipe and chewing tobaccos;
- tobacco retail authorizations (TRAs), introduced in 2006, need to be prescribed as a class of dealer. Permit requirements for each of the three classes of dealer also require clarification; and
- minor inconsistencies and duplication in language that will be brought to the drafter's attention for clarification.

**DISCUSSION:**

The existing provisions do not reflect current practice and are causing confusion for government and industry.

The proposed amendments will support existing operations and best practices, and will not impose any additional obligations on business or government.

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<sup>1</sup> These amendments are additional to those approved by the Minister in May 2011 regarding British Columbia's adoption of the new federal tobacco stamping regime for certain tobacco products (refer to BN, clff #240573). Drafting of those amendments is anticipated to commence in January 2012. The amendments discussed in this briefing note are secondary in nature and may be completed as an independent drafting project.

**OPTIONS:**

**Option 1: Prepare an Order-in-Council package to amend the Tobacco Tax Act Regulation to clarify and support current policies and practices**

**Advantages:**

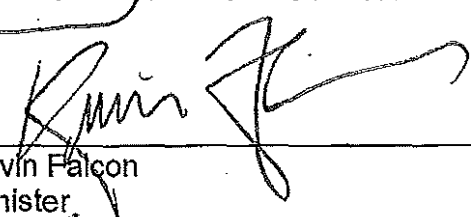
- Clarifies regulatory provisions
- Promotes legislative compliance resulting from clarification of administrative requirements
- Promotes consistent understanding of requirements by business
- Estimated cost to the province is nil (staff time only)
- Will not change current tax administration or business practices

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**RECOMMENDATION:**

**Option 1: Prepare an Order-in-Council package to amend the Tobacco Tax Act Regulation to clarify and support current policies and practices**

**APPROVED / NOT APPROVED**

  
Kevin Falcon  
Minister

Feb. 12, 2012  
Date

**Ministry of Finance  
BRIEFING DOCUMENT**

To: Honourable Kevin Falcon  
Minister of Finance

Date Requested:

Date Prepared: January 3, 2012

Initiated by: Jim Hopkins  
Assistant Deputy Minister  
Provincial Treasury

Phone: [250] 387-9295  
email: jim.hopkins@gov.bc.ca

Contact: Darshi Klear  
Executive Director  
Debt Management Branch  
Provincial Treasury

Phone: [250] 387-8815  
email: darshi.klear@gov.bc.ca

**CLIFF 252190**

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**Title: Debt Management Related Budget Activities - 2012**

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**For Information**

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## **Title: Debt Management Related Budget Activities - 2012**

### **Background:**

Just prior to and after the release of the 2012 Budget on February 21, 2012, there will be several activities with the financial community which require your participation. The purpose of this note is to highlight these activities for you and provide confirmation of the events that have been scheduled and/or proposed.

### **Discussion:**

#### **Summary of Activities:**

##### **Rating Agency Briefing Calls**

Prior to release of the 2012 Budget on February 21, 2012, the Deputy Minister of Finance along with ministry staff will provide a high level briefing to the three major credit rating agencies (Moody's, S&P & DBRS) on the key points that will be delivered by you in the 2012 Budget. These calls will be scheduled for Monday, February 20, 2012, and do not require your participation.

##### **Post Budget Investors Teleconference Call**

On February 23, 2011, **TD Securities**, a senior member of the province's Canadian dollar syndicate, will host a teleconference call for you to review the 2012 Budget with firms in the province's domestic and international underwriting syndicates, as well as their institutional clients. There will be an opportunity to field questions from the audience. We will book a time in your schedule between 8:00 am and 9:00 am to brief you and to conduct the teleconference call. The call will be scheduled to start at 8:30 am and we will meet in your office at 8:00 am for a briefing and introduction with the host. A more detailed briefing note will be provided closer to February 21, 2012.

##### **Budget Dinner**

On or following Budget day, the Minister of Finance has traditionally participated in a dinner which is attended by the province's domestic and international syndicate managers and senior Ministry of Finance staff. The dinner provides an opportunity to ensure the key Budget messages are appreciated by those who will be assisting the province with its financing program and representing the province to investors. For this 2012 Budget, we have scheduled this dinner to take place on Thursday, February 23, 2012. A private dining room at the Empress Hotel has been reserved for this dinner meeting. **Scotia Capital**, a senior member of the province's syndicate, will host the dinner. This has been scheduled in your calendar and more details will be provided closer to February 23, 2012. February 23 is recommended because from past

experience Budget Day and the next day proves to be very busy for the Minister with media.

### **Post Budget Rating Agency Meetings**

In recent discussions with the three credit rating agencies (Moody's, S&P & DBRS), they have all indicated a desire to attend, in Victoria, the traditional technical briefing on the 2012 Budget. Your participation in these meetings is normally limited to a luncheon or dinner meeting with each agency's representatives. We will be scheduling the technical meetings for the week of March 5, 2012. Your scheduled will be booked to join the agencies in the private meeting room at the Legislative Dining Room for a luncheon meeting:

We will also endeavour to book the Minister of Health and ask the rating agencies if there is another Minister with whom they would be interested in meeting. Given the significance of the 2012 Budget, it would be desirable for the new Premier to drop in for a few minutes and we will inquire through your office.

### **2012 Investor Tour**

The purpose of the annual investor tour is to review the province's economic and fiscal situation with senior members of the province's domestic and international syndicates and institutional investors who hold, or are considering holding Province of BC securities. The tour typically follows the budget and includes meetings in Vancouver, Toronto, Montreal and New York.

It is important that the financial community understand the government's plan and is given an opportunity to ask their questions. Meetings can also be convened with senior corporate representatives who may be considering business opportunities in BC and other parties interested in the general business climate in the province.

We are recommending the investor tour start after the Easter long weekend in New York on Tuesday April 10, followed by Montreal on the 11<sup>th</sup> and Toronto on the 12<sup>th</sup>, and end in Toronto or Chicago on Friday, April 13<sup>th</sup>. This coincides with the scheduled House Easter Break and would be followed by an Investor luncheon in Vancouver on April 20<sup>th</sup>. We will confirm with your office if the timing works for you.

Further to earlier conversations about the merit of an Asian investor tour, we have received an interesting proposal from HSBC Securities and we will propose optional itineraries for a tour later in May or June. We will coordinate with your office on the best timing.

**Ministry of Finance**

**BRIEFING DOCUMENT**

**TO:** HONOURABLE KEVIN FALCON

**Date:** 30/01/12

**INITIATED BY:** Jim Hopkins  
Assistant Deputy Minister  
Provincial Treasury

**Phone:** 250 387-9295  
**Email:** Jim.Hopkins@gov.bc.ca

**CONTACT:** Annie Johnson  
Senior Manager  
Risk & Performance Measurement  
Debt Management Branch  
Provincial Treasury

**Phone:** 250 387 7138  
**Email:** annie.johnson@gov.bc.ca

**CLIFF # 252664**

**TITLE:** Volcker Rule and its Impact on the Canadian Financial Markets

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**X FOR INFORMATION**

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**SUBJECT:        The Volcker Rule and its Impact on the Canadian Financial Markets**

**BACKGROUND:**

- In response to the 2008 global financial crisis, financial regulators worldwide sought to amend legislation and regulation in order to ensure that the crisis would not be repeated.
- The US government drafted the Dodd Frank Wall Street Reform and Consumer Protection Act which was passed into law on the 21<sup>st</sup> of July 2010, its various provisions to be implemented over a number of years. The Dodd Frank Act covers everything from regulation of consumer credit cards to derivatives transactions.
- The Volcker Rule is one small part of the Dodd Frank Act. This Rule is intended to prohibit US banks from engaging in speculative investments for their own account (also known as proprietary trading), and prohibit US banks from sponsoring or investing in hedge funds or private equity funds. It is proposed to be effective July 2012, with an initial two year conformance to provide full compliance
- The Volcker Rule includes a number of exemptions including :

1. Proprietary trading in US Treasuries, US states and US municipal bonds;and
2. Trading outside the US

In order to comply:

- The transaction must be conducted by an entity that is not organized under any laws of the US which rules out any exemption for foreign (including Canadian) dealers which have operations in the US and their trading activity in their home country
  - No party to the transaction can be a resident of the US
  - Personnel of the banking entity that is involved in the transaction can't be physically located in the US
  - Transactions must be executed wholly outside the US
- The agencies involved in drafting the Volcker Rule, namely the Federal Reserve, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation (FDIC) and the Securities and Exchange Commission (SEC) published the Rule in the Federal Register on the 7<sup>th</sup> of November 2011 and the official comment period will close on the 13<sup>th</sup> of February 2012.
  - Comment letters have already been submitted by the Investment Industry Association of Canada, the Canadian Bankers Association and the Office of the Superintendent of Financial Institutions Canada outlining their strong objections to the application of the Rule. The Governor of the Bank of Canada has also recently been quoted in the media voicing his objections to the Rule.
  - The federal Ministry of Finance contacted the provincial governments and recommended that they also submit their comments to the Rule.



## **DISCUSSION:**

The Volcker Rule was intended only to impact US banks by placing controls on them that would limit their capacity to enter into proprietary trading. It was expected that by doing so the need for future US tax-payer funded bailouts would be reduced. In reality this rule will effectively apply to every bank in the world with a meaningful trading business, regardless of domicile. . The Province is primarily concerned with the cross border regulatory infringement created by the Rule and its impact on liquidity in the Canadian government bond markets in Canada, the US and abroad. The competitiveness of Canadian financial institutions and the stability of the Canadian monetary system may also experience negative collateral impacts from the Rule as currently drafted.

### **Implications**

#### **Cross Border Regulatory Infringement**

There is a growing concern that the Volcker Rule expands across borders and infringes on regulatory framework in jurisdictions outside of the US including Canada. One of the main reasons for this is the requirement that a trade must be executed 'wholly outside the US' in order to qualify for exemption from the Rule. This is of particular concern to Canadian institutions given the close inter-linkages between the US and Canadian financial systems that have existed for many years. Examples of which are the use of US book-based trading and settlement systems by Canadian institutions, the use of US financial exchanges for transacting futures and options involving both Canadian dollar and other currencies to manage financial risk exposures as well as the ubiquity of US owned infrastructure such as Bloomberg. This could result in Canadian firms which transact trades entirely within Canada but which have some operation in the US (for example ,US regulated trading operation, settlement operation, or which use Bloomberg as a trading tool) being subject to US regulations even though the trade does not impact the stability of the US financial system in any way. This could also force these Canadian institutions to curtail their non-US activities in a manner which is not consistent with the policies of the Canadian regulators or an efficient capital market.

#### **Reduced Liquidity**

Under the Volcker Rule, US government bonds are exempt from the proprietary trading rules however foreign government bonds are not. Given Canada's strong ties with the US together with its reliance on US markets this could seriously affect liquidity of Canadian issuers. More than one fifth of Canadian government debt is held by non-residents, with a significant share held by US investors. There is also a lack of clarity over how regulators will distinguish between proprietary trading and other types of market making activity. Some sell-side banks currently keep inventory positions in order to supply their clients with a security in certain circumstances, such as when market makers assume the role of counterparty in the absence of a ready buyer to facilitate a trade or bond issue (as is currently the practice with the way in which the Province issues public bonds). Under the Volcker Rule as it is currently proposed, banks might be discouraged from providing such market making trades for fear that they would be engaging in what regulators consider proprietary trading. Federal Reserve data shows a drop in primary bond dealer inventory to an eight year low since the Rule was announced as there is a pressure on all trading desks to lower their inventory positions. There is a significant risk that infrequent, less liquid issuers (such as the Province) will have to pay more and it will be more difficult to come to the US market as a result of spread widening due to the Rule. Further the Rule risks impeding market making activity by Canadian banks in the domestic capital markets which will increase borrowing costs to the Province.

**RECOMMENDATION:**

It is proposed that the Province will provide a comment letter (attached) addressed to the Federal Reserve, the Office of the Comptroller of the Currency, the FDIC and the SEC registering its concern with the implications of the Volcker Rule and its potential impact on the Province.

The letter will:

- Express our concern that a US financial regulation will apply to institutions in Canada and potentially conflict with Canadian regulations; and
- Request that the exemption currently in place for US government debt be extended to Canadian government debt (federal, provincial and municipal).

The letter will be published on the respective web-sites of each of the four agencies to which the letter is addressed.

In closing it should be noted that even former Federal Reserve Chairman Paul Volcker, whose idea it was to ban the practise of proprietary trading has expressed his reservations about the reach of the draft rule.

**Ministry of Finance**  
**BRIEFING DOCUMENT**

**To:** Honourable. Kevin Falcon  
Minister of Finance and  
Deputy Premier

**Date Requested:**  
**Date Required:**

**Initiated by:** Marcus Gill  
A/Executive Director  
Financial and Corporate Sector  
Policy Branch

**Date Prepared:** February 9, 2012

**Ministry Contact:** Marcus Gill  
A/Executive Director  
Financial and Corporate Sector  
Policy Branch

**Phone Number:** 250 387-9090  
**Email:** Marcus.Gill@gov.bc.ca

**Cliff #:** 252804

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**TITLE:** Unlimited Deposit Guarantee

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**PURPOSE:**

- (X) DECISION REQUIRED
  - (X) POLICY OVERVIEW
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**COMMENTS:**

British Columbia introduced an unlimited deposit guarantee for credit unions in 2008 as one of the government's responses to the global financial crisis.

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Executive Director approval: \_\_\_\_\_

ADM approval: \_\_\_\_\_

DM approval: \_\_\_\_\_

**DATE PREPARED:** February 9, 2012

**TITLE:** Unlimited Deposit Guarantee

**BACKGROUND:**

- The credit union system began offering deposit insurance in 1958 through a system run deposit insurer. In 1989, the system run deposit insurer was continued as the Credit Union Deposit Insurance Corporation (CUDIC), a government corporation administered by the Financial Institutions Commission (FICOM).
- CUDIC maintains a fund comprised of accumulated assessments from BC credit unions and investment income. If a payout exceeds fund resources, CUDIC could then request a loan or loan guarantee from the government.
- CUDIC has never made a payment to depositors.
- To maintain confidence in the credit union system during the 2008 financial crisis, the Government introduced an unlimited deposit guarantee by eliminating the \$100 000 guarantee limit set out in the *Financial Institutions Act*.
- British Columbia is one of four provinces with unlimited deposit insurance for credit unions. Attached as Appendix 1 is a table on deposit insurance coverage in Canada.
- When BC introduced unlimited deposit insurance, 65 per cent of credit union deposits were under \$100 000. FICOM estimates that approximately 55 per cent of all deposits are now under \$100 000.
- CUDIC's fund is approximately \$395 million, which represents approximately 74 basis points (bps) of total system deposits (currently \$47 billion). CUDIC anticipates meeting the target fund size of 88 bps of total deposits by March 2015.

**DISCUSSION:**

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**RECOMMENDATION:**

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**APPROVED / NOT APPROVED**

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Kevin Falcon  
Minister

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Date

## Appendix 1

Jurisdiction	Deposit Insurance Coverage	System Deposits (in billions)	Target Fund Size	Actual Fund Size	Government Backing
British Columbia	Unlimited	\$45	88 bps*	80 bps	Permitted
Alberta	Unlimited	\$16	100 – 150 bps	89 bps	Explicit
Saskatchewan	Unlimited	\$14	150 bps	150 bps	Permitted
Manitoba	Unlimited	\$17	100 – 150 bps	100 bps	Permitted
Ontario	\$100 000	\$21	56 – 68 bps	44 bps	Undefined
Quebec	\$100 000	\$88	Not Defined	54 bps	Permitted
New Brunswick	\$250 000	\$3.6	150 bps	250 bps	Permitted
Nova Scotia	\$250 000	\$1.8	100 bps	105 bps	Permitted
PEI	\$125 000	\$0.7	200 bps	135 bps	Permitted
Newfoundland and Labrador	\$250 000	\$0.7	100 bps	77 bps	Permitted
Federal	\$100 000	\$598	40 – 50 bps	37 bps	Explicit

\* Basis point. Each basis point equals 1 / 100<sup>th</sup> of a percent.

**Ministry of Finance  
BRIEFING DOCUMENT**

**To:** Honourable Kevin Falcon  
Minister of Finance  
and Deputy Premier

**Date Requested:** N/A  
**Date Required:** February 24, 2012

**Initiated by:** Pat Parkinson  
Executive Director  
Revenue Solutions Branch

**Date Prepared:** February 9, 2012

**Ministry Contact:** Gurcharn Beckett  
Senior Policy Analyst  
Revenue Solutions Branch

**Phone Number:** 250-356-0371  
**Email:** Gurcharn.Beckett@gov.bc.ca

**Cliff #:** 252811

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**TITLE:** Amendment to Minister of Finance Directive - various service and administrative fees charged by Ministries

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**PURPOSE:** DECISION REQUIRED

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**DATE PREPARED:** February 9, 2012

**ISSUE:** Request for an exemption to Minister of Finance Directive for a returned banking instrument (NSF) fee for Direct Lend Student Loans.

**BACKGROUND:**

- In 2010, Treasury Board approved the funding for the administrative integration of the BC Student Loan Program with Canada Student Loan Program. At the same time, approval was provided for the alignment of certain key BC student loan policies with Canada student loan policies.
- This approval included the alignment of BC's NSF policy, which charges a fee of \$30.00 per returned banking instrument, with Canada's policy, which does not charge a fee. In order to align BC policy, both the contractual and statutory authorities to charge NSF fees were considered.
- The removal of the borrower's contractual obligation to pay NSF fees under existing student loan agreements was addressed under the *Finance Statutes Amendment Act, 2011*. The new student loan contracts used under the integrated student loan model do not include an obligation to pay NSF fees.



- The statutory authority for the Province to charge various service and administrative fees, including a NSF fee, is a Minister of Finance Directive (Directive) issued under Section 47(1) of the *Financial Administration Act* (FAA). As section 47(1) of the FAA did not allow exemptions to the Directive, an amendment was added to this section under the *Finance Statutes Amendment Act, 2011*. The amendment to section 47(1) of the FAA came into effect in November 2011, and allows for an exemption to the Directive.

#### DISCUSSION:

- The intended scope of the exemption, to not charge an NSF fee, is for dishonoured payments on Direct Lend Student Loans as these are the only BC Student Loans that are being integrated with Canada Student Loans.
- The discontinuation of NSF fees for BC Direct Lend Student Loans as of March 1, 2012, was publically announced as part of the communications of the *Finance Statutes Amendment Act, 2011*. An amendment to the Directive is needed, effective March 1, 2012, to implement the exemption. The proposed wording for the amendment to the Directive is attached.

#### OPTIONS:

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**Option 2:** Approve the proposed amendment to the Minister of Finance Directive on returned banking instrument fees for Direct Lend student loans and sign the attached amendment to the Directive.

#### RECOMMENDATION:

**Option 2:** Approve the proposed amendment to the Minister of Finance Directive on returned banking instrument fees for Direct Lend student loans and sign the attached amendment to the Directive.

**APPROVED** ~~NOT APPROVED~~

Kevin Falcon  
Minister

Feb. 29, 2012  
Date

Attachment

**Ministry of Finance**  
**BRIEFING DOCUMENT**

**To:** Honourable Kevin Falcon  
Minister of Finance  
and Deputy Premier

**Date Requested:** March 2, 2012  
**Date Required:** March 9, 2012

**Initiated by:** MLA Norm MacDonald

**Date Prepared:** March 8, 2012

**Ministry**  
**Contact:** Hilary Vance

**Phone Number:** 250 952-0787  
**Email:** Hilary.Vance@gov.bc.ca

**Cliff #:** 263084

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**TITLE:** Request from MLA Norm MacDonald for a meeting with Minister Falcon  
regarding s22 and eligibility under the *Home Owner Grant Act*  
(HOGA).

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**PURPOSE:**  
(X) EVENT/MEETING

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**COMMENTS:** s22  
s22

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Executive Director approval: \_\_\_\_\_

ADM approval: \_\_\_\_\_

DM approval: \_\_\_\_\_

**DATE PREPARED:** March 8, 2012

**BACKGROUND:**

The HOGA permits the award of grants to reduce property taxes payable by home owners. The HOGA provides for a basic home owner grant to eligible owners and an additional grant if they qualify for a basic grant and are also 65 years of age or older. The HOGA states that in a year that an owner receives a grant, neither that owner nor the owner's spouse is entitled to receive another grant. In addition, the HOGA requires the ministry to issue a Notice of Disentitlement (NOD) to an owner who was not entitled to a grant received in the current year or in the six preceding years, including applicable interest.

The HOGA states that a grant can be claimed only by the owner of the property, with an "owner" defined in this case as: the registered owner of an estate in fee simple, the registered owner of a life estate, and/or the registered holder of the last registered agreement for sale and purchase. The definition of an "owner" in the HOGA also extends to an individual who is a lessee under a lease that is registered in the land title office for a term of at least 99 years.

Under the HOGA, individuals must complete and submit an application form in order to receive a home owner grant. The application form requires the individual to certify that they are an owner of the property identified on the application form and that they occupy the property as their principal residence.

In this case

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**DISCUSSION:**

**Issue 1:**

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The brochure he is referencing is *Home Owner Grant Program: A House is Not a Home Unless You Live in it* (see Attachment #2). The relevant paragraph is as follows:

Do I Qualify for the Regular Home Owner Grant?

To qualify for the regular grant:

- you must be a Canadian citizen or permanent resident and ordinarily reside in British Columbia, and
- you must be the registered owner or eligible occupant (which includes an eligible occupant in an eligible apartment, housing unit, land cooperative or multi-dwelling lease parcel) of the home on which the grant is being claimed, and
- you must occupy the home as your principal residence.

The inclusion of "eligible occupant" is in relation to specialized grant claims, with respect to eligible apartments, housing units, land cooperatives or multi-dwelling lease parcels, which is how the HOGA defines the term in its definitions' section.

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**Issue 2:**

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**Ministry of Finance  
BRIEFING DOCUMENT**

**To:** Honourable Kevin Falcon  
Minister of Finance and  
Deputy Premier  
Province of British Columbia

**Date Prepared:** March 2, 2012

**And:** Honourable Michael de Jong  
Minister of Health  
Province of British Columbia

**Initiated by:** Jim Hopkins  
Assistant Deputy Minister  
Provincial Treasury

**Phone:** [250] 387-9295  
**email:** Jim.Hopkins@gov.bc.ca

**Ministry  
Contact:** Darshi Klear  
Executive Director  
Debt Management Branch  
Provincial Treasury

**Phone:** [250] 387-8815  
**email:** Darshi.Klear@gov.bc.ca

**CLIFF#:** 263158

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**Title:** Ministers' Luncheons with Rating Agencies

This is a meeting note to provide background on the three rating agency luncheons (one hour in a private meeting room in the Legislative Dining Room). Joining you for the luncheon meetings will be staff from the Ministry of Finance: Peter Milburn, Deputy Minister of Finance, Sabine Feulgen, Deputy Secretary to Treasury Board, and Jim Hopkins, Assistant Deputy Minister, Provincial Treasury.

**Rating Agency:**

**Date:**

**Time:**

**Dominion Bond Rating Service (DBRS)**

**March 7, 2012**

**12:00 – 1:00pm**

**Standard & Poor's (S & P)**

**March 8, 2012**

**12:00 – 1:00pm**

**Moody's**

**March 12, 2012**

**12:00 – 1:00pm**

**Title: Ministers' Luncheons with Rating Agencies**

**Representatives:**

March 7, 2012 - DBRS:

- Eric Beauchemin, Senior Financial Analyst
- Travis Shaw, Financial Analyst

March 8, 2012 - S&P:

- Mario Angastiniotis, Director
- Paul Judson, Associate Director

March 12, 2012 - Moody's:

- Jennifer Wong, Assistant/Vice-President/Analyst
- Michael Yake, Assistant Vice-President/Analyst
- Alejandro Olivo, Vice President, Senior Credit Officer

**Credit Rating**

Province's credit rating:

- (Moody's): Aaa stable outlook
- (S&P): AAA stable outlook
- (DBRS): AA(high) stable outlook

The Province has attained the highest credit rating given by Moody's and S&P and the second highest rating given by DBRS.

A credit rating is an evaluation of a borrower's ability to pay interest and to repay principal. A credit rating affects the borrower's debt servicing costs and the investor's rate of return since an investor will demand a higher interest rate on a more risky, lower-rated security.

Taxpayer-supported debt is an indicator often used by investors and credit rating agencies when analyzing a province's investment quality. The ratio of a province's taxpayer-supported debt relative to its gross domestic product (GDP) highlights the ability of a province to manage its debt load. British Columbia's taxpayer-supported debt burden is one of the lowest in Canada, and this translates into a strong credit rating and lower debt service costs.

Taxpayer-supported debt to GDP is forecast to increase from 16.4% in 2011/12 to 17.6% in 2012/13 due to anticipated deficits, additional borrowing to support infrastructure spending and lower GDP projections in the near term. The taxpayer-supported debt to GDP ratio will peak at 18.3% in 2014/15. Among the

provinces, Moody's estimates the province's taxpayer-supported debt-to-GDP ratio for the period ended March 31, 2011 as the third lowest behind Alberta (2.1%) and Saskatchewan (7.6%).

In April 2011, all three rating agencies affirmed the province's credit rating, with a stable outlook citing the province's low debt burden, diversified economy, proven track record of effective fiscal management, solid access to capital markets for ensuring liquidity and expectations for continued economic recovery.

Challenges which the agencies cite as potential pressure points on the province's credit rating are: loss of fiscal discipline leading to a material increase in the province's debt, weakened financial results stemming from the recent recession and the stimulus efforts, and the growth in health-care spending.

As cited by S&P in April, 2011: "The rise in the net tax supported debt burden will likely exacerbate comparisons with other international 'AAA' rated peers as the province's debt burden was already high for the rating before the recession...". Meeting fiscal plan targets will be very important for maintaining the province's credit rating.

In August 2011, both S&P and Moody's released commentary bulletins with respect to the HST referendum results in BC. S&P stated "...the outcome creates a near term budgetary challenge" and the province has "the flexibility to mitigate any fiscal impact and remains committed to achieving budgetary balance by fiscal 2013-14." Moody's stated "The reinstatement of PST and GST is credit negative as it leaves the province having to repay CAD\$1.6 billion..." which Moody's anticipates "...will require the province to adjust its fiscal plan by reducing spending or finding new revenues to return to a balanced budget by 2013/14."

#### **Message to Agencies:**

The purpose of the meetings are threefold:

- to confirm that the province's fiscal plan is on track;
- to affirm your political commitment to deliver against the plan; and
- to address any questions or issues of concern to the agencies.

In particular, the rating agencies will be interested to understand government's commitments as follows:

- returning to a balanced budget by 2013/14;
- holding the line on spending growth; and
- cautious and prudent revenue growth forecasts.



Suggested messages for the meetings:

- Fiscal plan on target to balance in 2013/14;
- BC has competitive advantage in both corporate and personal tax rates and with our proximity to key markets of the USA and Asia; and
- prudent budgeting continues to ensure government hits its targets (e.g. contingencies to manage unexpected pressures and fund priority initiatives of \$300 million in 2012/13, and \$250 million in each of 2013/14 and 2014/15; \$200 million forecast allowance to guard against revenue volatility in 2012/13, increasing to \$250 million in 2013/14 and \$350 million in 2014/15.

Issues which you may want to raise or be asked to discuss include:

- targeted asset disposition – 100 non-strategic, surplus assets;
- continued diversification of exports including infrastructure investment; and
- increase to the Corporate Tax rate from 10% to 11% which may be triggered in 2014.
- Government priorities:
  - Discuss three base principles of returning to a balanced budget (holding taxes, protecting health care while reducing the annual spending increase and controlling spending in non-health areas).
  - Delivery of Health Care initiatives, including centralized procurement and back office consolidations for all 5 Health Authorities, increased innovations and a new health promotion campaign.

**Ministry of Finance**  
**BRIEFING DOCUMENT**

**To:** Honourable Kevin Falcon  
Minister of Finance  
and Deputy Premier

**Date Requested:** March 2, 2012  
**Date Required:**

**Initiated by:** Marcus Gill  
A/Executive Director

**Date Prepared:** March 5, 2012

**Ministry Contact:** Marcus Gill  
A/Executive Director

**Phone Number:** 250-387-9090  
**Email:** Marcus.Gill@gov.bc.ca

**Cliff #:** 263212

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**PURPOSE:**

- (X) EVENT/MEETING
- (X) POLICY OVERVIEW

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**COMMENTS:**

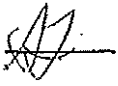
S13

S12

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Executive Director approval: 

ADM approval: \_\_\_\_\_

DM approval: 

Pages 27 through 28 redacted for the following reasons:

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S12

**Ministry of Finance**  
**BRIEFING DOCUMENT**

**To:** Honourable Kevin Falcon  
Minister of Finance  
and Deputy Premier

**Date Requested:** n/a  
**Date Required:** April 30, 2012

**Initiated by:** Elan Symes  
Assistant Deputy Minister  
Revenue Programs Division

**Date Prepared:** March 30, 2012

**Ministry Contact:** Tara Richards  
Executive Director  
Property Taxation Branch

**Phone Number:** 250 357-0532  
**Email:** [Tara.Richards@gov.bc.ca](mailto:Tara.Richards@gov.bc.ca)

**Cliff #:** 263300

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**TITLE:**

S19, S22

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**PURPOSE:**

**(X) DECISION REQUIRED**

---

---

Executive Director approval: \_\_\_\_\_

ADM approval: \_\_\_\_\_

DM approval: \_\_\_\_\_

**DATE PREPARED:** March 30, 2012

**ISSUE:**

S19, S22

**BACKGROUND:**

Under the *Property Transfer Tax Act* (the Act), transfers of interests in property registered at the Land Title Office (LTO) are subject to property transfer tax (PTT) payable on the fair market value of the land and improvements.

s.19

s.19

S22

**DISCUSSION:**

Under section 19 of the British Columbia *Financial Administration Act*, the Lieutenant Governor in Council may provide a remission of any tax imposed by an enactment where great public inconvenience, great injustice or great hardship to a person has occurred or is likely to occur and it considers that it is in the public interest to do so.

In this case, the remission is requested on the basis of great injustice and hardship.

S22

S22, S19 the transfer of title to S22 name alone would not trigger an obligation to pay PTT as S22 would be eligible for the principal residence exemption under section 14(3)(b) of the Act.

s22

In the past, Cabinet has approved remission of PTT on the basis of great injustice where property that was fraudulently or illegally obtained was ordered returned to the rightful owner by the courts. The evidence supports the statement that a great injustice occurred and the transfer back into the name of S22 alone is intended to right the injustice. It is difficult to justify the imposition of PTT to return title back to S22 alone as S22

S22

#### OPTIONS:

S13

#### RECOMMENDATION:

S13

#### APPROVED / NOT APPROVED

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Kevin Falcon  
Minister

---

Date

**Ministry of Finance**  
**BRIEFING DOCUMENT**

**To:** Honourable Kevin Falcon  
Minister of Finance and  
Deputy Premier

**Date Requested:** March 7, 2012  
**Date Required:** March 21, 2012

**Initiated by:** Elan Symes  
Assistant Deputy Minister  
Revenue Programs Division

**Date Prepared:** March 14, 2012

**Ministry Contact:** Tara Richards  
Executive Director  
Property Taxation Branch

**Phone Number:** (250) 387-0532  
**Email:** Tara.Richards@gov.bc.ca

**Cliff #:** 263301

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**TITLE:** Request for remission of property transfer tax payable for transfer of a  
family farm from the estate of S22

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**PURPOSE:**

**(X) DECISION REQUIRED**

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Executive Director approval: \_\_\_\_\_

ADM approval: \_\_\_\_\_

DM approval: \_\_\_\_\_

**DATE PREPARED:** March 14, 2012

**TITLE:** Request for remission of property transfer tax payable for transfer of a family farm from the estate of S22

**ISSUE:** Remission of property transfer tax for the transfer of a family farm from an estate to a beneficiary.

**BACKGROUND:**

S22

S12



**DISCUSSION:**

S14

S13

S13

S12

S13

S22

S13

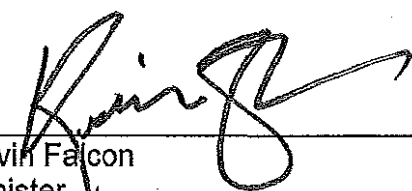
S13

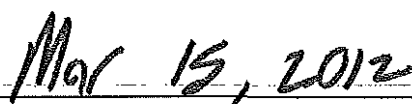
S13

RECOMMENDATION:

S12

APPROVED NOT APPROVED

  
\_\_\_\_\_  
Kevin Falcon  
Minister

  
\_\_\_\_\_  
Date

**Ministry of Finance**  
**BRIEFING DOCUMENT**

**To:** Honourable Kevin Falcon  
Minister of Finance  
and Deputy Premier

**Date Requested:** March 15, 2012  
**Date Required:** March 21, 2012

**Initiated by:** Marcus Gill  
A/Executive Director  
Financial and Corporate  
Sector Policy Branch

**Date Prepared:** March 16, 2012

**Ministry**  
**Contact:** Marcus Gill

**Phone Number:** 250 387-9090  
**Email:** marcus.gill@gov.bc.ca

**Cliff #:** 263530

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**TITLE:** Review of the *Mortgage Brokers Act*

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**PURPOSE:**

**(X) DECISION REQUIRED**

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S13

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Executive Director approval: \_\_\_\_\_

ADM approval: \_\_\_\_\_

DM approval: \_\_\_\_\_

**DATE PREPARED:** March 16, 2012

**TITLE:** Review of the *Mortgage Brokers Act*

**ISSUE:** The *Mortgage Brokers Act* is outdated.

**SUMMARY:**

S13

- Because mortgages sold as investments are securities within the meaning of the *Securities Act*, both the MBA and *Securities Act* apply to a person registered as a mortgage broker under the MBA who is in the business of selling mortgage investments.

S13

- The *Securities Act* capital raising and registration exemptions related to mortgage syndicators and mortgage investment corporations (Mortgage Investment Entities or MIEs) expire at the end of this year.
- 

S13

**DISCUSSION:**

S13

S13

**OPTIONS:**

S13

**RECOMMENDATION:**

S13

**APPROVED / NOT APPROVED**

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Kevin Falcon  
Minister of Finance

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Date

**Ministry of Finance**  
**BRIEFING DOCUMENT**

**To:** Honourable Kevin Falcon  
Minister of Finance  
and Deputy Premier

**Date Requested:** March 20, 2012  
**Date Required:** March 21, 2012

**Initiated by:** Marcus Gill  
A/Executive Director  
Financial and Corporate Sector  
Policy Branch

**Date Prepared:** March 21, 2012

**Ministry Contact:** Marcus Gill  
A/Executive Director  
Financial and Corporate Sector  
Policy Branch

**Phone Number:** 250 387-9090  
**Email:** [marcus.gill@gov.bc.ca](mailto:marcus.gill@gov.bc.ca)

**Cliff #:** 263546

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**TITLE:** *Pension Benefits Standards Act* - Legislative Review Committee (LRC)

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**PURPOSE:**

(X) UPDATE

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S12

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Executive Director approval: \_\_\_\_\_

ADM approval: \_\_\_\_\_

DM approval: \_\_\_\_\_

**DATE PREPARED:** March 21, 2012

**TITLE:** *Pension Benefits Standards Act* - Legislative Review Committee

S12



Page 42 redacted for the following reason:

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S12

**Ministry of Finance**  
**BRIEFING DOCUMENT**

**To:** Honourable Kevin Falcon      **Date Requested:** March 30, 2012  
Minister of Finance and Deputy Premier

**Date Required:** March 30, 2012

**Initiated by:** Marcus Gill      **Date Prepared:** March 30, 2012  
A/Executive Director  
Financial and Corporate Sector Policy Branch

**Ministry Contact:** Marcus Gill      **Phone Number:** 250 387-9090  
A/Executive Director      **Email:** [Marcus.Gill@bc.gov.ca](mailto:Marcus.Gill@bc.gov.ca)

**263764**

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**TITLE:**      s22      Request for Regulation Exempting Two Vehicles from  
Insurance Requirements to Facilitate Vehicle Licensing

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**PURPOSE:**

**(X)      DECISION REQUIRED**

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**COMMENTS:**

The *Insurance (Vehicle) Act* and *Motor Vehicle Act* do not contemplate the licencing and insuring of vehicles that will not operate in British Columbia. The s22 request cannot be granted.

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Executive Director approval: \_\_\_\_\_

ADM approval: \_\_\_\_\_

DM approval: \_\_\_\_\_

**DATE PREPARED:** March 30, 2012

**TITLE:** s22 Request for Regulation Exempting Two Vehicles from Insurance Requirements to Facilitate Vehicle Licencing

**ISSUE:** Whether a regulation exempting the s22 two vehicles from insurance requirements should be recommended to Cabinet.

**BACKGROUND:**

s22

**DISCUSSION:**

The MVA and the IVA apply to vehicles that will be operated on BC highways, at least for some of the licencing and insurance period. These Acts do not contemplate the licencing of a motor vehicle that will not be operated in BC.

Specifically, section 37 of the IVA prohibits ICBC insurance from being issued to a vehicle that will not operate in BC. Section 33 and 38 of the IVA prohibit ICBC from issuing a licence, licence plate or permit under the MVA if the applicant does not have ICBC insurance for the vehicle. Consequently, neither a licence plate nor insurance may be issued in respect of a vehicle that will not operate in BC.

Vehicles operated in BC and owned by government (s. 43 IVA) or commercial businesses that operate trucks inter-provincially (s. 44 IVA) are the only exceptions to the IVA's insurance requirement. These exemptions in the IVA for licencing under the MVA without ICBC Insurance are in place because some governments self-insure and commercial vehicles that operate inter-provincially are governed by federal law that limit the application of provincial insurance law.

Although s. 38 and 45(5) of the IVA allow the Lieutenant Governor in Council to exempt a vehicle, by regulation, from the IVA's insurance requirements, there are no regulations to this effect.

The convention is that motor vehicles are licensed in the jurisdiction in which they are operated to ensure that applicable taxes are paid, local vehicle standards are met, fees for road use are paid, proper insurance is in place, the owner can be located, and the vehicle owner can held accountable (i.e., ticketed) for the improper use of the motor vehicle. A MVA licence also implies that the vehicle meets Canadian and BC safety standards.

Even if an exemption regulation was made under the IVA, it would not achieve the S22 as the MVA does not contemplate the licencing of vehicles that will not be operated in BC during the one year licensing period.

Even if it were possible to specifically exempt the S22 from the IVA and MVA requirements it would be inappropriate to do so as it could invite further requests for specific exemption regulations. S13

S13

## RECOMMENDATION:

S22

S13

## APPROVED / NOT APPROVED

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Kevin Falcon  
Minister and Deputy Premier

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Date

Attachments

**Ministry of Finance**  
**BRIEFING DOCUMENT**

**To:** Honourable Kevin Falcon  
Minister of Finance  
and Deputy Premier

**Date Requested:**  
**Date Required:**

**Initiated by:** Elizabeth Cole  
A/Executive Director  
Tax Policy Branch

**Date Prepared:** April 11, 2012

**Ministry Contact:** Dunan Jillings  
Tax Analyst  
Tax Policy Branch

**Phone Number:** 250 387-7324  
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Elizabeth Cole  
A/Executive Director  
Tax Policy Branch

**Phone Number:** 250 387-9011  
**Email:** [Elizabeth.Cole@gov.bc.ca](mailto:Elizabeth.Cole@gov.bc.ca)

263871

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S12, S16

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**PURPOSE:**


(X) DECISION REQUIRED

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S12 S13, S16

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Executive Director approval: 

ADM approval: 

DM approval: 

Pages 47 through 50 redacted for the following reasons:

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S12

## Ministry of Finance

## BRIEFING DOCUMENT

**To:** Honourable Kevin Falcon  
Minister of Finance  
and Deputy Premier

**Date Requested:** April 5, 2012  
**Date Required:** April 10, 2012

**Initiated by:** Elizabeth Cole  
A/Executive Director  
Tax Policy Branch

**Date Prepared:** April 11, 2012

**Ministry Contact:** Bridget Minishka  
Director Consumption  
and Aboriginal Tax

**Phone Number:** 250-387-3919  
**Email:** [Bridget.Minishka@gov.bc.ca](mailto:Bridget.Minishka@gov.bc.ca)

Elizabeth Cole  
A/Executive Director  
Tax Policy Branch

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263872

S12, S16

**PURPOSE:**

(X) FOR INFORMATION

S12 S13, S16

Executive Director approval: 

ADM approval: 

DM approval: \_\_\_\_\_

Pages 52 through 53 redacted for the following reasons:

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S12



**Ministry of Finance  
BRIEFING DOCUMENT**

**To:** Honourable Kevin Falcon  
Minister of Finance  
and Deputy Premier

**Date Requested:** N/A  
**Date Required:** As soon as possible

**Initiated by:** Pat Parkinson  
Executive Director  
Revenue Solutions Branch

**Date Prepared:** May 9, 2012

**Ministry Contact:** Gurcharn Beckett  
Senior Policy Analyst  
Revenue Solutions Branch

**Phone Number:** 250-356-6741  
**Email:** Gurcharn.Beckett@gov.bc.ca

**Cliff #:** 264200

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**TITLE:** Amendment to *B.C. Reg. 269/92, Forgiveness of Debts and Obligations Regulation* under the *Financial Administration Act*.

---

**PURPOSE: DECISION REQUIRED**

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**DATE PREPARED:** May 9, 2012

**ISSUE:**

*B.C. Reg. 269/92, Forgiveness of Debts and Obligations Regulation* (Regulation) under the *Financial Administration Act* (FAA) requires amendment to:

1. update the forgiveness authorities to reflect Ministry of Finance organizational changes; and,
2. simplify the approach to the forgiveness authority by removing the requirement for a settlement agreement.

**BACKGROUND:**

- The Regulation currently provides authority for certain Ministry of Finance officials to forgive some types of debts or obligations owed to the Province through a settlement agreement with the debtor. The Regulation does not apply to debts or obligations created under another enactment such as taxes, fees, or royalties, or if the forgiveness authority is under another enactment.

S12

**DISCUSSION:**

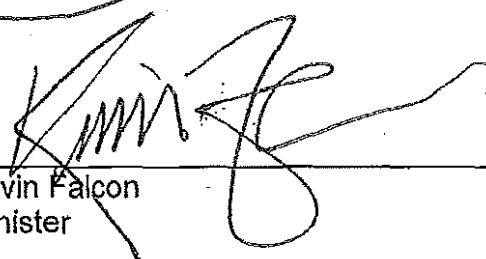
S12

S12

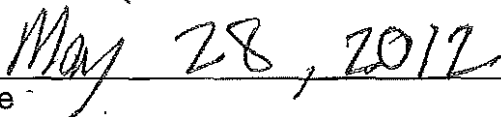
**RECOMMENDATION:**

**Option 1:** Approve the amendments to the Regulation

**APPROVED** / NOT APPROVED

  
\_\_\_\_\_  
Kevin Falcon  
Minister

Date

  
\_\_\_\_\_  
May 28, 2012

**Ministry of Finance**  
**BRIEFING DOCUMENT**

**To:** Honourable Kevin Falcon  
Minister of Finance  
and Deputy Premier

**Date Requested:**  
**Date Required:**

**Initiated by:** Tax Policy Branch

**Date Prepared:** May 8, 2012

**Ministry Contact:** Duncan Jillings  
Strategic Advisor  
Tax Policy Branch

**Phone Number:** 250 387-7324  
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Elizabeth Cole  
A/Executive Director  
Tax Policy Branch

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264311

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**TITLE:** Granting temporary waivers of farm income and production requirements to individual farmers

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**PURPOSE:**

**(X) DECISION REQUIRED**

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**COMMENTS:** The Minister of Agriculture has written to the Minister of Community, Sport and Cultural Development seeking relief from income and production requirements for a particular farm.

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Executive Director approval: \_\_\_\_\_

ADM approval: 

DM approval: 

**DATE PREPARED:** May 8, 2012

**TITLE:** Granting temporary waivers of farm income and production requirements to individual farmers

**ISSUE:** Whether the Minister of Finance wishes to express an opinion on the issue of waiving farm income and production requirements for individuals.

**BACKGROUND:**

To qualify land as farm land for property tax purposes, farmers must meet specified production and income standards. Section 6.1 of the Standards for the Classification of Land as a Farm Regulation under the *Assessment Act* (Farm Standards) allows the government to give temporary relief from these standards, via an OIC order, to industry or commodity groups who are severely impacted by exceptional circumstances. The provision was not meant to be applied to farmers who face individual "exceptional circumstances".

Section 6.1 was used in 2011 to address a severe and lengthy drought situation in the northeast area of the province. To implement this relief, eligibility criteria were developed by the Ministry of Agriculture (Agriculture) and BC Assessment to determine and identify eligible farm properties. Agriculture was also tasked with developing program criteria and an administrative model, including the application and approval processes.

The Minister of Agriculture has written to the Minister of Community, Sport and Cultural Development requesting that section 6.1 be applied to a couple who face challenges meeting the farm classification standards because of their age and health and because of market conditions.

Standards for the Classification of Land as a Farm Regulation, under the *Assessment Act*:

***Exceptional circumstances***

*6.1 (1) In exceptional circumstances, the Lieutenant Governor in Council may waive, by order, any of the sales or production requirements of this regulation for the period and on any terms and conditions specified in the order.*

*(2) In this section, "exceptional circumstances" includes natural disasters and any other circumstances the Lieutenant Governor in Council is satisfied are of such a severity as to prevent or make impracticable compliance with certain sales or production requirements of this regulation.*

**DISCUSSION:**

s13

**OPTIONS:**

S13

RECOMMENDATION:

s13

\_\_\_\_\_  
Kevin Falcon  
Minister

\_\_\_\_\_  
Date

**Ministry of Finance**  
**BRIEFING DOCUMENT**

**To:** Honourable Kevin Falcon  
Minister of Finance and Deputy Premier

**Date Required:** May 14, 2012

**Initiated by:** Elizabeth Cole  
A/Executive Director  
Tax Policy Branch

**Date Prepared:** May 4, 2012

**Ministry Contacts:** Bridget Minishka  
Director, Consumption  
and Aboriginal Tax  
Tax Policy Branch

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Micah Brown  
Tax Policy Analyst  
Tax Policy Branch

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Elizabeth Cole  
A/Executive Director  
Tax Policy Branch

**Phone Number:** 250-387-9011  
**Email:** Elizabeth.Cole@gov.bc.ca

**264232**

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**TITLE:** 2012 Budget Measure - Defining Insurance Classes for the *Insurance Premium Tax Act*

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**PURPOSE:**

**(X) DECISION**

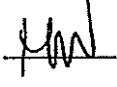
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**COMMENTS:**

This Order in Council (OIC) implements a decision announced in Budget 2012.  
This OIC, if approved, must be deposited before July 1, 2012.

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Executive Director approval: \_\_\_\_\_

ADM approval:  \_\_\_\_\_

DM approval: \_\_\_\_\_



DATE PREPARED: May 3, 2012

TITLE: 2012 Budget Measure- Defining Insurance Classes for the *Insurance Premium Tax Act*.

ISSUE: Implementation of a decision announced in Budget 2012 by bringing into force amendments to the *Insurance Premium Tax Act* by regulation, and then making a regulation defining insurance classes for the purposes of the *Insurance Premium Tax Act*.

S12

**RECOMMENDATION:**

Approve the proposed amendments and forward to Cabinet for consideration.

**APPROVED / NOT APPROVED**

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Kevin Falcon  
Minister and Deputy Premier

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Date