

# **British Columbia Securities Commission**

## **2021/22 Annual Service Plan Report**

**August 2022**



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## **Board Chair's Accountability Statement**



The *British Columbia Securities Commission 2021/22 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2021/22 – 2023/24 Service Plan* created in April 2021. I am accountable for those results as reported.

A handwritten signature in black ink, appearing to read 'B. Leong', with a stylized, cursive flourish.

Brenda M. Leong  
Chair and CEO  
July 21, 2022

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## Letter from the Board Chair & CEO

The British Columbia Securities Commission (BCSC) is the independent Crown agency responsible for protecting investors and supporting fair, efficient and innovative investment markets.

Throughout 2021/22, the BCSC honored Government's commitment to delivering quality, cost-effective services through outcomes-based regulation and vigorous and sustained enforcement and collections actions. We undertook 290 actions to disrupt misconduct and collected \$2,598,145.00 in sanctions. Our specialized Trading Unit continued to combat abusive promotions and trading in the midst of high volatility in the markets and a proliferation of online trading. Alongside our enforcement efforts, we also delivered public awareness campaigns about investment fraud and the BCSC's role in fighting illegal activity.

In keeping with Government's commitment to putting people first, we collaborated with other securities regulators in Canada to make mutual fund fees more transparent and to give investors more control over the fees they pay. We also implemented a set of regulations that raise the standards of investment firms' conduct with the objective of putting clients first.

Those initiatives were accomplished through the Canadian Securities Administrators (CSA), an organization that is assuming greater importance as the BCSC and the country's 12 other investment market regulators seek harmonized approaches to regulate emerging complex issues, such as public company climate risk disclosure, or the proliferation of crypto-asset trading platforms.

The BCSC proactively engages with the Ministry of Finance at all levels to ensure strategic alignment with the Ministry's objectives. Ongoing and regular dialogue with the Ministry on emerging policy issues, our enforcement and collections programs and investor education activities is critical to our success in meeting our strategic objectives.



Brenda M. Leong

Chair and Chief Executive Officer

July 21, 2022

## Purpose of the Annual Service Plan Report

The Annual Service Plan Report is designed to meet the requirements of the [Budget Transparency and Accountability Act](#) (BTAA), which sets out the legislative framework for planning, reporting and accountability for Government organizations. Under the BTAA, the Crown Corporation's Board is required to report on the actual results of the Crown's performance related to the forecasted targets documented in the previous year's Service Plan.

## Purpose of the Organization

The BCSC is the independent provincial government agency responsible for regulating capital markets in B.C. The BCSC's enabling legislation is the [Securities Act](#), RSBC 1996, c. 418. Our mission is to protect and promote the public interest by fostering:

- a securities market that is fair and warrants public confidence; and
- a dynamic and competitive securities industry that provides investment opportunities and access to capital.

The BCSC benefits the public by protecting investors and the integrity of B.C.'s capital markets. We:

- identify important problems and address them through a variety of regulatory tools;
- approve applications for registration from those that trade securities, provide advice or manage portfolios and investment funds to ensure they are qualified, ethical and solvent;
- review the disclosure that businesses and investment funds raising capital must provide to investors to ensure compliance with securities law requirements;
- take compliance and enforcement action against those who contravene securities laws; and
- educate investors to protect themselves and industry participants to bolster compliance with securities law requirements.

## Strategic Direction

The strategic direction set by Government in 2020 and expanded upon in the Board Chair's [2021-22 Mandate Letter](#) from the Minister Responsible shaped the goals, objectives, performance measures, and financial plan outlined in the [2021/22 British Columbia Securities Commission Service Plan](#) as well as actual results reported on in this annual report.

## Operating Environment

In another year operating through the COVID pandemic, we experienced exceptionally strong market activity, which was positive for companies seeking to raise capital and for investors looking for investment opportunities. It was also a year where opportunities for innovation flourished - we observed the launch of more digital trading platforms, emerging fintech solutions and increased investor engagement through social media channels.

Prospectus filings, including IPOs and other financings were at record levels for most of the year. This unprecedented activity stretched our capacity in Corporate Finance and impacted our ability to review these filings in a timely way. In response, we diverted resources away from other projects, including the CSA systems redesign project and other policy work but continued to make progress on those projects during the year.

Increasing investor demands for enhanced environmental, social and governance disclosure by companies drove the creation of new CSA climate change and diversity disclosure projects, putting added pressure on resources. The climate change disclosure project in particular was placed on an accelerated timeline to keep pace with rapidly evolving national and global developments. In designing an appropriate Canadian disclosure framework it will be imperative for Canada to align its rules with international regulators and standard setters to support consistency and comparability of disclosure by companies operating across jurisdictions.

Throughout 2021/22, crypto-assets continued to grow in popularity as an investment. Innovators capitalized on technology to develop and enable new forms of crypto-assets to trade over a growing number of trading platforms. The volume, complexity and pace of change in this area of financial technologies challenged our ability to regulate the 50+ crypto-asset trading platforms operating in B.C. and elsewhere in Canada. In an effort to keep up, we leveraged the skills and expertise across the CSA by participating in a CSA-wide “sandbox” committee and formed a CSA task force to focus our collective efforts. Several crypto-asset trading platforms are now registered with securities regulators in Canada, with many more in the queue.

At the same time, we observed aggressive marketing campaigns by certain trading platforms, and identified others that were operating fraudulently. As some of these platforms are not based in Canada and their presence is purely online, it is sometimes difficult to respond with traditional compliance and enforcement actions. Even so, we took enforcement action where practicable and endeavored to mitigate risks to investors by educating them about crypto investing and issuing investor warnings.

We continued to see abusive promotional and trading activity by a small number of market participants, primarily in venture markets. This activity is complicated by the increasing use of social media channels to promote and hype investments. We also noted increasing B.C. connections to major international fraud and market manipulation cases. The resurgence of this type of activity over the last several years is concerning as it poses risks to the integrity of our capital markets. We are aggressively pursuing these activities through ongoing enforcement actions – some involving cooperation with the SEC and other international regulators.

In addition to taking traditional enforcement actions, we are also working with other Canadian securities regulators to pursue a more holistic approach to deal with these activities which will involve a systematic assessment of the problem, greater collaboration on automated electronic media monitoring, and a re-examination of the roles and obligations of SROs and exchanges. We took initial steps this year by proposing a rule to bring greater transparency to these problematic activities and will refine the rule with our CSA colleagues next year to drive a national solution.

During the year we also encountered challenges recruiting several “in-demand” technology and regulatory skill sets, such as developers, business analysts and trading experts. While we still made good progress on our digital transformation program and other major regulatory projects, we expect this competition for talent to be an increasing challenge moving forward.

Due to COVID-19 and provincial health directives, the majority of BCSC staff worked remotely for much of 2021/22, although key services such as hearings, technology operations, reception, and facilities continued in the office. The pandemic affected various BCSC team members differently; however, overall, it had a limited impact on our ability to continue to deliver services to British Columbians.

## **Report on Performance: Goals, Objectives, Measures and Targets**

### **Goal 1: Support fair, efficient, and innovative Canadian capital markets**

#### **Objective 1.1: Promote a culture of compliance**

Investors are better protected when firms and individuals that trade or advise in securities, and businesses and investment funds that raise money in the capital markets, understand and comply with their regulatory obligations.

On the trading and advice side, we register securities firms and their advisors, audit these firms for compliance, and oversee the conduct of the TSX Venture Exchange (TSXV), Canadian Securities Exchange (CSE), Clearing and Depository Services (CDS), IIROC, and the MFDA.

On the capital-raising side, we regulate securities issuers and insiders and review that their mandatory filings meet minimum standards. In addition, we monitor daily trading of over-the-counter derivatives.

#### **Key Highlights**

- **New disclosure requirements for Promotional Activities**

We continue to work on an initiative to adopt disclosure requirements to regulate promotional activity. The commission published BCI 51-519 Promotional Activity Disclosure Requirements for public comment in May 2021 and reviewed the comment letters received. Other jurisdictions expressed interest in adopting the rule, so we are now working to transform the project into a national initiative.

- **Strengthen Ombudsman for Banking Services and Investments (OBSI)**



The BCSC continued to co-lead work with the OSC on the development of a framework that would strengthen the ability of OBSI to secure redress for investors. It is a highly complex project that we made good progress on.

- **Developing a self-regulatory organization (SRO) framework**

In August 2021, following a review of stakeholder comments, a national working group co-led by the BCSC issued a position paper that set out the decision and vision to create a new single, and enhanced SRO through the amalgamation of the existing SROs. The BCSC continues to co-lead the project, and the amalgamation is scheduled to be completed by December 31, 2022.

Performance Measures	2020/21 Actuals	2021/22 Target	2021/22 Actuals	2022/23 Target	2023/24 Target
1.1a Percentage of reviewed issuers that reduce deficiencies:					
i. Improved disclosure subsequent to a continuous disclosure review	100%	>95%	93%	>95%	>95%
ii. Improved disclosure to minimum standards	100%	>95%	91%	>95%	>95%
1.1b Percentage of issuers reviewed that comply with standards for technical disclosure:					
i. Percentage of issuers' technical reports reviewed that were required to be amended and refiled	-	<25%	39%	<25%	<25%
ii. Percentage of issuers reviewed placed in default for non-compliant technical disclosure in documents other than technical reports	-	<20%	24%	<20%	<20%
1.1c Average number of repeat deficiencies per examination in Capital Markets Regulation	0.67	0.64	0.5	0.64	0.64

Data source:

- 1.1a Internal evaluation of subsequent disclosure.
- 1.1b Data recorded in established tracking systems.
- 1.1c Data recorded in established tracking systems.

## Discussion of Results

1.1a This fiscal year, we reviewed 14 files, three of which had compliant disclosure. Of the remaining 11 files, ten improved their disclosure upon receiving comments from the BCSC. Of the 14 files reviewed, 13 of them met the basic standard for compliance.

1.1b The 2021/22 Actuals of 39% and 24% (1.1bi and 1.1bii respectively) will be treated as the baseline for annual targets going forward, and future targets will be amended

according to the new baseline. This new measure, a proxy for the culture of compliance regarding mineral project disclosure, tracks material non-compliance with the mineral project disclosure standard as found in 1) technical reports and 2) all other disclosure including websites and social media. Our long-term objectives are to reduce the percentage of technical report re-filings (1.1bi) and to reduce non-compliance that results in issuers being placed into default (1.1bii). In 2021/22, we saw a significant increase in newly qualified reporting issuers participating in the short form prospectus regime. These issuers often have less experience with the more rigorous disclosure requirements of the short form regime and so provided more non-compliant disclosure.

- 1.1c This year, the majority of the dealer firms reviewed were initial reviews and are not included in these calculations, and thus the overall statistics for the dealer group are not meaningful. In addition, 68% of the reviews had a limited focus on marketing as part of the CSA Marketing sweep. As a result, we identified fewer repeat deficiencies as compared to the prior year.

## **Objective 1.2: Advance cost-effective regulation**

We aim to provide strong investor protection and market integrity for an appropriate cost by focusing on three core areas:

- Emphasizing practical solutions
- Using our resources efficiently
- Delivering services reliably

## **Key Highlights**

- **BCSC digital transformation**

This year, the BCSC made significant progress in preparing for a digital transformation of the processes and tools used to support our regulatory work. The BCSC:

- Completed a current state assessment of the regulatory processes that will be transformed as part of this project
- Completed a procurement process for a systems integrator to work with us to stand up a new data infrastructure and case management, workflow, and reporting tools for key regulatory processes
- Completed the rollout of Microsoft Office365 to BCSC staff
- Began a data science program to build advanced analytics models to support areas of our regulatory work

As well, work began this fiscal year on a project to launch a new document management system and the first phase of a new entity management system in 2023.

- **Regulate financial technologies to support innovation**

After the publication of CSA Staff Notice 21-329 *Guidance for Crypto-Asset Trading Platforms: Compliance with Regulatory Requirements* the BCSC worked with our CSA colleagues to register several crypto-asset trading platforms over the course of the year, providing Canadians

with regulated options for trading crypto-assets. In addition, we published CSA Staff Notice 21-330 *Guidance for Crypto-Trading Platforms: Requirements relating to Advertising, Marketing and Social Media Use*.

- **CSA systems redesign**

This year, the CSA continued work on the first of three phases of the National System Renewal Project (NSRP). The first phase will consolidate most issuer-focused functionality in existing systems. The significant work completed this year was:

- Further enhancing and testing planned end-user functionality
- Continued migration and quality testing of existing system data
- Continued development of jurisdictions’ local system changes and interfaces

The CSA continued its work on the first phase of the new system, SEDAR+, with a planned launch early in calendar 2023.

- **Review and modernize regulations affecting reporting issuers**

In cooperation with the CSA, we continued work to review and modernize regulations affecting companies and investment funds, to reduce regulatory burden. Key initiatives this past year include adopting a harmonized equity securities crowdfunding regime; proposing a new prospectus exemption for listed companies to reduce capital-raising costs; implementing eight initiatives to reduce regulatory burden for investment funds; proposing amendments that facilitate the electronic delivery of certain required documents, and publishing temporary exemptions from certain base shelf prospectus requirements for qualifying well-known seasoned issuers.

Performance Measure	2020/21 Actuals	2021/22 Target	2021/22 Actuals	2022/23 Target	2023/24 Target
1.2 Average score on cost-effective regulation scorecard	95%	>90%	96%	>90%	>90%

Data source:

<sup>1,2</sup> Internal evaluation based on staff and management judgment and project documents.

## Discussion of Results

1.2 We met this target. We use a scorecard to track 16 important steps and outcomes in responding to market problems in a way that results in cost-effective regulation. These 16 steps relate to steps taken in problem definition, rule creation, effective rule writing, and outcomes-based results. We score and report the average score of all CSA and local policy projects completed each year. This analysis does not include rules that we adopt purely to harmonize with other jurisdictions, simple exemptions, or circumstances where we are fully reliant on the policy work of other CSA members. The target of greater than 90% is set so that, on average, we achieve our objectives if we hit the standards on the scorecard in all but one area. This year, we scored ten completed policy initiatives that went into effect in FY2022.

## **Goal 2: Inspire investor confidence**

### **Objective 2.1: Act decisively against misconduct**

Our Enforcement division focuses on cases with a strong B.C. connection. These include:

- Illegal distributions and fraud
- Market misconduct, including market manipulation and insider trading
- Regulatory compliance, including non-compliance by dealers and issuers

Our objectives are to deter misconduct and mitigate investor losses through early disruption and timely enforcement. To this end, we:

- Gather and act on intelligence, including from the public and other agencies
- Act quickly to stop misconduct and freeze assets
- Investigate and prosecute misconduct, and seek administrative orders from BCSC panels or refer criminal cases to Crown Counsel to prosecute
- Pursue payment of our financial sanctions and return money to harmed investors when possible

### **Key Highlights**

- **Develop policies and procedures to implement recent Act amendments**

The 2020 amendments provided new powers to impose, by a written notice, monetary penalties on market participants for contraventions of securities law requirements. We developed the framework to launch a program to implement these powers, and will be appointing dedicated staff to manage the program in the coming year. This program will introduce a cost-effective route to deliver meaningful penalties for less egregious market misconduct and will supplement the BCSC's compliance and enforcement processes to increase market deterrence.

Building on new anti-reprisal provisions in our legislation, we also continued work toward the development of a whistleblower program to receive and assess information from the public about securities violations.

- **Improve market analysis capability for enforcement investigations**

In the second year of production for the Market Analysis Platform (MAP), Trading Unit staff are using the system in the course of market misconduct investigations. MAP improvements are made on a quarterly basis and focus on performance, usability, and adding derivatives data to the available data. We continue to assess the potential for the system to identify suspicious trading anomalies to speed case investigation.

Performance Measures	2020/21 Actuals	2021/22 Target	2021/22 Actuals	2022/23 Target	2023/24 Target
2.1a Actions taken to disrupt misconduct:					
i. Number of actions	292	136	290	143	147
ii. Average duration of complaint to action (days) <sup>1</sup>	41	48	48	48	48
2.1b Average life of cases either from complaint to a Notice of Hearing (NOH) or from complaint to settlement before an NOH is issued (months)	42.9	40.5	37.8	43.9	Set at start of each fiscal year

Data source:

<sup>2.1a</sup> Data recorded in established tracking systems, primarily the BCSC Enforcement Case Tracking system and in official documents.

<sup>2.1b</sup> We base the fiscal 2022/2023 target on the average duration of our current portfolio of cases plus the two-year average duration to issue a NOH or enter into a Settlement Agreement.

## Discussion of Results

2.1a We measure the number of actions taken to disrupt active misconduct, and we measure the average time between receiving the complaint and taking action. Last year, we significantly exceeded our target due to the work of our COVID 19 task force, and did not expect to do so again. However, despite the completion of the work of that task force, we managed to significantly exceed our target again this year. The majority of the misconduct we disrupted this fiscal year involved cryptocurrencies schemes, FOREX schemes, and high-yield investment schemes.

2.1b We measure the average case duration from complaint to issuance of an NOH or, absent an NOH, a settlement agreement. Timely and thorough investigations provide the public with confidence in the actions we take to address misconduct. This year, we exceeded our target by two and a half months. We had several timely settlements that reduced the overall duration to complete an investigation.

We set our target for next year based on several factors, including case complexity, delays receiving documents, delays obtaining testimony from witnesses, and potential delays due to COVID on our business and the business of those with whom we collaborate.

<sup>1</sup> For measure 2.1a ii, 2022/23 and 2023/24 targets are revised to 45 in the [2022/23 Annual Service Plan](#).

## Objective 2.2: Educate investors

We want British Columbians to understand how investing can help them achieve their financial goals but also to be cautious of emerging investment trends and aware of the warning signs of investment fraud. Through public awareness advertising, we promote awareness of investment fraud and instill financial confidence in investors to help them make informed decisions. Using social media and other channels for investor education, we help investors understand how to make informed investment decisions, including the importance of conducting due diligence.

### Key Highlights

- **Continue three-year advertising and research program**

The Evasive Maneuvers public awareness campaign was in market October 5, 2021 through February 28, 2022. Founded on research which showed some British Columbians feel anxious about investing, the multi-media campaign acknowledged the uncomfortable feelings and offers a solution in unbiased educational resources from the BCSC.

- **Promote awareness of investment fraud and BCSC enforcement actions**

Our Fraud Prevention Month campaign launched in March 2022 and continued with the theme of FOMO (Fear of Missing Out) for a second year. The campaign focused on social media-based investment fraud. We expanded our advertising to two new platforms (Reddit and Twitch) while continuing to advertise in locations research shows are effective: TV, radio, online, other social media, billboards and transit ads. People were encouraged to visit the BCSC's online investor education resources during the campaign.

We launched an online advertising campaign highlighting the BCSC's enforcement role in March 2022. The campaign is part of a communications project that is using advertising, website content, events and internal communications tools to raise awareness of the various ways the BCSC fights securities misconduct. The project aims to deter misconduct and encourage market participants and the public to report suspicious activity to the BCSC.

Performance Measures	2020/21 Actuals	2021/22 Target	2021/22 Actuals	2022/23 Target	2023/24 Target
2.2a Number of video views of Investment Fraud Explained seminar video	4,387	4,826	4,910	5,067	5,321
2.2b Percentage of B.C. public aware of BCSC	40%	45%	39%	47%	49%

Data source:

<sup>2.2a</sup> BCSC InvestRight YouTube channel/Google Ads

<sup>2.2b</sup> Independent survey

## Discussion of Results

2.2a We met this target. Views are a direct result of an online advertising campaign targeting British Columbians.

- 2.2b We did not meet this target, and it is difficult to determine specific contributing factors with certainty; however, our campaign showed positive results. We saw an increase in aided campaign recall (22% recalled the campaign, up five points from 2021), and 54% recalled at least one ad (up nine points from 2021). While we missed the target this year, post-campaign tracking demonstrates that familiarity with the BCSC remains strong when the campaign is in-market and dips between each campaign. We collect this information as part of an annual online survey among 2,000 British Columbians aged 18 years and older. We report on aided awareness with the question “*As you may know, there is a provincial agency in British Columbia responsible for regulating securities investments called the BC Securities Commission. Now that we have mentioned the BC Securities Commission, how familiar would you say you are with this agency?*”

## Financial Report

For the auditor's report and audited financial statements, [see Appendix C](#). These can also be found on the British Columbia Securities Commission's [website](#).

### Discussion of Results

We prepared this discussion of financial position and results of operations of the British Columbia Securities Commission (BCSC) on May 16, 2022, to be read in conjunction with our audited financial statements for the year ended March 31, 2022.

Financial statements are reported in Canadian dollars, and we round totals and percentages. Year references are to fiscal years ended March 31.

BCSC is the provincial crown corporation responsible for regulating B.C. investment market activity. Results include 25 per cent of a government partnership (Partnership) that operates certain shared information systems. We refer to all other operating results as local.

The results from operations for the year ended March 31, 2022, were a surplus of \$25.7 million, which is \$19.1 million above budget. The total surplus is comprised of \$23.9 million for local operations and \$1.8 million for Partnership operations.

The key operating budget variances were:

- Distributions revenue was \$10.4 million (33%) higher than budget, due primarily to exempt distribution fees, prospectus percentage of proceeds fees and base prospectus fees, in each case due to significantly higher than expected market activity
- Registration revenue was \$2.7 million (9%) higher than budget due primarily to an increase in individual registrations
- Investment income less realized losses on investments was \$1.1 million (137%) higher than budget due primarily to returns from investments in a broader range of pooled funds; investment income excludes unrealized gains and losses relating to measuring investments at fair value
- Enforcement sanctions revenue was \$0.9 million (115%) higher than budget; enforcement sanction revenue is volatile and depends on the timing of enforcement actions completed during the year and on our ability to collect assessed amounts
- Local expenses were \$3.0 million (5%) lower than budget primarily due to higher than expected position vacancies and the impact of extended COVID safety measures on occupancy, training, travel, telecommunication and administration costs

The key capital budget variances were:

- Local capital spending was \$4.1 million (73%) lower than budget due to deferring leasehold improvements, and an ongoing shift to cloud-managed information technology services



- Partnership capital spending on information technology was \$1.9 million (47%) higher than budget due to higher costs for national systems projects

## Financial Results Summary

<i>(millions)</i>	2020/21	2021/22	2021/22	2021/22
	Actual	Budget	Actual	Variance
<b>Revenue</b>				
Regulatory and other local fees:				
Distributions	\$ 37.0	\$ 32.0	\$ 42.5	\$ 10.5
Registration	17.9	29.0	31.7	2.7
Financial filings	5.2	4.8	5.2	0.4
Exemptive orders and other fees	0.5	0.5	0.6	0.1
	\$ 60.6	\$ 66.3	\$ 80.0	\$ 13.7
Other revenue:				
National systems user fees	\$ 6.7	\$ 6.5	\$ 7.1	\$ 0.6
Enforcement sanctions	0.3	0.8	1.7	0.9
Investment income and realized gains/losses on investments	2.1	1.5	2.6	1.1
	\$ 9.1	\$ 8.8	\$ 11.4	\$ 2.6
<b>Total revenue</b>	<b>\$ 69.7</b>	<b>\$ 75.1</b>	<b>\$ 91.4</b>	<b>\$ 16.3</b>
<b>Expense</b>				
Local salaries and benefits	\$ 37.3	\$ 40.5	\$ 39.6	\$ (0.9)
Other local expenses	15.4	22.3	20.2	(2.1)
National systems expenses	5.2	5.7	5.9	0.2
<b>Total expenses</b>	<b>\$ 57.9</b>	<b>\$ 68.5</b>	<b>\$ 65.7</b>	<b>\$ (2.8)</b>
<b>Surplus</b>	<b>\$ 11.8</b>	<b>\$ 6.6</b>	<b>\$ 25.7</b>	<b>\$ 19.1</b>
<b>Supplementary Information</b>				
Unrestricted surplus & accumulated remeasurement gain/losses	\$ 47.7	\$ 49.1	\$ 68.7	\$ 19.6
Restricted surplus	\$ 48.1	\$ 49.4	\$ 49.9	\$ 0.5
Local capital expenditures	\$ 2.1	\$ 5.6	\$ 1.5	\$ (4.1)
Partnership capital expenditures	\$ 1.6	\$ 4.0	\$ 5.9	\$ 1.9
Debt	\$ –	\$ –	\$ –	\$ –

## Variance and Trend Analysis

### Revenues

The BCSC does not receive taxpayer funding. Most of our revenue comes from local filing, registration, and application fees paid by market participants under the *Securities Act*. Our revenue also includes 25 per cent of the national systems user fees earned by the Partnership. The remainder of our revenue is investment income and enforcement sanctions.

#### *Proportion of total revenue by source and year*

	2017/18	2018/19	2019/20	2020/21	2021/22
Distributions	52%	46%	48%	53%	46%
Registration	24%	23%	29%	26%	35%
Financial filings	9%	8%	8%	7%	6%
National systems user fees	12%	11%	10%	10%	8%
Enforcement sanctions and other	3%	12%	5%	4%	5%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

#### *Local revenue*

<i>(thousands)</i>	2021/22 Actual versus Budget				2021/22 versus 2020/21			
	Actual	Budget	Variance	%	2021/22	2020/21	Variance	%
Distributions	\$ 42,483	\$ 32,000	\$ 10,483	33%	\$ 42,483	\$ 36,999	\$ 5,484	15%
Registration	31,678	28,960	2,718	9%	31,678	17,901	13,777	77%
Financial filings	5,195	4,800	395	8%	5,195	5,175	20	0%
Exemptions and other	611	500	111	22%	611	530	81	15%
Enforcement sanctions	1,722	800	922	115%	1,722	258	1,464	567%
Investment income and realized gains/losses on investments	2,026	855	1,171	137%	2,026	1,403	623	44%
	<b>\$ 83,715</b>	<b>\$ 67,915</b>	<b>\$ 15,800</b>	<b>23%</b>	<b>\$ 83,715</b>	<b>\$ 62,266</b>	<b>\$ 21,449</b>	<b>34%</b>

We collect the following fees:

- *Distribution fees*, from companies and investment funds, to file offering disclosure documents, which includes fees related to proceeds of the offering
- *Registration fees*, from firms and individuals, to register with us to sell or advise on investments
- *Financial filings fees*, from public companies and investment funds, to file annual and interim financial statements
- *Other fees*, from market participants, primarily to request *Securities Act* exemptions

Distributions revenue was \$10.5 million (33%) higher than budget, and \$5.5 million (15%) higher than the prior year, due primarily to exempt distribution fees, prospectus percentage of

proceeds fees and base prospectus fees, in each case due to significantly higher than expected market activity.

Registration revenue was \$2.7 million (9%) higher than budget due primarily to an increase in individual registrations, and a greater-than planned impact from changing the accounting policy for registration revenue. Registration revenue was \$13.8 million (77%) higher than the prior year due primarily to the impact of changing the accounting policy for registration revenue.

### ***Enforcement sanctions***

We vigorously pursue outstanding sanctions arising from our enforcement actions. We register all our decisions with the Supreme Court and then use whatever tools we can to collect. For example, we seize and sell assets, garnish bank accounts, and compel debtors to enter into court ordered payment plans. We start lawsuits to recover assets and participate in other court proceedings that return money to investors.

Sanctions include administrative penalties, disgorgement orders, and amounts owing under settlement agreements. Millions of dollars have been returned to investors through our disgorgement process and court proceedings.

Enforcement sanctions revenue depends on the timing of enforcement actions completed during the year and on our ability to collect assessed amounts. During the year, we assessed sanctions of \$3.0 million. We collected \$2.6 million of which \$1.7 million related to sanctions imposed in the current year and \$0.9 million related to sanctions imposed in prior years. In the preceding year we collected \$0.5 million.

We have a claims process for investors for any money that we obtain in payment of BCSC disgorgement orders. The commission allocates to a reserve within accumulated operating surplus, amounts collected for disgorgement orders that the commission has not paid to investors after adjudicating all claims, as well as revenue from administrative penalties, and settlement agreements. We use the reserve to educate securities market participants and the public about investing, financial matters or the operation or regulation of securities markets, benefitting third parties the commission considers appropriate, enforcing (including collecting on) these orders, and processing claims to proceeds from disgorgement orders.

### ***Investment income***

Our four investment objectives are: ensure funds are available to withdraw as needed, protect against decreases in financial assets, avoid actual and perceived conflicts, and supplement local fee revenue by earning a positive real rate of return. We invest funds in bank deposits and in investment pools managed by the British Columbia Investment Management Corporation. At March 31, 2022 we had \$7.9 million in local demand deposits. The Partnership's investments are in redeemable term deposits and guaranteed investment certificates.

Local investment income less realized losses was \$1.1 million (137%) higher than budget, and \$0.6 million (44%) higher than the preceding year due primarily to returns from investments in a broader range of pooled funds and in particular, earnings of \$1.6 million on the indexed global equity fund, partially offset by net losses of \$0.5 million realized on adjusting the portfolio.

Investment income excludes unrealized gains and losses relating to measuring investments at fair value; unrealized gains and losses are recorded in accumulated surplus.

## **Expenses**

Expenses relate to local operations and Partnership operations.

Salaries and benefits and occupancy costs account for about 73 per cent of local expenses.

Most Partnership expenses are fees paid to contracted IT service providers, and for the compensation of Partnership employees.

Local and Partnership operations are exempt from income taxes. Locally, we pay PST (7%) and GST (5%) on taxable purchases, but recover the GST. Partnership fees are HST-exempt and the Partnership pays recoverable HST on taxable purchases.

### ***Local expenses***

Employee compensation accounts for approximately 66 per cent of local expenses. We compete for professional staff with other regulators, law and accounting firms and the securities industry. We award performance-based salary increases and when appropriate make targeted market adjustments, all subject to provincial compensation guidelines.

We engage consultants when we need specialized services or when outsourcing is more cost-effective than performing the work ourselves. Fiscal 2022 professional service costs related primarily to advanced analytics and IT consulting, legal services including collections support, our share of CSA project and management costs, legislative counsel services, internal and external audit services, and HR consulting.

We run local operations from a single office in downtown Vancouver. Our leasing arrangements expire in November 2031.

We educate the public and market participants about investing, financial matters and the operation or regulation of investment markets. Almost all of the education spending in 2022 was on investor education.

Our local capital spending and related depreciation relate primarily to information systems. Our information management costs include fees for software licensing and maintenance and electronic information services. Other operating expenses include administration, telecommunications, business travel, training, and external communications.

<i>(thousands)</i>	2021/22 Actual versus Budget				2021/22 Actual versus 2020/21			
	Actual	Budget	Variance	%	2021/22	2020/21	Variance	%
Salaries and benefits	\$ 39,612	\$ 40,500	\$ (888)	(2%)	\$ 39,612	\$ 37,296	\$ 2,316	6%
Professional services	6,496	5,867	629	11%	6,496	4,019	2,477	62%
Occupancy	3,775	4,307	(532)	(12%)	3,775	3,332	443	13%
Education	3,551	3,600	(49)	(1%)	3,551	2,739	812	30%
Information management	3,065	3,450	(385)	(11%)	3,065	2,360	705	30%
Depreciation	2,089	2,772	(683)	(25%)	2,089	1,822	267	15%
Other	1,166	2,316	(1,150)	(50%)	1,166	1,125	41	4%
	<b>\$ 59,754</b>	<b>\$ 62,812</b>	<b>\$ (3,058)</b>	<b>(5%)</b>	<b>\$ 59,754</b>	<b>\$ 52,693</b>	<b>\$ 7,061</b>	<b>13%</b>

Total expenses for local operations were under budget by \$3.1 million (5%), comprised of savings in most components partially offset by spending more than budget on professional services. In particular:

- salaries & benefits were \$0.9 million (2%) lower than budget due primarily to vacancies, including filling some new roles later than planned
- depreciation was \$0.7 million (25%) lower than budget due primarily to deferring planned expenditures for leasehold improvements and lower than planned capital expenditures for information technology due to an ongoing shift to cloud based services
- professional services were \$0.6 million (11%) higher than budget due primarily to the digital transformation project
- occupancy costs were \$0.5 million (12%) lower than budget due to an unexpected refund from the landlord for operating costs relating to shared space, and lower than expected maintenance costs
- other costs for training, travel, telecommunication, and administration, in aggregate, were \$1.1 million (50%) lower than budget due the impact of extended COVID operations

Total expenses for local operations were \$7.1 million (13%) higher than the prior year due primarily to an increase in the number of staff, merit-based salary increases, professional services relating to the digital transformation project, and higher expenditures on investor education.

## Partnership

Effective April 2, 2013, the BCSC, Alberta Securities Commission, Ontario Securities Commission, and Autorité des marchés financiers (collectively, the Principal Administrators or PAs), agreed to oversee certain shared information systems on behalf of the CSA. Each of the PAs has one vote on national systems matters. The Partnership is a government partnership under Canadian Public Sector Accounting Standards. Accordingly, our financial statements include 25 per cent of the assets, liabilities, net assets, revenues and expenses of the Partnership.

<i>(thousands)</i>	2021/22 Actual versus Budget			2021/22 Actual versus 2020/21		
	Actual	Budget	Variance	2021/22	2020/21	Variance
National systems user fees	\$ 7,104	\$ 6,450	\$ 654	\$ 7,104	\$ 6,687	\$ 417
Partnership investment income and other	624	700	(76)	624	743	(119)
National systems expenses	5,941	5,650	291	5,941	5,187	754
<b>Surplus</b>	<b>\$ 1,787</b>	<b>\$ 1,500</b>	<b>\$ 287</b>	<b>\$ 1,787</b>	<b>\$ 2,243</b>	<b>\$ (456)</b>

The surplus for Partnership operations was \$0.3 million (19%) higher than budget. Higher-than-expected filing volumes generated higher fees revenue, which was partially offset by higher professional services expenses related to systems development projects. The surplus for fiscal 2022 was lower than the prior year due primarily to higher professional services expenses.

## Capital Expenditures

### Tangible Capital Assets

Additions to local tangible capital assets of \$1.5 million were primarily for information technology infrastructure upgrades. Additions to the Partnership information technology of \$5.9 million relate to development of new national systems.

### Significant IT Project

<i>(thousands)</i>	Targeted Year of Completion	Project Capital Expenditure to March 31, 2022	Estimated Cost to Complete	Approved Total Cost of Capital Expenditures
National Systems Renewal Program	Fiscal year 2023	\$ 13,200	\$ 5,000	\$ 18,200

The Partnership is working on a multi-year system redesign project to replace various national filing systems. The total project budget for the first phase is \$103 million and BCSC's 25% interest is \$25.8 million; the total budget for the first phase includes \$72.8 million for capital expenditures and BCSC's 25% interest is \$18.2 million. Capitalized expenditures to March 31, 2022 are \$52.8 million; BCSC's 25% is \$13.2 million.

## Risks and Uncertainties

This section discusses risks that may impact BCSC financial results.

We practice enterprise risk management to identify and manage our risks and support our strategic planning process. We maintain a business continuity plan to restore critical functions within hours.

Investment markets activity can be volatile, causing local revenue to fluctuate. Our accumulated reserves are intended to ensure we have funds to operate through market downturns.

The Partnership funds operations primarily from fees paid by market participants. Market volatility does not significantly affect Partnership fees. In addition, the Partnership has an accumulated surplus sufficient to fund operations through a sustained period of no or low usage fees.

Under an agreement with CGI Information Systems and Management Consultants Inc. (CGI) that ends on January 12, 2024, CGI hosts and operates several national systems through which we collect most of our fee revenue. CGI maintains a comprehensive business continuity plan for these systems.

The Partnership's multi-year redesign project to replace various national filing systems is complex, involves significant effort, and requires achieving consensus among the CSA's multiple stakeholders. The project may take longer than expected or cost more than planned. The Partnership has implemented project management and governance controls to mitigate these risks. The systems will be exposed to the internet to deliver business functions, resulting in cyber risk. To manage this risk, the Partnership is designing the systems to industry standards and will follow best practices to protect the systems and detect potential problems.

### **Internal control over financial reporting (ICFR)**

During the year, we reviewed our ICFR processes and updated documentation where necessary. No changes occurred during the year ended March 31, 2022 that materially affected, or are likely to materially affect, our ICFR. Our internal auditors tested operating effectiveness of our ICFR as at March 31, 2022 and concluded that the ICFR was operating effectively and that there are no material weaknesses.

## Appendix A: Additional Information

### Organizational Overview

- [Securities Law](#)
- [Mission, Values & Overall Benefits](#)
- [Organizational Chart](#)
- [Stakeholders & Partners](#)
- [Contact Us](#)

### Corporate Governance

- [Governance](#)
- [Commissioners](#)
- [Board Committees](#)
- [Funding & Accountability](#)

### Contact Information

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P.O. Box 10142, Pacific Centre  
12th Floor, 701 W. Georgia Street  
Vancouver B.C. V7Y 1L2  
604-899-6500  
[inquiries@bcsc.bc.ca](mailto:inquiries@bcsc.bc.ca)  
[www.bcsc.bc.ca](http://www.bcsc.bc.ca)



## Appendix B: Auditor's Report and Audited Financial Statements

### Management's Responsibility for Financial Reporting

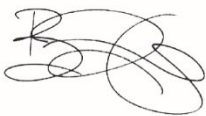
Management is responsible for the integrity and fair presentation of the financial statements and other financial information included in this annual service plan report. Management has prepared the consolidated financial statements in accordance with Canadian public sector accounting standards (PSAS).

We oversaw the design of internal controls to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with PSAS. We also directed the evaluation of the effectiveness of these internal controls and we are not aware of any material weakness in these controls.

We believe that the consolidated financial statements and other financial information in this annual service plan report fairly present in all material respects the financial condition, results of operations and cash flows of the British Columbia Securities Commission (BCSC) as of the dates and for the periods presented. The preparation of financial statements necessarily involves the use of estimates, which have been made using careful judgment. It is possible that circumstances will cause actual results to differ. We do not believe it is likely that any differences will be material.

The Board is responsible for ensuring that management fulfills its financial reporting and control responsibilities, and has appointed an independent Audit & Risk Committee to oversee the financial reporting process. The Audit & Risk Committee meets regularly throughout the year with management, the internal auditors and the external auditors to review the consolidated financial statements, adequacy of internal controls relating to financial reporting, and internal and external audit functions. The external auditor has full and open access to the Audit & Risk Committee, with and without the presence of management.

BDO Canada LLP (BDO), the BCSC's independent auditor, has examined the consolidated financial statements and its report follows.



Brenda M. Leong

*Chair and Chief Executive Officer*



Peter J. Brady

*Executive Director*



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vancouver@bdo.ca  
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BDO Canada LLP  
Unit 1100 - Royal Centre  
1055 West Georgia Street  
Vancouver BC V6E 3P3 Canada

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## Independent Auditor's Report

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To the Commissioners of the British Columbia Securities Commission

And to the Minister of Finance, British Columbia

### Opinion

We have audited the consolidated financial statements of the British Columbia Securities Commission (the "Entity") which comprise the Consolidated Statement of Financial Position as at March 31, 2022, and the Consolidated Statements of Operations and Change in Accumulated Surplus, Remeasurement Gains and Losses, Change in Net Financial Assets and Cash Flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at March 31, 2022, and its consolidated results of operations, remeasurement gains and losses, change in net financial assets, and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Entity to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Entity audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*BDO Canada LLP*

Chartered Professional Accountants

Vancouver, British Columbia  
May 18, 2022



**British Columbia Securities Commission**

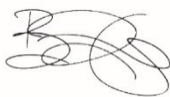
**Consolidated Financial Statements  
For the Year Ended March 31, 2022**

**Consolidated Statement of Financial Position**

As at March 31, 2022

	Notes	March 31, 2022	March 31, 2021
<b>Financial assets</b>			
Cash	4	\$ 10,789,944	\$ 11,586,222
Restricted cash - 161(1)(g) payments		1,215,162	271,942
Investments	5	90,607,419	82,030,559
Amounts receivable	6	3,001,148	2,244,840
		105,613,673	96,133,563
<b>Liabilities</b>			
Accounts payable and accrued liabilities	7	6,540,637	3,542,313
Accrued salaries and benefits		205,303	149,729
Deferred registration fee revenue		-	11,929,379
Employee leave liability	8	1,525,824	1,669,815
161(1)(g) liabilities		1,215,162	271,942
		9,486,926	17,563,178
<b>Net financial assets</b>		96,126,747	78,570,385
<b>Tangible capital assets</b>			
	9	21,008,409	15,938,903
<b>Prepaid expenses</b>			
	10	1,479,885	1,260,185
		22,488,294	17,199,088
<b>Accumulated Surplus</b>		118,615,041	95,769,473
Accumulated Surplus is comprised of:			
Unrestricted operating surplus	11	72,240,946	48,279,754
Restricted operating surplus	11	49,889,384	48,102,102
		122,130,330	96,381,856
Accumulated remeasurement losses		(3,515,289)	(612,383)
		\$ 118,615,041	\$ 95,769,473

Commitments and contingencies (Note 18)

*The accompanying notes are an integral part of these consolidated financial statements.*

Brenda M. Leong  
Chair and Chief Executive Officer

James Kershaw  
Independent Commissioner

**Consolidated Statement of Operations and Change in Accumulated Surplus**

For the Year Ended March 31, 2022

	Notes	March 31, 2022 Budget (Note 19)	March 31, 2022 Actual	March 31, 2021 Actual
<b>Revenues</b>				
Regulatory and other fees				
Prospectus and other distributions		\$ 32,000,000	\$ 42,482,530	\$ 36,999,324
Registration		28,960,000	31,678,070	17,900,743
Financial filings		4,800,000	5,194,695	5,175,370
Exemptive orders and other		500,000	611,144	530,050
National systems user fees	12	6,450,000	7,103,994	6,687,092
Enforcement sanctions	13	800,000	1,721,938	258,128
Investment income	14	1,555,000	3,131,746	1,391,627
Realized (loss) gain on investments	14	–	(480,990)	754,431
		75,065,000	91,443,127	69,696,765
<b>Expenses</b>				
Local operations	15	62,812,000	59,753,511	52,692,504
Partnership operations	12 & 15	5,650,000	5,941,142	5,187,102
		68,462,000	65,694,653	57,879,606
Annual surplus		\$ 6,603,000	25,748,474	11,817,159
Accumulated operating surplus, beginning of year			96,381,856	84,564,697
Accumulated operating surplus, end of year			\$ 122,130,330	\$ 96,381,856

*The accompanying notes are an integral part of these consolidated financial statements.*

## Consolidated Statement of Remeasurement Gains and Losses

For the Year Ended March 31, 2022

	Notes	March 31, 2022	March 31, 2021
Accumulated remeasurement (losses) gains, beginning of year		\$ (612,383)	\$ 179,436
Unrealized losses on investments	14	(3,383,896)	(37,388)
Realized losses (gains) on investments, reclassified to operations	14	480,990	(754,431)
Accumulated remeasurement (losses) gains, end of year		\$ (3,515,289)	\$ (612,383)

*The accompanying notes are an integral part of these consolidated financial statements.*

## Consolidated Statement of Change in Net Financial Assets

For the Year Ended March 31, 2022

	March 31, 2022 Budget (Note 19)	March 31, 2022 Actual	March 31, 2021 Actual
Surplus, for the year	\$ 6,603,000	\$ 25,748,474	\$ 11,817,159
Acquisition of tangible capital assets	(9,615,000)	(7,426,645)	(3,699,449)
Depreciation of tangible capital assets	2,947,000	2,357,139	2,664,010
	\$ (6,668,000)	(5,069,506)	(1,035,439)
Acquisition of prepaid expenses		(4,201,704)	(3,033,918)
Use of prepaid expenses		3,982,006	3,048,848
		(219,698)	14,930
Effect of net remeasurement losses for the year		(2,902,906)	(791,819)
Increase in net financial assets, for the year		17,556,364	10,004,831
Net financial assets, beginning of year		78,570,385	68,565,554
Net financial assets, end of year		\$ 96,126,749	\$ 78,570,385

*The accompanying notes are an integral part of these consolidated financial statements.*



**Consolidated Statement of Cash Flows**

For the Year Ended March 31, 2022

	March 31, 2022	March 31, 2021
<b>Operating transactions</b>		
Cash received from:		
Fees	\$ 74,492,354	\$ 66,801,240
Enforcement sanctions	1,654,926	346,515
Interest	689,265	939,883
	76,836,545	68,087,638
Cash paid to and on behalf of employees	(39,670,925)	(37,731,354)
Cash paid to suppliers and others	(21,016,978)	(17,522,249)
	(60,687,903)	(55,253,603)
Cash provided by operating transactions	16,148,642	12,834,035
<b>Capital transactions</b>		
Cash used to acquire tangible capital assets	(7,426,645)	(3,699,449)
<b>Investing transactions</b>		
Proceeds from disposals of investments	55,901,346	31,772,780
Purchase of investments	(65,419,621)	(56,188,931)
	(9,518,275)	(24,416,151)
Decrease in cash	(796,278)	(15,281,565)
Cash, beginning of year	11,586,222	26,867,787
Cash, end of year	\$ 10,789,944	\$ 11,586,222

*The accompanying notes are an integral part of these consolidated financial statements.*

## Notes to the Consolidated Financial Statements

For the Year Ended March 31, 2022

### 1. Nature of operations

The British Columbia Securities Commission (BCSC) is a Crown corporation created by the Province of British Columbia on April 1, 1995. We are responsible for the administration of the *Securities Act*. As a Crown corporation, the BCSC is exempt from income taxes. We pay PST (7%) and GST (5%) on taxable purchases but recover the GST.

### 2. Significant accounting policies

Management has prepared these consolidated financial statements in accordance with Canadian Public Sector Accounting Standards (PSAS). Significant accounting policies followed in the preparation of these financial statements are:

#### *a) Interest in national systems partnership (Partnership)*

The CSA is an umbrella organization of Canada's ten provincial and three territorial securities regulators, whose objective is to improve, coordinate and harmonize regulation of the Canadian capital markets. BCSC, Alberta Securities Commission, Ontario Securities Commission, and Autorité des marchés financiers (collectively, the Principal Administrators or PAs) have agreed to oversee CSA's shared information systems, on behalf of the CSA. Each of the PAs has one vote on shared system matters.

We collect approximately 64 percent of our local fee revenue through the national systems. The Partnership contracted CGI Information Systems and Management Consultants Inc. (CGI) to provide IT services to January 12, 2024. CGI maintains a comprehensive business continuity plan for the national systems.

The Partnership charges user fees to recover systems development and operating costs. The Partnership has agreed to use its accumulated surpluses only for the benefit of systems users.

The national systems arrangement is a government partnership under PSAS. Accordingly, these financial statements include 25 percent of the assets, liabilities, net assets, revenues and expenses of the Partnership.

#### *b) Financial instruments*

Our financial instruments include cash, restricted cash, investments, amounts receivable, accounts payable and accrued liabilities, accrued salaries and benefits, and 161(1)(g) liabilities.

We account for all of our financial instruments on a fair value basis, as follows:

- We record cash, restricted cash, and investments at fair value (fair value measurement hierarchy level one – quoted market prices), with the exception of our investment in Principal Credit Fund. We consider the fair value of our investments to be market value because they are highly liquid.

## Notes to the Consolidated Financial Statements

For the Year Ended March 31, 2022

- Our investment in Principal Credit Fund is recorded at fair value (fair value measurement hierarchy level three – unobservable inputs). Some of the inputs may not be observable in the market, and are derived from market prices or rates, or estimated based on assumptions.
- We record other financial instruments at cost, which approximates fair value, due to their short-term nature.

We recognize realized gains and losses in annual operating surplus/deficit. We record unrealized gains and losses separately in the statement of remeasurement gains and losses. We reinvest any investment earnings relating to investments in the portfolio and adjust the carrying value of the units we own accordingly.

### *c) 161(1)(g) payments*

The BCSC can order respondents to pay it money obtained as a result of contravening the *Securities Act*. If the BCSC receives money under such an order, we receive and consider applications for payment to eligible claimants from the money collected. We disburse funds to eligible claimants after adjudicating all claims, and retain any funds not disbursed after adjudicating all claims.

### *d) Tangible capital assets*

We record tangible capital assets at cost. We depreciate them using the straight-line method over their useful lives.

We estimate the useful lives of our tangible capital assets to be as follows:

- Local information technology – three to five years
- Local leasehold improvements – the remaining lease term to November 30, 2031
- Local furniture and equipment – ten years
- Partnership information technology – three to ten years

### *e) Revenue recognition*

We recognize revenue for prospectus, registration, and other statutory filing fees when filings are made and collectability is assured.

We recognize National Systems user fees when filings are made and collectability is assured.

We recognize enforcement sanctions revenue when we determine sanctions are collectible.

### *f) Expenses*

We recognize expenses on an accrual basis. We expense the cost of goods consumed and services received during the year.

## Notes to the Consolidated Financial Statements

For the Year Ended March 31, 2022

### ***g) Employee future benefits***

We participate in the Public Service Pension Plan, a multi-employer defined benefit pension plan. We account for the plan as a defined contribution plan as we have insufficient information to apply defined benefit plan accounting. Pension costs included in our financial statements are comprised of the cost of employer contributions related to the current service of employees during the year.

### ***h) Measurement uncertainty***

PSAS require management to make estimates and assumptions for certain amounts disclosed in the financial statements.

In our financial statements, management has estimated the:

- portion of amounts receivable that we will collect
- useful lives of tangible capital assets
- value of the employee leave liability

Estimates reflect the best information available when we prepare these consolidated financial statements. Actual results may differ from these estimates. We will record any adjustments to these estimates in the period that additional information becomes available.

### ***i) Foreign currency translation***

Our investment in Principal Credit Fund is denominated in the United States dollar and is translated into Canadian dollars at the prevailing exchange rate on the year-end date.

### ***j) Change in Accounting Policy***

The BCSC adopted the new Public Sector Accounting Standard PS 3400 Revenue on a prospective basis effective April 1, 2021. As a result, the BCSC no longer defers registration revenue. The BCSC recognized registration revenue of \$11,929,379 on April 1, 2021 which was the amount reported as deferred registration revenue as at March 31, 2021, and did not defer any registration revenue as at March 31, 2022.

## Notes to the Consolidated Financial Statements

For the Year Ended March 31, 2022

### 3. Financial instruments

Cash and restricted cash are demand deposits held at federally regulated financial institutions.

We invest funds in investment pools managed by the British Columbia Investment Management Corporation (BCI). Refer to Note 5 for the description of these BCI pooled investment funds.

Our investments in the BCI pooled investment funds expose us to financial risks associated with the funds and the underlying securities held in the investment funds, including credit risk, market risk, and liquidity risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Market risk is the risk of loss from unfavorable changes in fair value or future cash flows of a financial instrument. Market risk comprised of currency risk, interest rate risk, and price risk. Liquidity risk is the risk that the BCSC will encounter difficulty in meeting obligations associated with its financial liabilities.

In management's opinion, our investments do not expose the BCSC to significant credit risk because our investment policy is to target having 85% of our investments in liquid, high quality money market instruments, government securities, and investment-grade corporate debt and equity securities. However, we target having 10% of our investments in corporate bonds (Corporate Bond Fund) and 5% in private debt (Principal Credit Fund) which expose us to credit risk. In addition to these low target levels, credit risk exposure is mitigated through diversification within the Corporate Bond Fund and Principal Credit Fund.

Our investments in money market and pooled funds are highly liquid and therefore, liquidity risk is low for our investments with the exception of our investment in private debt. Because our investment policy sets a 5% target for private debt, in management's opinion, we have low exposure to liquidity risk.

Currency risk is the risk that the value of financial instruments denominated in currencies other than the Canadian dollar will fluctuate due to changes in foreign exchange rates. We invest in Canadian dollar denominated investment pools with the exception of our investment in the Principal Credit Fund, which is denominated in the United States dollar. We are exposed to some currency risk through our investments in the US Dollar Money Market Fund, the Corporate Bond Fund, the Indexed Global Equity Fund, and the Indexed Emerging Markets Equity Fund. BCI manages the currency risk for these pools through hedging within the funds. Because our investment policy sets a 5% target for private debt, in management's view we have low exposure to currency risk with respect to our investment in the Principal Credit Fund.

Our investments expose us to interest rate risk associated with the underlying interest-bearing securities held in the investment funds. Interest rate risk relates to the possibility that the fair value of fixed rate investments will change due to future fluctuations in market interest rates. In general, bond values are sensitive to changes in the level of interest rates, with longer-term interest-bearing securities being more sensitive to interest rate changes than shorter-term interest-

## Notes to the Consolidated Financial Statements

For the Year Ended March 31, 2022

bearing securities. Based on the March 31, 2022 composition of our investment portfolio, an immediate 1 percent increase in interest rates across the entire yield curve, with all other variables held constant, would result in a decrease in market value of approximately \$1.8 million. In addition, future investment income earned on variable rate cash deposits and investments would increase after an interest rate increase. BCI manages interest rate risk by monitoring portfolio duration and yields. The current investment duration of the Canadian Money Market Fund, US Money Market Fund and the Principal Credit Fund is less than a year. The current investment duration of the Corporate Bond Fund is 6.3 years and of the Government Bond Fund is 8.4 years.

In management's opinion, amounts receivable, accounts payable and accrued liabilities, and accrued salaries and benefits do not expose us to significant financial risk because of their short-term nature.

### 4. Cash

	March 31, 2022	March 31, 2021
Local demand deposits	\$ 7,919,066	\$ 5,776,817
Partnership demand deposits	2,870,878	5,809,405
	\$ 10,789,944	\$ 11,586,222

Local cash and the Partnership's cash are on deposit with federally regulated financial institutions and earn interest ranging from prime minus 1.9% to prime minus 1.7%.

## Notes to the Consolidated Financial Statements

For the Year Ended March 31, 2022

### 5. Investments

	March 31, 2022		March 31, 2021	
	Market Value	Cost	Market Value	Cost
<b>BCI pooled funds</b>				
Canadian Money Market Fund	\$ 10,193,032	\$ 10,207,713	\$ 41,904,457	\$ 41,954,669
Canadian Universe Bond Fund	–	-	8,279,832	8,842,003
Corporate Bond Fund	6,923,683	7,367,005	–	–
Government Bond Fund	15,411,674	16,327,860	–	–
Indexed Emerging Market Equity	6,709,966	7,884,932	–	–
Indexed Global Equity Fund	16,708,955	17,620,622	–	–
Principal Credit Fund	1,850,432	1,898,265	–	–
US Money Market Fund	445,132	451,766	–	–
	\$ 58,242,874	\$ 61,758,163	\$ 50,184,289	\$ 50,796,672
<b>Partnership investments</b>				
Notice account	\$ 7,173,071	\$ 7,173,071	\$ 7,118,020	\$ 7,118,020
Term deposit	5,250,000	5,250,000	9,435,500	9,435,500
Guaranteed Investment Certificate	19,941,474	19,941,474	15,292,750	15,292,750
	\$ 32,364,545	\$ 32,364,545	\$ 31,846,270	\$ 31,846,270
	\$ 90,607,419	\$ 94,122,708	\$ 82,030,559	\$ 82,642,942

During the year we invested in the following BCI pooled investment funds:

- Canadian Money Market Fund (ST2) - Invests in Canadian government and Canadian dollar denominated corporate debt securities, including commercial paper, having a maximum term to maturity of 15 months.
- US Dollar Money Market Fund (ST3) - Invests in short term (up to 45 days) corporate and government debt securities, including commercial paper. Investments may be in US dollar denominated paper issued by Canadian corporations or governments. The Pool may also hold United States Treasury bills (T-bills).
- Short Term Bond Fund (STB) – Invests in Canadian federal, provincial and municipal government bonds and Canadian dollar fixed income securities that are insured or guaranteed by sovereign governments, and supranational debt securities, with a typical term to maturity of up to 5 years.
- Government Bond Fund - Invests in bonds issued or guaranteed by the Canadian government and its Provinces with terms to maturity of up to 30 years.
- Corporate Bond Fund - Invests in corporate investment grade and high yield securities issued in the United States and Canada.

## Notes to the Consolidated Financial Statements

For the Year Ended March 31, 2022

- Canadian Universe Bond Fund - Invests in Canadian dollar denominated government and investment-grade corporate debt, having a maximum term to maturity of 30 years.
- Principal Credit Fund - Invests in publicly traded or privately negotiated transactions involving private, and on occasion, public companies.
- Indexed Global Equity – Invests in equity markets from across the globe by holding companies, sectors and country allocations roughly in proportion to their weighting in the Morgan Stanley Capital International (MSCI) World ex-Canada Net Index.
- Indexed Emerging Markets Equity – Invests in emerging markets equity by holding companies, sectors, and country allocations roughly in proportion to their weighting in the Morgan Stanley Capital International (MSCI) Emerging Markets Net Index.

Refer to note 14 for information about investment income earned on the investments.

The Partnership's investments are held in a notice account, term deposits and guaranteed investment certificates at fixed interest rates of 1% to 2.7%.

### 6. Amounts receivable

	March 31, 2022	March 31, 2021
National systems user fees	\$ 1,795,327	\$ 1,062,639
Enforcement sanctions	389,250	322,238
SEDAR and other filings	367,908	539,257
GST refunds	195,778	125,980
National project recoveries	118,057	22,445
Employee advances and other	93,678	89,134
Late insider report filing fees	41,150	54,350
Due from CSTO	–	28,469
Due from CMAIO	–	328
	\$ 3,001,148	\$ 2,244,840

### 7. Accounts payable and accrued liabilities

	March 31, 2022	March 31, 2021
Local trade accounts payable	\$ 3,477,125	\$ 2,712,884
Partnership trade accounts payable	2,786,141	449,757
Other	277,371	379,672
	\$ 6,540,637	\$ 3,542,313



## Notes to the Consolidated Financial Statements

For the Year Ended March 31, 2022

### 8. Employee leave liability

Employee leave liability is what we owe to our employees for their earned but unused vacation time.

### 9. Tangible capital assets

	March 31, 2022					Total
	Local Information Technology	Local Leasehold Improvements	Local Furniture & Equipment	Partnership Information Technology		
<b>Cost</b>						
Opening balance	\$ 14,345,200	\$ 5,911,949	\$ 2,718,473	\$ 10,564,811	\$ 33,540,433	
Additions	1,505,382	–	–	5,921,263	7,426,645	
Disposals	(899,497)	–	–	–	(899,497)	
Closing balance	\$ 14,951,085	\$ 5,911,949	\$ 2,718,473	\$ 16,486,074	\$ 40,067,581	
<b>Accumulated depreciation</b>						
Opening balance	\$ 8,545,556	\$ 5,716,547	\$ 2,477,981	\$ 861,446	\$ 17,601,530	
Depreciation	2,001,425	18,241	69,220	268,253	2,357,139	
Disposals	(899,497)	–	–	–	(899,497)	
Closing balance	\$ 9,647,484	\$ 5,734,788	\$ 2,547,201	\$ 1,129,699	\$ 19,059,172	
<b>Net book value</b>	<b>\$ 5,303,601</b>	<b>\$ 177,161</b>	<b>\$ 171,272</b>	<b>\$ 15,356,375</b>	<b>\$ 21,008,409</b>	

	March 31, 2021					Total
	Local Information Technology	Local Leasehold Improvements	Local Furniture & Equipment	Partnership Information Technology		
<b>Cost</b>						
Opening balance	\$ 14,169,311	\$ 5,911,949	\$ 2,685,941	\$ 8,917,274	\$ 31,684,475	
Additions	2,019,380	–	32,532	1,647,537	3,699,449	
Disposals	(1,843,491)	–	–	–	(1,843,491)	
Closing balance	\$ 14,345,200	\$ 5,911,949	\$ 2,718,473	\$ 10,564,811	\$ 33,540,433	
<b>Accumulated depreciation</b>						
Opening balance	\$ 8,398,303	\$ 5,419,334	\$ 2,405,973	\$ 557,401	\$ 16,781,011	
Depreciation	1,990,744	297,213	72,008	304,045	2,664,010	
Disposals	(1,843,491)	–	–	–	(1,843,491)	
Closing balance	\$ 8,545,556	\$ 5,716,547	\$ 2,477,981	\$ 861,446	\$ 17,601,530	
<b>Net book value</b>	<b>\$ 5,799,644</b>	<b>\$ 195,402</b>	<b>\$ 240,492</b>	<b>\$ 9,703,365</b>	<b>\$ 15,938,903</b>	

## Notes to the Consolidated Financial Statements

For the Year Ended March 31, 2022

### 10. Prepaid expenses

	March 31, 2022	March 31, 2021
Local IT and information service contracts	\$ 931,185	\$ 767,405
Partnership IT and information service contracts	548,700	492,780
	\$ 1,479,885	\$ 1,260,185

### 11. Accumulated operating surplus

	March 31, 2022			
	General	Reserve (a)	Partnership (b)	Total
Opening balance	\$ 46,642,489	\$ 1,637,265	\$ 48,102,102	\$ 96,381,856
Annual Surplus	22,239,254	1,721,938	1,787,282	25,748,474
Investment income allocation	(9,607)	9,607	-	-
Education expenses paid from reserve	3,368,810	(3,368,810)	-	-
Closing balance	\$ 72,240,946	\$ -	\$ 49,889,384	\$ 122,130,330

	March 31, 2021			
	General	Reserve (a)	Partnership (b)	Total
Opening balance	\$ 35,537,437	\$ 3,168,335	\$ 45,858,925	\$ 84,564,697
Annual Surplus	9,315,854	258,128	2,243,177	11,817,159
Investment income allocation	(32,924)	32,924	-	-
Education expenses paid from reserve	1,822,122	(1,822,122)	-	-
Closing balance	\$ 46,642,489	\$ 1,637,265	\$ 48,102,102	\$ 96,381,856

#### a) Reserve (internally-restricted)

The following administrative penalties and other financial orders can be made following a determination there was a contravention under the *Securities Act* or a conviction for an offence under the *Securities Act*:

- administrative penalties after a commission hearing
- administrative monetary penalties imposed by notice
- disgorgement orders
- orders against family members or third parties who received undervalue property from a person who contravened the *Securities Act* or committed an offence
- orders to forfeit property

We also negotiate settlement amounts.

## Notes to the Consolidated Financial Statements

For the Year Ended March 31, 2022

We designate revenue from settlements, unclaimed amounts of disgorgement orders and from the other orders to a Reserve, which we spend in accordance with s.15(3) of the *Securities Act* on educating securities market participants and members of the public about investing, financial matters or the operation or regulation of securities markets, benefitting third parties the commission considers appropriate, enforcing (including collecting on) these orders, and processing claims to proceeds from disgorgement orders.

### b) Partnership (restricted)

The partners have agreed to use Partnership surplus only for the benefit of systems users.

## 12. Partnership – summarized annual financial information

	March 31, 2022		March 31, 2021	
	Partnership	25% share	Partnership	25% share
<b>Financial Position</b>				
Financial assets	\$ 148,122,995	\$ 37,030,749	\$ 154,873,256	\$ 38,718,314
Liabilities	12,185,761	3,046,440	3,249,428	812,357
Net Financial assets	\$ 135,937,234	\$ 33,984,309	\$ 151,623,828	\$ 37,905,957
Non-financial assets	63,620,301	15,905,075	40,784,581	10,196,145
Accumulated surplus	\$ 199,557,535	\$ 49,889,384	\$ 192,408,409	\$ 48,102,102
<b>Operations</b>				
Revenues:				
National systems user fees	\$ 28,415,974	\$ 7,103,994	\$ 26,748,366	\$ 6,687,092
Investment income and other	2,497,719	624,430	2,972,748	743,187
Expenses	23,764,567	5,941,142	20,748,406	5,187,102
Surplus	\$ 7,149,126	\$ 1,787,282	\$ 8,972,708	\$ 2,243,177

## 13. Enforcement sanctions

Enforcement sanctions revenue includes administrative penalties, settlements, and unclaimed 161(1)(g) payments, if any. Revenues depend on the timing of enforcement actions completed during the year and on our ability to collect assessed amounts.

We assessed enforcement sanctions of \$3.0 million (fiscal 2021 – \$43.3 million) during the year, of which we did not recognize \$1.2 million (fiscal 2021 – \$43.0 million) as revenue because we have not determined that the sanctions are collectible.

**Notes to the Consolidated Financial Statements**

For the Year Ended March 31, 2022

**14. Investment income, realized gains (losses) on investments, and unrealized gains (losses) on investments**

	For the Year Ended March 31, 2022				
	Investment Income	Realized Gains (Losses)	Total Income	Unrealized Gains (Losses)	Annualized Return
Cash, term deposits and GIC	\$ 685,378	\$ -	\$ 685,378	\$ -	1.5%
Restricted cash - 161(1)(g) payments	3,887	-	3,887	-	0.7%
Canadian Money Market Fund	9,277	(36,148)	(26,871)	(617)	(0.4%)
Short Term Bond Fund	-	-	-	-	0.0%
Canadian Universe Bond Fund	-	(562,171)	(562,171)	-	(5.9%)
Corporate Bond Fund	309,572	57,433	367,005	(385,889)	(0.5%)
Government Bond Fund	227,860	-	227,860	(916,186)	(7.7%)
Indexed Emerging Market Equity	285,332	-	285,332	(1,174,966)	(21.3%)
Indexed Global Equity Fund	1,600,090	70,932	1,671,022	(840,735)	10.4%
Principal Credit Fund	-	-	-	(47,833)	(10.3%)
US Money Market Fund	10,350	(11,036)	(686)	(17,670)	(49.5%)
	\$ 3,131,746	\$ (480,990)	\$ 2,650,756	\$ (3,383,896)	(0.5%)

	For the Year Ended March 31, 2021				
	Investment Income	Realized Gains (Losses)	Total Income	Unrealized Gains (Losses)	Annualized Return
Cash, term deposits and GIC	\$ 938,523	\$ -	\$ 938,523	\$ -	1.6%
Restricted cash - 161(1)(g) payments	1,360	-	1,360	-	0.7%
Canadian Money Market Fund	76,870	-	76,870	(50,212)	0.2%
Short Term Bond Fund	85,678	446,791	532,469	146,405	8.3%
Canadian Universe Bond Fund	289,196	307,640	596,836	(133,581)	5.4%
	\$ 1,391,627	\$ 754,431	\$ 2,146,058	\$ (37,388)	2.5%

## Notes to the Consolidated Financial Statements

For the Year Ended March 31, 2022

### 15. Expenses

	Budget 2022	Year ended March 31	
		2022	2021
<b>Local operations</b>			
Salaries and benefits	40,500,000	39,611,710	\$ 37,296,132
Professional services	5,867,000	6,495,542	3,331,870
Occupancy	4,307,000	3,775,241	4,018,836
Education	3,600,000	3,550,633	1,822,122
Information management	3,450,000	3,064,996	2,738,962
Depreciation	2,772,000	2,088,886	2,359,965
Administration	720,000	535,526	601,614
Staff training	650,000	286,837	173,626
Telecommunications	386,000	169,865	267,125
External communication	260,000	147,926	28,778
Travel	300,000	26,349	53,474
Total local operations	\$ 62,812,000	\$ 59,753,511	\$ 52,692,504
<b>Partnership operations</b>			
Professional services	\$ 4,050,000	\$ 3,961,064	\$ 3,185,584
Salaries and benefits	1,425,000	1,544,354	1,549,064
Depreciation	175,000	268,253	304,044
Information management and administration	–	167,471	148,410
Total Partnership operations	\$ 5,650,000	\$ 5,941,142	\$ 5,187,102
	\$ 68,462,000	\$ 65,694,653	\$ 57,879,606

### 16. Related party transactions

We are related through common control to all B.C. provincial government ministries, agencies, and Crown corporations. We conducted all transactions with these entities as though we were unrelated parties.

### 17. Post-retirement employee benefits

We, and our employees, contribute to the Public Service Pension Plan, a multi-employer plan. The plan is contributory, and its basic benefits are defined. The plan has approximately 67,000 active members, 51,000 retired members, and 20,000 inactive members. A board of trustees, representing plan members and employers, is responsible for overseeing the management of the plan, including investment of assets and administration of benefits.

## Notes to the Consolidated Financial Statements

For the Year Ended March 31, 2022

An actuarial valuation of the plan performed every three years assesses the plan's financial position. The latest valuation, as at March 31, 2020, indicated a \$2,667 million (March 31, 2017 – \$1,074 million, restated) surplus for basic pension benefits. In addition to basic benefits, the plan also provides supplementary benefits, including inflation indexing. These supplementary benefits are paid only to the extent that they have been funded, which is currently done on a "pay-as-you-go" basis.

The plan trustees monitor the impact of the financial environment on plan health. Plan surpluses and deficits are not attributable to individual employers, but affect future contribution levels. We charged \$3.1 million (fiscal 2021 – \$2.9 million) to expense for employer contributions during the period.

### 18. Commitments and contingencies

Our contractual obligations relating to lease agreements for local office space and equipment are as follows:

Fiscal years	2023-2024	2025 - 2027	2028 - 2030	2031 - 2032	Total
	\$ 7,880,792	\$ 12,435,053	\$ 13,234,171	\$ 7,694,840	\$ 41,244,855

The Partnership has contracted with CGI to host and operate the national systems until January 12, 2024. The Partnership has certain rights to terminate the agreement, with and without cause, as set out in the agreement.

The Partnership has contracted with CGI and Foster Moore International Limited to redevelop several shared filing systems over the next several years. The Partnership has also contracted with First Derivatives Canada Inc. to design and operate a shared investment market analysis system over the next several years.

The Partnership has certain rights to terminate the agreements, with and without cause, as set out in the agreements.

The BCSC has committed to pay 25 per cent of any claim or expenses related to operation and redevelopment of the shared filing systems that exceed the Partnership's surplus funds.

### 19. Budgeted figures

Budgeted figures are approved by the Board and presented for comparison purposes.