

# **British Columbia Securities Commission**

## **2022/23 – 2024/25 Service Plan**

**February 2022**



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## Board Chair's Accountability Statement



The 2022/23 – 2024/25 British Columbia Securities Commission Service Plan was prepared under my direction in accordance with the *Budget Transparency and Accountability Act*. The plan is consistent with government's strategic priorities and fiscal plan. I am accountable for the contents of the plan, including what has been included in the plan and how it has been reported. I am responsible for the validity and reliability of the information included in the plan.

All significant assumptions, policy decisions, events and identified risks, as of February 10, 2022 have been considered in preparing the plan. The performance measures presented are consistent with the *Budget Transparency and Accountability Act*, the British Columbia Securities Commission's mandate and goals, and focus on aspects critical to the organization's performance. The targets in this plan have been determined based on an assessment of the British Columbia Securities Commission's operating environment, forecast conditions, risk assessment and past performance.

A handwritten signature in black ink, appearing to be 'B. Leong', written in a cursive style.

Brenda M. Leong  
Board Chair

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## Strategic Direction and Alignment with Government Priorities

In 2022/2023, public sector organizations will continue to align with and support the Government of British Columbia efforts in responding to the COVID-19 pandemic with a focus on protecting the health, social and economic well-being of British Columbians. Building on our economic, environmental, and social strengths while looking to seize opportunities to improve outcomes for all British Columbians will be an important aspect of each Crown Agency's work as we respond to COVID-19 and recover from devastating floods and wildfires. The policies, programs and projects developed over the course of this service plan period will align with the five foundational principles established by Government in 2020: putting people first, working toward lasting and meaningful reconciliation, supporting equity and anti-racism, ensuring a better future through fighting climate change and meeting our greenhouse gas reduction targets, and supporting a strong, sustainable economy that works for everyone.

This 2022/23 service plan outlines how the British Columbia Securities Commission (BCSC or Commission) will support the government's priorities including the foundational principles listed above and selected action items identified in the most recent [Crown Agency Mandate Letter](#).

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

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

- Review businesses' offering documents and continuous disclosure so investors have the information they need to make informed investment decisions.
- Review applications for registration from those that trade securities, provide advice, or manage portfolios or investment funds, to ensure they are qualified, ethical, and solvent.
- Take action against those who contravene securities laws to deter misconduct and mitigate investor losses.
- Educate investors to protect themselves and industry participants to understand how to comply with securities law requirements.

The current Ministry of Finance Mandate Letter of Expectations for the BCSC is available on our [website](#).

## Operating Environment

We work collaboratively with other Canadian securities regulators to protect investors from unfair, improper, or fraudulent practices and to foster fair and efficient capital markets under the umbrella of the Canadian Securities Administrators (CSA). Operating under a national and largely harmonized system influences and impacts how we approach securities regulation. In some cases, local priorities and imperatives may lead to the adoption of different regulations or approaches to regulatory decisions in the jurisdictions.

Capital markets and the wealth management industry are rapidly evolving. Innovation and technology bring new opportunities and new challenges for the BCSC and other financial regulators. In order to keep up with this rapid pace of change, we are focussed on four areas – building capacity, enhancing investor protection, supporting innovation and fintech, and modernizing the regulatory framework.

*Building Capacity* – The evolution of capital markets, including the proliferation of new products, technology tools and digitized channels for disseminating investment-related communications, is generating billions of data points. To manage the deluge of information the BCSC has embarked on digital transformation of its internal information systems which we view as critical to regulatory responsiveness. Technology and this new platform will be foundational to the BCSC’s ability to manage and analyse information and to continually deliver value to the capital markets we regulate and to the investing public. These new systems will require considerable human and financial resources to develop and maintain – drawing on significant BCSC resources in fiscal 2023.

*Enhancing Investor Protection* – Public company activity surged following the early months of the pandemic. While B.C. has several large public companies and many sizeable investment funds, our public markets continue to be dominated by relatively small companies. Many of these “microcap” companies operate in the resource sector or in emerging areas like cannabis that require inexpensive capital raising in order to scale. Unfortunately, these companies can also be targets of misleading social media campaigns and stock manipulation. We are seeing increasing B.C. connections to major international fraud and market manipulation cases that pose risks to market integrity. Our challenge will be to balance proportionate regulation to support growth of these companies with strong investor protection.

The BCSC’s enforcement staff has also been vigorously pursuing debtors for unpaid penalties using the tools in the 2020 *Securities Act* amendments. These efforts are being met with multiple legal challenges to the Courts. . Alongside our ongoing enforcement efforts, we are also gearing up to launch several new compliance and enforcement programs enabled by the new Act amendments, aimed at enhancing investor protection.

*Supporting Innovation and Fintech* – The evolution of new technologies and products continues to develop at an unprecedented pace. While blockchain technology is no longer new, applications of it are constantly evolving. Innovators are capitalizing on technology to develop and enable new forms of crypto-assets and stable coins to trade over a growing number of crypto-asset trading platforms, some of which have become registered and operational in B.C. in

the past year. We have formed a CSA – wide taskforce to deal with the plethora of crypto asset trading platforms seeking to do business in B.C. and other provinces. We are also seeing new technology being employed, transforming traditional investment firm services from on-line and mobile trading apps to artificial intelligence-driven advice.

*Modernizing the Regulatory Framework* – Amidst the COVID–19 crisis there has been an accelerated focus on Environmental, Social, and Governance (ESG) investing – strategies that consider a company’s environmental, social and governance performance alongside more traditional finance metrics. As investor demand for climate risk and other ESG information grows, the BCSC will need to respond with measured policy initiatives focused on climate change risk, diversity on Corporate Boards and ESG related investment fund disclosure. Disclosure is one of the cornerstones of our regulatory framework. But just as the markets are evolving so must the disclosure framework so that investors have accessible and relevant disclosure critical to making informed investing decisions.

Changing demographics and new financial tools and products are also driving investor demand for new ways of investing and interacting with financial advisors. Younger investors are seeking simple digital interfaces that allow them to manage their investments directly. Instead of working with firms that sell a limited range of investment products, some investors are seeking a more holistic set of services ranging from order execution-only accounts and robo-advice, to traditional advisory accounts, portfolio management and in-depth financial planning. To support this evolution, the BCSC is working with the CSA and other key stakeholders to modernize our regulatory framework by creating a single new self-regulatory organization (SRO) that will integrate the Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Fund Dealers Association of Canada (MFDA). This integration is a market and investor driven imperative that will deliver unified dealer regulation across Canadian markets.

Apart from the first few months of the COVID pandemic, company valuations, capital raising and merger activity have increased. The environment in which we operate is dynamic and we are working diligently to continue to meet the demands of this rapidly changing environment. Increased market activity has led to strong fee revenue for the BCSC in recent years; however, it is unlikely to continue at the same pace. We budget conservatively to mitigate the impact of declining fee revenues resulting from downturns in the market.

## **Performance Planning**

### **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 suitable securities firms and their advisors, routinely audit these firms for compliance with the rules, and oversee the conduct of the TSX Venture Exchange (TSXV), Canadian Securities Exchange (CSE), Clearing and Depository Services (CDS), IIROC, and the MFDA, all of which are recognized in B.C.

On the capital-raising side, we regulate securities issuers and insiders and review their mandatory filings to ensure they meet minimum standards. We also regulate trading of over-the-counter derivatives and private placements of securities by companies required to report to the BCSC.

#### **Key Strategies**

- On behalf of the CSA, the BCSC will continue to co-lead work to develop a new framework that strengthens the ability of Ombudsman for Banking Services and Investments (OBSI) to secure redress for investors. In particular, the framework will make OBSI's compensation decisions binding on investment firms.
- Most years, over 50% of global mining capital formation by public mining issuers emanates from Canada. As such, NI 43-101 *Standards of Disclosure for Mineral Projects* is the pre-eminent global standard for mineral project disclosure. The BCSC is leading a CSA consultation on NI 43-101's efficacy and potential areas for revision.
- The BCSC is participating in CSA projects to bring forward climate-related and diversity disclosure requirements to meet the demands for more consistent and comparable ESG information to help inform investment decisions.



Performance Measure(s)	2020/21 Baseline	2021/22 Forecast	2022/23 Target	2023/24 Target	2024/25 Target
1.1a: Percentage of reviewed issuers that reduce deficiencies <sup>1</sup>					
i. Improved disclosure subsequent to a continuous disclosure review	100%	>95%	>95%	>95%	>95%
Improved disclosure to minimum standards	100%	>95%	>95%	>95%	>95%
1.1b: Percentage of issuers reviewed that comply with standards for technical disclosure <sup>2</sup>					
i. Percentage of issuers' technical reports reviewed that were required to be amended and refiled	-	30%	<25%	<25%	<25%
ii. Percentage of issuers reviewed placed in default for non-compliant technical disclosure in documents other than technical reports	-	26%	<20%	<20%	<20%
1.1c: Average number of repeat deficiencies per examination in Capital Markets Regulation <sup>3</sup>	0.67	0.67	0.64	0.64	0.64

Data source:

<sup>1</sup>Internal evaluation of subsequent disclosure.

<sup>2</sup>Data recorded in established tracking systems.

<sup>3</sup>Data recorded in established tracking systems.

## Linking Performance Measure to Objective

- 1.1a When we promote a culture of compliance through our continuous disclosure reviews, public companies become more aware of disclosure requirements. This pair of measures shows the extent to which our detailed reviews motivate non-compliant issuers to improve their disclosure.
- 1.1b When we promote a culture of compliance through our technical disclosure reviews, mining firms adhere to the specialized disclosure requirements we have for the mining industry.
- 1.1c Compliance staff rely heavily on repeat deficiencies as a general indication of the state of compliance at a registered firm. Repeat deficiencies are also an indication of whether a firm has allocated sufficient resources to, or is focused on, effective compliance. Staff frequently refer firms with repeat deficiencies for enforcement or other remedial action. While we aim to reduce average repeat deficiencies over the long term, they may increase in any particular year due to factors such as increases in numbers of new registrants or changes in regulation.

## Discussion

**Measure 1.1a** – The baseline for 2020/21 is 100%. Our forecast and targets are >95% for this external measure because our continuous disclosure reviews can influence but do not control reporting issuer behaviour.

**Measure 1.1b** – The baseline for 2020/21 is not presented because it was calculated under the previous performance measure. In 2021/22 a new measure was developed that more precisely reflects material compliance with the mineral project disclosure standard in 1) technical reports and 2) all other disclosure including websites and social media. We made this change because the previous measure did not measure compliance in technical reports. Technical reports are critically important to investors making investment decisions on mineral companies and projects and so are an important focus of our technical disclosure compliance reviews. The new measure is a better proxy for issuers' material compliance with technical disclosure requirements.

## Objective 1.2: Advance cost-effective regulation

We aim to provide strong investor protection and foster market integrity at an appropriate cost by focusing on:

- Emphasizing practical solutions that provide significant benefits that exceed costs.
- Using our resources efficiently through risk management, teamwork and relevant performance measures.
- Delivering regulatory services reliably on a timely basis, recognizing that delay adds costs for market participants.

## Key Strategies

- The BCSC is engaged in a multi-year digital transformation project centred on a new platform that will support the regulatory work of the BCSC. The current year's focus will be on standing up the new system, integrating it with strategic data sources, and beginning work on configuring the tool for select regulatory work.
- The BCSC will continue to support emerging innovative financial technologies, including by registering and further defining an appropriate regulatory framework for crypto-asset trading platforms.
- We will continue to support the CSA in a multi-year national system redesign project to replace various shared software applications including company and investment fund filings, insider reporting and registration systems.
- As co-lead of the national working group that reviewed the current SRO regulatory framework culminating in the recommendations in the Position Paper published last year, the BCSC will work with key stakeholders to consolidate the functions of IIROC and the MFDA and their corresponding investor protection funds.
- The BCSC is actively participating in a range of CSA projects to modernize capital raising and disclosure requirements for reporting issuers to reduce regulatory burden including work on a new listed issuer financing rule, streamlining and consolidating

offering and disclosure documents, and facilitating greater use of electronic communication.

Performance Measure(s)	2020/21 Baseline	2021/22 Forecast	2022/23 Target	2023/24 Target	2024/25 Target
1.2: Average score on cost-effective regulation scorecard <sup>1</sup>	95%	>90%	>90%	>90%	>90%

Data source:

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

## Linking Performance Measure to Objective

1.2 To advance cost-effective regulation, we need to clearly define problems and tailor cost-effective solutions to these problems. 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. We score and report the average score of all CSA and local policy projects, except those we adopt purely to harmonize with other jurisdictions.

## Discussion

**Measure 1.2** – The baseline for 2020/21 is the actual result for that year and is not a number to base our performance measure targets on. This measure target is consistently set at >90%. If one result on the scorecard is not achieved, this would be a score of 94%. As we generally have a small number of new regulations to measure, this is another reason to keep the target low. 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. The target has remained constant since we set this measure and actuals range from just over 90 to 98.

## 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:

- Stop misconduct through issuing temporary orders, and distributing investor alerts.
- Investigate and litigate misconduct and seek administrative orders through settlements or administrative hearings before the BCSC
- Investigate and refer cases to Crown Counsel to prosecute
- Issue preservation orders to preserve assets

- Pursue collection of financial sanctions and return money to harmed investors when possible.

## Key Strategies

- The BCSC will focus resources on combatting new and resurgent types of abusive promotions and trading in venture markets. We will identify challenges with current approaches to stopping abusive market activity, seek out new strategies for detecting and analyzing promotions on social media, and review the effectiveness of regulatory oversight in this area.
- Recent amendments to the *Securities Act* provided new powers to impose, by a written notice, monetary penalties on market participants for contraventions of securities law requirements. We will implement these powers by creating new policies and procedures for exercising them, putting information about the process on our public website, appointing dedicated staff and issuing penalties.
- Recent amendments to the *Securities Act* also created anti-reprisal protections for whistleblowers. We are considering a plan to develop and pilot a whistleblower program to receive and assess information from the public about securities violations.

Performance Measure(s)	2020/21 Baseline	2021/22 Forecast	2022/23 Target	2023/24 Target	2024/25 Target
2.1a: Actions taken to disrupt misconduct					
i. Number of actions	292	136	143	147	151
ii. Average duration of complaint to action (days) <sup>1</sup>	41	45	45	45	45
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) <sup>2</sup>	42.9	40.5	Set at start of each fiscal year	Set at start of each fiscal year	Set at start of each fiscal year

Data source:

<sup>1</sup>Data recorded in established tracking systems, primarily the BCSC Enforcement Case Tracking system and in official documents.

<sup>2</sup>We base the fiscal 2021/22 forecast 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.

## Linking Performance Measure to Objective

- 2.1a Part of acting decisively against misconduct is taking early action to stop the misconduct. We can significantly reduce the harm to the public when we can identify and act quickly to disrupt misconduct. We aim to stop illegal investment schemes before they start and prevent further participation in existing schemes. Disruptive action provides a visible, valuable benefit to the public.
- 2.1b This measure is an indicator of timely enforcement. It measures the average duration of administrative enforcement cases. Timely and thorough investigations provide the public with confidence in the actions we take to address misconduct. For cases open during the fiscal year, we measure the average case duration from start to issuing the Notice of

Hearing (NOH) or, absent an NOH, the settlement. Because of the relatively small number of cases we process each year (10-15), a small number of outliers can significantly affect our targets. We set our target at the start of each fiscal year using information from our current caseload, including actual case age and service target timeframes for the enforcement steps outstanding on each case, and calculate the target for average life for those cases that we believe should complete this coming fiscal year.

## Discussion

**Measure 2.1a (i.)** – The 2020/21 baseline year exceeded our target of actions taken to disrupt misconduct primarily because for part of the year we struck a taskforce whose main goal was to identify and disrupt various COVID-19 related investment schemes. This was considered a temporary measure during a time when these schemes were most prevalent during the pandemic. The 2021/22 forecast and subsequent targets are based on the predicted numbers of actions when we do not have a specific project like the COVID-19 taskforce.

**Measure 2.1a (ii.)** – In reviewing eight years of data, the lowest duration of complaint to action was 41 days (the average over that period was 63 days). We have adjusted the targets to reflect a realistic and reasonable duration before taking disruptive actions.

## 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 strategic outreach including targeted advertising campaigns, 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 novel investment types and the need to conduct adequate due diligence.

## Key Strategies

- Promote awareness of investment market misconduct and the BCSC’s enforcement actions through advertising, digital communications and strategic media relations.
- Continue the three-year public awareness advertising campaign that is founded on research and designed to help British Columbians thrive by increasing knowledge about investing so they may achieve better investment outcomes.

Performance Measure(s)	2020/21 Baseline	2021/22 Forecast	2022/23 Target	2023/24 Target	2024/25 Target
2.2a: Number of views of <i>Investment Fraud Explained</i> video <sup>1</sup>	4,387	4,826	5,067	5,321	5,587
2.2b: Percentage of B.C. public aware of the BCSC <sup>2</sup>	45%	45%	47%	49%	51%

Data source:

<sup>1</sup>BCSC InvestRight YouTube channel.

<sup>2</sup>Independent survey.

## **Linking Performance Measure to Objective**

- 2.2a This measure reflects the importance of educating British Columbians about fraud and reporting to the BCSC. The method by which we forecast video views was changed in the Fiscal 2019/20 Service Plan from a forecast target using percentage increases (i.e. a 5% year over year increase) to showing projected 5% increases of video views year over year numerically.
- 2.2b BCSC research shows that the Commission is not well known and not synonymous with investor education. This lack of public awareness presents a challenge when delivering investor education to the B.C. public. Therefore, we work on creating greater awareness in order to build credibility of our investor education messages. The measure tracks awareness of the BCSC among the B.C. general population 18 and over. This data is collected as part of an annual online survey to measure awareness, recall and impact of our public awareness campaigns.

## Financial Plan

### Financial Summary

(\$millions)	2021/22 Forecast	2022/23 Budget	2023/24 Projection	2024/25 Projection
<b>Revenue</b>				
Local filing fees				
Prospectus and other distributions	\$ 39.7	\$ 37.7	\$ 37.7	\$ 37.7
Registration	30.3	18.4	18.4	18.4
Financial filings	5.2	5.3	5.0	5.8
Other fees	0.6	0.6	0.6	0.6
	\$ 75.8	\$ 62.0	\$ 61.7	\$ 62.5
Other revenue				
National systems	6.6	6.2	5.8	5.8
Enforcement sanctions	1.0	0.8	0.8	0.8
Investment income	1.2	1.7	2.0	1.7
<b>Total Revenue</b>	<b>\$ 84.6</b>	<b>\$ 70.7</b>	<b>\$ 70.3</b>	<b>\$ 70.8</b>
<b>Expenses</b>				
Salaries and benefits	\$ 40.8	\$ 44.3	\$ 44.5	\$ 45.5
Other local expenses	21.3	19.6	17.6	16.2
Partnership expenses	5.9	6.8	8.2	9.1
<b>Total Expenses</b>	<b>\$ 68.0</b>	<b>\$ 70.7</b>	<b>\$ 70.3</b>	<b>\$ 70.8</b>
<b>Annual Surplus (Deficit)</b>	<b>\$ 16.6</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Supplementary information</b>				
Total debt	-	-	-	-
Accumulated unrestricted operating surplus	63.5	64.1	66.1	69.1
Accumulated restricted operating surplus	49.4	48.8	46.8	43.8
Local capital expenditures	2.1	5.0	3.9	2.5
Partnership capital expenditures	4.4	5.5	5.1	5.5

## Breakdown of Other Local Expenses

(\$millions)	2021/22 Forecast	2022/23 Budget	2023/24 Projection	2024/25 Projection
Occupancy	\$ 3.8	\$ 3.9	\$ 3.7	\$ 3.8
Depreciation	\$ 2.2	\$ 2.4	\$ 2.4	\$ 2.5
Professional services	\$ 6.5	\$ 4.8	\$ 3.0	\$ 1.9
Information management	\$ 3.0	\$ 4.2	\$ 4.9	\$ 5.1
Education	\$ 3.6	\$ 2.6	\$ 2.0	\$ 1.3
Administration	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.4
Staff training	\$ 0.3	\$ 0.5	\$ 0.5	\$ 0.5
Business travel	\$ 0.1	\$ 0.3	\$ 0.3	\$ 0.3
External communications	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2
Telecommunications	\$ 0.2	\$ 0.3	\$ 0.2	\$ 0.2
Funding to ISSB	\$ 1.0	–	–	–
<b>Total other local expenses</b>	<b>\$ 21.3</b>	<b>\$ 19.6</b>	<b>\$ 17.6</b>	<b>\$ 16.2</b>

## Key Assumptions and Risks

### Key Assumptions

Key assumptions for the 2021/22 forecast are:

- Capital raising activity will decrease moderately in the last quarter compared to that in the first three quarters. The number of registrations and other filings will remain stable compared to year-to-date results

Key assumptions for the 2022/23 budget are:

- Capital raising activity in 2022/23 will decrease modestly with results similar to 2020/21
- The number of registrations and other filings will remain stable compared to 2021/22
- Registration revenue will decrease by approximately \$11.9M due to the one-time adjustment in 2021/22 for a change in accounting policy to no longer defer registration fees collected (due to adoption of a new accounting standard on revenue)
- Sanction receipts will be similar to historical averages
- Investment income will increase compared to 2021/22 due primarily to the fact that 2020/21 includes a realized loss of \$0.6M due to rebalancing the investment portfolio
- National systems fee revenues will be \$0.4 lower than 2021/22 due to revised national systems user fees and Partnership expenses will increase by \$0.9M due to new system implementations



- The average number of staff will increase by eight, primarily to support increased compliance and enforcement activities, SRO oversight and digital transformation capacity
- The position vacancy rate will be 5%
- Merit-based salary increases will average 3%
- Professional services expense will decrease by \$1.7M compared to 2021/22 primarily due to lower spending relating to digital transformation
- Information management expense will increase by \$1.2M compared to 2021/22 due primarily to expenditures for digital transformation and reflecting the continued shift to subscription based licensing, increase in cloud infrastructure costs, and additional data and investigative tool subscriptions
- Education expenses will decrease by \$1.0M compared to 2021/22 (which included larger-than normal investor and fraud awareness campaigns) but will be higher by \$0.8M compared to 2020/21, reflecting a strong need for investor education given the rapid evolution of B.C.'s capital markets
- Local capital expenditures of \$5.0M will include \$2.4M on digital transformation and upgrading local systems. We will also spend \$2.6M on leasehold improvements as we recently entered into a new ten year lease for the office premises that we have occupied since November 2000; leasehold improvements budgeted for 2021/22 were delayed due to the impact of COVID

Key assumptions for the 2023/24 projection are:

- The size of distributions and number of registrations and other filings will be consistent with 2022/23
- The average number of staff will decrease by fourteen compared to 2022/23 primarily through fewer enforcement and digital transformation roles
- The position vacancy rate will be 5%
- Merit-based salary increases will average 3%
- Professional services expense will decrease by \$1.8M compared to 2022/23 due lower spending on digital transformation, less external support for enforcement and compliance work, and fewer agency hires
- Information management expense will increase by \$0.6M due primarily to subscriptions and licenses relating to digital transformation
- Education expenses will decrease by \$0.6M compared to 2022/23
- Partnership expense for depreciation will increase by \$1.2M compared to 2022/23 due to the implementation of new national systems
- Local capital expenditures will include \$2.9M to maintain and upgrade systems and \$1.0M for leasehold improvements

Key assumptions for the 2024/25 projection are:

- The size of distributions and number of registrations and other filings will be consistent with 2023/24
- The average number of staff will decrease by two compared to 2023/24
- The position vacancy rate will be 5%

- Merit-based salary increases will average 3%
- Professional services will decrease by \$1.1M compared to 2023/24
- Information management expenses will be similar to 2023/24
- Education expenses will decrease by \$0.7M compared to 2023/24
- Partnership expenses will increase by \$0.9M primarily due to increased depreciation following the implementation of new national systems
- Local capital expenditures of \$2.5M will include \$1.5M for digital transformation and the maintenance of internal information technology systems and hardware

## Risks

The Operating Environment section of this document discusses four key program areas that would respond to new and evolving challenges facing the BCSC – building capacity, enhancing investor protection, supporting innovation and fintech, and modernizing the regulatory framework. Our projections for 2023/24 and 2024/25 exclude the expected costs of responding to these challenges. In particular:

- We have limited capacity to take on B.C.-based international microcap fraud cases as our enforcement team is already operating at full capacity
- Our efforts to vigorously pursue debtors for unpaid penalties and responding to associated legal challenges are drawing on already stretched litigation resources.
- Significant resources are required to launch several new compliance and enforcement programs enabled by recent amendments to *The Securities Act*.
- Greater capacity is needed to support and regulate market innovations and fintech, develop disclosure frameworks related to Environmental, Social and Governance (ESG) interest and modernize the regulatory framework

Keeping pace with these changes will require the BCSC to invest in and acquire new knowledge, skills, people and tools. The BCSC is reviewing its overall financial capacity in order to ensure it can resource these priorities.

A government partnership among the BCSC, the Alberta Securities Commission, the Ontario Securities Commission, and the Autorité des marchés financiers (Partnership) contracts with CGI Information Systems and Management Consultants Inc. (CGI) to operate several national electronic filing systems through which we collect most of our fee revenue. CGI maintains comprehensive business continuity plans for these systems.

The Partnership has contracted with CGI to replace several shared filing systems; the Significant IT Project section below discusses risks relating to the project.

We rely on the Partnership projections to estimate our net contribution from the national systems operations. Actual results will differ.

## **Overview of Operations and Management’s Perspective**

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*. In most years, a small portion of our revenue is investment income and enforcement sanctions.

Compensation, occupancy, and asset depreciation expenses account for about 80% of local expenses.

Capital markets activity can be volatile, so we hold accumulated reserves to fund operations through market downturns.

In addition to our local operations, in accordance with Canadian public sector accounting standards, we proportionately consolidate twenty-five percent of the assets, liabilities, net assets, revenues and expenses of the Partnership.

The participants in the Partnership have agreed to restrict the use of national system surplus funds to benefit only national filing system users, through system enhancements or usage fee adjustments.

## **Capital Expenditures - Significant IT Project**

The Partnership is working on a multi-year system redesign project to replace various national filing systems. The total project budget, unchanged from last year, is \$112.8M) and the BCSC’s 25% interest is \$28.2M; the total project budget includes \$93.9M for capital expenditures and the BCSC’s 25% interest is \$23.5M. Capitalized expenditures to December 31, 2021 are \$44.0M. The BCSC’s 25% is \$11.0M.

The project 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 manage these risks.

The system will be exposed to the internet to deliver business functions, resulting in cyber risk. To manage this risk, the Partnership is designing the system to industry standards and will follow best practices to protect the systems and detect potential problems.

## **Appendix A: Additional Information**

### **Corporate Governance**

- [BCSC Governance Manual](#)
- [Board Members](#)
- [Board Committees](#)
- [Executive Management](#)
- [Funding & Accountability](#)

### **Organizational Overview**

- [Enabling statute](#)
- [Mandate provided in enabling statute, vision, values, and overall benefit](#)
- [BCSC business areas](#)
- [BCSC stakeholders and partners](#)
- [Location of BCSC operations](#)

## **Appendix B: Crown Mandate Letter from the Minister Responsible**



March 24, 2021

480651

Brenda Leong Chair and CEO  
British Columbia Securities Commission  
Box 10142, Pacific Centre  
701 West Georgia Street  
Vancouver BC V7Y 1L2

Dear Ms. Leong:

On behalf of Premier Horgan and the Executive Council, I would like to extend my thanks to you and your board members for the dedication, expertise and skills with which you serve the people of British Columbia.

Every public sector organization is accountable to the citizens of British Columbia. The expectations of British Columbians are identified through their elected representatives, the members of the Legislative Assembly. Your contributions advance and protect the public interest of all British Columbians and through your work, you are supporting a society in which the people of this province can exercise their democratic rights, trust and feel protected by their public institutions.

You are serving British Columbians at a time when people in our province face significant challenges as a result of the global COVID-19 pandemic. Recovering from the pandemic will require focused direction, strong alignment and ongoing engagement between public sector organizations and government. It will require all Crowns to adapt to changing circumstances and follow Public Health orders and guidelines as you find ways to deliver your services to citizens.

This mandate letter, which I am sending in my capacity as Minister responsible for the British Columbia Securities Commission, on behalf of the Executive Council, communicates expectations for your organization. It sets out overarching principles relevant to the entire public sector and provides specific direction to the British Columbia Securities Commission about priorities and expectations for the coming fiscal year.

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I expect that the following five foundational principles will inform your agency's policies and programs:

- **Putting people first:** We are committed to working with you to put people first. You and your board are uniquely positioned to advance and protect the public interest and I expect that you will consider how your board's decisions maintain, protect and enhance the public services people rely on and make life more affordable for everyone.
- **Lasting and meaningful reconciliation:** Reconciliation is an ongoing process and a shared responsibility for us all. Government's unanimous passage of the *Declaration of the Rights of Indigenous Peoples Act* was a significant step forward in this journey – one that all Crown agencies are expected to support as we work in cooperation with Indigenous peoples to establish a clear and sustainable path to lasting reconciliation. True reconciliation will take time and ongoing commitment to work with Indigenous peoples as they move towards self-determination. Guiding these efforts, Crown agencies must also remain focused on creating opportunities that implement the Truth and Reconciliation Commission through your mandate.
- **Equity and anti-racism:** Our province's history, identity and strength are rooted in its diverse population. Yet racialized and marginalized people face historic and present-day barriers that limit their full participation in their communities, workplaces, government and their lives. The public sector has a moral and ethical responsibility to tackle systemic discrimination in all its forms – and every public sector organization has a role in this work. All Crowns are expected to adopt the Gender-Based Analysis Plus (GBA+) lens to ensure equity is reflected in your operations and programs. Similarly, appointments resulting in strong public sector boards that reflect the diversity of British Columbia will help achieve effective and citizen-centred governance.
- **A better future through fighting climate change:** Announced in December 2018, the CleanBC climate action plan puts our province on the path to a cleaner, better future by building a low-carbon economy with new clean energy jobs and opportunities, protecting our clean air, land and water and supporting communities to prepare for carbon impacts. As part of the accountability framework established in CleanBC, and consistent with the *Climate Change Accountability Act*, please ensure your organization aligns operations with targets and strategies for minimizing greenhouse gas emissions and managing climate change risk, including the CleanBC target of a 50% reduction in public sector building emissions and a 40% reduction in public sector fleet emissions by 2030. Your organization is expected to work with government to report out on these plans and activities as required by legislation.

- **A strong, sustainable economy that works for everyone:** I expect that you will identify new and flexible ways to achieve your mandate and serve the citizens of British Columbia within the guidelines established by the Provincial Health Officer and considering best practices for conducting business during the pandemic. Collectively, our public sector will continue to support British Columbians through the pandemic and economic recovery by investing in health care, getting people back to work, helping businesses and communities, and building the clean, innovative economy of the future. As a public sector organization, I expect that you will consider how your decisions and operations reflect environmental, social and governance factors and contribute to this future.

The Crown Agencies and Board Resourcing Office (CABRO), with the Ministry of Finance, will continue to support you and your board on recruitment and appointments as needed, and will be expanding professional development opportunities in 2021/22. This will include online training and information about provincial government initiatives to foster engaged and informed boards.

As the Minister Responsible for the British Columbia Securities Commission, I expect that you will make substantive progress on the following priorities and incorporate them in the goals, objectives and performance measures in your 2021/22 Service Plan:

- **Protect B.C. investors through decisive enforcement and fine collection, delivering targeted education programs, and developing and using new regulatory tools.**
- **Support strong public venture markets by streamlining and modernizing regulations.**
- **Maintain a modern regulatory framework and make best efforts to harmonize securities rules with other provinces and territories.**
- **Leverage expertise with other regulatory authorities to ensure regulatory actions are coordinated, targeted and effective.**
- **Foster financial and other technology innovations in B.C. by adopting flexible regulatory strategies.**
- **Collaborate with government to improve the effectiveness of B.C.'s Anti-Money Laundering Regime.**
- **Collaborate with regulatory partners to provide appropriate relief to industry to address issues arising from the pandemic.**



Each board member is required to sign the Mandate Letter to acknowledge government's direction to your organization. The signed Mandate Letter is to be posted publicly on your organization's website in spring 2021.

I look forward to continuing to work with you and your Board colleagues to build a better B.C.

Sincerely,



Selina Robinson  
Minister

Signed by:



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Brenda Leong, Chair and CEO  
B.C. Securities Commission

April 6, 2021

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Date



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Gordon Robert Johnson, Vice Chair  
B.C. Securities Commission

April 6, 2021

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Date



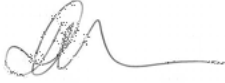
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Deborah Grace Mulhall Abbey  
B.C. Securities Commission

April 6, 2021

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Date



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Deborah Ann Armour  
B.C. Securities Commission

April 6, 2021

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Date



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Judith B. Downes  
B.C. Securities Commission

April 6, 2021

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Date



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George C. Glover, Jr.  
B.C. Securities Commission

April 6, 2021

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Date



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Audrey T. Ho  
B.C. Securities Commission

April 6, 2021

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Date



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James William Kershaw  
B.C. Securities Commission

April 6, 2021

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Date



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Marion Verile Shaw  
B.C. Securities Commission

April 6, 2021

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Date

cc: Honourable John Horgan  
Premier

Lori Wanamaker  
Deputy Minister to the Premier, Cabinet Secretary and Head of the BC Public Service

Heather Wood  
Deputy Minister and Secretary to Treasury Board  
Ministry of Finance

Douglas S. Scott  
Deputy Minister, Crown Agencies Secretariat  
Ministry of Finance