

British Columbia Securities Commission

2023/24 – 2025/26 Service Plan



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Board Chair's Accountability Statement



The 2022/23 – 2024/25 BC Securities Commission Service Plan was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act*. The plan is consistent with government's strategic priorities and fiscal plan. The Board is accountable for the contents of the plan, including what has been included in the plan and how it has been reported. The Board is 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 14, 2023 have been considered in preparing the plan. The performance measures presented are consistent with the *Budget Transparency and Accountability Act*, the BC 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 BC Securities Commission's operating environment, forecast conditions, risk assessment and past performance.

Signed on behalf of the Board by:

A handwritten signature in black ink, appearing to be 'B. Leong', written over a faint, circular watermark or background.

Brenda M. Leong
Board Chair, British Columbia Securities Commission
February 14, 2023

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Strategic Direction

In 2023/2024, 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 2023/24 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](#).

Purpose of the Organization and Alignment with Government Priorities

The BCSC is the independent Provincial Government agency responsible for regulating capital markets in B.C. Our enabling legislation is the *Securities Act, RSBC 1996 c. 418*, and 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.

- Advance regulatory policy initiatives to support capital formation and innovation, and mitigate risk to B.C.'s capital markets and investors.

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. While we endeavour to achieve highly harmonized regulations within the CSA, 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 focused on four areas – building capacity, enhancing investor protection, calibrating regulation to innovation, and modernizing the regulatory framework.

Building Capacity – The evolution of capital markets, including the proliferation of new investment products, new platforms for trading investment products, and new channels for disseminating investment-related communications, is generating billions of data points. To manage and optimize our use of this information the BCSC has embarked on digital transformation of its internal information systems which we view as critical to regulatory responsiveness. This new platform will be foundational to the BCSC's ability to manage and analyse information, improve the efficiency and effectiveness of regulatory processes, and to continually deliver value to the capital markets we regulate and to the investing public. These new systems, as well as our continuing participation in a project to update the CSA national filing systems, will require considerable human and financial resources to develop and maintain, drawing on significant BCSC resources in fiscal 2024.

Enhancing Investor Protection – The BCSC continues to focus significant resources on combatting market misconduct, including complex multi-party schemes that are abusive to the capital markets, or brazen frauds perpetrated on unsuspecting and unsophisticated investors. Rapid changes in technology and the proliferation of the use of social media heightens the risk for investors, as many of these investment schemes originate outside Canada and target BC investors online. We are also seeing increasing B.C. connections to major international fraud and market manipulation cases, and while B.C. investors may not be the targets, this type of egregious conduct can impact the integrity of our capital markets.

In response to these external trends and risks, the BCSC has been working toward piloting a whistleblower program that is intended to provide the BCSC with more actionable intelligence about misconduct that would otherwise be difficult to obtain. With the benefit of recent amendments to the *Securities Act*, we will be implementing a new enforcement mechanism that will enable the BCSC to impose financial penalties for misconduct without a full enforcement hearing, subject to a right of review. We will also need to find new and more proactive ways to detect improper activity conducted through social media channels. The BCSC has led the creation of a CSA task force that is identifying

technological, legal, and organizational impediments to addressing abusive promotions and trading and finding possible ways of overcoming those obstacles.

To strengthen investor redress, we are also co-leading a CSA effort to strengthen the Ombudsman for Banking Services and Investments – an independent dispute resolution service – with the authority to make binding investor compensation awards in resolving disputes between investment firms and clients.

The BCSC has also been vigorously pursuing sanctioned individuals for unpaid penalties, including using the tools in the 2020 *Securities Act* amendments. While our use of the new tools has been effective in encouraging some payments, our efforts are being met with multiple legal challenges in the courts which results in delays and the diversion of litigation resources from other enforcement efforts.

Calibrating Regulation to Innovation – Applications of decentralized ledger technology are constantly evolving, introducing new products and business models at an unprecedented pace. New forms of crypto assets are trading over a growing number of novel trading platforms, with heightened risk to investors. In order to mitigate these risks, we are working with the CSA to regulate certain platforms as they relate to securities and derivatives legislation. In addition, traditional investment services are being transformed by technology, including mobile trading applications and the prospect of artificial intelligence-based trading advice. We are closely monitoring these innovations to determine an appropriate securities regulatory framework that would support innovations and investor protection.

Modernizing the Regulatory Framework – Investors are increasingly focusing on incorporating environmental, social and governance (ESG) considerations, alongside more traditional finance metrics, when making investment decisions. The BCSC has been developing measured policy initiatives focused on climate change risk disclosure and strengthening board governance through broad diversity disclosure. We are monitoring developments globally to ensure the Canadian climate risk disclosure framework aligns with global sustainability standards.

The BCSC has worked with its CSA partners to modernize our regulatory framework by creating a single new self-regulatory organization (New SRO) that combines the Investment Industry Regulatory Organization of Canada and the Mutual Fund Dealers Association of Canada. This integration elevates the SRO's focus on the public interest and will enable many investment firms to provide a broader scope of products and services more seamlessly to investors. The BCSC will co-lead the CSA's oversight of New SRO in its first two years, a period that will include consolidating member rules, integrating enforcement teams and procedures, implementing governance policies, and considering expanding its required membership to other registration categories.

Indigenous Reconciliation – We continue to consider meaningful ways to include the issues and perspectives of Indigenous peoples in our policy and operational work. We have begun this work through the creation of a CSA Task Force on Indigenous Peoples in the Capital Markets and local engagement with B.C. chapters of national Indigenous organizations.

The environment in which we operate is dynamic and we work diligently to meet the demands of this rapidly changing environment. Rising interest rates, driven by central banks' efforts to curb inflation,

and geopolitical uncertainty have led to significant declines in capital-raising; this, in turn, may lead to lower BCSC fee revenue. 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

We make sure that B.C. companies listed on stock markets and investment funds that are publicly distributed provide accurate and complete information about their finances, strategy, and operations, so investors can make sound decisions. We require private companies and investment funds to abide by rules on how they raise money and who they raise it from.

We expect investment firms to meet standards for professional knowledge and integrity, emphasizing that they treat clients honestly and fairly.

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.

Key Strategies

- On behalf of the CSA, the BCSC continues 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 would make OBSI's compensation decisions binding on investment firms. The publication of a proposal for comment is planned in 2023.
- The BCSC is leading a CSA project to modernize NI 43-101. Approximately 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.¹

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.

Discussion

To promote a culture of compliance, 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.

¹ Based on S&P Capital IQ data and internal data tracked and compiled over six years.

To promote a culture of compliance 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.

We monitor achievement of this objective by tracking continuous disclosure, technical disclosure, and firm examination deficiencies.

We will continue to monitor performance of these key strategies based on established tracking systems.

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. This year, we will begin integrating the new system with strategic data sources, and begin the work to configure the system to support select regulatory work. By the end of the year, market participants from a variety of national systems will be centralized in a common data model accessible for staff reference.
- The BCSC will continue to encourage innovation in emerging financial technologies by registering and further defining an appropriate regulatory framework for crypto-asset trading platforms.
- We continue to work with 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. The new system's first phase will launch this fiscal year.
- The BCSC is actively participating in a range of CSA projects to modernize capital-raising and disclosure requirements for reporting issuers and funds and to reduce regulatory burden including work on streamlining and consolidating offering and disclosure documents, modernizing the investment fund prospectus regime, and facilitating greater use of electronic communication.

Discussion

In order to advance cost-effective regulation, we are modernizing our regulatory requirements and systems to support the evolution of the market and market participants.

We will continue to engage with industry on fintech and the regulation of crypto-asset trading platforms.

We will continue to monitor performance of these key strategies based on established tracking systems.

Performance Measures

Performance Measure[s]	2021/22 Actuals	2022/23 Forecast	2023/24 Target	2024/25 Target	2025/26 Target
1a Percentage of reviewed issuers that reduce deficiencies ¹	93%	>95%	>95%	>95%	>95%
i. Improved disclosure subsequent to a continuous disclosure review	91%	>95%	>95%	>95%	>95%
ii. Improved disclosure to minimum standards					
1b Percentage of issuers reviewed that are non-compliant with standards for technical disclosure ²					
i. Percentage of issuers' technical reports reviewed that were required to be amended and refiled	39%	<30%	<30%	<30%	<30%
ii. Percentage of issuers reviewed placed in default for non-compliant technical disclosure in documents other than technical reports	24%	<25%	<25%	<25%	<25%
1c Average number of repeat deficiencies per examination in Capital Markets Regulation ³	0.5	0.64	0.64	0.64	0.64
1d Average score on cost-effective regulation scorecard ⁴	96%	>90%	>90%	>90%	>90%

Data source:

¹Internal evaluation of subsequent disclosure.

²Data recorded in established tracking systems.

³Data recorded in established tracking systems.

⁴Internal evaluation based on staff and management judgement and project documents.

Discussion

All four measures foster greater fairness in the capital markets, enhancing investors' ability to make informed investment decisions.

- 1a This pair of measures shows the extent to which our detailed reviews motivate non-compliant issuers to improve their disclosure.
- 1b This measure reflects material compliance with the mineral project disclosure standard in 1) technical reports and 2) all other disclosure including websites and social media. We have adjusted the forecast to include the many new entrants (mining issuers) to be eligible to file Short Form Prospectuses in the last three years. To be eligible to use a short form prospectus, a mining issuer must file additional continuous disclosure documents including Annual Information Forms (AIFs). AIFs can be triggers to file technical reports, and the first time filing of an AIF can include poorer disclosure than normally expected. Over time the forecast targets should improve as the new entrants become used to the increased disclosure required.
- 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.
- 1d We use the Cost Effective Regulation 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. Cost effective regulation means market participants do not spend more on regulation than is necessary. This helps support efficient markets and allows resources to be diverted to innovation.

Goal 2: Inspire investor confidence

The BCSC takes action against misconduct that harms investors and undermines confidence in British Columbia's investment market.

We pursue a range of illegal activity: fraud, misrepresentation, unregistered trading and advising, insider trading, and manipulating the price of securities.

We empower the public by providing unbiased information and tools to help them make informed investment decisions.

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 companies.

We work to deter misconduct and mitigate investor losses through early disruption and timely enforcement. To this end, we:

- Disrupt misconduct through issuing temporary orders and distributing investor alerts.
- Issue preservation orders to preserve assets.
- Investigate and prosecute misconduct and seek administrative orders from our panels or refer criminal cases to Crown Counsel to prosecute.
- Pursue collection of financial sanctions and return money to harmed investors when possible.

Key Strategies

- The BCSC will continue to focus resources on combatting new and resurgent types of abusive promotions and trading in venture markets. Having identified challenges with current approaches to stopping abusive market activity, we will develop 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* also created anti-reprisal protections for whistleblowers. We are developing a pilot whistleblower program to receive and assess information from the public about securities violations. We plan to launch the whistleblower program in Fall 2023.

Discussion

Acting decisively against misconduct includes taking early action to stop the misconduct. We can significantly reduce public harm 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.

Timely investigations and enforcement action are critical to deterrence and supporting confidence in our markets.

We will monitor performance based on data recorded in established tracking systems.

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.

Key Strategies

- Promote awareness of investment market misconduct and the BCSC's enforcement actions through advertising, digital communications, and strategic media relations.
- Develop the first year of a 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. We will start an always-on advertising strategy in the first quarter to maintain a steady presence in both traditional and digital media markets, increasing the opportunity for British Columbians to get to know the BCSC and understand how we can help them achieve better financial outcomes.

- Continue to develop educational tools and resources to empower investors to protect their financial interests and become better informed about investment products and services. We will use a variety of communications channels to share these tools and resources with different audiences. In the first quarter, we will share new resources focused on crypto assets, and promote and share other new tools in line with campaigns for Investor Education Month (October) Financial Literacy Month (November) and Fraud Prevention Month (March).

Discussion

We want British Columbians to see the BCSC as the organization that provides trusted, unbiased investor education.

We provide the B.C. public with tools and information to help them make informed investing decisions and to know how to protect themselves against unsuitable or fraudulent investments. We highlight risky investments, investment frauds and potential scams using our websites, social media, and public awareness advertising campaigns.

We will monitor performance based on established tracking systems and independent surveying of British Columbians.

Performance Measures

Performance Measure[s]	2021/22 Actuals	2022/23 Forecast	2023/24 Target	2024/25 Target	2025/26 Target
2a Actions taken to disrupt misconduct					
i. Number of actions	290	143	147	151	156
ii. Average duration of complaint to action (days) ¹	48	45	45	45	45
2b Average life of cases either from complaint to a Notice of Hearing (NOH) or from complaint to settlement before an NOH is issued (months) ²	37.8	43.9	Set at start of each fiscal year	Set at start of each fiscal year	Set at start of each fiscal year
2c Number of views of investment fraud video ³	4,910	5,067	5,321	5,587	5,866
2d Percentage of B.C. public aware of the BCSC ⁴	39%	47%	49%	51%	53%

Data source:

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

²Data recorded in established tracking systems, primarily the BCSC Enforcement Case Tracking system and in official documents.

³BCSC InvestRight YouTube channel.

⁴Independent survey. 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?

Discussion

By actively working to hold offenders to account and to disrupt misconduct, we endeavour to instill confidence in the capital markets.

- 2a Measure 2a (i.) – We measure the number of actions taken to disrupt active misconduct. In the past two fiscal years, we significantly exceeded our target, disrupting a large number of cryptocurrency, foreign currency exchange rates, and high-yield investment schemes. We have set our forecast and targets based on historical numbers as we are still assessing whether the results from the past two fiscal years are anomalies, or whether we will need to adjust our targets upwards in the next Service Plan. Measure 2a (ii.) – We measure the average time between receiving complaints and taking action. 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.
- 2b This measure is an indicator of timely enforcement. It measures the average duration of administrative enforcement cases. 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.

By educating British Columbians to fraud-proof themselves and come to us for information that helps them become informed investors, we are inspiring greater investor confidence.

- 2.2c This measure reflects the importance of educating British Columbians about fraud and reporting to the BCSC.
- 2.2d Low public awareness of the BCSC is a significant challenge when it comes to delivering investment education to the B.C. public. The measure aims to aid awareness of the BCSC among the B.C. general population 18 and over and 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)	2022/23 Forecast	2023/24 Budget	2024/25 Projection	2025/26 Projection
Revenue				
Local filing fees				
Prospectus and other distributions	\$ 37.1	\$ 34.1	\$ 34.8	\$ 35.5
Registration	19.8	20.1	20.4	20.7
Financial filings	5.2	5.0	5.8	5.5
Other fees	0.7	0.7	0.7	0.7
	\$ 62.8	\$ 59.9	\$ 61.7	\$ 62.4
Other revenue				
National systems	6.8	6.5	6.3	6.3
Enforcement sanctions	1.3	1.0	1.0	1.0
Investment income	2.2	2.3	2.4	2.5
Total Revenue	\$ 73.1	\$ 69.7	\$ 71.4	\$ 72.2
Expenses				
Salaries and benefits	\$ 41.3	\$ 40.4	\$ 41.3	\$ 42.4
Other local expenses	19.4	19.0	19.4	19.1
Partnership expenses	7.5	10.3	10.7	10.7
Total Expenses	\$ 68.2	\$ 69.7	\$ 71.4	\$ 72.2
Annual Surplus	\$ 4.9	\$ -	\$ -	\$ -
Supplementary information				
Total debt	-	-	-	-
Accumulated unrestricted operating surplus	73.6	77.1	81.1	85.1
Accumulated restricted operating surplus	49.9	46.4	42.4	38.4
Local capital expenditures	2.2	8.5	4.0	3.0
Partnership capital expenditures	10.9	9.4	5.6	5.6

Breakdown of Other Local Expenses

(\$millions)	2022/23 Forecast	2023/24 Budget	2024/25 Projection	2025/26 Projection
Occupancy	\$ 3.7	\$ 3.9	\$ 3.7	\$ 3.8
Depreciation	1.7	1.8	2.4	2.3
Professional services	4.9	5.0	4.6	4.3
Information management	4.1	4.3	4.3	4.3
Education	3.5	2.0	2.0	2.0
Whistle blower payments	-	0.3	0.7	0.7
Administration	0.4	0.4	0.4	0.4
Staff training	0.3	0.4	0.4	0.4
Business travel	0.2	0.3	0.3	0.3
External communications	0.2	0.2	0.2	0.2
Telecommunications	0.2	0.2	0.2	0.2
Funding to ISSB	0.2	0.2	0.2	0.2
Total Other Local Expenses	\$ 19.4	\$ 19.0	\$ 19.4	\$ 19.1

Key Assumptions and Risks

Key Assumptions

Key assumptions for the 2022/23 forecast are:

- Capital raising activity will decrease 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

In each of 2023/24, 2024/25, and 2025/26, we have constrained salaries and benefits, education, professional services, and information management expenses in order to limit spending to the amount of revenue anticipated for those years.

Key assumptions for the 2023/24 budget are:

- Public and private investment funds gross sales activity in 2023/24 will decrease significantly with results similar to levels in 2020/21 and 2019/20
- The number of registrations will grow by 1.5% and other filings will grow by 2% compared to 2022/23
- Sanction receipts will be similar to historical averages
- National systems fee revenues will be \$0.3M lower than 2022/23 due to revised national systems user fees and Partnership expenses will increase by \$2.8M due primarily to amortization of newly implemented systems
- The average number of staff will decrease by seven compared to 2022/23 through attrition and delaying hiring
- The position vacancy rate will be 7%
- Merit-based salary increases will average 5%
- Local professional services expense and information management expenses will be similar to those in 2022/23
- Education expenses will decrease by \$1.5M compared to each of 2022/23 and 2021/22
- Local capital expenditures of \$8.5M will include \$3.2M on digital transformation and \$1.7M to upgrade local systems and hardware. We also plan to spend \$3.6M on leasehold improvements as we recently entered into a new ten year lease for the office premises that we have occupied since November 2000. We planned to make leasehold improvements in 2022/23 but delayed the work as we evaluated our approach to hybrid work arrangements and in 2023/24 will reduce the size of our office space by 10%.

Key assumptions for the 2024/25 projection are:

- The size of distributions and the number of financial filings will grow by 2%, and number of registrations will grow by 1.5%, consistent with pre 2021/22 historical growth rates (2022/23 and 2021/22 were unusually strong)
- The average number of staff will decrease by four compared to 2023/24 through attrition and delaying hiring
- The position vacancy rate will be 7%
- Merit-based salary increases will average 3%

- Professional services expense will decrease by \$0.4M compared to 2023/24 due to lower spending on digital transformation and other initiatives
- Information management expense will be consistent with 2023/24
- Education expenses will be consistent with 2023/24, and \$1.5M less than 2022/23
- Partnership expense will increase by \$0.4M due to an increase in depreciation of \$1.5M compared to 2023/24 due to the implementation of new national systems, partly offset by a \$1.1M decrease in professional and other expenses
- Local capital expenditures will include \$2.5M on digital transformation and \$1.5M to maintain and upgrade systems and hardware

Key assumptions for the 2025/26 projection are:

- The size of distributions and the number of financial filings will grow by 2%, and number of registrations will grow by 1.5%, consistent with assumptions for 2024/25
- The average number of staff will decrease by one compared to 2024/25 through attrition and delaying hiring
- The position vacancy rate will be 7%
- Merit-based salary increases will average 3%
- Professional services expenses will decrease by \$0.3M compared to 2024/25
- Information management expenses will be similar to 2024/25
- Education expenses will be consistent with 2024/25, and \$1.6M less than 2022/23
- Partnership revenues and expenses will be similar to 2024/25
- Local capital expenditures of \$3.0M will include \$1.7M for digital transformation and \$1.3M for the maintenance of internal information technology systems and hardware

Risks

The Operating Environment section of this document discusses evolving challenges facing the BCSC – building capacity, enhancing investor protection, supporting innovation and fintech, and modernizing the regulatory framework. Our budget for 2023/24 and projections for 2024/25 and 2025/26 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
- Greater capacity is needed to support and regulate market innovations and fintech including crypto asset trading platforms and other new products and business models that apply decentralized ledger technology
- Greater capacity is also needed to develop disclosure frameworks related to Environmental, Social and Governance (ESG) interest and modernize the regulatory framework
- Greater capacity is required to launch several new compliance and enforcement programs enabled by recent amendments to *The Securities Act*.
- Our efforts to vigorously pursue debtors for unpaid penalties and responding to associated legal challenges are drawing on already stretched litigation resources.

Keeping pace with the changes noted above 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.

Capital raising levels have been volatile in recent years. We expect public and private investment funds gross sales activity in 2023/24 will decrease significantly compared to the prior two years with results similar to levels in 2020/21 and 2019/20. We project modest increases in 2024/25 and 2025/26. If actual decreases in 2023/24 exceed those budgeted, or there is a prolonged downturn in capital raising, our financial capacity will be negatively impacted.

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. Drawing down the accumulated reserves requires government approval.

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 to develop the first release is \$118M (up \$5M (5%) from last year) and the BCSC's 25% interest is \$29.5M; the total project budget includes \$89.0M for capital expenditures and the BCSC's 25% interest is \$22.0M. Capitalized expenditures to December 31, 2022 are \$84.0M. The BCSC's 25% is \$21.0M.

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: 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.

.../2

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:



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

April 6, 2021

Date



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

April 6, 2021

Date



Deborah Grace Mulhall Abbey
B.C. Securities Commission

April 6, 2021

Date



Deborah Ann Armour
B.C. Securities Commission

April 6, 2021

Date



Judith B. Downes
B.C. Securities Commission

April 6, 2021

Date



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

April 6, 2021

Date



Audrey T. Ho
B.C. Securities Commission

April 6, 2021

Date



James William Kershaw
B.C. Securities Commission

April 6, 2021

Date



Marion Verile Shaw
B.C. Securities Commission

April 6, 2021

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