

2009/2010 Service Plan Performance Measures

Four goals support the BCSC mission:

1. Promote a culture of compliance
2. Act decisively against misconduct
3. Educate investors
4. Advance cost-effective regulation

We track progress towards our goals using targeted, long-term measures so stakeholders can assess our performance. We select measurements based on the following criteria:

- Connection to our goals. We choose measurements that will assess our progress in achieving our goals and, through them, our mission.
- Longevity. We choose measurements that we will be able to track over several years, and whose trends will provide valuable information for improving our performance.
- Cost-effectiveness. We choose measures that we can execute within our measurement budget.
- Measurability. We choose measurements for which we can collect accurate data and form baselines in a timely way.

We describe our performance measures in more detail under each goal and chart additional information about our performance management systems in Appendix A.

Performance measurements for Goal 1

Goal 1: Promote a culture of compliance

PERFORMANCE MEASURE			TARGETS		
	07/08 Actuals /Baseline	08/09 Estimate	09/10 Target	10/11 Target	11/12 Target
1.1 Percentage of reviewed issuers that reduce deficiencies in their continuous disclosure a) Improved disclosure subsequent to a continuous disclosure review b) Improved disclosure to minimum standards	a) 100% ⁽¹⁾ b) 91%	Targets ⁽²⁾ : a) ≥94% b) ≥85%	a) ≥94% b) ≥90%	a) ≥95% b) Set new baseline to reflect IFRS transition ⁽³⁾	a) ≥95% b) Improve on 10/11 baseline
	<p>Our corporate finance division reviews issuer disclosure for non-compliance. At the end of each fiscal year, we retain an independent consultant to analyze the subsequent continuous disclosure of a statistically significant random sample of issuers that received comment letters from us during that year. The results of this review show the extent to which our detailed CD review work motivated non-compliant issuers to improve their disclosure voluntarily.</p> <p>This measurement uses a different sample of issuers each year. Rather than tracking compliance for all issuers, it focuses only on the non-compliant disclosure of those issuers we choose to review under our risk-based selection criteria.</p> <p>This measurement always lags by one year because we have to wait for the next filing cycle to evaluate improvements from a prior year's disclosure. In May 2011, we will report on disclosure improvements resulting from reviews carried out between April 2009 and March 2010. Our targets are set with the expectation that issuers whose disclosure is deficient will find ways to correct their disclosure after receiving notification from us. Because our audits review a relatively small number of files, a single failure can show up as a large percentage in this measurement. For this reason, we set percentage targets that reflect the probability of a few firms filing deficient disclosure.</p>				

Notes: (1) Based on a sample of 23 issuers; (2) Actual data for all targets will be available in 08/09 Annual Report; (3) Canada will adopt international financial reporting standards (IFRS), effective January 1, 2011, which changes the minimum standards

PERFORMANCE MEASURE	TARGETS				
	07/08 Actuals /Baseline	08/09 Estimate	09/10 Target	10/11 Target	11/12 Target
1.2 Percentage of randomly sampled mining issuers that meet the minimum standards for technical disclosure in: a) Filed disclosure (News releases, Annual information forms, Management discussion and analysis) b) Issuer websites	a) 74% b) 57%	Targets: a) $\geq 70\%$ b) $> 57\%$	a) $\geq 70\%$ b) $\geq 70\%$	a) $\geq 75\%$ b) $\geq 75\%$	a) $\geq 80\%$ b) $\geq 75\%$
	<p>BC is home to most Canadian mining issuers. We will randomly select from a list of BC-based mining issuers and analyze whether those issuers' most recent technical filings were compliant with NI 43-101 <i>Standards of Disclosure for Mineral Projects</i>. This review shows the extent to which a sample of BC-based mining issuers is compliant in specific areas of their technical disclosure.</p> <p>Unlike Measurement 1.1, this sample draws from the issuer population, and so reflects the state of compliance in a specific part of our disclosure requirements.</p> <p>Our targets reflect both the small sample of mining issuers included and the long list of detailed requirements issuers need to meet to be counted compliant. When we assess a mining issuer as not wholly compliant in an area, it may be because of a minor deficiency that is easily corrected. We believe that having 75% of BC mining issuers meeting all standards reflects a high level of understanding of, and compliance with, the mining rules. Compliance is already high in filed disclosure. We now look for improvement in issuer websites.</p>				

PERFORMANCE MEASURE			TARGETS		
	07/08 Actuals /Baseline	08/09 Estimate	09/10 Target	10/11 Target	11/12 Target
1.3 Total percentage of BC-prime reporting issuers on defaulting issuer list	14%	Target is to set new baseline ⁽¹⁾	10% improvement over 08/09	Set new baseline to reflect IFRS transition ⁽²⁾	25% improvement over 10/11
<p>The <i>Securities Act</i> requires reporting issuers to file certain information on time, in the required form, and with the appropriate fee. We put issuers on a list of defaulting issuers if they do not file, fail to pay fees, or file materials clearly not in the required form.</p> <p>We track the total percentage of BC-prime reporting issuers on this list during each year. Firms that, in addition to being on the defaulting issuer list also had a cease trade order for more than 90 days, will be excluded from this analysis because that pattern suggests the issuer is leaving the market altogether.</p> <p>We have set targets to reflect our view that the percentage of BC-prime issuers that appear on the list each year should decrease over time. Still, the data might reveal that, despite a general improvement in compliance culture by other measures, the number of issuers in default increases in a particular year. With the changes to the defaulting issuers list coming into effect this year, we anticipate an increase in our late filing statistics, as an issuer had up to four days grace period under the old process before going onto the list. In addition, a general downturn in the economy, the market, or a particular sector could put more issuers in financial difficulty and increase the risk that they would not meet their filing requirements. We should be able to account for these factors when interpreting the results.</p> <p>We plan to set another baseline again in 2011, when Canada will adopt international financial reporting standards (IFRS). While issuers become familiar with the new requirements, transitional non-compliance may lead to more issuers going on the defaulting issuers list. We are unable to reasonably predict the level of issuer compliance in this year.</p>					

Notes: (1) Today firms have a few days to resolve issues before they are placed on the list of issuers in default. The new system will eliminate the grace period, resulting in a higher default incidence in the coming year. (2) Canada will adopt international financial reporting standards (IFRS) effective January 1, 2011. Transitional non-compliance may lead to more issuers going on the defaulting issuers list. For this reason, we are unable to set a reasonable level of issuer compliance in this year.

PERFORMANCE MEASURE	TARGETS				
	07/08 Actuals /Baseline	08/09 Estimate	09/10 Target	10/11 Target	11/12 Target
1.4 Average number of deficiencies per examination in Capital Markets Regulation	6.68 out of 57 categories ⁽¹⁾	≤6.35 target	Decrease deficiency average by 5% over 08/09	Set new baseline to reflect two new categories of registered dealer	Decrease deficiency average by 5% over 10/11
<p>Our Capital Markets Regulation division reviews securities firms that are not SRO members for compliance with their regulatory obligations. Using various indicators of risk, we rate our firms so that we can determine how frequently and how closely to examine their compliance.</p> <p>In fiscal 2007-2008, we will report the deficiencies per examination based on the 57 categories of deficiencies we use in our examinations today, plus the deficiencies per examination based on the year-end categories. As we add, combine, or eliminate deficiency categories, we will need to reset the measurement.</p> <p>We have set a target for a five percent decrease in deficiencies per year among the firms we review. We believe that compliance will improve across our dealer base in part from our industry education efforts, past audits, and periodic meetings with dealer management. However, because our audit program is evolving to include the most timely issues of the day, we do not expect to eliminate deficiencies.</p> <p>Because we do risk-based examinations, we place a priority on reviewing firms for which we already have compliance concerns. This measurement will therefore uncover a higher average number of deficiencies than if we reviewed a cross-section of all firms. In addition, we may decide in a particular year to review all firms for specific compliance problems, which would raise reported deficiencies in defined areas. To neutralize this bias, we will adjust for the results of targeted examination sweeps.</p>					

Note: (1) Based on 19 examinations.

Performance measurements for Goal 2

PERFORMANCE MEASURE			TARGETS		
	07/08 Actuals /Baseline	08/09 Estimate	09/10 Target	10/11 Target	11/12 Target
2.1 Percentage of new cases with active misconduct where we intervened	56%	≥58% target	≥60%	≥65%	≥65%
	<p>Early detection and intervention helps to protect investors, particularly in illegal distribution cases where investor losses tend to increase exponentially over the life of the distribution. We track the cases accepted each year for enforcement action where there is active misconduct, when we learn of it. We calculate the percentage of those cases in which we take disruptive action – freeze assets, issue a cease trade order, or take other steps to disrupt the misconduct. Although we assess the potential for early intervention in all cases, we are not able to take action on all of them. For example, while we may suspect misconduct, we may lack sufficient evidence to intervene.</p> <p>This measure focuses our efforts on early detection and shows how often we take early action to stop the misconduct.</p> <p>Our assessment of past cases leads us to believe that we could expect to intervene early in about 2/3 of cases involving ongoing misconduct. Our targets are moving from 55% to 65% to capture those marginal cases where it is harder to create early intervention but still valuable to acting decisively against misconduct.</p>				

PERFORMANCE MEASURE			TARGETS		
	07/08 Actuals /Baseline	08/09 Estimate	09/10 Target	10/11 Target	11/12 Target
2.2 Average life, in months, of cases resolved via settlement or enforcement decision	39.5	≤34 target, 44 forecast	<34	Set according to formula ⁽¹⁾	Set according to formula ⁽¹⁾
	<p>We want to be transparent about the average time our administrative enforcement process takes. For the cases we close by settlement or a decision in the fiscal year, we measure the average number of months a case is open from when we first learn of the conduct to the case's completion by settlement or decision. Reciprocal orders are not included.</p> <p>We set our targets to back our commitment to increasing the timeliness of our actions. Our targets were set using internal performance expectations for various enforcement processes and assuming 2/3 of cases settle. We anticipate that we can continue to decrease this average as more of our cases benefit from our efforts to increase enforcement timeliness.</p>				

Notes: (1) We calculate the target based on a case average of actual case age and service target timeframes for the enforcement steps outstanding on each case.

Performance measurements for Goal 3

PERFORMANCE MEASURE	TARGETS				
	07/08 Actuals /Baseline	08/09 Estimate	09/10 Target	10/11 Target	11/12 Target
3.1 Number of complaints and tips received as a result of InvestRight investor education and industry outreach programs	92	96 target	Increase 5% over 08/09	Increase 5% over 09/10	Increase 5% over 10/11
<p>Through our public awareness and outreach programs, we aim to increase the flow of complaints and information we receive about possible investment frauds or illegal activities. This network of information helps us prevent, stop, or disrupt these activities. The Investor Index survey from 2007 told us that only 14 percent of the 1 in 3 Canadians who had been approached with an investment fraud reported it.</p> <p>We track the number of enquiries, referrals, and complaints we receive from the public, media, and policing agencies such as the RCMP, IMET, and local police. Our targets are set according to our expectation that our RED ALERT and InvestRight education programs will generate more leads over time.</p>					

PERFORMANCE MEASURE	TARGETS				
	07/08 Actuals /Baseline	08/09 Estimate	09/10 Target	10/11 Target	11/12 Target
3.2 Percentage of workshop participants who recall investor education messages of red flags	17%	19% target	Increase 3% over 08/09	Increase 3% over 09/10	Increase 3% over 10/11
<p>We deliver investor education workshops to BC residents, primarily seniors. We hire a firm to survey seminar participants after each presentation, and a second time six months later, to measure the percentage of workshop participants who recall our investor education messages. The pre-survey collects information on participants' most recent investment decisions, their investment fraud experience, and their awareness of the BCSC. The post-survey collects information about how they intend to approach their next investment and what they have learned about investment fraud. The follow-up survey is only completed by people who have made an investment after participating in the program, and collects information about actual investing behaviors.</p> <p>We report on the percentage of workshop participants who recall investor education messages about the red flags to fraudulent investments because it is a key learning outcome from our seminars.</p> <p>Our targets are set in anticipation of a healthy response to our surveying from seminar attendees. We know already, however, that it is often difficult to get seniors to participate in surveys. We may need to review the viability of this measure and adjust it accordingly.</p> <p>While our survey group will remain mostly pre-retirement adults from BC, we believe that their behavior will align with our investor protection messages more over time as the public becomes more aware of the importance of due diligence in investing their retirement assets.</p>					

PERFORMANCE MEASURE	TARGETS				
	07/08 Actuals /Baseline	08/09 Estimate	09/10 Target	10/11 Target	11/12 Target
3.3 Percentage of BC public aware of BCSC	30% ⁽¹⁾	44% ⁽²⁾	≥45%	≥45%	≥45%
<p>BCSC investor education resources provide BC retail investors with valuable information to help them protect themselves from fraud and unsuitable investments. We aim to build awareness of the BCSC and our many investor education resources so that British Columbians will know where to turn and what to do when faced with a possible fraud or unsuitable investment opportunity.</p> <p>We collect data by asking awareness questions in each year's investor survey. We will collect data by asking both unaided and aided awareness questions in next year's investor survey. We set our targets given that one in five BC adults are active investors. Our 2007 survey of BC residents was markedly lower than the 2008 survey, 30 percent versus 44 percent, so we are still getting a sense of the true rate of public awareness.</p>					

Note (1): From our October 2007 investor survey. (2) From our July 2008 investor survey.

Performance measurements for Goal 4

PERFORMANCE MEASURES			TARGETS		
	07/08 Actuals /Baseline	08/09 Estimate	09/10 Target	10/11 Target	11/12 Target
4.1 Average score on cost-effective regulation scorecard	88%	>88% target	≥90%	≥90%	≥90%
	<p>To measure cost-effective regulation, we use a scorecard that tracks the important steps and outcomes in responding to market problems. We apply the scorecard to all CSA and local projects. For CSA projects, the scorecard reports on the extent to which we took steps to advocate our cost-effective regulation principles. For all projects, the scorecard gives credit for outcomes-focused results. We report the average score of all the projects completed each year.</p> <p>If there are fewer than five new projects scored in a single year, we will use the average for the last five projects. We will not include rules that we adopt purely to harmonize with other jurisdictions in this analysis. The process CSA uses to create harmonization rules does not consider problem definition or alternative tools.</p> <p>Our commitment is to continually improve our execution relative to the standards we have set for creating cost-effective regulations.</p>				
4.2 Average approved project post-implementation score	100% on two projects	100% target	≥80%	≥80%	≥80%
	<p>For this measurement, we define a “project” as an initiative that requires executive director approval, and either costs more than \$10,000 or takes more than 25 person days. We justify these local projects in writing and include a description of the expected benefits. Some projects will forecast a return on investment generated by cost savings or cost avoidance that "pays" for the project within a reasonably short period (typically up to three years). Other projects promise efficiency improvements or improved quality, accuracy, or control.</p> <p>We assess each local IT-enabled project at a predetermined time after the project’s completion (as documented in the project proposal) and score the project’s success relative to its proposed benefits. This assessment will normally occur after six months, but for reasons of complexity or novelty may be conducted as early as three months or as late as 12 months after a project completes. The baseline we set will be an average of the projects assessed during the year.</p>				

Appendix A. Review of performance measurement systems for each Service Plan measurement

Data source	Data collection method	Data collection frequency	Disclosure of any limitations to the accuracy and reliability of the data	Data timeliness	Data controls
Measurement 1.1: Continuous disclosure improvement					
Independent evaluation against criteria set by BCSC staff	Manual submission of reviewer's report	Collected annually	Measurement relies on objective professional judgment of disclosure quality	Measures work done 12-24 months before the report: issuers reviewed by the BCSC from April 2009 to March 2010 will be reported on in May 2011.	Electronic system creates list of issuers with significant deficiencies. Reviewer then randomly selects issuers from the list to assess.
Measurement 1.2: Technical disclosure compliance					
Staff evaluation against criteria set by BCSC staff	Manual submission of reviewer's report	Collected annually	Measurement relies on third-party professional judgment of disclosure quality	Measure is based on the current continuous disclosure record of the selected issuers	Electronic system allows us to pull list of BC-prime mining issuers.
Measurement 1.3: Issuer compliance with filing requirements					
Internal database	Manually compiled	Collected continually; only relevant as a measurement at year end	<ul style="list-style-type: none"> - Some firms who proceed to delist are still captured in this measure - Reports coming from a system implemented in 2008 will need to be reviewed for accuracy 	Measurement reflects firms on defaulting list at a point during fiscal year	Internal control environment

Data source	Data collection method	Data collection frequency	Disclosure of any limitations to the accuracy and reliability of the data	Data timeliness	Data controls
Measurement 1.4: Compliance of directly-regulated securities firms					
Data entered manually into management reporting files based on exam deficiency letters	Data comes from a manually-updated Excel spreadsheet, and is adjusted to exclude targeted reviews	Collected at year end	<ul style="list-style-type: none"> - Measurement relies on a our classification of compliance problems, which can change every year - Small data set - Measurement relies on judgment of evaluators 	Measurement reflects data from deficiency letters sent during annual reporting period	Internal control environment
Measurement 2.1: Percentage of new cases with active misconduct where we intervened					
Data recorded in case tracking system	Collected manually based on internal reports	Collected quarterly	<ul style="list-style-type: none"> - Small data set - Measurement does not track all freeze orders or temporary orders issued in a given year - New case tracking system will make collecting data for this measure easier 	Measurement reflects cases referred for enforcement action in a fiscal year	Internal control environment
Measurement 2.2: Average life, in months, of cases resolved via settlement or enforcement decision					
Time data comes from case tracking system, official documents, and management tracking sheet.	Collected manually based on internal reports	Collected quarterly	<ul style="list-style-type: none"> - Single long cases and settlement/decision split can move the overall average - Cases put on hold for reasons outside of commission control can move the overall average 	Measurement reflects cases closed by settlement or decision in a fiscal year	Internal control environment

Data source	Data collection method	Data collection frequency	Disclosure of any limitations to the accuracy and reliability of the data	Data timeliness	Data controls
Measurement 3.1: Number of complaints and tips received as a result of InvestRight investor education and outreach programs					
Information comes from our web statistics, case tracking system, and our internal call tracking systems.	Collected manually based on internal reports	Collected regularly	<ul style="list-style-type: none"> - Measurement relies on ability for our inquiries line to sort complaints and tips based on caller involvement with our education programs - Measurement depends on appropriate coding of enforcement leads coming from law enforcement agencies 	Counts activity in the fiscal year.	Internal control environment
Measurement 3.2: Workshop participant recall of investor education messages of red flags					
Data stored and analyzed electronically	Collected through paper and electronic surveys from investor education participants	Collected regularly	<ul style="list-style-type: none"> - Survey response rate may be low, making statistical significance hard to draw - May have sample bias as response is voluntary 	Measurement reflects surveys completed during the reporting period	<p>Internal control environment</p> <p>Third party may execute survey</p>
Measurement 3.3: Percentage of BC public aware of BCSC					
Independent survey	Data drawn from independent report	Collected annually	<ul style="list-style-type: none"> - Small changes in results year to year may not reflect a significant change in behavior because of the error we accepted in selecting our sample size - May have sample bias as response is voluntary 	Awareness assessed within the fiscal year.	Research methodology designed to analyze all responses.

Data source	Data collection method	Data collection frequency	Disclosure of any limitations to the accuracy and reliability of the data	Data timeliness	Data controls
Measurement 4.1: Scorecard for cost-effective regulation					
Internal evaluation based on staff and management judgment and project documents	Collected manually	Collected annually	<ul style="list-style-type: none"> - Measurement relies on judgment of evaluators: Executive Director evaluates a new rule together with staff, brings to full-time commissioners for review before final score made - Small sample size 	Measurement based on rules put into effect in BC or other major regulatory projects completed in the year; work to complete the project may have taken place over several years	Discussion on logic for each measurement documented for review.
Measurement 4.2: Scorecard for approved project post-implementation					
Internal accounting systems, internal asset management systems, and internal evaluation based on staff and management judgment and documented results	Collected manually	Collected regularly	<ul style="list-style-type: none"> - Measurement relies on professional judgment - Small sample size 	Measurement reflects projects scored in the fiscal year: work to complete the project may have been over a period of years	Internal control environment