

## 2011/2012 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.

This section describes the performance measurements by which we track our progress in achieving our goals through our operating activities. We track progress towards our goals using relevant, long-term measures so stakeholders can assess our performance over time. More information about our performance measurements, including performance management systems and how we set targets, can be found on our public website at [www.bpsc.bc.ca](http://www.bpsc.bc.ca) (*About the Commission*).

These measures are not tracked consistently across other CSA jurisdictions so we do not have benchmark comparisons that help gauge our relative performance to our peers.

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

**Goal 1: Promote a culture of compliance**

PERFORMANCE MEASURES	TARGETS				
	09/10 Actuals/ baseline	10/11 Target <sup>(1)</sup>	11/12 Target	12/13 Target	13/14 Target
1.1 Percentage of reviewed issuers that reduce deficiencies a) Improved disclosure subsequent to a continuous disclosure review b) Improved disclosure to minimum standards	a) 100% <sup>(2)</sup> b) 97%	a) > 95% b) > 95%	a) > 95% b) set new baseline to reflect IFRS transition <sup>(3)</sup>	a) > 95% b) set new baseline to reflect IFRS transition <sup>(3)</sup>	a) > 95% b) Improve on 12/13 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 continuous disclosure review work motivated non-compliant issuers to improve their disclosure.</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 2013, we will report on disclosure improvements resulting from reviews carried out between April 2011 and March 2012. 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>				
1.2 Percentage of randomly sampled mining issuers that meet the minimum standards for technical disclosure in: a) Filed disclosure (Annual information forms, News releases, Management discussion	a) 61% <sup>(4)</sup> b) 50%	a) > 75% b) > 75%	a) > 80% b) > 75%	a) > 80% b) > 75%	a) > 80% b) > 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>and analysis) b) Issuer websites</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>				
<p>1.3 Average number of deficiencies per examination in Capital Markets Regulation</p>	<p>7.56 out of 49 categories<sup>(5)</sup></p>	<p>7.2 out of 49 categories</p>	<p>Decrease deficiency average by 5% over 11/12</p>	<p>Create new measure</p>	<p>N/A</p>
<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 risk rate our firms so that we can determine how frequently and how closely to examine their compliance. This statistic shows the average deficiencies found in complete exams performed over the period. Firms subjected to audits for cause are excluded from our analysis. We are exploring new measures for periods beyond 2011/12 to reflect new types of directly regulated firms subject to our oversight, such as exempt market dealers and investment fund managers.</p> <p>In fiscal 2010-2011, we will report the deficiencies per examination based on the 49 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>
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Notes: (1) Actual data for all targets will be included in the 10/11 Annual Report. (2) Based on a sample of 30 issuers. (3) Canada adopted international financial reporting standards (IFRS) on January 1, 2011 which changes the minimum standards. It will take two fiscal years for the baseline to reset; (4) Based on a sample of 40 issuers; (5) Based on 16 examinations.

***Goal 2: Act decisively against misconduct***

PERFORMANCE MEASURES	TARGETS				
	09/10 Actuals/ baseline	10/11 Target	11/12 Target	12/13 Target	13/14 Target
2.1 Average time to respond to misconduct with disruptive Action	Not measured	110 days	Decrease average by 10% over 10/11	Decrease average by 10% over 11/12	Decrease average by 10% over 12/13
	This measure focuses our efforts on early detection and shows our ability to take early action to stop the misconduct. We can significantly reduce the harm to the public when we can identify and act quickly to disrupt this misconduct. We will track a specific number of intervention types and measure how long it takes us to implement the intervention from the opening of the complaint.				
2.2 Average life, in months, of cases resolved via settlement or enforcement decision	27.7 <sup>(2)</sup>	41.5 <sup>(3)</sup>	Set according to formula <sup>(4)</sup>	Set according to formula <sup>(4)</sup>	Set according to formula <sup>(4)</sup>
	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.  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. We anticipate that we can continue to decrease this average as more of our cases benefit from our efforts to increase enforcement timeliness.				

Notes: (1) In fiscal 2010, we introduced a new program to seek out active illegal distributions. In our new measure, we track a specific number of intervention types and measure how many days it took us to implement the intervention from the opening of the complaint; (2) This actual is an average of 14 cases that closed that year, two of which closed in under 2 months. The average for the remaining 12 cases is 32.6 months; (3) This target is set based on the four cases in our enforcement work in progress projected to close by decision in the coming fiscal year; (4) We calculate the target for the enforcement steps outstanding based on a case average of actual case age and service target timeframes outstanding on each case.

### **Goal 3: Educate investors**

<b>PERFORMANCE MEASURES</b>	<b>TARGETS</b>				
	<b>09/10 Actuals/ baseline</b>	<b>10/11 Target</b>	<b>11/12 Target</b>	<b>12/13 Target</b>	<b>13/14 Target</b>
3.1 Number of complaints and tips received as a result of InvestRight investor education and industry outreach programs	68	71	Increase 5% over 10/11	Increase 5% over 11/12	Increase 5% over 12/13
	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. 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.				
3.2 Percentage of workshop participants who recall investor education messages of red flags	11%	14%	Increase 3% over 10/11	Increase 3% over 11/12	Increase 3% over 12/13
	<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.</p> <p>The pre-survey collects information on participants' most recent investment decisions, their investment fraud experience, and their awareness of the BCSC. 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>				

<b>PERFORMANCE MEASURES</b>	<b>TARGETS</b>				
	<b>09/10 Actuals/ baseline</b>	<b>10/11 Target</b>	<b>11/12 Target</b>	<b>12/13 Target</b>	<b>13/14 Target</b>
3.3 Percentage of Canadian investors aware of provincial securities regulators	46% <sup>(1)</sup>	>45%	> 45%	> 45%	> 45%
	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. We collect data by asking awareness questions in each year's investor survey.				

Notes: (1) Actual from the October 2009 CSA Investor Index.

### ***Goal 4: Cost-effective regulation***

PERFORMANCE MEASURES	TARGETS				
	09/10 Actuals/ baseline	10/11 Target	11/12 Target	12/13 Target	13/14 Target
4.1 Average score on cost-effective regulation scorecard	88%	90%	> 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	83%	80%	> 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

<b>Data source</b>	<b>Data collection method</b>	<b>Data collection frequency</b>	<b>Disclosure of any limitations to the accuracy and reliability of the data</b>	<b>Data timeliness</b>	<b>Data controls</b>
Measurement 1.1: Continuous disclosure improvement					
Independent evaluation against criteria set by BCSC staff, set out in a report	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 2011 to March 2012 will be reported on in May 2013.	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, recorded over the year in a spreadsheet	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: Compliance of directly-regulated securities firms					
Data entered manually into management reporting files based on exam	Data comes from a manually-updated Excel spreadsheet, and is adjusted to	Collected at year end	- Measurement relies on a our classification of compliance problems, which can change every year - Small data set	Measurement reflects data from deficiency letters sent during annual reporting period	Internal control environment

<b>Data source</b>	<b>Data collection method</b>	<b>Data collection frequency</b>	<b>Disclosure of any limitations to the accuracy and reliability of the data</b>	<b>Data timeliness</b>	<b>Data controls</b>
deficiency letters: kept in spreadsheet	exclude targeted reviews		- Measurement relies on judgment of evaluators		
<b>Measurement 2.1: Average Time to Respond to Misconduct with Disruptive Action</b>					
Data recorded in enforcement using case management system and separate tracking spreadsheet	Collected manually based on internal reports	Collected quarterly	- Small data set	Measurement reflects cases referred for enforcement action in a fiscal year	Internal control environment
<b>Measurement 2.2: Average life, in months, of cases resolved via settlement or enforcement decision</b>					
Time data comes from case tracking system, official documents, and kept in management tracking sheet	Collected manually based on internal reports	Collected quarterly	- 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
<b>Measurement 3.1: Number of complaints and tips received as a result of InvestRight investor education and outreach programs</b>					
Information comes from our case tracking system, our	Collected manually based on internal reports	Collected regularly and reported annually	- Measurement relies on ability for our inquiries staff to sort complaints and tips based on caller involvement with our education programs	Counts activity in the fiscal year.	Internal control environment

<b>Data source</b>	<b>Data collection method</b>	<b>Data collection frequency</b>	<b>Disclosure of any limitations to the accuracy and reliability of the data</b>	<b>Data timeliness</b>	<b>Data controls</b>
internal call tracking systems from the call centre and in C&E, and “Report a scam” and “File a complaint” forms on InvestorRight			- Measurement depends on appropriate coding of enforcement leads coming from law enforcement agencies		
<b>Measurement 3.2: Workshop participant recall of investor education messages of red flags</b>					
Data stored and analyzed electronically. Data received in report format at BCSC	Collected through paper surveys from investor education seminar participants and following phone contact	Collected regularly	- 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	Internal control environment  Third parties administer surveys  Third party phone contact
<b>Measurement 3.3: Percentage of BC public aware of BCSC</b>					
Independent survey. Data received in report format at BCSC	Data drawn from independent report	Collected annually	- Small changes in results year to year may not reflect a significant change in behavior because sampling from a population always creates a margin of error that may overlap with a previous study, and	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
			so not be statistically different from one another		
<b>Measurement 4.1: Scorecard for cost-effective regulation</b>					
Internal evaluation based on staff and management judgment and project documents, kept in a spreadsheet	Collected manually	Collected annually	<ul style="list-style-type: none"> <li>- Measurement relies on judgment of evaluators: Executive Director' office and all policy managers evaluate a new rule together with staff involved in the project</li> <li>- Small sample size</li> </ul>	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.
<b>Measurement 4.2: Scorecard for approved project post-implementation</b>					
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"> <li>- Measurement relies on professional judgment</li> <li>- Small sample size</li> </ul>	Measurement reflects projects scored in the fiscal year: work to complete the project may have been over a period of years	Internal control environment