



British Columbia Securities Commission

Capital Markets Regulation Notice 2009-01 Financial Filings February 2009

Purpose

This notice reminds registrants about their capital monitoring and financial reporting obligations under sections 19 and 20 of the *Securities Rules*. Adequate capital levels help safeguard the solvency of registrants and thereby help maintain confidence in the financial industry.

Capital monitoring

While the majority of registrants maintain adequate working capital, an increasing number of firms are failing to maintain the capital required, and to monitor monthly capital calculations accurately.

Section 41 of the Rules require registrants to monitor their working capital monthly to ensure that they meet the working capital requirements set out in sections 19 and 20 of the Rules. We are finding that:

- Firms do not calculate or monitor working capital on a monthly basis.
- There is no documentation evidencing how monthly working capital was calculated.
- Financial records are not prepared according to generally accepted accounting principles (e.g. using cash basis for accounting).
- Firms do not meet minimum working capital requirements.
- Firms become capital deficient and fail to notify the BCSC immediately, as set out in section 41 of the Rules, and in BC Form 33-905F *Report of Working Capital*.
- Firms repay subordinated loans without obtaining the BCSC's written permission, as required in BC Form 33-904F *Subordination Agreement*.

If you become capital deficient

Registrants that do not meet minimum working capital requirements must inform the BCSC immediately, and indicate how and when the deficiency will be resolved. We think that the deficiency should be corrected within 48 hours and we tell registrants that this is what we expect of them. Firms that fail to notify the BCSC of a working capital deficiency may have conditions of registration imposed on them. Examples of possible conditions include a requirement to submit monthly financial records.

Financial reporting

Registrants must submit audited financial statements with the BCSC on or before the 90th day after their year-ends. All late financial statements are subject to a late fee of \$100 per day. This fee is set out in section 22 of the *Securities Regulation*.



Where to file

Many registrants are sending financials to the wrong departments at the BCSC. To ensure that the examiners receive the financial filings promptly, we ask that you send all financial statements and financial institutions bonds to:

By mail: **Attention: Lena Lew, Administrator**
Examinations Branch, Capital Market Regulation
By email: llew@bcsc.bc.ca or examiners@bcsc.bc.ca
By fax: (604) 899-6506

If you have questions about this notice, please contact any member of the examination team:

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