2024 Annual COMPLIANCE Report Card

BC Securities Commission
Invest Right

September 2025

This compliance report card summarizes the findings that our compliance teams made in the course of their reviews of the compliance programs of BC-based portfolio managers (Advisers or PMs), investment fund managers (IFMs), and exempt market dealers (EMDs) from January 1, 2024 to December 31, 2024.

We provide this report card to chief compliance officers (CCOs) and compliance professionals to help them improve their compliance programs. The report card highlights problem areas we observed and explains our approach to compliance examinations.

Our firms

On December 31, 2024, the BC Securities Commission (BCSC) had 174 directly registered firms (excluding CIRO firms). Based on the nature of each firm's business, our directly registered firms comprise:

- 86 Adviser firms (including IFMs), that the Adviser/IFM compliance team oversees
- 80 Dealer firms (including EMDs), that the Dealer compliance team oversees

In addition to these traditional adviser and dealer firms, the BCSC is also the principal regulator of two restricted dealers that operate crypto trading platforms, and six crowdfunding portals that rely on registration exemptions.

Our approach to regulation

Our goal is to foster a culture of compliance among market participants. Where we find serious, systemic and/or repeat compliance failures, or dishonest conduct, we will take decisive action. In 2024, we found significant failures of compliance that resulted in the imposition of terms and conditions on registration and a referral to our Enforcement branch.

We help our registered firms foster a culture of compliance by assigning dedicated relationship managers (RMs) to each firm. Our RMs maintain communications with the firms assigned to them. They understand each firm's business and compliance program. We encourage firms to contact their RMs to discuss compliance-related issues or to report changes in their business or personnel. Please contact us if you do not know your RM (see contact details at the end of this report card).

To gauge compliance among the firms we regulate, the BCSC uses a risk model to analyze data that our registered firms provide in a biennial risk questionnaire. The responses help us identify the latest information for registrants such as significant growth, management changes, new products, and the use of higher risk investment strategies. The risk questionnaire information and the risk model help us choose firms with factors or patterns that may increase a firm's risk for our compliance reviews.

We also include some firms for review based on the time elapsed since their last review. Once we choose a firm to review, we use the information we know about that firm to tailor our compliance review program to test any compliance risks we have identified. If we receive information or complaints that indicate any market participant may be seriously non-compliant or dishonest, we may conduct a "for cause" review.

COMPLIANCE REVIEW FINDINGS - TOP DEFICIENCIES

In our compliance reviews of registrants, we tested 49 deficiency categories covering nine operational areas.

From January 1, 2024 to December 31, 2024, we conducted 19 compliance reviews and found 130 compliance deficiencies, averaging 6.84 deficiencies per review.

Year[1]	Average number of deficiencies per review
2024	6.84
2023	8
2022	4.85[2]
2021	6.77
2020	8.14

The average number of deficiencies per firm is meant to be a reference and not a definitive measure of how compliant B.C.'s registered firm's are.

The five top ranking deficiencies in 2024, averaged between Adviser and dealer firms, represent 94 out of 130 (approximately 72%) of all of the compliance deficiencies we found, as follows:

Deficiency type	Number of Deficiencies	% of all Deficiencies	*Average overall rank*
Know-your-client (KYC) and suitability	28	22%	1
Policies and procedures	16	12%	2
Conflicts of interest (COI)	15	12%	3
Disclosure	12	9%	4
Advertising, marketing, and holding out	12	9%	4
Client statements and reporting	11	8.5%	5
Total	**94/130**	**72%**	

[1]For 2021, the deficiency tracking period is from January 1, 2021 to December 31, 2021, and for 2020, the tracking period is from April 1, 2019 to December 31, 2020.

[2]In 2022, a large number of reviews were part of the Canadian Securities Administrators (CSA) Client Focused Reforms - Conflicts of Interest sweep, where we mostly identified deficiencies limited to conflicts of interest. These limited scope reviews contributed to a comparatively lower average number of deficiencies in 2022.

Some of our examination initiatives and examples of the compliance deficiencies found this year are set out below.

During 2024, both of the BCSC's compliance teams participated with other members of the CSA in the second phase of the CFR sweep. The scope of the sweep was to review the implementation of key CFR provisions, including know-your-client (KYC), know-your-product (KYP), and suitability in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (NI 31-103). The sweep is complete, and the CSA is currently finalizing a publication on the sweep findings and additional guidance.

Given the broad scope of the sweep, and the substantial time and resources staff dedicated to it, the majority of the compliance deficiencies noted in 2024 arose from the sweep. We detail below some of our observations, deficiencies noted, and some suggested best practices to avoid potential regulatory pitfalls.

Portfolio managers

Model portfolios and KYP

Firm A sets up various model portfolios representing different investment mandates to recommend to clients. For example, if the firm decides that a client has a growth mandate, then it will invest in the individual securities that comprise the firm's growth model for the client. Typically, most of the clients with a growth mandate will be invested in the same securities selected for the growth model.

We observed that:

- The firm conducts KYP on individual securities, and assesses whether the securities are suitable at the mandate level (for example, if the securities are suitable for a growth mandate and model portfolio).
- When investing in the underlying securities of a model portfolio for clients, the firm will not re-assess each of the securities for suitability for every client. Instead, the firm has a process in place to regularly review whether a specific mandate and model portfolio are suitable for clients (e.g., triggered by changes in KYC).
- The firm monitors the securities within the model portfolios, and when changes to the underlying securities are necessary, the firm will make the same change across all clients with the same mandate.

While the firm was able to explain its processes, it did not have:

- Adequate policies and procedures on its KYP process. The firm has many different reports that ranks, rates, and evaluates securities for KYP purposes. However, it lacks written processes and guidance for the firm's staff as to how all the KYP procedures and reports come together as a KYP process
- Records to demonstrate the model portfolios' composition at a point in time, the rationale for making changes to the composition, and how the firm considers the change as suitable for clients with the particular mandate
- Processes in place to assess and document suitability when advising representatives (ARs) make changes to the model portfolio holdings for clients, for example, the AR replaces a constituent holding due to a client's instruction to avoid certain industries such as weapons production

Model portfolios and suitability

Firm B manages client accounts using investment mandates and model portfolios similar to Firm A. Firm B has ARs specializing in researching and selecting securities to make up the model portfolios that are suitable for clients in each mandate. These ARs will provide information about the underlying securities within the model portfolios to client-facing ARs in order to help them understand and consider suitability at the client level.

The firm has client-facing ARs review clients' responses to the KYC questions and gather further KYC information to determine the appropriate investment mandate and model portfolio. However, this firm has multiple, similar model portfolios, for the investment mandates. For example, it offers five different model portfolios that fulfill the growth mandate. The firm has no process in place to demonstrate how an AR should determine which model portfolio is suitable for the client. While the growth model portfolios at this firm have some differences, they all have similar holdings. By simply looking at the client's KYC, all the growth mandates could be suitable. The firm failed to document why one specific growth model portfolio was recommended to the client over the other growth model portfolios available at the firm. The client files we reviewed also lacked evidence of consideration of a reasonable range of alternatives, or other suitability documentation.

Joint accounts and householding of accounts

Firm C services mostly individual, retail clients. The firm will often act as PM for members of the same household (for example, both spouses are the firm's clients). These households typically have several accounts, such as some joint accounts in the name of both spouses, some registered accounts in each spouse's name, and cash/non-registered accounts in each of the spouses' names too.

The firm's process is to manage all the accounts in a household together, using one investment policy statement (IPS) as part of the suitability assessment. We observed the following issues:

- The firm did not consider suitability for all the accounts in the household at the account level (which is required under section 13.3 of NI 31-103), but rather, only considered the accounts at a household level. Some of the individual accounts within the household deviated significantly from the IPS, with no documented rationale.
- When we reviewed the KYC and suitability records for some households, the household members did not appear to have an aligned investment objective to allow for householding of suitability. For example, the spouses have very different time horizons, investment goals, or financial circumstances; and there were no records explaining why householding was an appropriate consideration.
- There was no disclosure to clients as to why a household suitability assessment is right for the clients, how it differs from account-level suitability determinations, and that householding suitability is supplementary to account-level suitability.
- There was no record or evidence that all the members of the household agreed to suitability assessments of their accounts being carried out at a household level.

For KYC collection, this firm typically collected each individual client's KYC information at the time of account opening, and was able to consider this information for the joint accounts. It also collects some combined assets value (such as home, real estate value) noting clearly as KYC information on a joint basis. However, the firm failed to collect KYC updates from all members of the household (who also have individual accounts at the firm). The firm's AR often times only discussed KYC updates with one spouse, without gathering or verifying the KYC information of the others in the household. This firm lacked a clear process in ensuring that sufficient KYC information is collected regularly from all household members to support suitability.

Portfolio managers and dealer firms

KYC, KYP, suitability, policies and procedures

Firm D is a sole proprietor firm, and it creates custom portfolios for each client. While the AR was able to explain how securities are selected, the firm lacks a written process to outline:

- How the firm conducts the initial KYP assessment
- When and how the firm conducts ongoing KYP assessments
- What KYP records are retained; for example, the firm typically relies on third-party research material and was able to download them when requested. However, there was no evidence as to when the research materials were reviewed, and what the conclusion was from the research material that is supposed to support the firm's KYP and suitability assessment

As for suitability, while we did not identify any client holdings as unsuitable, the firm lacks a process to demonstrate that it considered all the factors outlined in section 13.3(1) of NI 31-103, to ensure that the actions taken by the firm put the clients' interests first. For example:

- The AR closely monitors concentration within client accounts, but has no records of why certain client accounts required rebalancing while others did not.
- The AR typically has a lot of securities on its "watch list" and will select what the AR considers as suitable for the clients based on many factors. Without a clear process to document the reasonable range of alternative actions and the rationale behind each security selection, the firm lacks records that it has fulfilled its suitability obligations.

While the AR is aware of the many changes to securities legislation, it has not revised its policies and procedures manual (PPM) to incorporate the CFR requirements. In some areas, the firm simply notes relevant CFR sections from NI 31-103, which is insufficient. Adequate policies and procedures need to specify how and when the compliance task is performed, as well as who will complete the task.

In addition to the above scenarios, we continue to find general deficiencies indicating that some dealer and adviser firms failed to:

- Implement a process to take reasonable steps to have a client confirm the accuracy of KYC information, including KYC updates, within a reasonable time. Confirmation can take different forms, such as asking clients to sign KYC update forms or confirm KYC changes by email.
- Incorporate procedures to collect and determine risk profile information, but instead continue to rely on just having clients check off a risk tolerance level. Firms need to gather information on both risk tolerance and risk capacity to be able to conclude on a client's risk profile.
- Many registrants conduct KYP, but do not maintain evidence of what records they reviewed, and the assessments made. We expect to see a documented KYP process, as well as records demonstrating that the KYP process was followed. Simply keeping copies of issuer's documents (such as financial statements and the MD&A) and third-party analysts' reports is insufficient. The records should show the registrant's process of assessing the securities. This includes assessing the relevant aspects of the securities, including structure, features, risks, initial and ongoing costs, and the impact of these costs. There should also be documentation of the ongoing monitoring for significant changes of approved securities. We expect firms to not only document KYP when new securities are approved, but also when securities are removed from the approved list or clients' portfolios (as part of a firm's ongoing review and reassessment of suitability).

Other CFR deficiencies identified for adviser and dealer firms:

For PPMs:

- Missing policies and procedures surrounding KYC, suitability determination under the CFRs, in particular no consideration of a reasonable range of alternative actions available to the registrant through the registered firm and the process in place to ensure the investment action being considered puts the client's interest first
- Missing policies and procedures for KYC collection for joint accounts
- Missing adequate process documentation to ensure the registrant has a meaningful interaction with clients and to ensure sufficient records are maintained
- No consideration of what would amount to a significant change to client information and how records of changes noted would be maintained
- Missing process to monitor significant changes in the securities of issuers that the firm continually raises capital for
- Missing processes to ensure all registered individuals understand their KYP obligation and the type of books and records to be maintained to demonstrate compliance
- Missing training processes on KYP training provided to dealing representatives

For KYC and suitability:

- Missing documentation to demonstrate how concentration is calculated and ensure consistency across the firm
- Missing documentation to demonstrate why trades were suitable under CFRs considering the factors[3] under section 13.3(1) of NI 31-103
- Having a check-box approach for suitability determination without providing adequate client-specific consideration
- Failing to demonstrate the firm has taken reasonable steps to obtain from the client the name and contact information of a trusted contact person, as well as the written consent of the client for the registrant to contact the trusted contact person to confirm or make inquiries under specific circumstances
- Failing to make a reasonable effort to resolve inconsistent or conflicting information on a client's KYC form

For KYP:

- Did not adequately discuss the conflicts of interest inherent in the security and assess how they are addressed
- Failed to maintain sufficient records to document the firm's ongoing review of the products on shelf for significant changes

[3] The factors set out in section 13.3(1) of NI 31-103 include the client's KYC information, the firm's KYP assessment of the particular security, the impact of the trade on the client's account, the impact of cost, and a reasonable range of alternative actions available at the registered firm.

As all the CFR requirements have been in effect since December 31, 2021, we expect that all firms have revised and adopted policies, procedures, and processes that comply with these requirements.

The CSA has published guidance on the enhanced KYC, KYP, and suitability requirements in the Companion Policy to NI 31-103 as well as *Client Focused Reforms: Frequently Asked Questions* last published on December 6, 2023.

Dealer firm compliance reviews

In addition to participating in the CFR sweep, the dealer compliance team reviewed six dealer firms, most of which are captive firms distributing the securities of related mortgage investment entities. We noted deficiencies in addition to those noted in the course of the CFR sweep, that include:

- Shortfalls in excess working capital requirements. Adequately monitoring working capital was a problematic area in many of the compliance reviews undertaken in 2024. We observed arithmetical errors and mischaracterization of various items that when corrected, resulted in a shortfall in the required working capital. Excess working capital shortfalls are frequently an indicator of more significant underlying issues in a firm's compliance program.
- For client-directed trades, failures to demonstrate compliance with the requirements of section 13.3(2.1) of NI 31-103. Many of the firms reviewed had no information to demonstrate that the firm had informed the client of the basis for its determination that the trade was unsuitable and its recommendation of an alternative trade, and retained no written confirmation of the client's instruction to proceed with the trade.
- Firms did not pay adequate attention to regulatory changes and their implementation dates. Firms failed to review their operating practices and adjust them on an ongoing basis and implement the needed changes to bring them into compliance.
- COI, KYC, and suitability challenges continued to feature as top deficiencies in most dealer firm reviews. For most firms, the captive nature of their business, limited product offerings, concentrated exposure to a restricted market sector, all resulted in compliance shortcomings.
- Firms sponsoring Dealing Representatives restricted to selling the securities of a single issuer who engages them, known as issuer sponsored dealing representatives (ISDRs), failed to:
    - ensure that their PPMs had policies and procedures to manage the risks of this business model
    - inform BCSC staff of their change of business when they engaged ISDRs
    - compensate the ISDR directly, instead compensating the issuer or a related party

Financial filings deficiencies

We have identified an increasing number of deficiencies in financial information submissions, including audited financial statements (AFS) and Form 31-103F1 *Calculation of Excess Working Capital* (Form 31-103F1), from many firms across all registration categories. Some firms even had to re-issue their AFS and obtain a revised audit opinion from their auditors due to non-compliance with accounting standards. Firms are ultimately responsible for ensuring that their financial filings are accurate and comply with the requirements set out in NI 31-103 and National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* (NI 52-107). When engaging accounting and auditing specialists to assist with meeting these obligations, firms should conduct due diligence to ensure that these specialists are proficient and experienced in working with the financial reporting requirements of registrants.

Firms are expected to make their annual financial filings within 90 days following their annual year-end. A failure to deliver on this timeline is often an indicator of other compliance issues that result in staff commencing a broader review of a firm. We remind firms that the securities regulations impose a late filing fee of $100 per day for late financial filings. We have no authority to vary or waive this fee.

Our observations include:

- Missing a director's signature on the statement of financial position, as required by section 12.10(1)(b) of NI 31-103
- Missing or inaccurate comparative period information on the AFS and the Form 31-103F1
- Mismatching of balances on the Form 31-103F1 versus the AFS or the disclosure in the Notes to the AFS, due to errors
- Failing to disclose sufficient information on related party transactions and balances, such as management compensation, to meet the requirements of International Accounting Standard 24 *Related party disclosures*

We also noted that some firms failed to:

- Deliver Form 33-109F5 *Change of Registration Information* when they have changed auditors until we inquired about the change
- Deliver new subordination agreements to us within 10 days of executing the agreement, and then submitted backdated subordination agreements when we inquired about the balance. Firm should not be backdating any records or agreements. If the BCSC does not have a copy of the subordination agreement, firms must include 100% of the related party debt as current liabilities on line 5 of Form 31-103F1, until they submit the agreement. Failure to file the subordination agreement may lead to a working capital deficiency

- Prepare accurate accounting and excess working capital records, as they estimated their financial positions on a monthly basis, rather than maintaining proper IFRS-compliant records. This could lead to inaccurate monitoring of the firm's excess working capital.

Registration RIME Issues

In 2024, the BCSC's Registration Branch has been collaborating with staff from other CSA jurisdictions to discuss our approach in considering individual registration applications, including relevant investment management experience (RIME). The goal is to ensure fairness and consistency in our assessment and interpretation on registration applications and RIME.

While we discussed RIME issues in the last two annual report cards and in the November 2023 Registrant Outreach, the BCSC continues to experience the following issues where individual AR/AAR applicants were:

- Not responding to the BCSC's follow-up questions, often taking months to respond to Registration staff's follow-up questions
- Changing their RIME or providing conflicting RIME information as they respond to staff's inquiries
- Providing insufficient or irrelevant information as to what the individual's RIME includes, such as only providing the applicant's job title as RIME or providing a description of the activities of the team that the applicant belongs to
- Trying to include non-RIME activities – the BCSC does not typically accept the following as RIME:
    - time spent in studying exams, such as the CFA or CIM exams
    - watching BNN
    - visiting Morningstar (and any similar) website
    - attending in-house or industry seminars and conferences

When registration applications are complete and provide adequate RIME information, the majority of individual applications are processed and accepted on a timely, routine basis. To ensure a timely result, please ensure that you consult all available guidance before filing a registration application, include only relevant information, and omit any unnecessary or extraneous information.

If your firm needs help finding registration information, please reach out to your RM or BCSC Registration staff.

The CCO must monitor and assess compliance by the firm, and individuals acting on its behalf, with securities legislation. Where we find instances of non-compliance with regulatory requirements, we expect the CCO to take immediate action to resolve these deficiencies. When we see non-compliance, we can:

- Require a firm to rectify its compliance program
- Impose registration terms and conditions to reduce the risk of non-compliance
- Suspend registration
- Take enforcement action

Compliance action

In 2024, we continued to take compliance action against non-compliant firms that demonstrated significant compliance weaknesses. Staff took compliance action against two dealer firms, one of which voluntarily terminated its registration and the other was suspended[4]. In other cases, staff imposed registration terms and conditions that:

- Required firms to hire a compliance monitor to work with them to remedy compliance deficiencies (see the CSA staff notice on the use of compliance monitors)
- Prevented firms from accepting new clients until they had rectified their compliance failures
- Prevented firms from accepting new referral arrangements until they had developed a compliant referral arrangement regime
- Prevented firms from conducting trades for clients until they updated clients' KYC information and reassessed suitability
- Prevented firms from registering new representatives until they were able to demonstrate that they had put in place an appropriate compliance and supervisory system
- Required firms to reassess their COIs and deliver revised COI disclosure to clients
- Prevented firms from acting as the dealer on trades of securities issued by a related party until they had rectified their compliance failures

Conditions placed on the registration of a firm are public and reported on NRD and the public National Registration Search service.

We have also charged costs for our compliance reviews. We charge costs when we expend significant staff resources arising from significant compliance failures or repeat deficiencies. We may also charge costs when a firm fails to maintain records, or provide proper records during a compliance review in a reasonable time.

[4] Genesis Wealth Management Corporation

Enforcement action
In 2024, we referred four firms to our Enforcement division. We refer firms for enforcement action when we see systemic or significant failures that pose risks to clients, repeat significant deficiencies that firms fail to resolve, or the need for significant further investigation. In these instances, the firms have cultures of compliance that fall significantly short of our expectations. Actual client harm is not a prerequisite for an enforcement referral. Enforcement outcomes are public.

Settlements
In 2024, we reached several settlement agreements with registered firms and registered individuals, including:

- A PM, IFM, and EMD firm that failed to respond to conflicts of interest adequately and thus did not deal fairly with clients, breaching various sections under NI 31-103 as well as section 14 of the *Securities Rule*
- A PM firm that failed to implement an adequate CFR regime in the areas of conflicts of interest, KYC, and suitability, as well as for referral arrangements, breaching various sections under NI 31-103

There were other securities breaches in most of the above settlements, and each firm paid a monetary sanction. For most of these settlements, they included a registration ban on the firm's CCO and/or UDP.

Settlements are a public outcome and are available at the BCSC's website.

Administrative Penalty Imposed by Notice (APIN)
Under section 162.01 of the *Securities Act*, the Executive Director has the power to impose monetary penalties for contraventions of the regulations (which include national and multilateral instruments) or prior decisions. The maximum penalty for each contravention is $100,000 for individuals, and $500,000 for non-individuals.

In 2024, we have been working on a few APIN cases where we saw repeat deficiencies such as firms failing to maintain accurate financial records or submit required regulatory filings on time.

Complaints

The BCSC Contact Centre receives complaints about registered firms and registered individuals, which are then passed on to the compliance teams for review. We review every complaint and assess its merits. We follow a process to analyze the information submitted by the complainant and with the complainant's consent, we will also reach out to the registrant to inform them of the complaint and hear the registrant's side of the complaint. BCSC staff's review of complaints is separate and independent of the Ombudsman for Banking Services and Investments' (OBSI) complaint process. The complainant may submit their complaint to both the BCSC and the OBSI. Some past complaints that BCSC staff received resulted in compliance action or referral to our Enforcement division.

BCSC's Whistleblower Program

In November 2023, the BCSC launched its Whistleblower program which offers cash rewards for information that meaningfully contributes to an investigation of investment fraud or other serious market misconduct. Anyone can be a whistleblower and financial awards range from $1,000 to a maximum of $500,000.

Our Whistleblower program is unique because, while award amounts may be lower than those provided by other securities regulators, it is designed to make it easier for whistleblowers to qualify for awards and to receive them quicker.

The Office of the Whistleblower has received hundreds of tips since its inception and the program has resulted in outcomes that help keep our investment market more honest and fair, like adding companies to our Investment Caution List, issuing caution letters to companies engaging in conduct that puts the public at risk, and suspending domain sites.

For more information about our Whistleblower program and to learn how to submit a tip, please visit About the Whistleblower Program.

Total Cost Reporting (TCR)
We remind registrants that TCR amendments will take effect on January 1, 2026, and affected registered firms will have to deliver the first annual reports that incorporate the TCR amendments for the year ending December 31, 2026.

Ombudsman for banking services and investments (OBSI)
On July 15, 2025, the CSA published CSA Notice and Request for Comment 25-314 *Proposed approach to oversight and refinements to the proposed binding authority framework for an identified ombudservice*. This notice published, for a 60-day comment period, refinements to the proposed regulatory framework for OBSI and the proposed approach to oversight of OBSI. The comment period is scheduled to end on September 29, 2025.

The binding authority framework, published in 2023, proposed two stages for the binding dispute resolution process at OBSI:

1. The investigation and recommendation stage (stage 1): the investigation results in a recommendation by OBSI. If there are no objections to the recommendation, the recommendation becomes a final and binding decision.

2. The optional review and decision stage (stage 2) that the firm or the complainant initiates if they object to OBSI's stage 1 recommendation: the review results in an OBSI decision that is final and binding on the firm, and in some circumstances also on the complainant.

The proposed refinements in CSA Notice 25-314 relate to stage 2 and would require OBSI to appoint one or more external decision makers to conduct stage 2 if OBSI's recommendation at stage 1 met or exceeded a monetary threshold of $75,000. The external decision makers would not be full-time employees of OBSI and would instead be retained by OBSI on a part-time basis. The external decision makers would be appointed to a roster that would be maintained by OBSI and would issue stage 2 decisions on behalf of OBSI. We anticipate these individuals would be largely comprised of industry experts, lawyers, and relevant technical experts.

The proposed oversight framework described in CSA Notice 25-314 sets out:
a) corporate governance standards that the CSA would expect OBSI to meet, b) key documents of OBSI that would require CSA approval to change, c) reporting obligations of OBSI, and d) periodic examinations of OBSI by the CSA.

Data portability and artificial intelligence

On February 18, 2025, the CSA launched the CSA Collaboratory and published Multilateral Staff Notice 11-406, initiating its first test, led by the BCSC and ASC, on data portability. Following valuable stakeholder feedback, CSA staff are actively exploring the design of a potential live testing environment. Further industry forums are planned to assess the need, impact, and practical implementation of live data portability trials within the capital markets. The BCSC and other CSA members may also launch future tests on different topics.

Separately, on December 5, 2024 the CSA published Staff Notice 11-348 to offer initial guidance on the use of artificial intelligence by market participants, including specific guidance for registrants. With comments under review, staff will continue to engage with industry stakeholders throughout the year through various means including compliance reviews to better understand AI's evolving role. This work reflects the CSA's broader commitment to ensuring capital market participants remain compliant, competitive and well-informed in a rapidly changing technological landscape.

Use of chargebacks for investment funds offered by prospectus

On June 26, 2025, the CSA published for comment for 90 days, proposed amendments to NI 31-103 that would prohibit the use of chargebacks in the distribution of investment funds offered by prospectus. Chargebacks occur when clients redeem their securities before a fixed schedule and the dealing representative is required to pay back all or part of the upfront commission or payment. The CSA is concerned that the use of chargebacks poses an inherent significant conflict of interest as they may incentivize advisors to prioritize their own financial interest over that of their clients.

During the year ahead, we will be participating in the CSA cybersecurity sweep to gather more insights on registrant practices in this area. We are also interested in learning more about how registrants are using artificial intelligence in their operations and how that shapes the regulatory landscape.

We will continue our focus on ensuring that firms are compliant with CFR requirements, and continue to select firms for review based on significant changes to business, revenue, or size.

We remind you to subscribe to the *Weekly Report*, so that you can get early information about legislative changes on the horizon.

BCSC compliance staff hold Registrant Outreach sessions. **The next session will be held on November 6, 2025.** We welcome suggestions from registrants on topics of interest. Please submit topic ideas to your firm's RM or send them to examiners@bcsc.bc.ca.

If you have questions or concerns, please contact your RM, the Compliance Managers, or the Director.

Mark Wang Director, Capital Markets Regulation	mwang@bcsc.bc.ca 604-899-6658
Mark French Manager, Registration & Dealer Compliance	mfrench@bcsc.bc.ca 604-899-6856
Janice Leung Manager, Adviser/IFM Compliance	jleung@bcsc.bc.ca 604-899-6752

Published September 29, 2025

BC Securities Commission

Invest Right

www.bcsc.bc.ca