



Intelligent regulation and
investor protection drive everything we do.

THOUGHTFUL, FUTURE-FOCUSED AND COLLABORATIVE

A|S|C
Alberta Securities Commission

2023 ANNUAL REPORT



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Photos in this annual report represent Albertans, including members of the ASC's staff, and Alberta industries.

The Alberta Securities Commission (ASC) takes an intelligent, thoughtful and future-focused approach to providing securities regulation that protects investors and fosters a fair and efficient capital market in Alberta.

As an active member of the Canadian Securities Administrators (CSA), we're committed to collaborating with our provincial and territorial counterparts to pursue harmonization that serves the interests of all capital markets in Canada.

It is the CSA's rigour and measured approach that enables us to create made-in-Canada solutions that work for all regions of Canada, coast to coast to coast.

Message from the Chair

The ASC is committed to being a practical, intelligent, best-in-class regulator that strives to protect Alberta investors while enabling Alberta's capital market to thrive. We seek to help foster conditions for economic growth and address critical market issues while avoiding undue regulatory burden on issuers and registrants.

Our capital market continues to be influenced by evolving investor priorities, environmental, social and governance (ESG) considerations, geopolitical challenges, economic uncertainty, an increased global demand for energy, especially clean energy, and more. We're also seeing an increased number of investors gravitating towards online and do-it-yourself investing, a trend that creates the potential for uninformed decision making and increased risk of investment fraud.

The ASC monitors local and global trends, and considers possible implications for Alberta's capital market. Through changing conditions, our aim is always to protect investors and foster a strong capital market that facilitates economic growth for Albertans. We do this by taking a thoughtful, collaborative approach to creating practical, intelligent regulation. We continue to support innovation in the capital market, and our Innovation in Finance team has been engaging with entrepreneurs, small businesses and

others, to help them identify capital raising options and to work within the securities regulatory landscape.

This report highlights some of the work we achieved in our 2023 fiscal year (F2023), the final year of our F2021–2023 three-year strategic plan. We implemented a number of initiatives and advanced many others. I believe it is a testament to the plan's flexibility and guiding principles that we were able to navigate the challenges and uncertainty those years brought while continuing to evolve and enforce regulation, and to provide crucial investor education and protection.

The ASC actively collaborates with other securities regulators across Canada as a member of the Canadian Securities Administrators (CSA). We live in a large country with diverse experience, knowledge and views; and I believe our current securities regulatory structure allows us to consider all Canadian perspectives and achieve harmonized regulation across the country to serve



the interests of all of our capital markets. I was honoured to be named Chair of the CSA on July 1, 2022, and I appreciate this opportunity to play a role in promoting further collaboration and a cohesive securities regime. As Chair, I've already had a number of opportunities to represent the CSA — and the ASC — nationally and internationally to communicate the important work we're doing.

On January 1, 2023, a new self-regulatory organization (SRO) and a new investor protection fund were established. The new SRO, now named the Canadian Investment Regulatory Organization (CIRO), consolidated the functions of the Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Funds Dealers Association of Canada (MFDA); and the new Canadian Investor Protection Fund (CIPF) amalgamated the functions of the MFDA Investor Protection Fund and the former Canadian Investor Protection Fund. These new organizations are the result of a lot of hard work and commitment from CSA members, staff and leadership of the funds, the former MFDA and IIROC, and other industry representatives. ASC staff were integral to the process and I'm proud of the work they did to bring this to fruition. The creation of CIRO and CIPF is a positive step for industry and provides pan-Canadian regulatory continuity to protect investors, accommodate innovation and facilitate fair and efficient market operations as the investment industry evolves. For more information about CIRO and CIPF, please see page 13.

This year the ASC has also been an active participant in the collaborative and agile CSA work to monitor and strengthen our oversight of crypto trading platforms. We have done this by clarifying and expanding existing requirements for platforms operating, or intending to operate, in Canada. An increasing number of Albertans are investing in crypto assets, and we continue to encourage all investors to exercise caution and use only registered crypto trading platforms if considering investing in these inherently high-risk assets. More information about our work in this area can be found on page 12.

ESG considerations are top of mind for investors who are seeking enhanced disclosure to aid in their investment decisions, especially around climate change and diversity. The ASC is co-leading a CSA project to implement climate-related disclosure rules for Canada that are consistent and comparable with international climate-related disclosure standards and that consider Canadian issuers' needs and capabilities (see page 10). We are also co-leading a CSA project to broaden diversity disclosure beyond the reporting of women on boards and in executive officer positions, and are seeking industry feedback on the most appropriate approach for Canada (see page 11). It's important that we consider all views, as well as developments around the world, as we work to build upon our current disclosure requirements.

I believe our capital markets benefit from a variety of perspectives, and specifically we are working towards greater engagement with Indigenous Peoples. In addition to the ASC scholarships for Indigenous students pursuing a full-time Bachelor of Commerce degree we announced last year, and our work on the CSA's Taskforce on Indigenous Peoples in the Capital Markets, we partnered with Money Moccasins, an Indigenous-led financial literacy program through Momentum, to provide financial and investment literacy to Indigenous students. Momentum works with Albertans across the province to help them fully participate in the local economy through education, action and more. This past year we supported more of Momentum's financial empowerment programs to enhance the financial literacy of Albertans.

We recognize that we're more effective in meeting investors' needs by listening to what they and their advocates have to say. Their perspectives and insights are valuable contributions to our policymaking process, so I'm pleased that the CSA Investor Advisory Panel was established this past year, and that its first members were appointed in F2023. Members come from diverse backgrounds and are all highly qualified to bring the investor perspective to the table.

“ The ASC’s commitment to being a responsible, professional, forward-looking regulator has never been stronger. Intelligent regulation and investor protection drive everything we do.”

Investor protection is a key component of our work and we have been pursuing two important initiatives over the last year. An affordable and fair system for dispute resolution is essential, and we are continuing to work on establishing a framework that provides the Ombudsman for Banking Services and Investments (OBSI) with the authority to make awards that are binding. It is also important that investors have access to the information they need, which is why we were pleased to publish enhanced total cost reporting requirements, in collaboration with the Canadian Council of Insurance Regulators. These new requirements will help investors understand the costs they pay to invest and the value they receive in return. For more information on both of these initiatives please see pages 13 and 14.

In addition to the projects noted above, our staff co-led the project to adopt enhancements to the offering memorandum prospectus exemption, were instrumental in a number of burden reduction initiatives, and played an important role in preparing industry for the upcoming implementation of SEDAR+. These projects, and many more, are further summarized in the following pages of this report.

We’re now into our F2024–2026 strategic plan, which reaffirms our priorities to 2026. Our new plan is grounded in our experience over the last few years and was developed following extensive engagement with market participants, an environmental scan and analysis, and internal feedback from our staff. We maintained our core three pillars as they continue to serve us well, and we enhanced certain themes to provide ourselves with the flexibility to innovate and address emerging trends. An

important aspect of our plan includes leveraging technology to increase efficiency, expanding the use of analytics and supporting evidence-based decision making.

The ASC benefits from our employees’ knowledge and experience, and we strive to provide opportunities for professional growth and other training. Shortly before publishing this report we established a new division, Advanced Research and Knowledge Management, to continue advancing our organizational learning, and to support the ongoing development of our people.

This year, David Linder, our Executive Director (ED), who had served our organization for more than 27 years, retired to enjoy the next phase of his life. Dave left an indelible mark on our organization, and I want to thank him for his commitment to our capital market and to protecting Albertans. Recognizing Dave’s imminent departure, we conducted an extensive internal and external recruitment process and were pleased to select Samir Sabharwal, our former General Counsel, as our next ED. Samir has been with our organization for many years and he brings a unique understanding of our role in Alberta’s capital market, in addition to an in-depth knowledge of securities and business law and of Canada’s securities regulatory landscape. I look forward to working with him in the coming years.

On behalf of the senior management team, I would like to recognize and express my thanks to three groups of important contributors. We wouldn’t be able to fulfill our mission without our staff, Commission Members, and advisory committee members. We are so fortunate

to work with outstanding individuals who contribute hours of service, providing their valuable insight, market experience, wisdom and guidance. It is our hard-working and dedicated staff who make a difference in our market every day. I appreciate being able to work with all of these people each day.

The ASC’s commitment to being a responsible, professional, forward-looking regulator has never been stronger. Intelligent regulation and investor protection drive everything we do.



STAN MAGIDSON
Chair and Chief Executive Officer

Mission, Vision, Strategy and Values at-a-glance

F2023 marks the last year of our three-year strategic plan that guided our priorities since F2021. The plan provides a flexible blueprint for the ASC’s operations, and addresses the challenges and opportunities we face in achieving our vision: to be a practical, best-in-class regulator and to protect investors from improper, misleading or fraudulent practices while allowing Alberta’s capital market to thrive.

This annual report gives an update on our progress and offers select highlights from F2023 within each of the three pillars of our strategic plan.

MISSION

To foster a fair and efficient capital market in Alberta and to protect investors.

VISION

To be a practical, intelligent, best-in-class regulator. We strive to protect investors from improper, misleading or fraudulent practices while allowing our capital market to thrive.

STRATEGY

The pillars of our strategy to realize our mission and vision are:

**INTELLIGENT
REGULATION AIMED
AT FOSTERING A
THRIVING CAPITAL
MARKET**

**PROTECT
INVESTORS AND
MARKET INTEGRITY
THROUGH EFFECTIVE
COMPLIANCE
OVERSIGHT,
ENFORCEMENT AND
EDUCATION**

**FOSTER A
CULTURE OF
ENGAGEMENT**

VALUES

The values that guide employee action at the ASC are:

STAKEHOLDER RESPONSIVENESS

QUALITY RESULTS

CONTINUOUS IMPROVEMENT

TEAMWORK

PRINCIPLED ENVIRONMENT

PILLAR ONE

Intelligent regulation aimed at fostering a thriving capital market

ADDRESSING EMERGING REGULATORY FRONTIERS

The importance of consistent, comparable and decision-useful climate-related disclosure continues to gain prominence globally. The ASC is co-leading a CSA project to implement climate-related disclosure requirements for Canadian reporting issuers. We published CSA Notice and Request for Comment Proposed National Instrument 51-107 *Disclosure of Climate-related Matters* in F2022, modelled on the recommendations

of the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD). Since our publication, important international developments have occurred. The United States Securities and Exchange Commission (SEC) proposed amendments to rules that would require registrants to provide certain climate-related information in their registration statements and annual reports. The International Sustainability Standards Board (ISSB) also published a proposed general standard for the disclosure

of sustainability-related financial information as well as a proposed specific climate-related disclosure standard. The CSA, SEC and ISSB proposals are all largely based on TCFD recommendations; however, there are some substantive differences. We have considered the feedback on the CSA proposal and that of Canadian stakeholders in respect of both the SEC and ISSB proposals, and are actively monitoring these developments. In April 2023, the Canadian Sustainability Standards Board announced its first chair and initial members were appointed, setting the stage for an operational board in tandem with the expected release of the ISSB's inaugural standards. In its continued work on this project, the CSA aims to establish standards that elicit consistent and comparable disclosure for investors, that support a comprehensive global baseline and that consider the needs and capabilities of Canadian issuers of all sizes.

Since 2016, the ASC has participated in the CSA's review of disclosure related to women on boards and in executive officer positions as set out in National Instrument 58-101 *Disclosure of Corporate Governance Practices*. More recently, the CSA has also been considering how broader aspects



of diversity can be incorporated into our corporate governance disclosure requirements. The ASC has been co-leading this work, which has included consultations with stakeholders to explore the benefits and challenges of broader diversity disclosure. Consultations with investors indicate that other aspects of diversity are important factors in their investment and voting decisions. As a result, we issued a notice and published for comment proposed amendments to National Instrument 58-101F1 and National Policy 58-201 *Corporate Governance Guidelines*. The proposed amendments include two versions of Form 58-101F1 *Corporate*

Governance Disclosure that reflect different approaches as to how securities regulators should encourage meaningful disclosure in relation to this subject. Following the conclusion of the comment period on July 12, 2023, we'll be in a better position to determine our policy direction and possible adoption of amendments to our diversity disclosure framework.

As part of our work on diversity in the Canadian capital markets, the ASC continues to play an important role in the CSA's Taskforce on Indigenous Peoples in the Capital Markets. In F2023 the Taskforce, and all ASC staff, received tailored continuing education about Indigenous culture and history. The Taskforce is also working with colleagues across Canada to develop a consistent approach to engagement with Indigenous communities in our regulatory and investor education work. The ASC also launched the first ASC Capital Markets Awards for Indigenous students in this fiscal year. More information is available on page 26.



Crypto assets continue to draw interest from investors. However, even with prudent regulation, investing in crypto assets is very risky and volatile. To provide greater investor protection, the ASC is actively involved in a CSA initiative to strengthen the oversight of crypto asset trading platforms (CTPs) operating in Canada, or accessible to Canadian clients. We began by working with a large number of new platforms, and platforms currently operating in Canada, to get registered. Then, in F2023, we expanded our expectations of CTPs that were not yet registered but were operating in Canada. In August 2022, we announced that CTPs would be expected to provide a pre-registration undertaking (PRU) to their principal regulator to continue operating while their application for registration was being reviewed. The PRU includes terms and conditions for increased investor protection, consistent with the requirements applicable to registered platforms. Following the collapse of several CTPs, we announced to the market that we were enhancing the commitments outlined in the PRU, and in February 2023, we published CSA Staff Notice 21-332 *Crypto Asset Trading Platforms: Pre-Registration Undertakings Changes to Enhance Canadian Investor Protection*. This notice outlines the CSA's expectations regarding the custody and segregation of crypto assets held on behalf of Canadian clients and a prohibition on offering margin, credit or other forms of leverage to any Canadian client. CTPs are also prohibited from permitting clients to purchase or deposit value-referenced crypto assets (commonly referred to as stablecoins) and proprietary tokens without the prior written

consent of the CSA. As part of the CSA's requirements, CTPs were advised that they must either provide an enhanced PRU to their principal regulator by March 24, 2023, or take steps to offboard existing Canadian users and impose restrictions to prevent Canadian users from accessing their products or services. A number of unregistered CTPs filed enhanced PRUs by the deadline to continue operating; however, this does not necessarily mean they have or will be granted registration or related relief. The CSA continues to review PRUs that have been submitted. To understand and consider regulatory issues that may apply to value-referenced crypto assets/stablecoins, we are working with our CSA colleagues, other regulators and governments across Canada. Trading in crypto assets is extremely risky and regulatory measures cannot eliminate all

In response to market feedback, on July 28, 2022, the ASC, with the Financial and Consumer Affairs Authority of Saskatchewan, enhanced the self-certified investor prospectus exemption that was implemented on a three-year trial basis in March 2021. This exemption facilitates greater access to capital by Alberta and Saskatchewan businesses by allowing investors with relevant financial or investment knowledge to invest alongside accredited investors. The recent amendments better facilitate investment through special purpose vehicles (SPVs) such as limited partnerships, allowing SPVs to be formed with both accredited and self-certified investors and facilitating investment by the SPV in a small business without being subject to the investment limits that apply when selling securities to self-certified investors. The amendments also allow self-certified investors to resell their securities similar to accredited investors. The ASC's Innovation in Finance team has been actively enhancing awareness of the self-certified investor exemption as they interact with entrepreneurs, small businesses and other market participants about ways to access capital.

risks. To help provide Canadians with as much information as possible to make educated decisions, we worked to update the information on the CSA's website to list registered CTPs, CTPs that have provided a PRU, and banned platforms. We also worked with the CSA to offer our [Investor's Guide to Cryptocurrencies](#) on the CSA website.

As part of our efforts around financial technology (fintech) innovation in the Alberta capital market, the ASC has been working on applications for registration – or exemptions from registration – for multiple entities engaged in novel fintech business models, including fractional share trading and crowdfunding. Our approach to approving registration or exemptions is to balance investor protection with fostering an environment

where firms can create innovative products and services. We also continue to engage with prospective fintech registrants on how they can structure their business models to be compliant with securities laws.

The international steps taken to restructure and strengthen interest rate benchmarks have affected the Canadian Dollar Offered Rate (CDOR), a domestically important interest rate benchmark used by market participants across a wide range of financial products and contracts, including derivatives, bonds and loans. On May 16, 2022, the administrator of CDOR announced that CDOR will cease to be published after a final publication on June 28, 2024. The cessation was authorized by the CSA and confirmed by the Canadian Alternative Reference Rate (CARR) Working Group. It is expected that market participants will use the Canadian Overnight Repo Rate Average (CORRA), a risk-free rate administered by the Bank of Canada, as the alternative rate for most instruments that currently reference CDOR. A forward-looking Term CORRA is also being developed for use in certain types of loan facilities. The ASC participates in a Heads of Agencies (HoA) working group that interacts with CARR to develop coordinated policies regarding the CDOR transition. The HoA is a federal-provincial group that collaborates on Canadian financial sector issues and challenges. The CSA is encouraging market participants to prepare for the cessation of CDOR and on February 23, 2023, published CSA Staff Notice 25-309 *Matters Relating to Cessation of CDOR and Expected Cessation of Bankers' Acceptances* to provide information and transition recommendations.



QUESTIONING THE REGULATORY STATUS QUO

The CSA's plan to create a new, single SRO was completed in F2023. It was officially launched at the beginning of January 2023, and consolidated the functions of IIROC and the MFDA. At the same time, the former Canadian Investor Protection Fund and the MFDA Investor Protection Corporation merged into an integrated independent new fund called the Canadian Investor Protection Fund (CIPF). At the beginning of June 2023, the new SRO was officially named the Canadian Investment Regulatory Organization (CIRO). The ASC was actively involved in the process and we played an integral role in the development of the new structure. We received strong support from industry as well as from the staff and members of IIROC, the MFDA and the former investor protection funds. We believe that CIRO, the new CIPF and their respective board members and executives will provide improvements, flexibility and

reduced regulatory burden in the industry and enhance investor confidence, value and protection.

The ASC co-led a CSA project to clarify for issuers what they must disclose when relying on the offering memorandum (OM) prospectus exemption. In December 2022, we adopted amendments to National Instrument 45-106 *Prospectus Exemptions* and its companion policy, related to the OM exemption. These became effective on March 6, 2023. The amendments set out new disclosure requirements for issuers engaged in "real estate activities" and issuers that are "collective investment vehicles," which are frequent users of the OM exemption. The amendments clarify or streamline parts of the instrument as well as improve disclosure for investors.

In F2023, with the Canadian Council of Insurance Regulators (CCIR), the CSA published for comment proposed total cost reporting requirements for investment funds and segregated funds. The purpose of total cost reporting is to provide investors with clear, accurate and more complete information regarding the costs, performance and value of their investments. The proposed requirements were developed through a joint project committee composed of members from the CSA, CCIR, the Canadian Insurance Services Regulatory Organizations and CIRO, and reflect our collective focus on investor protection. Enhanced cost disclosure will increase public protection by improving investors' and policy holders' awareness of embedded fees, leading to more informed financial decisions. The final rules were adopted in April 2023. We recognize that industry will need time to adjust their systems

As part of our efforts around financial technology (fintech) innovation in the Alberta capital market, the ASC has been working on applications for registration – or exemptions from registration – for multiple entities engaged in novel fintech business models, including fractional share trading and crowdfunding.

The ASC has been actively involved in the development and implementation of SEDAR+, the CSA’s new platform to house capital markets information in Canada.

and implement the new reporting requirements, and we are creating an implementation committee to assist dealers and investment fund managers in achieving the required transition timelines.

The ASC has been actively involved in the development and implementation of SEDAR+, the CSA’s new platform to house capital markets information in Canada. Phase 1 of SEDAR+ is expected to go live in F2024, and will replace the following current systems: SEDAR, the Cease Trade Order Database, the Disciplined List, and issuer filings made in paper format or local systems, including reports of exempt distribution and issuer applications. It will provide market participants with an integrated platform to file, disclose and search for capital markets information. To help market participants transition to SEDAR+, the CSA prioritized providing users with time to prepare and manage the change for their organizations. The pre-launch training and support for future SEDAR+ users has been ongoing for several months and includes on-demand course videos, virtual sessions on a variety of topics, an onboarding process, and a SEDAR+ Support Desk dedicated to helping filing organizations prepare for the upcoming change.

Since 2014, under National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*, registered dealers and advisers outside Quebec are required to offer the dispute resolution services of the Ombudsman for Banking Services and Investments (OBSI) to their clients. However, they are not bound by OBSI’s recommendations, and in some cases clients have not been compensated or have received less than the recommended amount. The CSA continues to work on a proposed framework that would provide OBSI with the authority to make awards that are binding on firms. The ability to secure redress for investors is an important aspect of investor protection and is important to the integrity and confidence of our capital markets.

Issuers engaged in mineral exploration represent a significant component of the Canadian capital market. In April 2022, the CSA published CSA Consultation Paper 43-401 *Consultation on National Instrument 43-101 Standards of Disclosure for Mineral Projects* to seek feedback about Canada’s standards for disclosing scientific and technical information about mineral projects. The CSA continually monitors the mineral disclosure requirements and has gathered data that

there are deficiencies in technical report disclosure. The comments we received will contribute to our consideration of ways to update and enhance the current requirements. We extended the comment period in response to stakeholder requests for additional time to properly review and assess the issues outlined in the consultation paper. Staff are currently considering the comments received and exploring whether further engagement is appropriate.

The ASC worked with the CSA to further develop business conduct regulations for the over-the-counter (OTC) derivatives market and, on January 20, 2022, we published Proposed National Instrument 93-101 *Derivatives: Business Conduct* for a third comment period. Based on comments received, the CSA has further refined this proposed instrument to provide protections for participants in the OTC derivatives markets, reduce risks including potential systemic risk, improve transparency, increase accountability and promote responsible business conduct in the OTC derivatives markets. At the same time, we have calibrated the regulation in its application to dealers whose amount of outstanding derivatives is below the specified *de minimis* threshold, and to address potential negative impacts on

derivatives market liquidity. We expect to publish the final version in the second quarter of F2024. The rule will take effect one year from the date of publication.

To streamline and globally harmonize OTC derivatives data reporting standards, we co-lead a CSA subcommittee to publish for comment proposed amendments to Multilateral Instrument 96-101 *Trade Repositories and Derivatives Data Reporting*. The proposed amendments are intended to improve the quality and consistency of data reported to regulators, allowing us to more effectively identify risks and vulnerabilities to our derivatives markets and better detect inappropriate activity that can harm investors. These proposed amendments will benefit reporting counterparties, as the substantially revised data elements, contained in a new technical manual, align with North American and global standards developed by the Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO). The CSA published CSA Staff Notice 96-303 *Derivatives Data Reporting Transition Guidance* to help market participants understand their derivatives data reporting obligations in Canada during the transition period in which Commodity Futures Trading Commission (CFTC) changes to data reporting requirements are in effect and the CSA changes have not yet been implemented.

The ability to access real-time market data for equity securities is important for market participants, investors

The ability to access real-time market data for equity securities is important for market participants, investors and their advisers to make informed investment, routing and trade execution decisions.

and their advisers to make informed investment, routing and trade execution decisions. As Canadian equity markets have evolved, there have been concerns raised about the accessibility and cost of real-time market data when trading activity is fragmented across multiple trading venues. To address this, the CSA conducted a review of the issues and published CSA Consultation Paper 21-403 *Access to Real-Time Market Data* in F2023 to outline options and seek feedback. The comment period closed in February 2023. Once the feedback has been considered, we’ll determine an initial approach and longer-term options to help alleviate some of the concerns.

The CSA had previously published for comment a consultation paper on activist short selling in Canada in response to concerns about its impact on our markets. In F2023, we provided an update to the market that included the feedback received, as well as information we gathered from consultations with relevant industry and regulatory groups. With some exceptions, there appear to be concerns with short selling in general. To gather more information on these general short selling issues and the existing regulatory framework, including rules governing failure to settle trades, we published Joint CSA-IIROC Staff Notice 23-329 *Short Selling in Canada* in December 2022. The comment period closed in March 2023, and the feedback received will be carefully reviewed to inform any future regulatory initiatives in this area.

The Canadian securities industry is preparing to migrate to a shorter standard settlement cycle for equity and long-term debt market trades in Canada from two days after the date of a trade (T+2) to one day after the date of a trade (T+1). This move aligns with upcoming changes to the settlement cycle in the United States and is expected to be implemented in 2024. To support this transition, the CSA published for comment proposed amendments to National Instrument 24-101 *Institutional Trade Matching and Settlement* and is encouraging market participants to review their processes and procedures. Mutual funds will not be required to abide by the T+1 settlement



cycle, to allow them the flexibility to determine if a shorter settlement cycle is appropriate for the fund.

The ASC works with the CSA Benchmarks project working group and we led the development of a comprehensive regime for the designation and regulation of commodity benchmarks and their administrators as part of MI 25-102 *Designated Benchmarks and Benchmark Administrators*. We expect to proceed with final publication in mid 2023.

REDUCING REGULATORY BURDEN

The ASC continued its efforts in F2023 to reduce the burden on small businesses, start-ups and entrepreneurs, both in Alberta and across Canada as a member of the CSA. We adopted amendments to National Instrument 45-106 *Prospectus Exemptions* to introduce a new prospectus exemption: the listed issuer financing exemption. This exemption reduces the burden on smaller issuers listed on a Canadian stock exchange by allowing them to more efficiently raise smaller amounts of capital from the public without having to prepare a prospectus. It also allows smaller issuers greater access to retail investors and provides retail investors with a broader choice of investments. Eligible issuers that file a short offering document can raise up to \$5 million or 10 per cent of their market capitalization – to a maximum of \$10 million during any 12-month period – and securities issued under this exemption will generally be freely

tradeable. The exemption seeks to reduce regulatory burden on issuers while addressing investor protection concerns.

To reduce the regulatory burden on issuers resulting from uncertainty about the interpretation of the primary business acquisition disclosure requirements, and to facilitate a harmonized approach for issuers across Canada, we adopted changes to the companion policy to National Instrument 41-101 *General Prospectus Requirements* with the rest of the CSA. These changes help clarify the financial statement requirements for a long-form prospectus, such as in an issuer's initial public offering. Specifically, the changes apply in situations where an issuer has acquired a business, or proposes to acquire a business, that a reasonable investor would regard as being the primary business of the issuer.

As our capital markets and technology continue to evolve, we recognize that electronic access to information can facilitate more efficient communication with investors as well as reducing the regulatory burden on issuers. To that end, with other members of the CSA, we published for comment proposed amendments to implement an access equals delivery model for prospectuses and continuous disclosure documents. The CSA also published for comment proposed amendments to implement an access-based model for investment fund reporting issuers for their continuous disclosure documents. The CSA has

The ASC, with other members of the CSA, continued to advance a number of burden reduction projects in F2023, including:

- The well-known seasoned issuer (WKSII) exemption to allow a WKSII to file a final base shelf prospectus and obtain a receipt on an accelerated basis, without first filing a preliminary base shelf prospectus.
- Amendments to National Instrument 51-102 *Continuous Disclosure Obligations* to harmonize and streamline reporting requirements and improve the information investors receive.
- A project to modernize the continuous disclosure regime for investment funds and a project to improve the investment fund prospectus filing model, including amending the lapse date and the 90-day rule.



The ASC continued its efforts in F2023 to reduce the burden on small businesses, start-ups and entrepreneurs, both in Alberta and across Canada as a member of the CSA.



considered the feedback received on both these proposals and is assessing options to address the issues raised in a manner that best balances reducing regulatory burden with investor protection concerns.

To ease the burden on regulated clearing agencies, the CSA published amendments to National Instrument 94-102 *Derivatives: Customer Clearing and Protection of Customer Collateral and Positions*. The amendments reduce the frequency of the requirement to deliver Form 94-102F3 *Customer Collateral Report: Regulated Clearing Agency* from monthly to quarterly. They are expected to generate time and cost savings for derivatives clearing agencies without compromising the CSA's ability to detect and respond to major changes in the derivatives clearing market. They are also expected to ensure the proper identification of customer collateral and the clearing intermediaries, regulated clearing agencies and permitted depositories that hold collateral. The amendments became effective in July 2022, and reduce regulatory burden without compromising investor protection or adversely impacting systemic risk.

ENGAGING EFFECTIVELY WITH OTHER REGULATORS

To protect Alberta investors and foster a fair and efficient capital market in Alberta, it is important that we look beyond our borders and collaborate with other national and international regulators on an ongoing basis. We benefit greatly from the experience and insights of other experts, and collaboration allows us to bring an intelligent and harmonized approach to regulation. In addition, securities misconduct and fraudulent activity are not confined to a local jurisdiction and bad actors are taking advantage of technology to reach potential victims around the world.

The ASC is an active member of the CSA and we regularly lead and co-lead numerous CSA projects, including efforts to register and bring into compliance CTPs operating in Canada or accessible to Canadian clients, and developing consistent rules around climate-related disclosure, diversity and other ESG-related topics. We are involved in the development and implementation of SEDAR+, the CSA's new platform to house securities information in Canada, which will replace the current SEDAR system (see page 14). We also lead or are actively involved in a number of CSA committees and working groups, such as the Legislative and Regulatory Coordination

Committee, the Standing Committee on Systemic Risk, the Communications Committee and others. Additionally, we participate in the Financial Innovation Hub (formerly the CSA Regulatory Sandbox Committee) to coordinate the approach to financial innovation across Canada.

Our involvement in the HoA, the North American Securities Administrators Association (NASAA), IOSCO, the Global Financial Innovation Network (GFIN), and other groups allows us to monitor and collaborate on important national and international issues that may impact the Canadian capital markets. We discuss emerging issues in Canada's financial sector and plan approaches to address potential risks. Through the HoA, we collaborate with key federal and provincial financial regulators on important issues, including the monitoring and mitigation of systemic risk.

We benefit greatly from the experience and insights of other experts, and collaboration allows us to bring an intelligent and harmonized approach to regulation.



CAPITAL MARKET STATISTICS

(As of December 31, 2022)

Alberta continues to be one of Canada's most important capital markets. We are Canada's leading energy jurisdiction, and industries such as oil, gas, utilities, pipelines, renewable energy and agriculture play critical roles in our economy.

\$742B

MARKET CAPITALIZATION OF LISTED REPORTING ISSUERS HEADQUARTERED IN ALBERTA.

\$356B

MARKET CAPITALIZATION OF OIL AND GAS COMPANIES HEADQUARTERED IN ALBERTA.

\$228B

MARKET CAPITALIZATION OF UTILITIES AND PIPELINES COMPANIES HEADQUARTERED IN ALBERTA.

\$12.0B

MARKET CAPITALIZATION IN THE FOLLOWING EMERGING SECTORS: CLEAN TECHNOLOGY, CANNABIS, FINANCIAL SERVICES, LIFE SCIENCES, AND TECHNOLOGY AND AG TECH.

\$8.1B

AMOUNT RAISED BY ALBERTA-BASED ISSUERS IN THE PROSPECTUS-EXEMPT MARKET.

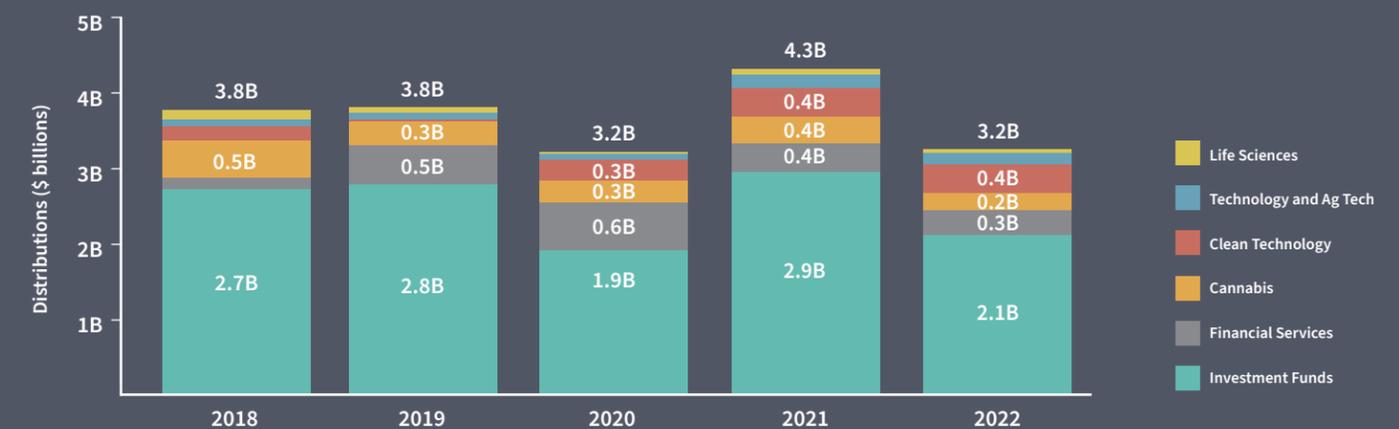
53 per cent of which was debt. Equity, units and other securities made up the remainder.

\$9.6B

AMOUNT RAISED BY ALBERTA-BASED ISSUERS IN THE PUBLIC MARKET.

66 per cent of this was debt. Equity, units and other securities made up the remainder.

DISTRIBUTIONS IN EMERGING SECTORS:*



*Since the 2022 Annual Report, the totals in some previous years may have changed due to a variety of reasons including changes in data source values for issuer's head office, name and industry categorization, as well as staff assumptions, which are retroactive in the ASC database.

PILLAR TWO

Proactive and comprehensive compliance oversight, enforcement and education

ENSURING EFFECTIVE COMPLIANCE OVERSIGHT

Thoughtful compliance oversight is an important component of fair and efficient capital markets. To help foster confidence in Alberta's capital market, the ASC regularly monitors and considers evolving economic and regulatory trends, emerging issues and risks that could impact the market. Our forward-looking approach allows us to adapt

our regulation and oversight to appropriately meet the needs of industry while maintaining important investor protection measures.

As noted on page 12, following turmoil in the crypto asset space, we strengthened our oversight and enhanced our expectations of CTPs operating in Canada, including the requirement to provide an enhanced pre-registration undertaking to their principal regulator by March 24, 2023.

We believe a strong harmonized approach to the regulation of CTPs is necessary for investor protection, and we are working with platforms so they can become compliant. Platforms that continue to operate while pursuing registration must agree to terms and conditions in an enhanced pre-registration undertaking, similar to those applicable to platforms that have registered. If a CTP is unable or unwilling to provide an enhanced pre-registration undertaking, it is expected to cease operating, failing which we will take steps to address the platform's non-compliance with securities laws, including enforcement action.

In addition to the disclosure reviews ASC staff conduct on a regular basis, we participate in the CSA's Continuous Disclosure Review Program to assess reporting issuers' compliance with securities laws across Canada. We published a biennial report of this program in F2023 that highlighted our key findings for the fiscal years ended March 31, 2021 and March 31, 2022. The purpose of this report is to help reporting issuers and their advisors understand, comply with and improve upon their financial reporting and continuous disclosure obligations. In addition, to help Alberta reporting issuers understand



their financial reporting and disclosure obligations, the ASC publishes annual Corporate Finance Disclosure and Energy Matters reports and holds webinars or seminars on related topics (see page 25) each year to review findings and provide advice to help issuers comply with Alberta securities laws.

As registered firms operationalized their requirements under the client focused reforms (CFRs) that were implemented in F2022, we participated in a CSA-wide sweep and conducted focused reviews of Alberta-registered firms to assess their compliance with the conflict of interest CFR amendments. The objective of these

reviews was to determine if firms and their registered individuals are addressing all material conflicts of interest in the best interest of their clients, and to provide tailored guidance to firms on how they can best comply with the new CFR requirements. In addition, we published an updated version of ASC Notice 33-706 *Policy and Procedures Manual – Reference Resource for Exempt Market Dealers* to incorporate recent regulatory developments, including amendments to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* in relation to the CFRs, and the enhancement of the protection of older and vulnerable clients.

We continued our ongoing risk-based oversight of Alberta-registered firms by conducting routine and for-cause compliance examinations. When material deficiencies and shortcomings in meeting regulatory requirements were identified, we took regulatory action to ensure that the firms rectify their deficiencies, including imposing terms and conditions on a firm's registration, requiring compliance monitoring oversight, and by making referrals to the ASC's Enforcement division and other CSA jurisdictions.

To help foster confidence in Alberta's capital market, the ASC regularly monitors and considers evolving economic and regulatory trends, emerging issues and risks that could impact the market.

The ASC's Enforcement division regularly monitors Alberta's capital market, issues investor alerts about harmful or illegal activity, obtains orders, and takes enforcement action when necessary to protect investors and our capital market.

EXPANDING ENFORCEMENT TOOLS

Confidence and trust are critical to the integrity of our capital markets. The ASC's ability to detect, disrupt and deter wrongdoing directly impacts the perception of market participants and investors, and is a cornerstone of our investor protection mandate.

The level of securities fraud and misconduct continues to increase in Alberta, across Canada and around the world. Fraudsters are increasingly looking to engage potential victims online and take advantage of the hype around investing in crypto assets.

The ASC's Enforcement division regularly monitors Alberta's capital market, issues investor alerts about harmful or illegal activity, obtains orders, and takes enforcement action when necessary to protect investors and our capital market. We also collaborate with other regulators, law enforcement agencies, the Alberta Crown Prosecution Service, the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), and others.

In F2023, we launched an [Investment Caution List](#) on the asc.ca website to help educate investors and improve their ability to conduct due diligence before making an investment decision. This list, which is monitored and updated regularly, includes individuals and companies that are not registered with the ASC, and which appear to be engaging in activities that require registration under Alberta securities laws, or which may be investment scams. To expand the reach of this important information, all additions to the list are also added to the CSA Investor Alerts page on the CSA website and the IOSCO Investor Alert Portal.

F2023 key Enforcement decisions and orders

An ASC panel permanently banned Allan Robert Magnuson and 1111108 Alberta Ltd. from Alberta's capital market after they were found to have perpetrated a fraud in connection with the sale of securities in New Wave Innovations Ltd. They were also ordered to pay, jointly and severally, \$3,561,952 obtained as a result of non-compliance with Alberta securities laws, an administrative penalty of \$300,000 and \$70,000 of the costs of the investigation and hearing. An appeal has been filed by Magnuson.

Jan Gregory Cerato (a.k.a. Jan Strzepka) was found to have illegally distributed securities when he raised at least \$200,000 by entering into investment contracts with at least 16 investors, who paid a minimum of \$10,000 or the equivalent in Bitcoin. The ASC panel considered Cerato to [pose a significant risk](#) to investors and the capital market, and ordered him to pay an administrative penalty of \$40,000 and \$125,000 of the costs of the investigation and hearing. Cerato is also subject to certain market access bans for at least eight years from the date of the ASC decision or until the administrative penalty is paid in full (whichever is later).

An ASC panel [permanently banned](#) Shane Courtney Ward, operating under the trade name Engineered Wealth, from Alberta's capital market after he was found to have illegally distributed securities, made misrepresentations to investors and perpetrated a fraud, which resulted in nearly all investors losing their investments. Ward was also ordered to pay an administrative penalty of \$100,000, disgorgement of \$106,610.22, and investigation and hearing costs of \$98,400.

Paul Anthony Ogilvie was found to have made misleading statements in two news releases issued by Saint Jean Carbon Inc., a publicly traded company of which Ogilvie was the CEO, Chairman and a director. An ASC panel banned Ogilvie from being a director or officer for three years and ordered him to pay an administrative penalty of \$60,000 and \$30,000 of the costs of the investigation and hearing.

Following investigations by the Joint Serious Offences Team:

- [William Jordan McBean](#) was [convicted](#) in the Court of King's Bench of Alberta of 12 counts of fraud over \$5,000 under the Criminal Code. McBean defrauded 11 victims out of a total of \$2 million in fees charged and one count of fraud related to funds provided for investment purposes. McBean was sentenced on May 31, 2023 to seven years in jail.
- Theodor Hennig pled guilty to two counts of failing to comply with an ASC decision and was [sentenced](#) at the Provincial Court of Alberta. He is also subject to market access bans.
- An individual was [criminally charged](#) with six counts of fraud and one count of money laundering under the Criminal Code. The matter is currently before the courts.

ENHANCING INVESTOR EDUCATION EFFORTS TO REACH A BROADER AUDIENCE

The ASC is committed to broadening investment literacy among Albertans across all ages and life stages. To that end, our Investor Education team has expanded the information, tools and resources we have available to help investors make informed decisions and protect themselves from investment fraud, leveraging data provided from our compliance and enforcement activities whenever possible.

In addition to extensive radio, television and print advertising, we continue to actively grow our investor education efforts through digital channels and through partnerships and direct community outreach. We provided presentations on investing basics, crypto assets, do-it-yourself investing and fraud awareness to a wide variety of organizations and community groups.

The ASC also continues to remind Albertans that trading in crypto assets is inherently risky, even if the opportunity and the trading platform are legitimate. Registration cannot eliminate all risks associated with crypto assets and it is important that investors conduct careful research. Crypto investment fraud is increasing drastically and a number of websites purported to be crypto trading platforms have been included on our Investment Caution List, described on



the previous page. We also worked with our CSA colleagues to include on the CSA website a [list of CTPs](#) that are registered, have filed pre-registration undertakings, and that have been banned by one or more Canadian provinces or territories.

The [Investor's Guide to Cryptocurrencies](#) that we developed in F2022 is now featured on the CSA website, in social media marketing campaigns, in public libraries, credit unions and other organizations, in NASAA newsletters, and shared with other provincial securities regulators. We also distributed our [Don't be fooled by fraud](#) booklets to libraries and credit unions in Alberta.

For World Elder Abuse Awareness Day on June 15, 2022, we joined our CSA

counterparts to spread awareness of financial abuse and scams of older adults and to educate them and their relatives, caregivers or friends about the warning signs to better protect themselves. The ASC's investor education team engaged older adults and those who care for them through virtual and in-person events and programs, spoke at THIRD ACTION, an age-positive, province-wide virtual film festival, and promoted the Trusted Contact Person investor protection legislation.

In addition to our own efforts, we were also pleased to contribute to the important financial literacy programs offered to Albertans through Momentum in F2023. Momentum works to connect lower-income Albertans to opportunities that allow them to fully participate in the local economy. It does this through a number of ways, including its Money Management workshops, financial coaching sessions, financial empowerment training, and Money Moccasins, which is tailored for Indigenous Peoples – all of which aim to help Albertans learn new skills and knowledge and make informed financial and investment decisions.

Investor education and protection is a key ASC and CSA priority, and we are committed to continuing our efforts to educate investors through traditional means, online channels, earned media, organic and paid social media, and advertising.



PILLAR THREE

Foster a culture of engagement

ENGAGING OUR STAKEHOLDERS

Each year, we engage with market participants through various channels. We actively consider environmental and situational factors that are impacting them and that are contributing to current market conditions. Through our annual ASC Connect conference, we aim to address market trends, opportunities and concerns, and bring in experts to share their thoughts and insights. This year marked the sixth year of [ASC Connect](#) with a theme of *Building the future on a*

firm foundation. Held virtually in October 2022, approximately 700 Albertans heard industry experts discuss evolving trends and opportunities in Alberta's capital market, and how we can work together to co-create a competitive, inclusive and sustainable economy. Attendees also heard experts' thoughts about how innovation and emerging technologies will play a role in the future of Alberta's capital market, and our relatively new Innovation in Finance team discussed their goals related to innovation in our capital market. In response to requests, several

senior ASC leaders provided updates on the work their divisions are focused on. ASC Connect has become known among market participants, business owners, entrepreneurs and others as informative, timely and engaging.

In addition to industry events, ASC staff regularly interact with issuers, registrants, investors and other market participants through policy consultations, presentations, meetings, publications and more. In F2023, we published the [Alberta Capital Market Report](#), the [Corporate Finance Disclosure Report](#) and the [Energy Matters Report](#). Staff from our Market Regulation division engaged with the registrant community to help them understand and answer questions about client focused reforms at our annual [Registrant Outreach and Education seminar](#).

To help Alberta reporting issuers, including energy-focused issuers, deliver the highest quality disclosure and financial reporting, staff from our Corporate Finance division expanded upon the findings highlighted in the 2022 Corporate Finance Disclosure Report and the 2022 Energy Matters Report at our annual [Corporate Finance Disclosure](#) and



[Energy Matters](#) information sessions. We also held a number of virtual events on timely policy topics such as changes to the offering memorandum exemption, which came into effect on March 8, 2023, and is discussed in more detail on page 13, the listed issuer financing exemption (see page 16), and the self-certified investor exemption (see page 12). Our Energy Group hosted "[Introduction to National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities](#)" in June 2022, and it was so well received that it was offered again in March 2023.

Extensive consultation has been conducted around Proposed National Instrument 93-101 *Derivatives: Business Conduct*, which is discussed on page 14. To assist market participants in their understanding of the proposed rule and seek feedback, ASC staff participated in a very well-attended virtual CSA roundtable in September 2022. A number of industry experts joined our regulatory experts to present the potential regulatory, implementation and compliance outcomes and issues related to the adoption of the rule. It was a valuable session for derivatives market participants in Alberta and throughout Canada, and our Chair and CEO, Stan Magidson, provided opening remarks about the importance of hosting such roundtables.

In an effort to better understand market participants' views on financial stability risks, we participated in the CSA's first annual systemic risk survey that was conducted in October and November 2022. Over 600 Canadian portfolio managers and investment dealers were surveyed, and the results indicate that they were most concerned about rising interest rates, household debt, the housing market, the geopolitical



In addition to industry events, ASC staff regularly interact with issuers, registrants, investors and other market participants through policy consultations, presentations, meetings, publications and more.



As the new CSA Chair, Stan Magidson participated in a number of industry discussions nationally and internationally. He represented the CSA and our collective work around climate change, diversity and more.

environment and cyber vulnerabilities. This information provides important insight into market participants' level of concern and establishes a baseline going forward.

The first ASC Capital Markets Award for Indigenous Students was launched in F2023. This annual award is offered to Canadian Indigenous students entering the University of Calgary's Haskayne School of Business Bachelor of Commerce degree program.

The guidance we receive from our Commission Members and the important market insight we receive from members of our seven advisory committees (see page 67) is invaluable to the work we do and contributes to the fulfilment of our strategic plan. More information about our Commission Members can be found starting on page 30. Our advisory committees are comprised of industry representatives whose advice helps staff stay abreast of industry views and concerns.

ENGAGING INVESTORS

As announced in F2022, the CSA Investor Advisory Panel (CSA IAP) was established this year to enhance investor involvement in pan-Canadian policy development, further the CSA's investor protection mandate and promote coordination across the country. The CSA IAP's first members, including representation from Alberta, have been appointed and are experts in retail investor concerns from across Canada. They are committed to representing retail investors' interests in market regulation and will advise the CSA in its rulemaking.

To provide Albertans with the information they need to make informed investment decisions, the ASC continues to expand and enhance our outreach activities to better engage with them about timely topics, trends and risks in our changing landscape.

As attempts at investment fraud become more prevalent in our society, it is critical that we engage with investors of all ages and life stages to provide timely information. We continue to enhance the information on checkfirst.ca and asc.ca. We encourage Albertans to use the tools and resources available and to sign up for our monthly CheckFirst newsletter. Our Investor Education team continues to provide virtual community presentations and recently resumed attending in-person events to share educational material. We created new partnerships with several post-secondary institutions, and partnered with Money Moccasins, an all-Indigenous-led financial literacy program offered through Momentum, to provide financial and investment literacy to Indigenous students. To reach as many investors as possible, we regularly provide information through traditional advertising and social media.

ENGAGING AND EMPOWERING OUR STAFF

We were honoured to again be recognized as one of Alberta's top employers in F2023. We believe that every ASC employee deserves to be recognized and celebrated, and we strive to provide a challenging and rewarding work environment where they feel valued and have the ability to grow in their profession.

As most COVID restrictions were lifted, we returned to the office on a hybrid basis. This model has allowed employees the flexibility to participate and feel connected in accordance with their comfort level coming out of the pandemic, balanced with the critical collaboration and organizational culture that is fostered in the office. Thanks to our enhanced use of technology, we held virtual as well as in-person meetings, town halls and events, and a first-ever hybrid campaign to support the United Way. We were honoured that our 2022 United Way campaign was nominated for the United Way's Spirit of Volunteerism, Education and Engagement Award.

The ASC's ability to undertake and complete meaningful work for the betterment of our capital market and the protection of investors is possible thanks to the hard work and dedication of our employees. Their knowledge, experience and thoughtful approach helps us navigate change and uncertainty, quickly respond to unforeseen circumstances, and continue our important regulatory, enforcement and investor education work.

Reaching a broader audience

1,474

INQUIRIES INTO THE PUBLIC INFORMATION OFFICE.

2,965

ALBERTANS ATTENDED ONE OF OUR INVESTMENT LITERACY PROGRAMS OR SPEAKING SESSIONS.

Sessions and programs were held in partnership with public libraries, post-secondary schools, financial institutions, seniors associations, communities, crime prevention organizations, City of Calgary economic development initiatives, Indigenous financial literacy programs on reserve, immigrant organizations, social profit agencies, charities and the Calgary Board of Education's continuing education department.

79.48M

TOTAL IMPRESSIONS THROUGH ADVERTISING AND ONLINE ENGAGEMENT, OF WHICH 3.5 MILLION REACHED ALBERTA INVESTORS AGED 55+.

6,540

INDUSTRY REPRESENTATIVES WERE REACHED, VIRTUALLY AND IN-PERSON, THROUGH 105 PRESENTATIONS, SESSIONS AND CONSULTATIONS HELD BY ASC STAFF.

Timely topics included crypto assets and crypto asset trading platforms, environmental, social and governance considerations, client-focused reforms, financing exemptions and fintech.

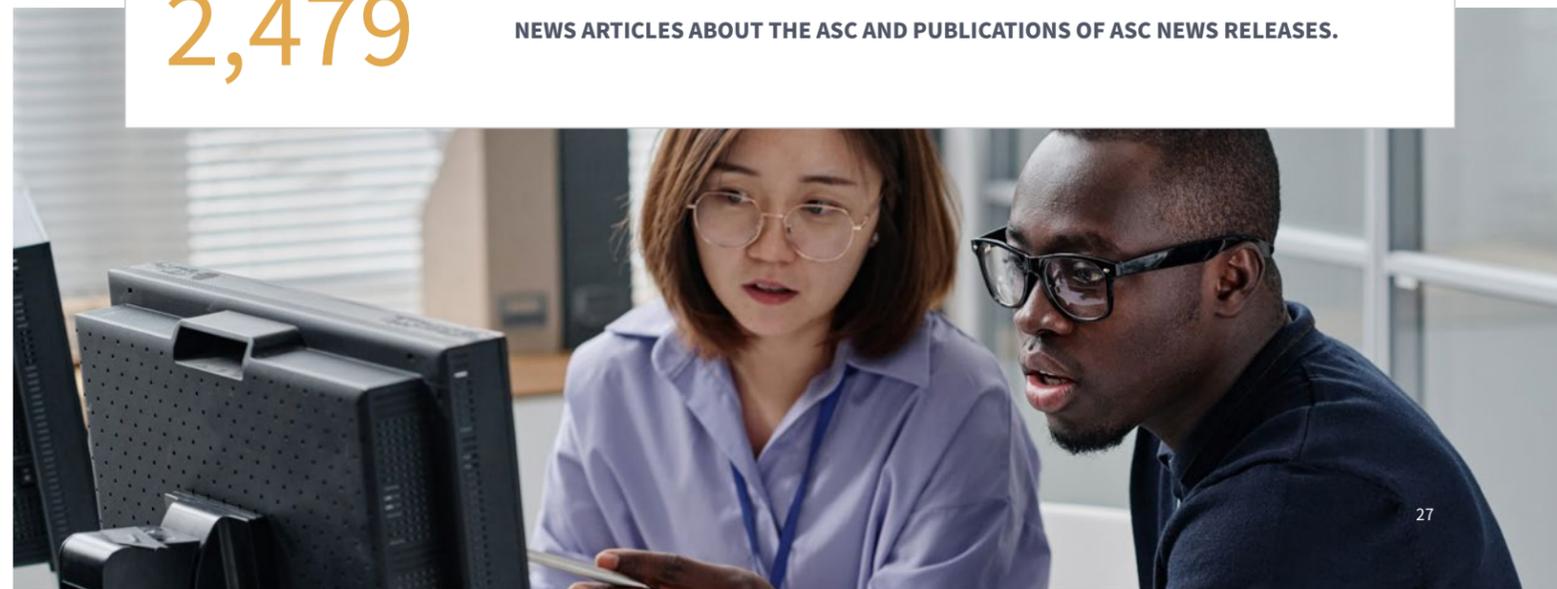
2,466

MARKET PARTICIPANTS ATTENDED ONE OR MORE OF OUR INDUSTRY WEBINARS.

Webinars included ASC Connect, the Derivatives Business Conduct Rule roundtable, the Corporate Finance Disclosure and Energy Matters Information sessions, the Market Regulation Education and Outreach seminar, Amendments to the Offering Memorandum, and Understanding the Listed Issuer Financing Exemption and the Self-Certified Investor Exemption.

2,479

NEWS ARTICLES ABOUT THE ASC AND PUBLICATIONS OF ASC NEWS RELEASES.





Executive Management Team*

OFFICE OF THE CHAIR AND CHIEF EXECUTIVE OFFICER Stan Magidson, Chair and Chief Executive Officer

The Chair and Chief Executive Officer is responsible for representing the ASC, addressing emerging issues in securities regulation, and leading the ASC in strategic planning and achieving its organizational objectives. The Chair has direct oversight responsibilities for the Communications and Investor Education division and the offices of the Executive Director and the General Counsel. The Chair is appointed by the Lieutenant Governor in Council and reports to the Members and to the Minister of Finance.

OFFICE OF THE EXECUTIVE DIRECTOR David Linder, Executive Director

The Executive Director reports to the Chair and Chief Executive Officer, is the ASC's Chief Administrative Officer, and is responsible for ensuring that all business divisions of the ASC operate effectively and efficiently. The Executive Director is directly responsible for overseeing the divisions of Corporate Finance, Enforcement, Market Regulation, Information Technology, Human Resources and Corporate Services, the Office of the Chief Accountant, and Financial Services. The Executive Director also participates in meetings of the ASC's Human Resources and Audit committees and chairs the Senior Management and Strategic Planning committees. Pursuant to the *Securities Act* (Alberta), the Executive Director conducts hearings into certain decisions made

Standing from left to right

LYNN TSUTSUMI
SAMIR SABHARWAL
BRIAN BANDERK
DENISE WEERES
BENNY LEVEILLE

Seated from left to right

CYNTHIA CAMPBELL
STAN MAGIDSON
MELINDA DREWE
DAVID LINDER
ALEX CONAC
HILARY MCMEEKIN

*As at March 31, 2023.

by Market Regulation and Enforcement staff. The Executive Director is also the chief officer of the ASC under the *Public Interest Disclosure* (Whistleblower Protection) Act (Alberta) that came into force on June 1, 2013.*

COMMUNICATIONS AND INVESTOR EDUCATION Hilary McMeekin, Director

The Communications and Investor Education division provides strategic communications counsel and support to all areas of the ASC to engage and educate internal and external stakeholders in a manner that supports the market and meets the ASC's organizational objectives. The division's award-winning CheckFirst.ca website and ongoing consumer campaigns aim to educate Albertans about investing and explain how they can protect themselves from securities fraud. Through media relations, stakeholder engagement and internal communications, the team promotes transparent, relevant and timely information to support efficient and effective securities regulation in Alberta and throughout Canada.

CORPORATE FINANCE Denise Weeres, Director

The Corporate Finance division is engaged in the regulation of issuers (and their insiders) participating in the Alberta capital market, including both corporate issuers and investment funds raising money publicly or privately. This involves the development of rules and policy and the administration of them, i.e. reviewing offering documents, continuous disclosure documents, takeover bids and shareholder meeting matters, and insider and control person reporting. Staff make recommendations respecting discretionary exemptions from securities law and they are engaged in oversight of the TSX Venture Exchange. Specialized teams focus on priority issues such as energy (including oil and gas reserves/resource disclosure), sustainability/environmental, social and governance (ESG) disclosure, systemic risk and market intelligence, and supporting the ASC's cross-divisional innovation team exploring ways to improve capital formation in Alberta through regulatory innovation.

ENFORCEMENT Cynthia Campbell, Director

The Enforcement division enforces Alberta securities laws by discovering, investigating and prosecuting breaches of those laws with a view to both stopping current misconduct and preventing it in the future. This division's goal is to protect investors and foster the integrity of Alberta's capital market through deterrence, disruption and accountability. It engages in proactive, fair and visible enforcement action locally, and collaborates with the Commission's compliance divisions, other securities regulators, and Canadian and foreign police forces.

FINANCIAL SERVICES Alex Conac, Chief Financial Officer

The Financial Services division is responsible for effective internal control over financial reporting, enterprise risk management programs, annual budget preparation, administration of investment manager reporting and relations, coordination of risk management processes, and accurate and timely financial reporting to senior management, Commission Members and the Minister of Finance.

HUMAN RESOURCES AND CORPORATE SERVICES Melinda Drewe, Director

The Human Resources and Corporate Services division provides human resource and business services to enable staff to fulfill the ASC's mandate. The business services include purchasing, security, business continuity, health and safety, facility management and records management. Human Resources and Corporate Services supports the needs of employees and management through the initiation, development, delivery and implementation of key strategies, programs and policies that are aligned with organizational objectives.

INFORMATION TECHNOLOGY Benny Leveille, Chief Information Officer

The Information Technology division is responsible for operational and strategic management of technology services that enables the ASC to fulfill its mandate. It is responsible for the development, implementation, training and management of information systems across the organization.

MARKET REGULATION Lynn Tsutsumi, Director

Market Regulation provides regulation to the Alberta capital market by developing and administering rules and policies relating to registrants (dealers, advisers and investment fund managers), crypto asset trading platforms, equities and derivatives exchanges and clearing agencies, trade repositories and self-regulatory organizations (SROs). Staff register market participants that are in the business of trading and advising in securities and derivatives and managing investment funds, perform compliance examinations of registrants and review exemption applications. Staff conduct oversight of SROs, the TSX Venture Exchange, and energy exchanges, clearing agencies and trade repositories conducting business in Alberta.

OFFICE OF THE CHIEF ACCOUNTANT Brian Banderk, Chief Accountant

The Office of the Chief Accountant (OCA) provides expert knowledge in accounting, auditing and financial reporting matters to the Commission Members, the Chair, the Executive Director and ASC staff. The OCA also provides guidance to issuers, registrants and their advisers in those areas of expertise, as it relates to securities regulation. This division is involved in policy initiatives that relate to accounting, auditing and financial reporting, and provides training as needed to the professional accountants within the organization.

OFFICE OF THE GENERAL COUNSEL Samir Sabharwal, General Counsel

The General Counsel reports to the Chair and oversees the Office of the General Counsel (OGC). The OGC is the in-house legal, policy, strategy and risk management resource for the ASC. The OGC provides legal advice to the Commission Members, the Chair, the Executive Director and staff on a wide range of issues including securities regulatory policy, statutory interpretation, administrative law, securities regulation, corporate/commercial law, information technology/intellectual property law, procurement law and privacy law. In addition, the OGC is responsible for the corporate secretarial and legislative functions, and provides advice on corporate governance matters and the application of the *Freedom of Information and Protection of Privacy Act* (Alberta).

*The *Public Interest Disclosure* (Whistleblower Protection) Act (Alberta) applies to most public entities in the Province of Alberta, including the Alberta Securities Commission. The Act enables the disclosure and investigation of wrongdoings alleged to have occurred at a public entity in Alberta. It also protects individuals who report alleged wrongdoings from reprisal. Section 32 of the Act requires annual reporting on all disclosures that have been made in accordance with the Act. Since the Act came into force on June 1, 2013, there have been no disclosures received by the designated officer; accordingly, there were no disclosures acted upon or investigated.



Commission Members

During F2023, there were 12 Members, including the designated Chair and two full-time Vice-Chairs.

The Chair acts as the ASC’s Chief Executive Officer and is responsible for the overall operation of the Commission. Members act as the ASC’s board of directors, overseeing the management of the ASC. They determine policy, consider and approve new rules, and recommend changes to the *Securities Act* (Alberta), the regulations made pursuant to this act, and ASC rules and policies. They also act as an administrative tribunal and form panels that conduct hearings into matters in discharge of the ASC’s mandate.

Alberta’s Lieutenant Governor in Council appoints ASC Commission Members and

designates one of the ASC’s Independent Members as the “Lead Independent Member.” A majority of the Members are “Independent” as that term is applied in National Instrument 52-110 *Audit Committees* (NI 52-110). The Chair and Vice-Chairs are involved in the day-to-day activities of the ASC, so are not classified as Independent.

Meetings of the Members are held on a monthly basis. Independent Members meet *in camera* (in private) following each meeting in the absence of the Chair and Vice-Chairs. The ASC has three board committees: Governance, Human

MEMBERS

Standing from left to right

DOUG MAIR, ICD.D
STEVEN COHEN
TRUDY CURRAN, ICD.D
JAMES (JIM) OOSTERBAAN, ICD.D
GAIL HARDING, K.C., ICD.D
MATTHEW BOOTLE, FCA

Seated from left to right

KAREN KIM, CPA, CA, CFA, ICD.D
TOM COTTER *Vice-Chair*
STAN MAGIDSON, ICD.D
Chair and Chief Executive Officer
KARI HORN, ICD.D *Vice-Chair*
RAYMOND CROSSLEY, FCPA, FCA, ICD.D
Lead Independent Member
BRYCE TINGLE, K.C.

Resources and Audit. All three are made up exclusively of Independent Members.

All members of the Audit Committee are “financially literate” as that term is used in NI 52-110. As part of the ASC’s orientation program, new Members are provided with a briefing book detailing the operations of the ASC and the duties and responsibilities of the Members. Each member of the ASC’s senior management team meets with new Members to provide an overview of the operations of their respective divisions. In addition, Members are encouraged to attend appropriate courses or programs for further instruction relevant to their duties and responsibilities. The ASC’s Governance Policy, which contains a description of the ASC’s orientation program for new Members and continuing education for all Members, is available at asc.ca.

For a current list of active Commission Members, including details of credentials and experience, visit asc.ca.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The ASC is fortunate to have talented and dedicated leaders with diverse experience, skills and backgrounds. This diversity enriches our ability to carry out the mission, vision and strategy of our organization.

With specific reference to the representation of women on the Commission and in executive officer positions, an objective in the recruitment process is to achieve gender diversity, while simultaneously ensuring that the Members and executive officers collectively possess the required mix of skills and experience necessary to fulfill the mandate of the organization. With respect to gender, although the ASC does not have targets for board or executive officer positions, the representation of women in these groups is generally significant, as demonstrated in the table below. The ASC will continue to consider gender and broader diversity in the recruitment process for board, executive officer and all staff positions.

The ASC’s offices are located within one of the few LEED Platinum buildings in Canada and the first in Alberta. LEED is an international standard recognizing buildings that meet stringent sustainability requirements. The building has efficient heating and cooling systems, and energy efficiency initiatives are regularly considered and implemented, such as the recent replacement of domestic water booster pumps with more energy-efficient pumps. As well, the ASC participates in the building’s recycling program, which effectively diverts up to 86 per cent of our waste from landfills.

| | F2023 | | | | F2022 | | | |
|----------------------|--------|------|------|------|--------|------|------|------|
| | Female | | Male | | Female | | Male | |
| | # | % | # | % | # | % | # | % |
| Independent Members | 3 | 33.3 | 6 | 66.7 | 4 | 44.4 | 5 | 55.6 |
| Chair, Vice-Chairs | 1 | 33.3 | 2 | 66.7 | 1 | 33.3 | 2 | 66.7 |
| Executive Management | 5 | 45.5 | 6 | 54.5 | 6 | 60.0 | 4 | 40.0 |

ATTENDANCE ¹

Stan Magidson, ICD.D, Chair

Term Expiry – June 30, 2026
Currently in Term – 2
Commission – 12/12 (100%)
Audit Committee – 6/6 (100%)
Governance Committee – 4/4 (100%)
Human Resources Committee – 3/3 (100%)

Tom Cotter, Vice-Chair

Term Expiry – March 12, 2026
Currently in Term – 2
Commission – 12/12 (100%)

Kari Horn, Vice-Chair

Term Expiry – April 30, 2024
Currently in Term – 1
Commission – 12/12 (100%)

Raymond Crossley, FCPA, FCA, ICD.D

Lead Independent Member
Term Expiry – March 31, 2024
Currently in Term – 2
Commission – 12/12 (100%)
Audit Committee – 6/6 (100%)
Governance Committee – 4/4 (100%)
Human Resources Committee – 3/3 (100%)

Matthew Bootle, FCA

Term Expiry – March 31, 2025
Currently in Term – 2
Commission – 12/12 (100%)
Audit Committee – 6/6 (100%)

Steven Cohen

Term Expiry – March 31, 2024
Currently in Term – 2
Commission – 12/12 (100%)
Governance Committee – 4/4 (100%)

Trudy Curran, ICD.D

Term Expiry – March 31, 2026
Currently in Term – 3*
Commission – 12/12 (100%)
Governance Committee – 4/4 (100%)

Gail Harding, K.C., ICD.D

Term Expiry – March 31, 2025
Currently in Term – 2
Commission – 11/12 (91.7%)
Human Resources Committee – 3/3 (100%)

Karen Kim, CPA, CA, CFA, ICD.D

Term Expiry – March 31, 2026
Currently in Term – 3*
Commission – 12/12 (100%)
Audit Committee – 6/6 (100%)

Doug Mair, ICD.D

Term Expiry – March 31, 2024
Currently in Term – 1
Commission – 12/12 (100%)
Human Resources Committee – 3/3 (100%)

James (Jim) Oosterbaan, ICD.D

Term Expiry – March 31, 2026
Currently in Term – 3*
Commission – 12/12 (100%)
Human Resources Committee – 3/3 (100%)

Bryce Tingle, K.C.

Term Expiry – March 31, 2025
Currently in Term – 1
Commission – 11/11 (100%)**
Audit Committee – 6/6 (100%)

COMMISSION MEMBER COMMITTEES

The F2023 Board Committees were made up of the members listed below. All were independent except Stan Magidson, who sat as an *ex officio* member where indicated.

Audit Committee

Karen Kim (Chair)
Matthew Bootle
Bryce Tingle
Raymond Crossley (*ex officio*)
Stan Magidson (*ex officio*)

Governance Committee

Raymond Crossley (Chair)
Steven Cohen
Trudy Curran
Stan Magidson (*ex officio*)

HR Committee

Gail Harding (Chair)
Doug Mair
Jim Oosterbaan
Raymond Crossley (*ex officio*)
Stan Magidson (*ex officio*)

THREE-YEAR STATISTICAL SUMMARY 2023

As of March 31, 2023

| | F2023 | F2022 | F2021 |
|--|-----------|-----------------------|--------------------------|
| Enforcement activity | | | |
| Complaints received | 531 | 490 | 698 |
| Concluded investigations | 264 | 217 | 269 |
| Current cases | 153 | 171 | 163 |
| Whistleblower tips received | 22 | 23 | 56 |
| Interim cease trade orders | 1 | 0 | 0 |
| Halt trade orders | 0 | 0 | 1 |
| Settlement agreements | 1 | 1 | 3 |
| Hearings commenced | 2 | 3 | 5 |
| Settlements agreed to ¹ | \$20,000 | \$15,000 | \$1,357,500 |
| Settlements collected | \$29,000 | \$22,336 ² | \$1,373,500 ² |
| Administrative penalties levied | \$400,000 | \$725,000 | \$1,270,000 |
| Administrative penalties recovered | \$333,739 | \$134,374 | \$111,191 |
| Prosecutions initiated in Court | 1 | 2 | 0 |
| Companies and individuals banned ³ | 11 | 7 | 21 |
| Appeal hearings | 1 | 3 | 0 |
| Cease trade orders ⁴ | 26 | 26 | 35 |
| Active reporting issuers | | | |
| Principal regulator – Alberta | 490 | 486 | 506 |
| Principal regulator – other | 7,745 | 7,598 | 7,238 |
| Total | 8,235 | 8,084 | 7,744 |
| Prospectuses and mutual funds | | | |
| Principal regulator – Alberta | 69 | 91 | 74 |
| Principal regulator – other | 637 | 999 | 962 |
| Total | 706 | 1,090 | 1,036 |
| Rights offerings | | | |
| Principal regulator – Alberta | 3 | 4 | 3 |
| Principal regulator – other | 14 | 14 | 16 |
| Total | 17 | 18 | 19 |
| Exemption applications (Corporate Finance) | | | |
| Principal regulator – Alberta | 53 | 58 | 59 |
| Principal regulator – other | 15 | 15 | 29 |
| Total | 68 | 73 | 88 |
| Continuous disclosure reviews (principal regulator – Alberta) | | | |
| Full | 28 | 35 | 20 |
| Issue-oriented reviews and data collections | 198 | 177 | 243 |
| Total | 226 | 212 | 263 |
| Total registered firms | | | |
| Principal regulator – Alberta | 111 | 111 | 118 |
| Principal regulator – other | 891 | 866 | 849 |
| Total | 1,002 | 977 | 967 |
| Total registered individuals⁵ | | | |
| Alberta resident | 12,988 | 12,407 | 11,765 |
| Non-Alberta resident | 21,933 | 21,911 | 20,671 |
| Total | 35,921 | 34,318 | 32,436 |

Reciprocal orders are no longer reported. As of July 1, 2015, the ASC automatically reciprocates orders from other jurisdictions.

¹ Settlements including costs and disgorgements.

² This amount includes instalment payments on a prior year settlement agreement.

³ This amount includes Provincial Court-ordered bans (one in F2023, none in F2022, none in F2021).

⁴ These orders are the result of failure to comply with ASC filing requirements.

⁵ Amounts do not include permitted individuals (CEO, CFO, COO or shareholders owning 10 per cent or more of the voting securities of a firm) who are tracked in the National Registration Database, but are not registrants.

Management's Discussion & Analysis

This Management Discussion & Analysis (MD&A), prepared as of June 7, 2023, should be read in conjunction with the Alberta Securities Commission's March 31, 2023 annual audited financial statements and the accompanying notes, prepared in accordance with Canadian Public Sector Accounting Standards. Certain statements outlining fiscal 2024 expectations are forward-looking and are subject to risks and uncertainties. Furthermore, assumptions in the "Fiscal 2024 Outlook" section, although reasonable at the date of publication, are not guarantees of future performance. The results or events predicted in these statements and assumptions may differ materially from actual results or events. Factors that could cause results or events to differ from current expectations are described in the "Risks and Uncertainties" section.

References to "we", "our" or "the ASC" refer to the Alberta Securities Commission. In this MD&A, references to years, such as F2023, refer to the fiscal years of the ASC ending March 31. All amounts are in Canadian dollars.

The ASC maintains accounting and internal control systems to provide reasonable assurance that its financial information is complete, reliable and accurate, and that its assets are adequately protected. Commission Members, through the Audit Committee, have an oversight role to ensure the integrity of the reported information. Specific processes to ensure the ASC's financial accountability and oversight include:

- preparation of an annual budget that is reviewed by the Audit Committee and approved by Commission Members;
- reports of actual versus budget performance and updated full-year forecasts;
- the requirement for Commission approval of significant unbudgeted expenses or reallocations; and
- quarterly testing of the design and effectiveness of critical financial controls.

The ASC's annual budget is approved by Alberta's Minister of Finance. The ASC's annual budget and financial statements are consolidated with the Government of Alberta's financial reporting.

Overview

The ASC is the industry-funded regulatory agency responsible for administering the province's securities laws. It is entrusted with fostering a fair and efficient capital market in Alberta and protecting investors. As a member of the Canadian Securities Administrators (CSA), the ASC works to improve, coordinate and harmonize the regulation of Canada's capital markets.

FINANCIAL HIGHLIGHTS

thousands of dollars

F2023
F2022

REVENUES

| | | |
|--|--|-------------------------|
| Annual financial statements fees | | 22,771 22,539 |
| Registration fees | | 19,171 18,417 |
| Distribution of securities fees | | 17,826 20,640 |
| Investment income | | 166 6,921 |
| SEDI, exempt distributions and registration late filing fees | | 395 538 |
| Orders (applications) | | 167 155 |
| Administrative penalties | | 334 134 |
| Other enforcement receipts | | 29 22 |
| Conference and other | | 1 1 |
| Total F2023 | | 60,860 |
| Total F2022 | | 69,367 |

EXPENSES

| | | |
|--------------------------------|--|-------------------------|
| Salaries and benefits | | 34,248 32,099 |
| Premises | | 4,638 4,559 |
| Administration | | 4,004 2,938 |
| Professional services | | 2,707 2,039 |
| Amortization of capital assets | | 1,021 1,124 |
| Investor education | | 940 679 |
| Other expenses ² | | 936 642 |
| Total F2023 | | 48,494 |
| Total F2022 | | 44,080 |

DIVISION EXPENSES

| | | |
|---------------------------------------|--|-----------------------|
| Enforcement | | 9,235 8,538 |
| Corporate Finance | | 7,667 7,104 |
| Market Regulation | | 7,270 6,651 |
| Information Technology | | 4,842 3,250 |
| Corporate Resources | | 3,183 3,210 |
| Office of the Chair and Members | | 3,046 3,070 |
| Communications and Investor Education | | 2,888 2,361 |
| Financial Services | | 1,984 1,411 |
| Office of the Chief Accountant | | 524 826 |
| Office of the General Counsel | | 1,142 1,025 |
| Office of the Executive Director | | 1,054 950 |
| Expenses not allocated ¹ | | 5,659 5,683 |
| Total F2023 | | 48,494 |
| Total F2022 | | 44,080 |

¹ Expenses not allocated include amortization of capital assets and premises.

² Other expenses include investment expense and impairment.

SELECTED ANNUAL INFORMATION

| <i>thousands of dollars</i> | F2023 | F2023 | F2022 | F2021 |
|-----------------------------|----------------|------------|---------|---------|
| | Budget | Actual | Actual | Actual |
| Revenues | 64,467 | 60,860 | 69,367 | 65,259 |
| Regulatory expenses | 50,731 | 48,494 | 44,080 | 42,394 |
| Operating surplus | 13,736 | 12,366 | 25,287 | 22,865 |
| Financial assets | | | | |
| Cash | 23,990 | | 31,983 | 27,657 |
| Investments | 121,526 | | 101,713 | 85,863 |
| Liabilities | | | | |
| Lease inducements | 662 | | 911 | 1,158 |
| Accrued pension liability | 9,945 | | 10,398 | 10,287 |
| Net financial assets | 131,350 | | 118,621 | 98,300 |
| Accumulated surplus | 134,798 | | 122,526 | 102,631 |
| Capital assets | 2,695 | | 3,330 | 3,960 |
| Capital additions | 530 | 386 | 494 | 562 |

Highlights

The ASC had a \$12.4 million operating surplus in F2023 compared with an operating surplus of \$25.3 million in F2022.

Total revenue of \$60.9 million for the year ended March 31, 2023 was \$8.5 million lower than the prior year. The decrease is due to lower investment income and fee revenue partially offset by higher revenue from administrative penalties. The F2023 investment income of \$166,000 was lower than the prior year by \$6.8 million due to depressed returns on equity and fixed-income investments as a result of a weaker-than-expected capital market performance. The fee revenue declined due to lower fees from the distribution of securities sold in Alberta, partially offset by higher registration fees and annual financial statement filing fees.

Administrative penalties and other enforcement receipts were \$207,000 higher than the prior year due to a greater number of administrative recoveries of prior-year assessments collected in F2023. Other enforcement receipts fluctuate annually because of variability in the types of cases, the timing of their resolution, and success in collections efforts.

Total expenses of \$48.5 million for F2023 were \$4.4 million higher than the prior year. The regulatory expenses increased from the prior year primarily due to higher salaries and benefits, administration costs, professional services, investor education and investment impairment expense. This increase was partially offset by lower amortization costs.

Analysis of Fiscal 2023 Operating Results

REVENUES

| <i>thousands of dollars</i> | F2023 | F2023 | F2022 |
|--|--------|--------|--------|
| | Budget | Actual | Actual |
| Fees | | | |
| Annual financial statements | 23,100 | 22,771 | 22,539 |
| Distribution of securities | 18,900 | 17,826 | 20,640 |
| Registration | 18,519 | 19,171 | 18,417 |
| SEDI, exempt distributions and registration late filing fees | 500 | 395 | 538 |
| Orders (applications) | 128 | 167 | 155 |
| Total fees | 61,147 | 60,330 | 62,289 |
| Other revenues | | | |
| Investment income | 2,600 | 166 | 6,921 |
| Other enforcement receipts | 600 | 29 | 22 |
| Administrative penalties | 110 | 334 | 134 |
| Conference and other | 10 | 1 | 1 |
| Total revenue | 64,467 | 60,860 | 69,367 |

The ASC collected 99.1 per cent (89.8 per cent in F2022) of its total revenue from fees paid by those who participate in the Alberta capital market. These participant fees, in addition to other enforcement receipts and investment income, fund our operations. The ASC does not receive transfers from government tax revenue.

Fees

ANNUAL FINANCIAL STATEMENTS

Participation fees from reporting issuers are collected at the time the annual financial statements are filed. Fees for reporting issuers, other than investment funds, are determined using a tiered fee structure based on average market capitalization. Investment funds pay a flat filing fee. Annual financial statement filing fees totalled \$22.8 million (\$22.5 million in F2022), which was \$329,000 less than the budget and \$232,000 more than the prior year. These fees accounted for 37.7 per cent of the ASC's total fee revenue (36.2 per cent in F2022).

The increase in annual financial statements filing fees over the prior year was due to an increase in the number of Alberta reporting issuers, partially offset by a decrease in the average market capitalization. The total number of active reporting issuers in Alberta at March 31, 2023, was 8,147 (8,084 at March 31, 2022), with an average market capitalization during F2023 of \$5,845 billion (\$6,361 billion in F2022).

FEES FROM DISTRIBUTION OF SECURITIES

Fees from distribution of securities have both fixed and variable components. The fixed component is charged for each prospectus or prospectus-exempt distribution filed in Alberta. The fixed transaction fee component of distribution fees totalled \$7.2 million, which was lower than F2022 (\$8.3 million) primarily due to a lower number of preliminary prospectus filings from mutual fund and non-mutual fund reporting issuers, a lower number of prospectus amendments filings and a lower number of exempt offerings. The fixed transaction fees accounted for 11.9 per cent (13.3 per cent in F2022) of total fees. The variable fee component is calculated based on the proceeds obtained from public (prospectus) and private (prospectus-exempt) distributions of securities sold in Alberta. The variable fee component accounted for \$10.6 million in F2023 (\$12.3 million in F2022) and 17.6 per cent (19.7 per cent in F2022) of total fees. The decrease in F2023 was due to lower proceeds from prospectus-exempt issuers and lower proceeds realized in Alberta from mutual fund reporting issuers.

Fees from distribution of securities vary with the level of capital market activity, equity issuances and mutual fund sales. The primary drivers are changes in public and private securities distributions and mutual fund sales. Equity market volatility has an impact on fees from distribution of securities. As a result, F2023 had an overall decrease of \$2.8 million in fees from distribution of securities compared to F2022.

REGISTRATIONS

Fee receipts of \$19.2 million in F2023 (\$18.4 million in F2022) were received from registered firms and individuals, with 79.4 per cent of these fees received from registration renewals. Registration fees accounted for 31.8 per cent of total fees (29.6 per cent in F2022). As at March 31, 2023 there were 1,002 firms and 35,921 individuals registered in Alberta, compared to 977 firms and 34,318 individuals registered as at March 31, 2022. Registration fees were higher than the prior year and the budget, primarily due to an increased number of new firms and individual registrants.

LATE FILING FEES RELATING TO EXEMPT DISTRIBUTIONS, REGISTRATION AND THE SYSTEM FOR ELECTRONIC DISCLOSURE BY INSIDERS (SEDI)

The ASC collected late filing fees of \$395,000 in F2023 (\$538,000 in F2022), mostly comprised of late fees on insider report filings and prospectus-exempt distributions.

ORDERS (APPLICATIONS)

The F2023 revenue for orders was \$12,000 higher than in the prior year. In F2023, \$167,000 was received from 116 applications (\$155,000 from 134 applications in F2022). The fee per application is dependent on the category of the application filed.

Other Revenue Sources

INVESTMENT INCOME

The F2023 investment income was lower than the prior year primarily due to a loss on Global equities of \$1.1 million (compared to an income of \$3.5 million in F2022). The loss was offset by an investment income of \$1.2 million (\$1.8 million in F2022) from fixed-income securities, Consolidated Cash Investment Trust Fund (CCITF) and Consolidated Liquidity Solution (CLS) accounts, and returns from Canadian equities of \$78,000 (\$1.6 million in F2022). The deficit over budget was due to lower returns on all investments, primarily as a result of the recorded \$1.6 million of crystallized investment loss due to the Alberta Investment Management Corporation (AIMCo) public equity platform restructuring. As a result, in F2023, the investment income totalled \$166,000 compared to \$6.9 million in F2022 and \$2.6 million per budget.

OTHER ENFORCEMENT RECEIPTS

| <i>thousands of dollars</i> | F2023 | F2022 |
|--------------------------------------|---------|-------|
| Settlement receipts | | |
| Assessed | 20 | 15 |
| Recoveries of prior-year assessments | 9 | 7 |
| Cost recoveries | | |
| Assessed | 225 | 202 |
| Uncollectible | (225) | (202) |
| Disgorgements | | |
| Assessed | 3,562 | 351 |
| Uncollectible | (3,562) | (351) |
| Total | 29 | 22 |

Settlement receipts arise from negotiated settlements that include a financial payment. Cost recovery receipts can either be agreed to in settlements or ordered by an ASC panel. Disgorgements are orders to pay amounts relating to funds obtained from actions that violate the *Securities Act* (Alberta). Other enforcement receipts depend on the circumstances of specific cases and vary from year to year.

ADMINISTRATIVE PENALTIES

| <i>thousands of dollars</i> | F2023 | F2022 |
|--------------------------------------|-------|-------|
| Administrative penalties | | |
| Assessed penalties | 404 | 725 |
| Uncollectible | (404) | (709) |
| Recoveries of prior-year assessments | 334 | 118 |
| Total | 334 | 134 |

Administrative penalties are financial penalties imposed by an ASC panel resulting from a hearing. Similar to other enforcement receipts, the amount of these penalties depends on the circumstances of specific cases and varies from year to year. The ASC annually transfers administrative penalties revenue, less eligible expenditures, to a restricted cash account. Restricted cash is segregated from other assets because of statutory limitations on the use of these funds. The *Securities Act* (Alberta) requires the use of revenue received from administrative penalties to be used towards operating expenditures that educate investors and enhance participants' knowledge of how securities markets operate.

In F2023, restricted cash remained at zero as a result of a transfer of \$334,000 to fund eligible expenditures (\$134,000 in F2022).

The transfer amount was comprised of prior-year collections of \$334,000 (\$134,000 in F2022) and \$0 of conference fees (\$0 in F2022). No interest income was earned in F2023 (no interest in F2022). See Note 3 of the March 31, 2023 annual audited financial statements for more information.

Administrative penalties and other enforcement receipts total \$363,000 in F2023 (\$156,000 in F2022) compared to a five-year average of \$666,000 in receipts. The ASC actively pursues unpaid amounts using external legal counsel, taking steps such as judgment and writ registration, asset seizures, and questionings in aid of execution. Recoveries are often limited because respondents have minimal resources at the time of assessment. However, in F2023, the ASC collected \$343,000 of prior-year assessment costs and other enforcement receipts (\$125,000 in F2022).

CONFERENCE AND OTHER

In F2023 and similar to last year, the ASC Connect, ASC Corporate Finance and Market Regulation Information Sessions were held virtually. As such, no fees for attendance were collected (\$0 collected in F2022). Generally, conference registration fees are collected in order to offset a portion of actual event costs.

Comparative and Budget Expense Analysis

The ASC's F2023 budget was approved by the Commission on December 9, 2021. In F2023, operating expenses were 4.4 per cent below budget. Details by expense category follow.

REGULATORY EXPENSES

| <i>thousands of dollars</i> | F2023 | F2023 | F2022 |
|--------------------------------|--------|--------|--------|
| | Budget | Actual | Actual |
| Salaries and benefits | 36,499 | 34,248 | 32,099 |
| Administration | 4,902 | 4,004 | 2,938 |
| Premises | 4,760 | 4,638 | 4,559 |
| Professional services | 2,125 | 2,707 | 2,039 |
| Amortization of capital assets | 1,072 | 1,021 | 1,124 |
| Investor education | 993 | 940 | 679 |
| Investment expense | 380 | 461 | 447 |
| Investment impairment | - | 475 | 195 |
| | 50,731 | 48,494 | 44,080 |

SALARIES AND BENEFITS

Compensation expenses accounted for 70.6 per cent of total costs in F2023 (72.8 per cent in F2022) and increased by \$2.1 million from the prior year. This was primarily due to additional full-time employees in F2023, higher salaries and benefits, and lower supplemental pension expense. The ASC had an average of 213 full-time employees during the year (203 in F2022). The salaries and benefits expenses were \$2.2 million lower than budget primarily due to a higher-than-budgeted employee vacancy rate, with an average of 19 FTE during F2023 (18 FTE in F2022).

ADMINISTRATION

Administration costs increased by \$1.1 million in F2023 compared to F2022. These costs were \$898,000 lower than budget and accounted for 8.3 per cent of total costs (6.7 per cent in F2022). The administration cost category includes office operations, independent member fees and travel.

Office operating costs increased by \$785,000 compared with the prior year, primarily due to higher information technology (IT) and library costs partially offset by the lower cost of materials and supplies. The office operating costs were \$638,000 lower than budget primarily due to cost savings as a result of delays in some IT projects, and lower than expected materials and supply costs due to the ASC staff returning to the office on a hybrid working model as a result of the COVID-19 restrictions being lifted.

Independent member fees were higher than the prior year by \$49,000 and lower than budget by \$161,000 due to fewer hearing days than expected. Travel expenses were higher than the prior year by \$233,000 due to COVID-19 restrictions being lifted and lower than budget by \$97,000. Generally, travel expenses are required primarily for participation in CSA matters, enforcement activities and professional development.

PREMISES

Premises costs made up 9.6 per cent of total costs in F2023 (10.3 per cent in F2022). These costs increased by \$79,000 in F2023 compared to the prior year and were \$122,000 lower than budget due to changes in operating expenses.

PROFESSIONAL SERVICES

Professional services costs include contract services and CSA projects which accounted for 5.6 per cent of total costs in F2023 (4.6 per cent in F2022). These costs were higher than the prior year by \$668,000, and \$582,000 more than budget primarily due to increased services for IT projects and higher consultation services related to market regulation and human resources activities.

All CSA projects, including the development of harmonized securities policies and rules, and shared CSA information systems, are coordinated through a permanent secretariat located in Montreal, Quebec. CSA operating costs are borne on a formula based on a percentage of the population. The ASC's portion for F2023 was \$438,000 being 11.6 per cent (\$361,000 being 11.7 per cent in F2022) of these costs.

AMORTIZATION OF CAPITAL ASSETS

Amortization expense accounted for 2.1 per cent of total costs in F2023 (2.5 per cent in F2022) and decreased by \$103,000 and \$51,000 compared to the prior year and budget, respectively.

INVESTOR EDUCATION

Investor education costs were higher than the prior year and lower than budget by \$261,000 and \$53,000, respectively. Investor education activities included public awareness campaigns such as Fraud Prevention Month and elder abuse awareness. The ASC also engaged in digital advertising and cost-effective TV and radio advertisements.

INVESTMENT EXPENSE

Investment expenses were \$14,000 higher than the prior year and \$81,000 higher than budget. Investment services provided by AIMCo are charged directly to the pools on a cost-recovery basis. Fees for investment services provided to AIMCo by external managers are charged to the pools based on the percentage of net assets under management.

INVESTMENT IMPAIRMENT

As of March 31, 2023, the investment portfolio had a loss in value, other than a temporary decline that resulted in an impairment of \$475,000 (\$195,000 in F2022). The total impairment includes \$475,000 (\$188,000 in F2022) from public equity securities, \$nil (\$7,000 in F2022) from private hedge fund securities, and \$nil (\$400 in F2022) from fixed-income securities.

CAPITAL EXPENDITURES

| <i>thousands of dollars</i> | F2023 | F2023 | F2022 |
|---------------------------------|--------|--------|--------|
| | Budget | Actual | Actual |
| Computer equipment and software | 350 | 313 | 320 |
| Furniture and equipment | 150 | 51 | 97 |
| Leaseholds | 30 | 23 | 77 |
| Total | 530 | 387 | 494 |

In F2023, capital expenditures were primarily related to IT projects, including hardware and software upgrades, office furniture purchases and leasehold improvements.

Financial Assets and Liquidity

INVESTMENTS

The ASC's investments are independently managed by AIMCo which is a provincial corporation responsible to the Minister of Finance. The ASC does not participate in specific capital market investment decisions or transactions; however, the ASC's investment policy provides guidance relevant to the governance, purpose, size, access, management and annual income of the investments.

AIMCo uses several types of derivatives across most product areas to cost-effectively manage asset exposure, hedge interest rate and foreign currency risk, and enhance return. Current credit exposure is represented by the current replacement cost of all outstanding derivative contracts in a favorable position (positive fair value), after adjusting for collateral received and pledged.

RATES OF RETURN ON INVESTMENTS

Investments include fixed-income and equity pool investments. The ASC's investments had a negative net return of 1.11 per cent for the year ended March 31, 2023 (positive net return of 1.06 per cent in F2022). The fixed-income pool includes a mix of high-quality government and corporate (public and private) fixed-income securities and debt-related derivatives. Equity pool investments include publicly traded equities from Canadian and global market index participants. The equity pools use derivatives as part of AIMCo's global strategy to simulate index composition and minimize investment risk. Investments can be accessed on two weeks' notice and are available to fund ASC cash requirements.

The rates of return on the ASC's investments are:

| | F2023 | F2022 |
|---|---------|---------|
| | Actual | Actual |
| Fixed-income pool securities (market value) | (1.78%) | (4.70%) |
| Global equities pool funds (market value) | 1.77% | 11.91% |
| Canadian equities pool funds (market value) | (4.53%) | 22.44% |
| Money market funds | 3.00% | 0.23% |

Fixed-income pool securities are sensitive to interest rate fluctuations. At March 31, 2023, ASC fixed-income pool security investments of \$83.3 million market value had maturities that ranged from under one year (20.1 per cent) to greater than 10 years (55.2 per cent), with an average duration of 7.4 years (7.7 years in F2022). A 1.0 per cent increase in the interest rate, assuming no other changes, would reduce the market value of the ASC's fixed-income pool securities by 4.8 per cent (4.9 per cent in F2022).

Quarterly Variance Analysis

QUARTERLY RESULTS SUMMARY

| | thousands of dollars | | | | | | | |
|-----------------------------|----------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | F2023 | | | | F2022 | | | |
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| | (Jan-Mar) | (Oct-Dec) | (Jul-Sep) | (Apr-Jun) | (Jan-Mar) | (Oct-Dec) | (Jul-Sep) | (Apr-Jun) |
| Revenue | | | | | | | | |
| Fees and other | 35,942 | 5,826 | 5,497 | 13,429 | 37,321 | 7,251 | 5,658 | 12,216 |
| Investment income (loss) | 2,496 | (1,428) | (149) | (753) | 628 | 1,807 | 2,057 | 2,429 |
| | 38,438 | 4,398 | 5,348 | 12,676 | 37,949 | 9,058 | 7,715 | 14,645 |
| Regulatory expenses | | | | | | | | |
| Salaries and benefits | 9,687 | 8,528 | 8,223 | 7,810 | 8,878 | 8,146 | 7,458 | 7,617 |
| Other | 4,777 | 3,420 | 3,147 | 2,902 | 4,311 | 2,741 | 2,523 | 2,406 |
| | 14,464 | 11,948 | 11,370 | 10,712 | 13,189 | 10,887 | 9,981 | 10,023 |
| Operating surplus (deficit) | 23,974 | (7,550) | (6,022) | 1,964 | 24,760 | (1,829) | (2,266) | 4,622 |
| Investments | 121,526 | 116,220 | 113,238 | 113,112 | 101,713 | 108,198 | 104,736 | 104,185 |
| Cash | 23,990 | 1,933 | 7,183 | 13,063 | 31,983 | 7,476 | 10,118 | 14,516 |

FEE REVENUE

Quarterly fee revenue is variable due to the timing of fee-related filings from reporting issuers and the variable portion of prospectus and prospectus-exempt fees, which fluctuate with market activity. The majority of total fee revenue is received in the fourth quarter each year, primarily due to annual registration renewal and annual financial statements filing fees. Annual registration renewal fees are received in January and the majority of annual financial statements filing fees are received from February to April.

REGULATORY EXPENSES

The ASC pays IIROC a portion of IIROC members' annual registration renewal fees. \$520,000 was paid in F2023 (\$522,000 in F2022).

Other expenses vary from quarter to quarter because of the timing of expenditures. For example, professional services for enforcement activities depend on the nature of investigations, the timing of expert reports, and the testimony required for hearings and trials. Investor education activities generally correspond with Investor Education Month in October and Fraud Prevention Month in March.

Contractual Obligations

Commitments to outside organizations, as of March 31, 2023, totalled \$17.2 million (\$19.0 million in F2022). Commitments include leases of premises (including parking) to 2025, rental of office equipment to 2024, and software subscriptions to 2027. See Note 9(A) of the March 31, 2023, annual audited financial statements for the commitments schedule.

The ASC has contractual commitments for a supplemental pension plan for certain senior executives. Payment amounts are dependent on the future decisions of plan participants and are recorded as liabilities.

Financial Instruments

In F2023, the capital markets were focused on a series of overlapping crises that transpired on the heels of Russia's invasion of Ukraine. Continued commodity price shocks following the war pushed inflation higher across global economies, China's zero-COVID lockdowns, the UK mini-budget and liability-driven investment pension concerns, a cryptocurrency market collapse and a US banking sector crisis. Certain events on this list can be attributed to the most aggressive monetary policy tightening cycle by major central banks on record. This negatively impacted both equity and fixed-income markets. For only the fourth time in nearly 90 years, bonds and equities declined in value together during the year, generating a higher-than-normal negative impact on a traditional 60/40 portfolio.

Equity markets were able to post gains in the first three months of calendar 2023, helping to bring the S&P 500's total annual return for F2023 to a negative 0.1 per cent (on a dollar basis), while in Canada, the S&P TSX Index returned a negative annual return of 5.1 per cent over the same period. Canadian bond markets did slightly better than their equity counterparts. The FTSE Canada Universe Bond Index delivered a negative return of 2.0 per cent in the 12 months ending March 31, 2023, with 5-year treasury rates climbing from 2.4 per cent to 3.0 per cent.

As we enter F2024, the probability of a recession is gaining momentum. Even though central bank officials have begun to pause or signal a slowdown in rate hikes, the impact of 2022's rate increases is starting to be felt in the economy. The Bank of Canada has entered a holding pattern at the current level of rates, waiting to evaluate the lagged effects of higher yields.

At March 31, 2023, the fair value of derivatives was in a net asset position of \$789,070 compared to a net asset position of \$659,682 as of March 31, 2022. Cash and non-cash collateral for derivative contracts pledged as of March 31, 2023 totalled \$896,563 (\$1,446,433 in F2022).

To generate additional income, the pools participate in a securities lending program. Under this program, the custodian may lend investments held in the pools to eligible third parties for short periods. As of March 31, 2023, the fair value of the ASC's share of securities loaned was \$1,124,968 (\$2,043,825 in F2022), and the fair value of collateral held totaled \$1,192,942 (\$2,194,143 in F2022).

The ASC reports all of its investments at fair value, consistent with how they are evaluated and managed by AIMCo. Realized and unrealized investment gains and losses are reported separately. Only realized gains and losses are reported in the Statement of Operations. Unrealized gains and losses are reported in the Statement of Remeasurement Gains and Losses. Investment risks, including credit risk, foreign currency risk, interest rate risk, price risk and liquidity risk, are disclosed in the notes to the March 31, 2023 annual audited financial statements.

The ASC's financial instruments include cash, accounts receivable, investments, accounts payable and accrued liabilities.

Related Party Transactions

The ASC is related, through the Government of Alberta, to all provincial government ministries, agencies, boards, commissions and Crown corporations. See Note 11 in the March 31, 2023 annual audited financial statements for related party transactions.

CSA National Systems

See Note 8 in the March 31, 2023 annual audited financial statements for more information concerning the CSA National Systems.

Risk Management Initiatives

BUSINESS CONTINUITY

The ASC Corporate Crisis Management Plan includes business continuity, disaster recovery and cybersecurity incident response plans ensuring the organization's critical operations continue after an unplanned disruption, disaster or cyberattack. Critical systems are designed with redundancy levels, including two geographically diverse replicated data centres ensuring data is safe and secure. Annual tests are conducted, ensuring the ability to re-establish critical operations allowing the ASC to meet essential business needs following a disruption. During normal operations, critical systems are available remotely, allowing many ASC staff the flexibility to work on a hybrid model, or work from home if ASC offices are not accessible.

RISK ASSESSMENT AND MITIGATION

Key risks to the effective operations of the ASC include loss of key personnel, disruption and loss of IT systems, crises beyond the ASC's control, and loss of public confidence in the ASC. The ASC has a comprehensive crisis management program, including systems, protocols and controls designed to lessen the impact on business processes and minimize any negative impacts.

During F2023, the ASC performed an extensive review of its Enterprise Risk Management (ERM) program for the F2024–2026 periods. The program facilitates the identification, analysis, mitigation and monitoring of internal and external risks that threaten the achievement of the ASC's strategic objectives. This risk review was performed in conjunction with the development of the ASC's three-year strategic plan. The review concluded that all reasonable steps had been taken, or are being taken, to mitigate risks to the extent that they are within the control of the organization. An annual targeted risk review will be completed in F2024 and F2025, with another comprehensive review planned for F2026.

The ASC continued with its hybrid work model in F2023, allowing many ASC staff the flexibility to work from home and the office. Remote working continues to be a heightened risk for cybersecurity and data protection, mitigated through specialized cybersecurity systems and cybersecurity awareness training. Annual audits, reviews and updates are conducted on our IT policies, processes and procedures to mitigate cybersecurity risks continually.

In addition to annual risk reviews, the ASC monitors risk on a real-time basis and continues to implement measures to improve the control environment.

MINISTERIAL BUDGET APPROVAL

Significant financial reporting and planning requirements include Ministerial approval of annual ASC budgets, any subsequent changes that materially modify the budget, and quarterly reporting to the Minister of actual financial results and budget amendments.

Fiscal 2024 Outlook

The ASC's priority is to provide intelligent regulation that facilitates an adaptable and enduring capital market, and which supports efforts to encourage growth and the diversification of our economy while ensuring investors are protected from improper, misleading or fraudulent practices.

REVENUE

F2024 revenue is budgeted to be \$61.5 million, an increase of \$0.7 million from F2023 revenue. This increase primarily reflects a change in assumptions related to the investment income, the number of Alberta reporting issuers, their average market capitalization, the number of registrants, and capital-raising-related activities in the Alberta market.

REGULATORY EXPENSES

F2024 regulatory expenses are budgeted to be \$56.2 million, an increase of \$7.7 million from F2023 regulatory expenses. The increase in cost estimates is based primarily on the impact of additional full-time employees on salaries and benefits, additional IT capital and non-capital projects and additional professional services, as part of the ASC's strategic plan. Other administrative expenditures are expected to increase due to expected inflationary increases.

LIQUIDITY AND CASH FLOW

Existing cash and investment balances are sufficient to fund ASC's F2024 operations and capital purchases. Cash includes demand deposits in the CLS account. Effective July 4, 2022, the CLS replaces the CCITF as the Province's cash pooling structure. Under the CCITF, money was pooled to make investments (i.e. purchasing financial securities), whereas, under the CLS, money will be pooled notionally to reduce the amount of government debt outstanding. Operationally, CLS's current practice is no different than under the CCITF, except for the limitation on investment activity. Unlike the CCITF, the ASC will no longer be able to invest any of its future surplus with AIMCo. In return, as a participant in the CLS, the ASC earns monthly interest on its cash balance based on a 12-week rolling average of the Province's 3-month cost of borrowing.

In April 2023, the Treasury Board and Finance (TBF) notified the ASC of an amendment to the CLS Participation Agreement, which includes changes to the definition of surplus cash. This new definition refers to financial assets generated from past operating surpluses used to finance future operating losses and finance regulatory expenses incurred after the next 30 calendar days.

Due to these changes, the ASC anticipates it will liquidate its investment portfolio and transfer the proceeds into its operating banking account in a time and manner determined after consultation with the TBF. The ASC will remain the owner of the cash held in CLS accounts and will continue to be able to deposit and withdraw from its account as required, thus allowing the ASC to meet all its operational needs, including short-term cash commitments.

RISKS AND UNCERTAINTIES

The budget is based on the ASC's experience, assessment of trends, and the application of key assumptions relating to future events. These assumptions include fee income trends consistent with that of Canadian capital markets, inputs used in the calculation of investment income, a staff vacancy rate based on actual historical rates, and specific project costs for IT, training and recruitment. Factors that could impact the ASC's financial performance include:

- the oil and gas price volatility and the continued global shift in the energy markets;
- capital market volatility and the impact on fees paid in connection with the distribution of securities, the filing of annual financial statements, and investment income;
- inflationary pressures' impact on cost assumptions and fee revenue;
- the creation of CIRO and its impact on the ASC's regulatory expenses and registration fee revenue;
- business plan changes and their impact on cost assumptions; and
- disruption of CSA national systems fee processing that delays fee receipts at the ASC's year-end.

Independent Auditor's Report

To the Members of the Alberta Securities Commission

Report on the Financial Statements

Opinion

I have audited the financial statements of the Alberta Securities Commission, which comprise the statement of financial position as at March 31, 2023, and the statements of operations, remeasurement gains and losses, change in net financial assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Alberta Securities Commission as at March 31, 2023, and the results of its operations, its remeasurement gains and losses, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Alberta Securities Commission in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the *Annual Report*, but does not include the financial statements and my auditor's report thereon. The *Annual Report* is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

Financial Statements

Management's Responsibility for Financial Reporting

The accompanying Alberta Securities Commission (ASC) financial statements and all other information relating to the ASC contained in this annual report have been prepared and presented by management, which is responsible for the integrity and fair presentation of the information.

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards. The financial statements necessarily include certain amounts based on the informed judgments and best estimates of management. The financial information contained elsewhere in this annual report is consistent with that in the financial statements.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the ASC has developed and maintains a system of internal control to produce reliable information for reporting requirements. The systems are designed to provide reasonable assurance that ASC transactions are properly authorized, assets are safeguarded from loss and the accounting records are a reliable basis for the preparation of the financial statements.

The Auditor General of Alberta, the ASC's external auditor appointed under the *Auditor General Act*, performed an independent external audit of these financial statements in accordance with Canadian generally accepted auditing standards and has expressed his opinion in the accompanying Independent Auditor's Report.

ASC Members are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Members exercise this responsibility through the Audit Committee. In both the presence and absence of management, the Audit Committee meets with the external auditors to discuss the audit, including any findings as to the integrity of financial reporting processes and the adequacy of our systems of internal controls. The external auditors have full and unrestricted access to the Members of the Audit Committee.



STAN MAGIDSON
Chair and Chief Executive Officer



SAMIR SABHARWAL
Executive Director

June 7, 2023

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Alberta Securities Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Alberta Securities Commission's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Alberta Securities Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Alberta Securities Commission's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Alberta Securities Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]
Auditor General

June 7, 2023
Edmonton, Alberta

STATEMENT OF FINANCIAL POSITION

| <i>thousands of dollars</i> | At March 31, 2023 | At March 31, 2022 |
|--|-------------------|-------------------|
| Financial Assets | | |
| Cash (Note 3) | 23,990 | 31,983 |
| Accounts receivable | 451 | 112 |
| Investments (Note 4) | 121,526 | 101,713 |
| | 145,967 | 133,808 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 4,010 | 3,878 |
| Lease inducements | 662 | 911 |
| Accrued pension liability (Note 6) | 9,945 | 10,398 |
| | 14,617 | 15,187 |
| Net Financial Assets | 131,350 | 118,621 |
| Non-Financial Assets | | |
| Capital assets (Note 5) | 2,695 | 3,330 |
| Prepaid expenses | 753 | 575 |
| | 3,448 | 3,905 |
| Accumulated Surplus | 134,798 | 122,526 |
| Accumulated surplus is comprised of: | | |
| Accumulated operating surplus | 139,806 | 127,440 |
| Accumulated remeasurement losses | (5,008) | (4,914) |
| | 134,798 | 122,526 |

Commitments and contingent liabilities (Note 9)

The accompanying notes and schedule are part of these financial statements.

Approved by the Members



STAN MAGIDSON

Chair and Chief Executive Officer



KAREN KIM

Chair of the Audit Committee

June 7, 2023

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

| <i>thousands of dollars</i> | For year ended March 31 | | |
|---|-------------------------|----------------|---------|
| | 2023 | 2023 | 2022 |
| | Budget (Note 10) | Actual | Actual |
| Operating Surplus | 13,736 | 12,366 | 25,287 |
| Acquisition of capital assets | (530) | (386) | (494) |
| Amortization of capital assets | 1,072 | 1,021 | 1,124 |
| Prepayment of expenses | | (1,619) | (1,221) |
| Reduction of prepaid expenses | | 1,441 | 1,017 |
| Net remeasurement losses | | (94) | (5,392) |
| Increase in net financial assets | 14,278 | 12,729 | 20,321 |
| Net financial assets, beginning of year | 118,621 | 118,621 | 98,300 |
| Net financial assets, end of year | 132,899 | 131,350 | 118,621 |

The accompanying notes and schedule are part of these financial statements.

STATEMENT OF OPERATIONS

| | For year ended March 31 | | |
|---|-------------------------|----------------|---------|
| | 2023 | 2023 | 2022 |
| | Budget (Note 10) | Actual | Actual |
| Revenues | | | |
| Fees (Note 7) | 61,147 | 60,330 | 62,289 |
| Investment income (Note 4(C)) | 2,600 | 166 | 6,921 |
| Other enforcement receipts (Note 7) | 600 | 29 | 22 |
| Administrative penalties (Note 3) | 110 | 334 | 134 |
| Conference and other | 10 | 1 | 1 |
| | 64,467 | 60,860 | 69,367 |
| Regulatory Expenses | | | |
| Salaries and benefits | 36,499 | 34,248 | 32,099 |
| Administration | 4,902 | 4,004 | 2,938 |
| Premises | 4,760 | 4,638 | 4,559 |
| Professional services | 2,125 | 2,707 | 2,039 |
| Amortization of capital assets (Note 5) | 1,072 | 1,021 | 1,124 |
| Investor education | 993 | 940 | 679 |
| Investment expense (Note 11) | 380 | 461 | 447 |
| Investment impairment (Note 4(D)) | - | 475 | 195 |
| | 50,731 | 48,494 | 44,080 |
| Operating Surplus | 13,736 | 12,366 | 25,287 |
| Accumulated Operating Surplus, beginning of year | 127,440 | 127,440 | 102,153 |
| Accumulated Operating Surplus, end of year | 141,176 | 139,806 | 127,440 |

The accompanying notes and schedule are part of these financial statements.

STATEMENT OF REMEASUREMENT GAINS AND LOSSES (NOTE 4)

| | For year ended March 31 | |
|---|-------------------------|---------|
| | 2023 | 2022 |
| Accumulated remeasurement (losses) gains, beginning of year | (4,914) | 478 |
| Unrealized losses on investments during the year | (1,699) | (5,290) |
| Amounts reclassified during the year to the Statement of Operations | 1,605 | (102) |
| Net remeasurement losses for the year | (94) | (5,392) |
| Accumulated remeasurement losses, end of year | (5,008) | (4,914) |

The accompanying notes and schedule are part of these financial statements.

STATEMENT OF CASH FLOWS

| | For year ended March 31 | |
|--|-------------------------|----------|
| | 2023 | 2022 |
| Operating Transactions | | |
| Fees and other | 60,181 | 61,986 |
| Payments to and on behalf of employees | (34,916) | (31,772) |
| Payments to suppliers for goods and services | (12,740) | (10,608) |
| Administrative penalties (Note 3) | 334 | 134 |
| Investment income | 323 | 37 |
| Other enforcement receipts (Note 7) | 29 | 22 |
| Cash received from operating transactions | 13,211 | 19,799 |
| Capital Transactions | | |
| Cash used to acquire capital assets | (204) | (473) |
| Cash used in capital transactions | (204) | (473) |
| Investing Transactions | | |
| Purchases of investments | (21,000) | (15,000) |
| Cash used in investing transactions | (21,000) | (15,000) |
| (Decrease) increase in cash | (7,993) | 4,326 |
| Cash, beginning of year | 31,983 | 27,657 |
| Cash, end of year | 23,990 | 31,983 |

The accompanying notes and schedule are part of these financial statements.

Notes to the Financial Statements

March 31, 2023

Note 1: Nature of Operations

The Alberta Securities Commission (ASC) is the regulatory agency responsible for administering the province's securities laws and is exempt from income tax under the *Income Tax Act* (Canada).

Note 2: Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards (PSAS).

A) INVESTMENTS

The Alberta Investment Management Corporation (AIMCo) invests in pooled investment funds in accordance with the investment policy approved by the ASC. AIMCo controls the creation of the pools and the management and administration of the pools, including security selection. Accordingly, the ASC does not participate in capital market investment decisions or transactions.

AIMCo manages and reports all ASC investments and cash balances using the accounting policies outlined in (I), (II) and (III) below. Fixed-income securities and equities consist of units in pooled investment funds. The units are recognized at fair value based on the fair value of the financial instruments held in the pools.

I. VALUATION OF INVESTMENTS

Fair values of investments managed and held by AIMCo in pooled investment funds are determined as follows:

- public fixed-income securities and equities are valued at the year-end closing sale price, or, if not actively traded, any price point between the bid/ask spread that is deemed to be most representative of fair value; and
- private fixed-income securities are valued based on the net present value of future cash flows. These cash flows are discounted using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market.

The pools include derivative contracts, including equity and bond index swaps, interest rate swaps, cross-currency interest rate swaps, credit default swaps, forward foreign exchange contracts and equity index futures contracts.

Impairment in the value of investments is assessed on an annual basis. If an impairment deemed other-than-temporary is identified, the cost of the investment is written down to its realizable value. A write-down of investment to reflect a loss in value is not reversed for a subsequent increase in value.

II. INVESTMENT INCOME AND EXPENSES

Income from investment in units of the pools and expenses and transaction costs incurred by the pools are allocated to the ASC based on the ASC's pro rata share of units in each pool. Investment services provided by AIMCo are charged directly to the pools on a cost-recovery basis. Fees for investment services provided to AIMCo by external managers are charged to the pools based on the percentage of net assets under management. Investment income, including that from derivative contracts and expenses, is recognized on an accrual basis.

Gains and losses arising as a result of the disposal of investments and related pool units are included in the determination of investment income and reported in the Statement of Operations. The cost of disposal is determined on an average-cost basis.

Interest income attributable to fixed-income financial assets held in the pools is recognized using the effective interest method. Dividend income attributable to equities held by the pools is recognized on the ex-dividend date.

III. REMEASUREMENT GAINS AND LOSSES

Accumulated remeasurement gains (losses) represent the excess (deficit) of the fair value of the pool units at year-end over (below) the cost of the pool units. Changes in accumulated remeasurement gains (losses) are recognized in the Statement of Remeasurement Gains and Losses. Changes in accumulated remeasurement gains (losses) during the year include unrealized increases and decreases in fair value of the pooled units, and realized gains and losses on sale of the pool units. When the pool units are sold (derecognized), any accumulated unrealized gain or loss associated with the investment becomes realized and is included in the Statement of Operations.

B) VALUATION OF FINANCIAL ASSETS AND LIABILITIES

Cash, accounts payable and accrued liabilities are recognized at cost. Accounts receivable are recognized at the lower of cost and net recoverable value. The fair values of each of these line items approximate their carrying values due to their short-term nature. All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the Statement of Operations. See Notes 2(A) and (G) for the valuation of investments and the accrued pension liability, respectively.

C) CAPITAL ASSETS

Capital assets are recognized at cost less accumulated amortization, which includes amounts directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Work in progress, which includes leasehold improvements, furniture and equipment, and computer equipment and software, is not amortized until after a project is complete (or substantially complete) and the asset is put into service.

Capital assets are written down when conditions indicate that they no longer contribute to the ASC's ability to provide goods and services or when the value of future economic benefits associated with the capital assets are less than their net book value. The net write-downs are accounted for as expenses in the Statement of Operations. Assets are amortized on a straight-line basis over their estimated useful lives as follows:

| | |
|---------------------------------|--|
| Computer equipment and software | 3 years |
| Furniture and equipment | 10 years |
| Leaseholds | one 6.5-year, one 8.3-year and one 15-year lease, all three ending November 2025 |

D) PREPAID EXPENSES

Prepaid expenses are recognized at cost and amortized based on the terms of the agreement.

E) FEES, ADMINISTRATIVE PENALTIES AND OTHER ENFORCEMENT RECEIPTS RECOGNITION

Fees are recognized when earned, which is upon cash receipt.

Administrative penalties and other enforcement receipts, including disgorgements, settlement payments, and cost recoveries, are recognized when the decision is issued by the ASC or an agreement is reached and collectability is assured, which is generally upon cash receipt.

F) EXPENSES

Expenses are reported on an accrual basis. The costs of all goods consumed and services received during the year are expensed.

G) EMPLOYEE FUTURE BENEFITS

The ASC participates in the Public Service Pension Plan, a multi-employer-defined benefit pension plan. This plan is accounted for as a defined contribution plan as the ASC has insufficient information to apply defined benefit plan accounting. Pension expenses are comprised of employer contributions related to the current service of employees during the year and additional employer contributions for service relating to prior years. These contributions are calculated based on actuarially pre-determined amounts that are expected, along with investment income, to provide the plan's future benefits.

The ASC maintains a supplemental retirement plan for certain designated executives of the ASC. This plan is limited to existing participants; no new participants have been added since 2014. The cost of the pension is actuarially determined using the projected unit credit cost method pro-rated on service as well as management's best estimate of economic assumptions. Past service costs and actuarial gains and losses arising from assumption changes are amortized on a straight-line basis over the average remaining service period of the related employee group in the Supplemental Pension Plan. The average remaining service period of active employees in the Supplemental Pension Plan is two years.

The ASC also maintains a plan whereby it makes Registered Retirement Savings Plan contributions on behalf of certain employees of the ASC. The contributions are calculated based on a fixed percentage of the employee's salary to a maximum of the Registered Retirement Savings Plan contribution limit as specified in the *Income Tax Act* (Canada). The expense included in these financial statements represents the current contributions made on behalf of these employees.

H) LEASE INDUCEMENTS

Cash payments received as lease inducements are deferred and amortized on a straight-line basis over the lease terms.

I) MEASUREMENT UNCERTAINTY

Financial statements prepared in conformity with PSAS require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates include the value of investments, the value of accrued employee benefit liabilities and the useful lives of capital assets. Actual results could differ from these estimates.

The estimated provision for uncollectible administrative penalties and cost recoveries is based on an assessment of an ability to pay at the time of penalty assessment. Subsequent collection actions and changes in the ability to pay may result in recovery of amounts previously considered uncollectible. It is not possible to estimate the amount, if any, of subsequent recoveries.

J) RESTRICTED CASH

The *Securities Act* (Alberta) requires the revenue from administrative penalties to be used for certain operating expenditures that educate investors and enhance participants' knowledge of how securities markets operate.

K) ACCOUNTING CHANGES

The Public Sector Accounting Board has approved the following accounting standards:

CURRENT ACCOUNTING CHANGES

PS3280 Asset Retirement Obligations (effective April 1, 2022)

This standard provides guidance on accounting for and reporting liabilities for the retirement of tangible capital assets. Upon adoption, the ASC concluded that it has no assets that require decommissioning or retirement. As such, no adjustments resulted from adopting PS 3280 on April 1, 2022.

FUTURE ACCOUNTING CHANGES

PS3400 Revenue (effective April 1, 2023)

The Public Sector Accounting Board issued standard PS 3400 Revenue (the Standard) effective for fiscal years beginning on or after April 1, 2023. This standard provides guidance on how to report revenue. More specifically, it differentiates between revenue from transactions with performance obligations (exchange transactions) and transactions without performance obligations (non-exchange transactions).

The ASC has concluded that its revenue streams are non-exchange transactions with no performance obligations. The ASC will recognize the revenue from these non-exchange transactions when it has the authority to claim or retain an inflow of economic resources and has identified a past transaction or event that gives rise to an asset. The amount of revenue from transactions with no performance obligations will be recognized at its realizable value, the amount of cash received or receivable. The ASC will recognize an accounts receivable balance in instances where the reporting issuer, registrant or market participant has not paid upon filing or has only made a partial payment at the time of revenue recognition. This change in accounting policy made to conform with this new standard will be applied prospectively from April 1, 2023.

PS3160 Public-Private Partnerships (effective April 1, 2023)

This standard provides guidance on how to account for public-private partnerships between public and private sector entities, where the public sector entity procures infrastructure using a private sector partner.

The new standard is not expected to have any material impact on the financial statements when adopted. The ASC does not have any public-private partnership arrangements.

Note 3: Cash and Restricted Cash

| <i>thousands of dollars</i> | 2023 | 2022 |
|-----------------------------|--------|--------|
| Cash | 23,990 | 31,983 |

Net financial assets include accumulated net administrative penalty revenue represented as restricted cash. The change in restricted cash is comprised of:

| <i>thousands of dollars</i> | 2023 | 2022 |
|---|-------|-------|
| Administrative Penalties | | |
| Assessed penalties | 404 | 725 |
| Less provision for uncollectible amounts | (404) | (709) |
| Plus recoveries of prior-year assessments | 334 | 118 |
| | 334 | 134 |
| Administrative Penalties | 334 | 134 |
| Less eligible restricted cash expenses (investor education) | (334) | (134) |
| Change in restricted cash | - | - |
| Restricted Cash, beginning of year | - | - |
| Restricted Cash, end of year | - | - |

Cash includes demand deposits in the Consolidated Liquidity Solution (CLS). Effective July 4, 2022, the CLS replaced the Consolidated Cash Investment Trust Fund (CCITF) as the Province's cash pooling structure. The new CLS structure enhances effectiveness and efficiency from the Province's cash management perspective. As a CLS participant, the ASC is paid interest on a monthly basis on the cash balance at an interest rate based on a 12-week rolling average of the Province's 3-month cost of borrowing.

Note 4: Investments

A) SUMMARY

| <i>thousands of dollars</i> | 2023 | | | | 2022 | | |
|-----------------------------|---------|------------------------------|------------|-------|---------|------------|-------|
| Investments | Cost | Remeasurement (Losses) Gains | Fair Value | % | Cost | Fair Value | % |
| Fixed-income securities | 90,965 | (7,650) | 83,315 | 68.6 | 74,095 | 68,491 | 67.3 |
| Global equities | 26,843 | 2,569 | 29,412 | 24.2 | 23,760 | 24,266 | 23.9 |
| Canadian equities | 8,094 | 73 | 8,167 | 6.7 | 8,259 | 8,443 | 8.3 |
| Money market deposit | 632 | - | 632 | 0.5 | 513 | 513 | 0.5 |
| | 126,534 | (5,008) | 121,526 | 100.0 | 106,627 | 101,713 | 100.0 |

The carrying amounts of the ASC's investments are recognized on a fair-value basis. The ASC's investments are held in pooled investment funds established and managed by AIMCo. Pooled investment funds have a market-based unit value that is used to allocate income to participants and to value purchases and sales of pool units.

The money market deposit was previously part of the CCITF. The primary objective of the money market deposit is to provide the necessary liquidity to meet cash management requirements and investment transactions needs. Investment returns are a secondary objective and are based on the Bank of Canada target overnight rate.

The fixed-income pool includes a mix of high-quality government and corporate (public and private) fixed-income securities and debt-related derivatives. The fund is actively managed to minimize credit and market risk through the use of derivatives, portfolio duration and sector rotation.

Equity investments include publicly traded equities from Canadian and global market index participants. The equity pools use derivatives as part of AIMCo's global strategy.

Derivatives are primarily used as hedging instruments within global equities. Foreign exchange forwards and swaps are used to manage the foreign exchange and interest rate risk of specific securities. As well, swaps on credit indices are used to hedge credit risk in the portfolio.

AIMCo utilizes derivatives to quickly and cost-effectively implement asset and currency allocation strategies and to add value to market returns. As appropriate, AIMCo has utilized derivatives across all asset classes to hedge. These positions are typically highly liquid, transparent and relatively easy to price and implement, and allow AIMCo to economically take exposures.

Derivatives are valued on a daily basis. Over-the-counter derivatives are valued primarily using either a "mark to model" approach using valuation models created internally or sourced from specialized third-party valuers/vendors that are independent from the counterparty. The valuation models use observable market data inputs such as yield curves, spreads, volatility and currency rates obtained from approved data providers. Review and approval of prices generated by internal models is similar to listed securities except that the prices are generally sole-sourced. Exchange-traded derivatives are priced based on quoted prices in active markets. The fair value of derivatives as at March 31, 2023 resulted in a net asset position of \$789,070 compared to a net asset position of \$659,682 as at March 31, 2022.

FAIR VALUE HIERARCHY

The measure of reliability is determined based on the following:

I. LEVEL ONE

Fair value is based on quoted prices in an active market. Although the pools may ultimately hold publicly traded listed equity investments, the pool units themselves are not listed in an active market and therefore cannot be classified as Level One for fair value hierarchy purposes. Pool units classified as Level Two may contain investments that may otherwise be classified as Level One.

II. LEVEL TWO

Fair value is estimated using valuation techniques that make use of market observable inputs other than quoted market prices. This level includes pool units that hold public equities, debt securities and derivative contracts. All the ASC's investments are in Level Two.

III. LEVEL THREE

Fair value is estimated using inputs based on non-observable market data.

B) INVESTMENT RISK MANAGEMENT

The ASC is exposed to financial risks associated with the underlying securities held in the investment funds. These financial risks include credit risk, foreign currency risk, interest rate risk, price risk and liquidity risk.

I. CREDIT RISK

Counterparty credit risk is the risk of loss arising from the failure of a counterparty to fully honor its financial obligations with the ASC. The credit quality of financial assets is generally assessed by reference to external credit ratings. Credit risk can also lead to losses when issuers and debtors are downgraded by credit rating agencies, usually leading to a fall in the fair value of the counterparty's obligations. Credit risk exposure for financial instruments is measured by the positive fair value of the contractual obligations with counterparties. The fair value of all investments is directly or indirectly impacted by credit risk to some degree. Most of the ASC's investments in debt securities are with counterparties considered to be investment grade.

The ASC is exposed to credit risk associated with the underlying debt securities held in investment funds managed by AIMCo.

The following table summarizes the ASC's investment in debt securities by counterparty credit rating as at March 31:

| Credit Rating | 2023 | 2022 |
|-------------------------------|--------|--------|
| Investment Grade | | |
| AAA | 26.5% | 22.9% |
| AA+ to AA- | 29.6% | 30.1% |
| A+ to A- | 21.3% | 23.0% |
| BBB+ to BBB- | 19.7% | 20.5% |
| Speculative Grade and unrated | 2.9% | 3.5% |
| | 100.0% | 100.0% |

To generate additional income, the pools participate in a securities-lending program. Under this program, the custodian may lend investments held in the pools to eligible third parties for short periods. As at March 31, 2023, the fair value of the ASC's share of securities loaned was \$1,124,968 (\$2,043,825 in F2022), and the fair value of collateral held totalled \$1,192,942 (\$2,194,143 in F2022). The net impact was \$67,974 (excess credit protection). Securities borrowers are required to provide the collateral to assure the performance of redelivery obligations. Collateral may take the form of cash or other investments. All collateralization by the borrower must be in excess of 100 per cent of the investments loaned.

As at March 31, 2023, deposits in futures contracts margin accounts totalled \$520,756 (\$789,274 in F2022). Cash and non-cash collateral for derivative contracts pledged as at March 31, 2023 totalled \$896,563 (\$1,446,433 in F2022), and collateral received was \$nil as at March 31, 2023 (\$nil in F2022).

II. FOREIGN CURRENCY RISK

The ASC is exposed to foreign currency risk associated with the underlying securities held in investment funds denominated in currencies other than the Canadian dollar. Foreign currency risk is the risk that a financial instrument's fair value or future cash flows will fluctuate because of changes in foreign exchange rates. The fair value of investments denominated in foreign currencies is translated into Canadian dollars using the reporting date exchange rate.

The following table summarizes the ASC's exposure to foreign currency investments held in investment funds at:

| Currency | March 31, 2023 | | March 31, 2022 | |
|------------------------|----------------|--------------|----------------|--------------|
| | Fair Value | Sensitivity* | Fair Value | Sensitivity* |
| U.S. Dollar | 18,528 | (1,853) | 17,554 | (1,755) |
| Euro | 3,670 | (367) | 2,592 | (259) |
| Japanese Yen | 1,955 | (196) | 1,581 | (158) |
| British Pound Sterling | 1,150 | (115) | 863 | (86) |
| Swiss Franc | 642 | (64) | 505 | (51) |
| Australian Dollar | 473 | (47) | 467 | (47) |
| Other Foreign Currency | 1,680 | (168) | 6 | (1) |
| | 28,098 | (2,810) | 23,568 | (2,357) |

*Sensitivity refers to the fair value impact when the value of the Canadian dollar increases by 10 per cent against all other currencies, with all other variables held constant.

III. INTEREST RATE RISK

The ASC is exposed to interest rate risk with the money market deposit and fixed-income securities held in the investment funds. Interest rate risk relates to the possibility that the fair value of investments will change due to future fluctuations in market interest rates. In general, investment returns from bonds are sensitive to changes in the level of interest rates, with longer-term fixed-income securities being more sensitive to interest rate changes than shorter-term bonds. If interest rates increased by 1.0 per cent, and all other variables were held constant, the potential loss in fair value to the ASC would be approximately 4.8 per cent of total investments (4.9 per cent in F2022).

The following table summarizes the terms to maturity of fixed-income securities held in the fixed income pool at March 31, 2023:

| | <1 year | 1-5 years | Over 5 years | Repurchase Agreements** |
|-------------------------|---------|-----------|--------------|-------------------------|
| Fixed-income securities | 20.14% | 61.78% | 55.01% | (36.93%) |

**All repurchase agreements are less than 24 months.

IV. PRICE RISK

The ASC is exposed to price risk associated with the underlying equity investments held in investment funds. Price risk relates to the possibility that equity investments will change in fair value due to future fluctuations in market prices caused by factors specific to an individual equity investment or other factors affecting all equities traded in the market. If the MSCI World Index declined by 10.0 per cent, and the decline only impacted equity factors, the potential loss in fair value to ASC would be approximately 3.0 per cent of total investments (2.9 per cent in F2022).

V. LIQUIDITY RISK

Liquidity risk is the risk that the ASC will encounter difficulty in meeting obligations associated with its financial liabilities. Income generated from investments and by investing in publicly traded liquid assets traded in active markets that are easily sold and converted to cash contributes to the ASC's liquidity.

C) INVESTMENT INCOME

The ASC's investment income includes \$1.2 million income from CCITF, CLS, money market deposit and fixed-income securities (\$1.8 million in F2022) and \$1.0 million loss from equities (\$5.1 million income in F2022). The ASC's investments had a negative net return of 1.11 per cent for the year ended March 31, 2023, which was generated by the realized and unrealized gains and losses (positive net return of 1.06 per cent in F2022). This performance compares to a benchmark (composite of FTSE TMX 91 Day T-Bill, FTSE TMX Canada Universe Bond, MSCI World index and S&P/TSX indexes) negative return of 1.26 per cent for the year ended March 31 (positive return of 0.42 per cent in 2022).

D) INVESTMENT IMPAIRMENT

As at March 31, 2023, the investment portfolio has recorded a loss in value, other than a temporary decline that resulted in an impairment of \$474,983 (\$195,195 in F2022). The total impairment includes \$474,983 (\$188,159 in F2022) from public equity securities, \$nil (\$6,637 in F2022) from private hedge fund securities and \$nil (\$399 in F2022) from fixed-income securities. The impairment expense was recorded in the Statement of Operations.

Note 5: Capital Assets

| <i>thousands of dollars</i> | Computer Equipment & Software | Furniture & Equipment | Leaseholds | 2023 Total | 2022 Total |
|---------------------------------|-------------------------------|-----------------------|----------------|------------|------------|
| Estimated useful life | 3 years | 10 years | Lease duration | | |
| Cost | | | | | |
| Beginning of year | 3,989 | 3,577 | 7,310 | 14,876 | 14,492 |
| Additions | 313 | 51 | 22 | 386 | 494 |
| Disposals | (379) | (224) | - | (603) | (110) |
| | 3,923 | 3,404 | 7,332 | 14,659 | 14,876 |
| Accumulated amortization | | | | | |
| Beginning of year | 3,337 | 2,836 | 5,373 | 11,546 | 10,532 |
| Amortization expense | 373 | 120 | 528 | 1,021 | 1,124 |
| Disposals | (379) | (224) | - | (603) | (110) |
| | 3,331 | 2,732 | 5,901 | 11,964 | 11,546 |
| Net book value | 592 | 672 | 1,431 | 2,695 | 3,330 |

Note 6: Accrued Pension Liability and Pension Expense

The following pension expense for the plans is included in the Statement of Operations under salaries and benefits:

| <i>thousands of dollars</i> | 2023 | 2022 |
|------------------------------------|-------|-------|
| Public Service Pension Plan | 1,413 | 1,469 |
| Registered Retirement Savings Plan | 1,493 | 1,238 |
| Supplemental Pension Plan | (102) | 451 |
| | 2,804 | 3,158 |

A) PUBLIC SERVICE PENSION PLAN

The ASC participates in the Public Service Pension Plan. At December 31, 2022, the Public Service Pension Plan reported a surplus of \$4,259 million (\$4,588 million as at December 31, 2021). The ASC is not responsible for future funding of any plan deficit other than through contribution increases.

B) REGISTERED RETIREMENT SAVINGS PLAN

The ASC makes Registered Retirement Savings Plan (RRSP) contributions on behalf of employees who do not participate in the Public Service Pension Plan.

C) SUPPLEMENTAL PENSION PLAN

The ASC has a Supplemental Pension Plan (SPP) for certain designated executives of the ASC. The provisions of the SPP were established pursuant to a written agreement with each designated executive.

The SPP provides pension benefits to the designated executives based on pensionable earnings that are defined by reference to base salary in excess of the limit imposed by the *Income Tax Act* (Canada) on registered pension arrangements.

Pension benefits from the SPP are payable on or after the attainment of age 55 and are equal to 1.75 per cent of the highest average pensionable earnings (average over five years) for each year of service as a designated executive. Members of the SPP become vested in the plan after two years of service.

The SPP is unfunded, and the benefits will be paid as they come due from the assets of the ASC.

An actuarial valuation of the SPP is generally undertaken every three years. The previous SPP valuation was performed in March 2022. In F2023, the ASC reviewed the underlying assumptions and concluded that a new valuation was necessary. An independent actuary performed an SPP valuation in March 2023. The next valuation is scheduled for March 2026. The results of the actuarial valuation and management's cost estimates as they apply to the SPP are summarized below:

| <i>thousands of dollars</i> | 2023 | 2022 |
|---|-------|--------|
| Supplemental Pension Plan | | |
| Accrued benefit and unfunded obligation | 8,980 | 9,331 |
| Unamortized actuarial gains | 965 | 1,067 |
| Accrued benefit liability | 9,945 | 10,398 |

| <i>thousands of dollars</i> | 2023 | 2022 |
|---|-------|---------|
| Accrued Benefit Obligation | | |
| Accrued benefit obligation at beginning of year | 9,331 | 10,451 |
| Service cost | 158 | 200 |
| Interest cost | 373 | 263 |
| Benefits paid | (351) | (341) |
| Actuarial gains – experience and assumptions | (531) | (1,242) |
| Accrued benefit obligation at end of year | 8,980 | 9,331 |

| <i>thousands of dollars</i> | 2023 | 2022 |
|--|-------|------|
| Pension Expense for the Supplemental Pension Plan | | |
| Service cost | 158 | 200 |
| Interest cost | 373 | 263 |
| Amortization of actuarial gains during the year | (633) | (12) |
| | (102) | 451 |

The assumptions used in the actuarial valuation of the SPP and the projections are summarized below. The discount rate and other economic assumptions were established as management's best estimate in collaboration with the actuary. Demographic assumptions were selected by the actuary based on a best estimate of the future experience of the plans.

| Assumptions | 2023 | 2022 |
|---|---------|----------|
| Discount rate, year-end obligation | 4.50% | 4.00% |
| Discount rate, annual pension expense | 4.00% | 2.50% |
| Rate of inflation, year-end obligation | 2.00% * | 2.00% ** |
| Salary increases, year-end obligation | 4.00% | 3.00% |
| Remaining service life, year-end obligation | 2 years | 2 years |

*3.00 per cent for the year beginning April 1, 2023 and 2.00 per cent thereafter.

**3.00 per cent per year for the first three fiscal years beginning April 1, 2022 and 2.00 per cent thereafter.

Note 7: Fees and Other Enforcement Receipts

| <i>thousands of dollars</i> | 2023 | 2022 |
|--|--------|--------|
| Fees | | |
| Annual financial statements | 22,771 | 22,539 |
| Registration | 19,171 | 18,417 |
| Distribution of securities | 17,826 | 20,640 |
| SEDI, exempt distributions and registration late filing fees | 395 | 538 |
| Orders (applications) | 167 | 155 |
| | 60,330 | 62,289 |

| <i>thousands of dollars</i> | 2023 | 2022 |
|---|---------|-------|
| Other Enforcement Receipts | | |
| Settlement payments, disgorgements and cost recoveries assessed | 3,807 | 568 |
| Less provision for uncollectible amounts | (3,787) | (553) |
| Plus recoveries of prior-year assessments | 9 | 7 |
| | 29 | 22 |

Note 8: CSA National Systems

The CSA National Systems include the System for Electronic Document Analysis and Retrieval (SEDAR), the National Registration Database (NRD) and the System for Electronic Disclosure by Insiders (SEDI). These systems are administered under a CSA National Systems operations management and governance agreement (the Agreement). The Agreement empowers the ASC, jointly with three other CSA members, to manage the systems and to engage an external service provider to operate the systems. Though not expected to occur, as one of the agreement signatories, the ASC commits to pay 25.0 per cent of any shortfall from approved system operating costs that exceeds revenue. Any revenue in excess of system operating costs (surplus) is accumulated for future systems operations, including possible revenue shortfalls, fee adjustments and system enhancements. The surplus is not divisible; the CSA owns it as a group. As at March 31, 2023, the accumulated operating surplus totalled \$203.0 million (\$199.5 million at March 31, 2022). This was primarily made up of \$90.3 million of investments comprised of a notice account earning Bank of Canada overnight rate plus 0.5 per cent; guaranteed investment certificates ranging from six months to two years earning from 1.65 to 5.29 per cent; \$105.2 million in intangible assets; and \$21.7 million in cash held by the Ontario Securities Commission (the Designated Principal Administrator) earning Prime rate less 1.90 per cent. In management's judgment, this arrangement is not an interest in a partnership and the ASC does not control or have significant influence over how the net assets are managed.

Note 9: Commitments and Contingent Liabilities

Details of commitments to organizations outside the ASC are set out below.

A) COMMITMENTS

Premises Leases and Equipment Rental

Commitments arising from contractual obligations relating to the lease of premises (including parking) to November 30, 2025, rental of office equipment to 2024, and software subscriptions to 2027, totaling \$15.8 million (\$19.0 million in F2022). These commitments become expenses of the ASC when the terms of the contracts are met.

| <i>thousands of dollars</i> | |
|-----------------------------|--------|
| 2023–24 | 5,890 |
| 2024–25 | 5,630 |
| 2025–26 | 4,050 |
| 2026–27 | 270 |
| | 15,840 |

Canadian Securities Administrators

The CSA Secretariat assists in the development and harmonization of rules, regulations and policies across Canada. The ASC shares, based on an agreed-upon cost-sharing formula, costs incurred for the maintenance of the CSA Secretariat and any third-party costs incurred in the development of harmonized rules, regulations and policies.

B) CONTINGENT LIABILITIES

ASC panel or court decisions may be appealed. The outcomes of these matters are not determinable at this time; therefore, the impact on the operating surplus cannot be determined. However, management does not expect the impact to be material.

Note 10: Budget

The ASC's F2023 budget was approved by the Commission on December 8, 2021.

Note 11: Related Party Transactions

The ASC is related through common ownership to all Alberta provincial government ministries, agencies, boards, commissions and Crown corporations. Related parties also include key management personnel of the ASC and close family members of those individuals. The ASC conducted all transactions with these entities as unrelated parties and recorded them at exchange amounts. Total transaction costs of \$212,185 (\$327,856 in F2022) were recognized in salaries and benefits, and administrative expenses, primarily for employment contracts, insurance, and transcript and postage services. Investment fees of \$460,664 (\$447,369 in F2022) were charged by AIMCo. As at March 31, 2023, included in accounts payable and accrued liabilities is \$44,534 (\$81,940 in F2022) related to these transactions. The ASC earned interest income on its balances held within the CLS accounts of \$289,458 (\$nil in F2022).

Note 12: Subsequent Events

On April 26, 2023, the ASC received a notification from the Alberta Treasury Board and Finance (TBF) informing that the CLS participation agreement has been amended and the definition of surplus cash has been revised. The definition of surplus cash is intended to capture instances such as financial assets arising from past operating surpluses, used to finance potential future operating losses, and to pay for expenses that will be incurred after the next 30 calendar days, and is not intended to include financial assets that are necessary for a participant to meet their mandate. The amendment to the CLS participation agreement came into effect on May 26, 2023, and the revised definition of surplus cash is effective as of the date of the TBF notification.

As a result of the updated changes, the ASC anticipates it will liquidate its investment portfolio and transfer the proceeds into its operating banking account in a time and manner determined after consultation with the TBF. The ASC will remain the owner of the cash held in CLS accounts and will continue to be able to deposit and withdraw from its account as required.

Schedule 1: Salary and Benefits Disclosure

| <i>thousands of dollars</i> | | | | 2023 | 2022 |
|---|--------------------------|----------------------------------|--------------------------------------|-------|-------|
| | Base salary ¹ | Other cash benefits ² | Other non-cash benefits ³ | Total | Total |
| Chair and Chief Executive Officer (CEO), Alberta Securities Commission ^{4,5} | 495 | 99 | 52 | 646 | 656 |
| Executive Director, Alberta Securities Commission | 395 | 55 | 90 | 540 | 516 |
| Vice-Chair, Alberta Securities Commission ^{4,5} | 302 | 80 | 64 | 446 | 415 |
| Vice-Chair, Alberta Securities Commission ⁴ | 302 | 59 | 76 | 437 | 448 |
| Independent Members of the Alberta Securities Commission (aggregate) ⁶ | 416 | – | – | 416 | 367 |

¹ Base salary includes regular salary or Independent Members' compensation.

² Other cash benefits may include vacation payouts, retirement payments, transit allowance, flex earnings, study leave and automobile allowance.

³ Other non-cash benefits may include the employer's share of all employee benefits and contributions or payments made on behalf of employees, including RRSP, SPP,* flex benefit, health care, dental coverage, group life insurance, long-term disability plan, fair market value of parking, professional memberships and tuition fees.

⁴ The Chair and Vice-Chairs are full-time Commission Members.

⁵ This Vice-Chair and the Chair, and CEO do not participate in the SPP, but participate in the RRSP program. This RRSP benefit is reported under other non-cash benefits.

⁶ The Independent Members' compensation includes total fees paid for governance responsibilities of \$275,650 (\$282,550 in F2022) and hearing and application panel participation of \$140,287 (\$84,671 in F2022).

Independent Member fees include:

| | 2023 |
|--|---|
| Annual retainer | \$ 10,000 |
| Committee memberships (other than Audit Committee) | \$ 2,500 |
| Committee memberships (Audit Committee) | \$ 4,000 |
| Committee chairing (other than Audit Committee) | \$ 5,000 |
| Committee chairing (Audit Committee) | \$ 8,000 |
| Lead Independent Member | \$ 5,000 |
| Meeting attendance fee | \$1,000 per day for an ASC meeting; \$750 for a Committee meeting |
| Hearing fees | \$1,500 per hearing day; and \$200 per hour of related preparation, review and decision writing |
| Hearing fees (Panel Chair) | \$2,000 per hearing day; and \$250 per hour of related preparation, review and decision writing |

*Under the terms of the SPP, executive officers may receive supplemental retirement payments. Retirement arrangement costs are not cash payments in the period but are the period expense for rights to future compensation. Costs shown reflect the total estimated cost to provide annual pension income over an actuarially determined post-employment period. SPP provides future pension benefits to participants based on years of service and earnings. The cost of these benefits is actuarially determined using the projected benefit method pro-rated on services, a market interest rate, and management's best estimate of expected costs and the period of benefit coverage. Net actuarial gains and losses of the benefit obligations are amortized over the average remaining service life of the employee group. Current service cost is the actuarial present value of the benefits earned in the fiscal year. Prior service and other costs include amortization of past service costs on plan initiation, amortization of actuarial gains and losses, and interest accruing on the actuarial liability.

Supplemental Retirement Benefits

ANNUAL EXPENSE

| <i>thousands of dollars</i> | | | | |
|---|-----------------------|--------------------------------|-------|-------|
| | 2023 | | | 2022 |
| | Current service costs | Prior services and other costs | Total | Total |
| Chair and CEO, Alberta Securities Commission ¹ | - | - | - | - |
| Executive Director, Alberta Securities Commission | 60 | (201) | (141) | (31) |
| Vice-Chair, Alberta Securities Commission ² | - | - | - | - |
| Vice-Chair, Alberta Securities Commission ³ | 53 | (31) | 22 | 121 |

ACCRUED OBLIGATIONS

| <i>thousands of dollars</i> | | | |
|---|--------------------------------------|-------------------------------|--------------------------------------|
| | Accrued obligation March 31, 2022 | Changes in accrued obligation | Accrued obligation March 31, 2023 |
| Chair and CEO, Alberta Securities Commission ¹ | - | - | - |
| Executive Director, Alberta Securities Commission | 1,545 | 23 | 1,568 |
| Vice-Chair, Alberta Securities Commission ² | - | - | - |
| Vice-Chair, Alberta Securities Commission ³ | 880 | (69) | 811 |

¹ The Chair and CEO does not participate in the SPP, but participates in the RRSP program. This benefit is reported under other non-cash benefits.

² This Vice-Chair does not participate in the SPP, but participates in the RRSP program. This benefit is reported under other non-cash benefits.

³ This Vice-Chair's term commenced on May 8, 2018. In both this role and a prior role at the ASC, this Vice-Chair was a member of the SPP.

ADVISORY COMMITTEES

The ASC has seven advisory committees comprised of industry representatives who provide advice concerning the development of new or amended securities regulation. These expert committees help keep staff up to date on industry views and current business practices as a means to support intelligent regulation. The ASC would like to thank committee members for their insights and contributions over the past year.

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GLOSSARY

Alberta Investment Management Corporation (AIMCo)

AIMCo is an Alberta government agency that is responsible for the investments of 27 pension, endowment and government funds in the province.

Canadian Investment Regulatory Organization (CIRO)

CIRO is the self-regulatory organization that consolidated the functions of the former Investment Industry Regulatory Organization of Canada (IIROC) and Mutual Funds Dealers Association of Canada (MFDA) at the beginning of 2023.

Canadian Securities Administrators (CSA)

The 10 provinces and three territories in Canada are responsible for securities regulations. Securities regulators from each province and territory have teamed up to form the CSA. The CSA is primarily responsible for developing a harmonized approach to securities regulation across the country.

Crowdfunding

Crowdfunding refers to raising money online, typically through a website or social media. There are different types of crowdfunding, such as raising money by donation, pre-selling of products or sale of securities. Crowdfunding by the sale of securities such as shares or loans must comply with securities laws. The businesses raising money will typically be subject to the prospectus requirement, but often rely on prospectus exemptions such as the accredited investor, offering memorandum or start-up exemptions. The crowdfunding portal/website that facilitates the securities crowdfunding offering is typically required to be registered as a dealer.

Crypto assets

Crypto assets, commonly referred to as cryptocurrencies, coins or tokens, are digitally represented assets that typically rely on blockchain or distributed ledger technology and cryptography. Crypto assets may act as a method of payment, a store of value (like money), perform a function or represent an interest in an asset or enterprise. Some crypto assets are securities or derivatives and the trading of them would be subject to securities laws.

Crypto asset trading platform (CTP)

Crypto asset trading platforms facilitate the buying, selling or transferring of crypto assets. They may be subject to securities and/or derivatives regulations depending on how they operate and the crypto assets that are available to be traded on the platform.

Derivative

A financial product (an option, swap, futures contract, forward contract or other financial or commodity contract or instrument) whose market price, value, delivery obligations, payment obligations or settlement obligations are derived from, referenced to or based on an underlying interest, including a price, rate, index, value, variable, event, probability or thing.

Disciplined List

The Disciplined List is the CSA's national internet search engine that allows the public to research if a person or company has been disciplined by a Canadian securities regulator or CIRO.

Exempt Market

A market where private companies sell their securities under various exemptions from the prospectus requirement to investors that meet specific criteria in National Instrument 45-106 *Prospectus Exemptions*.

Financial Stability Board

The Financial Stability Board is an international body that monitors and makes recommendations about the global financial system.

Financial technology (fintech)

Technology that supports the delivery and use of financial services, including technology that seeks to improve traditional financial services and technology that seeks to disrupt them.

Financial Transactions and Reports Analysis Centre of Canada (FINTRAC)

FINTRAC is Canada's financial intelligence unit. Its mandate is to facilitate the detection, prevention and deterrence of money laundering and the financing of terrorist activities, while ensuring the protection of personal information under its control.

Generally Accepted Accounting Principles (GAAP)

Generally accepted accounting principles are a common set of accounting principles, standards and procedures that companies must follow when they compile their financial statements. GAAP is a combination of authoritative standards (set by policy boards) and the commonly accepted ways of recording and reporting accounting information.

Global Financial Innovation Network (GFIN)

The GFIN is an international network of financial regulators and related organizations committed to supporting financial innovation in the best interests of consumers. It seeks to provide a more efficient way for innovative firms to interact with regulators, helping them navigate between countries as they look to scale new ideas. This includes the ability to apply to join a pilot for firms wishing to test innovative products, services or business models across more than one jurisdiction.

Heads of Agencies (HoA)

The major financial regulators in Canada participate in meetings of the Heads of Agencies. The HoA includes the chairs of the four largest provincial securities regulators in Canada (Alberta, British Columbia, Ontario and Québec), the Governor of the Bank of Canada, the Superintendent of Financial Institutions and senior government officials from the federal Department of Finance. The HoA serves as a forum for regulators to coordinate policy in areas of shared responsibility.

International Organization of Securities Commissions (IOSCO)

IOSCO is the international body that brings together the world's securities regulators and is recognized as the global standard setter for the securities sector. IOSCO develops, implements and promotes adherence to internationally recognized standards for securities regulation.

International Sustainability Standards Board (ISSB)

The ISSB is an independent, private-sector body that develops and approves sustainability standards. The ISSB operates under the oversight of the IFRS Foundation.

Investment Industry Regulatory Organization of Canada (IIROC)

IIROC was the national self-regulatory organization that oversaw all investment dealers and trading activity on debt and equity marketplaces in Canada. It merged with the MFDA on January 1, 2023 to form the Canadian Investment Regulatory Organization (CIRO).

Joint Serious Offences Team (JSOT)

JSOT is an enforcement partnership between the ASC and the RCMP. JSOT investigates and prosecutes quasi-criminal cases under the *Securities Act* (Alberta) and securities-related offences under the Criminal Code. JSOT targets repeat offenders, serious frauds and breaches of ASC or Court orders or bans.

Mutual Fund Dealers Association of Canada (MFDA)

The MFDA was the national self-regulatory organization for the distribution side of the Canadian mutual fund industry. It regulated the operations, standards of practice and business conduct of its members and their representatives. It merged with IIROC on January 1, 2023 to form the Canadian Investment Regulatory Organization (CIRO).

National Registration Database (NRD)

The NRD is the CSA's national internet search engine that permits dealers, advisers and investment fund managers to file registration forms electronically.

National Registration Search (NRS)

The NRS is the CSA's national internet search engine that allows investors to check if an individual or firm is registered to sell investments.

North American Securities Administrators Association (NASAA)

A voluntary association whose membership consists of 67 state, provincial and territorial securities administrators in the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Canada and Mexico.

Recidivist

In the securities law context, a recidivist is a person who breaches securities laws after having previously been found liable for securities-related misconduct in regulatory, quasi-criminal or criminal proceedings.

Registrant

A person or company registered or required to be registered under the *Securities Act* (Alberta) or the regulations.

Regulatory Sandbox

The regulatory sandbox is a committee of staff from across the CSA that coordinates the CSA's efforts relating to innovative financial products, services and applications. Through the regulatory sandbox, the CSA endeavours to support innovation while ensuring appropriate investor protection. Applicants to the CSA regulatory sandbox have included crowdfunding portals, and parties conducting initial token offerings, among others.

Stablecoins (Value-Referenced Crypto Assets)

Value-Referenced Crypto Assets, commonly known as stablecoins, generally are crypto assets that are designed to maintain a stable value over time by referencing the value of a fiat currency or any other value or right, or combination thereof.

System for Electronic Document Analysis and Retrieval (SEDAR)

SEDAR is the CSA's national electronic web-based filing system for disclosure by public companies and mutual funds.

System for Electronic Disclosure by Insiders (SEDI)

SEDI is the CSA's national electronic web-based system that facilitates the filing and public dissemination of insider reports.

Toronto Stock Exchange (TSX)

The TSX is Canada's senior equities market, providing domestic and international investors with access to the Canadian marketplace.

TSX Venture Exchange (TSXV)

The TSXV is the largest Canadian junior market, providing companies in the early stages of growth the opportunity to raise capital.

Venture Issuer

A venture issuer is a reporting issuer that, at the applicable time, did not have any of its securities listed or quoted on any of the following: the Toronto Stock Exchange, Cboe Canada, a US marketplace, or a marketplace outside Canada and the United States of America other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc.



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