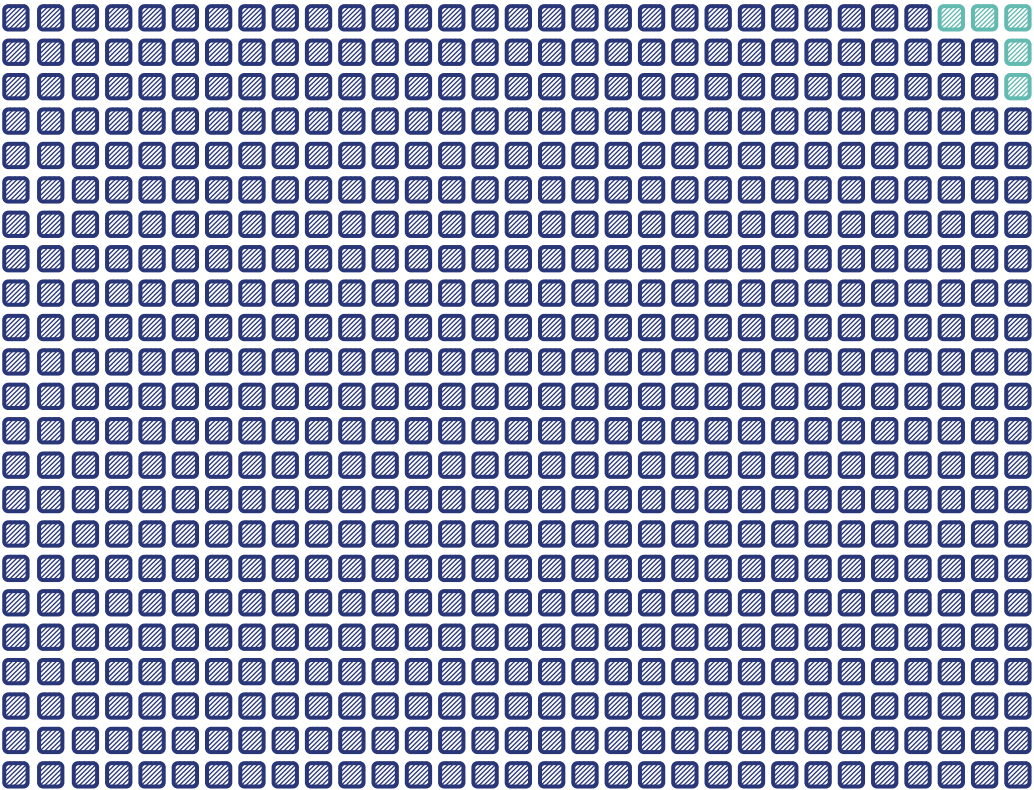


Building
the future
on a firm
foundation







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*Photos in this annual report represent
Albertans and Alberta industries.*

The Alberta Securities Commission (ASC) monitors and adjusts to today's changing landscape and remains committed to providing practical regulatory solutions. Our foundation enables us to provide intelligent regulation that fosters a fair and efficient capital market that supports entrepreneurs, small businesses and all market participants, while protecting investors.



Message from the Chair

Once again, I find myself reflecting on a year of global volatility. The significant upheaval that has shaken the world — geopolitically, economically and socially — is unlike anything I have seen in my lifetime.



Our heartfelt support goes out to the people of Ukraine as they resist unjust aggression. The turmoil of the past two years persists with the different iterations of the pandemic, rising market volatility, inflationary pressures and more uncertainty. The resilience of people around the world inspires me and reinforces my belief that diligently preparing for the future is exceptionally important.

As a securities regulator, the ASC continues to rise to local, national and global challenges: we listen, we monitor what is happening around us, and we adjust to provide practical regulatory solutions in today's changing landscape. As an active member of the Canadian Securities Administrators (CSA), we work hard to lay a strong foundation that will support a solid future for Alberta's capital market.

In the past year, we provided intelligent regulation to foster a fair and efficient capital market that supports entrepreneurs, small businesses

and all market participants while protecting investors. We focused on delivering the second year of our three-year strategic plan, and that plan has given us the flexibility to adapt and innovate.

The ASC made organizational changes in fiscal year 2022 (F2022) to better support our organization, the market and our stakeholders. We hired a Chief Information Officer to establish a long-term technology strategy that supports our needs and Alberta's capital market. Our use of technology during the pandemic resulted in many advancements, including our ability to adopt a hybrid work model, allowing ASC staff to work in the office and remotely. This flexibility enhances employee satisfaction, team morale and retention.



STAN MAGIDSON
Chair and Chief Executive Officer

To support innovation in the capital market, we recognized the need to create a new cross-divisional Innovation in Finance (InnoFin) team to work closely with entrepreneurs, small businesses and others. This team coordinates the ASC's efforts in financial technology (fintech) innovation in the capital markets and regulatory innovation that can improve access to capital for Alberta businesses, while protecting investors. More details on the InnoFin team's work can be found on page 9 of this report.

Crypto investing has grabbed the attention of many Canadians over the last couple of years. It is important that regulation introduces integrity into crypto asset trading markets and appropriately addresses the risks to investors while allowing for innovation. To that end, the ASC and CSA are working to register crypto asset trading platforms (CTPs) that are dealing in securities or derivatives. We have a multidisciplinary task force that is busy processing registration and marketplace applications and related exemptive relief applications of CTPs, and which also considers any related policy issues concerning novel matters that arise. We have also been providing guidance to CTPs and entrepreneurs. Additionally, the ASC developed an information guide to help investors understand what crypto assets are, how securities law applies to crypto assets, how to minimize risk and how to protect themselves against fraud.

It has been a pleasure to lead the team working hard to establish a new single self-regulatory organization (SRO). The new SRO will consolidate the functions of the Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Fund Dealers Association of Canada (MFDA). Much work has been completed – and we are currently on our way to implementing the new SRO by the end of 2022 as planned. More information about the new SRO can be found on page 11.

Early economic indicators point to a recovery in Alberta's energy sector. Though I am pleased with this rebound and commodity price improvements, I am also cognizant of market interest in other sources of energy, as well as environmental, social and governance (ESG) considerations. The ASC is co-leading the CSA's proposed climate-related disclosure requirements project, and the Alberta industry is already leading in climate-related disclosure. I am confident that our oil and gas industry will continue to embrace technology and innovation, and be foundational to Alberta's economy for the foreseeable future. Given the shift to alternative forms of energy, I believe our decision to expand the ASC's focus from oil and gas to "all things energy" is sound, and our shift in perspective positions us well for the future.

As pointed out at our most recent ASC Connect, though investors and other stakeholders often focus on the "E" of ESG, the "S" and the "G" are equally important. The ASC is an active participant in the CSA's project to consider broader diversity on boards and in executive officer positions. We consulted with Alberta industry leaders and partnered with the Institute of Corporate Directors to host a webinar that engaged a broader representation of our

business community. We support enhancing disclosure about diversity of boards and executives. More information about our leadership is available on page 27.

I'm proud to announce that the ASC recently created scholarships for five Indigenous students studying full-time towards a Bachelor of Commerce degree at the Haskayne School of Business at the University of Calgary. Our capital market will benefit from more Indigenous individuals participating and providing their unique perspectives. More information about these scholarships and the CSA's Taskforce on Indigenous Peoples in the Capital Markets is on page 20.

Engagement with stakeholders is crucial and again, technology has played an important role. In F2022, our ability to hold virtual seminars, presentations and events allowed us to connect with our employees working remotely, our colleagues across the CSA, and market participants and Alberta investors from all parts of our province. The benefits of virtual events are clear and in the future we will bring people together while also using technology. We don't want to limit our stakeholders' ability to access the insights, market trends, guidance and other resources that we offer.

The ASC has a strong foundation thanks to the work and dedication of our Commission Members. On behalf of the ASC's senior management team, I want to recognize their wisdom, support and guidance. In particular, I would like to thank Maryse Saint-Laurent, who completed her second term with the ASC this year, for her valuable contributions over the last six years. We are also privileged to have access to market information and insight through the members of our seven advisory committees. Combined with the hard work and dedication of ASC staff, whose commitment to serving Albertans is unmatched and greatly appreciated, we remain a knowledgeable, relevant and forward-looking regulator that, as Wayne Gretzky would say, "skates to where the puck is going."

Planning for our next three-year strategy is under way. This will involve research and meetings with stakeholders to align our future direction with market trends. As well, I am honoured to be named the new Chair of the CSA beginning July 1, 2022. I welcome the opportunity to further collaborate with my colleagues across the country to consider new perspectives and evolve intelligent regulation, balanced with strong investor protection.



STAN MAGIDSON
Chair and Chief Executive Officer

MISSION, VISION, STRATEGY AND VALUES AT A GLANCE

F2022 marked the second year of our three-year strategic plan that guides our priorities through 2023. 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 F2022 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:

1

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

2

**PROACTIVE AND
COMPREHENSIVE
COMPLIANCE
OVERSIGHT,
ENFORCEMENT
AND EDUCATION**

3

**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

The ASC strives to foster a fair and efficient capital market and contribute to the strengthening of Alberta's economy. We do this by providing intelligent regulation that is mindful of the burden on industry, recognizes the needs of our market, facilitates capital growth and prioritizes strong investor protection.





Come In

WE'RE

OPEN

REDUCING REGULATORY BURDEN

To support market participants and facilitate capital raising, we regularly evaluate opportunities to reduce regulatory burden. Our efforts in this area are carefully weighed to continue to provide appropriate investor protection.



To reduce regulatory burden for non-investment fund reporting issuers, the ASC is co-leading a CSA project to streamline and clarify continuous disclosure requirements. The proposed amendments to [National Instrument 51-102 *Continuous Disclosure Obligations*](#) are expected to streamline reporting requirements and enhance reporting efficiency for issuers as well as increase the quality and usefulness of the information investors receive. The final amendments are expected to be published in the next year.

To reduce regulatory burden for smaller issuers listed on a Canadian stock exchange, we worked with our CSA colleagues to develop amendments to [National Instrument 45-106 *Prospectus Exemptions*](#) in F2022. The proposed amendments would introduce a new prospectus exemption — the Listed Issuer Financing Exemption — to more efficiently allow issuers to raise capital while maintaining investor protection. Instead of being required to prepare a short form prospectus, eligible issuers could file a short offering document and the securities they issue would be freely tradeable. These smaller issuers could also have greater access to retail investors and retail investors would have expanded investment choices.

In August 2021, the CSA published for comment proposed changes to the companion policy of [National Instrument 41-101 *General Prospectus Requirements*](#) to clarify and harmonize the interpretation of the financial statement requirements for a long form prospectus. Specifically, the changes would 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. The clarification of the primary business requirements will save issuers time, cost and uncertainty, without compromising investor protection. Following stakeholder feedback, the changes were implemented in the spring of 2022.

The ASC and the other members of the CSA adopted temporary exemptions from certain base shelf prospectus requirements for qualifying well-known seasoned issuers (WKSI), which went into effect on January 4, 2022. The exemptions allow a WKSI to file a final base shelf prospectus with its principal regulator and obtain a receipt on an accelerated basis, without first filing a preliminary base shelf prospectus. This will reduce the regulatory burden on large, well-known reporting issuers that meet specific criteria. We will continue to monitor the WKSI eligibility criteria and any potential public interest concerns as we evaluate a permanent Canadian WKSI regime.

Our ability to effectively carry out our regulatory function and protect investors requires that we receive accurate and timely registration information. To establish a more efficient registration

and oversight process for firms, individuals and regulators, the CSA published amendments to [National Instrument 33-109 *Registration Information*](#) and related changes to its companion policy, as well as consequential amendments to [National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*](#) and changes to its companion policy. These amendments will simplify and streamline certain regulatory requirements, clarify the information required as part of the registration process and improve the quality of information received by regulators. Registrants have until the earlier of (i) their next change in registration information to report on or after June 6, 2022 or (ii) June 6, 2023 to update their registration information.

Harmonized rules for securities crowdfunding were put in place by the ASC and other CSA members with the adoption of [National Instrument 45-110 *Start-up Crowdfunding Registration and Prospectus Exemptions*](#) in September 2021. This single, uniform set of rules enhanced the requirements previously in place in most jurisdictions and better facilitates the ability of early stage businesses to raise capital.

The first stage of the CSA's plan to reduce the regulatory burden on investment fund issuers was completed in F2022 through amendments to a number of rules. The changes eliminate duplicative requirements, streamline regulatory approvals and processes, and codify frequently granted exemptions from certain requirements. As part of the second stage of the CSA's plan, in January 2022 we published for comment a proposal to modernize the investment fund prospectus filing model together with a consultation paper discussing the possible introduction of a shelf prospectus filing model for all investment funds in continuous distribution. Our proposed amendments would reduce regulatory burden without negatively impacting the ability of investors to access information. We are also working towards modernizing the continuous disclosure regime and are exploring alternatives to the current requirements for delivering various investment fund-related materials.

The CSA published for comment proposed amendments to [National Instrument 94-102 *Derivatives: Customer Clearing and Protection of Customer Collateral and Positions*](#) to reduce the frequency with which a regulated clearing agency has to deliver Form 94-102 F3 *Customer Collateral Report: Regulated Clearing Agency* from monthly to quarterly. The amendment to the Rule is expected to become effective in July 2022 and will replace current ASC Blanket Order 94-502.

ADDRESSING EMERGING REGULATORY FRONTIERS

Across Alberta, across Canada and internationally, the securities regulatory landscape is shifting rapidly. Evolving societal and investor expectations, economic downturns, advances in technology, and more are affecting how we do business. The ASC works hard to stay abreast of these changes and regularly monitors the impact on market participants.

The past few years have been challenging for many industries, especially for small businesses, and we engaged extensively with stakeholders to determine how we, in our role as a securities regulator, could support them. The information we received from Consultation Paper 11-701 *Energizing Alberta's Capital Market* that was published in F2020 continued to inform our direction, and we finalized important initiatives to help Alberta entrepreneurs and small business owners in their capital raising efforts.



With the Financial and Consumer Affairs Authority of Saskatchewan, we adopted two prospectus exemptions on a three-year pilot basis, [Blanket Order 45-538 Self-Certified Investor Prospectus Exemption](#) (BO 45-538) and [Blanket Order 45-539 Small Business Financing](#) (BO 45-539), both designed to facilitate greater access to capital for Alberta and Saskatchewan businesses.

The objective of BO 45-538 is to allow investors with relevant financial or investment knowledge the opportunity to invest alongside accredited investors. It is available to Alberta and Saskatchewan issuers distributing securities in these two provinces to facilitate their capital raising efforts.

The financing exemption in BO 45-539 allows start-ups and other small businesses in Alberta and Saskatchewan to raise up to \$5 million from investors using a streamlined offering document, with relief from certain financial statement requirements.

Also on a three-year pilot basis, the ASC adopted [Blanket Order 31-536 Alberta Small Business Finder's Exemption](#) to allow start-ups and other small businesses in Alberta that have not raised more than \$5 million to use finders to raise money, as long as they adhere to specific conditions. It provides a more targeted exemption from the dealer registration requirement for finders and better integrates with prospectus exemptions that small businesses in Alberta can rely on.

While considering emerging frontiers and ways to facilitate capital raising, the ASC also evaluates opportunities to reduce burden and provide appropriate investor protection.

As technology advances, so does interest in financial technology (fintech). To stay up to speed on the latest advances and their impact on securities, and to provide assistance to the market, the ASC created a cross-divisional [Innovation in Finance \(InnoFin\)](#) team. This team is composed of members of our Corporate Finance and Market Regulation divisions to engage with entrepreneurs, small businesses and others concerning fintech innovation in the capital markets and regulatory innovation that can improve Alberta businesses' access to capital while protecting investors. The InnoFin team coordinates and leads the ASC InnoFin

Hub to engage with Alberta entrepreneurs and fintechs, including those in the crypto asset space. We help these Alberta issuers understand how securities law may apply to their businesses and navigate the challenges involved in creating a business model that complies with securities regulatory requirements. Through the ASC's InnoFin Lab, the InnoFin team works with Alberta market participants to test technological innovation and regulatory innovation approaches that may improve Alberta's capital market, such as using blockchain technology in the context of more traditional capital raising efforts. When applicable, we coordinate with other CSA members through the CSA Regulatory Sandbox for a consistent approach to financial innovation across the country.

With other members of the CSA, we continue to work towards getting crypto asset trading platforms (CTPs) registered across Canada, either as dealers or as regulated marketplaces where appropriate. Registration of CTPs is important to the integrity of our markets and is an important step in investor protection. There are a number of platforms currently registered and many more seeking registration.

Each application is complex and we are working through them to address concerns and potential risks to investors. With the increased marketing by CTPs in Canada, the CSA and IIROC published [*Staff Notice 21-330 Guidance for Crypto-Trading Platforms: Requirements relating to Advertising, Marketing and Social Media Use*](#) to help platforms understand what is expected of them in relation to advertising.

Investors are increasingly looking for environmental, social and governance (ESG) disclosure to make informed investment decisions. To address one “environmental” aspect of ESG and the need for more consistent and comparable climate disclosure information, the ASC is co-leading a CSA project on proposed climate-related disclosure requirements that would apply to all reporting issuers, not just those in energy-related industries. In October 2021, we published CSA Notice and Request for Comment Proposed [*National Instrument 51-107 Disclosure of Climate-related Matters*](#). The proposed requirements demonstrate the CSA’s support of the international movement towards climate-related disclosure standards and are largely consistent with the Financial Stability Board (FSB)’s Task Force on Climate-related Financial Disclosures recommendations related to governance, strategy, risk management and metrics and targets. Extensive engagement with stakeholders was conducted, and the ASC hosted two webinars in December 2021 to help Alberta issuers understand the proposed requirements and encourage them to provide feedback. Staff are evaluating the 131 comment letters received as well as recent publications by the U.S. Securities and Exchange Commission and the International Sustainability Standards Board.

We supported our country’s request to have the International Financial Reporting Standards (IFRS) Foundation’s new International Sustainability Standards Board (ISSB) headquartered in Canada and were pleased with the IFRS Foundation’s decision to establish an office of the ISSB in Quebec. In addition to the ISSB, the CSA will continue to work with other global regulators and market participants to adopt international

sustainability reporting standards and regulatory alignment. The CSA believes that a Canadian sustainability standard-setting board (CSSB) could help advance Canadian sustainability reporting and should complement the international sustainability standard-setting efforts and future securities requirements for sustainability reporting. To that end, we, as part of the CSA, submitted a comment letter to the consultation paper issued by the Independent Review Committee on Standard-Setting in Canada. We support the establishment of a CSSB that has sufficient technical expertise and skills, is diverse and geographically balanced. While we think Canadian sustainability standards should be aligned with those developed by the ISSB to the extent possible, a CSSB could be better situated to adapt to the unique economic, social, geographic and demographic considerations in Canada.

For the last seven years, the ASC has participated in the 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*](#). The CSA is also considering how its current diversity disclosure framework could evolve to include broader aspects of diversity and reflect developments in the social and governance aspects of ESG. To gather information, staff from the ASC’s Corporate Finance division and the Office of the General Counsel are participating in the CSA’s Diversity Working Group to consult with issuers, investors and other industry stakeholders to better understand and consider how the disclosure needs of investors and corporate governance practices have evolved. We also held a joint virtual roundtable with the Institute of Corporate Directors about the importance of diversity on boards and in executive officer positions. Approximately 240 stakeholders attended our roundtable. The information we gathered will help inform policy-making and possible changes to the current diversity disclosure framework, which applies to boards and executive officer positions, to include multiple aspects of diversity. As well, we are participating in the CSA’s recently established Taskforce on Indigenous Peoples in the Capital Markets (described

in more detail on page 20 of this report) to learn more about improving diversity in that area.

To address international developments in trade reporting — most notably the recent changes to the Commodity Futures Trading Commission’s swap reporting rules, which are expected to come into effect in December 2022 — the ASC is co-leading a CSA project to propose amendments to the trade reporting rules in each jurisdiction. By harmonizing and clarifying the data elements and the technical format and values for reporting, the proposed amendments will reduce burden on market participants by streamlining the data they provide and enable them to utilize their reporting systems across multiple global regulators. Similarly, the proposed amendments will minimize the regulatory burden for trade repositories, as the data elements that they process, and the other requirements that will apply to them, will more closely align with international standards. The proposed amendments to [*Multilateral Instrument 96-101 Trade Repositories and Derivatives Data Reporting*](#) are expected to be published for comment in June 2022.

In F2022, we adopted amendments to [*Multilateral Instrument 25-102 Designated Benchmarks and Benchmark Administrators*](#) (MI 25-102) to establish a framework for regulating financial benchmarks. Upon implementation of the new rules, the Canadian Dollar Offered Rate (CDOR) was the only designated benchmark, with Refinitiv Benchmarks Services Limited as its administrator, although other administrators and their associated benchmarks may be designated on public interest grounds in the future. ASC staff are involved in the Sub HoA Working Group on Canadian Benchmarks to receive updates from the Canadian Alternative Reference Rate (CARR) Working Group. CARR was created specifically to ensure that Canada’s interest rate benchmark regime is robust and effective. It recommended in December 2021 that CDOR cease to be published in the near future to be consistent with the international restructuring of interest rate benchmarks so that they are not just based on expert judgement. On May 16, 2022, the CSA, CARR and the benchmark administrator

for CDOR announced the cessation of CDOR by June 2024 according to a two-stage transition plan developed by CARR and to be monitored by CARR and the CSA. The CARR transition plan provides recommendations for market participants to replace the use of CDOR with the appropriate replacement financial benchmark(s).

We also published for comment proposed amendments to MI 25-102 to establish a framework for the designation and regulation of commodity benchmarks and the persons or companies that administer them. The proposed regulatory regime for commodity benchmarks, which the ASC is leading, is based on the principles for Oil Price Reporting Agencies published by the International Organization of Securities Commissions (IOSCO) and adopted by the European Union (EU) in the EU benchmarks regulation, with certain changes that are appropriate for the Canadian commodities market. Having the EU recognize the Canadian benchmarks regime as equivalent would allow EU institutional market participants to continue to use any Canadian benchmark designated under MI 25-102. After the final instrument has been approved, the ASC will work with the Ontario Securities Commission and the Autorité des marchés financiers to seek a cooperation agreement and equivalence decision from the European Commission, with the work expected to extend into 2023.

QUESTIONING THE REGULATORY STATUS QUO

The ASC continues to be heavily involved in the evolution of Canada's self-regulatory organization (SRO) framework. Following extensive research, consultation and analysis, it was determined that a new, single enhanced SRO and a new single investor protection fund (IPF) was the most effective way to resolve the issues identified in the current structure and to better protect investors. The CSA is overseeing the process and is working with IIROC and the MFDA to consolidate the functions of the two existing SROs. On the same timeline, the CSA is also working to combine the current Canadian Investor Protection

Fund (CIPF) and the MFDA Investor Protection Corporation (MFDA IPC) into an integrated fund independent of the new SRO. The goal throughout the process has been transparency and fairness, and to provide regulatory continuity for the market to protect Canadian investors, accommodate innovation, and facilitate fair and efficient market operations as the investment industry evolves. Industry has responded very positively to the development of the new, single enhanced SRO and IPF and we're currently on track to have them both in place by the end of 2022. The proposed chair of the new SRO, who will serve as an independent director, seven other independent directors and six industry directors were announced on May 12, 2022 following an external recruitment process. The CEO was named on June 27, 2022. The new IPF board of directors, also named on May 12, are composed of existing directors of the CIPF and the MFDA IPC. The CEO of the new IPF is expected to be named in the third quarter of 2022.

The client focused reforms (CFRs) that were enacted through amendments to [National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations](#) (NI 31-103) were implemented in F2022. These reforms are part of the CSA's efforts to increase investor protection and investor confidence in the markets. They mandate that clients' interests come first and include conflict of interest provisions (effective June 30, 2021) and "know your client", "know your product", suitability, relationship disclosure information and others (effective December 31, 2021). The CSA worked with IIROC and the MFDA to develop and implement the reforms, and regularly provided guidance to registrants as they worked towards implementation. In a separate initiative, amendments to NI 31-103 included provisions to enhance the protection of older and vulnerable clients, effective December 2021. Specifically, registrants were provided with tools and guidance to address situations involving financial exploitation or diminished mental capacity of their clients. The amendments require that registrants take reasonable steps to obtain the name and contact information of a trusted contact person (TCP) and written consent for the

TCP to be contacted while maintaining client autonomy. The amendments also allow registrants to place a temporary hold on transactions, withdrawals or transfers if they have a reasonable belief that a vulnerable client is being financially exploited or lacks mental capacity.

In F2021, to enhance investor protection, [National Instrument 81-105 Mutual Fund Sales Practices](#) was amended to eliminate the payment of trailing commissions by mutual funds to dealers who do not make a suitability determination, such as order-execution-only (OEO) dealers. Since then, we have consulted with industry to ensure investment fund managers and OEO dealers will be able to transition away from mutual fund series with trailing commissions by the effective date of June 1, 2022. As a result, various CSA jurisdictions published temporary exemptions to facilitate the implementation of the OEO trailer ban. The temporary exemptions, in the form of local blanket orders, will become effective on June 1, 2022. The ASC published [Blanket Order 81-509 Temporary Exemptions from the OEO Trailer Ban](#) in March 2022.

[National Instrument 52-112 Non-GAAP and Other Financial Measures Disclosure](#) was adopted in May 2021 and came into effect in August 2021. This new rule establishes clear requirements for the disclosure of non-GAAP (generally accepted accounting principles) financial information and improves the quality of information provided to investors. The ASC co-led this project and our staff made a concerted effort to help issuers that disclose non-GAAP information understand the new disclosure requirements. Market interest in the new rules was significant so we sought out as many avenues as possible to engage with market participants to ensure they were set up for success. In addition to a separate presentation during the 2022 Corporate Finance Disclosure Information Session, we responded to commonly asked questions by developing three short vignette webinars that took a deep dive into three main topics. The short vignettes were very well received and viewers appreciated the targeted approach in response to their questions. The [vignettes](#) are accessible on asc.ca.

The CSA published amendments to [National Instrument 52-108 Auditor Oversight](#) and changes to its companion policy to enable the Canadian Public Accountability Board (CPAB) to inspect the audit work of significant component auditors, particularly in certain foreign jurisdictions. Significant component auditors are audit firms that perform audit work involving financial information related to a component that meets certain significance thresholds. CPAB has had challenges accessing the audit work performed by a component auditor in a foreign jurisdiction. The amendments require that component auditors enter into an access agreement with CPAB to facilitate inspection of their work if they do not provide access voluntarily upon request. Failure to do so will cause the auditor to be ineligible to be a significant component auditor for future audit work.

A revised version of proposed [National Instrument 93-101 Derivatives: Business Conduct](#) was published for comment in F2022. This proposed rule will help protect derivatives market participants by improving transparency, increasing accountability and promoting responsible business conduct by dealers and advisers in the over-the-counter (OTC) derivatives market. In response to feedback received during the previous two consultations, we revised the proposed amendments to the rule to include new exemptions and expanded various definitions to address potential negative impacts on derivatives market liquidity and facilitate continued access, while allowing firms to implement the requirements within their existing compliance systems more efficiently.

Proposed National Instrument 93-102 *Derivatives: Registration* was put on hold in F2022 pending the readiness of other provincial governments to proceed with derivatives registration requirements. As an interim measure towards the derivatives registration framework, the CSA is considering ways to require market participants trading in derivatives to register under current securities laws and ways to harmonize terms that may be imposed on certain derivatives dealers. These considerations include revising the current blanket orders in place in several CSA jurisdictions to exempt a narrower group of derivatives dealers from

registration and prospectus requirements in securities legislation.

In response to feedback on the CSA's proposed amendments to [National Instrument 94-101 Mandatory Central Counterparty Clearing of Derivatives](#) and its companion policy, the CSA finalized amendments to refine the scope of market participants that are required to clear certain prescribed over-the-counter derivatives through a central counterparty. The amendments will become effective in September 2022 to allow market participants time to amend their documentation.

ENGAGING EFFECTIVELY WITH OTHER REGULATORS

Capital markets are expanding beyond borders as technology opens the world to investors everywhere. While each regulator has a necessary role to play in their local market, it is increasingly important that we collaborate to ensure an intelligent and harmonized approach to regulation, especially with the increase in online investing, crypto assets and digital investment fraud. The ASC collaborates with other regulators nationally and internationally on a regular basis. This collaboration furthers our ability to tap into additional expert knowledge so we can more effectively monitor trends and risks and develop appropriate regulation to meet the needs of market participants.

As a member of the CSA, we lead and actively participate in creating rules that are consistent across the country and relevant for Alberta's capital market. The ASC leads and co-leads numerous CSA projects, committees and working groups and is an active participant in the CSA Regulatory Sandbox. Retail investors are becoming more involved in investing and we are in the process of establishing a CSA Investor Advisory Panel (discussed in more detail on page 20) to represent their interests.

To enhance the ability of users to access information, we worked with other CSA members to create a new CSA website. This upgrade will also help the CSA transition a number of databases to SEDAR+, the enhanced platform to be used by all market participants to file, disclose and search for information

in Canada's capital markets, when it is rolled out. The ASC is a significant contributor towards the development and implementation of SEDAR+, actively participating in the product management, quality management, change management, integration and communications work streams. Phase 1 of SEDAR+ will see the migration of the functionality and historical data included in legacy SEDAR, the Cease Trade Order database, the Disciplined List, exempt market systems used in Ontario and B.C., and various filings currently made in paper format or in local electronic filing systems.

The ASC is actively involved in the Heads of Agencies (HoA), the North American Securities Administrators Association (NASAA), IOSCO, the Global Financial Innovation Network (GFIN) and other national and international organizations. We are a member of the CSA Systemic Risk Committee, and were a member of the HoA Systemic Risk Surveillance Committee and the HoA Crypto-Asset Working Group, where we analyzed the developing crypto asset sector, including stablecoins.

Through the IOSCO Fintech Network, we participated in the development of a regulatory toolkit for decentralized finance (DeFi). We also engaged regularly with IOSCO regarding systemic risk monitoring as a member of the IOSCO Committee on Emerging Risk and, as a member of the IOSCO Committee on Derivatives (Committee 7), we assess possible risks that could impact national and international derivatives markets. The ASC joined the IOSCO-FSB Joint Workstream in F2022. The goal of this group is to develop new ways to analyze trade repository data for systemic risk monitoring.

In March 2022, the ASC and the European Securities and Markets Authority (ESMA) amended their existing Memorandum of Understanding (MoU) regarding central counterparties (CCPs). This was required to account for the amendment of the European Markets Infrastructure Regulation (EMIR 2.2) with respect to the procedures and authorities involved in ESMA's authorization of CCPs and the recognition of third-country CCPs that operate in the EU.

CAPITAL MARKET STATISTICS

(As of December 31, 2021)

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. Over the last year we have also seen growth in a number of emerging sectors.

\$638B

**MARKET CAPITALIZATION OF
ALL LISTED REPORTING ISSUERS
HEADQUARTERED IN ALBERTA**

\$257B

**MARKET CAPITALIZATION OF
OIL AND GAS COMPANIES
HEADQUARTERED IN ALBERTA**

\$224B

**MARKET CAPITALIZATION OF
UTILITIES AND PIPELINES
HEADQUARTERED IN ALBERTA**

*Market capitalization has increased from \$13 billion to \$17 billion over the past five years in the following emerging sectors:
clean technology, cannabis, financial services, life sciences, and technology and ag tech.*

\$11.9B

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

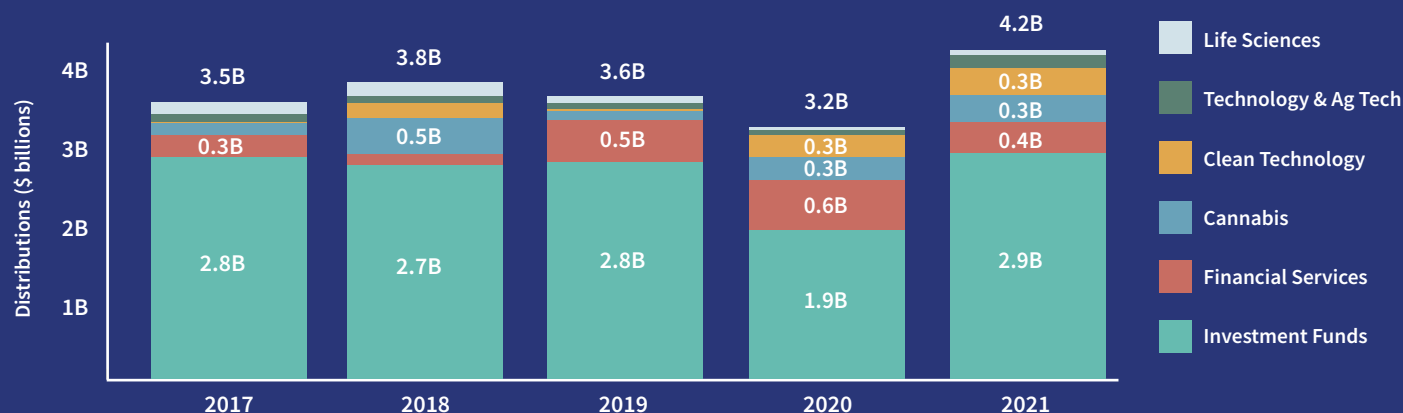
58 per cent of which was debt.
Equity, units and other securities made up the remaining.

\$16.8B

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

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

DISTRIBUTIONS IN EMERGING SECTORS:





PILLAR TWO

Proactive and comprehensive compliance oversight, enforcement and education

EFFECTIVE COMPLIANCE OVERSIGHT

As Alberta's capital market continues to evolve, effective compliance oversight is integral to promoting confidence in our capital markets. The ASC regularly monitors market activity and identifies emerging issues, trends and risks that could impact our market. We work with the CSA to respond appropriately and develop intelligent regulation that is mindful of the burden on industry and the protection of investors.

Investor interest in ESG continues to increase and the investment fund industry is creating new funds and incorporating ESG considerations into existing funds to meet demand. However, there is the potential for "greenwashing", where a fund's disclosure or marketing intentionally or inadvertently misleads investors about the ESG-related aspects of the fund. To better understand the regulatory issues around this topic, the CSA held a virtual roundtable to discuss the importance of enhancing ESG-related fund disclosure so investors can make more informed investment decisions. Following this, we published guidance for investment funds based on existing

regulatory requirements that addresses areas of disclosure, including investment objectives, fund names, investment strategies, risk disclosure, continuous disclosure and sales communications. We will continue to monitor the ESG-related disclosure of funds to ensure their sales communications are not untrue or misleading.

The CFRs and amendments to protect older and vulnerable clients were implemented in F2022 and the CSA, with IIROC and the MFDA, continued to support and provide guidance to registrants as they worked to implement the requirements. We further updated our website content, including three updates to the CFR frequently asked questions in response to inquiries. Compliance oversight examination programs were updated to include new requirements and we began examinations focusing on the requirements that came into effect in June 2021. The ASC's Market Regulation team also continued its efforts to engage with registered firms through its Relationship Manager program and education events. These are proving to be effective ways for registrants to reach out to us if they have any questions or concerns about their compliance obligations.



Understanding that Alberta's energy industry continues to evolve, the ASC has expanded its focus to consider alternative energy and cleantech initiatives, in addition to its traditional focus on oil and gas. There are many conversations about energy both domestically and internationally, and as the lead oil and gas regulator within the CSA, we are well-positioned to consider the broader energy regulatory landscape. This year, our Energy group produced its first Energy Matters (formerly the Oil and Gas Review) Report. This expanded report included information to help oil and gas issuers prepare transparent, timely and accurate disclosure as well as information on other energy-related matters such as the production of helium, hydrogen and lithium (from brines) as well as carbon capture, use and storage, and ESG-related disclosure.

In July 2021, an ASC panel ruled against Bison Acquisition Corp. and Brookfield Infrastructure Corporation Exchange Limited Partnership (Brookfield) related to its hostile takeover bid for Inter Pipeline Ltd. (IPL). Brookfield, IPL and Pembina Pipeline Corporation (Pembina) applied to have the ASC intervene on competing proposals for IPL shares by Brookfield and Pembina. The ASC panel found that Brookfield's conduct and disclosure surrounding cash-settled total return swap agreements it entered into with a swap dealer were abusive to IPL shareholders and the capital markets. The panel upheld IPL's "poison pill" defense strategy and increased Brookfield's minimum tender condition from 50 to 55 per cent. This hearing is notable because it was only the second time a CSA member jurisdiction panel has considered a poison pill in light of the 2015 bid amendments to National Instrument 62-104 *Take-Over Bids and Issuer Bids* and was the first time that a poison pill was upheld since the amendments. It also addressed issues relating to the reporting of total return swaps and reflects the complexity of corporate finance issues being adjudicated.



EXPANDING ENFORCEMENT TOOLS

In Alberta and across the country, we're seeing an increase in securities fraud and other market misconduct as schemes become more elaborate, cross borders and capitalize on new technology. We regularly seek to expand the tools we have available to detect and disrupt this misconduct, and are committed to strong collaboration with other regulators, Canadian law enforcement agencies, the Alberta Crown Prosecution Service, the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) and others. We continue to play a leadership role in combatting market manipulation internationally through the ASC-lead Cross Border Market Fraud Initiative, and are participating in the Capital Markets Abuse Taskforce.

To effectively investigate market misconduct, it is critical that we are able to access and analyze data. The CSA's Market Analysis Platform (MAP) has been a valuable tool since it launched in F2021, replacing an earlier system. MAP stores trades, orders and quotes from all

Canadian marketplaces and is also being used outside enforcement for research and analysis. The ASC currently leads the CSA MAP Advanced Analytics Working Group.

An ASC panel sanctioned Ashmit Patel, Zulfikar Rashid and Kilimanjaro Capital Ltd. (now known as N1 Technologies Inc.) for market manipulation, specifically for running a pump and dump scheme related to the price and appearance of trading of Kilimanjaro shares. The market manipulation scheme was carried out over several months and was done with planning and deliberation, caused significant harm to investors, and undermined confidence in the capital markets. The panel ordered substantial financial penalties and market access bans against the respondents.

Tinashe (Nash) Sylvester Nyadongo and 10194131 Canada Ltd., doing business as Future Growth Investments, were sanctioned by an ASC panel for illegally distributing securities of Future Growth Investments and perpetrating a fraud on certain investors. The respondents acknowledged that Future Growth Investments raised at least \$1.2 million from approximately 28 investors, 10 of whom were Alberta residents. Nyadongo was ordered to pay financial penalties and is subject to an array of market access bans for a period of time. All trading in or purchasing of securities of Future Growth Investments must permanently cease, Future Growth Investments must permanently cease trading in or purchasing securities or derivatives, and all exemptions contained in Alberta securities laws do not apply to Future Growth Investments.

The Joint Serious Offences Team (JSOT) criminally charged William Jordan McBean with two counts of fraud over \$5,000 contrary to section 380(1)(a), and two counts of theft over \$5,000 contrary to section 334(a), of the Criminal Code. The allegations have not been proven.

An investigation by JSOT culminated in criminal charges laid in 2018 against David Del Bianco for fraud and money laundering. Del Bianco is alleged to have fraudulently raised approximately \$500,000 from more than 40 investors. His trial began on March 28, 2022.

An ASC panel found that Allan Robert Magneson, New Wave Innovations Ltd. and 1111108 Alberta Ltd. perpetrated a fraud in connection with the sale of securities in New Wave. Investors were under the impression that they were investing in new technology; however, Magneson instead diverted at least \$5.8 million for his or his family's benefit. The sanctions phase of the matter is not yet complete.

As of July 1, 2015, when an order is made by any member of the CSA that imposes sanctions, conditions, restrictions or requirements on a person or company, it is automatically reciprocated in Alberta. Staff of the ASC may apply to reciprocate orders made by a recognized Canadian SRO, a Canadian exchange or a securities regulator outside Canada; or where a person or company has been convicted in a Canadian court or elsewhere of a securities-related or derivatives-related offence; or is found to have violated securities or derivatives laws in Canada or elsewhere. Following his conviction of fraud over \$5,000 in Ontario, Christopher Uitvlugt, a former Alberta resident, was permanently banned from participating in Alberta's capital market after ASC staff applied for an order following his criminal conviction. An ASC panel found that his fraudulent activities were securities-related and that it was in the public interest to issue orders to protect Alberta investors and the Alberta capital market.

ENHANCING INVESTOR EDUCATION EFFORTS TO REACH A BROADER AUDIENCE

The ASC continually looks for new and innovative ways to educate investors about investing, potential risks and how to avoid investment fraud. Albertans are seeking opportunities to invest and they are being approached with real and fraudulent opportunities at an increasing rate.

Across Canada, we're seeing an increase in the number of investment scams using professional-looking websites that impersonate legitimate firms. These "spoofed" or "cloned" websites can be seemingly indistinguishable from the legitimate websites but there are often red flags that a knowledgeable visitor can identify. To help increase awareness



Collaboration in enforcement is critical, and the ASC is committed to maintaining strong relationships with other regulators, Canadian law enforcement agencies, the Alberta Crown Prosecution Service, the Financial Transactions and Reports Analysis Centre of Canada and others.

of these spoofed websites, for Fraud Prevention Month, the ASC launched a multi-media campaign that featured an interactive spoofed website. Visitors could safely explore common red flags and learn how to verify the legitimacy and registration of any investment firm found online. We encourage potential investors to always check the registration of any firm they are interested in. In addition to the [National Registration Search](#) provided by the CSA, the ASC developed an [Alberta-based registrant list](#) for firms based in Alberta.

Interest in crypto assets has greatly increased and is a popular internet search engine term. As with anything that is new and not well-understood, fraudsters are taking advantage of this opportunity to lure unsuspecting investors. To help educate Albertans about the fundamentals of crypto assets, including how they are bought, sold and held, their risks and how to avoid scams, the ASC produced *Investor's guide: Cryptocurrencies*. This plain language guide is available on checkfirst.ca and is promoted through our greatly expanded

offering of virtual presentations on fraud awareness and crypto assets.

Following investment scams, friendship or romance scams were the second most common type of scam. In conjunction with the CSA, we issued a warning on Valentine's Day about fraudsters using social media, messaging apps and online dating sites to lure Canadians into relationships that lead to investment scams. We regularly monitor threats to investors through traditional means as well as online channels, and will continue our earned media, organic and paid social media, and advertising efforts to reach investors.



PILLAR THREE

Foster a culture of engagement

ENGAGING OUR STAKEHOLDERS

The ASC recognizes the importance of timely engagement and collaboration with all stakeholders. In F2022 we continued our efforts to enhance communication and gain feedback on policy development, regulatory requirements and the needs of market participants. ASC staff were able to reach more Albertans thanks to our greater understanding and use of technology, and we expect that experience will serve us well going forward.

Our fifth annual ASC Connect conference was held virtually in October 2021 with approximately 700 participants in attendance. With a timely theme of “For every challenge, there’s opportunity,” we were pleased to hear The Honourable Travis Toews, Alberta’s Minister of Finance, outline the diversified recovery Alberta’s economy is undergoing amid the COVID-19 pandemic and a global recession. Industry leaders shared their insights on the trends in Alberta’s capital market, opportunities in the energy sector, capital formation and diversification possible through private

and public financing, and advancements in the investment and fund management sector. ASC Connect continues to attract more participants each year, including entrepreneurs, business owners, market participants and others who are interested in hearing from industry experts and government about topics impacting Alberta’s capital market.

Our ability to host webinars on a variety of topics allowed more Albertans to participate in important discussions. In addition to the diversity roundtable (see page 10), the climate-related disclosure requirements webinars (see page 10) and the non-GAAP vignettes (see page 11), we regularly engage issuers, registrants, investors and other market participants in policy consultations, information sessions, educational outreach, presentations, publications and more. In F2022, we published the Alberta Capital Market Report, the Corporate Finance Disclosure Report and the Energy Matters Report. We hosted a virtual education session for Alberta-based exempt market dealers, portfolio managers and investment fund managers, and information sessions for



Alberta reporting issuers about high-quality disclosure and financial reporting, and disclosure requirements for energy-focused issuers. We also added an “[issuer toolkit](#)” section to our website that includes short recordings to address the most commonly asked questions from issuers that disclose non-GAAP and other financial measures on a voluntary basis.

To stay abreast of our issuer community’s needs and expectations of the ASC, we surveyed our issuers about how they want to receive information from us, how often, in what format, and how we could improve. We are currently analyzing the results but at first glance, the feedback will be very helpful as we move forward in our communication and engagement activities with this important group.

The CSA established the Taskforce on Indigenous Peoples in the Capital Markets in F2022 in recognition of the importance of the relationship with Indigenous Peoples and their contributions to Canada’s culture, heritage and economic development, and as key stakeholders in the capital markets. This taskforce will be focused on the role of securities regulators in Indigenous communities, how to integrate Indigenous peoples in securities regulation, how to seek their input in the capital markets, and more.

In recognition of Alberta’s Indigenous peoples and their importance to our capital market, the ASC was pleased to create the ASC Capital Market Scholarships with the University of Calgary’s Haskayne School of Business. These scholarships will support five full-time Indigenous students to achieve a Bachelor of Commerce degree. The scholarships provide support throughout their undergraduate education, renewable each year provided the recipients maintain certain requirements.

Our seven advisory committees (see page 64) provide us with important firsthand insight into the market. Their valuable advice and guidance helps connect us to what is going on in the market and what is important to market participants, which helps guide our work and fulfill our strategic plan.

ENGAGING INVESTORS

The ASC is committed to providing investors of all ages and life stages with timely information so they can make informed investment decisions. In our rapidly changing environment, investors are seeing investment opportunities coming at them more often and from a variety of sources. Fraudsters are taking advantage of this and there are an increasing number of scams of which to be mindful. To help investors understand the risks and what to look out for, we expanded our community partnerships and the number of virtual community presentations, in addition to resources such as the guide about crypto assets and the Spot the Spoof website noted on page 17. We continue to provide information through advertising and social media, and engage with investors whenever possible.

To enhance investor involvement in market regulation, represent the interests of retail investors in pan-Canadian policy development and further its investor protection mandate, the CSA requested feedback on the establishment of an Investor Advisory Panel. This panel will be established in F2023 and will be composed of experts on retail investor concerns across the country to advise the CSA in its rule-making to ensure that retail investors’ interests and concerns are considered.



ENGAGING AND EMPOWERING OUR STAFF

F2022 was a very busy year and we couldn’t have achieved all that we did without our employees’ hard work, knowledge and dedication. We strive to ensure our employees feel valued, are well-equipped to fulfill their responsibilities and have opportunities for training and professional growth. The ability of our staff to advance internally resulted in positive additions to our leadership team; we appreciate the strong direction and efforts of our leaders, including those who are now pursuing other adventures. Over the past year, we encouraged connection and remote collaboration through virtual town halls, team events, online meetings, and more.

We continued to successfully adapt to the challenges of working remotely this past year, and we are now transitioning to a hybrid work model. While we believe the office environment creates invaluable opportunities for interpersonal interactions and conversations that are vital to the work we do, we recognize the importance of being flexible and continuing to enable working from home where possible. In F2022, we were honoured to again be recognized as one of Alberta’s top employers. Our solid foundation starts with our staff and their work prepares us for a strong future.

The ASC is committed to providing investors of all ages and life stages with timely information so they can make informed investment decisions.

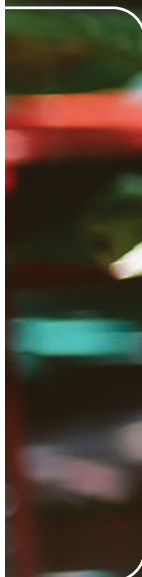


REACHING A BROADER AUDIENCE



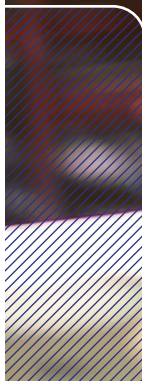
35.8M

TOTAL IMPRESSIONS THROUGH
ADVERTISING AND ONLINE
ENGAGEMENT, OF WHICH 3.9 MILLION
REACHED ALBERTA INVESTORS 55+



1,671

INQUIRIES INTO THE PUBLIC
INFORMATION OFFICE





1,393

MARKET PARTICIPANTS ATTENDED ONE OR MORE OF OUR ASC INDUSTRY WEBINARS: ASC CONNECT, UNDERSTANDING PROPOSED CLIMATE-RELATED DISCLOSURE REQUIREMENTS, DIVERSITY IN CORPORATE CANADA AND THE ROLE OF THE SECURITIES REGULATOR, THE CORPORATE FINANCE DISCLOSURE AND ENERGY MATTERS INFORMATION SESSION, MARKET REGULATION EDUCATION AND OUTREACH SEMINAR, AND SMALL BUSINESS FINANCING WEBINAR.



4,110

ALBERTANS ATTENDED ONE OF OUR INVESTING 101 CLASSES THROUGH THE ASC'S INVESTMENT LITERACY PRESENTATIONS HELD IN PARTNERSHIP WITH SEVEN PUBLIC LIBRARIES ACROSS ALBERTA, FIVE POST-SECONDARY SCHOOLS, FINANCIAL INSTITUTIONS, CRIME PREVENTION ORGANIZATIONS, SENIORS ASSOCIATIONS AND COMMUNITIES, AND THE CALGARY BOARD OF EDUCATION'S CONTINUING EDUCATION DEPARTMENT.

16,404

INDUSTRY REPRESENTATIVES WERE REACHED THROUGH 155 VIRTUAL PRESENTATIONS, SESSIONS AND CONSULTATIONS HELD BY ASC STAFF ON TIMELY TOPICS SUCH AS CLIENT-FOCUSED REFORMS, DIVERSITY, CLIMATE-RELATED DISCLOSURE, NON-GAAP FINANCIAL MEASURES, CRYPTO ASSETS, SUSTAINABLE FINANCE, INVESTMENT LITERACY AND FRAUD PREVENTION.



2,715

NEWS ARTICLES ABOUT THE ASC AND PUBLICATION 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, Corporate Services and Human Resources, and 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

Standing from left to right

**LYNN TSUTSUMI
SAMIR SABHARWAL
CHERYL MCGILLIVRAY
BENNY LEVEILLE**

Seated from left to right

**CYNTHIA CAMPBELL
STAN MAGIDSON
MELINDA DREWE
DAVID LINDER
DENISE WEERES
HILARY McMEEKIN**

Photos were taken individually and compiled for the purpose of this report.

decisions made 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, numerous resources and ongoing consumer campaigns aim to educate Albertans about investing and explain how they can protect themselves from securities fraud. Through digital communications, media relations, community and investor 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 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 and environmental, social and governance (ESG) disclosure; oil and gas reserves/resource disclosure; systemic risk and market intelligence; and supporting the ASC's cross-divisional innovation team exploring ways to improve capital formation while still protecting investors through regulatory and technological 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.

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 (IT) division is responsible for the operational and strategic management of technology services that enable 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), equities and derivatives exchanges and clearing agencies, trade repositories and self-regulatory organizations (SROs), including IIROC and the MFDA. Staff register market participants who 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 AND FINANCIAL SERVICES

Cheryl McGillivray, Chief Accountant and Chief Financial Officer

The Chief Financial Officer and Chief Accountant (CFO) is the ASC's senior financial officer. The CFO's office is responsible for effective internal control over financial reporting, 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. The office of the Chief Accountant provides expert knowledge in accounting, auditing and financial reporting matters to ASC staff as well as guidance to reporting issuers and their advisers. This division is involved in policy initiatives that relate to these areas of expertise 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) to the ASC.

**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.*



ASC's 2022 Members

During F2022, 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 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. The Vice-Chairs are adjudicators in administrative proceedings commenced before the Commission, and they act independently from other divisions within the Commission when adjudicating such proceedings.

MEMBERS

Standing from left to right

DOUG MAIR, ICD.D
STEVEN COHEN
TRUDY CURRAN, ICD.D
RAYMOND CROSSLEY, CPA, CA, ICD.D
GAIL HARDING, Q.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 *Vice-Chair*
JAMES (JIM) OOSTERBAAN, ICD.D
Lead Independent Member
MARYSE SAINT-LAURENT, Q.C., ICD.D

Photos were taken individually and compiled for the purpose of this report.

Meetings of the Members are held on a monthly basis. Independent Members meet *in camera* (in private) in the absence of the Chair and Vice-Chairs following each meeting. The ASC has three board committees: Governance, Human 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 varied experience, skills and backgrounds. In addition, its Members, Executive Officers and staff are diverse in age, ethnicity and gender. 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 Leadership in Energy and Environmental Design (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. This included a LED lighting retrofit in F2022 that resulted in a 12 per cent reduction in electricity usage on the floors the ASC occupies.

	F2022				F2021			
	Female		Male		Female		Male	
	#	%	#	%	#	%	#	%
Independent Members	4	44.4	5	55.6	5	55.6	4	44.4
Chair, Vice-Chairs	1	33.3	2	66.7	1	33.3	2	66.7
Executive Management	6	60.0	4	40.0	5	55.6	4	44.4

ATTENDANCE¹

Stan Magidson, Chair

Term Expiry – June 30, 2026

Currently in Term – 2

Commission – 12/12 (100%)

Audit Committee – 7/7 (100%)

Governance Committee – 3/3 (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%)

James (Jim) Oosterbaan, ICD.D

Lead Independent Member

Term Expiry – March 31, 2023

Currently in Term – 2

Commission – 12/12 (100%)

Audit Committee – 7/7 (100%)

Governance Committee – 4/4 (100%)

Human Resources Committee – 3/4 (75%)

Matthew Bootle, FCA

Term Expiry – March 31, 2025

Currently in Term – 2

Commission – 12/12 (100%)

Audit Committee – 7/7 (100%)

Steven Cohen

Term Expiry – March 31, 2024

Currently in Term – 2

Commission – 12/12 (100%)

Governance Committee – 4/4 (100%)

Raymond Crossley,** CPA, CA, ICD.D

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, 2023

Currently in Term – 2

Commission – 12/12 (100%)

Governance Committee – 4/4 (100%)

Gail Harding, Q.C., ICD.D

Term Expiry – March 31, 2025

Currently in Term – 2

Commission – 12/12 (100%)

Human Resources Committee – 4/4 (100%)

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

Term Expiry – March 31, 2023

Currently in Term – 2

Commission – 12/12 (100%)

Audit Committee – 7/7 (100%)

Doug Mair, ICD.D

Term Expiry – March 31, 2024

Currently in Term – 1

Commission – 12/12 (100%)

Audit Committee – 7/7 (100%)

Maryse Saint-Laurent, ICD.D

Term Expiry – March 31, 2022

Currently in Term – 2

Commission – 12/12 (100%)

Human Resources Committee – 4/4 (100%)

COMMISSION MEMBER COMMITTEES

The F2022 Board Committees were made up of the members listed below. All were independent except Stan Magidson, who attended as an *ex officio* member where indicated.

Audit Committee

Karen Kim (Chair)

Matthew Bootle

Doug Mair

Jim Oosterbaan (*ex officio*)

Stan Magidson (*ex officio*)

Governance Committee

Raymond Crossley (Chair)

Steven Cohen

Trudy Curran

Jim Oosterbaan (*ex officio*)

Stan Magidson (*ex officio*)

HR Committee

Maryse Saint-Laurent (Chair)

Gail Harding

Jim Oosterbaan

Stan Magidson (*ex officio*)

¹ Commission Members are appointed to three-year terms, the Chair is appointed to a five-year term and the Vice-Chairs are appointed to six-year terms.

* The Human Resources Committee and Governance Committee each held one meeting during the year that included only committee members, and did not include the ASC Chair.

** Became Lead Independent Member effective April 1, 2022.

THREE-YEAR STATISTICAL SUMMARY 2022

As of March 31, 2022	F2022	F2021	F2020
Enforcement activity			
Complaints received	490	698	339
Concluded investigations	217	269	340
Current cases	171	163	179
Whistleblower tips received	23	56	42
Interim cease trade orders	0	0	1
Halt trade orders	0	1	0
Settlement agreements	1	3	6
Hearings commenced	3	5	5
Settlements agreed to ¹	\$15,000	\$1,357,500	\$1,022,450
Settlements collected	\$22,336 ²	\$1,373,500 ²	\$1,044,450
Administrative penalties levied	\$725,000	\$1,270,000	\$1,675,000
Administrative penalties recovered	\$134,374	\$111,191	\$133,935
Prosecutions initiated in Court	2	0	2
Companies and individuals banned ³	7	21	24
Appeal hearings	3	0	0
Cease trade orders ⁴	26	35	29
Active reporting issuers			
Principal regulator – Alberta	486	506	540
Principal regulator – other	7,598	7,238	7,098
Total	8,084	7,744	7,638
Prospectuses and mutual funds			
Principal regulator – Alberta	91	74	66
Principal regulator – other	999	962	669
Total	1,090	1,036	735
Rights offerings			
Principal regulator – Alberta	4	3	3
Principal regulator – other	14	16	13
Total	18	19	16
Exemption applications (Corporate Finance)			
Principal regulator – Alberta	58	59	67
Principal regulator – other	15	29	14
Total	73	88	81
Continuous disclosure reviews (principal regulator – Alberta)			
Full	35	20	39
Issue-oriented reviews and data collections	177	243	274
Total	212	263	313
Total registered firms			
Principal regulator – Alberta	111	118	123
Principal regulator – other	866	849	819
Total	977	967	942
Total registered individuals⁵			
Alberta resident	12,407	11,765	11,601
Non-Alberta resident	21,911	20,671	19,761
Total	34,318	32,436	31,362

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

¹ Settlements including costs and disbursements.

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

³ Includes Provincial Court-ordered bans (none in F2022, none in F2021, one in F2020).

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 15, 2022, should be read in conjunction with the Alberta Securities Commission's March 31, 2022 annual audited financial statements and the accompanying notes, prepared in accordance with Canadian Public Sector Accounting Standards. Certain statements outlining fiscal 2023 expectations are forward-looking and are subject to risks and uncertainties. Furthermore, assumptions in the "Fiscal 2023 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 F2022, 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. 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

■ F2022
■ F2021












REVENUES

Annual financial statements fees		22,539 19,648
Distribution of securities fees		20,640 18,094
Registration fees		18,417 17,018
Investment income		6,921 8,349
SEDI, exempt distributions and registration late filing fees		538 498
Orders (applications)		155 166
Administrative penalties		134 111
Other enforcement receipts		22 1,374
Conference and other		1 1
Total F2022		69,367
Total F2021 ¹		65,259

EXPENSES

Salaries and benefits		32,099 31,062
Premises		4,559 4,444
Administration		2,938 2,564
Professional services		2,039 1,610
Amortization of capital assets		1,124 1,393
Investor education		679 947
Other expenses ³		642 374
Total F2022		44,080
Total F2021 ¹		42,394

DIVISION EXPENSES

Enforcement		8,538 8,390
Corporate Finance		7,104 6,876
Market Regulation		6,651 6,180
Information Technology		3,250 2,675
Corporate Resources		3,210 2,633
Office of the Chair and Members		3,070 3,346
Communications and Investor Education		2,361 2,440
Office of the Chief Accountant and Financial Services		2,238 1,912
Office of the General Counsel		1,025 1,114
Office of the Executive Director		950 991
Expenses not allocated ²		5,683 5,837
Total F2022		44,080
Total F2021 ¹		42,394

¹ The comparatives for F2021 have been reclassified, where necessary, to conform to the F2022 presentation. The previous presentation netted investment impairment against investment income.

² Expenses not allocated include amortization of capital assets and premises.

³ Other expenses include investment expense and impairment.

SELECTED ANNUAL INFORMATION

<i>thousands of dollars</i>	F2022	F2022	F2021	F2020
	Budget	Actual	Actual	Actual
Revenues	52,994	69,367	65,259	55,793
Regulatory expenses	45,968	44,080	42,394	42,187
Operating surplus	7,026	25,287	22,865	13,606
Financial assets				
Cash		31,983	27,657	26,833
Investments		101,713	85,863	60,138
Liabilities				
Lease inducements		911	1,158	1,324
Accrued pension liability		10,398	10,287	10,285
Net financial assets		118,621	98,300	71,865
Accumulated surplus		122,526	102,631	76,925
Capital assets		3,330	3,960	4,791
Capital additions	576	494	562	1,111

The comparatives for F2021 have been reclassified, where necessary, to conform to the F2022 presentation. The previous presentation netted investment impairment against investment income.

Highlights

The ASC had a \$25.3 million operating surplus in F2022 compared with an operating surplus of \$22.9 million in F2021.

Total revenue of \$69.4 million for the year ended March 31, 2022 was \$4.1 million higher than the prior year. The increase is due to higher fee revenue offset by lower investment income and other enforcement receipts revenue. The fee revenue was higher due to strong growth in the capital market resulting in higher annual financial statements filing fees, fees from distribution of securities and registration fees. Investment income of \$6.9 million decreased by \$1.4 million from the prior year primarily due to lower returns on fixed-income securities.

Other enforcement receipts were \$1.4 million lower than the prior year due to a lower number of settlement agreements concluded in F2022. Enforcement receipts fluctuate annually because of variability in types of cases, the timing of their resolution and success in collections efforts.

Total expenses of \$44.1 million for F2022 were \$1.7 million higher than the prior year. The regulatory expenses were higher than the prior year primarily due to higher salaries and benefits, professional services and administration costs. This increase was partially offset by lower amortization and investor education expenses.

Analysis of Fiscal 2022 Operating Results

REVENUES

<i>thousands of dollars</i>	F2022	F2022	F2021
	Budget	Actual	Actual
Fees			
Annual financial statements	18,000	22,539	19,648
Distribution of securities	15,179	20,640	18,094
Registration	16,377	18,417	17,018
SEDI, exempt distributions and registration late filing fees	400	538	498
Orders (applications)	100	155	166
Total fees	55,056	62,289	55,424
Other revenues			
Investment income	2,200	6,921	8,349
Other enforcement receipts	600	22	1,374
Administrative penalties	100	134	111
Conference and other	38	1	1
Total revenue	52,994	69,367	65,259

The comparatives for F2021 have been reclassified, where necessary, to conform to the F2022 presentation. The previous presentation netted investment impairment against investment income.

The ASC collected 89.8 per cent (84.9 per cent in F2021) 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

The fee revenue budget for F2022 of \$55.1 million was prepared in the fall of 2020 when there was significant uncertainty regarding COVID-19, vaccine development and the pace of economic recovery. This uncertainty and market indicators at the time led to an underlying budget assumption that fee revenue would decline in F2022. Recovery was faster than expected, resulting in the capital market bouncing back with a surge in capital growth and a record year of \$62.3 million fee revenue.

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 statements filing fees totalled \$22.5 million (\$19.6 million in F2021), which was \$4.5 million higher than the budget. These fees accounted for 36.2 per cent of the ASC's total fee revenue (35.5 per cent in F2021).

The increase in annual financial statements filing fees was due to the increase in the number of Alberta reporting issuers as well as the growth in the average market capitalization. The total number of active reporting issuers in Alberta at March 31, 2022 was 8,084 (7,744 at March 31, 2021), with an average market capitalization during F2022 of \$6,361 billion (\$4,570 billion in F2021).

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 \$8.3 million, which was higher than F2021 (\$8.0 million) primarily due to a higher number of prospectus filings from mutual fund and non-mutual fund reporting issuers and a higher number of prospectus amendments filings. The fixed transaction fees accounted for 13.3 per cent (14.4 per cent in F2021) 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 \$12.3 million in F2022 (\$10.1 million in F2021) and 19.7 per cent (18.2 per cent in F2021) of total fees. The increase in F2022 was due to higher proceeds realized in Alberta from mutual fund reporting issuers and higher proceeds from prospectus-exempt 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. While equity market volatility has an impact on fees from distribution of securities, F2022 had an overall increase of \$2.5 million in fees from distribution of securities compared to F2021.

REGISTRATIONS

Fee receipts of \$18.4 million in F2022 (\$17.0 million in F2021) were received from registered firms and individuals, with 79.0 per cent of these fees received from registration renewals. Registration fees accounted for 29.6 per cent of total fees (30.7 per cent in F2021). As at March 31, 2022 there were 977 firms and 34,318 individuals registered in Alberta, compared to 967 firms and 32,436 individuals registered as at March 31, 2021. Registration fees were higher than the prior year, primarily due to an increased number of new 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 \$538,000 in F2022 (\$498,000 in F2021), mostly comprising late fees on insider report filings and prospectus-exempt distributions.

ORDERS (APPLICATIONS)

The F2022 revenue for orders was \$11,000 lower than in the prior year. In F2022, \$155,000 was received from 134 applications (\$166,000 from 137 applications in F2021). The fee per application is dependent on the category of the application filed.

Other Revenue Sources

INVESTMENT INCOME

The F2022 investment income was lower than the prior year due to lower returns from the Consolidated Cash Investment Trust Fund and fixed-income securities of \$1.8 million (\$4.3 million in F2021), offset by higher returns on Global Equities of \$3.5 million (\$2.7 million in F2021) and Canadian Equities of \$1.6 million (\$1.3 million in F2021). The excess over budget was due to higher returns from all investments. In F2022, investment income totalled \$6.9 million compared to \$8.3 million in F2021 and \$2.2 million per budget.

OTHER ENFORCEMENT RECEIPTS

<i>thousands of dollars</i>	F2022	F2021
Settlement receipts		
Assessed	15	1,155
Recoveries of prior year assessments	7	6
Cost recoveries		
Assessed	202	418
Uncollectible	(202)	(205)
Disgorgements		
Assessed	351	1,585
Uncollectible	(351)	(1,585)
Total	22	1,374

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>	F2022	F2021
Administrative penalties		
Assessed penalties	725	1,270
Uncollectible	(709)	(1,269)
Recoveries of prior-year assessments	118	110
Total	134	111

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 F2022, restricted cash remained at zero as a result of a transfer of \$134,000 to fund eligible expenditures (\$111,000 in F2021). The transfer amount was comprised of prior and current year collections of \$134,000 (\$111,000 in F2021) and \$0 of conference fees (\$0 in F2021). No interest income was earned in F2022 (no interest in F2021). See Note 3 of the March 31, 2022 annual audited financial statements for more information.

Current-year administrative penalties and other enforcement receipts total \$156,000 in F2022 (\$1.5 million in F2021) and compare to a five-year average of \$708,000 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, the ASC collected \$125,000 in F2022 (\$116,000 in F2021) of prior-year assessments, costs and other enforcement receipts.

CONFERENCE AND OTHER

Due to the continuous COVID-19 restrictions, and similar to last year, the ASC Connect, ASC Corporate Finance and Market Regulation Information Sessions were held virtually during F2022. As such no fees for attendance were collected (\$0 collected in F2021). Generally, conference registration fees are collected in order to offset a portion of actual event costs.

Comparative and Budget Expense Analysis

The ASC's F2022 budget was approved by the Commission on December 9, 2020. In F2022, operating expenses were 4.1 per cent below budget. Details by expense category follow.

REGULATORY EXPENSES

<i>thousands of dollars</i>	F2022	F2022	F2021
	Budget	Actual	Actual
Salaries and benefits	32,809	32,099	31,062
Premises	4,710	4,559	4,444
Administration	4,374	2,938	2,564
Professional services	1,837	2,039	1,610
Amortization of capital assets	1,200	1,124	1,393
Investor education	813	679	947
Investment expense	225	447	263
Investment impairment	–	195	111
	45,968	44,080	42,394

The comparatives for F2021 have been reclassified, where necessary, to conform to the F2022 presentation. The previous presentation netted investment impairment against investment income.

SALARIES AND BENEFITS

Compensation expenses accounted for 72.8 per cent of total costs in F2022 (73.3 per cent in F2021) and increased by \$1.0 million from the prior year. This was primarily due to the salary increases that were approved by the Government of Alberta in February 2022, severances and additional full-time employees in F2022. The ASC had an average of 203 full-time employees during the year (201 in F2021). The salaries and benefits expenses were \$710,000 lower than budget due to the turnover at 15.8 per cent (6.3 per cent in F2021) and a higher-than-budgeted employee vacancy rate, average 18 FTE during F2022 (20 FTE in F2021).

PREMISES

Premises costs made up 10.3 per cent of total costs in F2022 (10.5 per cent in F2021). These costs increased by \$115,000 in F2022 compared to the prior year and were \$151,000 lower than budget due to changes in operating costs.

ADMINISTRATION

Administration costs increased by \$374,000 in F2022 compared to F2021. These costs were \$1.4 million lower than budget and accounted for 6.7 per cent of total costs (6.0 per cent in F2021). The administration cost category includes office operations, independent member fees and travel.

Office operating costs increased by \$493,000 compared with the prior year primarily due to higher information technology (IT) and materials and supplies expenses. The office operating costs were \$1.0 million lower than budget primarily due to cost savings related to equipment rental costs and delay in some IT projects. Independent member fees were lower than the prior year by \$149,000 and lower than budget by \$210,000 due to fewer hearing days than expected. Travel expenses were lower than budget by \$206,000 due to the continued COVID-19 restrictions. Generally, travel expenses are required primarily for participation in CSA matters, enforcement activities and professional development.

PROFESSIONAL SERVICES

Professional services costs include contract services and CSA projects and accounted for 4.6 per cent of total costs in F2022 (3.8 per cent in F2021). These costs were higher than the prior year by \$429,000, and \$202,000 higher than budget primarily due to higher external 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 population. The ASC's portion for F2022 was \$361,031 being 11.7 per cent (\$297,000 being 11.7 per cent in F2021) of these costs.

AMORTIZATION OF CAPITAL ASSETS

Amortization expense accounted for 2.5 per cent of total costs in F2022 (3.3 per cent in F2021) and decreased by \$269,000 and \$76,000 compared to the prior year and budget, respectively.

INVESTOR EDUCATION

Investor education costs were lower than the prior year and budget by \$268,000 and \$134,000, 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 \$184,000 higher than the prior year and \$222,000 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 at March 31, 2022, the investment portfolio had a loss in value, other than a temporary decline that resulted in an impairment of \$195,195 (\$110,581 in F2021). The total impairment includes \$188,159 (\$110,581 in F2021) from public equity securities, \$6,637 (\$nil in F2021) from private hedge fund securities and \$399 (\$nil in F2021) from fixed-income securities.

EXPENSES BY DIVISION

<i>thousands of dollars</i>	F2022	F2022	F2021
	Budget	Actual	Actual
Enforcement	9,128	8,538	8,390
Corporate Finance	7,397	7,104	6,876
Market Regulation	7,077	6,651	6,180
Information Technology	3,906	3,250	2,675
Corporate Resources	2,856	3,210	2,633
Office of the Chair and Members	3,056	3,070	3,346
Communications and Investor Education	2,700	2,361	2,440
Office of the Chief Accountant and Financial Services	1,691	2,238	1,912
Office of the General Counsel	1,123	1,025	1,114
Office of the Executive Director	1,124	950	991
Expenses not allocated ⁴	5,910	5,683	5,837
Total	45,968	44,080	42,394

⁴ Expenses not allocated include premises and amortization of capital assets.

The comparatives for F2021 have been reclassified, where necessary, to conform to the F2022 presentation. The previous presentation netted investment impairment against investment income.

Division expenses are primarily for staff and professional services.

Independent member fees are recorded in the “Office of the Chair and Members” division. These fees vary due to the number and duration of hearings. See Salary and Benefits Disclosure in the March 31, 2022 annual audited financial statements for further information.

CAPITAL EXPENDITURES

<i>thousands of dollars</i>	F2022	F2022	F2021
	Budget	Actual	Actual
Computer equipment and software	421	320	317
Furniture and equipment	125	97	209
Leaseholds	30	77	36
Total	576	494	562

In F2022, capital expenditures were primarily related to information technology 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 the Alberta Investment Management Corporation (AIMCo). AIMCo 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 favourable 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 net return of 1.06 per cent for the year ended March 31, 2022 (net return of 16.08 per cent in F2021). 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:

	F2022	F2021
	Actual	Actual
Fixed-income pool securities (market value)	(4.70%)	5.48%
Global equities pool funds (market value)	11.91%	41.88%
Canadian equities pool funds (market value)	22.44%	50.42%
Money market funds	0.23%	0.54%

Fixed-income pool securities are sensitive to interest rate fluctuations. At March 31, 2022, ASC fixed-income pool security investments of \$68.5 million market value had maturities that ranged from under one year (24.6 per cent) to greater than 10 years (32.2 per cent), with an average duration of 7.7 years (7.8 years in F2021). 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 4.9 per cent (4.9 per cent in F2021).

LIQUIDITY

The ASC has sufficient resources to fund F2023 operations and capital purchases with cash of \$32.0 million (\$27.7 million in F2021) and investments with a market value of \$101.7 million (\$85.9 million in F2021).

Quarterly Variance Analysis

QUARTERLY RESULTS SUMMARY

	F2022				F2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	(Jan-Mar)	(Oct-Dec)	(July-Sept)	(Apr-June)	(Jan-Mar)	(Oct-Dec)	(July-Sept)	(Apr-June)
Revenue								
Fees and other	37,321	7,251	5,658	12,216	33,471	6,361	6,035	11,043
Investment income	628	1,807	2,057	2,429	2,823	1,696	2,908	922
	37,949	9,058	7,715	14,645	36,294	8,057	8,943	11,965
Regulatory expenses								
Salaries and benefits	8,878	8,146	7,458	7,617	8,498	7,647	7,319	7,598
Other	4,311	2,741	2,523	2,406	4,053	2,501	2,280	2,498
	13,189	10,887	9,981	10,023	12,551	10,148	9,599	10,096
Operating surplus (deficit)	24,760	(1,829)	(2,266)	4,622	23,743	(2,091)	(656)	1,869
Investments	101,713	108,198	104,736	104,185	85,863	86,731	83,542	81,151
Cash	31,983	7,476	10,118	14,516	27,657	6,136	9,278	1,664

The comparatives for F2021 have been reclassified, where necessary, to conform to the F2022 presentation. The previous presentation netted investment impairment against investment income.

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. \$522,000 was paid in F2022 (\$525,000 in F2021).

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 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 at March 31, 2022 totalled \$19.0 million (\$22.0 million in F2021). Commitments include leases of premises (including parking) to 2025, rental of office equipment to 2024 and software subscriptions to 2025. See Note 9(A) of the March 31, 2022 annual audited financial statements for the commitments schedule.

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

Financial Instruments

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

At the beginning of Q4, F2022 the capital markets were focused on the evolving COVID-19 pandemic and its ramifications on economic growth. While COVID-19 restrictions have started to ease, more attention has now turned to monetary tightening and the Russia-Ukraine conflict. Unprecedented fiscal stimulus packages, the energy crisis and supply chain shortages have combined to push prices higher. Coupled with low unemployment and strong economic growth, central banks, globally, have begun to raise interest rates. Financial markets are paying close attention to how higher inflation and rising rates will affect earnings and valuations. In Q4, F2022 markets have come off all-time highs and the MSCI World Index has declined 5 per cent in USD terms. For the whole of F2022 the index remained positive, up 10.6 per cent. The Canadian market benchmark, the S&P/TSX Composite Index, has performed particularly well, outperforming its peers to start calendar 2022 and generating a positive return of 3.8 per cent. This is due in large part to the Canadian energy sector that is benefiting from strong energy prices, in particular oil. For F2022 the TSX delivered a positive return of 20.2 per cent.

Bond markets were not immune to tightening monetary conditions and rising interest rates. In anticipation of central banks' actions, interest rates across the yield curve have risen dramatically in Q4 F2022. Five-year rates in Canada rose 1.15 per cent in Q4 F2022 and 1.65 per cent from their lows in the summer of 2021. The Bank of Canada (BoC) began hiking rates in March 2022, increasing the overnight lending rate by 0.25 per cent. Since the end of the F2022 the BoC hiked rates by another 0.50 per cent during April. Given the increase in rates, the bond market returns have been weak. For F2022 the FTSE Canada Universe Bond Index generated a negative return of 4.5 per cent.

At March 31, 2022, the fair value of derivatives was in a net asset position of \$659,682 compared to a net asset position of \$443,553 as at March 31, 2021. Cash and non-cash collateral for derivative contracts pledged as at March 31, 2022 totalled \$1,446,433 (\$1,337,454 in F2021).

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, 2022, the fair value of the ASC's share of securities loaned was \$2,043,825 (\$1,174,492 in F2021) and the fair value of collateral held totals \$2,194,143 (\$1,254,501 in F2021).

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, 2022 annual audited financial statements.

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, 2022 annual audited financial statements for related party transactions.

CSA National Systems

See Note 8 in the March 31, 2022 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 ASC to meet essential business needs following a disruption. During normal operations, critical systems are available remotely, enabling many ASC staff the flexibility to work on a hybrid model, or work from home if ASC offices are not accessible.

COVID-19

The ASC responded in the early stages of the COVID-19 pandemic, and as a deemed essential service, took immediate action to follow all public and safety protocols, ensuring remote access capability for ASC staff. Consistent with the previous year, ASC staff were encouraged to work from home wherever possible and ASC imposed strict public health protocols for employees and hearing participants.

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 in place, including systems, protocols and controls designed to lessen the impact on business processes and minimize any negative impacts.

During F2020, the ASC performed an extensive review of its Enterprise Risk Management (ERM) program in conjunction with the fiscal 2022 – 2023 strategic plan. The program facilitates the identification, analysis, mitigation and monitoring of internal and external risks that threaten the achievement of the ASC's strategic objectives. The ERM risk review was updated in F2021 and in F2022, with a comprehensive review planned concurrent with the fiscal 2024 – 2026 strategic plan in F2023. The review concluded that all reasonable steps have been taken, or are being taken, to mitigate risks to the extent they are within the control of the organization.

Following the lifting of the COVID-19 public health measures, the ASC adopted a hybrid work model 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 the use of specialized cybersecurity systems and cybersecurity awareness training. Annual audits, reviews and updates are conducted on our IT policies, processes and procedures to continually mitigate cybersecurity risks.

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 2023 Outlook

The ASC's priority continues to be 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

F2023 revenue is budgeted to be \$64.5 million, an increase of \$2.5 million from F2022 revenue. This increase primarily reflects a change in assumptions related to the number of Alberta reporting issuers, their average market capitalization, number of registrants and capital-raising-related activities in the Alberta market.

REGULATORY EXPENSES

F2023 regulatory expenses are budgeted to be \$50.7 million, an increase of \$8.3 million from F2022 regulatory expenses. The increase in costs estimates is based primarily on higher salaries and benefits due to salary increases, additional full time employees and expected lower employee vacancy and turnover rates. Other administration expenditures are expected to increase due to the easing of COVID-19 restrictions and increased IT projects.

LIQUIDITY AND CASH FLOW

The cash requirements for F2023 operations and capital budgets can be met from existing cash and investment balances.

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 modest staff vacancy rate and specific project costs for information technology, training and recruitment. Factors that could impact the ASC's financial performance include:

- the energy crisis and the continued global shift in the energy markets;
- skilled employee shortages and wage constraints' impact on employee attraction and retention;
- inflationary pressures' impact on cost assumptions and fee revenue;
- emerging variants of COVID-19 and their impact on the capital market, investment income and fees paid in connection with the distribution of securities, filing of annual financial statements and registrants;
- 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.

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



DAVID C. LINDER, Q.C.

Executive Director

June 15, 2022

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, 2022, 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, 2022, 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.

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 15, 2022
Edmonton, Alberta

STATEMENT OF FINANCIAL POSITION

<i>thousands of dollars</i>	At March 31, 2022	At March 31, 2021
Financial Assets		
Cash (Note 3)	31,983	27,657
Accounts receivable	112	101
Investments (Note 4)	101,713	85,863
	133,808	113,621
Liabilities		
Accounts payable and accrued liabilities	3,878	3,876
Lease inducements	911	1,158
Accrued pension liability (Note 6)	10,398	10,287
	15,187	15,321
Net Financial Assets	118,621	98,300
Non-Financial Assets		
Capital assets (Note 5)	3,330	3,960
Prepaid expenses	575	371
	3,905	4,331
Accumulated Surplus	122,526	102,631
Accumulated surplus is comprised of:		
Accumulated operating surplus	127,440	102,153
Accumulated remeasurement (losses) gains	(4,914)	478
	122,526	102,631

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 15, 2022

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS*thousands of dollars*

For year ended March 31

	2022	2022	2021
	Budget (Note 10)	Actual	Actual
Operating Surplus	7,026	25,287	22,865
Acquisition of capital assets	(576)	(494)	(562)
Amortization of capital assets	1,200	1,124	1,393
Prepayment of expenses		(1,221)	(866)
Reduction of prepaid expenses		1,017	764
Net remeasurement (losses) gains		(5,392)	2,841
Increase in net financial assets	7,650	20,321	26,435
Net financial assets, beginning of year	98,300	98,300	71,865
Net financial assets, end of year	105,950	118,621	98,300

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

STATEMENT OF OPERATIONS*thousands of dollars*

For year ended March 31

	2022	2022	2021
	Budget (Note 10)	Actual	Actual
Revenues			
Fees (Note 7)	50,056	62,289	55,424
Investment income (Note 4(C))	2,200	6,921	8,349
Other enforcement receipts (Note 7)	600	22	1,374
Administrative penalties (Note 3)	100	134	111
Conference and other	38	1	1
	52,994	69,367	65,259
Regulatory Expenses			
Salaries and benefits	32,809	32,099	31,062
Premises	4,710	4,559	4,444
Administration	4,374	2,938	2,564
Professional services	1,837	2,039	1,610
Amortization of capital assets (Note 5)	1,200	1,124	1,393
Investor education	813	679	947
Investment expense (Note 11)	225	447	263
Investment impairment (Note 4(D))	–	195	111
	45,968	44,080	42,394
Operating Surplus	7,026	25,287	22,865
Accumulated Operating Surplus, beginning of year	102,153	102,153	79,288
Accumulated Operating Surplus, end of year	109,179	127,440	102,153

*The accompanying notes and schedule are part of these financial statements.***STATEMENT OF REMEASUREMENT GAINS AND LOSSES (NOTE 4)***thousands of dollars*

For year ended March 31

	2022	2021
Accumulated remeasurement gains (losses), beginning of year	478	(2,363)
Unrealized (losses) gains on investments during the year	(5,290)	3,038
Amounts reclassified during the year to the Statement of Operations	(102)	(197)
Net remeasurement (losses) gains for the year	(5,392)	2,841
Accumulated remeasurement (losses) gains, end of year	(4,914)	478

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

STATEMENT OF CASH FLOWS*thousands of dollars*

For year ended March 31

	2022	2021
Operating Transactions		
Fees and other	61,986	55,556
Payments to and on behalf of employees	(31,772)	(30,849)
Payments to suppliers for goods and services	(10,608)	(9,645)
Administrative penalties (Note 3)	134	111
Investment income	37	90
Other enforcement receipts (Note 7)	22	1,374
Cash received from operating transactions	19,799	16,637
Capital Transactions		
Cash used to acquire capital assets	(473)	(813)
Cash used in capital transactions	(473)	(813)
Investing Transactions		
Purchases of investments	(15,000)	(15,000)
Cash used in investing transactions	(15,000)	(15,000)
Increase in cash	4,326	824
Cash, beginning of year	27,657	26,833
Cash, end of year	31,983	27,657

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

Notes to the Financial Statements

March 31, 2022

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 on 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 collectibility 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 comprise 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) FUTURE ACCOUNTING CHANGES

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

PS3280 Asset Retirement Obligations (effective April 1, 2022)

This standard provides guidance on how to account for and report liabilities for retirement of tangible capital assets.

The new standard is not expected to have any material impact on the financial statements when adopted. The ASC does not have any asset retirement obligations.

PS3400 Revenue (effective April 1, 2023)

This standard provides guidance on how to account for and report revenue. More specifically, it differentiates between revenue arising from transactions with performance obligations (exchange transactions) and transactions without performance obligations (non-exchange transactions).

The ASC has not yet adopted this standard. Management is currently assessing the impact of this standard on the ASC's financial statements.

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>	2022	2021
Cash	31,983	27,657

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

<i>thousands of dollars</i>	2022	2021
Administrative Penalties		
Assessed penalties	725	1,270
Less provision for uncollectible amounts	(709)	(1,269)
Plus recoveries of prior-year assessments	118	110
	134	111
Administrative Penalties	134	111
Less eligible restricted cash expenses (investor education)	(134)	(111)
Change in restricted cash	–	–
Restricted Cash, beginning of year	–	–
Restricted Cash, end of year	–	–

Cash includes demand deposits in the Consolidated Cash Investment Trust Fund (CCITF). The CCITF is managed by AIMCo with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high-quality fixed-income securities, with a maximum term to maturity of three years. For the year ended March 31, 2022, the ASC received an annualized return of 0.23 per cent (0.54 per cent in F2021).

Note 4: Investments

A) SUMMARY

<i>thousands of dollars</i>	2022				2021		
Investments	Cost	Remeasurement Gains (Losses)	Fair Value	%	Cost	Fair Value	%
Fixed-income securities	74,095	(5,604)	68,491	67.3	59,187	58,650	68.3
Global equities	23,760	506	24,266	23.9	19,530	20,469	23.8
Canadian equities	8,259	184	8,443	8.3	6,264	6,340	7.4
CCITF deposit	513	–	513	0.5	404	404	0.5
	106,627	(4,914)	101,713	100.0	85,385	85,863	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 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, 2022 resulted in a net asset position of \$659,682 compared to a net asset position of \$443,553 as at March 31, 2021.

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 of 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 honour 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	2022	2021
Investment Grade		
AAA	22.9%	22.9%
AA+ to AA-	30.1%	27.8%
A+ to A-	23.0%	21.7%
BBB+ to BBB-	20.5%	23.4%
Speculative Grade and unrated	3.5%	4.2%
	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, 2022, the fair value of the ASC's share of securities loaned was \$2,043,825 (\$1,174,492 in F2021) and the fair value of collateral held totalled \$2,194,143 (\$1,254,501 in F2021). The net impact was \$150,318 (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 investments loaned.

As at March 31, 2022, deposits in futures contracts margin accounts totalled \$789,274 (\$703,307 in F2021). Cash and non-cash collateral for derivative contracts pledged as at March 31, 2022 totalled \$1,446,433 (\$1,337,454 in F2021) and collateral received was \$nil as at March 31, 2022 (\$nil in F2021).

II. FOREIGN CURRENCY RISK

The ASC is exposed to foreign currency risk associated with the underlying securities held in investment funds that are denominated in currencies other than the Canadian dollar. Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument 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 as at March 31:

<i>thousands of dollars</i>				
	March 31, 2022		March 31, 2021	
Currency	Fair Value	Sensitivity*	Fair Value	Sensitivity*
U.S. Dollar	17,554	(1,755)	12,905	(1,291)
Euro	2,592	(259)	2,370	(237)
Japanese Yen	1,581	(158)	1,561	(156)
British Pound Sterling	863	(86)	906	(91)
Other Foreign Currency	978	(98)	1,531	(153)
	23,568	(2,356)	19,273	(1,928)

*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 CCITF 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 4.9 per cent of total investments (4.9 per cent in F2021).

The following table summarizes the terms to maturity of fixed-income securities held in the fixed income pool at March 31, 2022:

	<1 year	1–5 years	Over 5 years	Repurchase Agreements**
Fixed-income securities	24.58%	53.93%	54.79%	(33.30%)

**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 equity market indices (S&P/TSX and MSCI ACWI and their sectors) declined by 10.0 per cent, and all other variables were held constant, the potential loss in fair value to ASC would be approximately 2.9 per cent of total investments (3.4 per cent in F2021).

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 \$1.8 million from the CCITF and fixed-income securities (\$4.3 million in F2021) and \$5.1 million from equities (\$4.0 million in F2021). The ASC's investments had a net return of 1.06 per cent for the year ended March 31, 2022, which was generated by the realized and unrealized gains and losses (net return of 16.08 per cent in F2021). 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) return of 0.42 per cent for the year ended March 31, 2022 (11.87 per cent in F2021).

D) INVESTMENT IMPAIRMENT

As at March 31, 2022, the investment portfolio has recorded a loss in value, other than a temporary decline that resulted in an impairment of \$195,195 (\$110,581 in F2021). The total impairment includes \$188,159 (\$110,581 in F2021) from public equity securities, \$6,637 (\$nil in F2021) from private hedge fund securities and \$399 (\$nil in F2021) 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	2022 Total	2021 Total
Estimated useful life	3 years	10 years	Lease duration		
Cost					
Beginning of year	3,777	3,482	7,233	14,492	14,380
Additions	320	97	77	494	562
Disposals	(108)	(2)	–	(110)	(450)
	3,989	3,577	7,310	14,876	14,492
Accumulated amortization					
Beginning of year	2,966	2,711	4,855	10,532	9,589
Amortization expense	479	127	518	1,124	1,393
Disposals	(108)	(2)	–	(110)	(450)
	3,337	2,836	5,373	11,546	10,532
Net book value	652	741	1,937	3,330	3,960

Cost includes computer equipment and software work in progress as at March 31, 2022 totalling \$7,898. The F2021 included computer equipment and software work in progress of \$44,852.

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>	2022	2021
Public Service Pension Plan	1,469	1,465
Registered Retirement Savings Plan	1,238	1,234
Supplemental Pension Plan	451	338
	3,158	3,037

A) PUBLIC SERVICE PENSION PLAN

The ASC participates in the Public Service Pension Plan. At December 31, 2021, the Public Service Pension Plan reported a surplus of \$4,588 million (December 31, 2020 – \$2,224 million). 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 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 2021. In F2022, the ASC reviewed the underlying assumptions and concluded that a new valuation was necessary. An independent actuary performed an SPP valuation in March 2022. The next valuation is scheduled for March 2025. 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>	2022	2021
Supplemental Pension Plan		
Accrued benefit and unfunded obligation	9,331	10,451
Unamortized actuarial gains (losses)	1,067	(164)
Accrued benefit liability	10,398	10,287

<i>thousands of dollars</i>	2022	2021
Accrued Benefit Obligation		
Accrued benefit obligation at beginning of year	10,451	9,687
Service cost	200	219
Interest cost	263	319
Benefits paid	(341)	(336)
Actuarial (gains) losses – experience and assumptions	(1,242)	562
Accrued benefit obligation at end of year	9,331	10,451

<i>thousands of dollars</i>	2022	2021
Pension Expense for the Supplemental Pension Plan		
Service cost	200	219
Interest cost	263	319
Amortization of actuarial (gains) during the year	(12)	(200)
	451	338

The assumptions used in the actuarial valuation of the SPP and the projections are summarized below. The discount 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	2022	2021
Discount rate, year-end obligation	4.00%	2.50%
Discount rate, annual pension expense	2.50%	3.25%
Rate of inflation, year-end obligation*	2.00%	2.00%
Salary increases, year-end obligation	3.00%	0.00%
Remaining service life, year-end obligation	2 years	3 years

*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>	2022	2021
Fees		
Annual financial statements	22,539	19,648
Distribution of securities	20,640	18,094
Registration	18,417	17,018
SEDI, exempt distributions and registration late filing fees	538	498
Orders (applications)	155	166
	62,289	55,424
<i>thousands of dollars</i>	2022	2021
Other Enforcement Receipts		
Settlement payments, disgorgements and cost recoveries assessed	568	3,158
Less provision for uncollectible amounts	(553)	(1,790)
Plus recoveries of prior-year assessments	7	6
	22	1,374

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, 2022, the accumulated operating surplus totalled \$199.5 million (March 31, 2021 – \$192.7 million). This was primarily made up of \$130.5 million of investments comprised of a notice account earning Bank of Canada overnight rate plus 0.5 per cent; guaranteed investment certificates ranging from two to three years earning from 1.65 to 2.7 per cent; \$61.7 million in intangible assets; and \$11.5 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 relate to the lease of premises (including parking) to November 30, 2025, rental of office equipment to 2024 and software subscriptions to 2025 totalling \$19.0 million (\$22.0 million in F2021). These commitments become expenses of the ASC when the terms of the contracts are met.

<i>thousands of dollars</i>	
2022–23	5,180
2023–24	5,242
2024–25	5,215
2025–26	3,400
	19,037

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 F2022 budget was approved by the Commission on December 9, 2020.

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 though they were unrelated parties and recorded these transactions at exchange amounts. Total transaction costs of \$327,856 (\$441,387 in F2021) were recognized in investor education, salaries and benefits and administration expenses, primarily for investor education, employment contracts, insurance and transcript and postage services. Investment fees of \$447,369 (\$263,350 in F2021) were charged by AIMCo. As at March 31, 2022, included in accounts payable and accrued liabilities is \$81,940 (\$230 in F2021) related to these transactions.

Note 12: Comparative Figures

Certain March 31, 2021 figures have been reclassified, where necessary, to conform to the March 31, 2022 presentation. The comparative figures related to investment impairment reclassified to conform to the presentation adopted in F2022. The previous presentation netted investment impairment against investment income.

Schedule 1 – Salary and Benefits Disclosure

thousands of dollars				2022	2021
	Base salary ¹	Other cash benefits ²	Other non-cash benefits ³	Total	Total
Chair and Chief Executive Officer (CEO), Alberta Securities Commission ⁴	495	106	55	656	654
Executive Director, Alberta Securities Commission	382	22	112	516	517
Vice-Chair, Alberta Securities Commission ^{4,5}	302	63	50	415	424
Vice-Chair, Alberta Securities Commission ⁴	302	56	90	448	422
Independent Members of the Alberta Securities Commission (aggregate) ⁶	367	–	–	367	516

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 does not participate in the SPP, but participates 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 \$282,550 (\$298,000 in F2021) and hearing and application panel participation of \$84,671 (\$218,200 in F2021).

Independent Member fees include:

	2022
Annual retainer	\$ 10,000
Committee memberships (other than Audit Committee)	\$ 2,500
Committee memberships (Audit Committee)	\$ 4,000
Committee chairing (Audit Committee)	\$ 8,000
Committee chairing (other than Audit Committee)	\$ 5,000
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>	2022		2021
	Current service costs	Prior services and other costs	Total
Chair and CEO, Alberta Securities Commission ¹	–	–	–
Executive Director, Alberta Securities Commission	68	(99)	(31)
Vice-Chair, Alberta Securities Commission ²	–	–	–
Vice-Chair, Alberta Securities Commission ³	64	57	121

ACCRUED OBLIGATIONS

<i>thousands of dollars</i>	Accrued obligation March 31, 2021	Changes in accrued obligation	Accrued obligation March 31, 2022
Chair and CEO, Alberta Securities Commission ¹	–	–	–
Executive Director, Alberta Securities Commission	1,679	(134)	1,545
Vice-Chair, Alberta Securities Commission ²	–	–	–
Vice-Chair, Alberta Securities Commission ³	989	(109)	880

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 prior role at the ASC, this Vice-Chair was a member of the SPP.

2022 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 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 by the 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 that derives its value from some underlying benchmark.

Disciplined List (DL)

The DL 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, the MFDA or IIROC.

Exempt Market

A market where 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 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 Quebec), 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.

Investment Industry Regulatory Organization of Canada (IIROC)

IIROC is the national self-regulatory organization that oversees all investment dealers and trading activity on debt and equity marketplaces in Canada.

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 is a national self-regulatory organization for the distribution side of the Canadian mutual fund industry. The MFDA regulates the operations, standards of practice and business conduct of its members and their representatives.

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.

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.

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 efforts to address applications for discretionary exemptive relief from securities laws from parties intending to provide 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, parties conducting initial token offerings, and crypto asset trading platforms, among others.

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.

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.

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 with the opportunity to raise capital.

Venture Issuer

A venture issuer means a reporting issuer that, as at the applicable time, did not have any of its securities listed or quoted on any of the Toronto Stock Exchange, Aequitas NEO Exchange Inc., a U.S. marketplace, or a marketplace outside of 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.

2022 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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