Annual Report

2022-2023

CIRO · OCRI

Canadian Investment Regulatory Organization

Organisme canadien de réglementation des investissements

About the Logo

The CIRO logo is a visual representation of the new, single self-regulatory organization and tells the story of CIRO's role in regulation and investor protection. The rounded font demonstrates approachability, collaboration and openness. The shield represents a badge of honour; a visual members can be proud to display. The logo conveys a feeling of trust, and the three lines show upward movement to demonstrate progression and signify growth. Additionally, the lines represent CIRO's three key stakeholders: investors, members and the capital markets.

The Canadian Investment Regulatory Organization (CIRO) is the national self-regulatory organization that oversees all investment dealers, mutual fund dealers and trading activity on Canada's debt and equity marketplaces. CIRO is committed to the protection of investors, providing efficient and consistent regulation, and building Canadians' trust in financial regulation and the people managing their investments. For more information, visit **ciro.ca.**

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Introduction

Message from the President and CEO

Andrew J. Kriegler
President and CEO

For many Canadians, emerging from the reality of nearly three years of pandemic felt like an odd mix of returning to the old normal and beginning a brand new, post-pandemic life. For us, those feelings were felt professionally as well as personally, as we found ourselves continuing with many of the same responsibilities but at a new self-regulatory organization with a big new mandate and a brand-new name, the Canadian Investment Regulatory Organization.

As people have talked about bringing the MFDA and IIROC together for about as long as there were two SROs, it is in some ways a surprise to remember that the project to seriously consider an amalgamation was only truly launched by our colleagues at the Canadian Securities Administrators (CSA) in December 2019, just weeks before the pandemic struck.

It had become increasingly apparent that a regulatory model which made sense 25 years ago no longer worked for Canadians or for the regulated firms who serve them. The needs and wants of Canadians for financial services and financial advice had evolved to the point where some of the historical approaches to self-regulation were now actively limiting the access and flexibility that consumers demand.

It is true that it took a long time to get to a consensus on that point. But only three years later, with an enormous effort, here we are. To accomplish major structural reform in the regulatory sector from start to finish in three years – and to do so during a pandemic – is something to be proud of.

It was also an effort which deserves thanks. To our CSA colleagues, for tackling an enormous task and for overseeing the project, including through several rather bumpy phases, thank you. To our industry colleagues, investor advocates and many other stakeholders who dug in and provided invaluable advice, perspective and commentary through multiple requests for comment and input, thank you. And especially to all of my colleagues at CIRO, thank you for your hard work, your patience and your support.

Of course, this was and is much more than just combining two existing organizations and as a result, the real work is just beginning. As we evolve the regulatory structure, we have the goal of making things simpler, not more complicated.

Within the guardrails of strong investor protection, we want to give firms more flexibility in how to structure themselves to serve their clients, not less and to make it easier and simpler for Canadians to access financial advice. Importantly, as we continue to work in a system with multiple financial services regulators, we know we also need to deliver regulation in a consistent fashion both internally and with our colleagues and counterparts: like regulation for like activities with like risks.

That will be an evolutionary – and from time to time I suspect, revolutionary – process and in the meantime, we need to ensure the ongoing delivery of our core regulatory mandate. Our inaugural Annual Priorities, published in June, aim to help us keep the balance between all the things we need to get done, internal and external.

It is important to remember that in addition to bringing two regulators together on January 1, we also brought together two organizations. Two organizations with different processes, different systems and most importantly, with two different cultures. So, in a sense, we are simultaneously in the middle of two parallel integrations: bringing together two regulatory models as the foundation for regulatory renewal and bringing together two organizations as we create a new culture together.

Unsurprisingly, much of our functional integration effort – like the regulatory integration – is gated by the speed of technological integration. Although both predecessor SROs were relatively small organizations, we each had corporate systems, business systems and technology infrastructures. We made the decision to focus most of our effort this first full year together on our corporate and infrastructure technology in order to ensure a strong foundation on which to integrate business systems.

“Within the guardrails of strong investor protection, we want to give firms more flexibility in how to structure themselves to serve their clients, not less and to make it easier and simpler for Canadians to access financial advice.”

At the same time though, we’ve made good progress in our functional integration. All our regulatory and infrastructure areas are under single leaders and we have begun consolidating and streamlining many of our teams and processes.

For example, one of the more significant integration tasks that is currently underway is the bringing together of all of Member compliance activities across investment and mutual fund dealer firms. We’ve also stood up the Office of the Investor and our Investor Advisory Panel and they’ve joined their outward focused efforts with those of our Member Intake and Innovation departments to focus on their outward mandate, each element of which is critical to CIRO’s future success.

We have also made significant progress in achieving some of the strategic objectives, the need for which helped drive the amalgamation in the first place.

Our colleagues at the Autorité des marchés financiers (AMF) have proposed delegating to CIRO responsibility for examining the compliance of mutual fund firms in Québec, something the AMF has up to now done directly. Even more significantly, they have proposed delegating the responsibility of registering mutual fund representatives in the province, the first jurisdiction in Canada to do so. Both measures are being considered by the Government of Québec and we are optimistic. Consolidating MFD representative registration within CIRO, to match what we do today for investment dealers, is a key element of bringing efficiency to the system.

At the time of writing, CIRO also has its first three dual-registered firms, simplifying operations and allowing clients to easily access additional products and services as their needs change. Many more firms, including several large integrated institutions, are also in the pipeline.

Mutual Fund Dealers, who had previously been limited in their ability to efficiently deliver ETFs to their customers, can now be carried by an investment dealer and connect to the markets where ETFs trade. And single platform dealers, whether they are mutual fund or investment dealers, can more easily expand their businesses in ways which make sense for them.

As we continue to make progress on our major milestones, we are also moving forward with a greater sense of who we are, as a brand-new organization. And who we are, above all else, is a group of over 600 people working in the public interest.

In any organization, people come and go as their careers and lives evolve and they re-evaluate what’s next. Organizational – structural – change is often a catalyst for people as it prompts that self-evaluation and, sometimes, movement as a result. So was the case this past year at CIRO.

We said goodbye to several colleagues, all of whom I would like to thank for the contributions which helped bring us to where we are today. We’ve also welcomed many new partners and I look forward to the opportunity of building our future organization together with them.

Let me close by thanking everyone who got us here today: Our colleagues at the CSA, the Boards of Directors, both past and present, the member firms and most of all the staff and management of CIRO.

I cannot wait to see where we are one year from now.

Andrew J. Kriegler
President and CEO

Message from the Chair

Timothy Hodgson
Chair of the Board

It is an honour to have been chosen as Chair of our newly formed organization. On behalf of the entire Board of Directors, please know we appreciate your trust in us to oversee this important Canadian institution.

We are very pleased to present to you the first annual report of the Canadian Investment Regulatory Organization, CIRO, and to share with you the significant progress we've made so far.

Our evolution from the Mutual Fund Dealers Association of Canada and the Investment Industry Regulatory Organization of Canada into a single self-regulatory organization builds on the strong foundation of the two legacy SROs, their dedication to investor protection and effective industry regulation.

It has taken a team of talented and dedicated individuals to bring the two organizations together and it has been their skills, experience and dedication which not only brought the new organization into existence, but which is also the driving force behind our early accomplishments.

Thank you to our Member firms for supporting the cause of an amalgamation for many years and for supporting the reality of it through the last 18 months. We know that to be a successful self-regulatory organization, we need your experience, your perspective and your commitment to doing the best for Canadians and we are grateful for it every day.

Your Board understands that it is important for CIRO's success that we keep the "self" in self-regulation. This year, we have seen representation on many of our advisory committees and councils from both Investment Dealers and Mutual Fund Dealers coming together at the same table for the first time. It has been fantastic to see.

We would also like to express the Board's sincere thanks to those in the industry who made their voices heard through their engagement with both our legacy organizations and now with CIRO. Our Regional Councils have been an important part of raising issues, providing input on various initiatives, and serving as our connection to local and regional marketplaces and stakeholders.

This year, we also introduced an Office of the Investor and our Investor Advisory Panel to ensure that the investor's voice is heard in the same way CIRO hears industry feedback when we develop policy.

We have taken tangible steps forward to develop and build our CIRO brand. We established a new name and logo to reflect our coming together as a new organization, while simultaneously signaling a new chapter for Canadian investors. CIRO's new logo conveys a feeling of trust, and the three lines show upward movement to demonstrate progression and signify growth. Additionally, the lines represent our three key stakeholders: investors, members, and the capital markets.

Your Board understands that even in advance of a common rulebook, there is a need to have common interpretations of our existing rules. Exciting work is underway to merge our rules into a single rulebook with the goal of eliminating regulatory duplication, arbitrage and ensure that like activities are regulated in a similar fashion.

Overall, our strategic planning program is on track. To date, we have engaged in creating the Vision, Mission and Values for the organization. On June 1, we rolled out our Annual Priorities, which outline what we are working towards, and how we will achieve it.

CIRO's eight priorities focus on how we will support better outcomes for the industry and our own organization. Of course, this includes furthering initiatives related to investor protection, as well as finding ways to harmonize our regulatory approach and supporting industry transformation.

This year's annual report is meant to highlight the hard work that has been undertaken by countless CIRO staff, the CSA and our member organizations across the country. In addition to highlighting their hard work, the CIRO Board would also like to recognize the accomplishments of the former Board members of both legacy SROs for their forward-thinking and determined leadership. Without their dedication to serving the investment industry, none of this would have been possible. I would also like to take this opportunity to thank my colleagues on the CIRO Board, whose vision has helped shape this evolving organization.

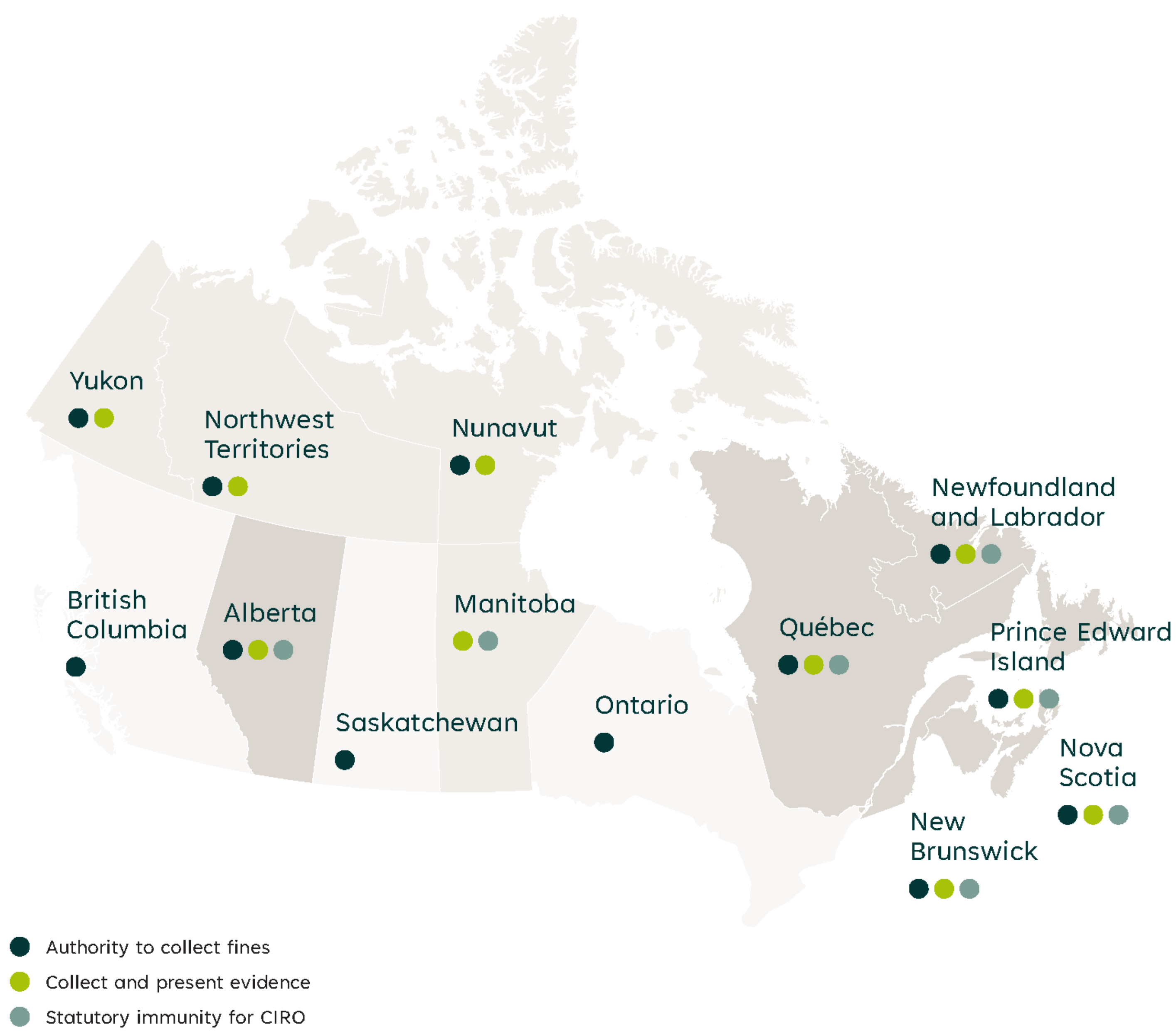
The shared success of our journey so far is a testament to the trust that the industry has in the self-regulatory framework and its confidence in our ability to address the challenges ahead: regulatory fragmentation, duplication, and the need to provide more opportunities to better serve Canadians. Our Board is proud to be involved in making things better in a time of uncertainty and I am confident that as the industry continues to evolve, so will we.

Timothy Hodgson
Chair of the Board

"CIRO's eight priorities focus on how we will support better outcomes for the industry and our own organization."

Legal Authority Map

Since 2017, every province and territory has taken action to enhance CIRO's enforcement powers. CIRO now has fine collection authority across the country.



Yukon

November 2018: collect fines and collect/present evidence

Northwest Territories

November 2018: collect fines and collect/present evidence

Nunavut

November 2018: collect fines and collect/present evidence

British Columbia

May 2018: collect fines

Alberta

June 2000: collect fines

June 2017: collect/present evidence and statutory immunity

Saskatchewan

May 2019: collect fines

Manitoba

June 2018: collect fines and statutory immunity

Ontario

May 2017: collect fines

Québec

June 2013: collect fines

June 2018: collect/present evidence and statutory immunity

New Brunswick

December 2019: collect fines, collect/present evidence and statutory immunity

Nova Scotia

October 2018: collect fines, collect/present evidence and statutory immunity

Prince Edward Island

January 2017: collect fines

December 2018: collect/present evidence and statutory immunity

Newfoundland and Labrador

November 2021: collect fines, collect/present evidence and statutory immunity

Executive Leadership Team

Andrew J. Kriegler
President and CEO

Jennifer Armstrong
General Counsel and Corporate Secretary

Claudyne Bienvenu
Vice-President, Québec and Atlantic Canada

Ian Campbell
Chief Information Officer

Nigel Carpenter
Vice-President, Information Technology Governance & Co-Chair Transition Management Office

Richard Korble
Vice-President, Western Canada

Karen McGuinness
Senior Vice-President, Office of the Investor, Member Intake, and Innovation

Laura McNeil
Chief Financial Officer

Victoria Pinnington
Senior Vice-President Market Regulation & Co-Chair Transition Management Office

Elsa Renzella
Senior Vice-President, Enforcement & Registration

Alexandra Williams
Senior Vice-President, Member Regulation and Corporate Strategy

Industry Statistics

(as of March 31)

Enforcement

Enforcement	Investment Dealer	Mutual Fund Division
Completed Enforcement Investigations	91	96
Completed Total Disciplinary Hearings (Including Settlement Hearings)	31	77
Completed Disciplinary Hearings (Including Settlement Hearings) – Individual	20	71
Completed Disciplinary Hearings (Including Settlement Hearings) – Firm	11	6
Suspensions Issued	11	29
Permanent Bars/Terminations Issued	7	14

Markets

CIRO regulates trading activity on:

6 Stock Exchanges

Toronto Stock Exchange (TSX)

TSX Venture Exchange (TSXV)

Alpha Exchange (Alpha)

Canadian Securities Exchange (CSE)*

NEO Exchange Inc. (NEO)**

Nasdaq (CXC) Limited (Nasdaq Canada)***

*Canadian Securities Exchange operates 2 distinct books: CSE and CSE2

**NEO Exchange operates 3 distinct books: NEO-L, NEO-N and NEO-D

***Nasdaq (CXC) Limited operates 3 distinct books: Nasdaq CXC (CXC), Nasdaq CX2 (CX2) and Nasdaq CXD (CXD)

5 Equity Alternative Trading Systems

Omega ATS (Omega)

Lynx ATS (Lynx)

TriAct Canada Marketplace (MATCH Now)

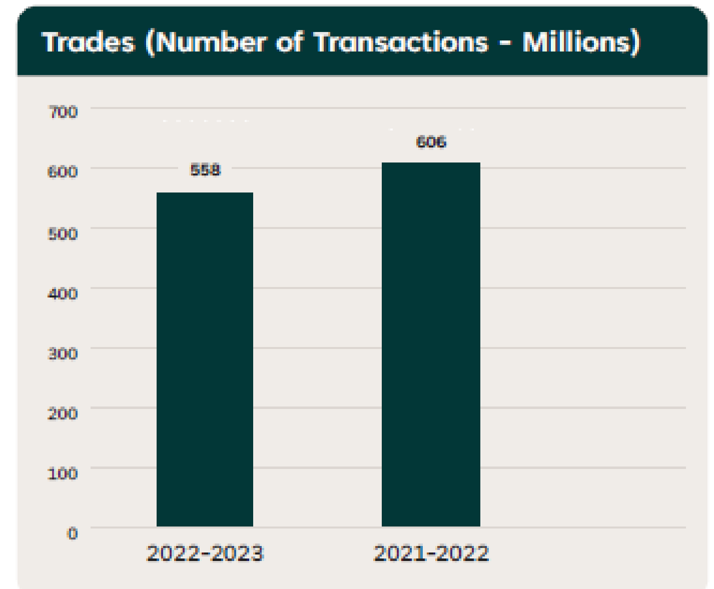
Liquidnet Canada Inc (Liquidnet)

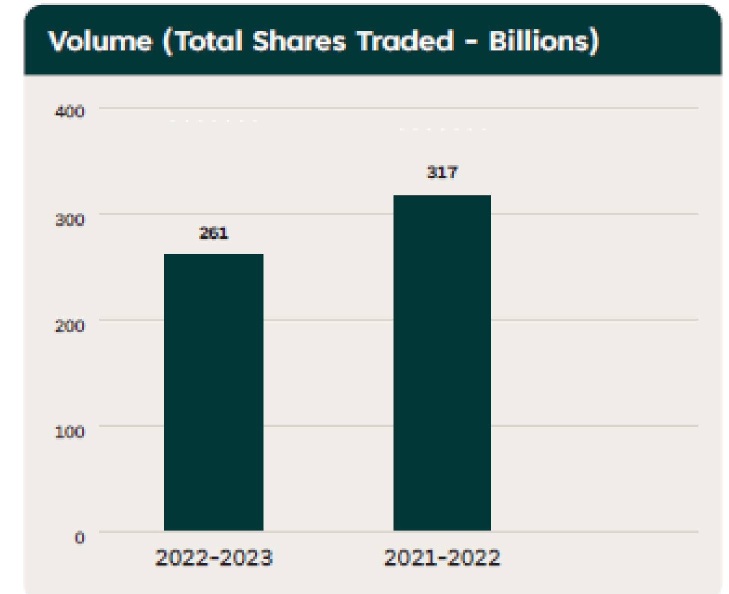
Instinet Canada Cross Limited (ICX)

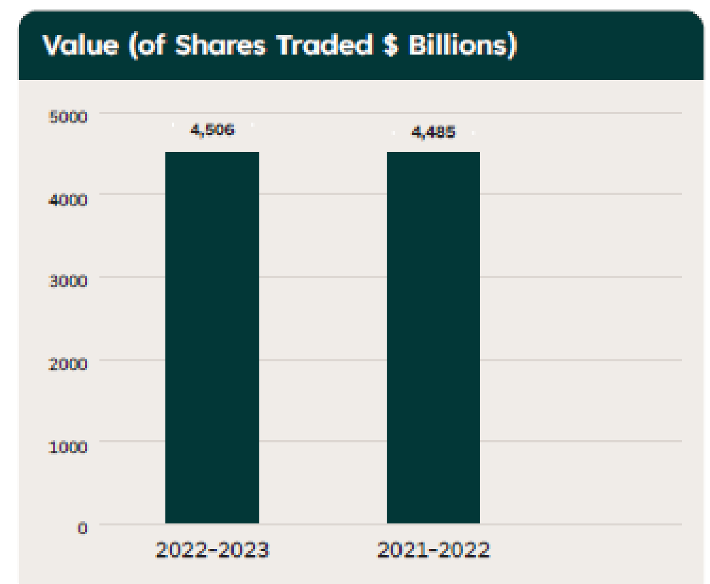
Canada's Equity Marketplaces (Where Trading Took Place in 2022-2023 by Share Volume)

	TSX-Listed Percentage	TSXV-Listed Percentage	CSE-Listed Percentage	NEO-Listed Percentage
Toronto Stock Exchange (TSX)	55.03%	0.00%	0.00%	0.00%
TSX Venture Exchange (TSXV)	0.00%	57.91%	0.00%	0.00%
Canadian Securities Exchange (CSE)	1.58%	1.20%	71.78%	0.91%
Liquidnet Canada Inc (Liquidnet)	0.10%	0.01%	0.00%	0.00%
TriAct Canada Marketplace (MATCH Now)	3.77%	1.72%	1.86%	2.72%
Omega ATS (Omega)	4.33%	8.59%	7.32%	6.91%
Nasdaq CXC (CXC)	15.49%	2.57%	2.33%	0.35%
Alpha Exchange (Alpha)	5.29%	8.32%	0.00%	0.00%
Instinent Canada Cross Limited (ICX)	0.06%	0.01%	0.01%	0.00%
Nasdaq CX2 (CX2)	3.66%	9.04%	3.71%	0.23%
Lynx ATS (Lynx)	0.25%	0.06%	0.01%	0.04%
NEO-N	2.30%	4.94%	6.44%	9.42%
NEO-L	6.11%	5.00%	6.07%	79.31%
Nasdaq CXD (CXD)	1.89%	0.56%	0.41%	0.01%
NEO-D	0.08%	0.04%	0.03%	0.08%
CSE2	0.06%	0.04%	0.02%	0.01%
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Trading Activity on the Equity Marketplaces Regulated by CIRO







Mutual Fund Dealers

Individuals and Firms Regulated by CIRO

Province	Approved Persons	Branch Offices	Head Offices
AB	7,624	1,900	6
BC	10,406	2,282	7
MB	2,158	556	3
NB	1,197	399	0
NF	796	231	0
NS	1,585	445	0
NT	45	15	0
NU	11	5	0
ON	31,443	7,123	55
PE	223	79	0
QC	19,950	3,640	10
SK	2,136	658	3
YT	53	15	0
U.S.			
Other*			
Total	**77,627**	**17,348**	**84**

Member Firms (by Revenue)

	% of Firms
Greater than $1 billion	3%
Greater than $100 million	19%
YT Greater than $10 million	21%
Greater than $5 million	6%
Less than $5 million	51%
Total	**100%**

100 Dealer Members

Includes 16 Mutual Fund Dealers in Quebec who remain subject to Regulation 31-103. The Autorité des marchés financiers (AMF) and the Chambre de la sécurité financière (CSF) continued to regulate these activities during the reporting period.

Member Firms (by Number of Approved Persons)

	# of Firms	% of Firms
Over 1,000	15	18%
501 to 1,000	6	7%
101 to 500	12	14%
11 to 100	26	31%
10 or fewer	25	30%

77,627

Approved Persons

Does not include the number of Approved Person or Branch Offices of Mutual Fund Dealers who remain subject to Regulation 31-103

Investment Dealers

Individuals and Firms Regulated by CIRO

Province	Approved Persons	Branch Offices	Head Offices
AB	3,525	978	13
BC	5,116	1,271	11
MB	682	173	2
NB	345	96	1
NF	127	41	0
NS	581	3	0
NT	1	164	0
NU	1	0	0
ON	15,967	3,237	109
PE	66	25	0
QC	5,887	796	27
SK	699	206	0
YT	7	6	0
U.S.	388	10	9
Other*	57	N/A	2
Total	**33,449**	**7,006**	**174**

Member Firms (by Revenue)

	% of Firms
Greater than $1 billion	5%
Greater than $100 million	16%
YT Greater than $10 million	31%
Greater than $5 million	14%
Less than $5 million	34%
Total	**100%**

174 Firms

overseen by CIRO, of which:
1 in the resignation process, 0 suspended

Member Firms (by Number of Approved Persons)

	# of Firms	% of Firms
Over 1,000	10	6%
501 to 1,000	4	2%
101 to 500	20	12%
11 to 100	76	44%
10 or fewer	63	36%

33,449

Approved Persons

Governance Report

Governance Report

The Recognition Orders set out by the Canadian Securities Administrators (CSA) provide that CIRO's governance structure and arrangements must ensure fair, meaningful and diverse representation on its Board of Directors and any committees of the Board, including a reasonable proportion of Independent Directors. CIRO reviews its governance on an ongoing basis to ensure that there is a proper balance between, and effective representation of, the public interest and the marketplaces, dealers and other entities desiring access to the services provided by CIRO.

Board of Directors

CIRO's Board of Directors is composed of 15 members, including the CEO, six industry directors, and eight independent directors. The Board is responsible for ensuring that CIRO serves the public interest by protecting investors, fostering fair and efficient capital markets, promoting market integrity, and facilitating investor education, among other responsibilities. The governance arrangements, in accordance with the Articles, By-Law No. 1, and the Recognition Orders set out by the Canadian Securities Administrators (CSA), ensure a balanced representation, with a commitment to fair, meaningful, and diverse representation.

In accordance with the Recognition Orders set out by the CSA, the Board has established four standing committees: the Governance Committee, the Finance, Audit and Risk Committee, the Human Resources and Pension Committee, and the Appointments Committee. Each committee has specific mandates and responsibilities, ranging from reviewing governance practices to overseeing financial reporting processes and ensuring effective risk management. All committees have a majority of independent members, with the governance committee composed entirely of independent directors.

In addition to governance, the Board also plays a vital role in guiding CIRO's annual priorities. This includes efforts to promote investor protection initiatives, harmonize regulatory approaches, and support industry transformation. These priorities build on the work of the two legacy self-regulatory organizations. The progress made since the creation of CIRO has been promising, and we are enthusiastic about the potential for further advancements in our mission to serve the investment industry and the public interest.

April 1, 2022 to March 31, 2023 Board Meetings

IIROC | CIRO

A total of 13 meetings were held during the fiscal year ended March 31, 2023.
Below is a breakdown of attendance.

Director	Board of Directors		Finance & Audit		Governance Committee		Human Resources & Pension		Regulatory Rules Brief		Appointments Committee		Total Compensation*
	IIROC	CIRO	IIROC	CIRO	IIROC	CIRO	IIROC	CIRO	IIROC	CIRO	IIROC	CIRO	
Paul Allison	9/10						2/3		3/3				
Jean-Paul Bachellerie	9/10						2/3		3/3				
Kathryn Chisholm		3/3				2/2				0/0		1/1	29,500
Michèle Colpron*	10/10				5/5		3/3		3/3				39,375
Debra Doucette	7/10	3/3	3/4					2/2	2/3	0/0		1/1	
Luc Fortin	7/10	3/3	3/4	3/3					3/3	0/0			
Robert Frances		2/3						1/2		0/0		0/1	
Victoria Harnish*	10/10		4/4		5/5		3/3		3/3				48,500
Timothy Hodgson		3/3		3/3		2/2		2/2		0/0			129,500
Miranda Hubbs		2/3				1/2		1/2		0/0		0/1	33,250
Edward Iacobucci	10/10						3/3		3/3				33,250
Shenaz Jeraj*	9/10		4/4		5/5				3/3				42,500
Michelle Khalili		3/3						2/2		0/0			
Andrew Kriegler	10/10	3/3	4/4	3/3		2/2	3/3	2/2	3/3	0/0		1/1	
Louis Marcotte		3/3		2/3				2/2		0/0			29,500
Philip Mayers		3/3		3/3				2/2		0/0			29,500
Tim Mills	10/10	3/3	4/4	2/3					3/3	0/0			
Jennifer Newman*	8/10	3/3	4/4	3/3	5/5	2/2			3/3	0/0			107,125
Gerry O'Mahoney*	9/10		3/4		4/5				3/3				37,500
Luc Paiement	9/10						3/3		3/3				
Jos Schmitt	9/10						3/3		3/3				
Laura Tamblyn Watts*	9/10	3/3			5/5	2/2			3/3	0/0		1/1	63,875

* Only Independent Directors are compensated by IIROC / MFDA /New SRO
Denominator = total number of meetings invited to attend

April 1, 2022 to March 31, 2023 Board Meetings

MFDA | CIRO

A total of 25 meetings were held during the fiscal year ended March 31, 2023.
Below is a breakdown of attendance.

Director	Board of Directors		Audit & Finance Committee		Governance Committee		Regulatory Issues Committee		Special Purpose SRO Framework Board		Total Compensation[1]*
	MFDA	CIRO	MFDA	CIRO	MFDA	CIRO	MFDA	CIRO	MFDA	CIRO	
Rick Annaert	7/7								5/5		
Patricia Callon	7/7	3/3		3/3				0/0	5/5		
Katherine Dudtschak[2]	4/6						1/1		3/4		
Steven Donald[3]*	3/3				7/7				3/3		26,000
Steven Glover*	7/7		5/5		4/4				5/5		93,000
Sonny Goldstein	5/7						1/1		5/5		
Mark Gordon[4]	3/3								3/3		
Mark Kinzel	6/7		4/5				1/1		5/5		
André Langlois	7/7		5/5				1/1		5/5		
Karen McGuinness[5]	4/4								2/2		
Hugh McNabney*	7/7		5/5						5/5		35,250
Christopher Nicholls[6]*	3/3				3/3		1/1		2/2		19,000
Barbara Shourounis*	7/7		5/5				1/1		5/5		41,250
Vince Valenti*	7/7				7/7				5/5		66,500
Janet Woodruff*	7/7	3/3			4/4	2/2		0/0	4/5		39,250

* Only Independent Directors are compensated by IIROC / MFDA /New SRO
Denominator = total number of meetings invited to attend
[1] Includes additional compensation for time on new SRO transition matters
[2] Katharine Dudtschak stepped down November 1, 2022
[3] Steven Donald joined MFDA Board appointed July 13, 2022
[4] Mark Gordon stepped down as President and CEO on July 13, 2022
[5] Karen McGuinness appointed President and CEO on July 13, 2022
[6] Christopher Nicholls stepped down June 30, 2022

Director Compensation

As a general principle, only Independent Directors will receive compensation. Industry Directors are not compensated for participation on the CIRO Board or its Committees.

CIRO compensates Independent Directors in accordance with the following framework:

- Independent Directors receive an $100,000 annual retainer for attendance at Board and Committee meetings.
- Independent Directors who serve as Chair of the Board or Committee Chairs will receive an additional annual retainer.
- An additional $80,000 per annum retainer for the Chair of the Board.
- An additional $15,000 per annum retainer for a Committee Chair position with the exception of the Appointments Committee Chair which does not require additional compensation.

Board Members

Andrew J. Kriegler
President and CEO

Industry Directors

Patricia Callon
Senior Vice-President and General Counsel, Sun Life

Debra Doucette
President and Chief Executive Officer of Odlum Brown

Luc Fortin
President and Chief Executive Officer of the Montréal Exchange (MX) and Global Head of Trading, TMX Group

Robert Frances
Founder, Chairman and Chief Executive Officer of Peak Financial Group

Michelle Khalili
Managing Director and Head, Global Equity Capital Markets at Scotiabank

Timothy Mills
Senior Vice President, Treasury Market and Liquidity Risk Management at CIBC

Independent Directors

Tim Hodgson (Chair)
Corporate Director

Kathryn Chisholm
Independent Director

Miranda Hubbs
Director for several companies and organizations

Louis Marcotte
Chief Financial Officer for Intact Financial Corporation

Philip Mayers
Chief Financial Officer of Sagen MI Canada

Jennifer Newman
Corporate Director

Laura Tamblyn Watts
CEO of CanAge

Janet Woodruff
Corporate Director

Board Committee Mandates

Appointments Committee

The Appointments Committee is charged with:

- Appointing public and industry members to the District Hearing Committees;
- If applicable, removing individual members from the District Hearing Committees; and
- Overseeing CIRO's processes associated with such appointments and removals.

Finance, Audit and Risk Committee

The Finance, Audit and Risk Committee is charged with assisting the Board in its oversight of:

- The integrity of CIRO's accounting and financial reporting processes;
- The qualifications, independence and performance of CIRO's external and internal auditors;
- CIRO's processes relating to its internal control systems and security of information; and
- CIRO's policies and processes for risk management.

Governance Committee

The Governance Committee is charged with:

- Reviewing the governance policies, principles and practices of CIRO and making recommendations with respect to governance practices;
- Managing and overseeing the process for nominating new Directors to the Board with a view to ensuring that the Board reflects the national character of CIRO and draws upon the diversity and expertise of its members;
- Managing and overseeing the process for evaluating the overall performance of the Board and its committees on an annual basis;
- Ensuring that there is an effective process in place for the identification and management of real, potential or perceived conflicts of interest;
- Appointing individuals to the CIRO Investor Advisory Panel; and
- Planning for Board succession.

Human Resources and Pension Committee

The Human Resources and Pension Committee is charged with:

- Ensuring that CIRO attracts and retains personnel with the appropriate status and experience to achieve its corporate objectives;
- Ensuring that CIRO attracts and retains a workforce that will enhance the professionalism and effectiveness of the organization; and
- Assisting the Board in its oversight of CIRO's human resources policies and procedures, benefits and pension plans, and with ensuring regulatory compliance thereof.

Progress on Priorities

Progress on Priorities

(as of July 31)

Completed | On Track

1. Determine Mission, Vision, Values and Brand for CIRO and Develop our Three-Year Strategic Plan

- Strategic planning process and prepare new strategic plan by March 31, 2024 (On Track)
- Select and rollout new name and logo (including stakeholder consultation and member vote) (Completed)

2. Promote the Investor Perspective through the Office of the Investor and Investor Advisory Panel

- Support the IAP in the development of their workplan and delivery of their mandate (Completed)
- Provide education and guidance to Members and Investors on key investor protection requirements in a number of areas including complaint handling, designating a trusted contact person and determining client risk profile (On Track)
- Conduct an investor survey to gather data on investor experiences and outcomes to inform the strategic direction and future priorities of the Office of the Investor (On Track)

Completed   On Track

- Launch a dedicated micro-site for the Office of the Investor and Investor Advisory Panel (Completed)
- Engage in internal and external outreach to various stakeholders to discuss investor issues and collaborate on investor initiatives (On Track)

3. Harmonize our Regulatory Approach

- The integration of the compliance department and its operations with a focus on aligning Investment Dealer and Mutual Fund Dealer compliance processes where appropriate (Completed)
- Align ID/MF compliance processes where appropriate (On Track)
- Determine approach for integrated Risk Model (On Track)
- Align regulatory approach for consistency across enterprise (On Track)
- Commence the integration of the enforcement department and its operations including developing uniform Sanctions Guidelines (On Track)
- Establish a centralized Complaint Intake Process for the public (On Track)
- Develop a workplan to harmonize Continuing Education requirements (On Track)
- Obtain delegation and begin a plan to operationalize the authorities in Quebec with respect to Mutual Fund Dealer Registration (On Track)
- Announce a phased plan to consolidate investment dealer and mutual fund dealer rules (Completed)
- Publish the proposed Phase 1 consolidated rules for public comment (On Track)

4. Articulate the Plan for an Integrated Fee Model

- Begin project to determine final fee model that addresses requirements set out in the Recognition Orders and MOU (On Track)

Completed   On Track

5. Maintain an Engaged, Empowered, and Unified Staff

Continue to demonstrate progress on Equity, Diversity, Inclusion, and Anti-Racism Initiative

6. Continue to Deliver on the Regulatory Mandate and Support the Investor through Industry and Regulatory Transformation

Compliance

Finalize joint report with the CSA on CFR conflict sweep

Enhance FinOps examination program for BCP testing as per next steps of OEO Service level working group

Conduct an examination to assess compliance with the MFD CE Program

Delegation of authorities in Quebec with respect to Mutual Fund Dealer Examination

Enforcement

Continue to pursue legislative authority that will improve Enforcement's ability to collect evidence and provide statutory protection against malicious lawsuits while performing our regulatory responsibilities in good faith

Proficiency / Registration

Continue work to enhance our Proficiency Regime by:
(a) Finalizing the competency profiles for ID approval categories, and
(b) Initiating the competitive request-for-proposal process to select new education services provider(s)

Market Regulation

Build on cross-asset surveillance capability

Administer industry-wide BCP test

Plan for external-facing access to aggregated Market Data (Public ADP)

Policy Priorities

Finalize and implement amendments to modernize Dealer Member rule requirements for derivatives that are materially harmonized with the implemented version of National Instrument 93-101 Derivatives: Business Conduct

Continue working with CSA on the Short Selling Consultation

Develop and announce implementation of rule amendments to support the industry's move to T+1 trade settlement

Completed   On Track

Develop a proposed harmonized rule requirement to facilitate more timely transfers of an expanded group of account assets amongst investment dealers and mutual fund dealers

Continue to work with the CSA to determine a regulatory framework for the trading of, and offering of, crypto assets to institutional and retail clients

Crypto Priority

Conduct a crypto insolvency roundtable discussion

Innovation Priority

Continuing industry engagement to discuss the modernization of rules around back-office arrangements and subordinated debt financing

Cybersecurity Priority

Conduct cybersecurity table-top exercise with small and medium dealer members to improve cybersecurity resilience

7. Strengthen Stakeholder Relationships

Determine optimal structure and role of regional and national councils

Determine revised advisory committee structure

Collaborate with FSRA to become a credentialling body and support the creation of a public registry for financial advisors/planners

Collaborate with other regulators on financial title protection

Conduct Innovation outreach to various stakeholder groups and prioritize areas of focus

Implement mechanisms for the smooth integration of new MFD members in Quebec

8. Demonstrate Progress on the Integration of Corporate Systems and Processes

Facilitate the initiation of year 1 integration plans and begin mid and long-term planning tied to strategic plan

Complete all agreed upon IT changes in support of new brand launch

Financial Statements

March 31, 2023 (in thousands of dollars)

Independent Auditor's Report

To the Members of the Canadian Investment Regulatory Organization

Opinion

We have audited the financial statements of Canadian Investment Regulatory Organization [the "Organization"], which comprise the statement of financial position as at March 31, 2023, and the statement of changes in fund balances, statement of operations, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2023, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a ba

Other Matter – Comparative Financial Information

We draw attention to note 1 to the financial statements, which describes the effect of the combination of the entities that merged their regulatory activities to become Canadian Investment Regulatory Organization on January 1, 2023. Merger accounting was applied retrospectively by management to the comparative information in these financial statements, including the statement of financial position as at March 31, 2022, and the statement of changes in fund balances, the statement of operations and the statement of cash flows for the year ended March 31, 2022 and related disclosures. Our opinion is not modified in respect to this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis in the Organization's Annual Report, but does not include the financial statements and our auditor's report thereon.

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

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

We obtained the Annual Report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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 accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of 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 Organization'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 management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our 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 our 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, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our 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 Organization'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 Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities with the Organization to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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 we identify during our audit.

Toronto, Canada
June 28, 2023

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Financial Statements

As at March 31

Statement of financial position	**2023 ($)**	2022 ($)
Assets		*[combined note 1]*
Current		
Cash and Cash Equivalents	**62,949**	61,661
Investments *[note 3]*	**72,439**	82,477
Receivables *[note 4]*	**7,927**	15,096
Prepaid Expenses	**3,103**	2,373
Current Portion of Long-Term Receivables *[note 5]*	**4**	11
Total Current Assets	**146,422**	161,618
Employee Future Benefits *[note 8]*	**6,962**	2,551
Long-Term Receivables *[note 5]*	**1**	7
Capital Assets, Net *[note 6]*	**15,452**	17,602
Deposit	**469**	425
	169,306	182,203
Liabilities and Fund Balances		
Current		
Payables and Accruals	**26,375**	27,275
Government Remittances Payable	**519**	463
Current Portion of Capital Lease Obligations *[note 7]*	**1,925**	1,294
Deferred Revenue	**211**	8,431
Current Portion of Deferred Rent and Lease Inducements	**1,203**	1,186
Total Current Liabilities	**30,233**	38,649
Capital Lease Obligations *[note 7]*	**1,722**	2,304
Deferred Rent and Lease Inducements	**2,165**	3,272
Employee Future Benefits *[note 8]*	**23,672**	32,091
Total Liabilities	**57,792**	76,316
Commitments and Contingencies *[notes 10 and 12]*		
Fund Balances		
Unrestricted Fund	**104,266**	86,461
Internally Restricted Integration Fund	**(11,769)**	(6,788)
Externally Restricted Fund	**19,017**	26,214
Total fund balances	**111,514**	105,887
	169,306	182,203

See accompanying notes

On behalf of the Board: **Andrew J. Kriegler**, President and CEO **Jennifer Newman**, Corporate Director

Statement of Changes in Fund Balances

Year ended March 31	**Unrestricted Fund ($)**	**Internally Restricted Integration Fund ($)**	**Externally Restricted Fund ($)**	**2023 Total ($)**	**2022 Total ($)**
					[combined note 1]
Fund Balances, Beginning of Year	**86,461**	**(6,788)**	**26,214**	**105,887**	84,779
Excess (Deficiency) of Revenue over Expenses for the Year	**(6,807)**	**–**	**(1,108)**	**(7,915)**	(975)
Interfund Transfer *[note 9]*	**11,070**	**(4,981)**	**(6,089)**	**–**	
Remeasurements and Other Items *[note 8]*	**13,542**	**–**	**–**	**13,542**	22,083
Fund Balances, End of Year	**104,266**	**(11,769)**	**19,017**	**111,514**	105,887

See accompanying notes

Statement of Operations

Year ended March 31	Unrestricted Fund ($)	Externally Restricted Fund ($)	2023 Total ($)	2022 Total ($)
Revenue				[combined note 1]
Dealer Regulation				
Investment Dealer Membership Fees	**55,487**	**–**	**55,487**	53,847
Mutual Fund Dealer Membership Fees	**37,205**	**–**	**37,205**	32,959
Underwriting Levies	**7,912**	**–**	**7,912**	11,677
Registration Fees	**2,000**	**–**	**2,000**	2,075
Continuing Education Revenue	**493**	**–**	**493**	202
Entrance Fees	**165**	**118**	**283**	166
	103,262	**118**	**103,380**	100,926
Market Regulation				
Equity Regulation	**28,326**	**–**	**28,326**	26,616
Debt Regulation	**2,322**	**–**	**2,322**	2,299
Timely Disclosure	**3,119**	**–**	**3,119**	3,075
Marketplace Revenue	**367**	**–**	**367**	190
	34,134	**–**	**34,134**	32,180
Debt Information Processor ["Debt IP"]	**1,634**	**–**	**1,634**	1,634
Other Revenue				
Monetary Sanctions and Other Fines	**–**	**4,692**	**4,692**	4,735
Investment Income (Loss) Including Interest	**1,382**	**500**	**1,882**	(427)
Recoveries of Enforcement Costs	**730**	**–**	**730**	719
Miscellaneous	**162**	**–**	**162**	196
	2,274	**5,192**	**7,466**	5,223
	141,304	**5,310**	**146,614**	139,963
Expenses *[note 9]*				
Investment Dealer Regulation Operating	**67,119**	**–**	**67,119**	63,759
Mutual Fund Dealer Regulation Operating	**34,695**	**–**	**34,695**	33,711
Market Equity Regulation Operating	**31,412**	**–**	**31,412**	28,907
Market Debt Regulation Operating	**2,417**	**–**	**2,417**	2,171
Debt IP Operating	**1,398**	**–**	**1,398**	1,392
Externally Restricted Fund	**–**	**3,976**	**3,976**	4,210
	137,041	**3,976**	**141,017**	134,150
Excess (Deficiency) of Revenue Over Expenses for the Year Before Integration Costs	**4,263**	**1,334**	**5,597**	5,813
Integration Costs *[note 9]*	**11,070**	**2,442**	**13,512**	6,788
Excess (Deficiency) of Revenue Over Expenses for the Year	**(6,807)**	**(1,108)**	**(7,915)**	(975)

See accompanying notes

Statement of Cash Flows

Year ended March 31	2023 ($)	2022 ($)
Operating Activities		[combined note 1]
Excess (Deficiency) of Revenue Over Expenses for the Year	**(7,915)**	(975)
Add (Deduct) Items Not Involving Cash		
Amortization	**6,181**	5,356
Rent Amortization	**(1,091)**	(1,092)
Net Loss on Disposal of Capital Assets	**1**	4
Impairment Write-Down of Capital Assets *[note 6]*	**26**	474
Employee Future Benefits Expense *[note 8]*	**6,627**	9,614
	3,829	13,381
Changes in Non-Cash Working Capital Balances Related to Operations		
Receivables	**7,169**	(1,352)
Prepaid Expenses	**(730)**	(121)
Deposit	**(44)**	–
Payables and Accruals, and Government Remittances	**(844)**	718
Employer Contributions for Employee Future Benefits *[note 8]*	**(5,915)**	(5,903)
Deferred Revenue	**(8,220)**	475
Cash Provided by (Used in) Operating Activities	**(4,755)**	7,198
Investing Activities		
Disposal (Purchase) of Investments, Net	**10,038**	3,867
Purchase of Capital Assets	**(2,591)**	(4,160)
Change in Long-Term Receivables, Net	**13**	23
Cash Provided by (Used in) Investing Activities	**7,460**	(270)
Financing Activities		
Repayment of Capital Lease Obligations	**(1,417)**	(826)
Cash Used in Financing Activities	**(1,417)**	(826)
Net Increase (Decrease) in Cash During the Year	**1,288**	6,102
Cash and Cash Equivalents, Beginning of Year	**61,661**	55,559
Cash and Cash Equivalents, End of Year	**62,949**	61,661
Cash and Cash Equivalents Consist of		
Cash on Hand and Balances with Bank	**34,593**	**24,445**
Cash Equivalents	**28,356**	**37,216**
	62,949	**61,661**
Supplemental Cash Flow Information		
Acquisition of Capital Assets Under Capital Lease	**(1,467)**	**2,067**

See accompanying notes

Notes to Financial Statements

1. Organization, Amalgamation and Impact of Accounting Policy Alignment

The Mutual Fund Dealers Association of Canada [the "MFDA"] and the Investment Industry Regulatory Organization of Canada ["IIROC"] were incorporated as corporations without share capital under provisions of Part II under the Canada Corporations Act. These organizations transitioned to the new Canada Not-for-profit Corporations Act in 2014.

On August 3, 2021, the Canadian Securities Administrators ["CSA"] published its position paper proposing to establish a new self-regulatory organization ["SRO"] by integrating the two existing SROs, IIROC and the MFDA. The main objective of establishing a new, single, enhanced self-regulatory organization is to develop a regulatory framework that has a clear public interest mandate and fosters fair and efficient capital markets in Canada, by focusing on investor protection to promote public confidence and accommodating innovation and change. On January 1, 2023, the operations were combined through a statutory amalgamation to become the New Self- Regulatory Organization of Canada [the "New SRO"]. On June 1, 2023, New SRO changed its name to the Canadian Investment Regulatory Organization ["CIRO" or the "Organization"]. As a not-for-profit organization, CIRO is exempt from income taxes under Section 149(1)(l) of the Income Tax Act (Canada).

CIRO is the national SRO that oversees all Investment Dealers, Mutual Fund Dealers and trading activity on Canada's debt and equity marketplaces. CIRO carries out its regulatory responsibilities under Recognition Orders from the provincial securities commissions that make up the CSA. The Organization sets and enforces rules regarding the proficiency, business conduct, and financial conduct of dealer firms and their Approved Persons, as well as market integrity rules regarding trading activity on Canadian debt and equity markets. The Organization is committed to the protection of investors, providing efficient and consistent regulation, and building Canadians' trust in financial regulation and the people managing their investments.

The combination is accounted for as a merger in accordance with Section 4449, Combinations by Not-for-profit Organizations in Part III of the CPA Canada Handbook – Accounting. The financial statements for the year ended March 31, 2023 are the aggregated results for the period from April 1, 2022 to December 31, 2022 when the entities were operating independently and the results of the combined organization for the period from January 1, 2023 to March 31, 2023.

The prior year comparative figures show the aggregated results for IIROC and MFDA when they were operating independently. MFDA has a prior year-end of June 30, and, therefore, stub period financial statements were generated to obtain financial activity for the period from April 1, 2021 to March 31, 2022. The aggregated results included the following adjustments to align prior accounting policies with those of the combined organization.

The aggregated statement of operations for the year ended March 31, 2022 is as follows:

	IIROC ($)	MFDA ($)	Adjustments ($)	Total ($)
Total Revenue	104,193	35,803	(33)	139,963
Total Expenses	99,272	32,685	2,193	134,150
Excess (Deficiency) of Revenue Over Expenses Before Integration Costs	4,921	3,118	(2,226)	5,813
Integration Costs	3,197	3,591	–	6,788
Excess (Deficiency) of Revenue Over Expenses for the Year	1,724	(473)	(2,226)	(975)

The aggregated statement of financial position as at March 31, 2022 is as follows:

	IIROC ($)	MFDA ($)	Adjustments ($)	Total ($)
Cash and Cash Equivalents	53,612	2,633	5,416	61,661
Investments	61,976	25,917	(5,416)	82,477
Other Assets	10,694	15,325	(5,556)	20,463
Capital Assets, Net	14,946	2,855	(199)	17,602
Total Assets	141,228	46,730	(5,755)	182,203
Total Liabilities	50,536	22,826	2,954	76,316
Fund Balances				
Unrestricted	74,595	11,421	445	86,461
Internally Restricted	(3,197)	12,483	(16,074)	(6,788)
Externally Restricted	19,294	–	6,920	26,214
	141,228	46,730	(5,755)	182,203

The adjustments included above for aligning the MFDA's accounting policies and financial statement presentation are as follows:

- Change of accounting for the Registered Pension Plan and the Supplementary Executive Retirement Plan from funding basis to accounting basis
- Investment management fees, previously presented as operating expenses, were presented net of investment revenues
- Investments in treasury bills with remaining maturities of three months or less and certain bank balances, previously presented as investments, are presented as cash and cash equivalents
- Change of useful life of furniture and equipment from 10 years to 5 years
- Deferring expenses over the periods covered in the vendor invoices for those invoices with periods of one year or less
- Post-Retirement Benefits Fund, previously presented as an Internally Restricted Fund, unwound into the Unrestricted Fund
- Discretionary Fund, previously presented as an Internally Restricted Fund, reclassified as Externally Restricted Fund
- SRO integration related costs, previously presented as part of the Unrestricted Fund, reclassified as Internally Restricted Integration Fund

For the period from April 1, 2022 to December 31, 2022, the principal components of the statement of operations are as follows:

	IIROC ($)	MFDA ($)	Adjustments ($)	Total ($)
Total Revenue	77,410	30,813	(26)	108,197
Total Expenses	77,575	26,535	395	104,505
Excess (Deficiency) of Revenue Over Expenses Before Integration Costs	(165)	4,278	(421)	3,692
Integration Costs	4,802	6,916	–	11,718
Deficiency Revenue Over Expenses for the Period	(4,967)	(2,638)	(421)	(8,026)

At the combination date of January 1, 2023, the principal components of the statement of financial position are as follows:

	IIROC ($)	MFDA ($)	Adjustments ($)	Total ($)
Cash and Cash Equivalents	67,324	3,982	7,735	79,041
Investments	52,301	22,873	(7,735)	67,439
Other Assets	16,233	9,648	7,749	33,630
Capital Assets, Net	13,293	2,610	(205)	15,698
Total Assets	149,151	39,113	7,544	195,808
Total Liabilities	56,753	24,958	(852)	80,859
Fund Balances				
Unrestricted	81,135	4,079	20,618	105,832
Internally Restricted	(3,709)	10,076	(16,342)	(9,975)
Externally Restricted	14,972	–	4,120	19,092
	149,151	39,113	7,544	195,808

The adjustments included above are for aligning the MFDA's accounting policies and financial statement presentation and are consistent with those noted for the aggregated statement of financial operations and statement of financial position as at, and for the period ended, March 31, 2022.

For the period from January 1, 2023 to March 31, 2023, the principal components of the statement of operations are as follows:

	IIROC ($)	MFDA ($)	Total ($)
Total Revenue	28,037	10,380	38,417
Total Expenses	27,625	8,887	36,512
Excess of Revenue Over Expenses Before Integration Costs	412	1,493	1,905
Integration Costs	1,427	367	1,794
Excess (Deficiency) of Revenue Over Expenses for the Period	(1,015)	1,126	111

2. Summary of Significant Accounting Policies

Basis of Presentation

The Organization has prepared these financial statements in accordance with Canadian accounting standards for not-for-profit organizations using the restricted fund method of accounting.

Fund Accounting

The Unrestricted Fund includes:

(a) Dealer regulation, market regulation, and Debt Information Processor revenue and expenses, including amortization of Unrestricted Fund capital assets;

(b) Recoveries of enforcement costs ordered by the Organization hearing panels as part of enforcement actions; and

(c) Funding of any deficit in the registered and non-registered defined benefit pension and post-retirement benefit plans.

Internally Restricted Integration Fund:

The Organization established an Internally Restricted Integration Fund, representing integration costs incurred in connection with the amalgamation that may be partially funded by the Organization on a permanent basis upon approval by the Board and/or by the Externally Restricted Fund for eligible expenses upon approval by the CSA and the Governance Committee. The remaining integration costs will be recovered by the Organization through the Integration Cost Recovery Fee Model. Until such time, the Internally Restricted Integration Fund will report a deficit position, representing integration costs incurred to date.

Externally Restricted Fund:

The collection of monetary sanctions [any fines and other monetary amounts, including disgorgement, ordered in or arising from an enforcement proceeding or any other measures taken by the Organization] and other revenue. Use of these funds must be in accordance with the terms and conditions of respective provincial securities commissions' and authorities' Recognition Orders. This fund may only be used, directly or indirectly, in the public interest as follows:

(a) For the development of systems or other related expenditures that are necessary to address emerging regulatory issues and are directly related to protecting investors or the integrity of the capital markets, provided that any such use does not constitute normal course operating expenses;

(b) For education or research projects that are directly relevant to the investment industry, and which benefit the public or the capital markets;

(c) For specific funding related to a whistleblower program, provided that any such use does not constitute normal course operating expenses;

(d) To contribute to a non-profit, tax-exempt organization, the purposes of which include protection of investors, or those described in paragraph [b];

(e) For such other purposes as may be subsequently approved by the provincial securities commissions; or

(f) For reasonable costs associated with the administration of the Organization's investor office, investor advisory panel and hearings.

Revenue Recognition

The Organization operates on a cost recovery basis generally through published fee models, which set out the basis of the cost recovery for each of the Organization's activities. The fee structures and models of the legacy organizations continue to apply, with necessary modifications, as the Interim Fee Model for the Organization until an integrated fee model has been approved by the CSA.

Unrestricted revenue is recognized as revenue as follows:

Dealer Regulation

Annual membership fees are assessed upon Investment Dealers and Mutual Fund Dealers for the fiscal year as approved by the Board and are recognized as revenue on a straight-line basis over the fiscal year. Underwriting levies are recognized when the underwriting transaction closes and the assessment basis is available with collection reasonably assured. Registration fees and entrance fees are recorded as revenue when billed and collection is reasonably assured. Continuing education accreditation revenue is recognized when the application is received to initiate the accreditation process. Course registration and renewal fees pertaining to course availability on the Continuing Education Reporting and Tracking System are amortized and recognized as revenue over the duration of the course renewal period.

Market Regulation

Under the marketplace regulation services agreements, revenue from equity regulation fees is governed by the Market Regulation Fee Model. Fees are assessed for the fiscal year as approved by the Board and are recognized as revenue on a straight-line basis over the fiscal year. These fees are then allocated to Investment Dealers and Marketplace Members. For attribution to each Investment Dealer on each marketplace, technology costs are assessed on the number of messages sent, while non-technology costs are assessed on the number of trades executed.

Debt regulation fees are assessed for the fiscal year as approved by the Board and are recognized as revenue on a straight-line basis over the fiscal year. These fees are allocated to Investment Dealers who trade debt securities. Fees are allocated to each Investment Dealer based on its prorated share of the number of primary, secondary and repurchase agreement ["repos"] transactions, with a monthly fee reduction for repos on costs recovered from the Bank of Canada.

Timely disclosure revenue and marketplace revenue are recognized as billed and when collection is reasonably assured.

Debt Information Processor

Debt Information Processor fees are assessed for the fiscal year as approved by the Board and are recognized as revenue on a straight-line basis over the fiscal year.

Other Revenue

Recoveries of enforcement costs from member firms are recognized as revenue when assessed and amounts become receivable. Recoveries of enforcement costs from Approved Persons are recognized as revenue when received.

Restricted revenue is recognized as revenue as follows:

Monetary sanctions, continuing education and other fines due from member firms are recognized as revenue in the Externally Restricted Fund when they are assessed, amounts can be reasonably estimated, and collection is reasonably assured. Any other fines, including monetary sanctions from Approved Persons and late filing of notice of termination of registrants by member firms, are recognized as revenue in the Externally Restricted Fund when received.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with banks and highly liquid marketable securities such as government-issued promissory notes and treasury bills, and debt instruments of financial institutions with remaining maturities of three months or less.

Investments

Investments consist mainly of highly liquid marketable securities such as government-issued promissory notes and treasury bills, and debt instruments of financial institutions with remaining maturities of greater than three months, mutual funds and an equity investment.

Financial Instruments

The Organization considers any contract creating a financial asset, liability or equity instrument as a financial instrument. A financial asset or liability is recognized when the Organization initially becomes party to contractual provisions of the instrument.

Initial Measurement

The Organization initially measures its financial instruments at fair value. For financial instruments subsequently measured at cost or amortized cost, the initial fair value incorporates the amount of the related financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations immediately when issued or acquired.

Subsequent Measurement

At each reporting date, the Organization measures its financial assets and liabilities at cost or amortized cost [less impairment in the case of financial assets] or at fair value. Fair value treatment is applied to all cash equivalents and investments, both equity and debt, which the Organization has elected to measure at fair value. The financial instruments measured at cost or amortized cost are cash, receivables, loans receivable, and payables and accruals. The Organization uses the effective interest rate method to amortize any premiums, discounts, transaction fees and financing fees in the statement of operations for those items measured at cost or amortized cost.

For financial assets measured at cost or amortized cost, the Organization regularly assesses whether there are any indicators of impairment. If there is an indication of impairment, and the Organization determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it immediately recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

Capital Assets

Capital assets are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization of office furniture and equipment is computed by the straight-line method at 20% per annum, and computer equipment, software and technology projects at 33 1/3% per annum except for certain technology projects, which are amortized at 20% per annum to better reflect the useful life of these assets. Leasehold improvements are amortized over the term of the respective leases. Amortization commences the quarter after the assets are available for use.

When a capital asset no longer has any remaining service potential to the Organization, the net carrying amount is impaired. A partial impairment loss is recognized when a capital asset still has remaining service life but where the net carrying amount of a capital asset exceeds the asset's fair value or replacement cost. Impairment losses are recognized as an expense in the statement of operations. The Organization assesses whether fair value or replacement cost is applied to measure impairment on an asset-by-asset basis. Previously recognized impairment write-downs are not reversed. The Organization undertakes an annual review to assess whether capital assets are no longer in use and should be written off entirely.

Assets and Obligations Under Capital Lease

Leased capital assets are recognized at cost at the beginning of the lease term. For hardware and office equipment under capital lease, the beginning of the lease term is upon installation, which approximates the financing date. Cost corresponds to the present value of the estimated minimum lease payments, excluding executory costs, at the beginning of the lease term. Amortization is based on the lesser of estimated useful life of the asset or term of the lease and begins in the quarter after the asset is available for use. Both hardware and office equipment under capital lease have estimated useful lives of five years, amortized at 20% per annum. End-user computer equipment under capital lease has an estimated useful life of four years, amortized at 25% per annum.

An obligation under a capital lease is similar to a loan. Lease payments are allocated to a reduction of the obligation, interest expense and any related executory costs. The interest expense is calculated using the discount rate used in computing the present value of the estimated minimum lease payments applied to the remaining balance of the obligation. The discount rate used is equal to the Organization's rate for incremental borrowing at inception of the lease.

Deferred Rent and Lease Inducements

Certain of the Organization's operating leases contain predetermined fixed escalations of minimum property rentals during the original lease terms. The Organization recognizes the related rental expense on a straight-line basis over the life of the lease and records the difference between the amounts charged to operations and amounts paid as deferred rent [included in lease inducement] in the early years of the lease, when cash payments are generally lower than straight-line rent expense. Deferred rent is reduced in the later years of the lease when payments begin to exceed the straight-line expense. The Organization also receives certain lease incentives in conjunction with entering into operating leases. These lease incentives are recorded as a lease inducement at the beginning of the lease term and recognized as a reduction of rent expense over the lease term.

Employee Future Benefits

The Organization accrues its obligation under employee defined benefit plans and related costs as follows:

- The defined benefit obligation is measured based on an actuarial valuation for accounting purposes at the statement of financial position date. The defined benefit obligation is determined using the projected benefit method prorated on services, which incorporates management's best estimate for each actuarial assumption. Actuarial assumptions are used in the calculation of the benefit obligation and the assumptions relate to administrative expenses and taxes, termination rates, disability claim rates, rates of employee turnover, retirement age, mortality, dependency status, per capita claims cost by age and by type of benefit, health care cost trend rates, discount rates to reflect the time value of money, and future salary and benefits level.
- Plan assets are measured at fair value at the statement of financial position date. The Organization recognizes a valuation allowance for any excess of plan surpluses over the expected future benefit.
- The cost of the defined benefit plans relating to current service cost and financing cost [net interest on the defined benefit liability] is recorded on the statement of operations.
- Remeasurements and other items are recorded directly on the statement of changes in fund balances. These relate to:
  - (a) The difference between the actual return on plan assets and the return calculated using the discount rate used to determine the defined benefit obligation;
  - (b) Actuarial gains and losses;
  - (c) The effect of any valuation allowance;
  - (d) Past service costs; and
  - (e) Gains and losses arising from settlements and curtailments.

The Organization also offers a defined contribution pension plan to employees. An expense is recorded in the period when the Organization is obligated to make contributions for services rendered by the employee. Any unpaid contributions are included on the statement of financial position under payables and accruals.

Allocation of Expenses

The Organization engages in dealer regulation, market regulation, and is the Debt Information Processor for certain securities.

To facilitate proper fee allocations, direct costs are separately captured for Investment Dealer and Mutual Fund Dealer regulation, market equity and debt regulation activities, and Debt Information Processor activities, with indirect costs being allocated to each of these using a cost allocation model based on either direct business unit cost or headcount as appropriate.

Use of Estimates

Management reviews the carrying amounts of items in the financial statements at each period-end date to assess the need for revision or any possibility of impairment. Many items in the preparation of these financial statements require the use of management's judgment in arriving at a best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. These estimates are reviewed periodically and adjustments are made to the statement of operations as appropriate in the year they become known. Items subject to significant management estimates include accruals, allowance for doubtful accounts, eligibility of expenditures for capitalization, date of substantial completion of technology projects to begin amortization, useful lives of capital assets, minimum lease payments, lease discount rate, and valuation of employee future benefits asset/liability.

3. Investments

Investments, at fair value, consist of the following:

	2023 ($)	2022 ($)
		[combined note 1]
Marketable Securities	**48,017**	56,625
Mutual Funds		
Balanced Funds	**5,438**	5,277
Bond Funds	**13,757**	15,157
Global Equity Funds	**5,227**	5,418
	72,439	82,477

Marketable securities consist of government-issued promissory notes and treasury bills, and debt instruments of financial institutions with yields between 4.11% and 4.96% [2022 – 0.18% and 1.20%].

Mutual funds are earmarked assets to fund the liabilities of the non-registered employee pension and post-retirement benefits.

The Organization owns a 10% interest in the common shares of FundSERV Inc. ["FundSERV"], an organization created as a depository and clearing house for the investment fund industry, which is recorded at its original cost of nil.

4. Receivables

Receivables consist of the following:

	2023 ($)	2022 ($)
		[combined note 1]
Trade	**7,933**	14,877
Income Taxes Recoverable	**–**	225
	7,933	15,102
Allowance for Doubtful Accounts	**(6)**	(6)
	7,927	15,096

The income taxes recoverable from the Canada Revenue Agency as a result of the wind-up of the trust for the Retirement Compensation Arrangement ["RCA"] for the IIROC SERP in fiscal 2022 was received in the fiscal year.

5. Long-Term Receivables

Long-term receivables consist of the long-term portions of employee loans receivable.

Employee loans receivable are loans provided to employees of the Organization for the purchase of home computers.

Repayment terms and maturity dates were negotiated with employees at the time of making the loans. The loans are unsecured, non-interest bearing and are due on or before October 31, 2024.

6. Capital Assets

Capital assets consist of the following:

	Cost ($)	Accumulated Amortization ($)	2023 Net Book Value ($)	2022 Net Book Value ($)
				[combined note 1]
Unrestricted Fund				
Tangible				
Leasehold Improvements	**12,543**	**9,832**	**2,711**	3,722
Office Furniture and Equipment	**8,986**	**8,721**	**265**	794
Computer Equipment and Software	**588**	**327**	**261**	242
Technology Projects Hardware	**3,937**	**3,782**	**155**	195
Assets Under Capital Lease				
Computer Equipment	**1,428**	**441**	**987**	851
Hardware	**3,302**	**733**	**2,569**	1,863
Office Equipment	**387**	**365**	**22**	48
Intangible				
Technology Projects Software	**19,414**	**14,808**	**4,606**	5,764
	50,585	**39,009**	**11,576**	13,479
Externally Restricted Fund				
Tangible				
Computer Equipment	**53**	**9**	**44**	–
Technology Projects Hardware	**1,412**	**1,301**	**111**	216
Leasehold Improvements	**673**	**622**	**51**	106
Hardware Under Capital Lease	**1,365**	**779**	**586**	853
Intangible				
Technology Projects Software	**8,119**	**5,035**	**3,084**	2,948
	11,622	**7,746**	**3,876**	4,123
	62,207	**46,755**	**15,452**	17,602

Hardware Under Capital Lease

In August 2018, the Organization entered into a five-year contract with an IT service provider for infrastructure services and information security operations within a new, secure, hybrid-cloud platform. Certain arrangements relating to the use of dedicated physical hardware were assessed to be leases of a capital nature. The leased capital assets recorded use management's best estimates for eligibility of expenditures for capitalization, minimum lease payments, discount rate, and date of substantial completion.

Office Equipment Under Capital Lease

The Organization has a service agreement with a vendor under a cost per impression model. Under this agreement, the Organization has committed to a monthly minimum volume on each copier that includes the cost of the copier plus executory costs for supplies, maintenance and support. The arrangements relating to the use of the copiers were assessed to be leases of a capital nature, with the minimum lease payments, excluding executory costs, used to determine the present value.

Computer Equipment Under Capital Lease

In fiscal 2021, the Organization began leasing end-user computer equipment, with the intent to replace one quarter of end-user computer equipment assets each fiscal year moving forward. These leases were assessed to be capital in nature. Computer equipment under capital lease is recorded as an asset at the beginning of the lease term, with present value calculations based on minimum lease payments, excluding executory costs, and the discount rate established at inception of the lease. Computer equipment ordered, shipped and held for preparation at a third party location for the Organization are recognized as leased capital assets under development using management's best estimates for minimum lease payments, discount rate, and lease commencement date.

Capital Assets Under Development

As at March 31, 2023, there are capital assets under development for software and leasehold improvements of $1,129, and capital lease assets under development for computer equipment of $236. As such, these assets are not yet being amortized.

In January 2022, the Organization and the Montreal Exchange ["MX"] entered into a Memorandum of Understanding to enable cross-asset monitoring of the derivatives and underlying securities markets to help mitigate the risk of market integrity breaches. The Organization has implemented a cross-asset surveillance module in the market surveillance system relying on data provided by the MX. Additionally, as a prerequisite to providing cross-asset surveillance and to accommodate growing transaction volumes, the Organization expanded the capacity of the existing market surveillance system to support end-of-day processing of two billion equity transactions and one billion derivatives transactions. Collectively, these two technology solutions are referred to as the Cross-Asset Surveillance Program, which was launched in August 2022. Due to multiple releases, of the $1,129 capital assets under development mentioned above, $396 is related to the Cross-Asset Surveillance Program.

In addition, there are other capital assets of $39 included in the technology projects, and $1,145 of hardware and computer equipment under capital lease that were available for use in the last quarter of 2023. No amortization was recorded on these assets as amortization begins in the quarter after assets are available for use.

During the year, the Organization recognized impairment and disposal losses in the amount of $27 on office furniture and equipment and computer equipment [2022 – $478 on technology project software and office equipment under capital lease]. The assets were written down to their estimated fair value and the impairment and disposal losses were recognized in the statement of operations.

During the period, it was determined that assets with costs of $20,799 [2022 – $135] and accumulated amortization of $20,798 [2022 – $132], respectively, were no longer in use and written off.

7. Capital Lease Obligations

Concurrent with the recognition of assets under capital leases [note 6], equivalent capital lease obligations were recorded at the present value of estimated lease payments, excluding executory costs, using the Organization's estimated rate for incremental borrowing as the lease discount rate. For leased assets recognized in December 2018, a rate of 2.98% was used. For leased assets recognized in February 2020, a rate of 1.76% was used. For leased assets recognized in fiscal 2021, rates of between 0.73% and 1.72% were used. For leased assets recognized in fiscal 2022, rates of between 0.66% and 3.06% were used. For leased assets recognized in fiscal 2023, rates of between 1.07% and 5.02% were used. For hardware under capital lease, the lease maturity date is December 31, 2024. For office equipment under capital lease, the lease maturity date is February 1, 2025. For end-user computer equipment under capital lease, the lease maturity dates will be four years following the first payment date. End-user computer equipment lease maturity dates are estimated between March 31, 2024, and April 30, 2027. There are no executory costs with the computer equipment leases. The capital lease obligation as at year-end of $3,647 [2022 – $3,581].

As at March 31, 2023, the estimated future minimum lease payments for obligations under capital leases in each of the next five years are as follows:

	Capital ($)	Executory ($)	Total ($)
2024	1,946	590	2,536
2025	1,516	446	1,962
2026	195	–	195
2027	95	–	95
2028	5	–	5
	3,757	1,036	4,793
Amount Representing Interest	(110)		
Total Capital Lease Obligations	3,647		
Current Portion	1,925		
Long-Term Portion	1,722		
Total Capital Lease Obligations	3,647		

8. Employee Future Benefits

Upon amalgamation, the retirement and post-employment benefit plans of IIROC and the MFDA continued for their respective members under the sponsorship and administration of the Organization, including both defined benefit and defined contribution plan provisions. The defined benefit plans provide benefits that are based on a combination of years of service and a percentage of the participant's plan earnings and are closed to new entrants. Under the defined contribution plan provisions, the Organization makes contributions based on a percentage of the participant's plan earnings as well as a match based on an employee's contributions. The matching percentage depends on the employee's age and years of service.

As at March 31, 2023, the Organization has the following pension plans:

(1) Retirement Plan for Employees of IIROC ["IIROC RPP"] – active, includes defined benefit and defined contribution provisions. On April 1, 2013, the defined benefit component of the IIROC RPP was closed to new members. The Organization received regulatory approval on March 23, 2022 to merge the IIROC RPP and the Former Regulatory Services ["RS"] RPP. The net assets of the Former RS RPP were then transferred to the IIROC RPP on July 5, 2022.

(2) New Self-Regulatory Organization Pension Plan for the Members and Eligible Member of the Pension Plan for Employees of the MFDA ["MFDA RPP"] – inactive, includes a defined benefit provision and is closed to new employees as of January 1, 2014. As of April 1, 2023, active members of this plan accrue benefits under the IIROC RPP.

(3) IIROC Supplemental Pension Plan for Executives ["IIROC SERP"] – active, non-registered plan including defined benefit and defined contribution provisions. Effective January 1, 2020, the defined benefit provision of the IIROC SERP was closed to new members. Employees who become eligible for SERP on or subsequent to January 1, 2020 participate in the defined contribution provision.

(4) MFDA Supplemental Executive Retirement Plan ["MFDA SERP"] – inactive as of December 31, 2022, non-registered defined benefit pension plan. An RCA trust has been established for the purpose to fund the pension obligations under the Plan.

(5) 5. RS-sponsored Supplementary Income Plan ["Former RS SIP"], inactive, non-registered defined benefit plan.

The Organization also has two Non-Pension Post-Retirement Benefits Plans: Investment Industry Regulatory Organization of Canada Non-Pension Post-Retirement Benefits Plan ["IIROC PRB"] and Mutual Fund Dealers Association of Canada Non-Pension Post-Retirement Benefit Plan ["MFDA PRB"].

The benefits provided under the IIROC PRB to retired employees are medical care, dental care, a health care spending account, and catastrophic coverage to eligible retirees. Effective September 1, 2015, the plan eliminated non-pension post-retirement benefits for new hires and members who would not otherwise be eligible for benefits by September 1, 2020.

The benefits provided under the MFDA PRB to retired employees are medical, dental, and health care insurance coverage to eligible retirees. This plan is closed to new employees hired on or after January 1, 2020.

The most recent actuarial valuations for funding purposes were prepared with an effective date of April 1, 2021 for the IIROC RPP, IIROC SERP and Former RS SIP, and July 1, 2021 for the MFDA RPP and MFDA SERP. The next actuarial valuations will be prepared with an effective date of no later than three years from the dates listed.

Actuarial valuations for the IIROC PRB and MFDA PRB were conducted as of April 1, 2022 and July 1, 2022 respectively.

*Legacy RPP and PRB plans are aggregated in the following schedules based on their financial position (asset/liability) where appropriate.

The asset (liability) on the statement of financial position is as follows:

2023	IIROC SERP ($)	Former RS SIP ($)	PRB Plans* ($)	Subtotal ($)	RPPs* ($)	MFDA SERP ($)	Subtotal ($)
Accrued Benefit Obligation	(12,505)	(485)	(10,682)	(23,672)	(136,875)	(6,531)	(143,406)
Fair Value of Plan Assets	–	–	–	–	144,362	9,022	153,384
Fund Status – Plan Surplus (Deficit)	(12,505)	(485)	(10,682)	(23,672)	7,487	2,491	9,978
Valuation Allowance	–	–	–	–	(3,016)	–	(3,016)
Accrued Benefit Asset (Liability), Net of Valuation Allowance	(12,505)	(485)	(10,682)	(23,672)	4,471	2,491	6,962

2022	IIROC SERP ($)	Former RS SIP ($)	PRB Plans ($)	RPPs* ($)	Subtotal ($)	Former RS RRP ($)	MFDA SERP ($)	Subtotal ($)
								[combined note 1]
Accrued Benefit Obligation	(13,669)	(540)	(11,912)	(143,574)	(169,695)	(8,081)	(6,720)	(14,801)
Fair Value of Plan Assets	–	–	–	137,604	137,604	10,186	8,956	19,142
Fund Status – Plan Surplus (Deficit)	(13,669)	(540)	(11,912)	(5,970)	(32,091)	2,105	2,236	4,341
Valuation Allowance	–	–	–	–	–	(1,790)	–	(1,790)
Accrued Benefit Asset (Liability), Net of Valuation Allowance	(13,669)	(540)	(11,912)	(5,970)	(32,091)	315	2,236	2,551

The employee future benefit expense is as follows:

2023	IIROC SERP ($)	Former RS SIP ($)	PRB Plans* ($)	RPPs* ($)	MFDA SERP ($)	Total ($)
Current Service Cost	592	–	371	4,366	140	5,469
Interest Cost on Accrued Benefit Obligation	570	22	491	6,393	284	7,760
Interest Income on Market Value of Assets	–	–	–	(6,273)	(383)	(6,656)
Interest on Valuation Allowance	–	–	–	54	–	54
Employee Future Benefit Expense (Recovery)	1,162	22	862	4,540	41	6,627

2022	IIROC SERP ($)	Former RS SIP ($)	PRB Plans* ($)	RPPs* ($)	Former RS RPP ($)	MFDA SERP ($)	Subtotal ($)
							[combined note 1]
Current Service Cost	663	–	462	6,455	–	253	7,833
Interest Cost on Accrued Benefit Obligation	449	16	432	5,567	288	258	7,010
Interest Income on Market Value of Assets	(13)	–	–	(4,623)	(354)	(293)	(5,283)
Interest on Valuation Allowance	–	–	–	–	54	–	54
Employee Future Benefit Expense (Recovery)	1,099	16	894	7,339	(12)	218	9,614

The remeasurements and other items charged on the statement of changes in fund balances are a gain of $13,542 [2022 – gain of $22,083] as follows:

2023	IIROC SERP ($)	Former RS SIP ($)	PRB Plans* ($)	RPPs* ($)	MFDA SERP ($)	Total ($)
Actuarial Losses (Gains)	(1,666)	(55)	(1,829)	(10,867)	(297)	(14,714)
Change in Valuation Allowance	–	–	–	1,172	–	1,172
Remeasurements and other items	**(1,666)**	**(55)**	**(1,829)**	**(9,695)**	**(297)**	**(13,542)**

2022	IIROC SERP ($)	Former RS SIP ($)	PRB Plans* ($)	RPPs* ($)	Former RS RPP ($)	MFDA SERP ($)	Total ($)
							[combined note 1]
Actuarial Losses (Gains)	(596)	7	(1,489)	(19,053)	(11)	(1,020)	(22,162)
Change in Valuation Allowance	–	–	–	–	79	–	79
Remeasurements and other items	(596)	7	(1,489)	(19,053)	68	(1,020)	(22,083)

There is no outstanding liability for the defined contribution plan as at March 31, 2023 [2022 – nil]. Current year expense for the defined contribution provisions of the IIROC RPP was $2,533 [2022 – $2,301].

The significant actuarial assumptions adopted in measuring the Organization's accrued benefit obligations are as follows:

	2023 ($)	2022 ($)
		[combined note 1]
Discount Rate – Accrued Benefit Obligation	**4.81% to 4.95%**	3.93% to 4.10%
Discount Rate – Benefits Cost	**3.93% to 4.10%**	2.91% to 3.50%
Rate of Compensation Increase	**3% to 3.25%**	3.00% to 3.25%

For measurement purposes in 2023, inflation of medical expenses and dental costs was assumed to remain unchanged at 5.0% and 4.5% to 6.0 %, respectively.

The following is a summary of contributions and benefits paid for defined benefits and PRB plans:

2023	IIROC SERP ($)	Former RS SIP ($)	PRB Plans* ($)	RPPs* ($)	MFDA SERP ($)	Total ($)
Employer Contributions	660	22	263	4,971	–	5,916
Employee Contributions	–	–	–	1,694	–	1,694
Benefits Paid	**(660)**	**(22)**	**(263)**	**(4,189)**	**(235)**	**(5,369)**

2022	IIROC SERP ($)	Former RS SIP ($)	PRB Plans* ($)	RPPs* ($)	Former RS RPP ($)	MFDA SERP ($)	Total ($)
							[combined note 1]
Employer Contributions	159	31	247	5,206	–	260	5,903
Employee Contributions	–	–	–	1,726	–	–	1,726
Benefits Paid	(581)	(31)	(247)	(3,440)	(207)	(161)	(4,667)

Registered Pension, SERP, SIP and PRB Risk

Registered pension risk refers to the risk that the Organization's financial condition on the statement of financial position would be adversely impacted because of the impact on the Organization's two registered plans of possible reductions in the future market value of the plan investments and/or increases in the pension liability if interest rates were to fall below current levels. These risks are mitigated by maintaining sufficient funding levels and by holding a diversified set of investments, which are managed by professional investment managers operating under specified mandates and tolerances. The Organization also carefully monitors and manages funding levels and makes contributions required by law and, in addition, makes special contributions to maintain desired funding levels. Similar risks and funding considerations apply to the unregistered plans including assets earmarked for SERP, SIP and PRB *[note 3]*, although funding levels for these plans are not dictated by law. The Organization monitors and manages funding levels for all unregistered plans for which it makes predetermined and special contributions to achieve desired funding levels.

9. Expenses

Expenses consist of the following:

Unrestricted Fund Expenses	2023 ($)	2022 ($) [combined note 1]
Investment Dealer Regulation Operating Expenses		
Compensation	**50,144**	47,099
Technology	**5,075**	4,661
Occupancy	**4,792**	4,879
Amortization and Impairment	**2,270**	2,365
Professional Services and Consulting	**1,026**	1,802
Other	**3,812**	2,953
	67,119	63,759
Mutual Fund Dealer Regulation Operating Expenses		
Compensation	**26,763**	26,583
Technology	**1,797**	1,448
Occupancy	**2,783**	2,717
Amortization and Impairment	**956**	751
Professional Services and Consulting	**502**	654
Other	**1,894**	1,558
	34,695	33,711
Market Equity Regulation Operating Expenses		
Compensation	**22,179**	20,637
Technology	**3,847**	3,363
Occupancy	**1,655**	1,675
Amortization and Impairment	**1,403**	1,270
Professional Services and Consulting	**661**	742
Other	**1,667**	1,220
	31,412	28,907
Market Debt Regulation Operating Expenses		
Compensation	**1,669**	1,541
Technology	**333**	337
Occupancy	**101**	102
Amortization and Impairment	**151**	66
Professional Services and Consulting	**50**	38
Other	**113**	87
	2,417	2,171
Debt Information Processor Operating Expenses		
Compensation	**935**	929
Technology	**324**	322
Occupancy	**34**	41
Amortization and Impairment	**38**	29
Professional Services and Consulting	**18**	22
Other	**49**	49
	1,398	1,392
Total Unrestricted Fund Expenses Before Integration Costs	**137,041**	129,940

Integration Costs	2023 ($)	2022 ($) [combined note 1]
Human Resources and Related Advisory Costs	**6,362**	94
Legal	**1,751**	2,313
Financial Advisory and Insurance Premiums	**1,651**	52
Integration Management Consultant	**1,583**	3,216
Governance	**755**	1,093
Technology	**585**	–
Communication	**411**	–
Change Management	**391**	–
Quebec Transition	**23**	20
Total Integration Costs	**13,512**	6,788

On October 27, 2022, the CSA issued an order approving both IIROC's and MFDA's requests to access, on a limited basis, funds to cover certain external advisor costs up to $4,290 each that were incurred between August 3, 2021 and December 31, 2022 from their Externally Restricted and Discretionary Funds, respectively. For the period from April 1, 2022 to December 31, 2022, eligible costs of $2,442 were incurred and are recorded as expenses in the Externally Restricted Fund.

The Organization has recorded an interfund transfer totalling $6,089 from the Externally Restricted Fund to the Internally Restricted Integration Fund for integration costs incurred prior to April 1, 2022 and a transfer from the Internally Restricted Integration Fund to the Unrestricted Fund of $11,070 for integration costs recorded in the Unrestricted Fund for the period from April 1, 2022 to March 31, 2023. This results in a net transfer from the Internally Restricted Integration Fund of $4,981.

	2023 ($)	2022 ($)
Externally Restricted Fund Expenses		*[combined note 1]*
Hearing Panel Expenses	**1,378**	1,900
Amortization and Impairment [Owned Assets]	**1,116**	1,112
Canadian Foundation for Advancement of Investor Rights	**325**	–
Amortization and Interest [Capital Assets Under Lease]	**287**	256
Research Project for Prosper Canada	**199**	–
Osgoode Hall Law School Investor Protection Clinic	**150**	150
Legal Costs for Fee Collection	**146**	135
Member Education	**121**	107
Client Research Project	**86**	85
University of Toronto Law School Investor Protection Clinic	**75**	75
Cybersecurity Survey	**62**	68
MÉDAC [Mouvement d'éducation et de défense des actionnaires]	**25**	25
Investor Advisory Panel	**4**	–
Implementation of Framework for Derivatives Oversight	**2**	–
Website Implementation	**–**	194
Expanded Cost Reporting Project	**–**	51
Plain Language Rulebook Implementation	**–**	47
Complainant Research	**–**	5
Total Externally Restricted Fund Expenses, Before Integration Costs	**3,976**	4,210
Integration Costs	**2,442**	–
Total Externally Restricted Fund Expenses	**6,418**	4,210

10. Commitments

In February 2023, the Organization entered into an agreement to sub-lease new office space in Toronto to support the integration of staff after the expiry of one of the current Toronto premises leases. The sub-lease turnover date is April 2023 to begin construction and fixturing. The sub-lease agreement is for 14 years, 7 months less a day beginning March 1, 2024.

As at March 31, 2023, the basic minimum aggregate annual rental payments, excluding GST/HST and shared operating costs under long-term leases, with varying expiry dates to September 29, 2038, for the Organization's premises are as shown below. In addition to the minimum lease payments noted below, the Organization is also obligated to pay its share of realty taxes, operating costs and utilities, which fluctuate from year to year.

	($)
2024	4,496
2025	5,258
2026	6,360
2027	5,450
2028	4,725
Thereafter	49,414
	75,703

11. Credit Facilities

The Organization has a demand credit facility in the amount of $6,000 [2022 – $6,000]. The credit facility bears an interest rate of prime plus 0.75% per annum [2022 – prime plus 0.75%]. The Organization has granted a general security interest to the bank in connection with this facility. During the years ended March 31, 2023 and March 31, 2022, the credit facility was not utilized.

In August 2022, the Organization obtained a commitment for a delayed draw term credit facility in the amount of $12,000, to ensure sufficient liquidity to cover expenses associated with the creation of the New SRO. The credit facility bears an interest rate of prime plus 0.75% per annum or the Canadian Dollar Offered Rate plus 1.75% per annum, depending on the type of loan. The Organization has granted a general security interest to the bank in connection with this facility. During the period ended March 31, 2023, this credit facility was not utilized and the facility was closed effective June 1, 2023.

12. Contingencies

The Organization has agreements with the Canadian Investor Protection Fund ["CIPF"], formed through the amalgamation of two predecessor protection funds, the former Canadian Investor Protection Fund and the MFDA Investor Protection Corporation. CIPF is approved by the CSA to provide limited protection [per the CIPF Coverage Policy] for property held by a CIRO-registered dealer member firm on behalf of an eligible client who suffers financial loss due to the insolvency of the member firm. CIPF maintains two segregated funds, the Investment Dealer Fund and the Mutual Fund Dealer Fund. CIRO is responsible for collecting from Dealer Members, [and whether or not collected, paying to CIPF] assessments calculated in respect of each such dealer.

In order to meet potential financial obligations, CIPF maintains the segregated funds, lines of credit provided by Canadian chartered banks, and excess insurance in respect of each of the segregated funds. CIRO provides two guarantees on the bank lines of credit in the maximum amounts of $125,000 and $30,000 for the Investment Dealer and Mutual Fund Dealer Funds, respectively. Any amount drawn on the CIRO guarantees would be assessed to member firms. The Mutual Fund Dealer Fund line of credit is secured by an assignment agreement for interest in assessments levied by the Organization to the Mutual Fund Dealer members for the purposes of funding CIPF.

As at March 31, 2023, CIPF had not drawn on these lines of credit.

From time to time, the Organization may face claims by employees, the public and other third parties arising from the ordinary course and conduct of its business. As at March 31, 2023, estimates of loss on current claims are not determinable, and no provision for such has been recorded. The Organization has no reason to believe that any of the matters would have a material adverse impact on the financial position, results of operations, or ability to carry on its business.

13. Financial Instruments and Risk Management

Carrying Amounts of Financial Assets

As at March 31, 2023, the carrying amounts of the Organization's financial assets measured at amortized cost and at fair value are as follows:

	2023			2022		
	Cost or Amortized Cost ($)	**Fair Value ($)**	**Total Carrying Value ($)**	**Cost or Amortized Cost ($)**	**Fair Value ($)**	**Total Carrying Cost ($)**
						[combined note 1]
Cash and Cash Equivalents	**34,725**	**28,224**	**62,949**	18,840	42,821	61,661
Investments	**–**	**72,439**	**72,439**	–	82,477	82,477
Receivables	**7,927**	**–**	**7,927**	15,096	–	15,096
Long-Term Receivables	**5**	**–**	**5**	18	–	18
	42,657	**100,663**	**143,320**	33,954	125,298	159,252

The Organization's main financial instrument risk exposure is detailed as follows:

Credit Risk

The Organization has determined that the primary financial assets with credit risk exposure are accounts receivable since failure of any of these parties to fulfill their obligations could result in financial losses for the Organization. The risk is mitigated by the distribution of receivables over the entire membership, with the most significant amounts exposed to highly rated bank-owned dealers. Marketable securities also expose the Organization to credit risk, which the Organization limits by investing in high-quality securities. Mutual fund investments also indirectly expose the Organization to credit risk. The risk is mitigated by the diversified holdings in mutual funds. The entity is also exposed to concentration risk in that all of its cash is held with financial institutions and the balances held are in excess of Canadian Deposit Insurance Corporation limits.

Liquidity Risk

The Organization's liquidity risk represents the risk that the Organization could encounter difficulty in meeting obligations associated with its financial liabilities. The Organization is exposed to liquidity risk with respect to its payables and accruals. The Organization mitigates its liquidity risk by preparing and monitoring forecasts of cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash, and maintaining a minimum of three months of budgeted operating expenses as required by the Organization's internal liquidity guideline.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises currency risk, interest rate risk and other price risk.

Currency Risk

Currency risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. The functional currency of the Organization is the Canadian dollar. The Organization invests a portion of its investment portfolio in mutual funds that invest in foreign equities. The Organization mitigates its currency risk exposure by limiting the extent of foreign currency exposure.

Interest Rate Risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. Fixed rate financial instruments are subject to fair value risk and floating rate financial instruments are subject to cash flow risk. The Organization is exposed to interest rate risk with respect to cash and cash equivalents and interest-bearing investments. Fluctuations in market rates of interest on cash and cash equivalents, short-term investments and guaranteed investment certificates do not have a significant impact on the Organization's results of operations. The objective of the Organization with respect to interest-bearing investments is to ensure the security of principal amounts invested, provide for a high degree of liquidity, and achieve a satisfactory investment return.

Other Price Risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices [other than those arising from currency risk or interest rate risk], whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market. The Organization is exposed to other price risk because of its investment in mutual funds.

Management Discussion and Analysis

(in thousands of dollars)

The Management Discussion and Analysis ["MD&A"] on CIRO's operations and financial position are presented for the fiscal year ["FY"] ended March 31, 2023. The MD&A should be read in conjunction with the Financial Statements and related notes.

This is the first MD&A report of CIRO, a newly amalgamated organization resulting from the amalgamation of the Investment Industry Regulatory Organization of Canada ["IIROC"] and the Mutual Fund Dealers Association of Canada ["MFDA"]. After completing an in-depth review of the self-regulatory organization ["SRO"] framework involving the two SROs, the CSA published its position on August 3, 2021 to establish a new, single, enhanced SRO. The main objective of creating CIRO is to develop a regulatory framework that has a clear public interest mandate and fosters fair and efficient capital markets, by focusing on investor protection to promote public confidence and accommodating innovation and change. CIRO consolidates the regulatory activities of IIROC and the MFDA. Subsequent to the approval by Members of the two SROs on September 29, 2022, and recognition by the CSA on November 24, 2022, the legal amalgamation of IIROC and the MFDA closed on December 31, 2022. Under the legal amalgamation, all assets and liabilities of IIROC and the MFDA were combined and continue into the new organization, the New Self-Regulatory Organization of Canada, effective January 1, 2023, at their carrying values on the closing date. On June 1, 2023, the name of the organization was amended to CIRO.

In this report, we provide a comprehensive review of our financial performance and operating results for the fiscal year, as well as an update on our strategic initiatives and outlook for the future. The financial information presented in this report are the aggregated results for the period from April 1, 2022, to December 31, 2022 when the entities were operating independently and the results of the combined entity for the period from January 1, 2023 to March 31, 2023. The prior year comparative figures show the aggregated results for IIROC and MFDA when they were operating independently, including adjustments to align prior accounting policies with those of the combined organization.

CIRO is a cost-recovery, not-for-profit national organization that recovers its operating expenses for each of its key areas of regulation. The fee structures and models of the legacy organizations continue to apply, with necessary modifications, as the Interim Fee Model until an integrated fee model has been approved by the CSA. These fee models prescribe the method of cost recovery for each key regulatory area and for the Debt Information Processor ["Debt IP"] activity. The primary source of revenue is through fees for Investment and Mutual Fund Dealer regulation, Equity Market regulation, debt market regulation and Debt IP activities which are collected through the application of their respective fee models.

Investment Dealer regulation secondary sources of revenue include underwriting levies, which represent a stipulated percentage share of the value of certain public equity and debt underwritings in Canada, and registration fees based on arrangements with provincial securities authorities. CIRO also collects fees for Continuing Education ["CE"] course accreditation services and registration. CIRO assumed direct responsibility over the accreditation of CE courses for Investment Dealer and Marketplace Members for the cycle beginning January 1, 2022. As well, CIRO implemented a Continuing Education program for Mutual Fund Dealers effective December 1, 2021 which includes course registration and other fees relating to the Continuing Education program. In addition, within Equity Market regulation, CIRO separately recovers expenses for administering timely disclosure services for the TSX, TSXV, CSE and NEO exchanges.

Certain statements in this MD&A are forward-looking and are therefore subject to risks and uncertainties. The financial performance or events forecast in these statements may differ materially from actual financial performance or events. CIRO has based these forward-looking statements on its current views of future events and financial performance. Any assumptions, although reasonable in judgement at the time of publication, are not guarantees or predictions of future performance.

FY 2023 Year in Review

Senior Management

CIRO's senior management team has been formed from the two legacy entity's senior management team with certain structural changes. The main aim of these changes was to enhance operational efficiencies and streamline the workflow across different departments. The new organizational structure has been designed to balance the long-term vision of being prepared for the future changes in the industry while also ensuring that the current regulatory needs of the industry are met.

Economic & Market Environment

In FY 2023, Canada's economy began exhibiting signs of a slowdown due to higher interest rates implemented to curb inflation, which has had an impact on many of CIRO's financial results including:

- Higher interest rates have resulted in lower underwriting levies, lower pension expense, higher investment income driven by interest bearing instruments, and a remeasurement gain for the pension plans and post-retirement benefit plan;
- Higher compensation costs in the current fiscal year as a result of competitive labour market conditions and inflationary pressures;
- Travel and office costs have increased post-pandemic as employees returned to the office, resumed travel, and has been compounded by inflation. However, CIRO is managing these costs and they remain lower than pre-pandemic levels through implementation of a hybrid work model.

Strategic Initiatives

Investments in strategic initiatives and operational improvements in FY 2023 included:

- Efforts directed towards the successful amalgamation of the two legacy entities, IIROC and MFDA, to form CIRO. Our shift in focus towards amalgamation led to lower normal course operating costs such as consulting costs due to reprioritization of projects.
- The Membership Intake team continued to develop and maintain effective and efficient processes for membership applications and the review of business changes filed by Dealer Members, which have been increasing in both complexity and volume.
- The Compliance Modernization Group continued exploring ways to streamline processes across compliance teams to create efficiencies for both CIRO and Dealer Members.
- Continued to strengthen CIRO's expertise with respect to crypto asset trading platforms and other new business models. CIRO approved the first Canadian crypto trading platform and is recovering costs through a Regulation Service Agreement recorded as part of Marketplace revenue.
- CIRO successfully launched its Cross-Asset Surveillance Program in partnership with the Montreal Exchange to enable cross-asset monitoring of the derivatives and underlying securities markets to help mitigate the risk of market integrity breaches. Additionally, as a prerequisite to providing cross-asset surveillance and to accommodate growing transaction volumes, CIRO expanded the capacity of the existing market surveillance system to support end-of day processing of two billion equity transactions and one billion derivatives transactions.

Summary Financial Information

Unrestricted Fund

	FY 2023 ($)	FY 2022 ($)	Variance ($)	Variance (%)
Revenue				
Dealer Regulation				
Investment Dealer Membership Fees	**55,487**	53,847	1,640	3%
Mutual Fund Dealer Membership Fees	**37,205**	32,959	4,246	13%
Underwriting Levies	**7,912**	11,677	(3,765)	(32%)
Registration Fees	**2,000**	2,075	(75)	(4%)
Continuing Education Revenue	**493**	202	291	*
Entrance Fees	**165**	135	30	22%
	103,262	100,895	2,367	2%
Market Regulation				
Equity Regulation	**28,326**	26,616	1,710	6%
Debt Regulation	**2,322**	2,299	23	1%
Timely Disclosure	**3,119**	3,075	44	1%
Marketplace Revenue	**367**	190	177	93%
	34,134	32,180	1,954	6%
Debt Information Processor ["Debt IP"]	**1,634**	1,634	0	0%
Other Revenue				
Investment Income (Loss) Including Interest	**1,382**	(461)	1,843	*
Recoveries of Enforcement Costs	**730**	719	11	2%
Miscellaneous	**162**	196	(34)	(17%)
	2,274	454	1,820	*
Total Unrestricted Fund Revenue	**141,304**	135,163	6,141	5%
Expenses				
Investment Dealer Regulation	**67,119**	63,759	3,360	5%
Mutual Fund Dealer Regulation	**34,695**	33,711	984	3%
Market Equity Regulation	**31,412**	28,907	2,505	9%
Market Debt Regulation	**2,417**	2,171	246	11%
Debt IP	**1,398**	1,392	6	0%
Total Unrestricted Fund Operating Expenses, Before Integration Costs	**137,041**	129,940	7,101	5%
Excess (Deficiency) of Revenue Over Expenses for the Year	**4,263**	5,223	(960)	(18%)
Integration Costs	**11,070**	6,788	4,282	63%
(Deficiency) Excess of Revenue Over Expenses for the Year	**(6,807)**	(1,565)	(5,242)	*

* Variance is greater than +/- 100%

Externally Restricted Fund

	FY 2023 ($)	FY 2022 ($)	Variance ($)	Variance (%)
Revenue				
Entrance Fees	**118**	31	87	*
Monetary Sanctions and Other Fines	**4,692**	4,735	(43)	(1%)
Investment Revenue Including Interest	**500**	34	466	*
Total Externally Restricted Fund Revenue	**5,310**	4,800	510	11%
Externally Restricted Fund Expenses				
Hearing Panel Expenses	**1,378**	1,900	(522)	(27%)
Amortization and Impairment [Owned Assets]	**1,116**	1,112	4	0%
Canadian Foundation for Advancement of Investor Rights ["Fair"]	**325**	–	325	NA
Amortization and Interest [Capital Assets Under Lease]	**287**	256	31	12%
Research Project for Prosper Canada	**199**	–	199	NA
Osgoode Hall Law School Investor Protection Clinic	**150**	150	–	–
Legal Costs for Fee Collection	**146**	135	11	8%
Member Education	**121**	107	14	13%
Client Research Project	**86**	85	1	1%
University of Toronto Law School Investor Protection Clinic	**75**	75	–	–
Cybersecurity Survey	**62**	68	(6)	(8%)
MÉDAC [Mouvement d'éducation et de défense des actionnaires]	**25**	25	–	–
Investor Advisory Panel	**4**	–	4	NA
Implementation of Framework for Derivatives Oversight	**2**	–	2	NA
Website Implementation	**–**	194	(194)	*
Expanded Cost Reporting Project	**–**	51	(51)	*
Plain Language Rulebook Implementation	**–**	47	(47)	*
Complainant Research	**–**	5	(5)	*
Total Externally Restricted Fund Expenses, Before Integration Costs	**3,976**	4,210	(234)	(6%)
Integration Costs	**2,442**	–	2,442	NA
(Deficiency) Excess of Revenue Over Expenses for the Year	**(1,108)**	590	(1,698)	*

* Variance is greater than +/- 100%

Integration Costs

	FY 2023 ($)	FY 2022 ($)	Variance ($)	Variance (%)
Expenses				
Human Resources and Related Advisory Costs	**6,362**	94	6,268	*
Legal	**1,751**	2,313	(562)	-24%
Financial Advisory & Insurance Premiums	**1,651**	52	1,599	*
Integration Management Consultant	**1,583**	3,216	(1,633)	-51%
Governance	**755**	1,093	(338)	-31%
Technology	**585**	–	585	NA
Communication	**411**	–	411	NA
Change Management	**391**	0	391	*
Quebec Transition	**23**	20	3	15%
Total Integration Costs	**13,512**	6,788	6,724	99%

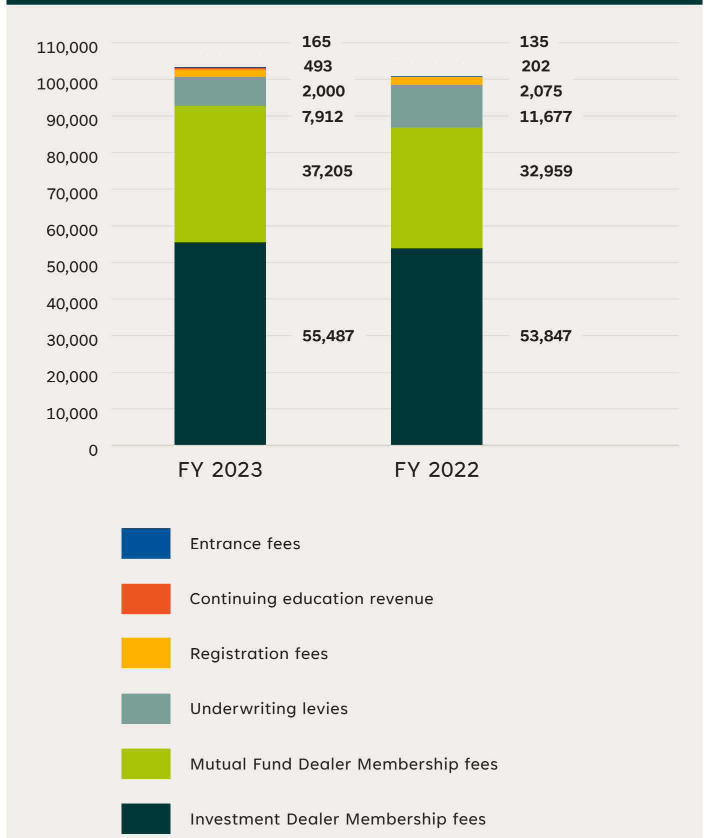
* Variance is greater than +/- 100%

Unrestricted Fund – Revenues

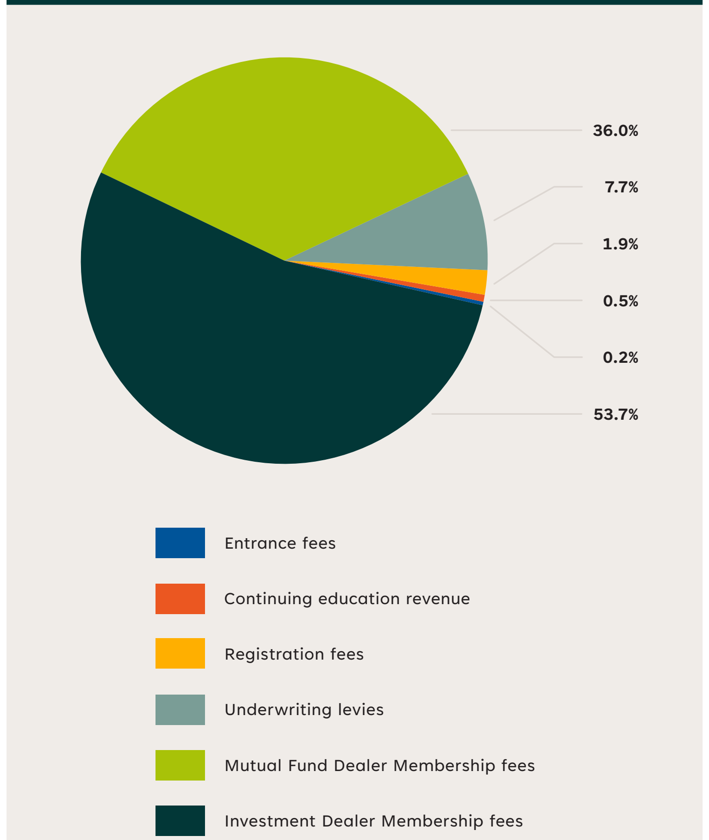
Unrestricted Fund revenue for the period increased by $6,141 [5%] to $141,304 from $135,163 in FY 2022.

Fees from Investment Dealer and Mutual Fund Dealer regulation, Equity Market regulation, Debt Market regulation, and Debt IP fee models are the primary sources of revenue. Fees collected from these five fee models at an aggregate of $124,974 represent approximately 88% of total CIRO revenue [87% in FY 2022]. Fees are approved by the Board, based on projected operating expenses, and reduced by any related secondary sources of revenue. Fees are also assessed to take into account the reasonableness of proposed fees in total as well as for each category.

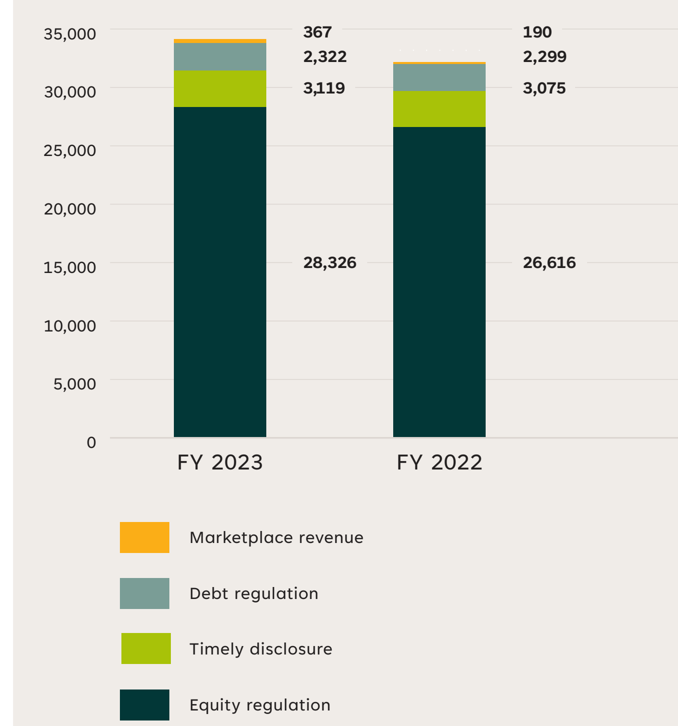
Dealer Regulation Revenue ($)



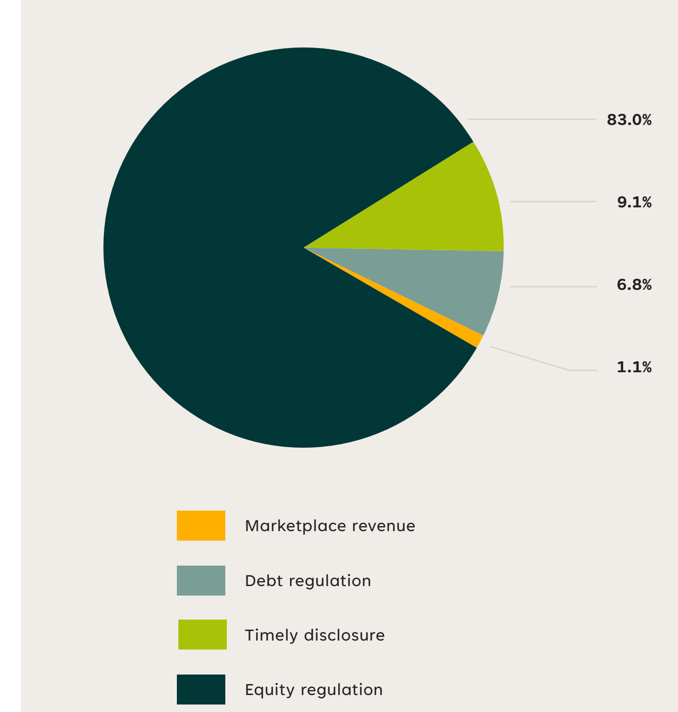
Dealer Regulation Revenue (%)



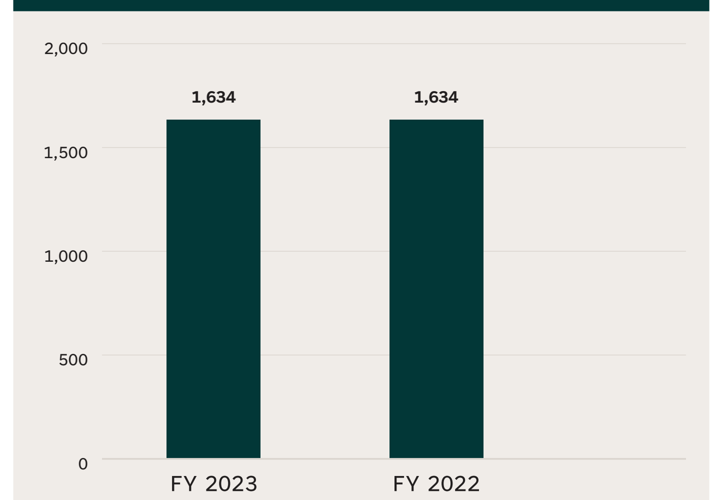
Market Regulation Revenue ($)



Market Regulation Revenue (%)



Debt Information Processor Revenue ($)



Investment Dealer regulation membership fees increased by $1,640 [3%] to $55,487 compared with $53,847 in FY 2022. Mutual Fund Dealer regulation membership fees increased by $4,246 [13%] to $37,205 compared with $32,959 in FY 2022. Equity Market regulation fees increased by $1,710 [6%] to $28,326 compared with $26,616 in FY 2022. Debt Market regulation fees increased by $23 [1%] to $2,322 compared with $2,299 in FY 2022. Debt IP fees were flat to FY 2022 at $1,634.

On a year-over-year basis, the combined revenue from secondary sources decreased by $3,298 [19%] to $14,056 from $17,354 in FY 2022.

Underwriting levies, a significant secondary source of Investment Dealer regulation revenue, decreased by $3,765 [32%] to $7,912 in FY 2023 from $11,677 in FY 2022 mainly due to a decrease in debt and equity issuances resulting from rising interest rates and market fluctuations since the last quarter of FY 2022.

Revenue from registration fees, the other significant secondary source of revenue, decreased by $75 [4%] to $2,000 from $2,075 in FY 2022 primarily due to lower registration activities as a result of slow market conditions.

Continuing education revenue increased by $291 [144%] to $493 from $202 in FY 2022. The increase in revenue can be attributed to FY 2023 being the first full fiscal year cycle.

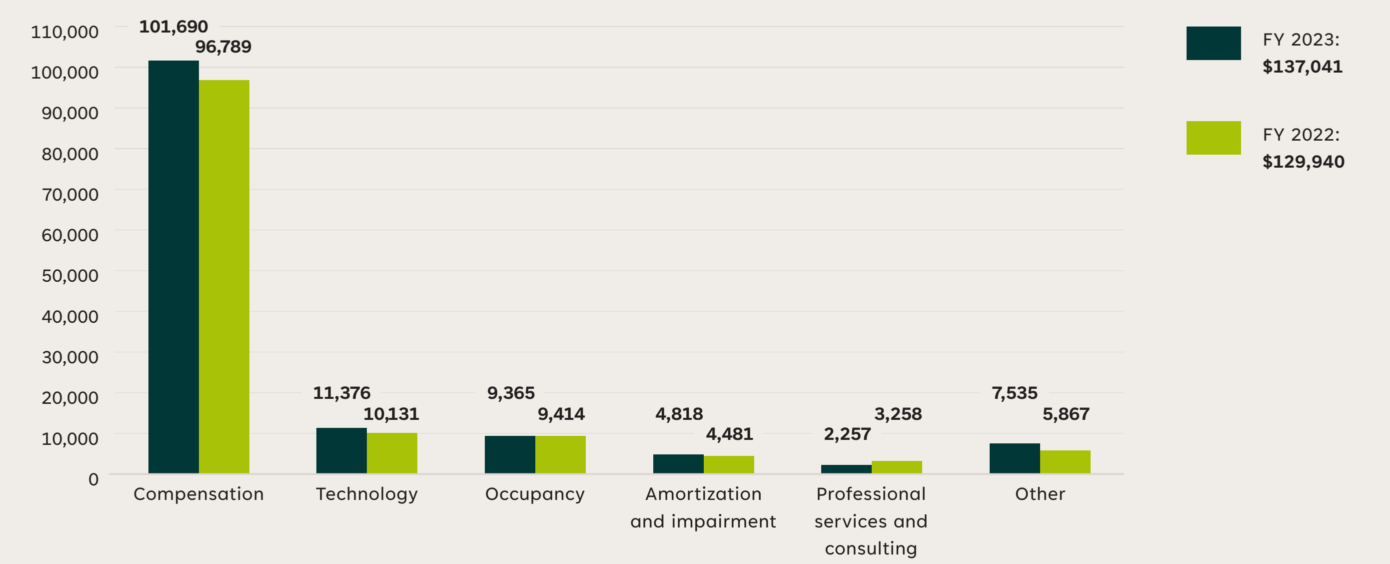
A significant secondary revenue source for Market regulation is timely disclosure fees from the TSX, TSXV, CSE and NEO exchanges for administering their timely disclosure policies on a cost-recovery basis. Fees increased by $44 [1%] to $3,119 from $3,075 in FY 2022 due to higher committed resources costs and higher overall direct costs to provide timely disclosure services. Marketplace revenue, which is another source of revenue for Market regulation, increased by $177 [93%] to $367 from $190 in FY 2022. The increase in revenue can attributed to the recovery of Bank of Canada SOC II audit fees, additional Marketplace income from onboarding a new Marketplace (CSE2), and from registration of its first crypto trading platform (Coinsquare).

Other revenue increased by $1,820 [401%] to $2,274 in FY 2023 from $454 in FY 2022 mainly due to higher investment income including interest, which includes revenue on earmarked investments for non-registered post-employment benefit plans. The increase is primarily driven by gains on short term investments of surplus liquidity due to higher interest rates and slightly offset by losses on ear-marked investments.

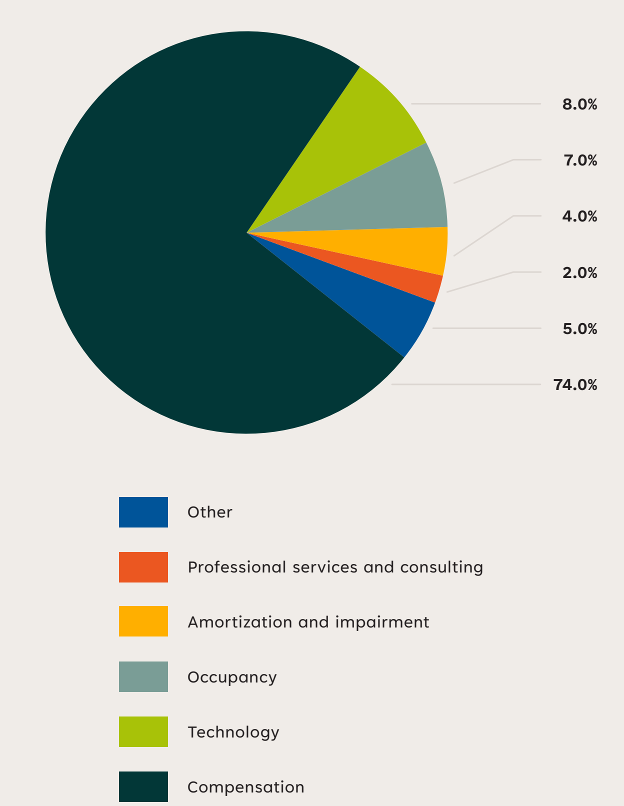
Unrestricted Fund – Expenses

CIRO's total operating expenses increased $7,101 [5%] to $137,041 from $129,940 in FY 2022. CIRO's operating expenses consist of six main categories.

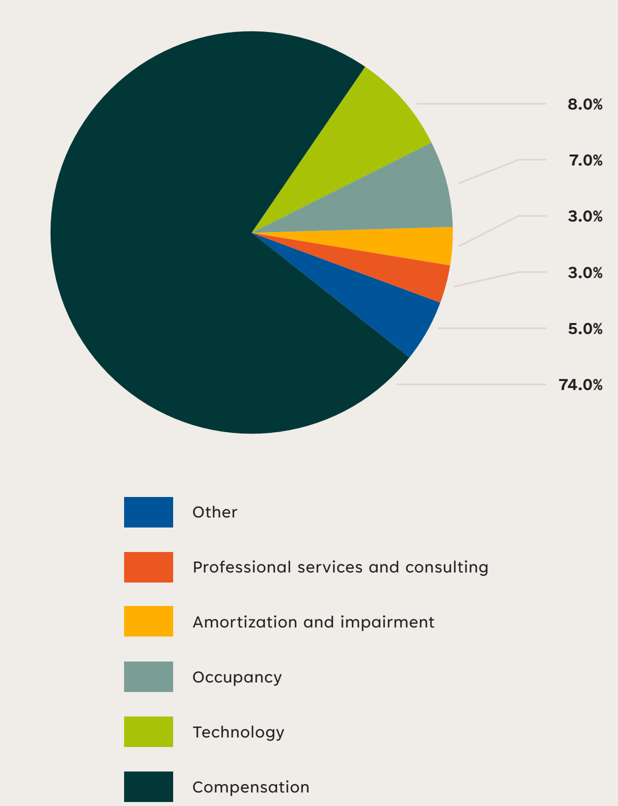
Total Operating Expenses ($)



Total Operating Expenses FY 2023 (%)



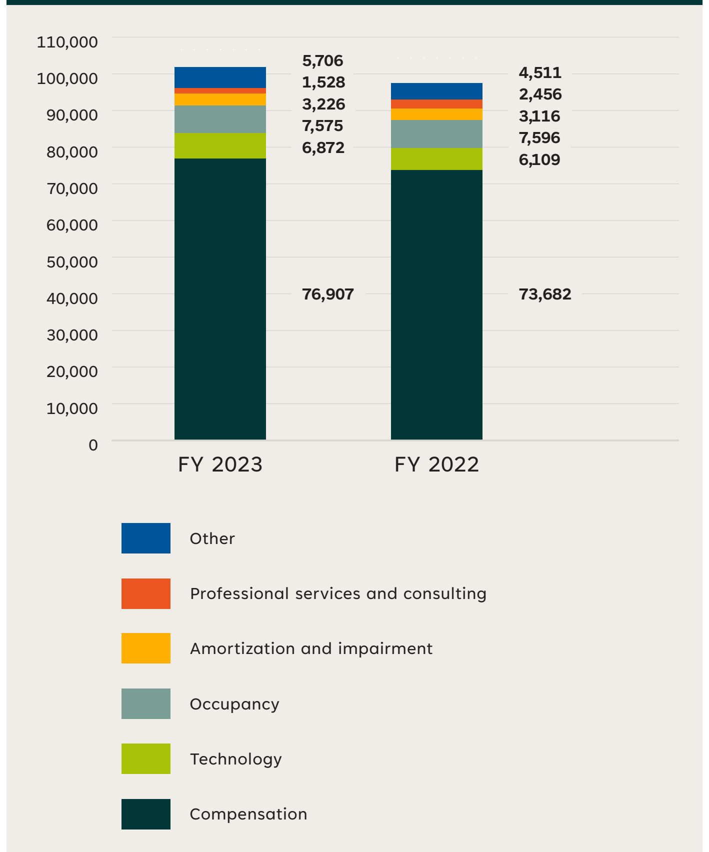
Total Operating Expenses FY 2022 (%)



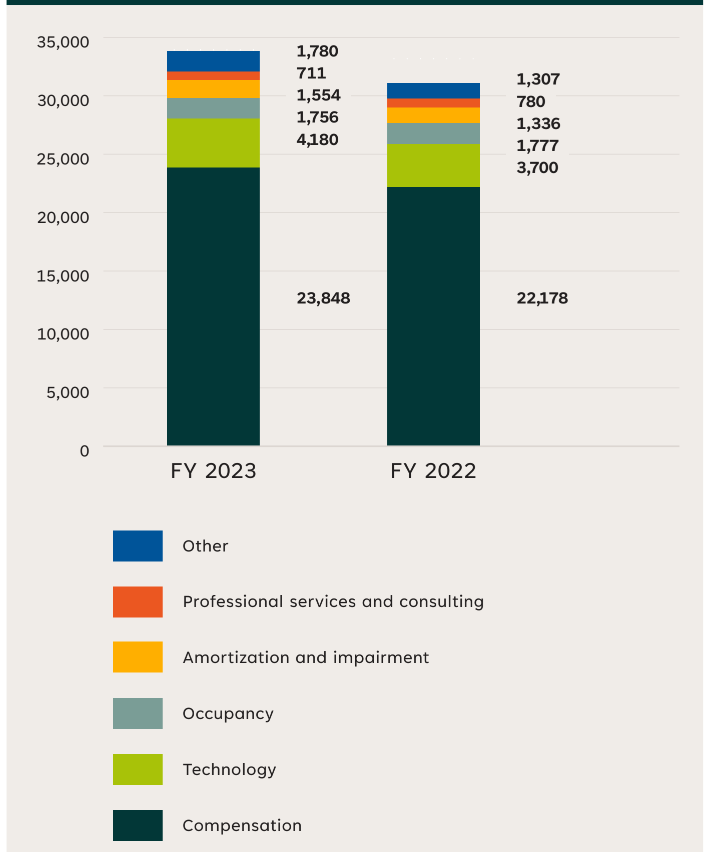
In FY 2023, compensation accounted for approximately 74% of operating expenses [74% in FY 2022], representing the largest expense category. Compensation saw the largest increase of $4,901 [5%], driven mainly by CIRO's pay-for-performance culture, coupled with inflationary pressures, and competitive labour market conditions. Furthermore, annualization of investments in resources for various initiatives and support departments, and one-time performance management costs also contributed to the increase. However, these costs were partially offset by lower pension costs due to higher discount rates and structural efficiencies from the integration. Technology costs also increased by $1,245 [12%] mainly driven by higher application, server and database costs to support business activities and upgrades, and storage costs to support expanded capacity of the existing market surveillance system relating to increased volumes. The other expenses category also increased by $1,668 [28%], primarily driven by higher travel costs as employees resumed travel following the pandemic, office expenses as employees returned to the workplace, and insurance costs due to a premium increase for cybersecurity related to market conditions. Inflationary pressures also contributed to the increase of other expenses. However, these costs were partially offset by a $1,001 [31%] decrease in professional services and consulting expenses, resulting from fewer projects requiring operating expenditure due to capacity constraints resulting from a focus on integration activities.

Direct business unit expenses are separately captured for each of the five fee models with indirect expenses being allocated using a cost allocation model based on either direct business unit expenses or business unit headcount as appropriate.

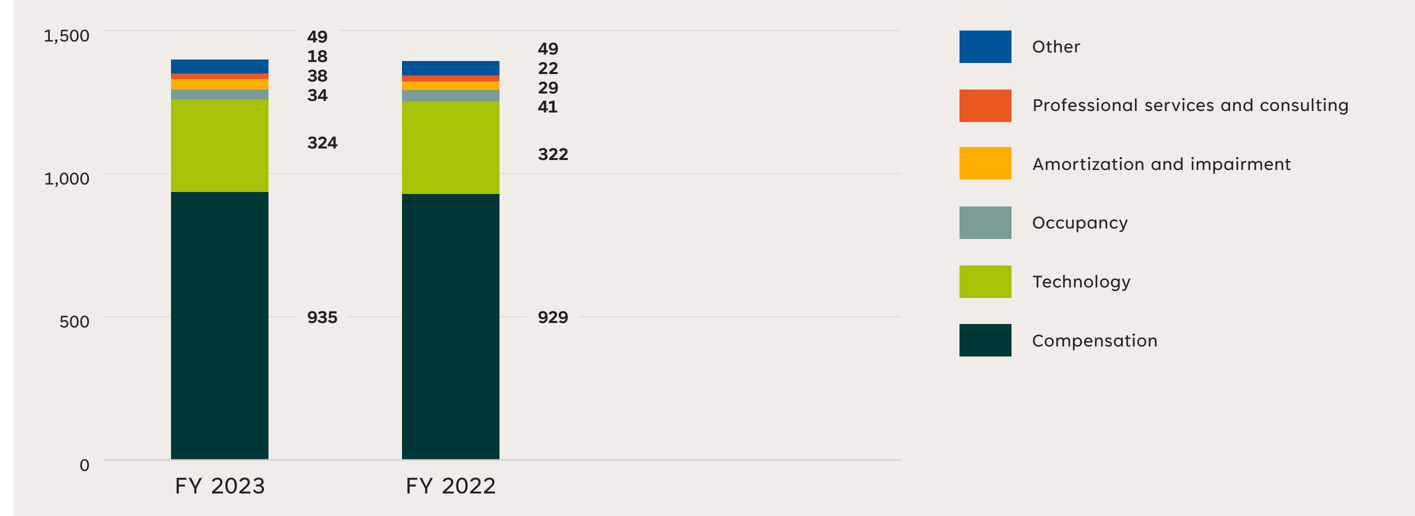
Dealer Regulation Operating Expenses ($)



Market Regulation Operating Expenses ($)



Debt Information Processor Operating Expenses ($)



Dealer regulation expenses increased by $4,344 [4%] to $101,814 from $97,470 in FY 2022, Investment Dealer regulation expenses increased by $3,360, and Mutual Fund Dealer regulation expenses increased by $984. The higher expenses are mainly driven by higher compensation expenses as noted above. Within compensation, the investment in resources included Membership Intake,
the Compliance Modernization Group, and other support departments. The remaining increase in Dealer regulation expenses was primarily due to higher other costs, technology costs, partially offset by lower professional services and consulting costs as noted above.

Market regulation expenses increased by $2,751 [9%] to $33,829 from $31,078 in FY 2022, Equity Market regulation increased by $2,505 and Debt Market regulation expenses increased by $246. The higher expenses are mainly driven by higher compensation expenses as noted above. Within compensation, the investment in resources included Membership Intake, the Compliance Modernization Group, Market Surveillance, and other support departments. Technology costs increased to support expanded capacity of the existing market surveillance system. Amortization costs were also higher due to the SMARTS Market Expansion project. The remaining increase in Market regulation expenses was due to higher other costs as noted above.

Debt IP expenses were relatively flat as compared to FY 2022.

Unrestricted Fund

There was an excess of revenues over expenses, before integration costs of $4,263 in FY 2023, compared with an excess of revenues over expenses of $5,223 in FY 2022. The excess in FY 2022 reflected higher underwriting levies and lower compensation expenses as well as lower professional services and consulting costs as there were fewer projects requiring operating expenditure compared to budget. The excess in FY 2023 reflects higher interest income due to higher interest rates on short term investments of surplus liquidity as well as lower professional services and consulting spend due to a shift in focus to integration work compared to budget. Additionally, the excess in FY 2023 reflects a planned surplus by the MFDA prior to amalgamation to replenish reserves that were drawn down in FY 2022 as a result of integration costs and to meet their minimum internal liquidity guidelines.

The excess of revenues over expenses before integration costs for FY 2023 of $4,263 and a net remeasurement gain of $13,542 for the pension plans and the post-retirement benefit plans increased the Unrestricted Fund balance from $86,461 to $104,266.

In assessing the reasonability of the Unrestricted Fund balance, CIRO notes that the balance provides for liquidity requirements as per internal guidelines, protection against potentially significant adverse moves in the funding position and solvency requirements for pension plans, non-registered Supplemental Executive Retirement Plans ["SERP"], Supplemental Income Plan ["SIP"], and Post Retirement Benefits Plans ["PRB"]. In addition, CIRO sets aside reasonable amounts for a portion of the Canadian Investor Protection Fund ["CIPF"] loan guarantee, and other contingencies.

Externally Restricted Fund

Revenues for the Externally Restricted Fund come from monetary sanctions which means any fines or other monetary amounts, including disgorgement, ordered in or arising from an Enforcement Proceeding or any other measure taken by CIRO. Monetary sanctions do not include costs ordered in Enforcement Proceedings.

According to the Recognition Orders effective January 1, 2023, and amended June 1, 2023 for the new name, all monetary sanctions collected by the CIRO may only be used, directly or indirectly, in the public interest as follows:

(a) As approved by the governance committee,

- [i] for the development of systems or other related expenditures that are necessary to address emerging regulatory issues and are directly related to protecting investors or the integrity of the capital markets, provided that any such use does not constitute normal course operating expenses,
- [ii] for education or research projects that are directly relevant to the investment industry, and which benefit the public or the capital markets,
- [iii] for specific funding related to a whistleblower program, provided that any such use does not constitute normal course operating expenses,
- [iv] to contribute to a non-profit, tax-exempt organization, the purposes of which include protection of investors, or those described in paragraph (a)(ii), or
- [v] for such other purposes as may be subsequently approved by the Commission;

or

(b) for reasonable costs associated with the administration of CIRO's investor office, investor advisory panel and CIRO's hearings.

Total revenues for the year amounted to $5,310, compared with $4,800 for FY 2022, an increase of $510 [11%]. The increase is primarily driven by higher investment income including interest, as a result of higher interest rates.

Total expenses before integration costs decreased by $234 [6%] to $3,976. The decrease was primarily due to lower hearing panel expenses, which were higher in FY 2022 due to the biennial training conference for Hearing Committee members. Additionally, costs were higher in FY 2022 as CIRO incurred costs for the implementation of a new website. The lower costs were partially offset by costs incurred for the Canadian Foundation for Advancement of Investor Rights and the Research Project for Prosper Canada in FY 2023.

The resulting excess of revenues over expenses before integration costs for the year was $1,334. After eligible integration costs of $2,442, the deficiency of revenues over expenses is $1,108, compared to an excess of $590 in the previous year.

The governance committee as noted above, is responsible for approving expenditures in compliance with the Recognition Orders. Any items approved by the governance committee are commitments of the funds until the amounts are actually spent. CIRO therefore tracks not just the accounting balances but also the uncommitted funds that are actually available. The uncommitted funds are required by internal policy to fund three years' worth of hearing panel-related expenses, and they may be earmarked for external and internal purposes.

At the end of FY 2023, Externally Restricted Fund balance was $19,017. Committed funds were $4,931. Remaining uncommitted funds after accounting for three years' worth of hearing panel expenses, amount to approximately $9,086. These remaining amounts are expected to be sufficient to fund both upcoming external and internal needs.

Integration Costs

As outlined in the Integration Cost Recovery Fee Model Guideline (IIROC Notice [22-0182]; MFDA Bulletin #0921-M), the costs incurred relating to the amalgamation will be borne by CIRO. These integration costs will include costs incurred until March 31, 2024, related to integration activities, at which point the majority of integration costs are expected to have been incurred. The accumulation of these costs are reported in the Internally Restricted Integration Fund.

Total integration expenses were $13,512 in FY 2023 as compared to $6,788 for FY 2022 and were mainly for human resources and related advisory costs, legal, financial advisory and insurance premiums, and integration management consulting.

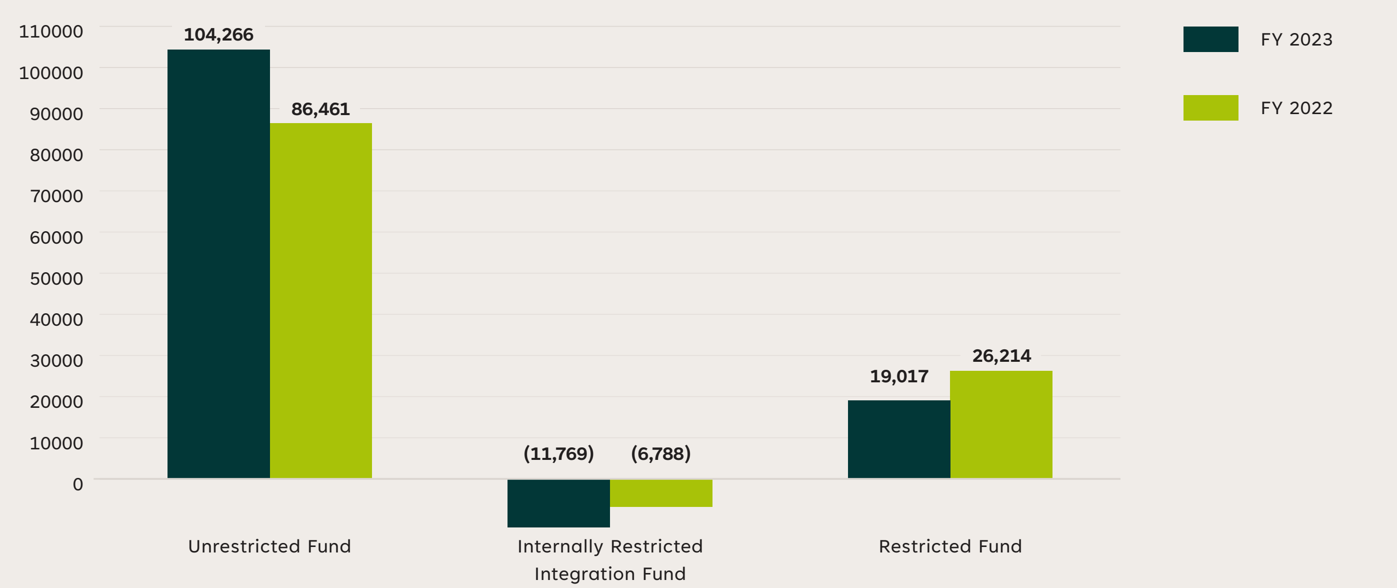
In FY 2023, the CSA issued an order approving both IIROC and MFDA's requests to access, on a limited basis, funds to cover certain external advisor costs up to $4,290 each that were incurred between August 3, 2021 and December 31, 2022, from their Externally Restricted and Discretionary Funds, respectively. $8,531 of integration costs incurred were recovered through the Externally Restricted Fund. Eligible costs incurred in the prior fiscal year of $6,089 were recorded as an interfund transfer from the Externally Restricted Fund to the Internally Restricted Integration Fund. The remaining balance of eligible costs incurred in the current fiscal year of $2,442 were recorded directly as an expense in the Externally Restricted Fund.

The deficiency of expenses after recovery from the Externally Restricted Fund of $4,981 increased the deficiency in the Internally Restricted Integration fund balance from $6,788 to $11,769. Fees to recover integration costs from certain Dealer Member Firms will begin in FY 2024.

Liquidity and Capital Resources

At the end of FY 2023, CIRO held total combined fund balances in the Unrestricted, Internally Restricted Integration, and Externally Restricted Fund of $111,514, up $5,627 from the FY 2022 balance of $105,887. The increase in fund balances arose from the net remeasurement gain for the pension plans and post-retirement benefit plans of $13,542 offset by deficiency of revenues over expenses of $7,915 [surplus of $4,264 in the Unrestricted Fund, deficiency of $4,981 in the Internally Restricted Integration Fund, and deficiency of $7,197 in Externally Restricted Fund, all net of fund transfers].

Fund Balances at Year End ($)



During the year, CIRO increased its capital assets by $4,058 [$6,227 in FY 2022]. The increase arose primarily from the Cross-Asset Surveillance Program which includes a new module in the market surveillance system to enable cross-asset surveillance [$1,302] and enhancements to the market surveillance system [$112], EDW Storage [$953], end-user computer equipment purchases and capital lease additions [$580], and other assets (mostly technology applications) [$1,111].

In addition to cash and cash equivalents of $62,949, CIRO holds investments of $72,439 in high quality liquid short-term marketable securities such as government-issued treasury bills, debt instruments of financial institutions with remaining maturities of greater than three months, and mutual funds. Mutual funds are earmarked assets to fulfill non-registered post-retirement benefits. Unrestricted cash and cash equivalents and investments excluding earmarked assets are $91,793. After including short-term obligations, pre-payments, and receivables, the remaining available liquidity is $74,450.

CIRO has an internal liquidity guideline for the Unrestricted Fund of a minimum of three months of operating expenses. Based on FY 2024 expected operating expenses of $149,576, the minimum required by the guideline is $37,394. In addition, there will be capital expenditure of roughly $28,700 for construction, projects, and personal computer capital leases spread throughout FY 2024. Furthermore, CIRO's integration expenses in the Internally Restricted Integration Fund are anticipated to be roughly $16,000 and cost recovery to be $4,750 in FY 2024. The Unrestricted Fund holds more than the minimum required and based on our cash flow projections, we expect to have sufficient liquidity to cover anticipated capital expenditures and remaining integration costs throughout FY 2024. Should CIRO require additional liquidity, CIRO can draw on its available credit facilities of $6,000 for operating costs.

Commitments

In February 2023, CIRO entered into an agreement to sub-lease new office space in Toronto to support the integration of staff after the expiry of one of the current Toronto premises leases. The sub-lease turnover date was April 1, 2023, to begin construction and fixturing. The sub-lease agreement is for 14 years, 7 months less a day beginning March 1, 2024.

As at March 31, 2022, CIRO has in place basic minimum aggregate annual rental commitments of $75,703 [FY 2022 - $14,707], excluding GST/HST and shared operating expenses under long-term operating leases, with varying expiry dates to September 29, 2038. These rental commitments also require CIRO to pay its share of operating expenses, which fluctuate year to year. In addition, there are minimum aggregate executory costs for capital leases of $1,036 [FY 2022 – $1,158] pertaining to costs related to the operation of the leased capital assets.

Capital Leases

CIRO has entered into a number of arrangements through an outsourced service model which embeds the use of dedicated capital assets for the majority of useful lives.

The key capital assets are:

- IT network, storage, and security hardware;
- Market surveillance hardware;
- End-user computer equipment including laptops and desktops; and
- Copiers.

Contingencies

CIRO has agreements with the Canadian Investor Protection Fund ["CIPF"], formed through the amalgamation of two predecessor protection funds, the former Canadian Investor Protection Fund and the MFDA Investor Protection Corporation. CIPF is approved by the CSA to provide limited protection [per the CIPF Coverage Policy] for property held by a CIRO-registered Dealer Member firm on behalf of an eligible client who suffers financial loss due to the insolvency of the Member firm. CIPF maintains two segregated funds, the Investment Dealer Fund and the Mutual Fund Dealer Fund.

In order to meet potential financial obligations, CIPF maintains the segregated funds, lines of credit provided by Canadian chartered banks, and excess insurance in respect of each of the segregated funds. CIRO provides two guarantees on the bank lines of credit in the maximum amounts of $125,000 and $30,000 for the Investment Dealer and Mutual Fund Dealer Funds respectively. Any amount drawn on the CIRO guarantees would be assessed to Member firms. The Mutual Fund Dealer Fund line of credit is secured by an assignment agreement for interest in assessments levied by CIRO to the Mutual Fund Dealer Members for the purposes of funding CIPF.

As at March 31, 2023, CIPF had not drawn on these lines of credit.

Use of Estimates

Management reviews the carrying amounts of items in the financial statements at each fiscal year-end date to assess the need for revision or any possibility of impairment. Many items in the preparation of these financial statements require the use of management's judgement in arriving at a best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. These estimates are reviewed periodically, and adjustments are made to the statement of operations as appropriate in the year they become known.

Items subject to significant management estimates include:

(a) Accruals – accruals are made for expenditures incurred but invoices not yet processed as of March 31, 2023. To be eligible for an accrual, CIRO must have received the goods or services as of March 31, 2023. For work-in-progress projects, the accrued amount is determined based on the percentage of completion of the projects.

(b) Allowances for doubtful accounts – estimates are determined based on the Dealers' financial viability. The allowance for doubtful accounts as at March 31, 2023 was $6 [FY 2022 - $6].

(c) Eligibility of expenditures for capitalization – eligibility is determined based on accounting rules. CIRO does not capitalize consumables nor individual assets falling below their capitalization threshold in accordance with their capitalization guideline.

(d) Date of substantial completion of technology projects to begin amortization – this is the date at the commencement of the fiscal quarter following when an asset is considered substantially complete and available for use.

(e) Useful lives of capital assets – amortization of office furniture and equipment is generally over five years; computer equipment, software and technology projects hardware are over three to five years. Leasehold improvements are amortized over the shorter of their useful life and the term of the respective leases.

(f) Fair value of capital assets – capital assets are initially measured at cost and subsequently measured at cost less accumulated amortization. CIRO management undertakes an annual review to assess whether capital assets should be written off entirely, and also to identify partial impairment.

(g) Minimum lease payments – minimum lease payments are estimated based on terms of lease contracts.

(h) Lease discount rate – CIRO management determines an appropriate discount rate to apply in calculating the present value of lease payments for capital leases. A reasonable basis was determined to be CIRO's proxy rate for incremental borrowing. Considerations were given to CIRO's credit risk, the weighted average life of the leases, and comparable yield curves.

(i) Valuation of employee future benefits asset/liability – CIRO management, in consultation with actuaries, estimates the future earnings, discount rates and future salary increases or a prescribed range thereof for the purpose of the benefit asset/liability calculation which is carried out by the actuaries.

Risk

CIRO utilizes a three lines of defense approach for risk management: business units and support functions are the first line; the Enterprise Risk Management ["ERM"] department is the second line; and Internal Audit is the third line. Oversight of risk management is provided by management's Risk Committee ["RC"], comprising senior executives of CIRO, and by the Finance, Audit and Risk ["FAR"] Committee of the Board, as set out in their respective Charters.

CIRO's risk management framework includes an annual risk and control self-assessment that combines a top-down and bottom-up evaluation of both operational and enterprise risks as well as emerging risks. The results are reviewed and discussed with the RC, the FAR Committee, and the Board. Throughout the year, the Vice President, Corporate Services and Risk Management provides a formal update on risks and risk management activities at RC and FAR Committee meetings.

CIRO's Internal Audit function is outsourced to KPMG LLP. New SRO's FAR Committee approves the Internal Auditor Charter and annual Internal Audit Plan. Areas for internal audit are selected using a risk-based approach, and the audits performed serve to independently assess the adequacy and operating effectiveness of CIRO's internal controls. The results of each internal audit are documented in an internal audit report, with each report presented to the FAR Committee upon completion. The FAR Committee also received updates from the Internal Auditor at a minimum four times per year.

Litigation Risk

From time to time, CIRO may face claims by employees, the public and other third parties arising from the ordinary course and conduct of its business. CIRO mitigates the risk of such claims by implementing appropriate controls and policy and procedural safeguards, and by defending against any and all claims which, in its judgement, are without merit. CIRO continually reviews and enhances, as appropriate, its insurance coverage against various risks with a view to having sufficient coverage against potential losses, for existing and emerging risks whenever possible.

Cybersecurity Risk

CIRO's cybersecurity program and cyber security controls conform to industry standards and best practices. CIRO has adopted a hybrid work model giving staff the flexibility to work from home for part of the week. Policies, technology, and regular awareness training have been deployed to ensure data protection. Regular technical, policy, process and control assessments are conducted by internal staff, IT Service Providers, independent experts and auditors to continually mitigate cybersecurity risks.

Revenue Risk

About 88% of CIRO's revenue comes from Dealer membership fees, Equity and Debt Market regulation fees and Debt IP fees. Failure of a significant number of firms or a relatively large firm would have a critical impact on CIRO's financial operations. Prudent operating cost management and ongoing monitoring of the financial adequacy of firms helps to mitigate this risk. Additional risk arises from possible reductions in market activity that could adversely affect underwriting levies and from possible adverse changes in provincial registration-related revenues.

Regulatory Compliance Risk

Failure of CIRO to comply with the terms and conditions of recognition set by the recognizing securities commissions of Canada would have serious consequences for the organization. The CIRO uses robust processes and controls to ensure compliance with these terms and conditions for recognition. Ongoing communications with the CSA as well as periodic reviews of CIRO processes and procedures performed by the CSA also mitigates this risk.

Registered Pension, SERP, SIP and PRB Risk

Registered pension risk refers to the risk that CIRO's financial position could be adversely impacted because of the impact on CIRO's two registered plans of possible reductions in the future market value of the plan investments and/or increases in the pension liability if interest rates were to fall below current levels. These risks are mitigated by maintaining sufficient funding levels and by holding a diversified set of investments, which are managed by professional investment managers operating under specified mandates and tolerances. CIRO also carefully monitors and manages funding levels and makes contributions required by law and, in addition, makes special contributions to maintain desired funding levels. Similar risks and funding considerations apply to the unregistered plans including assets earmarked for SERP, SIP and PRB, although funding levels for these plans are not dictated by law. CIRO monitors and manages funding levels for all unregistered plans for which it makes predetermined and special contributions to achieve desired funding levels.

Financial Instruments Risk

CIRO's main financial instrument risk exposure is detailed as follows:

Credit Risk

CIRO has determined that the primary financial assets with credit risk exposure are accounts receivable, since failure of any of these parties to fulfill their obligations could result in financial losses for CIRO. The risk is mitigated by the distribution of receivables over the entire membership, with the most significant amounts exposed to highly rated bank-owned Dealers. Marketable securities also expose CIRO to credit risk, which CIRO limits by investing in high-quality short-term securities. Mutual fund investments also indirectly expose CIRO to credit risk. The risk is mitigated by the diversified holdings in mutual funds. The entity is also exposed to concentration risk in that all of its cash is held with financial institutions and the balances held are in excess of Canadian Deposit Insurance Corporation ["CDIC"] limits.

Liquidity Risk

CIRO's liquidity risk represents the risk that CIRO could encounter difficulty in meeting obligations associated with its financial liabilities. CIRO is exposed to liquidity risk with respect to its accounts payable. CIRO mitigates its liquidity risk by preparing and monitoring forecasts of cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash, and maintaining a minimum of three months of budgeted operating expense as required by CIRO's internal liquidity guideline. In addition, CIRO has available credit facilities of $6,000 for operating costs and $12,000 for costs of integration.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. CIRO minimizes its exposure to market risk through its policy of investing a portion of its investments in Government of Canada treasury bills, bankers' acceptances and promissory notes. Market risk is comprised of currency risk, interest rate risk and other price risk. In addition, adverse or volatile capital market conditions both in the primary market and secondary markets could have an impact on CIRO's ability to collect underwriting levies.

Currency Risk

Currency risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. The functional currency of CIRO is the Canadian dollar. CIRO invests a portion of its investment portfolio in mutual funds that invest in foreign equities. CIRO mitigates its currency risk exposure by limiting the extent of foreign currency exposure.

Interest Rate Risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. Fixed rate financial instruments are subject to fair value risk and floating rate financial instruments are subject to cash flow risk. CIRO is exposed to interest rate risk with respect to cash and cash equivalents and interest-bearing investments. Fluctuations in market rates of interest on cash and cash equivalents, short-term investments and guaranteed investment certificates do not have a significant impact on CIRO's results of operations. The objective of CIRO with respect to interest-bearing investments is to ensure the security of principal amounts invested, provide for a high degree of liquidity, and achieve a satisfactory investment return.

Other Price Risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices [other than those arising from currency risk or interest rate risk], whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market. CIRO is exposed to other price risk because of its investment in mutual funds.

Resiliency

CIRO has a robust resiliency program to ensure critical and core regulatory and support services can continue to function in the event of a disruption. This program includes crisis management protocols, playbooks, business continuity plans ["BCPs"] and IT Disaster Recovery protocols. CIRO has processes in place to update and strengthen the program as needed and to periodically test the functioning of various aspects of the program.

Outlook

CIRO's strategic priorities for FY 2024 reflect its ongoing commitment to investor protection and market integrity, while operating in an efficient, cost-effective and sustainable manner.

Key priorities for next year include:

Determine mission, vision, values, and brand for CIRO and develop our three-year strategic plan:

- Will be consulting on our mission, vision and values for the new organization. CIRO will also be seeking feedback on the strategic plan before publishing the finalized document by the end of this Fiscal Year.
- Select and rollout new name and logo. The Board and leadership of CIRO believed it was important to develop a new name as quickly as possible to establish a clear and distinct identity that evokes trust and integrity. Members will be given to December 31, 2024, to make all necessary changes.

Promote the investor perspective through the Office of the Investor and Investor Advisory Panel:

- The Investor Advisory Panel will develop their workplan and mandate which will include providing education and guidance to Members and investors on key investor protection requirements in areas such complaint handling, designating a trusted contact person, and determining client risk profile.
- The Office of the Investor will conduct an investor survey to gather data on their experiences and outcomes.
- Build a dedicated section on the website for the Office of the Investor and Investor Advisory Panel.

Harmonize our regulatory approach:

- Align our exam approach with CSA for Client Focused Reform Phase 2 work. They will also begin determining the best approach for an integrated risk model and align the best regulatory approach for consistency across the organization.
- Integrate operations with a priority of developing uniform Sanction Guidelines. CIRO will also establish a centralized Complaint Intake Process for investors.

- Harmonize our Continuing Education requirements. CIRO will also obtain delegation and begin planning to operationalize authorities in Québec with respect to Mutual Fund Dealer Representative Registration.
- Create a plan to consolidate Investment Dealer and Mutual Fund Dealer rules. Phase 1 will consist of consolidated rules for public comment, followed by the proposed approach on directed commission/personal incorporation being made available to an expanded group of registered individuals.

Articulate the plan for an integrated fee model:

- Work has begun to determine the final fee model that addresses requirements set out in the Recognition Orders and Memorandum of Understanding.

Maintain an engaged, empowered, and unified CIRO team:

- Continue to progress on Equity, Diversity, Inclusion, and Anti-Racism initiatives.

Continue to deliver on the regulatory mandate and support the investor through industry and regulatory transformation:

- Finalize a joint report with the CSA on the Client Focused Reforms sweep that was undertaken over the last year. CIRO also plans to enhance the Financial Operations examination program for business continuity planning testing, as outlined in the next steps of the Order-Execution Only Service Level working group.
- Pursue further legislative authority across the country.
- Enhance our Proficiency Regime by finalizing the competency profiles for Investment Dealer approval categories, and by initiating a competitive request-for-proposal process to select new education service provider(s).
- Build on our cross-asset surveillance capability. CIRO also plans to administer an industry-wide Business Continuity Planning test. Also, work continues with the CSA on the Short Selling Consultation.
- Finalize and implement amendments to modernize Dealer Member rule requirements for derivatives that are materially harmonized with the implemented version of National Instrument 93-102 Derivatives: Business Conduct.
- Continue industry engagement to discuss the modernization of rules around back-office arrangements and subordinated debt financing as well as conducting stakeholder outreach to determine areas of need, growth and transformation, and identify emerging trends,

Strengthen stakeholder relationships:

- Continue to develop and maintain strong relationships and continue to find avenues to engage with our Members.

Demonstrate progress on the integration of corporate systems and processes:

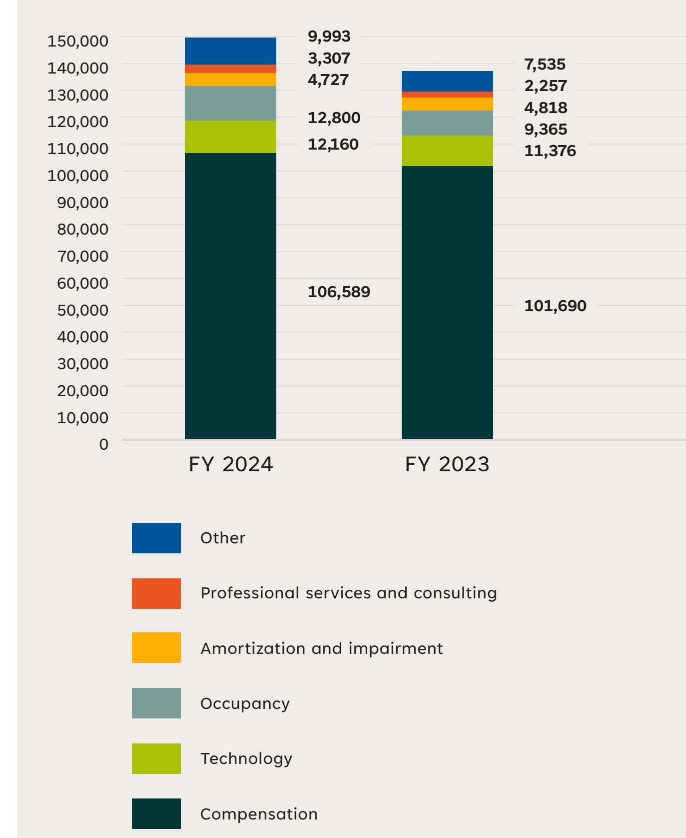
- Facilitate the initiation of our year one integration plans and begin mid and long-term planning tied to strategic plan for years two and three.

These priorities will help inform the development of a new strategic plan and priorities for CIRO. As a newly amalgamated organization, CIRO will establish a new strategic plan which is targeted for the end of FY 2024. There will be a comprehensive process to help CIRO determine its new strategic direction which will involve, among other things, stakeholder consultations.

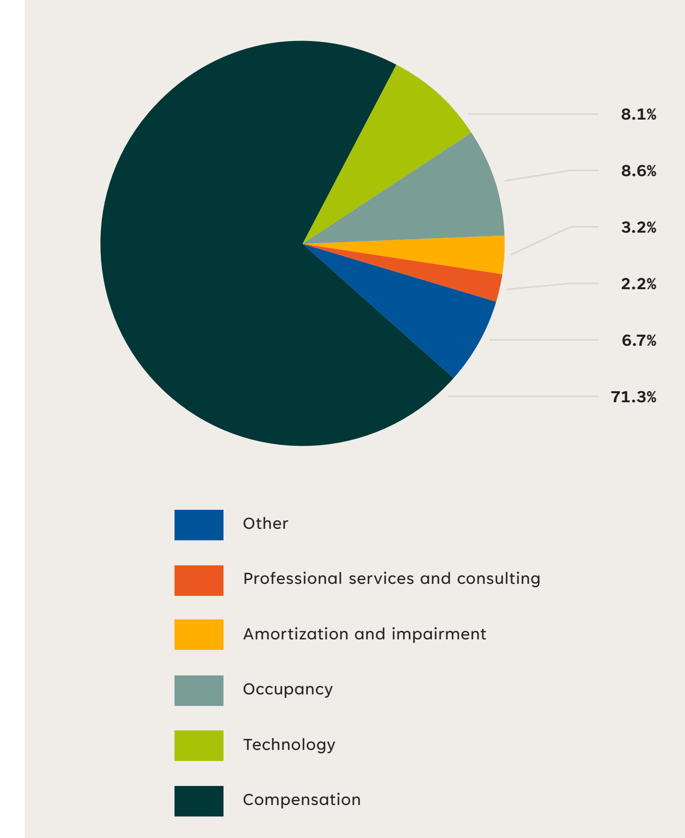
The continued integration related priorities in FY 2024 and eligible costs will be covered by the integration cost budget and recovered from the Integration Cost Recovery Fee Model. The operating budget presented reflects the costs of carrying out our mandate and supporting CIRO's non-integration related key priorities as noted above. Total operating expenses for the coming year are expected to increase to $149,576 in FY 2024 from $137,041 in FY 2023, an increase of $12,535 [9%]. The increase in expenses reflects compensation increases for merit and added headcounts to support organizational initiatives, one time moving costs for the Toronto premises, continued increase in travel activity, alignment of education services, and a larger operating project budget to support organizational initiatives. Capital expenditures are budgeted at roughly $28,700 for construction, projects, and computer capital leases.

Total revenues are budgeted at $146,998 for a planned deficit at $2,578. The planned deficit in FY 2024 is to provide relief and fee stability for the impacts of fluctuating underwriting levies (specific to Investment Dealer Members), for Quebec transition costs (specific to Mutual Fund Dealer Members), and one-time moving costs. For underwriting levies, FY 2023 actuals of $7,912 were lower than the past five-year average of approximately $10,332. There was a lower volume of issuances in FY 2023 in comparison to FY 2022 due to high interest rates and market volatility. FY 2024 underwriting levies are estimated to be $7,500. Actual volume of issuances are impacted by market conditions and stabilizing interest rates may increase capital raising activities.

FY 2024 Budgeted Operating Expenses ($)



FY 2024 Budgeted Operating Expenses (%)



The fees are derived from budgeted annual operating costs net of non-fee revenue. The overall fee increase for recovery of operating costs is 5.2% comprised of 4.2% for continuing activities and 1.0% for new activities & targeted investments. The continuing activities fee increase includes inflationary cost increases, moving costs for the Toronto premises to a new location, capacity enhancements to support higher market volumes, and overall compensation increases for merit partially offset by cost savings from alignment of the CIRO's resources, and a planned deficit. The new activities & targeted investments fee increase includes recovery of costs to support Membership Intake and Cross-Asset Surveillance Program. The break-down by fee-model is as follows:

	Continuing Activities	New Activities and Targeted Investments	Total Fee Increase
Investment Dealer	+5.4%	+1.0%	+6.4%
Mutual Fund Dealer	-0.4%	+0.4%	0.0%
Market Equity	+8.2%	+1.8%	+10.0%
Market Debt	+4.0%	–	+4.0%
Debt IP	–	–	0.0%
Total	**+4.2%**	**+1.0%**	**+5.2%**

Given that final integration costs and the timeline for recovery are not known for FY 2024 fee setting, a commitment was made in the Fee Model to keep them at or below 8% of annual membership fees for the first year. The FY 2024 fees for the Integration Cost Recovery Fee Model are set at 6%. This is based on mid-level of current integration costs estimate after application of approved MFDA Discretionary Fund and IIROC Externally Restricted Funds over a 5-year recovery period.

Locations

Vancouver

Investment Dealers
Royal Centre
1055 West Georgia Street, Suite
2800 P.O. Box 11164
Vancouver, British Columbia V6E 3R5

Mutual Fund Dealers
650 West Georgia Street
Suite 1220
Vancouver, British Columbia V6B 4N9

Calgary

Investment Dealers
Bow Valley Square 3
255-5th Avenue S.W., Suite 800
Calgary, Alberta T2P 3G6

Mutual Fund Dealers
800-6th Avenue S.W., Suite 850
Calgary, Alberta T2P 3G3

Toronto

Investment Dealers
121 King Street West, Suite
2000 Toronto, Ontario M5H 3T9

Mutual Fund Dealers
121 King Street West, Suite
1000 Toronto, Ontario M5H 3T9

Montréal

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Canadian Investment Regulatory Organization

Organisme canadien de réglementation des investissements