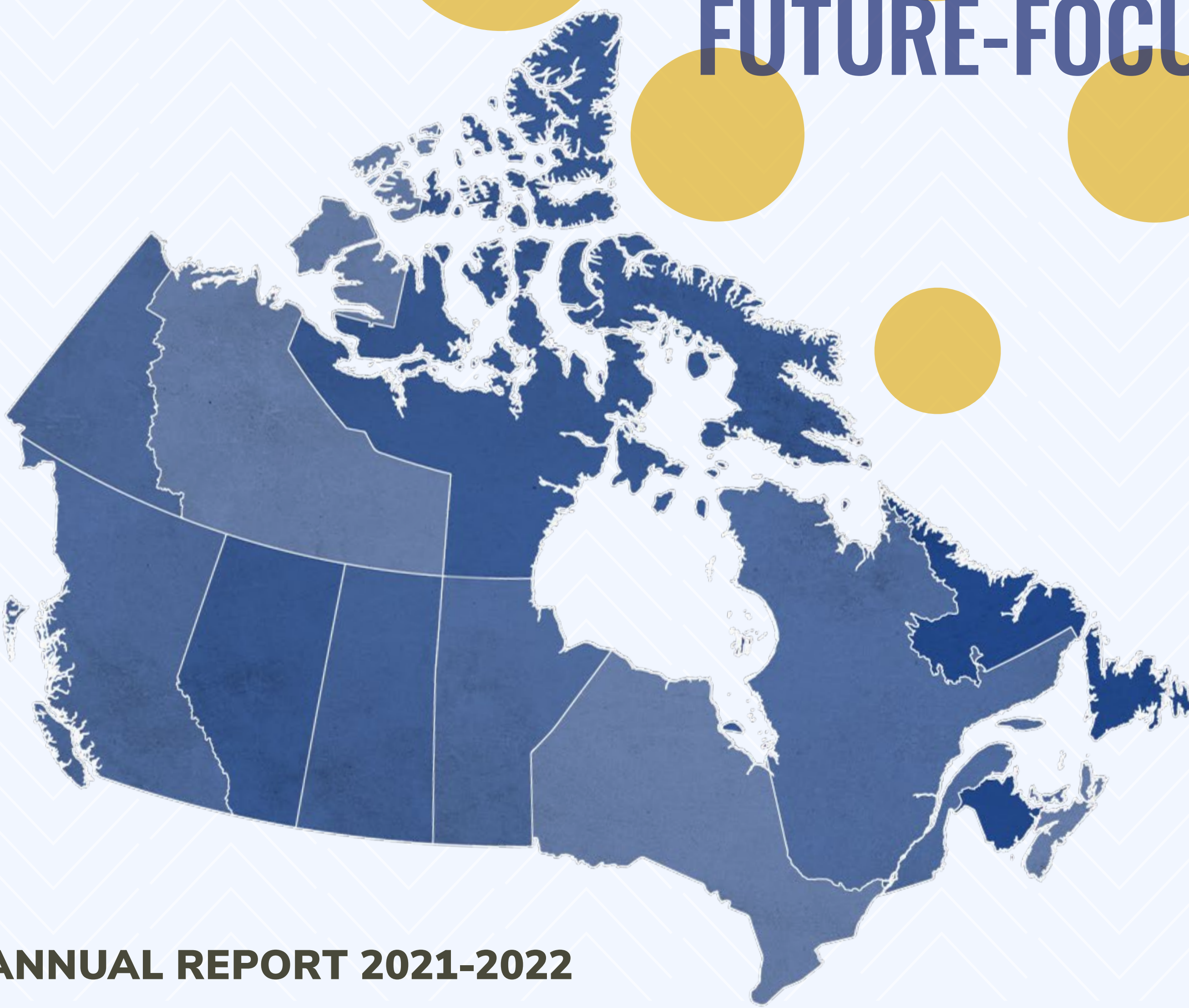
ADAPTABLE

TRUSTED

FUTURE-FOCUSED



ANNUAL REPORT 2021-2022

PUBLIC INTEREST REGULATOR

Protecting Investors and Supporting Healthy Canadian Capital Markets

IIROC OCRCVM

Investment Industry Regulatory Organization of Canada

Organisme canadien de réglementation du commerce des valeurs mobilières

About IIROC

IIROC is the national self-regulatory organization which oversees all investment dealers and their trading activity in Canada's debt and equity markets.

Mission

Our mission is to protect investors and support healthy Canadian capital markets.

Vision

IIROC's vision statement describes what we want to achieve over time – it is our definition of long-term success.

We will demonstrate how our self-regulatory model serves the public interest, by:

» inspiring confidence and deterring wrongdoing by having and using robust and appropriate tools

» making the delivery of securities regulation in Canada significantly more efficient

» being known as a trusted, respected and valued partner by our stakeholders

» being a leading-edge securities regulator

» creating a culture that attracts and retains high-quality employees

TABLE OF CONTENTS

IIROC sets high-quality regulatory and investment industry standards, protects investors and strengthens market integrity while supporting healthy Canadian capital markets. IIROC carries out its regulatory responsibilities through setting and enforcing rules regarding the proficiency, business and financial conduct of dealer firms and their registered employees, and through setting and enforcing market integrity rules regarding trading activity on Canadian debt and equity marketplaces.

How we work

IIROC's regional roots run deep. IIROC's District Councils and policy consultative committees offer insight and invaluable input. Self-regulation helps to ensure that policies and rules keep pace with evolving markets through consultation with industry participants who are confronted by change on a daily basis.

This process helps ensure that rules and policies are balanced and practical.

IIROC's National Advisory Committee serves as a forum for representatives of the District Councils to raise and discuss matters of interest, provide input on policy initiatives and report to the IIROC Board of Directors three times a year.

IIROC's 10 District Councils address registration and membership matters, raise issues of regional interest, and add perspective to national issues, including policy issues. They ensure regional input into the regulatory process – an integral component of self-regulation.

IIROC'S POLICY ADVISORY COMMITTEES

» Financial and Operations Advisory Section

» Conduct, Compliance and Legal Advisory Section

» Proficiency Committee

» Fixed Income Advisory Committee

» Market Rules Advisory Committee

By the Numbers

140
District Council members

120*
Member Firms participating in district councils

56
meetings

219**
decisions made

196
committee members

189***
dealer firms and marketplaces represented

2 Member Policy rule proposals published

6 Member Policy rule amendments published

3 Market Policy rule amendments published

* Dealer Member firms may participate on multiple District Councils and are counted for each District Council on which they are represented. However, within each District Council a Dealer Member firm is counted only once regardless of whether the firm is represented on the Council by more than one individual.

** Includes decisions made by Registration Committees and District Councils.

*** Firms and marketplaces may participate in multiple committees.

Message from the Chair

It's been a remarkable year for IIROC, despite the challenges brought on by the COVID-19 pandemic. After over two years of coping with this virus, the path back to a more normal world is starting to come into view. While uncertainty and challenges persisted throughout 2021, IIROC had a productive and successful fiscal year. We continued to execute on the priorities outlined in our three-year strategic plan while providing value to Canadian investors and enhancing securities regulation across Canada.

We accomplished a lot;

» We reached a major milestone when Newfoundland and Labrador adopted enhanced investor protection rules, granting IIROC additional powers to do its job. This means that every province and every territory has given us fine collection powers through the courts – from coast to coast to coast.

» The expansion of mandatory client identifiers to Canada's equity as well as debt markets now provides for a far more comprehensive and timely view of market activity, enhancing our capability to perform both market monitoring and investigations.

» Our Dealer Member Rules were rewritten, reformatted and reorganized in plain language and took effect December 31, 2021.

» IIROC and the Montreal Exchange entered a Memorandum of Understanding to enable cross-asset monitoring of the derivatives and underlying cash markets in Canada.

Since October 2013, I've had the privilege of working closely with IIROC's exceptional people, and they are second to none. The Board and I are proud of how IIROC's team, under the dedicated leadership of Andrew J. Kriegler and his executive team, upheld its governance and key strategic oversight practices and worked tirelessly on our strategic priorities.

As I wrap up my last term serving on IIROC's Board, I'd like to thank my fellow Board members for their oversight and counsel. This year, we had a new board member join us, Debra Doucette, and a familiar face return, Edward Iacobucci, who brought a wealth of industry experience and have made exceptional contributions. The IIROC family was also very saddened by long-standing board member, Malcolm Heins' passing in May 2022 after a lengthy battle with cancer. We are especially thankful for the passion he carried to support Canadian investors. His dedication leaves a lasting impact, and he will be greatly missed.

As I close this chapter as IIROC's Chair of the Board, I can say with confidence that I'm extremely proud of the Board's collective efforts to make this year such a success.

As an organization, we have an exciting and transformative road ahead. We continue to make great strides together with the Canadian Securities Administrators (CSA) and Mutual Fund Dealers Association of Canada (MFDA) to make the new self-regulatory organization more efficient and effective, ultimately leading to better outcomes for Canadians and for the investment industry. We're looking forward to the opportunities the new SRO will create—from increasing access to advice to better protecting investors. This year has further solidified the important purpose of our work to strengthen the self-regulatory model for Canadians. It's what Canadians and the industry that serves them deserve.

This is a transformative time for Canadian securities regulation. As we look to the future, I have no doubt that our clear sense of purpose will continue to be our greatest strength.

Paul D. Allison
Chair of the Board

> **"As I close this chapter as IIROC's Chair of the Board, I can say with confidence that I'm extremely proud of the Board's collective efforts to make this year such a success."**

Responded to

2,323
business conduct related investor enquiries

715
business conduct related complaints

585
trading related investor enquiries

551
trading related complaints

Responded through IIROC's Complaints and Inquiries department, which includes front-line staff in Calgary, Toronto, Vancouver and Montreal

By the Numbers: Trading

1,547
Coordinated trading halts

606,325,883
Trades monitored on 6 stock exchanges (operating 10 separate venues) and 5 equity Alternative Trading Systems

Intervened by varying or cancelling trades

54 times affecting

796 transactions

83
Coordinated cease trade orders

92
Single Stock Circuit Breakers triggered

76 Business Conduct Compliance firm reviews conducted

84 Financial and Operations Compliance firm reviews conducted

35 Trading Conduct Compliance firm reviews conducted

1 Integrated compliance firm review conducted

Message from the President and CEO

Although we couldn't have predicted it, last year was another year defined by the COVID-19 pandemic. 2021 reinforced that the pace of change and disruption has accelerated significantly in recent years and IIROC responded by evolving as the world changed. Throughout it all, we remained focused on our core mandate: to deliver regulation effectively. While technology allowed us to stay connected, be productive, and remain focused on our work, it is also fair to say that we missed in-person interaction. As of May 2022, we cautiously made our way back into the offices, taking a hybrid approach, and will continue to adapt accordingly.

Amidst all of this transformation, I continue to be proud of the ways in which our team made progress on several important initiatives this past fiscal year. We demonstrated resilience as we adapted to meet the challenges the pandemic brought on, IIROC continued to thrive, and we accomplished a great deal.

A major milestone of this past year was the fact that IIROC completed its quest to be able to enforce fine collection through the courts in every province and territory across the country. In November 2021, IIROC welcomed the Government of Newfoundland and Labrador's passage of Bill 16, *An Act to Amend the Securities Act*, that strengthens investor protection and safeguards seniors and vulnerable retail investors. With the passage of these legislative amendments, Newfoundland and Labrador has ensured that every province and territory in the country has taken substantial steps to protect Canadian investors and foster healthy Canadian capital markets.

In December 2021, IIROC, the Montréal Exchange (MX), and the Canadian Derivatives Clearing Corporation entered a Memorandum of Understanding to enable cross-asset monitoring of the derivatives and underlying cash markets in Canada. Looking ahead, this collaboration between IIROC and the MX will allow our surveillance teams to work together to strengthen market integrity and further support our ability to share and transmit data and information relating to cross-asset trading and address problematic trading practices. Together with the MX and with the support of our colleagues at the Canadian Securities Administrators (CSA), this new capability will significantly improve market regulation in Canada.

We also continue to make great strides together with the CSA and Mutual Fund Dealers Association of Canada (MFDA) to create a single, new, enhanced self-regulatory organization (SRO) on January 1, 2023.

Message from the President and CEO

A new, enhanced, pan-Canadian SRO will increase access to advice while better protecting investors. It is precisely what Canadians and the industry that serves them deserve. I was honoured to have been selected by the Special Joint Committee and approved by the Boards of both SROs to lead this new organization when it is formed.

While there are too many other notable achievements to list, none would have been possible without the heart of our organization—our people. I'd like to thank my colleagues on the management team, the IIROC Board and most of all our talented employees for their dedication.

My appreciation goes out to IIROC's Board of Directors for their ongoing engagement, counsel, and support over the past year. In particular, I would like to thank Holly Benson, who retired from the IIROC Board after serving for almost seven years. I would also like to note with sadness the passing of Malcolm Heins in May 2022 after a battle against cancer. He was an instrumental member of IIROC's board, committed himself to our mandate and was a strong advocate for investors. IIROC offers our deepest sympathy to Malcolm's family and loved ones.

I would also like to extend my thanks and a warm welcome to Debra Doucette and Edward Iacobucci new and returning board members, respectively. We are grateful to have such talented and experienced colleagues with us at this time in IIROC's history—a time punctuated with significant challenges but also tremendous opportunity as we move to stand up the new SRO with the MFDA.

30

Educational Webcasts (15 English, 15 French)

24,612

industry participants viewed existing webcasts

Finally, I would like to extend my gratitude to our team. From coast to coast, you continue to make us proud. You have risen to the challenges this year has presented and your daily drive to help protect investors and support healthy Canadian capital markets does not go unnoticed. The organization emerged from this past year strong due to everyone's collective efforts.

As normality resumes and we enter a new fiscal year, we're moving forward with a greater sense of hope and confidence. As phenomenal as last year was, I'm optimistic about the organization's future and look forward to an even better year ahead.

Andrew J. Kriegler
President and CEO

3

Live Virtual Conferences* were attended by

1,177

industry participants

*EDI-AR, Quebec Bill 64, IIROC/IIAC Innovation Forum

> **"We also continue to make great strides together with the CSA and Mutual Fund Dealers Association of Canada (MFDA) to create a single, new, enhanced self-regulatory organization (SRO) on January 1, 2023."**

Executive Management Team

Andrew J. Kriegler
President and CEO

Jennifer Armstrong
General Counsel and Corporate Secretary

Claudyne Bienvenu
Vice-President, Quebec and Atlantic Canada

Ian Campbell
Chief Information Officer

Richard Korble
Vice-President, Western Canada

Laura McNeil
Chief Financial Officer

Victoria Pinnington
Senior Vice-President, Market Regulation

Elsa Renzella
Senior Vice-President, Enforcement, Registration and Enterprise Risk

Irene Winel
Senior Vice-President, Member Regulation and Strategy

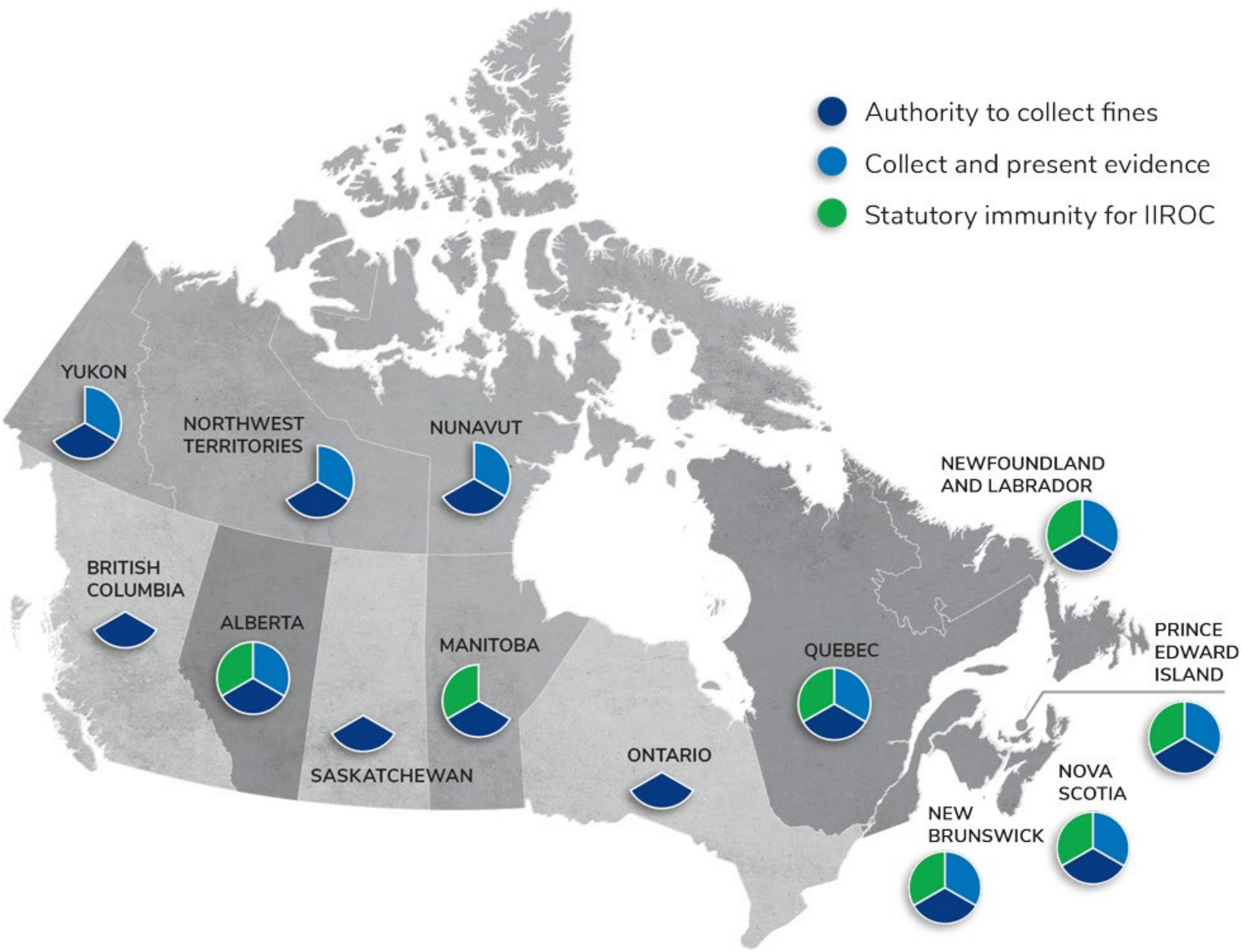
DEPARTED DURING THE YEAR

Shuaib Shariff
Senior Vice-President, Finance and Administration

IIROC Enforcement's Current Legal Authority and Protections

IIROC has made significant progress in the following jurisdictions to strengthen investor protection.

The table on the following page outlines the details of the legal authority map depicted below.



View the interactive enforcement map on our website.

IIROC Enforcement's Current Legal Authority and Protections

IIROC'S CURRENT LEGAL AUTHORITY ACROSS CANADA

Province / Territory	Date / Legal Authority
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
Quebec	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

Industry Profile: Dealers

(All statistics are as at March 31, 2022)

Investment dealers regulated by the Investment Industry Regulatory Organization of Canada vary in size, ranging from the largest financial institutions in the country to small businesses with 10 or fewer staff registered with IIROC. They represent a variety of business models, including a focus on retail or institutional clients, and an integrated approach with both retail clients and investment banking operations.

INVESTMENT DEALERS' BUSINESS MODELS

- Focus on retail clients
- Focus on institutional clients
- Integrated approach

INDIVIDUALS AND FIRMS REGULATED BY IIROC

(by location)

PROVINCE/ TERRITORIES	APPROVED PERSONS	BRANCH OFFICES	HEAD OFFICES
AB	3,317	958	13
BC	4,912	1,214	10
MB	646	172	2
NB	338	91	1
NF	121	37	0
NS	550	161	0
NT	1	3	0
NU	0	0	0
ON	15,468	3,237	105
PE	73	24	0
QC	5,568	777	28
SK	671	209	0
YT	7	8	0
U.S.	380	N/A	8
Other*	53	N/A	2
TOTAL:	**32,105**	**6,891**	**169**

* International

Industry Profile: Dealers

(All statistics are as at March 31, 2022)

MEMBER FIRMS

(by revenue)

REVENUE	% OF FIRMS
Greater than $1 billion	4%
Greater than $100 million	20%
Greater than $10 million	31%
Greater than $5 million	12%
Less than $5 million	33%

Based on 169 Dealer Members that reported revenue for the period of April 1, 2021 to March 31, 2022

174

Dealer Members

overseen by IIROC, of which:
3 in the resignation process
3 suspended

MEMBER FIRMS

(by number of approved persons)

NUMBER OF APPROVED PERSONS	NUMBER OF FIRMS	% OF FIRMS
Over 1,000	9	5%
501 to 1,000	5	3%
101 to 500	20	12%
11 to 100	78	45%
10 or fewer	60	35%

32,105

Approved Persons

Industry Profile: Markets

(All statistics are as at March 31, 2022)

IIROC 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)**

* 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 MULTIPLE EQUITY MARKETPLACES

(Where Trading Took Place in 2021-2022 by Share Volume)*

LISTED	TSX	TSXV	CSE	NEO
TSX	53.90%	0.00%	0.00%	0.00%
TSXV	0.00%	56.45%	0.00%	0.00%
CSE	2.04%	0.90%	67.78%	0.39%
Liquidnet	0.10%	0.01%	0.01%	0.00%
MATCH Now	4.18%	2.05%	2.15%	3.51%
Omega	3.22%	6.10%	5.78%	7.10%
CXC	14.12%	3.60%	2.82%	0.12%
Alpha	6.98%	6.94%	0.00%	0.00%
ICX	0.05%	0.01%	0.00%	0.00%
CX2	4.47%	10.73%	5.38%	0.03%
Lynx	0.07%	0.01%	0.01%	0.05%
NEO-N	2.60%	6.85%	8.94%	13.74%
NEO-L	6.80%	5.89%	6.59%	75.00%
CXD	1.40%	0.43%	0.51%	0.00%
NEO-D	0.06%	0.02%	0.03%	0.06%

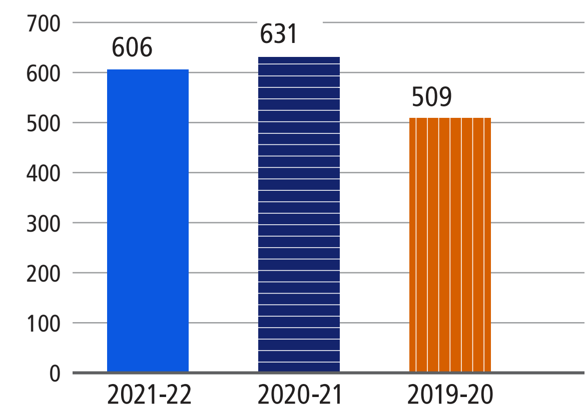
*For the year ended March 31, 2022

Industry Profile: Markets

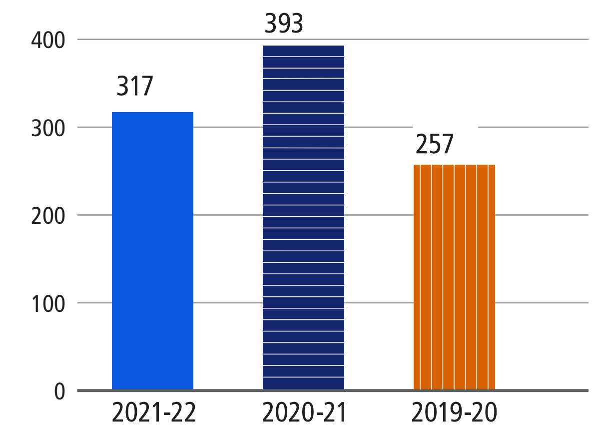
(All statistics are as at March 31, 2022)

Activity on the equity marketplaces whose trading activity is regulated by IIROC

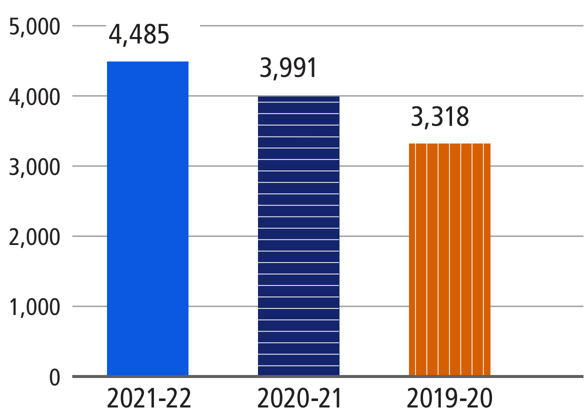
Trades
Number of transactions (millions)



Volume
Total shares traded (billions)



Value
of shares traded ($ billions)



Public Priority Performance

In addition to delivering on our core mandate of investor protection and market integrity, we prioritized our focus on the following:

- Advancing our various initiatives and commitments related to investor protection
- Supporting industry transformation to more effectively and efficiently serve Canadians
- Leveraging our learnings to manage the continued implications related to the pandemic
- Supporting the CSA in their review of the self-regulatory framework and preparing for potential next steps.

Advancing investor protection

Advancing our various initiatives and commitments related to investor protection

- **Cross-Market Surveillance:** In January 2022, we announced an MOU between IIROC and the Montréal Exchange regarding cross-market surveillance of the securities and derivatives markets and other collaborations to help mitigate the risk of market integrity breaches.
- **Strengthening Enforcement:**
  - On April 8, 2021, IIROC announced its adoption of the use of Early Resolution Offers (EROs) to promote the efficient resolution of cases at an earlier point in the enforcement process, while also enabling investor harm to be addressed through voluntary acts of compensation and implementation of remedial measures by firms. EROs have led to three settlements this year and Staff believes the program has been very successful in encouraging earlier settlements and more timely negotiations (even where respondents are not ultimately granted credit for cooperation or a discounted sanction).
  - In November 2021, Newfoundland & Labrador became the sixth province to give IIROC the full enforcement toolkit – ability to enforce fine collection through the courts; authority to collect and present evidence during investigations and at disciplinary hearings; and protection from malicious lawsuits while acting in good faith to carry out its public interest mandate.
- **Expert Investor Issues Panel:** In May 2021, we issued a Notice on our plan to establish an Expert Investor Issues Panel (EIIP). When the CSA announced the consolidation of IIROC and the MFDA in August 2021, including the requirement to establish a New SRO Investor Advisory Panel (New SRO IAP), we paused our work on the IIROC-only EIIP. We have been working closely with our MFDA colleagues to create a New SRO IAP.
- **Improving the Experience of Complainants:** In June 2021, IIROC published the results of our Qualitative Research Among Complainants report. This research was conducted independently through an external research firm. An internal working group was established to review the results of the report and determine any recommendations required to address the feedback received from this research. Management has received a preliminary report and has decided that any proposed changes are best incorporated as part of the SRO amalgamation process.

Advancing investor protection

- **Vulnerable Investors:** On Sept 9, 2021, IIROC published rule amendments to enhance protection of older and vulnerable investors and align with CSA requirements. Effective Dec 2021, these amendments provide Dealer Members with tools to address situations involving diminished mental capacity or financial exploitation of their clients; require the collection of trusted contact information from each client; and allow Dealer Members to place temporary holds on a client account in circumstances of suspected financial exploitation or lack of mental capacity.
- **Order-Execution-Only:** Given the growing reliance by clients on sophisticated online technology-based services, we have been examining the point at which service levels and interrupted access to investments would become an explicit investor protection issue. We asked all Order-Execution-Only firms to provide detailed historical information related to their online trading availability, functionality and service, and established a Working Group comprised of industry representatives and IIROC staff to assess various options for strengthening investor protection standards in this area.
- **Disgorgement:** Enforcement staff have made concerted efforts to seek, where applicable, specific disgorgement orders in IIROC disciplinary cases. An internal working group was struck to review and recommend how IIROC may return disgorged funds collected through disciplinary proceedings to harmed investors. With an initial benchmarking study prepared by the University of Toronto Investor Protection Clinic, the group examined various investor compensation models used in Canada and outside and discussed the approaches with several Canadian regulators and FINRA.
    - Enforcement has placed significant emphasis this year in quantifying the dollar amounts that may have been obtained as a result of regulatory misconduct and requesting that those amounts be disgorged as part of a settlement or at a sanctions hearing. In FY22 more than $192,000 has been ordered to be disgorged (which does not include over $3,000,000 in fines imposed), versus $88,851 in FY21.

Advancing investor protection

- **Plain Language Rules:** On October 14, 2021, IIROC published an updated version of the IIROC Rules, Form 1 and 90+ related guidance notes. The IIROC Rules, Form 1 and related guidance notes became effective on December 31, 2021 and are intended to clarify our rules in plain language to promote greater understanding of and compliance with IIROC rule requirements.
- **Arbitration Program:** We sought input on our current arbitration program from an independent working group of investor advocates and investment industry and arbitration professionals familiar with the program. After an extensive review, the working group provided recommendations on how to make the program more accessible and tailored to investors' needs. We are currently reviewing the recommendations to determine the next steps.
- **Title Protection:** IIROC participated in FSRA title protection consultation process in Ontario and ongoing participation in the CSA Client-Facing Registrant Title Project Committee.

Supporting industry transformation

The following initiatives are in support of industry innovation and transformation:

- **Regulation of Crypto Asset Trading Platforms:** We continued to work closely with the CSA in ensuring that crypto asset trading platforms (CTP) subject to the securities law requirements discussed in the joint CSA/IIROC notice published in March 2021 are fully integrated in the Canadian regulatory system. In August 2021, the IIROC Board approved exemptions to Fidelity Clearing Canada (FCC), related to FCC's intention to transact in crypto assets.

- **Modernizing our Rules and Approach to Regulation:**

  - We published housekeeping rule amendments in April 2022 relating to registration information requirements, outside business activity reporting and updated filing deadlines in 2022. These amendments are intended to

    - provide greater clarity on registration related information to be submitted by Dealer Members;
    - support a new reporting framework for reporting activities carried on by certain individuals outside of their Dealer Member; and
    - update references to registration information reporting deadlines to be consistent with changes made by the CSA

  - In August 2021, we commenced discussions with industry representatives on two working groups to discuss issues, concerns and potential resolutions on modernizing rules and requirements regarding back-office arrangements and subordinated loan financing

- **Leveraging Data and Analytics:** Our Analytics team successfully transitioned to leveraging the storage and computational ability of a secure Virtual Private Cloud on Amazon Web Services (AWS). This new capability supported the completion of Phase I of the Failed Trade Study. Phase II, which includes consultation with the CSA, is underway and is expected to be completed in April 2022. Phase II of the Suitability Assessment Tool project was also completed. BCC and Enforcement colleagues have successfully transitioned from using a third-party tool to an internal tool built by the Analytics team.

Supporting industry transformation

- **Managing Technology and Cybersecurity Risks:** We continued to focus on helping firms build operational resilience through the effective management of cybersecurity and technology risks. We engaged Deloitte to prepare cybersecurity self-assessment checklists for use by IIROC firms to assess their cybersecurity posture and maturity level. The checklists were developed in consultation with IIROC and a number of representatives from IIROC member firms. They were designed to be user-friendly, accessible, and customized to the Canadian investment industry. They are available for free to any IIROC firm upon request.
- **Pan-Canadian Approach to Innovation:** In January 2022, we created a new cross-organizational Membership Intake team dedicated to the review of new member and change of business applications. The establishment of this team recognizes the importance of dedicated resources to support crypto asset-related applications as well as other novel business models to support industry transformation and innovation.
- **Compliance Process Modernization:** We established the Compliance Modernization Group to explore ways to streamline processes across our compliance teams to create efficiencies for both IIROC and the firms we regulate.

Leveraging our learnings to manage the continued implications related to the pandemic

- **Employee engagement and support:** We conducted an employee engagement survey in December 2021 with a 94% engagement score. We continued to have weekly employee calls. We increased mental health benefits during the pandemic.

- **Exemptive relief:** We continued to efficiently consider, grant and extend certain types of exemptive relief for Dealer Members.

- **COVID-related support and protocols:** We rolled out a comprehensive vaccination policy for all employees. Vaccination status for each and every employee was formally verified. New COVID protocols for a safe return to the office were developed. A robust communication plan (e.g. FAQ's, protocols, policies) was developed and helped to reduce anxiety.

- **Real-time market surveillance:** Real-time market surveillance has been functioning efficiently. Average daily message volumes of approximately 800 million continue to be higher than previous years. On January 24, 2022, message volumes exceeded two billion. Enhancements to our surveillance system have ensured that it has functioned without incident. Surveillance staff, while dealing with increased numbers of alerts, continued to effectively monitor the markets while working from home.

- **Work-from-Home:** Remote working tools continued to work flawlessly. Our on-site technology services were verified and optimized where required to support a hybrid working model (Webex, Wi-Fi, internet bandwidth).

Supporting the CSA in their review of the self-regulatory framework and preparing for potential next steps

- We continued to share and leverage our April 2021 Building a Better SRO deck on operational integration planning with the CSA and other stakeholders.
- Executed a cooperation and confidentiality agreement with the MFDA in August 2021 for information sharing.
- With support from Torys LLP, continued efforts to articulate the rationale for two-way amalgamation.
- Last fall, IIROC and the MFDA jointly retained Deloitte to act as integration manager and are continuing with the planning and Day 1 readiness efforts related to the operational integration.
- Together with Deloitte and the MFDA, we established a thoughtful integration workstream (functional and cross-enterprise) and governance structure. There was strong engagement across IIROC participants who, in many cases, have been instrumental in driving the progress achieved so far.
- We improved efficiency and transparency of the overall integration process, actively supported all workstreams and played a lead role in untangling overlaps between CSA and Deloitte processes to increase alignment and progress on the high-level work plan.
- We have established strong relationships and communications with and across the CSA. We worked with the CSA to create the initial High-level Work Plan and participated in the AMF-led process on Quebec considerations.

Other priorities

- We **adopted Client Focused Reform rule amendments** in accordance with the extended CSA timelines. On August 26, 2021, IIROC published rule amendments to clarify and enhance the core regulatory obligations of firms and their client-facing representatives. These amendments became effective on December 31, 2021.
- We continued to progress **derivatives rule reform** to introduce greater consistency between derivatives and securities rule requirements. We published proposed amendments to establish a harmonized framework for the regulation of securities and derivatives. We intend to republish for comment in 2022. We also continued work on proposed amendments respecting the trading of derivatives on a marketplace to ensure IIROC requirements provide an appropriate framework for the regulation of listed derivatives trading on a marketplace that strengthens market integrity and investor protection.
- Further to the CSA's decision to **expand IIROC's role as Information Processor**, we completed the final phase of the implementation related to publishing post-trade information for government debt securities for Schedule I, II and III banks. As of June 1, 2021, any person or company that executes transactions in corporate or government debt securities must provide trade information to IIROC. IIROC publishes trade information online giving all market participants free access.
- **Client identifier requirements** for all orders sent to a marketplace were successfully implemented on July 22, 2021. This information will significantly enhance our oversight of debt and equity markets in Canada and support investor protection and market integrity.
- In August 2021, we developed and published proposed **competency profiles** for Directors, Executives, Ultimate Designated Persons, Chief Compliance Officers and Chief Financial Officers. We are currently working on the third phase: competency profiles for Supervisors, Traders, Associate Portfolio Managers and Portfolio Managers. We plan to publish a consultation paper on those competency profiles in the fall of 2022. We will finalize the competency profiles for all of those approval categories, including those published in August 2020 in the first phase, in advance of the expiry of the contract with CSI.

Other priorities

- We continued to **evolve our HR, workplace and remote working strategies**, incorporating Equity, Diversity, Inclusion and Anti-Racism (EDIAR) initiatives and learnings from the pandemic.
  - We launched our new HR Strategy with employees, complete with video produced internally.
  - We completed triennial benchmarking and continued to develop strategies to ensure ongoing competitiveness, such as the critical resource retention program, in the current hyper-competitive market for talent.
  - We launched a new initiative to ensure we support and share a workplace that reflects our ongoing commitment to diversity, equity, inclusion and anti-racism. We undertook a survey of staff with the assistance of an external consultant which resulted in a number of recommendations. In response, we have revised relevant policies, created a standing Staff Advisory Committee, and will begin training for people managers at all levels in late March.

Governance Report

The Recognition Orders set out by the Canadian Securities Administrators (CSA) provide that IIROC'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. IIROC also 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 IIROC.

Board of Directors

All IIROC Directors are responsible for ensuring that IIROC serves the public interest in protecting investors and market integrity, by articulating and ensuring it meets a clear public interest mandate for its regulatory functions.

Seven of IIROC's 15 Directors are Independent Directors who are not affiliated with an IIROC member. In addition, the Corporate Governance Committee – which is charged with overseeing IIROC's governance – is made up entirely of Independent Directors.

We also pay close attention to ensuring that the Dealer Directors on the IIROC Board represent a wide range of dealer members.

We believe that the IIROC Board is uniquely positioned to act in the public interest to protect investors and market integrity and support healthy capital markets across Canada.

Andrew J. Kriegler

Joined November 2014

President and CEO, IIROC

Toronto, Ontario

Paul D. Allison, Chair

Joined October 2013

Chairman, Raymond James Ltd.

Toronto, Ontario

Human Resources & Pension Committee

Jennifer Newman, Vice-Chair

Joined September 2020

Corporate Director

Toronto, Ontario

Corporate Governance Committee & Finance, Audit and Risk Committee

Industry Directors

Jean-Paul Bachellerie

Joined September 2013

CEO, PI Financial Corp.

Vancouver, B.C.

Human Resources & Pension Committee

Debra Doucette

Joined November 2021

President and CEO, Odlum Brown Ltd.

Vancouver, B.C.

Finance, Audit & Risk Committee

Luc Fortin

Joined January 2018

President and CEO, Montreal Exchange and Global Head of Trading, TMX Group

Montreal, Quebec

Finance, Audit & Risk Committee

Timothy Mills

Joined September 2019

Senior Vice-President, Treasury Market and Liquidity Risk Management, CIBC

Toronto, Ontario

Finance, Audit & Risk Committee

Luc Paiement

Joined September 2016

Executive Advisor, National Bank of Canada

Montreal, Quebec

Human Resources & Pension Committee

Jos Schmitt

Joined September 2018

Co-Founder, Director, President & CEO of the NEO Group of companies

Toronto, Ontario

Human Resources & Pension Committee

RESIGNED AS INDUSTRY DIRECTOR

Holly A. Benson

Joined January 2015

Vice-President, Finance and CFO, Peters & Co. Ltd.

Calgary, Alberta

Finance, Audit & Risk Committee

Independent Directors

Michèle Colpron
Joined September 2017

Corporate Director, Fonds de solidarite inc. and Canada Infrastructure Bank

Montreal, Quebec

Corporate Governance Committee, Human Resources & Pension Committee

Laura Tamblyn Watts
Joined September 2020

CEO, CanAge

Toronto, Ontario

Corporate Governance Committee

Victoria Harnish
Joined January 2020

Corporate Director

Hubbards, Nova Scotia

Finance, Audit & Risk Committee

Human Resources & Pension Committee

Corporate Governance Committee

Shenaz Jeraj
Joined September 2019

Chief Information Officer at Civida (Edmonton)

Edmonton, Alberta

Corporate Governance Committee

Finance, Audit & Risk Committee

Gerry O'Mahoney
Joined September 2013

Principal and Founder Tralee Capital Markets

Oakville, Ontario

Corporate Governance Committee

Finance, Audit & Risk Committee

Edward Iacobucci**
Joined April 2022

Professor and TSE Chair in Capital Markets at the Faculty of Law, University of Toronto

Toronto, Ontario

Human Resources & Pension Committee

**Ed Iacobucci was appointed in April 2022 subsequent to the period of this report.

RESIGNED AS INDEPENDENT DIRECTOR

Malcolm Heins
Joined September 2020

Corporate Director

Toronto, Ontario

Corporate Governance Committee, Human Resources & Pension Committee

Malcolm Heins passed away in May of 2022. He was an instrumental member of IIROC's Board, committed himself to our mandate and was a strong advocate for investors.

Board Meetings

APRIL 1, 2021 TO MARCH 31, 2022 BOARD MEETINGS

A total of 32 meetings were held during the fiscal year ended March 31, 2022. Below is a breakdown of attendance.

Director	Board of Directors	Finance, Audit & Risk	Corporate Governance	Human Resources & Pension	Regulatory Rules Brief	Total Compensation*
Paul Allison	7/7		6/6	7/7	6/6	
Jean-Paul Bachellerie	7/7			7/7	6/6	
Holly Benson	4/4	3/3			3/3	
Michèle Colpron	7/7		5/6	7/7	6/6	$58,263.64
Debra Doucette	2/2	2/2			2/2	
Luc Fortin	7/7	6/6			6/6	
Victoria Harnish	7/7	6/6	1/1	6/7	6/6	$54,658.92
Malcolm Heins	5/6		4/5	5/6	6/6	$51,371.28
Shenaz Jeraj	7/7	6/6	6/6		6/6	$54,619.82
Andrew Kriegler	7/7	6/6	6/6	7/7	6/6	
Tim Mills	7/7	6/6			6/6	
Jennifer Newman**	7/7	6/6	6/6		6/6	$92,587.25
Gerry O'Mahoney	7/7	6/6	6/6		6/6	$57,630.00
Luc Paiement	7/7			7/7	6/6	
Jos Schmitt	6/7			7/7	6/6	
Laura Tamblyn Watts	7/7		6/6		6/6	$43,871.38

* Only Independent Directors are compensated by IIROC
** Jennifer Newman sat on the Special Joint Committee for the New SRO Consolidation and received additional compensation for the work conducted there.
IIROC Denominator = total number of meetings invited to attend

Director Compensation

IIROC does not compensate Industry Directors for their participation on IIROC's Board or on its Committees. IIROC compensates Independent Directors in accordance with the following framework:

BOARD PARTICIPATION

Annual retainer – $15,000 per annum

Chair of the Board – an additional $15,000 if the Chair is an Independent Director

Vice-Chair of the Board – an additional $4,000 if the Vice-Chair is an Independent Director

Board meetings of less than two hours in duration – $1,000

Board meetings of two hours or longer – $1,500

COMMITTEE PARTICIPATION

Committee Members – $1,500 per annum

Committee Chairs – $4,000 per annum

Committee meetings of less than two hours in duration – $1,000

Committee meetings of two hours or longer – $1,500

AD HOC MEETINGS

As approved by Corporate Secretary:

Meeting attendance and work preparation of less than two hours in duration – $1,000

Meeting attendance and work preparation of two hours or longer – $1,500

Additional Compensation

In the event that the location of a Board meeting requires an additional travel day and the Independent Director attends in person, a supplementary travel fee of $1,000 is allowed.

Independent Directors are paid half the compensation of the committee member per diem attendance fee when invited by the Chair of a Board Committee to attend the Committee's meeting, of which they are not a member.

Compensation for Independent Directors may also include fees for other substantial consultations, including but not limited to, Director Orientation and Board planning or strategy meetings.

Board Committee Mandates

CORPORATE GOVERNANCE COMMITTEE

Recommends candidates eligible to serve on the Board and its committees; reviews IIROC governance principles and practices; identifies and manages potential conflicts of interest; establishes Board self-assessment process; and appoints individuals to the Hearing Committee.

FINANCE, AUDIT AND RISK COMMITTEE

Assists Board in oversight of: accounting and financial reporting processes; qualifications, independence and performance of IIROC's independent auditor; IIROC's internal control systems; and IIROC's risk management processes.

HUMAN RESOURCES AND PENSION COMMITTEE

Ensures IIROC can attract and retain personnel with the appropriate status and experience to achieve its objectives and enhance the professionalism and effectiveness of the organization; assists the Board in its oversight of IIROC's human resources policies and procedures, benefits and pension plans and with related regulatory compliance.

Management Discussion and Analysis

[in thousands of dollars]

Management Discussion and Analysis

[in thousands of dollars]

The Management Discussion and Analysis ["MD&A"] on IIROC's operations and financial position are presented for the fiscal year ["FY"] ended March 31, 2022, with comparatives for the previous year ended March 31, 2021. The MD&A should be read in conjunction with the Financial Statements for the year ended March 31, 2022.

IIROC is a cost-recovery, not-for-profit national organization that recovers its operating expenses for each of its key areas of regulation. There are fee models that 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 dealer regulation, equity market regulation, debt market regulation and Debt IP activities which are collected through the application of their respective fee models.

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. As of November 1, 2021, IIROC also started collecting fees upon application for Continuing Education ["CE"] course accreditation services. IIROC assumed direct responsibility over the accreditation of CE courses for the cycle beginning January 1, 2022. In addition, within equity market regulation, IIROC 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. IIROC 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 2022 Year in Review

Key changes in senior management

During the year, Shuaib Shariff, Senior-Vice President, Finance and Administration, retired effective September 30, 2021. Laura McNeil, Chief Financial Officer, and Paul Dyck, Vice-President, Human Resources and Administration have assumed management responsibilities in Finance and Administration.

COVID-19 & economic impact

The ongoing COVID-19 pandemic has resulted in uncertainty throughout the Canadian economy, which has had an impact on many of IIROC's financial results including:

- Lower compensation costs in the current fiscal year were partially due to increased employee vacation usage and special COVID allowances paid to employees to support their home work space set up in the prior year, offset by higher costs of employee health benefit claims as services reopened;
- Additional technology and other costs were incurred to prepare for the return to office;
- Travel, office costs, conferences and training costs remained low due to continued suspension of business travel and office closures;
- Market and economic conditions have also been impacted by the pandemic and other global factors. Lower interest rates, economic stimulus and supply chain pressures over the last two years have resulted in inflationary costs pressures and, in turn, higher interest rates and market volatility. This has resulted in lower underwriting levies, investment losses and a remeasurement gain for the pension plans and post-retirement benefit plan in FY 2022;
- Member education projects funded from the Externally Restricted Fund remained low as training events were held remotely.

SRO framework

On August 3, 2021, the Canadian Securities Administrators ["CSA"] published its position paper regarding the self-regulatory organization ["SRO"] framework to create a new, single, enhanced self-regulatory organization ["New SRO"]. The main objective of creating the New SRO 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. The New SRO will consolidate the regulatory activities of IIROC and the Mutual Fund Dealers Association of Canada ["MFDA"] through a legal amalgamation with a scheduled close date of December 31, 2022. The SROs will bring their memberships, assets, liabilities and legal and regulatory responsibilities, including memorandums of understanding, to the New SRO as a result of the amalgamation. The New SRO will be recognized in all the provinces and territories, with transitional provisions for mutual fund dealers and their representatives registered in Quebec.

In FY 2022, IIROC created the Internally Restricted Integration Fund ["IRIF"] to separately track the costs of integration for the New SRO incurred by IIROC. This will provide transparency for reporting of integration-related costs and enable separate cost recovery. IIROC expects the integration-related costs reported in this fund may contain, but not be limited to:

[i] integration management consulting fees;

[ii] legal fees including those relating to the Quebec transition;

[iii] governance costs to support the Special Joint Committee ["SJC"] and Integrated Working Committee ["IWC"], search firm fees for the new CEO and Board of Directors, and cost of the new CEO and Board of Directors during the transition period prior to the December 31, 2022 close date;

[iv] human resources costs for staffing to support the integration while maintaining IIROC's regulatory mandate, retention and severance costs resulting from the integration, and advisory costs to support the review of benefits, pension, and compensation plans;

[v] financial advisory costs to support consolidated reporting;

[vi] information technology costs to support systems integration;

[vii] communication costs including branding, website, and translation costs;

[viii] change management consulting fees and implementation costs;

[ix] New SRO Investor Advisory Panel and Investor Office set-up costs.

Strategic initiatives

Investments in strategic initiatives and operational improvements included:

- In January 2022, IIROC launched a new Membership Intake team, which will serve to develop and maintain effective and efficient processes for membership applications and the review of business changes filed by dealer members.

- In January 2022, IIROC and the Montreal Exchange ["MX"] entered into a Memorandum of Understanding ["MoU"] to enable cross-asset monitoring of the derivatives and underlying securities markets to help mitigate the risk of market integrity breaches. Under the MOU, IIROC will implement 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, IIROC is expanding the capacity of the existing market surveillance system to support end-of day processing of 2 billion equity transactions and 1 billion derivatives transactions. Collectively, these two technology solutions are referred to as the Cross-Asset Surveillance Program with a planned launch in FY 2023.

- In June 2022, IIROC launched a new website with an improved user experience and in compliance with the Accessibility for Ontarians with Disability Act.

- In FY 2022, IIROC focused priorities on supporting industry transformation and modernizing IIROC rules and approach to regulation through a new team – the Compliance Modernization Group. This team focuses on exploring ways to streamline processes across compliance teams to create efficiencies for both IIROC and dealer members.

[in thousands of dollars]

Summary Financial Information

UNRESTRICTED FUND	FY 2022 $	FY 2021 $	Variance $	Variance %
REVENUE				
Dealer regulation				
Membership fees	**53,847**	52,044	1,803	3%
Underwriting levies	**11,677**	12,602	(925)	(7%)
Registration fees	**2,075**	1,604	471	29%
CE accreditation revenue	**199**	–	199	N/A
Entrance fees	**135**	185	(50)	(27%)
	67,933	66,435	1,498	2%
Market regulation				
Equity regulation	**26,616**	25,510	1,106	4%
Debt regulation	**2,299**	2,242	57	3%
Timely disclosure	**3,075**	2,935	140	5%
Marketplace revenue	**190**	190	–	0%
	32,180	30,877	1,303	4%
Debt Information Processor ["Debt IP']	**1,634**	1,633	1	0%
Other revenue				
Investment income (loss) including interest	**(663)**	2,606	(3,269)	(125%)
Recoveries of enforcement costs	**410**	243	167	69%
Miscellaneous	**83**	121	(38)	(31%)
	(170)	2,970	(3,140)	(106%)
Total Unrestricted Fund revenue	**101,577**	101,915	(338)	(0%)
EXPENSES				
Dealer regulation	**63,759**	65,561	(1,802)	(3%)
Market equity regulation	**28,907**	28,837	70	0%
Market debt regulation	**2,171**	2,244	(73)	(3%)
Debt IP	**1,392**	1,708	(316)	(19%)
	96,229	98,350	(2,121)	(2%)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FOR THE YEAR	**5,348**	3,565	1,783	50%

Summary Financial Information (continued)

INTERNALLY RESTRICTED INTEGRATION FUND	FY 2022 $
REVENUE	**–**
EXPENSES	
Integration management consulting	**1,608**
Legal	**950**
Governance	**507**
Human resources and related advisory	**95**
Quebec transition	**20**
Financial advisory	**17**
Total Internally Restricted Fund Expenses	**3,197**
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	**(3,197)**

[in thousands of dollars]

Summary Financial Information (continued)

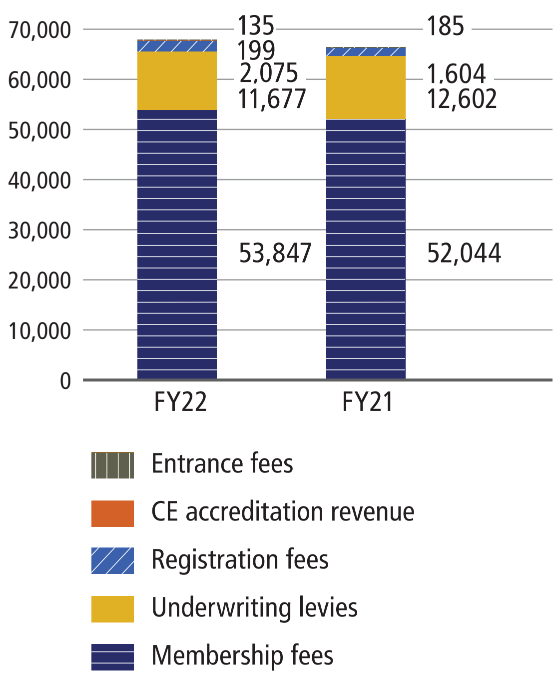
EXTERNALLY RESTRICTED FUND	FY 2022 $	FY 2021 $	Variance $	Variance %
REVENUE				
Entrance fees	**31**	82	(51)	(62%)
Disciplinary fines and other fines	**2,559**	1,912	647	34%
Investment revenue including interest	**26**	105	(79)	(75%)
Total Externally Restricted Fund revenue	**2,616**	2,099	517	25%
EXTERNALLY RESTRICTED FUND EXPENSES				
Amortization, impairment and disposals [Owned assets]	**1,112**	690	422	61%
Hearing panel expenses	**1,094**	993	101	10%
Amortization and interest [Capital assets under lease]	**256**	211	45	21%
Website implementation	**194**	31	163	526%
Member education	**92**	137	(45)	(33%)
Osgoode Hall Law School Investor Protection Clinic	**75**	75	–	–
University of Toronto Law School Investor Protection Clinic	**75**	75	–	–
Cybersecurity Survey	**68**	–	68	NA
Plain Language Rulebook Implementation	**47**	14	33	236%
MÉDAC [Mouvement d'éducation et de défense des actionnaires]	**25**	25	–	–
Complainant Research	**5**	49	(44)	(90%)
Canadian Foundation for Advancement of Investor Rights ["FAIR"]	**–**	125	(125)	(100%)
Cybersecurity Tabletop Test	**–**	66	(66)	(100%)
Cybersecurity consultants	**–**	5	(5)	(100%)
Total Externally Restricted Fund expenses	**3,043**	2,496	547	22%
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	**(427)**	(397)	(30)	8%

Unrestricted Fund – revenues

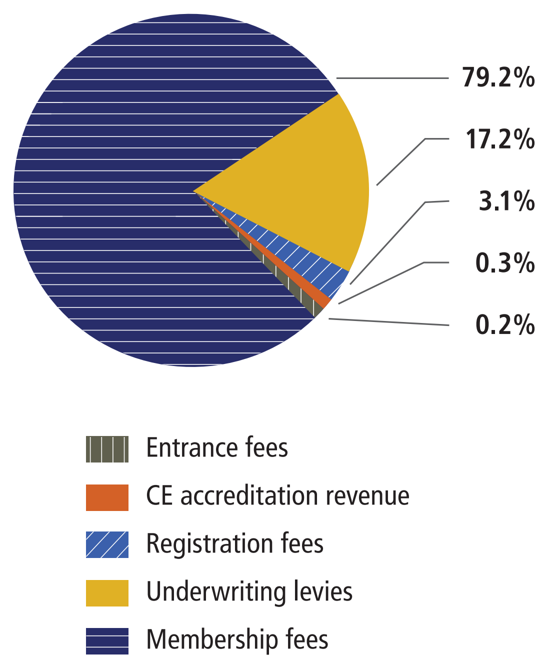
Unrestricted Fund revenue for the period amounted to $101,577, $338 lower than FY 2021 of $101,915.

Fees from dealer regulation, equity market regulation, debt market regulation, and Debt IP fee models are the primary sources of revenue. Fees collected from these four fee models at an aggregate of $84,396 represent approximately 83% of total IIROC revenue [80% in FY 2021]. 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 ($)

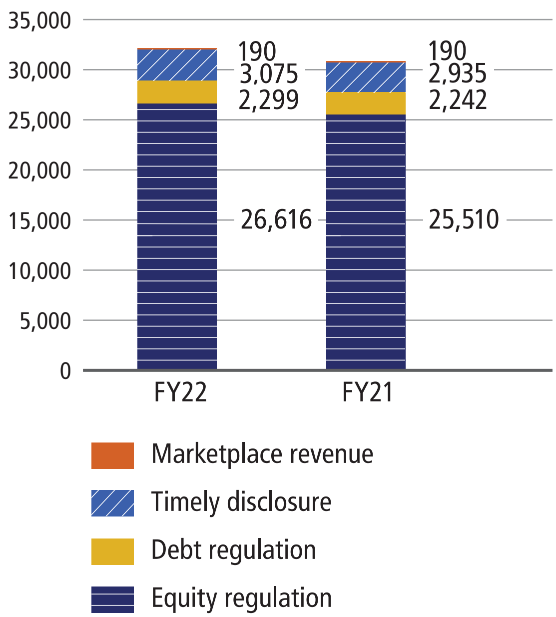


Dealer Regulation Revenue (%)

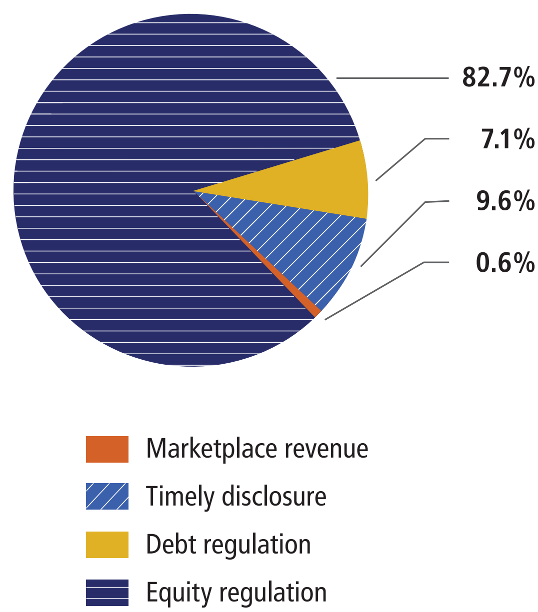


Unrestricted Fund – revenues (continued)

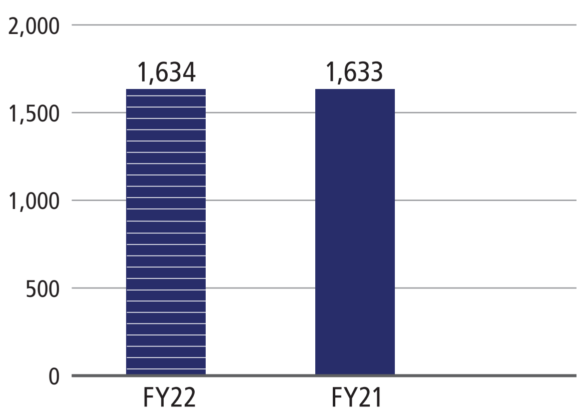
Market Regulation Revenue ($)



Market Regulation Revenue (%)



Debt Information Processor Revenue ($)



Unrestricted Fund – revenues

(continued)

Dealer regulation membership fees increased by $1,803 or 3% to $53,847 compared with $52,044 in FY 2021. Equity market regulation fees increased by $1,106 or 4% to $26,616 compared with $25,510 in FY 2021. Debt market regulation fees increased by $57 or 3% to $2,299 compared with $2,242 in FY 2021. Note, however, that FY 2021 fees were held flat to FY 2020 to provide relief to dealer members during the COVID-19 pandemic. Debt IP fees were flat to FY 2021 at $1,634.

On a year-over-year basis, the combined revenue from secondary sources decreased by $165 [1%] to $17,351 from $17,516.

Underwriting levies, a significant secondary source of dealer regulation revenue, decreased by $925 [7%] to $11,677 in FY 2022 from $12,602 in FY 2021 mainly due to a decrease in the volume of debt issuances. Note in FY 2021 there was a high volume of debt issuances, particularly from provinces as a result of COVID measures implemented.

Revenue from registration fees, the other significant secondary source of revenue, increased by $471 [29%] to $2,075 in FY 2022 primarily due to additional registration activity as a result of increased personnel movement between dealer member firms in the current fiscal year.

A new source of secondary revenue in FY 2022 is CE accreditation revenue. As of November 1, 2021, IIROC started collecting fees upon application for CE course accreditation services. Revenue totaled $199 in FY 2022.

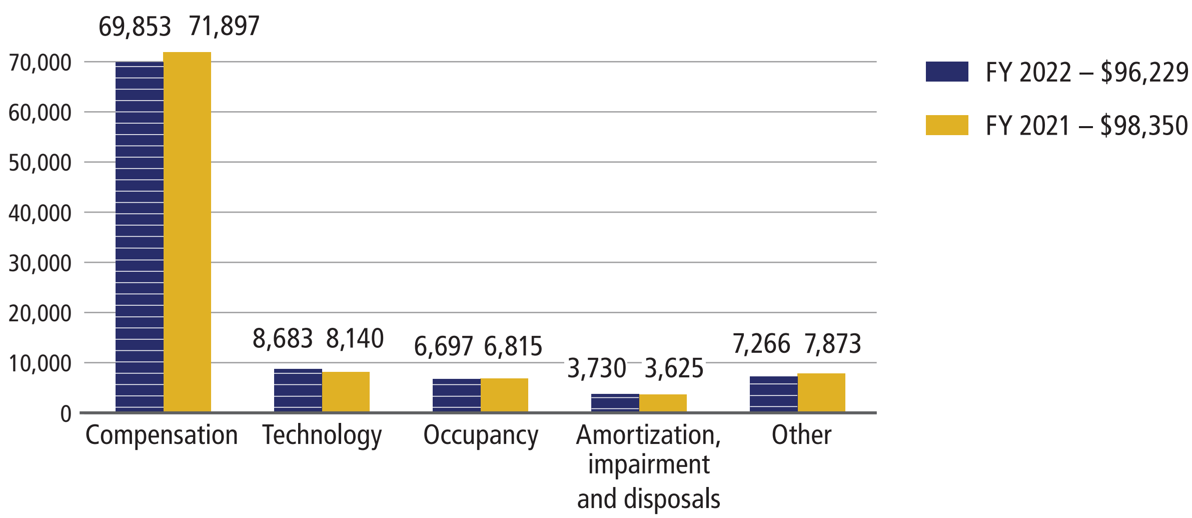
A significant secondary revenue source for market regulation is timely disclosure fees from the TSX, TSXV, CSE and NEO exchanges for administering their timely disclosure policies on a cost-recovery basis. Fees totaled $3,075 in FY 2022, an increase of $140 or 5% from FY 2021 of $2,935 due to higher committed resource costs to provide timely disclosure services and a change in methodology of cost recovery.

Other revenue decreased by $3,140 to a loss of $170 [106%] mainly due to lower investment revenue, including revenue on earmarked investments for non-registered post-employment benefit plans. The loss in investment revenue is mainly attributable to market fluctuations in the fourth quarter of FY 2022.

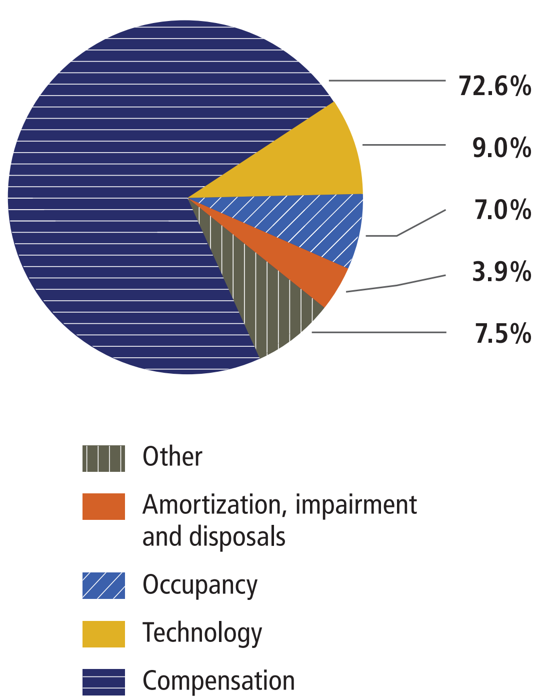
Unrestricted Fund – expenses

IIROC's total operating expenses were $96,229 in FY 2022, a decrease of $2,121 or 2% from $98,350 in FY 2021. IIROC's operating expenses consist of five main categories.

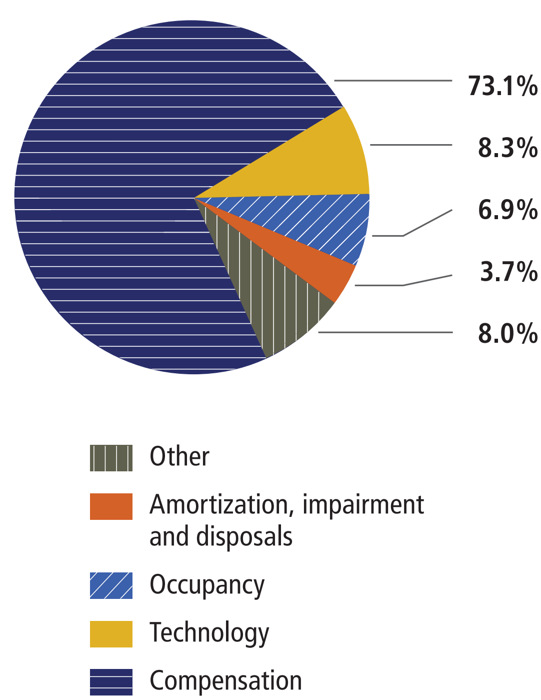
Total Operating Costs ($)



Total Operating Costs 2022 (%)



Total Operating Costs 2021 (%)

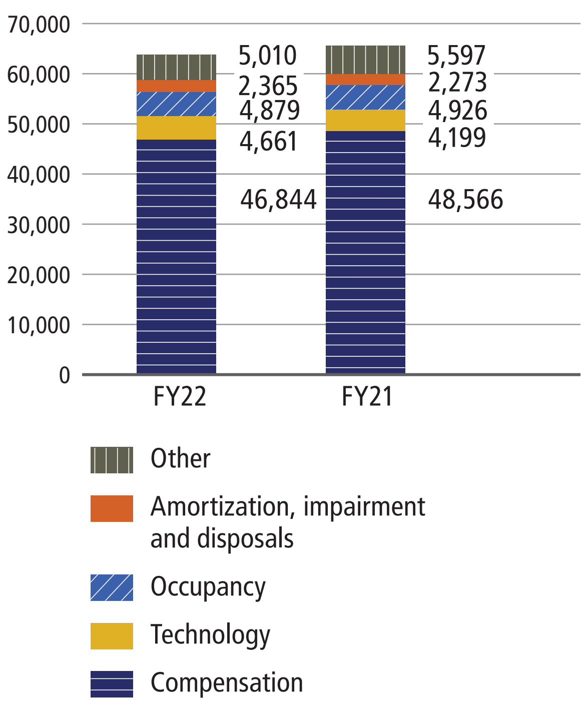


Unrestricted Fund – expenses
(continued)

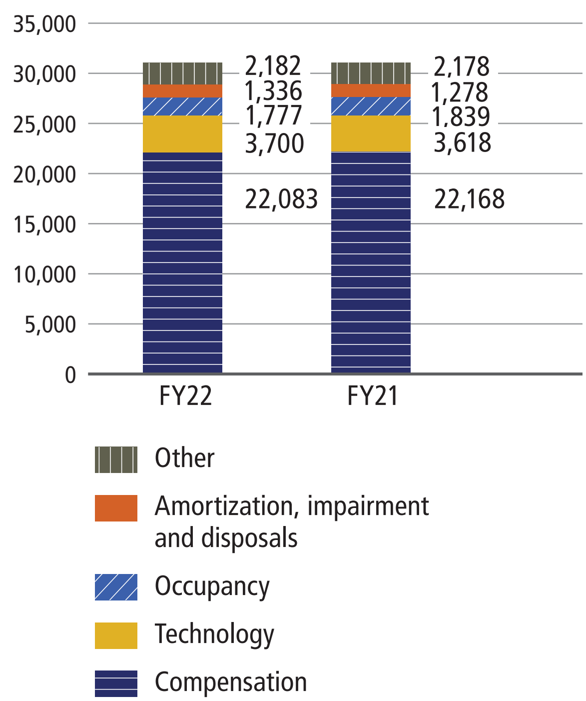
Compensation represents the largest expense category at approximately 73% of operating expenses in FY 2022 [73% in FY 2021] and represented the largest decrease of $2,044 [3%]. The decrease was mainly driven by reduced performance management costs, increased vacation usage and the special COVID allowances paid to employees in FY 2021, offset by compensation increases for merit reflecting IIROC's pay for performance culture, investments in resources for various initiatives and support departments, and higher employee benefits including pension and health benefit claims. The Other expenses category also decreased by $607 [8%] mainly driven by lower costs in consulting services as there were fewer projects requiring operating expenditure, and resources were drawn to the Cross-Asset Surveillance Program and work on the New SRO integration framework. These lower costs were slightly offset by $542 [7%] of higher technology costs due to increased information security needs to support the new IIROC website; higher peripheral costs to prepare for the return to office; other application and database costs to support business activities and upgrades.

Direct business unit expenses are separately captured for each of the four 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 Costs ($)

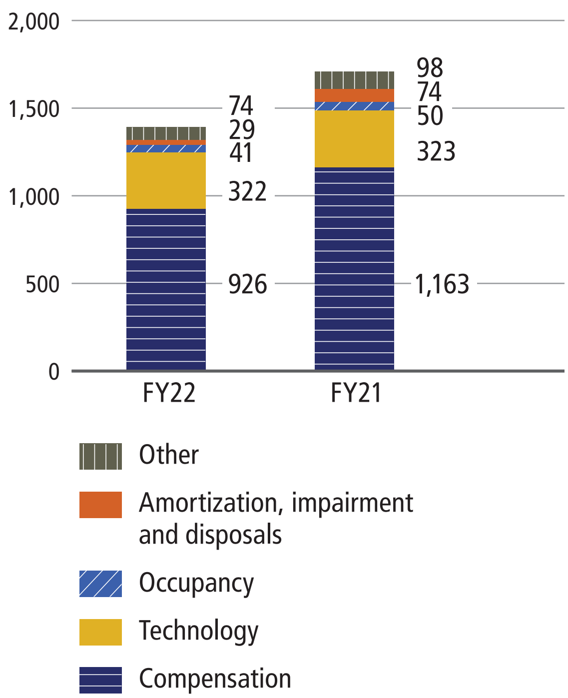


Market Regulation Operating Costs ($)



Unrestricted Fund – expenses
(continued)

Debt Information Processor ($)



Dealer regulation expenses decreased by $1,802 [3%] to $63,759, mainly driven by lower compensation expenses as noted above. Within compensation, the investment in resources included Membership Intake, the Compliance Modernization Group and CE accreditation. The remaining decrease in dealer regulation expenses was primarily due to lower Other costs mainly driven by consulting services as there were fewer projects requiring operating expenditure, and resources were drawn to the Cross-Asset Surveillance program and integration efforts for the New SRO.

Market regulation expenses were relatively flat compared to FY 2021, equity market regulation increased by $70 and debt market regulation expenses decreased by $73. Market regulation compensation expense were flat despite lower compensation expenses noted above due to higher allocation of headcount to support market equity regulation services. Other costs were slightly higher due to costs incurred to support the Cross-Asset Surveillance program.

Debt IP expenses decreased by $316 [19%] to $1,392, due to lower compensation expenses as fewer IT resources were allocated to support Debt IP activities.

Unrestricted Fund

There was an excess of revenues over expenses of $5,348 in FY 2022, compared with an excess of revenues over expenses of $3,565 in FY 2021. The excess in FY 2021 reflected higher underwriting levies, investment income, and lower expenses as a result of the pandemic, and the excess in FY 2022 reflected lower compensation expenses as well as lower Other costs for consulting services as there were fewer projects requiring operating expenditure.

The excess of revenues over expenses for FY 2022 of $5,348 and a net remeasurement gain of $10,300 for the pension plans and the post-retirement benefit plan increased the Unrestricted Fund balance from $58,947 to $74,595.

In assessing the reasonability of the Unrestricted Fund balance, IIROC 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 Plan ["SERP"], Supplemental Income Plan ["SIP"], and Post Retirement Benefits Plan ["PRB"].

Unrestricted Fund (continued)

In addition, IIROC set aside reasonable amounts for a portion of the Canadian Investor Protection Fund ["CIPF"] loan guarantee and for other contingencies.

Internally Restricted Integration Fund

Integration expenses for the new SRO are reported in the Internally Restricted Integration Fund. Certain costs may be funded by IIROC on a permanent basis upon approval by the Board and/or by the Externally Restricted Fund for qualified expenses upon approval by the CSA and the Corporate Governance Committee. Integration costs will be recovered through a separate fee model and the proposal will be communicated to members through the member information circular sent in advance of the member vote. Until a cost recovery model is implemented, the build-up of these costs in the IRIF will result in a draw-down of IIROC's reserves. Total expenses were $3,197 for FY 2022 and were mainly for integration management consulting, legal, and governance. At the end of FY 2022, Internally Restricted Integration Fund balance was at a deficit of $3,197.

Externally Restricted Fund

Revenues for the Externally Restricted Fund come from fines collected by IIROC and payments made under settlement agreements entered into with IIROC, as determined by IIROC Hearing Panels, interest earned on invested fund balances, and certain entrance fees.

The use of monies from the Fund is restricted by IIROC's Recognition Orders. All expenses, other than hearing panel-related expenses, must both be eligible for such use and approved by IIROC's Corporate Governance Committee ["CGC"]. According to the Recognition Orders amended and effective April 1, 2021, this fund is to be used for any of the following:

[i] For the development of systems or other 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, are in the public interest, and which benefit the public or the capital markets;

[iii] To contribute to a non-profit, tax-exempt organization, the purposes of which include protection of investors;

[iv] For such other purposes as may be subsequently approved by the Commissions.

Total revenues for the year amounted to $2,616, compared with $2,099 for FY 2021, an increase of $517 [25%].

Total expenses increased by $547 [22%] to $3,043. The increase was primarily due to higher amortization and impairment costs in FY 2022, primarily from the impairment of a portion of the existing market surveillance system owing to the Cross-Asset Surveillance Program, and amortization of IIROC's new website. Additionally, IIROC incurred higher hearing panel expenses which reflected costs for a biennial training conference for Hearing Committee members in FY 2022. Lastly, there were higher costs incurred on the implementation of the new website in FY 2022.

The resulting deficiency of revenues versus expenses for the year was $427, compared to a deficiency of $397 in the previous year.

Externally Restricted Fund (continued)

The CGC, as noted above, is responsible for approving expenditures in compliance with the Recognition Orders. Any items approved by the CGC are commitments of the funds until the amounts are actually spent. IIROC 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.

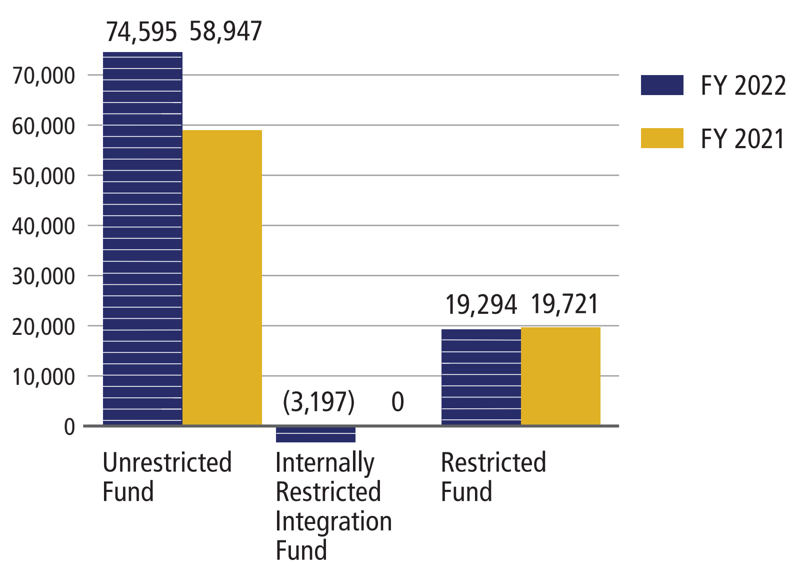
At the end of FY 2022, Externally Restricted Fund balance was $19,294. Committed funds were $6,051. Remaining uncommitted funds after accounting for three years' worth of hearing panel expenses, amount to approximately $7,243. These remaining amounts are expected to be sufficient to fund both upcoming external and internal needs.

Liquidity and Capital Resources

At the end of FY 2022, IIROC held total combined fund balances in the Unrestricted, Internally Restricted Integration, and Externally Restricted Fund of $90,692, up $12,024 from the FY 2021 balance of $78,668. The increase in fund balances arose from an excess of revenues over expenses of $1,724 [excess of $5,348 in Unrestricted Fund, partially offset by deficit of $3,197 and $427 in the Internally Restricted Integration Fund and Externally Restricted Fund, respectively], and the net remeasurement gain for the pension plans and post-retirement benefit plan of $10,300.

During the year, IIROC increased its capital assets by $5,336 [$4,166 in FY 2021]. The increase arose primarily from the Cross-Asset Surveillance Program which includes enhancements to the market surveillance

Fund Balances at Year End ($)



Liquidity and Capital Resources
(continued)

system [$1,979] and a new module in the market surveillance system to enable cross-asset surveillance [$1,208], IIROC website [$897], end-user computer equipment capital lease additions [$388], and other assets (mostly technology applications) [$864].

In addition to cash and cash equivalents of $53,612, IIROC holds investments of $61,976 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, cash equivalents and investments excluding earmarked assets are $78,772.

IIROC has an internal liquidity guideline for the Unrestricted Fund of a minimum of three months' of operating expenses. Based on FY 2023 expected operating expenses of $105,705 the minimum Fund required by the guideline is $26,426. IIROC's integration expenses in the Internally Restricted Integration Fund are anticipated to be roughly $10,000 in FY 2023, and as noted, will draw on IIROC's reserves until an integration cost recovery model is implemented. The Unrestricted Fund holds more than the minimum required and is sufficient to cover immediate integration expenses anticipated.

Commitments

As at March 31, 2022, IIROC has in place basic minimum aggregate annual rental commitments of $10,049 [FY 2021 – $13,365], excluding GST/HST and shared operating expenses under long-term operating leases, with varying expiry dates to February 28, 2029. These rental commitments also require IIROC to pay its share of operating expenses, which fluctuate year to year. In addition, there are minimum aggregate executory costs for capital leases of $1,158 [FY 2021 – $1,215] pertaining to costs related to the operation of the leased capital assets.

Capital Leases

IIROC 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

IIROC has an agreement with CIPF, which protects clients who suffer financial loss due to the insolvency of an IIROC-registered dealer. In order to meet potential financial obligations, CIPF has the following resources in place: [i] a contingency fund balance of $539,860 on hand as at December 31, 2021 [2020 – $544,008]; [ii] lines of credit provided by two Canadian chartered

Contingencies (continued)

banks totaling $125,000 as at December 31, 2021 [2020 – $125,000]; and [iii] insurance in the amount of $160,000 as at December 31, 2021 [2020 – $160,000] in the annual aggregate in respect of losses to be paid by CIPF in excess of $200,000 [2019 – $200,000] in the event of member insolvency, and a second layer of insurance in the amount of $280,000 as at December 31, 2021 [2020 – $280,000] in respect of losses to be paid in excess of $360,000 [2019 – $360,000] in the event of member insolvency. IIROC has provided a $125,000 [2021 – $125,000] guarantee on CIPF bank lines of credit. At March 31, 2022, CIPF has not drawn on these lines of credit. Any amount drawn on the IIROC guarantee would be eligible to be assessed to dealer firms.

In parallel to the creation of New SRO, a new investor protection fund will combine the two existing investor protection funds, CIPF and the MFDA Investor Protection Corporation, into an integrated fund independent of the new SRO. The guarantees will be in place until such time they are renegotiated.

Following the accidental loss in FY 2013 of a portable device that contained personal information relating to clients of a number of dealers, IIROC undertook a number of measures to notify potentially affected dealers and potentially affected clients, and to provide potentially affected clients with ongoing support services. On April 30, 2013, IIROC was served with a motion for authorization to institute a class action and to obtain the status of representative in the Superior Court of Quebec. The petitioner's class action motion on behalf of persons in Canada whose personal information was lost by IIROC sought $1, plus interest, on behalf of each class member, in relation to damages for stress, inconvenience and measures rendered necessary as a result of the loss of personal information by IIROC.

The motion for authorization of the class action was dismissed in August 2014. The petitioner appealed and the appeal was dismissed on November 6, 2015. A new motion for authorization was filed on November 16, 2015, on behalf of a new petitioner. The new motion was filed by the same counsel as in the original motion for authorization, and was based mainly on the same alleged facts and grounds as the previous motion, but in addition alleged that the petitioner had been the victim of identity theft. The motion for authorization was granted in October 2017. Damages sought were $1 in compensatory and $0.5 in punitive damages per class member plus other damages and legal costs. The case proceeded to trial in December 2020. In March 2021, the Superior Court of Quebec dismissed the class action against IIROC in its entirety and awarded IIROC costs against the petitioner. In April 2021, the petitioner appealed the judgment to the Quebec Court of Appeal. The appeal was heard and dismissed by the Court of Appeal in May 2022.

The total costs of the incident incurred by IIROC to date, including legal fees for responding to the two motions for authorization, are $5,532 of which nil was incurred in FY 2022 [FY 2021 – $2] as directly paid by the insurer.

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.

Use of Estimates (continued)

Items subject to significant management estimates include:

[a] Accruals – accruals are made for expenditures incurred but invoices not yet processed as of March 31, 2022. To be eligible for an accrual, IIROC must have received the goods or services as of March 31, 2022. 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, 2022 was $6 [FY 2021 – $6].

[c] Eligibility of expenditures for capitalization – eligibility is determined based on accounting rules. IIROC 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. IIROC 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 – IIROC 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 IIROC's proxy rate for incremental borrowing. Considerations were given to IIROC's credit risk, the weighted average life of the leases, and comparable yield curves.

[i] Valuation of employee future benefits asset/liability – IIROC management, in consultation with actuaries Willis Towers Watson, 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

IIROC 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 IIROC's Risk Committee ["RC"], comprising senior executives of IIROC, and is further overseen by the Finance, Audit and Risk ["FAR"] Committee of the Board, as set out in their respective Charters.

Risk (continued)

IIROC has established a Risk Management Policy that sets out the framework for the identification and management of risks. IIROC's risk management framework includes an annual self-assessment that combines a top-down and bottom-up evaluation of risks facing organizational units (both business units and support functions) as well as IIROC as a whole, including both current and emerging risks. The results of the self-assessments are reviewed and discussed with the RC, the FAR Committee, and the Board. Throughout the year, the Vice President, Enterprise Risk and Project Management provides a formal update on risks and risk management activities at RC and FAR Committee meetings.

The Internal Audit function is governed by an Internal Audit Charter, approved by IIROC's FAR Committee. KPMG LLP is IIROC's outsourced Internal Auditor. The Internal Auditor reports to the FAR Committee and provides a minimum of four updates per year. IIROC works closely with its Internal Auditor to develop an annual risk-based Internal Audit plan. The audits performed pursuant to the plan independently assess the adequacy and operating effectiveness of IIROC's internal controls.

LITIGATION RISK

The litigation disclosed above and in Note 11 to the Financial Statements was dismissed by the Quebec Court of Appeal in May 2022.

From time to time, IIROC may face claims by employees, the public and other third parties arising from the ordinary course and conduct of its business. IIROC 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. IIROC 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

IIROC's cybersecurity program includes working with its Services Providers and industry partners to keep current of ever evolving cybersecurity threats. The program incorporates proactive controls including business and vendor processes to protect IIROC's data and IT environment. Periodic assessments are conducted of the environment and processes with learnings incorporated into remediation activities. With the shift in threats seen in the last 12 months, IIROC will continue to evolve its controls and processes.

REVENUE RISK

About 80% of IIROC'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 IIROC'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.

REGISTERED PENSION, SERP, SIP AND PRB RISK

Registered pension risk refers to the risk that IIROC's financial position could be adversely impacted because of the impact on IIROC'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

Risk (continued)

levels and by holding a diversified set of investments, which are managed by professional investment managers operating under specified mandates and tolerances. IIROC 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. IIROC 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

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

Credit Risk

IIROC 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 IIROC. 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 IIROC to credit risk, which IIROC limits by investing in high-quality short-term securities. Mutual fund investments also indirectly expose IIROC 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

IIROC's liquidity risk represents the risk that IIROC could encounter difficulty in meeting obligations associated with its financial liabilities. IIROC is exposed to liquidity risk with respect to its accounts payable. IIROC 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 IIROC'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. IIROC 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 IIROC'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 IIROC is the Canadian dollar. IIROC invests a portion of its investment portfolio in mutual funds that invest in foreign equities. IIROC mitigates its currency risk exposure by limiting the extent of foreign currency exposure.

Risk (continued)

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. IIROC 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 IIROC's results of operations. The objective of IIROC 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. IIROC is exposed to other price risk because of its investment in mutual funds.

COVID-19 & Geopolitical Risk

The COVID-19 pandemic caused significant economic disruption. Lower interest rates, economic stimulus and supply chain pressures over the last two years compounded by recent geopolitical events, such as the war in Ukraine have resulted in inflationary costs pressures and in turn higher interest rates and market volatility. IIROC may still be subject to greater operational, credit, liquidity and market risk.

Amalgamation Risk

The upcoming amalgamation between IIROC and MFDA is expected to require significant one-time costs and IIROC may be subject to greater financial and liquidity risk. IIROC expects to have sufficient liquidity to cover its share of the integration costs, while leaving sufficient funds to comply with IIROC's internal liquidity guideline of a minimum of three months of budgeted operating expenses. However, the costs of integration will result in a draw-down of reserves before costs are recovered.

The scheduled closing date is December 31, 2022. To complete the transaction, the CSA must approve the joint application of IIROC and MFDA to recognize the New SRO as a self-regulatory organization under applicable securities legislation, and both IIROC and MFDA members must also approve via vote at a special meeting of their respective members.

Resiliency

IIROC 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. IIROC has processes in place to update and strengthen the program as needed and to periodically test the functioning of various aspects of the program.

Throughout the pandemic, IIROC has deployed a Crisis Management Team to lead and oversee all aspects of its response, including the provision and maintenance

Resiliency (continued)

of full remote working. As part of plans to return to the office, IIROC has recently implemented a new remote work policy, significantly increasing the flexibility of employees to work from home. The crisis management team is now overseeing the smooth transition of employees to this new hybrid work environment that started in May 2022.

Outlook

IIROC's strategic priorities for FY 2023 reflect its ongoing commitment to investor protection and market integrity, while operating in an efficient, cost-effective and sustainable manner.

These activities and initiatives will take place in the context of the amalgamation of IIROC and the MFDA that is scheduled to close on December 31, 2022, creating a New SRO effective January 1, 2023.

Key priorities for next year include:

- Advancing various initiatives and commitments related to investor protection, including:
  - » working closely with MFDA to create a New SRO Investor Advisory Panel, which builds on IIROC's initial plan to establish an Expert Investor Issues Panel;
  - » exploring ways to return to investors disgorged funds collected from an advisor or firm disciplined by IIROC, and publishing a proposal for input from stakeholders;
  - » seeking comments from stakeholders on enhancing the current arbitration program, based on recommendations from an independent working group of investor advocates and investment industry and arbitration professionals;
  - » further to IIROC's examination of service levels and access to trading, including online trading availability, functionality and service at Order-Execution-Only dealers, reviewing the information gained from industry Working Group discussions to determine next steps;
  - » developing and publishing competency profiles for Supervisors, Portfolio Managers, Associate Portfolio Managers and Traders; and
  - » pursuing efforts to obtain enhanced powers to collect evidence and statutory protection from malicious lawsuits while carrying out regulatory duties in all Canadian jurisdictions.
- Supporting the industry's transformation to more effectively and efficiently serve Canadians by:
  - » introducing efficiencies in new member application review processes through the creation of the new, dedicated Membership Intake team, and continuing to strengthen IIROC's expertise with respect to crypto asset trading platforms and other new business models;
  - » continuing to work with the CSA in ensuring that crypto asset trading platforms subject to securities law requirements are fully integrated in the Canadian regulatory system;
  - » modernizing IIROC's rules and approach to regulation, including continuing discussions with the industry on requirements related to back-office arrangements and subordinated loan financing;
  - » exploring ways to streamline processes across compliance teams to create efficiencies for both IIROC and the firms IIROC regulates through the creation of the Compliance Modernization Group;

Outlook (continued)

- » leveraging data and analytics to create efficiencies internally and support policy development, and publishing a "Failed Trade Study" of settlement processes in Canadian equities to benchmark and assess the current short selling regime;
- » progressing derivatives rule reform to introduce greater consistency between derivatives and securities rule requirements; and
- » helping firms build operational resilience through the effective management of cybersecurity and technology risks.

- Working towards the successful closing of the IIROC and MFDA amalgamation and creation of a new, enhanced self-regulatory organization.
  - » Following the CSA's decision to consolidate IIROC and the MFDA which was announced in August 2021, IIROC has been working together with the MFDA and the CSA to prepare for the December 2022 closing and creation of a New SRO.
  - » Last fall, IIROC and the MFDA jointly retained Deloitte to act as integration manager and are continuing with the planning and Day 1 readiness efforts related to the operational integration.
  - » On May 12, 2022, the CSA published a comprehensive package of materials for public comment, including the proposed interim rules and Terms of Reference for the New SRO Investor Advisory Panel.
  - » Following the confirmation of the New SRO Board and CEO, IIROC will forge ahead, with MFDA to create a new SRO that delivers effective and efficient regulation in the public interest.
- IIROC is also focused on advancing Equity, Diversity, Inclusion and Anti-Racism program, and adopting a revised remote work policy which provides employees with substantially more flexibility.

These priorities will help inform the development of a new strategic plan and priorities for the New SRO.

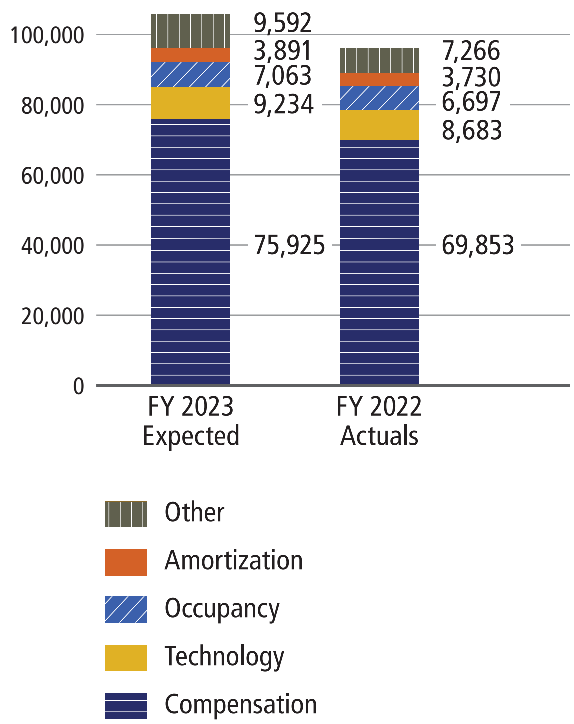
The projection presented for the upcoming fiscal year is for IIROC continuing operations as a stand-alone operation and does not take into account the amalgamation with the MFDA nor related costs of integration. Total operating expenses for the coming year are expected to increase to $105,705 in FY 2023 from $96,229 in FY 2022, an increase of $9,476 [9.8%]. The increase in expenses reflects salary increases for merit and market adjustments in FY 2023, annualized impact of headcount and technology costs to support new activities and targeted investments, higher server and storage costs for higher market surveillance transaction volumes and added applications, and the reversal in FY 2023 of expense savings in FY 2022 due to COVID-19 closures and impacts.

For underwriting levies, FY 2022 actuals of $11,677 were higher than the past five-year average of approximately $10,253. There was a lower volume of issuances in FY 2022 in comparison to FY 2021, particularly notable in the fourth quarter. FY 2023 underwriting levies are currently estimated to be $10,000. Actual volume of issuances are impacted by market conditions, and rising interest rates may reduce capital raising activities.

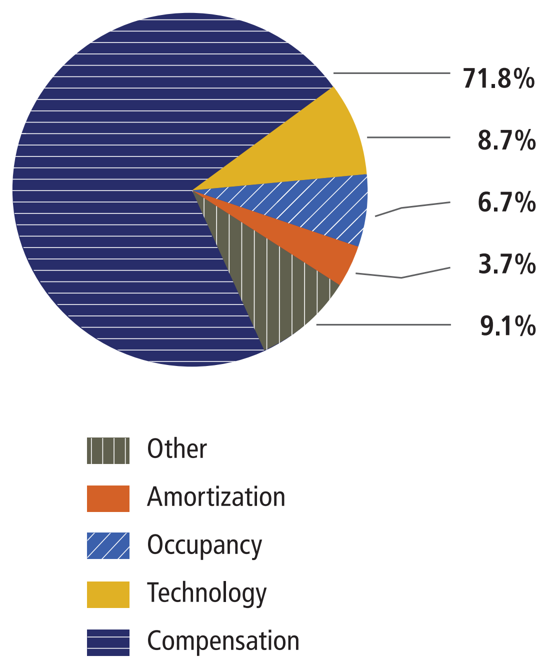
Fees for existing activities will increase by 3.1% in FY 2023. Specifically, Dealer Regulation fees will increase by 3.0% reflecting targeted investments in the Membership Intake Team and Compliance Modernization Group; Equity Market Regulation fees will increase by 3.5% for the same targeted investments

Outlook (continued)

2023 Planned Operating Expenses ($)



2023 Planned Operating Expenses (%)



plus part of the cost to support higher market volumes; Debt Market Regulation fees will increase by 1.0%; and Debt Information Processor ('Debt IP') fees will remain flat.

Equity Market Regulation fees will increase by a further 2.9% for new activities relating to the Cross-Asset Surveillance Program, which includes expansion of market surveillance capacity of 1.8% that benefits both equity and cross-asset surveillance, for a total fee increase of 6.4%. There are no new activities or related fees planned for Dealer Regulation Membership, Debt Market Regulation and Debt IP in FY 2023. As a result, overall fees charged out will increase by 4.0% versus the previous year.

Given other inflationary pressures faced by members and the adequacy of reserves, fees reflect a planned deficit of $1,500 in FY 2023 as approved by the Board.

IIROC's total fees as a percentage of industry revenue have been steady at 0.3%[1] for the past five years, and fees as a percentage of industry profitability are lower at 1.5% compared to 1.9% in FY 2019.

[1] Industry revenue and profitability are based on IIROC-compiled data (IIROC monthly financial report statistics). Industry revenue and profitability for FY 2023 are assumed to be the same as FY 2022 (due to data availability).

Financial Statements

(in thousands of dollars)

Independent Auditor's Report

To the Members of the **Investment Industry Regulatory Organization of Canada**

OPINION

We have audited the financial statements of the **Investment Industry Regulatory Organization of Canada** [the "Organization"], which comprise the statement of financial position as at March 31, 2022, 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, 2022, 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 basis for our opinion.

EMPHASIS OF MATTER

We draw attention to note 1 to the financial statements, which describes the combination of the Organization's regulatory activities with another organization scheduled for December 31, 2022. 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.

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 22, 2022

Ernst + Young LLP

Chartered Professional Accountants
Licensed Public Accountants

STATEMENT OF FINANCIAL POSITION

[in thousands of dollars]

As at March 31	2022 $	2021 $
ASSETS		
Current		
Cash and cash equivalents	**53,612**	46,070
Investments [note 3]	**61,976**	67,028
Receivables [note 4]	**8,697**	7,978
Prepaid expenses	**1,489**	1,511
Current portion of long-term receivables [note 5]	**11**	23
Total current assets	**125,785**	122,610
Employee future benefits [note 8]	**315**	371
Long-term receivables [note 5]	**7**	18
Capital assets, net [note 6]	**14,946**	14,689
Deposit	**175**	175
	141,228	137,863
LIABILITIES AND FUND BALANCES		
Current		
Payables and accruals	**21,757**	22,833
Government remittances payable	**463**	474
Current portion of capital lease obligations [note 7]	**1,277**	631
Deferred revenue	**75**	75
Current portion of deferred rent and lease inducements	**759**	753
Total current liabilities	**24,331**	24,766
Capital lease obligations [note 7]	**2,304**	1,682
Deferred rent and lease inducements	**1,906**	2,666
Employee future benefits [note 8]	**21,995**	30,081
Total liabilities	**50,536**	59,195
Commitments and contingencies [notes 10 and 11]		
FUND BALANCES		
Unrestricted Fund	**74,595**	58,947
Internally Restricted Integration Fund	**(3,197)**	–
Externally Restricted Fund	**19,294**	19,721
Total fund balances	**90,692**	78,668
	141,228	137,863

The accompanying notes to the financial statements are an integral part of these financial statements.

On behalf of the Board:

Andrew J. Kriegler, President and CEO

Paul D. Allison, Chair

STATEMENT OF CHANGES IN FUND BALANCES

[in thousands of dollars]

Year ended March 31	Unrestricted Fund $	Internally Restricted Integration Fund $	Externally Restricted Fund $	2022 Total $	2021 Total $
Fund balances, beginning of year	58,947	–	19,721	**78,668**	78,010
Excess (deficiency) of revenue over expenses for the year	2,151	–	(427)	**1,724**	3,168
Interfund transfer [note 9]	3,197	(3,197)	–	**–**	–
Remeasurements and other items [note 8]	10,300	–	–	**10,300**	(2,510)
Fund balances, end of year	74,595	(3,197)	19,294	**90,692**	78,668

The accompanying notes to the financial statements are an integral part of these financial statements.

STATEMENT OF OPERATIONS

[in thousands of dollars]

Year ended March 31	Unrestricted Fund $	Externally Restricted Fund $	2022 Total $	2021 Total $
REVENUE				
Dealer regulation				
Membership fees	53,847	–	**53,847**	52,044
Underwriting levies	11,677	–	**11,677**	12,602
Registration fees	2,075	–	**2,075**	1,604
Continuing education accreditation revenue	199	–	**199**	–
Entrance fees	135	31	**166**	267
	67,933	31	**67,964**	66,517
Market regulation				
Equity regulation	26,616	–	**26,616**	25,510
Debt regulation	2,299	–	**2,299**	2,242
Timely disclosure	3,075	–	**3,075**	2,935
Marketplace revenue	190	–	**190**	190
	32,180	–	**32,180**	30,877
Debt Information Processor	1,634	–	**1,634**	1,633
Other revenue				
Disciplinary fines and other fines	–	2,559	**2,559**	1,912
Investment income (loss) including interest	(663)	26	**(637)**	2,711
Recoveries of enforcement costs	410	–	**410**	243
Miscellaneous	83	–	**83**	121
	(170)	2,585	**2,415**	4,987
	101,577	2,616	**104,193**	104,014
EXPENSES [note 9]				
Dealer regulation operating	63,759	–	**63,759**	65,561
Market equity regulation operating	28,907	–	**28,907**	28,837
Market debt regulation operating	2,171	–	**2,171**	2,244
Debt Information Processor operating	1,392	–	**1,392**	1,708
Externally Restricted Fund	–	3,043	**3,043**	2,496
	96,229	3,043	**99,272**	100,846
Excess (deficiency) of revenue over expense for the year before integration costs	5,348	(427)	**4,921**	3,168
Integration costs [note 9]	3,197	–	**3,197**	–
Excess (deficiency) of revenue over expenses for the year	2,151	(427)	**1,724**	3,168

The accompanying notes to the financial statements are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

[in thousands of dollars]

Year ended March 31	2022 $	2021 $
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	**1,724**	3,168
Add (deduct) items not involving cash		
Amortization	**4,605**	4,505
Rent amortization	**(754)**	(741)
Net loss on disposal of capital assets	**–**	16
Impairment write-down of capital assets [note 6]	**474**	221
Employee future benefits expense [note 8]	**5,151**	4,859
	11,200	12,028
Changes in non-cash working capital balances related to operations		
Receivables	**(719)**	(60)
Prepaid expenses	**22**	126
Deposit	**–**	(2)
Payables and accruals, and government remittances	**(1,087)**	3,169
Employer contributions for employee future benefits [note 8]	**(2,881)**	(2,969)
Cash provided by operating activities	**6,535**	12,292
INVESTING ACTIVITIES		
Disposal (purchase) of investments, net	**5,052**	(9,762)
Purchase of capital assets	**(3,269)**	(3,443)
Loss from disposal of capital assets	**–**	(16)
Change in long-term receivables, net	**23**	38
Cash provided by (used in) investing activities	**1,806**	(13,183)
FINANCING ACTIVITIES		
Repayment of capital lease obligations	**(799)**	(479)
Cash used in financing activities	**(799)**	(479)
Net increase (decrease) in cash during the year	**7,542**	(1,370)
Cash and cash equivalents, beginning of year	**46,070**	47,440
Cash and cash equivalents, end of year	**53,612**	46,070
Cash and cash equivalents consist of		
Cash on hand and balances with bank	**21,538**	22,274
Cash equivalents	**32,074**	23,796
	53,612	46,070
SUPPLEMENTAL CASH FLOW INFORMATION		
Acquisition of capital assets under capital lease	**2,067**	935

The accompanying notes to the financial statements are an integral part of these financial statements.

Notes to Financial Statements

[in thousands of dollars]

1. Organization

The Investment Industry Regulatory Organization of Canada ["IIROC" or the "Organization"] was incorporated on March 17, 2008 as a Corporation without share capital under provisions of Part II under the *Canada Corporations Act*. The Organization transitioned to the new *Canada Not-for-profit Corporations Act* in fiscal 2015. As a not-for-profit organization, IIROC is exempt from income taxes under Section 149(1)(l) of the *Income Tax Act* (Canada).

IIROC is the national self-regulatory organization ["SRO"] that oversees all investment dealers and trading activity on debt and equity marketplaces in Canada. IIROC carries out its regulatory responsibilities under Recognition Orders from the provincial securities commissions that make up the Canadian Securities Administrators ["CSA"].

The Organization's mandate is to set and enforce high-quality regulatory and investment industry standards, protect investors and strengthen market integrity while maintaining fair, efficient and competitive capital markets.

IIROC carries out its regulatory responsibility through setting and enforcing rules regarding the proficiency, business conduct, and financial conduct of dealer firms and their registered employees, and market integrity rules regarding trading activity on Canadian debt and equity markets.

After completing an in-depth review of the current SRO framework involving two SROs – IIROC and the Mutual Fund Dealers Association of Canada ["MFDA"], the CSA published its position on August 3, 2021 to establish a new, single, enhanced SRO ["New SRO"]. The main objective of creating the New SRO 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. The New SRO will consolidate the regulatory activities of IIROC and the MFDA, through a legal amalgamation with a scheduled close date of December 31, 2022.

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 IIROC hearing panels as part of enforcement actions; and

[c] Funding of the deficit in the IIROC Supplemental Plan for Executives ["IIROC SERP"] – Non-Registered Defined Benefit Pension Plan, IIROC Non-Pension Post-Retirement Benefits Plan ["IIROC PRB"], defined benefit provisions of the Retirement Plan for Employees of IIROC ["IIROC RPP"] and the formerly Regulation Services ["RS"] sponsored Supplemental Income Plan for former TSX Employees ["Former RS SIP"] – Non Registered Defined Benefit Plan.

2. Summary of significant accounting policies (continued)

The Internally Restricted Integration Fund:

After the CSA published its position paper on August 3, 2021, IIROC has been incurring expenses and charges in connection with the amalgamation with the MFDA into New SRO. Revenue to recover these integration costs will be recorded when a recovery model is established. In fiscal 2022, the Board of Directors approved the creation of the Internally Restricted Integration Fund. Certain costs may be funded by IIROC on a permanent basis upon approval by the Board and/or by the Externally Restricted Fund for qualified expenses upon approval by the CSA and the Corporate Governance Committee. Until such time, the Internally Restricted Integration Fund will report a deficit position, representing integration costs incurred to date.

The Externally Restricted Fund includes:

[a] The collection of fines and settlement monies arising from enforcement actions [disciplinary fines] and other revenue and the use of these funds in accordance with the terms and conditions of respective provincial securities commissions' and authorities' Recognition Orders. This Fund is to be used for any of the following:

[i] For the development of systems or other 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, are in the public interest, and benefit the public or the capital markets;

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

[iv] For such other purposes as may be subsequently approved by the provincial securities commissions; or

[v] For reasonable costs associated with the administration of IIROC's hearing panels.

REVENUE RECOGNITION

IIROC operates on a cost recovery basis generally through published fee models, which set out the basis of the cost recovery for each of IIROC's activities.

Unrestricted revenue is recognized as revenue as follows:

Dealer regulation

Annual membership fees are assessed upon 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.

2. Summary of significant accounting policies (continued)

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. These fees are then allocated to dealers and marketplace members.

Revenue is initially recognized monthly based on the prior year cost recovery rate and then upon Board approval, adjusted to current cost recovery rates over the remainder of the year. For attribution to each 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. These fees are allocated to dealers who trade debt securities. Revenue is initially recognized monthly based on the prior year cost recovery rate and then upon Board approval, adjusted to current cost recovery rates over the remainder of the year. Fees are allocated to each 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 initially recognized monthly based on the prior year cost recovery rate, and then upon Board approval, adjusted to current cost recovery rates over the remainder of the 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 registrants of member firms are recognized as revenue when received.

Restricted revenue is recognized as revenue as follows:

Disciplinary fines, 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 disciplinary fines from registrants of member firms 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.

2. Summary of significant accounting policies (continued)

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 immediately written off and recognized as an expense in the statement of operations. 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

2. Summary of significant accounting policies (continued)

Organization assesses whether fair value or replacement cost is applied to measure the write-down on an asset-by-asset basis. The Organization undertakes an annual review to assess whether capital assets should be written off entirely, and also to identify partial impairment. Previously recognized write-downs are not reversed.

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.

2. Summary of significant accounting policies (continued)

- 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

IIROC engages in dealer regulation, equity market regulation, debt market regulation, and is the Debt Information Processor for certain securities.

To facilitate proper fee allocations, direct costs are separately captured for 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 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 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.

[in thousands of dollars]

3. Investments

Investments, at fair value, consist of the following:

	2022 $	2021 $
Marketable securities	**41,401**	46,570
Mutual funds		
Bond funds	**15,157**	14,734
Global equity funds	**5,418**	5,724
	61,976	67,028

Marketable securities consist of government-issued promissory notes and treasury bills, and debt instruments of financial institutions with yields between 0.05% and 1.20% [2021 – 0.13% and 1.90%].

Mutual funds are earmarked assets to fund the liabilities of the IIROC SERP, Former RS SIP and IIROC PRB.

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:

	2022 $	2021 $
Trade	**8,478**	7,984
Income taxes recoverable	**225**	–
	8,703	7,984
Allowance for doubtful accounts	**(6)**	(6)
	8,697	7,978

The trust for the Retirement Compensation Arrangement ["RCA"] for the IIROC SERP was wound up during fiscal 2022, and an outstanding amount for the tax recoverable from the Canada Revenue Agency is recorded as a receivable at year-end.

5. Long-term receivables

Long-term receivables consist of the long-term portions of employee loans receivable, accounts receivable related to agreed-upon payment plans on enforcement fines, and pension-related receivables.

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.

[in thousands of dollars]

6. Capital assets

Capital assets consist of the following:

	Cost $	2022 Accumulated Amortization $	Net book value $	2021 Net book value $
UNRESTRICTED FUND				
Tangible				
Leasehold improvements	**10,125**	**7,449**	**2,676**	3,517
Office furniture and equipment	**9,491**	**8,755**	**736**	1,240
Computer equipment and software	**3,935**	**3,906**	**29**	94
Technology projects hardware	**6,718**	**6,659**	**59**	38
Assets under capital lease				
Computer equipment	**1,037**	**186**	**851**	619
Hardware	**2,232**	**369**	**1,863**	609
Office equipment	**209**	**176**	**33**	167
Intangible				
Technology projects software	**25,049**	**20,473**	**4,576**	4,839
	58,796	**47,973**	**10,823**	11,123
EXTERNALLY RESTRICTED FUND				
Tangible				
Technology projects hardware	**1,429**	**1,213**	**216**	318
Leasehold improvements	**673**	**567**	**106**	161
Hardware under capital lease	**1,358**	**505**	**853**	837
Intangible				
Technology projects software	**7,836**	**4,888**	**2,948**	2,250
	11,296	**7,173**	**4,123**	3,566
	70,092	**55,146**	**14,946**	14,689

6. Capital assets (continued)

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. All hardware under capital lease recorded in fiscal 2021 was available for use in that year.

Office equipment under capital lease

In August 2019, IIROC entered into a service agreement with a vendor under a cost per impression model. Under this agreement, IIROC 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. The copiers were installed and available for use in February 2020.

Computer equipment under capital lease

In fiscal 2021, IIROC 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 IIROC 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, 2022, there are capital assets under development for software and hardware of $2,221, and capital lease assets under development for hardware and computer equipment of $1,796. As such, these assets are not yet being amortized.

In January 2022, IIROC and the Montreal Exchange ["MX"] entered into a Memorandum of Understanding ["MoU"] to enable cross-asset monitoring of the derivatives and underlying securities markets to help mitigate the risk of market integrity breaches. Under the MOU, IIROC will implement 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, IIROC is expanding 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 with a planned launch in fiscal 2023. Of the $4,017 capital assets under development mentioned above, $3,117 is related to the Cross-Asset Surveillance Program.

6. Capital assets (continued)

In addition, there are other capital assets of $244 included in technology projects, and $76 of computer equipment under capital lease that were available for use in the last quarter of 2022. 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 an impairment loss in the amount of $474 on technology project software and office equipment under capital lease [2021 – $221 on office furniture and equipment]. The assets were written down to their estimated fair value. The impairment loss was recognized in the statement of operations.

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 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, 2026. There are no executory costs with the computer equipment leases. The capital lease obligation as at year-end of $3,581 [2021 – $2,313] includes nil [2021 – nil] of accrued interest expense.

[in thousands of dollars]

7. Capital lease obligations (continued)

As at March 31, 2022, the estimated future minimum lease payments for obligations under capital leases in each of the next five years are as follows:

	Capital $	Executory $	Total $
2023	1,290	420	1,710
2024	1,291	420	1,711
2025	994	318	1,312
2026	88	–	88
2027	1	–	1
	3,664	1,158	4,822
Amount representing interest	(83)		
Total capital lease obligations	3,581		
Current portion	1,277		
Long-term portion	2,304		
Total capital lease obligations	3,581		

8. Employee future benefits

The Organization provides retirement and post-employment benefits for its employees and has both defined benefit and defined contribution pension plans. 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. 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.

Prior to amalgamation, the Investment Dealers Association ["IDA"] and Market Regulation Services ["RS"] sponsored various defined benefit and defined contribution pension plans. At amalgamation, the IDA defined benefit plan became the defined benefit component of the IIROC RPP and the plan was amended to accommodate new IIROC defined contribution accruals. The former IDA also sponsored a Supplemental Executive Retirement Plan ["SERP"], which became the IIROC SERP. The legacy RS pension plans, which included the IIROC Pension Plan for Former RS Pension Plan Members ["Former RS RPP"], and the non-registered Supplemental Income Plan [Former RS SIP], were closed as at December 31, 2010 and their active members began accruing benefits under the IIROC RPP and the IIROC SERP after that date. However, these legacy plans were not terminated as legacy accrued benefits remain.

8. Employee future benefits (continued)

On April 1, 2013, the defined benefit component of the IIROC RPP was closed to new members. New hires can only join the defined contribution provision of the IIROC RPP. 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 will participate in the new defined contribution provision of the IIROC SERP.

As at March 31, 2022, the Organization has the following pension plans:

1. Retirement Plan for Employees of IIROC [IIROC RPP] – includes defined benefit and defined contribution provisions
2. IIROC Supplemental Plan for Executives [IIROC SERP], Non-Registered Defined Benefit Pension Plan – inactive, with defined contribution provisions
3. IIROC Pension Plan for Former RS Pension Plan Members [Former RS RPP], Defined Benefit Plan – inactive
4. RS-sponsored SIP for former TSX Employees [Former RS SIP], Non-Registered Defined Benefit Plan – inactive

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

Effective November 2021, the IIROC SERP assets that existed in the RCA trust were depleted, and the arrangement was wound up such that no funds remain as at March 31, 2022.

In December 2021, IIROC filed an application with the regulatory authorities to merge the IIROC RPP and the Former RS RPP effective April 1, 2021. IIROC received regulatory approval on March 23, 2022. The assets will be transferred in early fiscal 2023 to effect the merger. Until the assets have transferred, the individual plan disclosures continue to apply.

The most recent actuarial valuation of the pension benefit plans for funding purposes was as of April 1, 2021, and of the IIROC PRB plan was April 1, 2019. The next actuarial valuations for all defined benefit pension arrangements and for the IIROC PRB will be prepared with an effective date of no later than April 1, 2024 and April 1, 2022, respectively.

[in thousands of dollars]

8. Employee future benefits (continued)

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

	2022					
	IIROC RPP $	**IIROC SERP $**	**Former RS SIP $**	**IIROC PRB $**	**Subtotal $**	**Former RS RPP $**
Accrued benefit obligation	**(94,396)**	**(13,669)**	**(540)**	**(5,750)**	**(114,355)**	**(8,081)**
Fair value of plan assets	**92,360**	**–**	**–**	**–**	**92,360**	**10,186**
Fund status – plan surplus (deficit)	**(2,036)**	**(13,669)**	**(540)**	**(5,750)**	**(21,995)**	**2,105**
Valuation allowance	**–**	**–**	**–**	**–**	**–**	**(1,790)**
Accrued benefit asset (liability), net of valuation allowance	**(2,036)**	**(13,669)**	**(540)**	**(5,750)**	**(21,995)**	**315**

	2021					
	IIROC RPP $	IIROC SERP $	Former RS SIP $	IIROC PRB $	Subtotal $	Former RS RPP $
Accrued benefit obligation	(101,639)	(13,741)	(548)	(6,468)	(122,396)	(9,016)
Fair value of plan assets	91,899	416	–	–	92,315	11,044
Fund status – plan surplus (deficit)	(9,740)	(13,325)	(548)	(6,468)	(30,081)	2,028
Valuation allowance	–	–	–	–	–	(1,657)
Accrued benefit asset (liability), net of valuation allowance	(9,740)	(13,325)	(548)	(6,468)	(30,081)	371

[in thousands of dollars]

8. Employee future benefits (continued)

The employee future benefit expense is as follows:

	2022					
	IIROC RPP $	IIROC SERP $	Former RS RPP $	Former RS SIP $	IIROC PRB $	Total $
Current service cost	**3,426**	**663**	**–**	**–**	**5**	**4,094**
Interest cost on accrued benefit obligation	**3,501**	**449**	**288**	**16**	**203**	**4,457**
Interest income on market value of assets	**(3,087)**	**(13)**	**(354)**	**–**	**–**	**(3,454)**
Interest on valuation allowance	**–**	**–**	**54**	**–**	**–**	**54**
Employee future benefit expense (recovery)	**3,840**	**1,099**	**(12)**	**16**	**208**	**5,151**

	2021					
	IIROC RPP $	IIROC SERP $	Former RS RPP $	Former RS SIP $	IIROC PRB $	Total $
Current service cost	3,225	564	–	–	13	3,802
Interest cost on accrued benefit obligation	3,474	476	309	16	220	4,495
Interest income on market value of assets	(3,089)	(24)	(405)	–	–	(3,518)
Interest on valuation allowance	–	–	80	–	–	80
Employee future benefit expense (recovery)	3,610	1,016	(16)	16	233	4,859

[in thousands of dollars]

8. Employee future benefits (continued)

The remeasurements and other items charged on the statement of changes in fund balances are a gain of $10,300 [2021 – loss of $2,510] as follows:

	2022					
	IIROC RPP $	**IIROC SERP $**	**Former RS RPP $**	**Former RS SIP $**	**IIROC PRB $**	**Total $**
Actuarial losses (gains)	**(9,083)**	**(596)**	**(11)**	**7**	**(696)**	**(10,379)**
Change in valuation allowance	**–**	**–**	**79**	**–**	**–**	**79**
Remeasurements and other items	**(9,083)**	**(596)**	**68**	**7**	**(696)**	**(10,300)**

	2021					
	IIROC RPP $	IIROC SERP $	Former RS RPP $	Former RS SIP $	IIROC PRB $	Total $
Actuarial losses	915	943	587	113	487	3,045
Change in valuation allowance	–	–	(535)	–	–	(535)
Remeasurements and other items	915	943	52	113	487	2,510

In addition to the above, there is no outstanding liability for the defined contribution plan as at March 31, 2022 [2021 – nil]. Current year expense for the defined contribution provisions of the IIROC RPP was $2,301 [2021 – $2,156].

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

	2022 $	2021 $
Discount rate – accrued benefit obligation	**3.93% to 4.02%**	2.91% to 3.33%
Discount rate – benefits cost	**2.91% to 3.33%**	3.70% to 3.80%
Rate of compensation increase	**3.00%**	3.00%

For measurement purposes in 2022, inflation of medical expenses and dental costs was assumed to remain unchanged at 5.0% and 4.5%, respectively.

[in thousands of dollars]

8. Employee future benefits (continued)

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

	2022					
	IIROC RPP $	**IIROC SERP $**	**Former RS RPP $**	**Former RS SIP $**	**IIROC PRB $**	**Total $**
Employer contributions	**2,461**	**159**	**–**	**31**	**230**	**2,881**
Employee contributions	**971**	**–**	**–**	**–**	**–**	**971**
Benefits paid	**(1,613)**	**(581)**	**(207)**	**(31)**	**(230)**	**(2,662)**

	2021					
	IIROC RPP $	IIROC SERP $	Former RS RPP $	Former RS SIP $	IIROC PRB $	Total $
Employer contributions	2,708	55	–	25	181	2,969
Employee contributions	983	–	–	–	–	983
Benefits paid	(2,433)	(561)	(185)	(25)	(181)	(3,385)

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. IIROC 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. IIROC monitors and manages funding levels for all unregistered plans for which it makes predetermined and special contributions to achieve desired funding levels.

[in thousands of dollars]

9. Expenses

Expenses consist of the following:	2022 $	2021 $
UNRESTRICTED FUND EXPENSES		
Dealer regulation operating expenses		
Compensation	**46,844**	48,566
Technology	**4,661**	4,199
Occupancy	**4,879**	4,926
Amortization, impairment and disposals	**2,365**	2,273
Other	**5,010**	5,597
	63,759	65,561
Market equity regulation operating expenses		
Compensation	**20,548**	20,604
Technology	**3,363**	3,266
Occupancy	**1,675**	1,734
Amortization, impairment and disposals	**1,270**	1,192
Other	**2,051**	2,041
	28,907	28,837
Market debt regulation operating expenses		
Compensation	**1,535**	1,564
Technology	**337**	352
Occupancy	**102**	105
Amortization, impairment and disposals	**66**	86
Other	**131**	137
	2,171	2,244
Debt Information Processor operating expenses		
Compensation	**926**	1,163
Technology	**322**	323
Occupancy	**41**	50
Amortization, impairment and disposals	**29**	74
Other	**74**	98
	1,392	1,708
Total Unrestricted Fund expenses before integration costs	**96,229**	98,350

[in thousands of dollars]

9. Expenses (continued)

Expenses consist of the following:	2022 $	2021 $
INTEGRATION COSTS		
Human resources and related advisory	**88**	–
Financial advisory	**24**	–
Legal	**950**	–
Governance	**507**	–
Integration management consulting	**1,608**	–
Quebec transition	**20**	–
Total integration costs	**3,197**	–

IIROC has established an Internally Restricted Integration Fund to recover integration costs.

EXTERNALLY RESTRICTED FUND EXPENSES		
Amortization, impairment and disposals [Owned assets]	**1,112**	690
Hearing panel expenses	**1,094**	993
Surveillance system hardware [Capital assets under lease]	**256**	211
Website implementation	**194**	31
Member education	**92**	137
Osgoode Hall Law School Investor Protection Clinic	**75**	75
University of Toronto Law School Investor Protection Clinic	**75**	75
Cybersecurity survey	**68**	–
Plain language rulebook implementation	**47**	14
MÉDAC [Mouvement d'éducation et de défense des actionnaires]	**25**	25
Complainant research	**5**	49
Canadian Foundation for the Advancement of Investor Rights [FAIR]	**–**	125
Cybersecurity tabletop test	**–**	66
Cybersecurity consultants	**–**	5
Total Externally Restricted Fund expenses	**3,043**	2,496

[in thousands of dollars]

10. Commitments

As at March 31, 2022, the basic minimum aggregate annual rental payments, excluding GST/HST and shared operating costs under long-term leases, with varying expiry dates to February 28, 2029, 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 operating costs, which fluctuate from year to year.

	$
2023	3,399
2024	3,044
2025	923
2026	923
Thereafter	1,760
	10,049

11. Contingencies

The Organization has an agreement with Canadian Investor Protection Fund ["CIPF"], a compensation fund approved by the CSA to afford protection [subject to limits in the CIPF coverage policy] to clients who suffer financial loss due to the insolvency of an IIROC-registered dealer. In order to meet potential financial obligations, CIPF has the following resources in place: [i] a fund consisting of liquid assets and having a balance of $539,860 on hand as at December 31, 2021; [ii] lines of credit provided by two Canadian chartered banks totalling $125,000 as at December 31, 2021; and [iii] a first layer of insurance in the amount of $160,000 as at December 31, 2021 [providing aggregate annual coverage in respect of claims payable by CIPF in excess of $200,000 upon a member insolvency] and a second layer of insurance in the amount of $280,000 as at December 31, 2021 [providing aggregate annual coverage in respect of claims payable by CIPF in excess of $360,000 upon a member insolvency]. Under its agreement with CIPF, IIROC is responsible for collecting from IIROC dealer members [and, whether or not collected, paying to CIPF] assessments calculated in respect of each such dealer. IIROC has also guaranteed the obligations of CIPF under its bank lines of credit [to a maximum of $125,000]. As at March 31, 2022, CIPF had not drawn on these lines of credit. Any amount drawn on the IIROC guarantee would be assessed to dealer firms.

Following the accidental loss in the 2013 fiscal year of a portable device that contained personal information relating to clients of a number of dealers, the Organization undertook a number of measures to notify potentially affected dealers and potentially affected clients, and to provide potentially affected clients with ongoing support services. On April 30, 2013, the Organization was served with a motion for authorization to institute a class action and to obtain the status of representative in the Superior Court of Quebec. The petitioner's class action motion on behalf of persons in Canada whose personal information was lost by the Organization sought $1, plus interest, on behalf of each class member, in relation to damages for stress, inconvenience and measures rendered necessary as a result of the loss of personal information by the Organization.

The motion for authorization of the class action was dismissed in August 2014. The petitioner appealed and the appeal was dismissed on November 6, 2015. A new motion for authorization was filed on November 16, 2015 on behalf of a new petitioner. The new motion was filed by the same counsel as in the original motion for authorization and was based mainly on the same

[in thousands of dollars]

11. Contingencies (continued)

alleged facts and grounds as the previous motion, but in addition alleged that the petitioner had been the victim of identity theft. The motion for authorization was granted in October 2017. Damages sought were $1 in compensatory and $0.5 in punitive damages per each of the 50,600 class members, plus other damages and legal costs. The case proceeded to trial in December 2020. In March 2021, the Superior Court of Quebec dismissed the class action against IIROC in its entirety and awarded IIROC costs against the petitioner. In April 2021, the petitioner appealed the judgment to the Quebec Court of Appeal. The appeal was heard and dismissed by the Court of Appeal in May 2022.

The total costs of the incident incurred by IIROC to date, including legal fees for responding to the two motions for authorization, are $5,532, of which nil was incurred in fiscal 2022 [2021 – $2] as directly paid by the insurer.

12. Financial instruments and risk management

CARRYING AMOUNT OF FINANCIAL ASSETS

As at March 31, 2022, the carrying amounts of the Organization's financial assets measured at amortized cost and at fair value are as follows:

	2022			2021		
	Cost or Amortized Cost $	**Fair Value $**	**Total Carrying Value $**	Cost or Amortized Cost $	Fair Value $	Total Carrying Cost $
Cash and cash equivalents	**21,538**	**32,074**	**53,612**	22,274	23,796	46,070
Investments	**–**	**61,976**	**61,976**	–	67,028	67,028
Receivables	**8,697**	**–**	**8,697**	7,978	–	7,978
Long-term receivables	**18**	**–**	**18**	41	–	41
	29,939	**94,050**	**123,989**	30,293	90,824	121,117

12. Financial instruments and risk management (continued)

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 receivables 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 expense as required by IIROC'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 IIROC is the Canadian dollar. IIROC invests a portion of its investment portfolio in mutual funds that invest in foreign equities. IIROC 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 IIROC's results of operations. The objective of IIROC 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.

12. Financial instruments and risk management (continued)

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. IIROC is exposed to other price risk because of its investment in mutual funds.

13. COVID-19 and economic impact

The COVID-19 pandemic caused significant economic disruption. Lower interest rates, economic stimulus and supply chain pressures over the last two years have resulted in inflationary costs pressures and in turn higher interest rates and market volatility. IIROC may still be subject to greater operational, credit, liquidity and market risk.

14. Subsequent events

The legal amalgamation of IIROC and the MFDA is scheduled to close on December 31, 2022 subject to recognition by the CSA and approval via member vote being held at a special meeting of members in September 2022. The closing date represents IIROC's final fiscal year-end close and creates "New SRO" effective January 1, 2023. Under a legal amalgamation, all assets and liabilities of IIROC and the MFDA are combined and continue into the new organization at their carrying value on the closing date.

By the Numbers: Enforcement

76

Completed enforcement investigations

31

Completed total disciplinary hearings (including settlement hearings) (23 individuals, 8 firms)

$3,490,271

Assessed fines (excluding costs and disgorgement) against firms and individuals

$1,370,500.00

Enforcement fines, excluding disgorgement and cost recovery, assessed against firms

$2,119,770.65

Enforcement fines, excluding disgorgement and cost recovery, assessed against individuals

100%

of firm fines assessed was collected*

18%

of individual fines assessed was collected*

13 Suspensions issued (Individuals 12; Firms 1)

5 Permanent Bars issued (Individuals 4; Firms 1)

*Please note the amount collected includes the enforcement fines, excluding disgorgement and cost recovered of the total fines assessed in the period April, 2021 to March 31, 2022. It does not include the amounts collected in the period of April, 2021 to March, 2022 for fines assessed in previous years.

Contact Us

Vancouver

Royal Centre
1055 West Georgia Street, Suite 2800
P.O. Box 11164
Vancouver, B.C. V6E 3R5
Tel.: (604) 683-6222
Fax: (604) 683-6262

Calgary

Bow Valley Square 3
255-5th Avenue S.W., Suite 800
Calgary, Alberta T2P 3G6
Tel.: (403) 262-6393
Fax: (403) 265-4603

Toronto

121 King Street West, Suite 2000
Toronto, Ontario M5H 3T9
Tel.: (416) 364-6133
Fax: (416) 364-0753

Montréal

525 Viger Avenue West, Suite 601
Montréal, Québec H2Z 0B2
Tel.: (514) 878-2854
Fax: (514) 878-3860

Telephone: 1-877-442-4322
Fax: 1-888-497-6172
Email: investorinquiries@iiroc.ca
Website: www.iiroc.ca

IIROC OCRCVM
Investment Industry Regulatory Organization of Canada
Organisme canadien de réglementation du commerce des valeurs mobilières