



CIRO · OCRI

Canadian Investment
Regulatory
Organization

Organisme canadien
de réglementation
des investissements

Annual Report

2023-2024

Vision

Be an agile and trusted regulator who helps the investment industry deliver the right financial outcomes for investors.

Mission

Promote healthy capital markets by regulating fairly and effectively so that investors feel protected and confident investing for their futures.

 **CIRO · OCRI**

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

For more information, visit ciro.ca.

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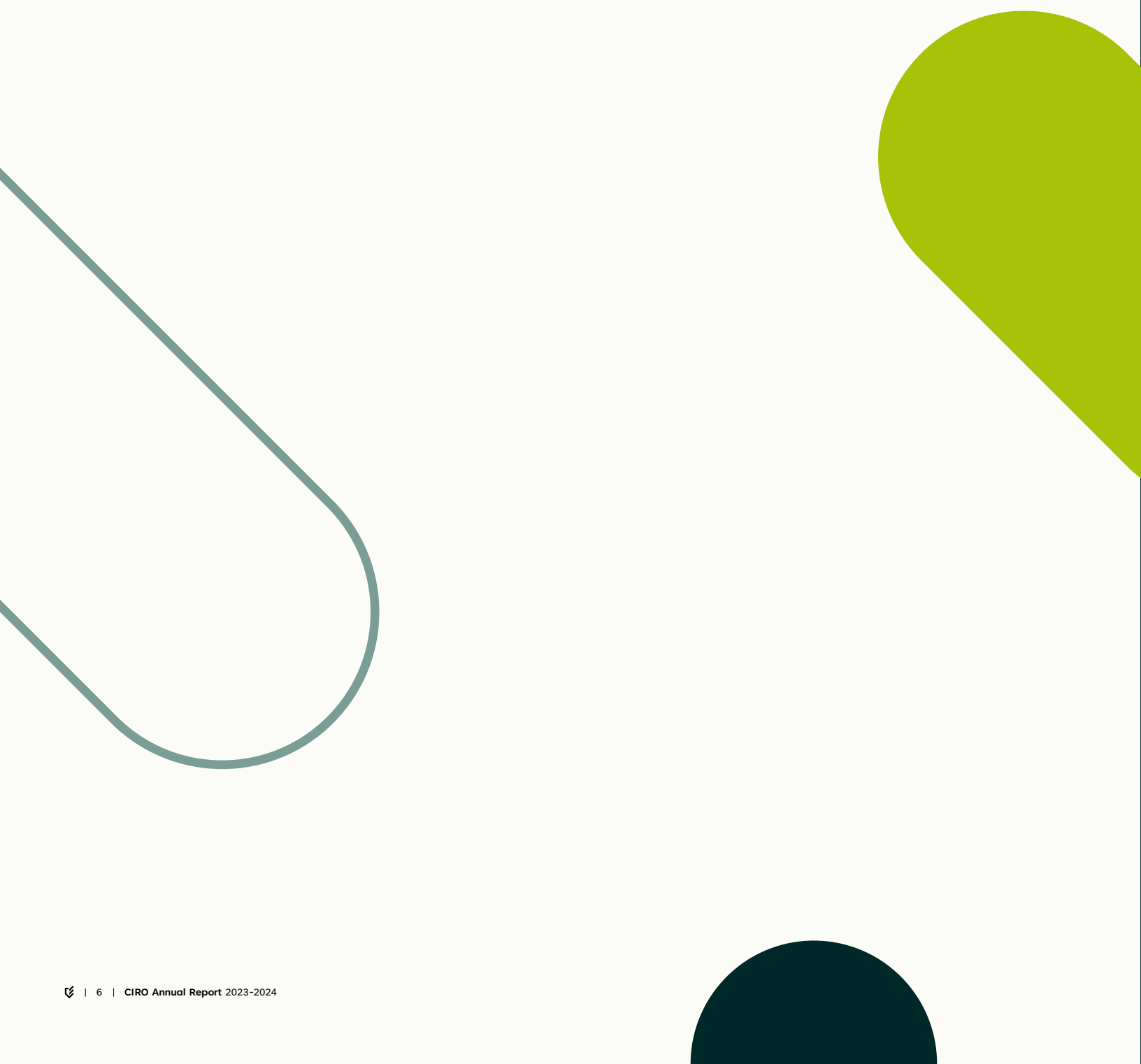
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Introduction



Message from the President and CEO

What a difference a year makes! Since our creation in January 2023, we have been on a remarkable journey of transformation and growth. The consolidation of our two predecessor organizations into a unified self-regulatory organization was itself a monumental task, yet it was just the beginning of our ambitious vision for regulatory evolution.

In a very short period, our new organization has harmonized the corporate structures, business systems, and technology infrastructures of the two predecessor organizations. This organizational integration was a necessary first step towards the real work of regulatory evolution. Within the guardrails of strong investor protection, the need for regulatory evolution is the driving force behind our work to give member firms greater flexibility in how they serve their clients, assist Canadians looking for investment advice and how they structure themselves. As the needs and wants of Canadians looking for financial services and advice evolves, we are ready to respond with agility and flexibility.

In April, we released our inaugural three-year Strategic Plan, which is our road map into 2027. The Plan lays out CIRO's vision, mission and values, which form our guiding principles as we deliver on the promise of the amalgamation. Our vision is to be an agile, trusted regulator who helps the investment industry deliver the right financial outcomes for investors. Our mission is to promote healthy capital markets through fair and effective regulation so that investors feel protected and confident investing for their futures.

The Strategic Plan also outlines six strategic objectives.

- 1. Regulatory Evolution:** Delivering efficient and cost-effective services that meet the needs of investors, dealers and the market.
- 2. Access to Advice:** To increase accessibility and meet the changing needs of investors looking for financial advice.
- 3. Investor Research, Education and Protection:** To better serve Canadians.
- 4. Registration & Proficiency:** Modernizing the registration regime and proficiency standards for registrants.
- 5. Market Regulation:** Ensure effective and appropriate regulation of capital markets that supports fairness and efficiency.
- 6. Integration:** Deliver on our commitment to integration as our Year 1 priority.

In the first year, our 2025 Annual Public Priorities will address three broad themes: our Integration work, the Strategic Plan (and the objectives noted above), and our Regulatory Operations and Delivery Work (or "business as usual").

In this respect, there are no surprises to these priorities which include supporting diverse business models, with regulation that is proportionate, and provides an efficient and cost-effective service that responds to the needs of all stakeholders.

These priorities will keep CIRO busy as we transition from organizational integration to regulatory evolution.

In the past year, we've already made remarkable advances in Year 1 Integration and I am confident that we have found the equilibrium between what should be done and what can be done this year.

During the year ahead, we will publish Phases 4 and 5 of the proposed rule changes for the consolidated rules for public comment; complete the consultation on the Integrated Fee Model; continue the evolution of the annual risk questionnaire (ARQ) and annual questionnaire (AQ); develop a proposal to harmonize continuing education regimes and unify the complaint and inquiry handling functions.

Looking ahead, I am confident that CIRO will continue to navigate the complexities of regulatory evolution with agility and foresight. In achieving these priorities and objectives, we will have set the stage for future transformational change. Our presence in Montréal, Vancouver, Calgary, and Toronto ensures that we remain connected and responsive to the diverse needs of our stakeholders across Canada. The collaborative spirit and open-minded consultation that define our approach allow us to better serve the public interest and maintain the integrity of our capital markets.

As a pan-Canadian organization, CIRO is proud of our work with the CSA and their provincial and territorial governments. Our work across the industry with our colleagues at other financial services regulators, CIRO regional councils and advisory committees and through public consultations, continues to nourish our identity as a self-regulatory organization that serves the public interest. The engagement of our stakeholders truly allows us to be a pan-Canadian regulator—keeping the unique perspectives of members

and investors from across the country at the core of our approach to regulatory evolution.

CIRO stakeholders also play an important role in ensuring high ethical standards and integrity. Advice and comments on regulations and the impacts of future regulatory projects from stakeholders ensures the integrity of what CIRO does, in turn, ensuring the integrity of the capital markets in Canada.

I'd like to extend my gratitude to the CIRO team for their dedication and resilience, to our colleagues at the CSA, to the Board of Directors, and to our members for their unwavering support and collaboration throughout the past year. Together, we have built a foundation of trust that will enable us to meet future challenges and seize new opportunities. With your continued support, I am confident that we will achieve our mission of promoting healthy capital markets and delivering the right financial outcomes for Canadian investors.



Andrew J. Kriegler

President and CEO

Year at a Glance

Regulated

22,029

Member Branch Offices

Regulated

109,951

Approved Persons

6

National Council Meetings

42

Regional Council Meetings

Completed

75

Disciplinary Hearings

Completed

150

Enforcement Investigations

Monitored

223 Billion

Traded Shares

Monitored

\$4+ Trillion

[\$4,125,503,532,416] In Trade Value

Departmental Milestones



Compliance

Throughout the year, the Compliance Modernization Group continued to analyze the programs, processes and applications that CIRO uses to support consistent regulation, while also enhancing the efficiency and effectiveness of the compliance program. The Compliance Integration Hub was created to manage the framework of the compliance teams for the investment dealer and mutual fund dealers to align programs, and areas for integration have been identified and prioritized for the year ahead.



Office of the Investor

The Office of the Investor published its blueprint, a document designed to guide CIRO actions and provide direction on areas of focus for the Office of the Investor. They also released CIRO's first Investor Survey, building a foundation for investor research and education initiatives and successfully launched the first phase of a multi-year awareness campaign to bring more brand recognition to CIRO as a new self-regulatory organization, and to better position the organization to assist Canadian investors seeking advice.



Complaints and Inquiries

Complaints and Inquiries implemented a centralized intake process for all public complaints and inquiries that simplifies the process for investors and ensures it remains easily accessible. As part of our commitment to protecting investors, the team worked with CIRO's Office of the Investor to publish a new "How to Make a Complaint" brochure. This new brochure consolidates the previous IIROC and MFDA complaint brochures into one document, ensuring investors have a single, comprehensive source for all information related to the complaints process.



Office Services

The team in Office Services successfully led the move of our Toronto office to 40 Temperance Street, in the Bay Adelaide Centre and implemented a successful transition to a modern hotelling and workstation model of hybrid work.



Human Resources

The Human Resources team cultivated an engaged and motivated employee culture by implementing a total rewards program that builds alignment and flexibility across the organization including a benefit package that enables choice, a highly competitive Defined Contribution Pension Plan, and aligned vacation and Flex plans to ensure fairness and consistency. The team also implemented the HR Strategic Plan focused on talent acquisition, development and performance, as well as systems and analytics optimization.



Registration, Proficiency and Continuing Education

We completed continuing education cycles for Mutual Fund Dealers and Investment Dealers. The Autorité des Marchés Financiers in Quebec approved the delegation of powers to CIRO to register mutual fund dealer representatives and conduct compliance examinations while the Financial Services Regulatory Authority of Ontario approved CIRO as a credentialing body for the Financial Advisor title.



Finance

The finance department, in collaboration with stakeholders and member working groups, developed the Integrated Fee Model guiding principles, modeling, analysis and review to enable public consultation in the upcoming year. The team also implemented a new enterprise resource planning (ERP) tool to enable the harmonized system ready for the 2025 fiscal year.



Enforcement Team

CIRO's Enforcement team made significant progress towards regulatory evolution and integration, harmonizing and adopting the Sanction Guidelines and Enforcement Staff Policy Statements, clearly setting out policies applicable to Investment Dealers and Mutual Fund Dealers.



Member Intake

Member Intake implemented a centralized process for the intake and review of Dealer Member applications and material changes in business. The team supported industry innovation and transformation by developing processes and materials to assist Members applying for new dual-registration status, as well as crypto asset trading platforms applying for CIRO membership. The team also developed a template and guidance to assist Members in notifying CIRO of business changes. This included a webcast on notifying CIRO of business changes, which was eligible for Compliance continuing education credits.



Member Regulation

Member Regulation published two of the five phases of the Rule Consolidation Project amendments. The department also announced the Derivatives Rule Modernization Project amendments which will be effective on September 28, 2024, the same date as the new CSA Multilateral Instrument 93-101 – Derivatives: Business Conduct becomes effective. The objectives of these amendments are to ensure our rules continue to be materially harmonized with the equivalent CSA requirements as they apply to securities and derivatives, and to more clearly specify which of the core regulatory obligations within our rules apply to securities, listed derivatives and over-the-counter derivatives and to eliminate inconsistencies.



Member Services and Innovation

This year, CIRO held our first annual Member Conference and circulated our first CIRO Member survey. Members were engaged through our regional councils and through six additional working groups. The Innovation team was involved in various transformational initiatives and projects including the client research project, modernization of rules around back-office arrangements and subordinated debt financing, account transfers modernization, and crypto-asset regulation. They also conducted two cybersecurity table-top exercises with small and medium-sized member firms in Toronto and Calgary and published a Ransomware Response Playbook to assist firms in taking timely, coordinated actions in the event of a ransomware attack.



Market Regulation

CIRO's Market Regulation team collaborated with the CSA to publish a consultation paper on short selling and stood up a working group to review policy options raised by commentators. The department also proposed amendments to the Universal Market Integrity Rules (UMIR) to clarify and support the short selling framework. Market Regulation initiated a project to expand our cross-asset capabilities to review and monitor M-X futures products compared to debt underlying products. The team engaged in extensive consultation to better understand some of the efficiency issues related to the secondary market trading of ETFs, while many CIRO teams collaborated to develop the regulatory framework for crypto asset platforms.

Message from the Chair

On behalf of the Board of Directors, I am pleased to present the second Annual Report of the Canadian Investment Regulatory Organization (CIRO), which showcases the organization's progress on our mandate to protect investors and promote healthy capital markets in Canada.

The last fiscal year has been very productive for CIRO with significant progress made as the new self-regulatory organization comes into its own. The enlightened idea that brought CIRO into being in the first place has become a reality. The important work to consolidate rules and build an efficient and responsive regulatory framework in Canada is well underway.

This year's report highlights the accomplishments of CIRO employees who have worked closely with our valued stakeholders including the Canadian Securities Administrators (CSA) and our member firms and Marketplaces to ensure that our approach to regulatory evolution avoids unnecessary burden while safeguarding investors and Canada's capital markets.

The continued involvement of industry participants through our advisory committees, regional councils and our robust consultation process ensures that diverse perspectives and needs are built into our policies. Your continued engagement with CIRO, as the organization builds on its vision of becoming an even more agile and widely trusted regulator, is how we will foster the culture and practice of self-regulation in Canada.

In April, CIRO issued its first three-year Strategic Plan. The Plan will guide the organization into 2027 and beyond, ensuring alignment and predictability for the near term. We are also excited to see the organization accomplish its 2025 Annual Public Priorities.



Timothy Hodgson

Chair of the Board

These Priorities maintain the standard of excellence in regulatory evolution that was at the origins of the new pan-Canadian SRO and put investor protection and effective regulation at the forefront of our work.

Building on the strong foundation of the two predecessor organizations, the Board has been thrilled to see CIRO's Year 1 Integration work create new efficiencies across the organization and industry. Integration still presents many opportunities for value creation, and I am proud to bear witness to this transformation.

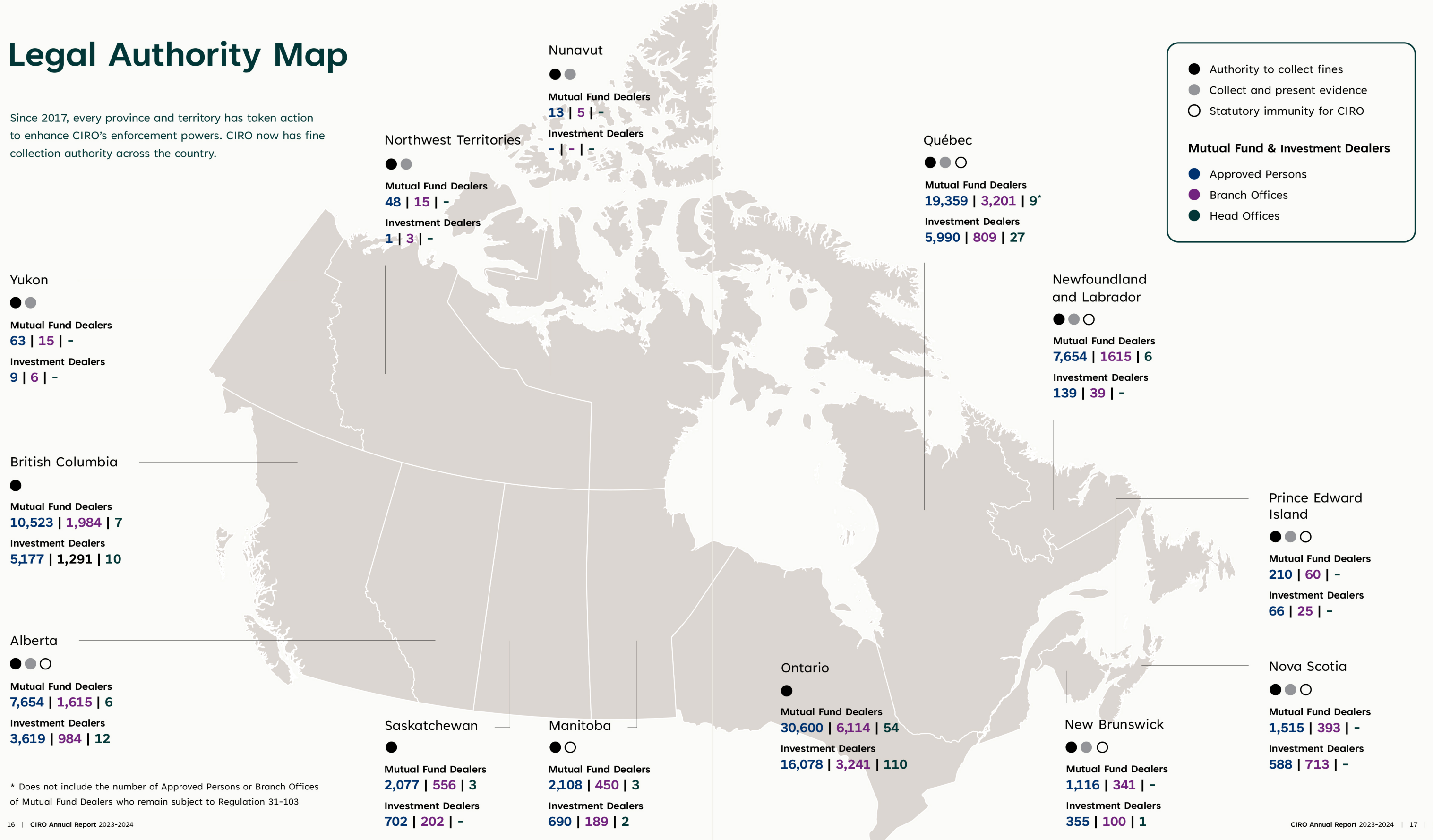
It is my honour and privilege to serve as Chair of Board of the Canadian Investment Regulatory Organization (CIRO). I wish to extend my personal thanks to my Board colleagues whose commitment and effort has propelled us to where we are today.

On behalf of the Board of Directors, I wish to extend our collective gratitude to all stakeholders, with whom we continue to collaborate and consult on matters of primary importance to Canadian investors and the capital markets—ensuring fair and efficient conditions for all.



Legal Authority Map

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



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

Executive Leadership Team



Andrew J. Kriegler

President and CEO



Ian Campbell

Chief Information Officer



Laura McNeil

Chief Financial Officer



Elsa Renzella

Senior Vice-President, Enforcement & Registration



Jennifer Armstrong

General Counsel and Corporate Secretary



Richard Korble

Vice-President, Western Canada



Claudyne Bienvenu

Vice-President, Québec and Atlantic Canada



Georgina Whitehead

Chief Human Resources Officer



Nigel Carpenter

Vice-President, Information Technology Governance & Co-Chair Transition Management Office (retired May 2024)



Karen McGuinness

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



Victoria Pinnington

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



Alexandra Williams

Senior Vice-President, Member Regulation and Corporate Strategy

Industry Statistics

(As of March 31, 2024)



Enforcement

| Enforcement | Investment | Mutual Fund |
|--|------------|-------------|
| | Dealers | Dealers |
| Completed enforcement investigations | 71 | 79 |
| Completed total disciplinary hearings (including settlement hearings) | 31 | 44 |
| Completed disciplinary hearings (including settlement hearings) - individual | 22 | 43 |
| Completed disciplinary hearings (including settlement hearings) - firm | 9 | 1 |
| Suspensions issued - individual | 10 | 14 |
| Suspensions issued - firm | 1 | 0 |
| Permanent bars/terminations issued - individual | 2 | 12 |
| Permanent bars/terminations issued - firm | 0 | 0 |

Statistics for April 1, 2023 - March 31, 2024

| | |
|---|--------------|
| Total enforcement fines, excluding disgorgement and cost recovery, collected* | \$5,321,168 |
| Total enforcement fines, excluding disgorgement and cost recovery, assessed | \$12,368,842 |
| Percentage of total fines assessed that was collected | 43% |

Firms

| | |
|---|-------------|
| Enforcement fines, excluding disgorgement and cost recovery, collected* | \$4,527,500 |
| Enforcement fines, excluding disgorgement and cost recovery, assessed | \$4,752,500 |
| Percentage of firm fines assessed that was collected | 95% |

Individuals

| | |
|---|-------------|
| Enforcement fines, excluding disgorgement and cost recovery, collected* | \$793,668 |
| Enforcement fines, excluding disgorgement and cost recovery, assessed | \$7,616,342 |
| Percentage of individual fines assessed that was collected | 10% |

* Please note the amount collected includes the enforcement fines, excluding disgorgement and cost recovered of the total fines assessed in prior periods. It does not include the amounts collected in prior periods for fines assessed in previous years.

Markets

CIRO regulates trading activity on 6 stock exchanges:

- Toronto Stock Exchange (TSX)
- TSX Venture Exchange (TSXV)
- Alpha Exchange (Alpha)****
- Canadian Securities Exchange (CSE)*
- NEO Exchange Inc. (NEO)**
- Nasdaq (CXC) Limited (Nasdaq Canada)***

CIRO regulates trading activity on 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)

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

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

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

****Alpha Exchange operates 3 distinct books - Alpha, Alpha-X and Alpha DRK

A **stock exchange** is a marketplace that:

- Brings together the orders of multiple buyers and sellers of securities
- Uses established, non-discretionary methods under which the orders interact with each other

Stock exchanges may also perform regulatory functions such as:

- Listing securities and regulating issuers
- Market making (guaranteeing a two-sided market)
- Regulating member conduct through setting and enforcement of established requirements

Stock exchanges are recognized or exempt as exchanges by the CSA. Although CIRO acts as the regulation service provider for all exchanges operating in Canada (with the exception of the MX) exchanges have the ability to self-regulate, subject to regulatory approval.

An **alternative trading system (ATS)** is a marketplace that:

- Brings together the orders of multiple buyers and sellers of securities
- Uses established, non-discretionary methods under which the orders interact with each other

Different than a stock exchange, ATSs cannot perform regulatory functions and therefore cannot:

- List securities
- Provide market making (where a two-sided market is guaranteed)
- regulate subscriber conduct (they are required to use an SRO)

ATSs are registered as an investment dealer by the CSA and currently CIRO acts as a regulation service provider for all ATSs operating in Canada. ATSs were introduced to promote innovation and enhance investor choice.

Canada's equity marketplaces

(Where trading took place in 2023-2024 by share volume)

| | TSX-listed percentage | TSXV-listed percentage | CSE-listed percentage | NEO-listed percentage |
|---------------------------------------|-----------------------|------------------------|-----------------------|-----------------------|
| Toronto Stock Exchange (TSX) | 53.38% | 0.00% | 0.00% | 0.00% |
| TSX Venture Exchange (TSXV) | 0.00% | 56.40% | 0.00% | 0.00% |
| Canadian Securities Exchange (CSE) | 1.15% | 1.33% | 71.27% | 0.43% |
| Liquidnet Canada Inc (Liquidnet) | 0.15% | 0.01% | 0.00% | 0.00% |
| TriAct Canada Marketplace (MATCH Now) | 4.27% | 1.77% | 1.58% | 3.29% |
| Omega ATS (Omega) | 4.40% | 8.68% | 7.67% | 7.71% |
| Nasdaq CXC (CXC) | 14.53% | 2.85% | 2.73% | 4.45% |
| Alpha Exchange (Alpha) | 4.99% | 8.00% | 0.00% | 0.00% |
| Instinet Canada Cross Limited (ICX) | 0.08% | 0.02% | 0.01% | 0.00% |
| Nasdaq CX2 (CX2) | 3.56% | 10.04% | 5.88% | 4.76% |
| Lynx ATS (Lynx) | 0.28% | 0.07% | 0.05% | 0.02% |
| NEO-N | 2.43% | 4.00% | 5.26% | 5.99% |
| NEO-L | 8.09% | 5.18% | 4.67% | 72.61% |
| Nasdaq CXD (CXD) | 2.33% | 0.79% | 0.49% | 0.61% |
| NEO-D | 0.13% | 0.06% | 0.04% | 0.11% |
| CSE2 | 0.23% | 0.81% | 0.36% | 0.01% |
| Alpha-X | 0.01% | 0.00% | 0.00% | 0.00% |
| Alpha DRK | 0.00% | 0.00% | 0.00% | 0.00% |
| Total | 100% | 100% | 100% | 100% |

Trading Activity on the Equity Marketplaces Regulated by CIRO

| Activity on the equity marketplaces whose trading activity is regulated by CIRO | For 2023/2024 |
|---|---------------|
| Trades (number of transactions - millions) | 472 |
| Volume (total shares traded - billions) | 223 |
| Value (of shares traded \$ billions) | \$4,126 |

| Actuals | For 2023/2024 |
|---------|---------------------|
| Trades | 472,481,903 |
| Volume | 222,638,722,992 |
| Value | \$4,125,503,532,416 |

CIRO Members

| Categories of CIRO members | Number |
|---|------------|
| Investment Dealers | 164 |
| Mutual Fund Dealers | 82 |
| Dual-registered Dealers (Investment Dealers and Mutual Fund Dealers) | 6 |
| Total | 252 |

As at March 31, 2024, there were also 17 “deemed members” i.e. mutual fund dealers registered only in Québec. Note that activities of mutual fund dealers carried out in Québec by mutual fund dealers registered in Québec are subject to the provisions of Regulation 31-103 respecting Registration Requirements, Exemptions and Ongoing Registrant Obligations, c. V-1.1, r.10 and the applicable laws of Québec.

Member firms (by revenue) – combined

| | Mutual fund dealers # of firms | Investment dealers (including dual-registered dealers) | Total % of firms |
|--|-----------------------------------|---|------------------|
| Greater than \$1 billion | 3 | 10 | 5% |
| Greater than \$100 million and less than \$1 billion | 14 | 26 | 16% |
| Greater than \$10 million and less than \$100 million | 19 | 55 | 29% |
| Greater than \$5 million and less than \$10 million | 4 | 23 | 11% |
| Less than \$5 million | 42 | 56 | 39% |
| Total | 82 | 170 | 100% |

Member firms (by number of approved persons) – combined

| | Mutual fund dealers # of firms | Investment dealers (including dual-registered dealers) | Total % of firms |
|--------------|-----------------------------------|---|---------------------|
| Over 1,000 | 15 | 10 | 10% |
| 501 to 1,000 | 4 | 5 | 4% |
| 101 to 500 | 11 | 20 | 12% |
| 11 to 100 | 25 | 73 | 39% |
| 10 or fewer | 27 | 62 | 35% |
| Total | 82 | 170 | 100% |

Governance Report



Governance Overview

Board of Directors

CIRO's governance is guided by its Board of Directors, which is responsible for the organization's strategic direction and oversight of management. The Board comprises 15 members, including the Chief Executive Officer, six industry directors, and eight independent directors. This composition is designed to provide a broad range of expertise to CIRO's Board, representing various member business models, geographic regions and the public interest.

Governance Overview

The Canadian Investment Regulatory Organization (CIRO) operates under a governance framework established by the Canadian Securities Administrators (CSA) Recognition Orders. These orders mandate that CIRO's governance structure ensures fair, meaningful, and diverse representation on its Board of Directors and its committees. CIRO's governance framework facilitates effective oversight and strategic direction, supporting the organization's mission to promote healthy capital markets by regulating fairly and effectively so that investors feel protected and confident investing for their futures.

Director Compensation

Industry Directors are not compensated for participation on the CIRO Board or its Committees. CIRO compensates Independent Directors in accordance with the following framework:

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

April 1, 2023 to March 31, 2024 Board Meetings

A total of 7 meetings were held during the fiscal year ended March 31, 2024. Below is a breakdown of attendance.

| Director | Board of directors | Finance & audit | Governance committee | Human resources & pension | Regulatory rules brief | Appointments committee | Total comp* |
|----------------------|--------------------|-----------------|----------------------|---------------------------|------------------------|------------------------|-------------|
| Patricia Callon | 7/7 | 7/7 | | | 5/5 | | |
| Kathryn Chisholm* | 6/7 | | 6/7 | 3/4 | 5/5 | 1/1 | 105,428.10 |
| Debra Doucette | 6/7 | | | 8/8 | 5/5 | 1/1 | |
| Luc Fortin | 6/7 | 5/7 | | | 5/5 | | |
| Robert Frances | 6/7 | | | 6/8 | 5/5 | 1/1 | |
| Tim Hodgson* | 6/7 | 6/7 | 6/7 | 7/8 | 5/5 | 1/1 | 186,996.70 |
| Miranda Hubbs* | 7/7 | | 7/7 | 8/8 | 5/5 | 1/1 | 120,729.35 |
| Michelle Khalili | 7/7 | | | 8/8 | 5/5 | | |
| Andrew Kriegler | 7/7 | 7/7 | 7/7 | 8/8 | 5/5 | 1/1 | |
| Louis Marcotte* | 7/7 | 5/7 | | 7/8 | 5/5 | | 105,436.78 |
| Philip Mayers* | 7/7 | 7/7 | | 8/8 | 5/5 | | 105,934.78 |
| Timothy Mills | 7/7 | 7/7 | | | 5/5 | | |
| Jennifer Newman* | 6/7 | 7/7 | 6/7 | | 5/5 | | 119,822.47 |
| Laura Tamblyn Watts* | 7/7 | | 6/7 | | 5/5 | 1/1 | 105,436.78 |
| Janet Woodruff* | 6/7 | | 7/7 | 8/8 | 5/5 | 1/1 | 120,729.35 |

* Only Independent Directors are compensated by CIRO
Denominator = total number of meetings invited to attend

Board Members

Tim Hodgson
(Chair, Independent)

Corporate Director

Andrew J. Kriegler

President and CEO

Independent Directors

Janet Woodruff

Corporate Director

Louis Marcotte

Chief Financial Officer for Intact
Financial Corporation

Jennifer Newman

Corporate Director

Miranda Hubbs

Corporate Director

Kathryn Chisholm

Corporate Director

Philip Mayers

Corporate Director

Laura Tamblyn Watts

CEO of CanAge

Industry Directors

Debra Doucette

Executive Chair of Odium Brown

Patricia Callon

Senior Vice-President and
General Counsel, Sun Life

Luc Fortin

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

Robert Frances

Founder, Chairman and Chief Executive
Officer of Peak Financial Group

Michelle Khalili

Managing Director and Head, Global
Equity Capital Markets at Scotiabank

Timothy Mills

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

Independent Directors

Tim Hodgson

Appointment Date:

January 2023 (2-year term)

CIRO Committees:

Board Chair
ex-Officio all Committees

Other Boards:

Hydro One (H-TSX) (Chair)
Ontario Teachers' Pension Plan
Property and Casualty Insurance
Compensation Corporation

Reasons for Nomination to Our Board

Mr. Hodgson is a seasoned executive and public company chair with deep capital markets experience. He is also deeply committed to public service and has worked in various roles to safeguard the integrity of the financial system.

Additional Leadership Experience and Service

Former board member of Dialogue Health Technologies (CARE-TSX), MEG Energy (MEG-TSX), PSP Investments, Sagicor Financial Corporation, Sagicor Group Jamaica, Alignvest Acquisition Corporation, Alignvest Acquisition II Corporation, Global Risk Institute, KGS-Alpha Capital Markets, Next Canada, The Ivey School of Business, Bridgepoint Health, Global Risk Institute Sustainable Finance Advisory Committee, Fellow of Institute of Chartered Professional Accountants (CPAs)

Career Highlights

- Bank of Canada (2010-2012)
 - Special Advisor to Mark Carney, Governor of Bank of Canada
- Goldman Sachs (1990-2010)
 - Chief Executive Officer
 - Managing Director

Investment Banking in New York City, London, Silicon Valley, Toronto

Janet Woodruff

Appointment Date:

January 2023 (1-year term)
September 2024 (1-year term)

CIRO Committees:

Chair of Human Resources & Pension (HR&P)

Other Boards:

Ballard Power Systems (BLDP-TSX, Nasdaq)
Keyera Corporation (KEY-TSX)
Altus Group Limited (AIF-TSX)

Reasons for Nomination to Our Board

Ms Woodruff brings significant governance, financial and human resources experience to the board from regulated and other industries. She also brings extensive mutual fund dealer self-regulatory knowledge having served on the board of one of CIRO's predecessors, the Mutual Fund Dealers Association of Canada (MFDA).

Additional Leadership Experience and Service

Former MFDA board member
Former board member of Capstone Infrastructure Corporation (CSE.A-TSX)
Fellow Chartered Accountants of British Columbia

Career Highlights

- BC (British Columbia) Hydro | 2010-2011
 - Vice President and Special Advisor
- British Columbia Transmission Corporation | 2007-2010
 - Interim President
 - Vice President, Corporate Services and Chief Financial Officer

Jennifer Newman

Appointment Date:

January 2023 (2-year term)

CIRO Committees:

Finance, Audit & Risk (FAR)
Governance

Reasons for Nomination to Our Board

Ms Newman is a CPA and has extensive experience in finance, technology, project, risk and change management. She also brings valuable institutional knowledge having Chaired the FAR Committee of the Investment Industry Regulatory Organization of Canada (IIROC) board, one of CIRO's predecessors.

Additional Leadership Experience and Service

Former IIROC board member

Career Highlights

- Mastercard Foundation Asset Management (MFAM) | 2022-present
 - Chief Operating Officer
 - Special Advisor to the Investment Committee of Mastercard Foundation
- Ontario Teachers' Pension Plan | 2009-2021
 - Senior Managing Director, Operations and Technology Delivery
 - Senior Managing Director, Enterprise Service Delivery
 - Vice President, Investment Finance Operations
- CIBC | 2005-2009
 - Vice President, Finance
- BMO | 1997-2005
 - Director, Finance
- Pricewaterhouse Coopers | 1992-1997

Kathryn Chisholm

Appointment Date:

January 2023 (2-year term)

CIRO Committees:

Appointments
Governance
HR&P

Other Boards:

University of Alberta Board of Governors (Chair)
Alberta Cancer Foundation
Emissions Reduction Alberta
Palix Foundation

Reasons for Nomination to Our Board

Ms Chisholm is a retired energy executive with experience that spans strategic planning, sustainability, legal and regulatory, investor and government relations, market forecasting and analytics, media and communications, internal audit, ethics and compliance and stakeholder engagement.

Additional Leadership Experience and Service

Former Member Alberta Securities Commission
Women's Executive Network Canada's Most Powerful Women: Top 100 Hall of Fame Canadian Corporate Counsel Association "Robert V.A. Jones" Lifetime Achievement Award

Career Highlights

- Capital Power | 2009-2023
 - Senior Vice President, Chief Legal, Strategy and Sustainability Officer

Laura Tamblyn Watts

Appointment Date:

January 2023 (2-year term)

CIRO Committees:

Appointments
Governance

Other Boards:

Consumer Advisory Panel (Chair)
Financial Services Regulatory Authority of Ontario
Retirement Homes Regulatory Authority Consumer Advisory Panel
Bereavement Authority of Ontario (Consumer Appointee)

Reasons for Nomination to Our Board

Ms Tamblyn Watts has done extensive advocacy work focusing on aging, inclusion, consumer rights and social justice. She is a public interest executive with 25 years' experience giving a lens to a key CIRO stakeholder group, as well as institutional knowledge from her service on the IIROC board.

Additional Leadership Experience and Service

Former IIROC board member
#1 Best-selling author of Let's Talk About Aging Parents released in April 2024
Canadian expert appointee on the North American Securities Administrators' Association's Seniors' and Vulnerable Persons Committee
Founding Member of the OSC's Seniors' Expert Advisory Committee
2020/2021 Community Leadership in Justice Fellowship by the Law Foundation of Ontario
Distinguished International Fellow Award from Stetson University Centre for Excellence in Elder Law
Canadian Representative to the International Guardianship Network
Fellow of the World Congress on Adult Guardianship

Career Highlights

CanAge | 2019-Present

- Chief Executive Officer

University of Toronto | 2011-present

- Assistant Professor, Adjunct Professor

Louis Marcotte

Appointment Date:

January 2023 (2-year term)

CIRO Committees:

FAR
HR&P

Other Boards:

Finance Montréal
Financial Executive International Canada (Québec Chapter)
Sustainable Finance Action Council

Reasons for Nomination to Our Board

As a serving Chief Financial Officer, Mr. Marcotte brings significant financial management acumen to the Board, including M&A, financing, systems implementation, public reporting, tax and corporate governance. Additionally, his global experience brings an important lens to CIRO's business.

Additional Leadership Experience and Service

Fellow of Québec Order of CPAs

Career Highlights

Intact Financial | 2006-present

- Executive Vice President and Chief Financial Officer
- Senior Vice President of Strategic Distribution
- Treasurer

Miranda Hubbs

Appointment Date:

January 2023 (2-year term)

CIRO Committees:

Chair of Appointments
Chair of Governance
HR&P

Other Boards:

Imperial Oil (IOL-TSX, NYSE)
Nutrien (NTR-TSX, NYSE)
PSP Investments
Canadian Red Cross (Chair)

Reasons for Nomination to Our Board

Ms Hubbs has extensive governance experience in some of Canada's largest public companies, Crown corporations and not-for-profits. Additionally, she brings a capital markets perspective from both buy-side and sell side-experience, as well as mergers and acquisitions (M&A), and integration.

Additional Leadership Experience and Service

Former board member of Agrium (AGU-TSX, NYSE) and Spectra Energy (SE-NYSE)
ICD (Institute of Corporate Directors) Climate Strategy Advisory Board
Global Risk Institute Sustainable Finance Advisory Committee

Career Highlights

McLean Budden Ltd | 2002-2011

- Executive Vice President and Managing Director
- Portfolio Manager (Canadian Growth, US Core, Global Core)

HSBC Securities (Gordon Capital prior to Merger)

1994-2000

- Partner, Investment Banking
- Research Analyst

Philip Mayers

Appointment Date:

January 2023 (2-year term)

CIRO Committees:

Chair of FAR
HR&P

Other Boards:

Sagen MI Canada

Reasons for Nomination to Our Board

Mr. Mayers has 30 years of finance and general management experience in regulated financial services and other businesses. His leadership skills in this area help support CIRO Board's oversight role.

Additional Leadership Experience and Service

Youth Mentor in Jane-Finch Community (Toronto) with Seeds of Hope
Founding sponsor of the University of Waterloo School of Accounting and Finance's Financial Literacy Competition
Top Gun CFO (2019) based on Brendan Wood International Shareholder Confidence survey
Fellow of Institute of CPAs, Chartered Accountant and Certified Management Accountant

Career Highlights

Sagen MI Canada | 2009-2023

- Senior Vice President and Chief Financial Officer

Mortgage Insurance Company of Canada

Esso Petroleum Canada

Deloitte & Touche

Industry Directors

Debra Doucette

Appointment Date:

January 2023 (2-year term)

CIRO Committees:

Appointments

FAR

Other Boards:

Providence Health Care

Alumni UBC (past Chair)

Drug Free Kids Canada

Reasons for Nomination to Our Board

Ms Doucette's background with a small to medium sized investment dealer that services retail and wealth management channels brings an important member perspective to CIRO's Board. She also brings self-regulatory governance experience and extensive leadership skills.

Additional Leadership Experience and Service

Former Chair, Canadian Investment Protection Fund

Former MFDA board member

Order of British Columbia 2021

Canada's Most Admired CEO 2017

BC CEO Award 2016

Joseph and Rosalie Segal United Way Community

Vision Award 2016

Influential Women in Business 2015

Queen Elizabeth II Diamond Jubilee Medal 2012

BC Community Achievement Award 2012

Women's Executive Network Canada's Most

Powerful Women: Top 100 Hall of Fame

Career Highlights

Odlum Brown | 1991-present

- Executive Chair
- President and CEO

Luc Fortin

Appointment Date:

January 2023 (2-year term)

CIRO Committees:

FAR

Other Boards:

CDCC-Canadian Derivatives Clearing Corporation

CDS-The Canadian Depository for Securities

BOX Holdings Group LLC and BOX Market LLC

(BOX-NYSE)

Finance Montréal

Reasons for Nomination to Our Board

Mr. Fortin brings a wealth of stock exchange, market trading and clearing, and derivatives expertise to the Board. His perspective as a serving CEO of a member organization provides a valuable perspective.

Additional Leadership Experience and Service

Former IIROC board member

Former Chair, CANMarket Data

Career Highlights

TMX Group | 2016-present

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

HSBC Bank Canada | 2011-2016

- Managing Director, Canadian Head of Institutional Client Group

TD Securities | 1987-2010

- Managing Director

Michelle Khalili

Appointment Date:

January 2023 (2-year term)

CIRO Committees:

HR&P

Reasons for Nomination to Our Board

Ms Khalili brings experience from a large bank-owned dealer firm, along with extensive capital markets and leadership expertise.

Additional Leadership Experience and Service

Former board member Women's College Hospital

and Ontario Brain Institute

Former Chair and Canadian Committee Member of 100

Women in Finance Canada

Former Vice-Chair, IIROC board member

Career Highlights

Scotiabank | 2018-present

- Managing Director and Global Head, Equity Capital Markets and Corporate Finance Advisory

CIBC | 2016-2018, 2000-2012

- Managing Director, Private Capital Investment Banking
- Managing Director

Goldman Sachs | 2012-2016

- Managing Director and Head of Equity Capital Markets-Canada

Patricia Callon

Appointment Date:

January 2023 (1-year term)

CIRO Committees:

FAR

Other Boards:

Dean's Advisory Council, Western University Law
Legal Leaders for Diversity and Inclusion

Reasons for Nomination to Our Board

Ms Callon brings significant legal and compliance expertise and mutual fund dealer self-regulatory knowledge having served on the board of one of CIRO's predecessors, the MFDA.

Additional Leadership Experience and Service

Former Vice Chair, MFDA
Former Vice Chair, MicroSkills
Former board member of Meridian Credit Union, Toronto Hydro Corporation and Women General Counsel Canada
Two-time recipient of the Canada's Most Powerful Women: Top 100 award in the Corporate Directors (2013) and Executive Leaders (2020) categories.

Career Highlights

Sun Life | 2022-present

- Senior Vice-President, General Counsel, Corporate

Sun Life | 2014-2022

- Senior Vice-President, General Counsel, Canada

Canadian Securities Transition Office | 2009-2014

- Chief Legal Officer and Director, Stakeholder Outreach and Communications

OSC | 2005-2009

- Consultant, Policy development for mutual fund disclosure

CIBC | 1998-2004

- Vice-President and Associate General Counsel, Wealth Management

Robert Frances

Appointment Date:

January 2023 (2-year term)

CIRO Committees:

Appointments
HR&P

Other Boards:

LANDR Audio (Chair)

Reasons for Nomination to Our Board

Mr. Frances dedicates much of his time to the finance community and investment industry in Québec. His investment dealer and mutual fund dealer experience at a small to medium sized member firm provides invaluable insight to the CIRO Board.

Additional Leadership Experience and Service

Former Chair, Investment Funds Institute of Canada
Concordia University John Molson School of Business Advisory Board
International Board Chair, Young President's Organization (2011-2012)
Ernst & Young Entrepreneur of The Year (Business Services Category)

Career Highlights

PEAK Financial Group | 1992-present

- Founder, Board Chair and Chief Executive Officer

Timothy Mills

Appointment Date:

January 2023 (1-year term)

CIRO Committees:

FAR

Reasons for Nomination to Our Board

Mr. Mills brings a wealth of risk management and financial expertise to the CIRO board from a large bank-owned, fully integrated (retail and institutional) dealer member, as well as legacy board experience from IIROC, CIRO's predecessor.

Additional Leadership Experience and Service

Former IIROC board member
Chartered Financial Analyst
Fellow of the Institute of Chartered Accountants in England and Wales

Career Highlights

CIBC (Canadian Imperial Bank of Commerce)

2009-present

- Senior Vice President, Treasury Market and Liquidity Risk Management
- Vice President, Capital Markets Risk Management

Kaupthing Singer & Friedlander,

London, England | 2007-2009

- Head of Interest Rate Derivatives Trading

Nationwide Building Society,

Northampton, England | 2003-2007

- Head of Derivatives Trading

Board Committee Mandates

The Board has established four standing committees: the Governance Committee, the Finance, Audit and Risk Committee, the Human Resources and Pension Committee, and the Appointments Committee. All committees have a majority of independent members, with the Governance Committee composed entirely of independent directors.

Governance Committee

The Governance Committee is charged with:

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

Finance, Audit and Risk Committee

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

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

Human Resources and Pension Committee

The Human Resources and Pension Committee is charged with:

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

Appointments Committee

The Appointments Committee is charged with:

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

Progress on Priorities



Progress on Priorities

This year's public priorities build on last year's priorities and begin the work of realizing CIRO's three-year [Strategic Plan](#) released in April of this year.

We continue to focus on maintaining regulatory delivery and operations, and integration, while also starting work on achieving the Strategic Objectives as laid out in our Plan.

Integration

Our integration will support the delivery of our commitments to our stakeholders, including the successful completion of the priorities set out by the Canadian Securities Administrators (CSA). CIRO will continue to deliver on our commitment to the integration in the following ways:

- Integrated Dealer Fee Model - Complete consultation and be ready to implement for FY26.
- Complete and implement the new integrated Risk Model to assess risk consistently across all CIRO Dealer Members.
- Align the objectives, uses, processes and information requested previously under the Investment Dealers Annual Risk Questionnaire (ARQ) and the Mutual Fund Dealers Annual Questionnaire (AQ). Launch a new harmonized risk questionnaire using a new platform to enhance the Dealer Member experience.

- Finalize and execute the aligned examination program, including the risk-based approach to examinations.
- Develop a proposal to harmonize Continuing Education regimes.
- Harmonized Directed Commissions - Continue project to develop proposed rule amendments to expand the group of Approved Persons that are able to conduct activities for their sponsoring Dealer Member through a corporation.
- **Rule Consolidation project:**
 - **Phase 3:** During the year, we will complete the consultation on the proposed Phase 3 consolidated rules.
 - **Phase 4:** During the year, we will publish the proposed Phase 4 consolidated rules for public comment.
 - **Phase 5:** During the year, we will substantially complete rule development and advisory committee consultation work on the proposed Phase 5 consolidated rules.
- Launch CIRO's examinations of Mutual Fund Dealer firms with activities in Québec.

Regulatory Delivery and Operations

CIRO is committed to the continuous delivery of our mandate and our regulatory delivery and operations, or business as usual, remains a constant priority. Specifically, this year we will:

- Complete the CFR Phase 2 sweep testing, review results with the CSA and initiate the work on a joint final report for publication.
- Address public comments received on the proposed fully paid lending and financing arrangement rule amendments, make necessary adjustments to the proposed amendments and seek approval to finalize them.
- Implement Phase 1 of a Public Analytics Data Portal (access to aggregate trading information).
- Issue a bi-annual survey to all Members to obtain feedback on perception of regulatory effectiveness and efficiency of CIRO.
- Develop surveillance tools to review OTC trading activity of crypto assets.
- Update the cybersecurity self-assessment checklist.

Strategic Objectives

Regulatory Evolution

- CIRO must support diverse business models and ensure that the regulations it applies are proportionate to the risks in the business that is being regulated. We need to be an agile regulator that delivers efficient and cost-effective service that reflects investor, dealer and marketplace needs through:
 - Establishing public-facing service standards associated with the processing of Member applications and transaction requests.

Investor Research, Education and Protection

- CIRO is committed to enhancing the investor perspective in our regulatory activities through input from the Investor Advisory Panel (IAP) and the Office of the Investor's outreach, engagement and partnerships. Our goal is to understand, inform and protect investors by:
 - Launching our first investor survey which provides the foundation for future investor research initiatives. This survey will continue to support our understanding of Canadian investors and inform our rule making processes.
 - Execute an awareness campaign through social media and other channels to increase awareness of CIRO and CIRO's resources for Investors.
 - Develop a framework to return disgorged funds collected through disciplinary proceedings to harmed investors including public consultation on the framework.
 - Proposing changes to the Arbitration Program to make the Program available to clients of both investment dealers and mutual fund dealers along with enhancing accessibility, efficiency and transparency of the arbitration process for investors and dealers.
 - Continue to work with the CSA to develop the regulatory framework for crypto asset platforms including tailored requirements around custody and segregation of crypto assets.
 - Conduct a survey of members on the scope of use of technology and third-parties.

Registration and Proficiency

- We are committed to streamlining and harmonizing our registration framework and proficiency standards to better support the evolving needs of investors and Dealer Members across Canada. This modernization program will include enhancing the current proficiency regime for Investment Dealer registrants and firms that will ensure suitable and competent registrants and firms, and enable them to leverage the right tools to better serve Canadian investors. In the coming year, we will:
 - Select an exam design and delivery service provider(s);
 - Propose rule amendments to reflect the new assessment-based assessment model; and
 - Develop a framework for Mutual Fund Dealers' registration in Quebec to implement the delegation of powers granted to CIRO.

Market Regulation

- Supporting healthy capital markets is paramount for CIRO and we are committed to increasing confidence in our markets and our market participants. We are committed to right-sizing market regulation, assessing potential policy changes to address current risks and gaps in the rules framework, and developing rule proposals where appropriate. Through consultation, and stakeholder input, we provide effective and appropriate market regulation that supports and fosters fair and efficient capital markets. In FY25, we will do this by:
 - Proposing appropriate rule amendments to accommodate the unique characteristics and structure of ETFs, recognizing the role of the Authorized Participants and the relationship between the primary and secondary markets.
 - Expanding cross-asset surveillance capabilities through the implementation of interest rate derivatives monitoring.
 - Introducing monitoring for potential CORRA manipulation.

Management Discussion & Analysis

(in thousands of dollars)



Management Discussion & Analysis

The Management Discussion and Analysis [“MD&A”] on CIRO’s operations and financial position are presented for the fiscal year [“FY”] ended March 31, 2024. The MD&A should be read in conjunction with the Financial Statements and related notes.

CIRO is a cost-recovery, not-for-profit pan-Canadian organization that recovers its operating expenses for each of its key areas of regulation. CIRO was formed through the amalgamation of the Mutual Fund Dealers Association of Canada and the Investment Industry Regulatory Organization of Canada on January 1, 2023. The fee structures and models of the legacy organizations continue to apply, with necessary modifications, as the Interim Fee Model until an integrated fee model has been approved by the CSA. These fee models prescribe the method of cost recovery for each key regulatory area and for the Debt Information Processor [“Debt IP”] activity. The primary source of revenue is through fees for Investment and Mutual Fund Dealer regulation, Equity Market regulation, debt market regulation and Debt IP activities which are collected through the application of their respective fee models.

Investment Dealer regulation secondary sources of revenue include underwriting levies, which represent a stipulated percentage share of the value of certain public equity and debt underwritings in Canada, and registration fees based on arrangements with provincial securities authorities. CIRO also collects fees

for Continuing Education [“CE”] course accreditation services and registration. CIRO assumed direct responsibility over the accreditation of CE courses for Investment Dealer and Marketplace Members for the cycle beginning January 1, 2022. As well, CIRO implemented a Continuing Education program for Mutual Fund Dealers effective December 1, 2021 which includes course registration and other fees relating to the Continuing Education program. In addition, within Equity Market regulation, CIRO separately recovers expenses for administering timely disclosure services for the TSX, TSXV, CSE and Cboe exchanges.

In this report, we provide a comprehensive review of our financial performance and operating results for the fiscal year, as well as an update on our strategic initiatives and outlook for the future. The prior year comparative figures show the aggregated results for the period from April 1, 2022, to December 31, 2022 when the legacy entities were operating independently and the results of the combined entity for the period from January 1, 2023 to March 31, 2023.

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

Key Changes in Senior Management

During the FY 2024, Georgina Whitehead was brought into the new role of Chief Human Resources Officer. Georgina will help guide CIRO through this period of organizational change ensuring our legacy teams come together into a culture where we all feel a sense of purpose.

In FY 2025, the Transition Management Office (TMO) created for the purposes of overseeing and prioritizing integration initiatives will be wound down. After great success and contributions to move the organization

forward in our integration journey, Nigel Carpenter, Vice-President, Information Technology Governance & Co-Chair TMO made the decision to leave the organization effective May 31, 2024. Victoria Pinnington, former Senior Vice-President Market Regulation & Co-Chair TMO will continue in her role leading the TMO and supporting its wind down until her retirement in December, 2024.

Effective April 1, 2024, Kevin McCoy has been appointed Senior Vice-President Market Regulation.

FY 2024 Year in Review

Economic & Market Environment

In FY 2024, Canada's economic growth slowed as a result of measures to control inflation with higher interest rates. These rate increases, which had been on hold since July 2023, have affected several of CIRO's financial results, including:

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

Key Initiatives

The inaugural Annual Priorities for CIRO set for FY 2024 helped guide our activities in our first year as an enhanced, single regulator. One of the eight priorities included developing the mission, vision, values and three-year strategic plan that will ultimately shape what we do and how we invest our funds to achieve long term goals in support of the public interest.

While recognizing the need to continue to deliver on our regulatory mandate and support investors through industry and regulatory transformation, many of our priorities and related financial investments continued to focus on delivering the value of the amalgamation through consolidation, harmonization and integration efforts.

This included:

- Planning, design, construction and moving into a new Toronto premises. The new space creates a compelling work environment for employees and supports integration objectives including quickly developing a unified culture, and was at a comparable price to renewal in the prior location;
- Targeted investments in human resources to improve processes impacting our dealer members;
- In addition, there were higher operating costs from prior year investments in the market expansion project to accommodate increased market activity volumes and the cross-asset surveillance project to efficiently detect and deter any real or potential unfair cross-asset trading practices and trading rule violations to uphold market integrity and investor protection;
- Establishing CIRO's Office of the Investor and Investor Advisory Panel resulting in a number of achievements including publishing the Office of the Investor Blueprint, creating numerous educational resources for investors, launching CIRO's Awareness Campaign, and conducting CIRO's first Investor Survey.

Summary Financial Information

Unrestricted Fund

| | FY24 (\$) | FY23 (\$) | Variance (\$) | Variance (%) |
|---|----------------|----------------|---------------|--------------|
| Revenue | | | | |
| Dealer regulation | | | | |
| Investment dealer membership fees | 58,564 | 55,487 | 3,077 | 6% |
| Mutual fund dealer membership fees | 37,237 | 37,205 | 32 | 0% |
| Underwriting levies | 9,327 | 7,912 | 1,415 | 18% |
| Registration fees | 1,883 | 2,000 | (117) | (6%) |
| Continuing education revenue | 827 | 493 | 334 | 68% |
| Entrance fees | 130 | 165 | (35) | (21%) |
| | 107,968 | 103,262 | 4,706 | 5% |
| Market regulation | | | | |
| Equity regulation | 31,156 | 28,326 | 2,830 | 10% |
| Debt regulation | 2,415 | 2,322 | 93 | 4% |
| Timely disclosure | 3,397 | 3,119 | 278 | 9% |
| Marketplace revenue | 557 | 367 | 190 | 52% |
| | 37,525 | 34,134 | 3,391 | 10% |
| Debt Information Processor ["Debt IP"] | 1,634 | 1,634 | 0 | 0% |
| Other revenue | | | | |
| Investment income including interest | 6,002 | 1,382 | 4,620 | |
| Recoveries of enforcement costs | 661 | 730 | (69) | (9%) |
| Miscellaneous | 1,165 | 162 | 1,003 | * |
| | 7,828 | 2,274 | 5,554 | * |
| Total Unrestricted Fund revenue | 154,955 | 141,304 | 13,651 | 10% |

* Variance is greater than +/- 100%

Unrestricted Fund (Cont)

| | FY24 (\$) | FY23 (\$) | Variance (\$) | Variance (%) |
|---|--------------|----------------|---------------|--------------|
| Expenses | | | | |
| Dealer regulation | | | | |
| Investment dealer regulation | 73,488 | 67,119 | 6,369 | 9% |
| Mutual fund dealer regulation | 35,898 | 34,695 | 1,203 | 3% |
| Market equity regulation | 35,802 | 31,412 | 4,390 | 14% |
| Market debt regulation | 2,660 | 2,417 | 243 | 10% |
| Debt IP | 1,252 | 1,398 | (146) | (10%) |
| Total Unrestricted Fund operating expenses, before integration costs | 149,100 | 137,041 | 12,059 | 9% |
| Excess of revenue over expenses for the year before integration costs and recoveries | 5,855 | 4,263 | 1,592 | 37% |
| Integration cost recovery fees | 4,751 | - | 4,751 | NA |
| Integration costs | 10,928 | 11,070 | (142) | (1%) |
| (Deficiency) Excess of revenue over expenses for the year | (322) | (6,807) | 6,485 | 95% |

* Variance is greater than +/- 100%

Externally Restricted Fund

| | FY24 (\$) | FY23 (\$) | Variance (\$) | Variance (%) |
|---|--------------|----------------|---------------|--------------|
| Revenue | | | | |
| Entrance fees | 40 | 118 | (78) | (66%) |
| Monetary sanctions and other fines | 8,197 | 4,692 | 3,505 | 75% |
| Interest Income | 768 | 500 | 268 | 54% |
| Miscellaneous revenue | 31 | - | 31 | NA |
| Total Externally Restricted Fund revenue | 9,036 | 5,310 | 3,726 | 70% |
| Externally Restricted Fund Expenses | | | | |
| Hearing panel expenses | 1,629 | 1,378 | 251 | 18% |
| Amortization and impairment [Owned assets] | 1,185 | 1,116 | 69 | 6% |
| Legal Costs for Fine Collection | 317 | 146 | 171 | * |
| Amortization and interest [Capital assets under lease] | 296 | 287 | 9 | 3% |
| Member education | 296 | 121 | 175 | * |
| Cybersecurity Table-top | 144 | - | 144 | NA |
| Crypto Insolvency Simulation | 112 | - | 112 | NA |
| Osgoode Hall Law School Investor Protection Clinic | 75 | 150 | (75) | (50%) |
| University of Toronto Law School Investor Protection Clinic | 75 | 75 | - | 0% |
| Cybersecurity Survey | 47 | 62 | (15) | (23%) |
| Provision for Bad Debt | 39 | - | 39 | NA |
| Investor Advisory Panel | 31 | 4 | 27 | * |
| National Investor Survey | 27 | - | 27 | NA |
| MÉDAC [Mouvement d'éducation et de défense des actionnaires] | 25 | 25 | - | 0% |
| CIRANO | 15 | - | 15 | NA |
| Office of the Investor | 12 | - | 12 | NA |
| Canadian Foundation for Advancement of Investor Rights ["FAIR"] | - | 325 | (325) | * |
| Research Project for Prosper Canada | - | 199 | (199) | * |
| Client Research Project | - | 86 | (86) | * |
| Implementation of framework for derivatives oversight | - | 2 | (2) | * |
| Total externally restricted fund expenses, before integration costs | 4,325 | 3,976 | 349 | 9% |
| Integration costs | - | 2,442 | (2,442) | * |
| Excess (deficiency) of revenue over expenses for the year | 4,711 | (1,108) | 5,819 | * |

* Variance is greater than +/- 100%

Integrated Costs and Recoveries

| | FY24 (\$) | FY23 (\$) | Variance (\$) | Variance (%) |
|--|----------------|-----------------|----------------|--------------|
| Revenue | | | | |
| Integration cost recovery fees | 4,751 | - | 4,751 | NA |
| Total integration cost recovery fees | 4,751 | - | 4,751 | NA |
| Expenses | | | | |
| Human resources and related advisory costs | 6,301 | 6,362 | (61) | (1%) |
| Technology | 3,354 | 585 | 2,769 | * |
| Communication | 549 | 411 | 138 | 34% |
| Legal | 359 | 1,751 | (1,392) | (79%) |
| Change management | 342 | 391 | (49) | (13%) |
| Financial advisory & insurance premiums | 12 | 1,651 | (1,639) | (99%) |
| Governance | 11 | 755 | (744) | (98%) |
| Integration management consultant | - | 1,583 | (1,583) | * |
| Quebec transition | - | 23 | (23) | * |
| Total integration costs | 10,928 | 13,512 | (2,584) | (19%) |
| (Deficiency) excess of revenue over expenses for the year | (6,177) | (13,512) | 7,335 | 54% |

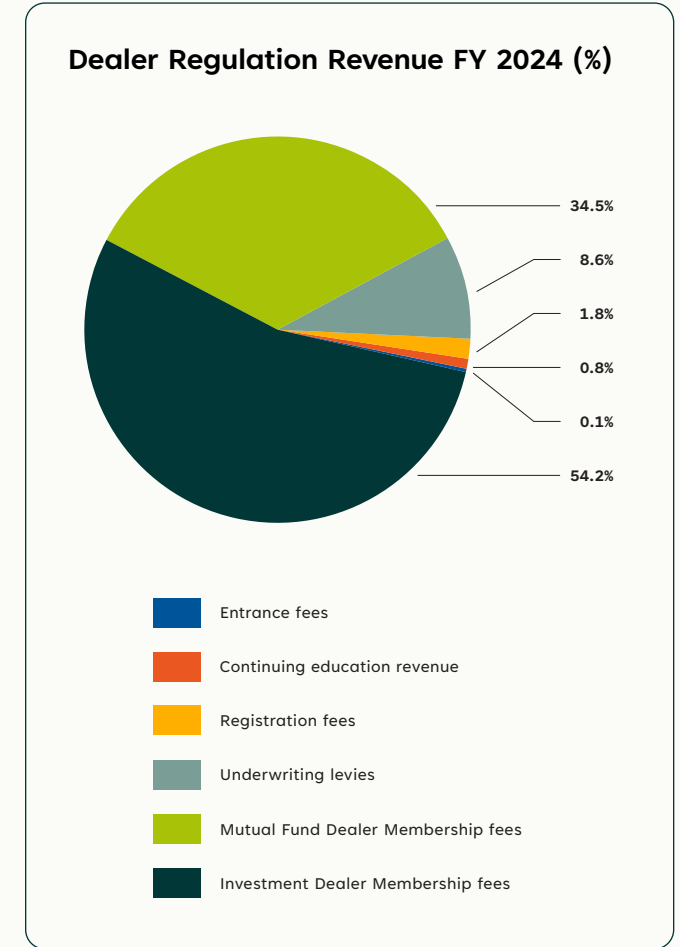
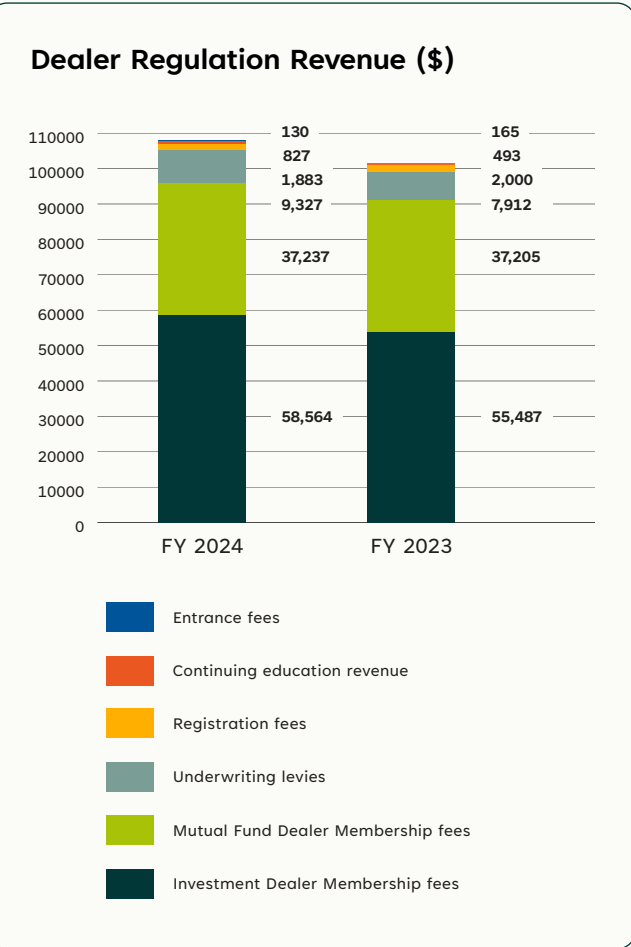
* Variance is greater than +/- 100%

Unrestricted Fund - Revenues

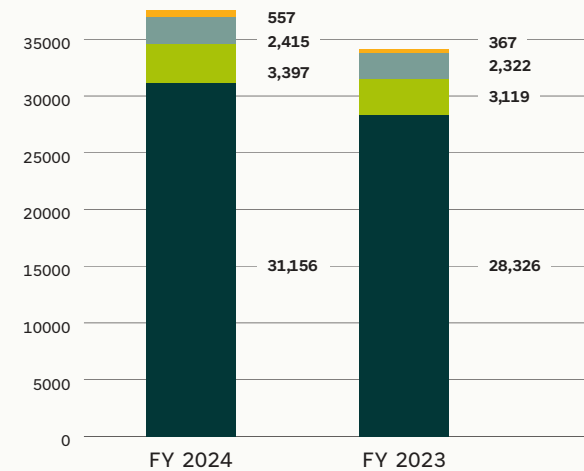
Unrestricted Fund revenue for the period increased by \$13,651 [10%] to \$154,955 from \$141,304 in FY 2023.

Fees from Investment Dealer and Mutual Fund Dealer regulation, Equity Market regulation, Debt Market regulation, and Debt IP fee models are the primary sources of revenue. Fees collected from these five fee

models at an aggregate of \$131,006 represent approximately 85% of total CIRO revenue [88% in FY 2023]. 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.

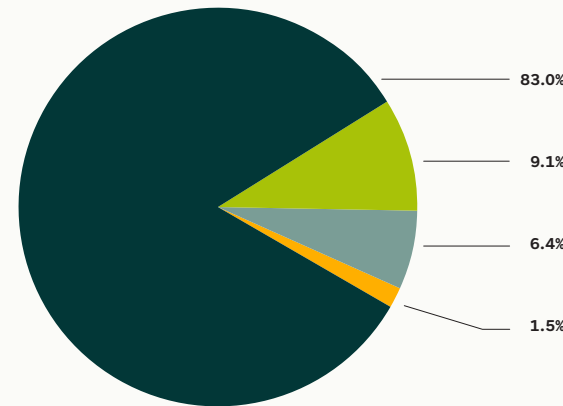


Market Regulation Revenue (\$)



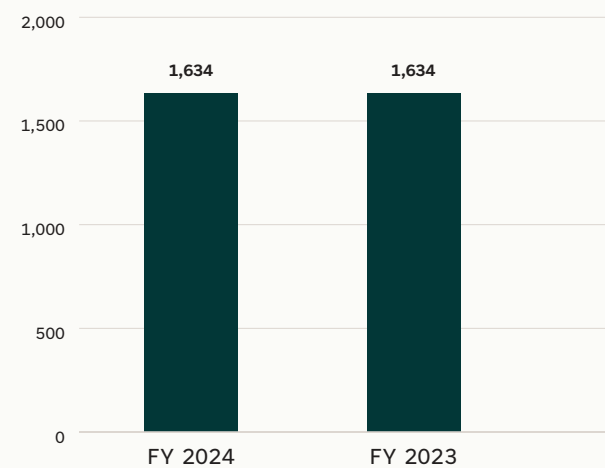
- Marketplace revenue
- Debt regulation
- Timely disclosure
- Equity regulation

Market Regulation Revenue FY 2024 (%)



- Marketplace revenue
- Debt regulation
- Timely disclosure
- Equity regulation

Debt Information Processor Revenue (\$)



Investment Dealer regulation membership fees increased by \$3,077 [6%] to \$58,564 compared with \$55,487 in FY 2023. Mutual Fund Dealer regulation membership fees slightly increased by \$32 to \$37,237 compared with \$37,205 in FY 2023. Equity Market regulation fees increased by \$2,830 [10%] to \$31,156 compared with \$28,326 in FY 2023. This increase was mainly due to additional technology expenses for more storage, servers, and applications to handle increased market activity. Additionally, investments were made to support the Cross-Asset Surveillance Program and the management of membership applications and transactions. Debt Market regulation fees increased by \$93 [4%] to \$2,415 compared with \$2,322 in FY 2023. Debt IP fees were flat to FY 2023 at \$1,634.

On a year-over-year basis, the combined revenue from secondary sources increased by \$2,065 [15%] to \$16,121 from \$14,056 in FY 2023.

Underwriting levies, a significant secondary source of Investment Dealer regulation revenue, increased by \$1,415 [18%] to \$9,327 in FY 2024 from \$7,912 in FY 2023 mainly due to an increase in debt and equity issuances which fluctuate due to market conditions.

Revenue from registration fees, the other significant secondary source of revenue, decreased by \$117 [6%] to \$1,883 from \$2,000 in FY 2023 primarily due to lower registration activities as a result of slow market conditions.

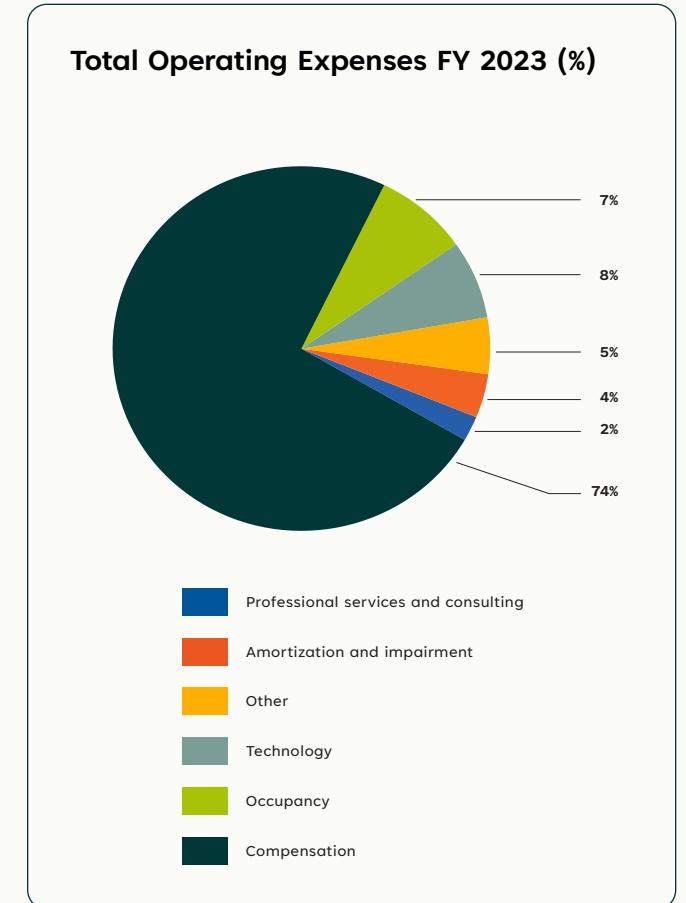
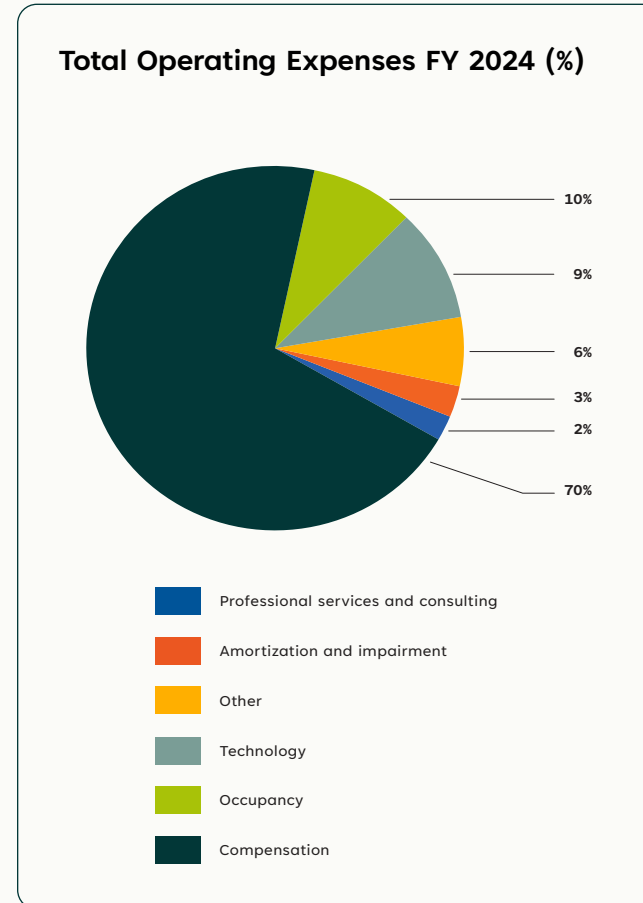
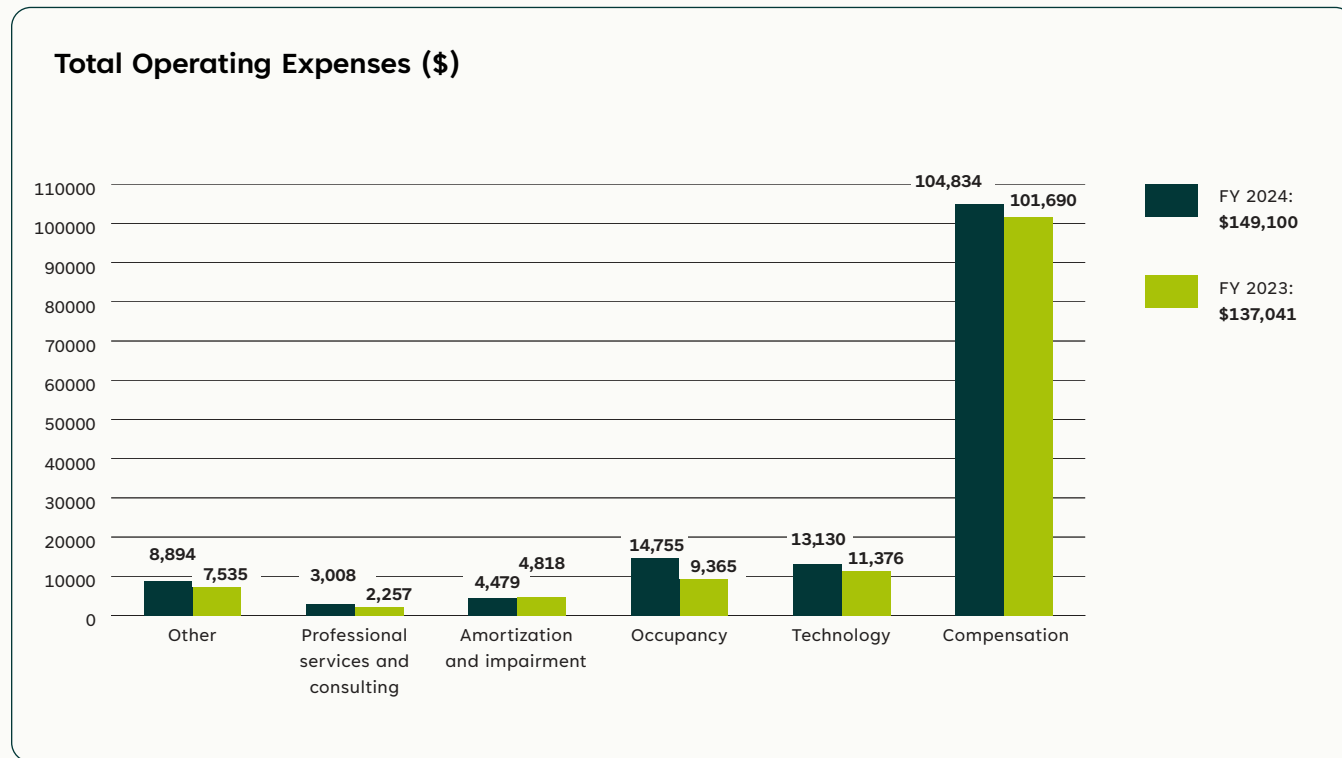
Continuing education revenue increased by \$334 [68%] to \$827 from \$493 in FY 2023. The increase in revenue can be attributed to increased activity in the year and a one-time true-up resulting from a change in the CERTS revenue recognition policy.

A significant secondary revenue source for Market regulation is timely disclosure fees from the TSX, TSXV, CSE and Cboe exchanges for administering their timely disclosure policies on a cost-recovery basis. Fees increased by \$278 [9%] to \$3,397 from \$3,119 in FY 2023. The higher fees are attributed to increased system costs reflecting the first full year amortization of the SMARTS Expansion Project. Marketplace revenue, which is another source of revenue for Market regulation, increased by \$190 [52%] to \$557 from \$367 in FY 2023. The increase in revenue can primarily be attributed to the recovery of costs to adapt the CIRO systems to changes made by marketplaces.

Other revenue increased by \$5,554 [244%] to \$7,828 in FY 2024 from \$2,274 in FY 2023 mainly due to higher investment income including interest, which includes revenue on earmarked investments for non-registered post-retirement benefit plans. The increase is primarily driven by gains on short term investments of surplus liquidity due to higher interest rates. Miscellaneous revenue for the year is also higher, driven by a one-time rebate related to the Toronto move, and the start of sub-lease income from one of the legacy Toronto premises.

Unrestricted Fund - Expenses

CIRO's total operating expenses increased \$12,059 [9%] to \$149,100 from \$137,041 in FY 2023. CIRO's operating expenses consist of six main categories.



In FY 2024, compensation accounted for approximately 70% of operating expenses [74% in FY 2023], representing the largest expense category. Compensation saw an increase of \$3,144 [3%], mainly due to merit increases and the pay for performance culture, along with added resources to support business needs.

Technology costs increased by \$1,754 [15%] mainly due to increased spending on information security for enhanced cloud security services and physical firewall upgrades. Costs for applications, server and storage costs also increased to support business operations and maintenance.

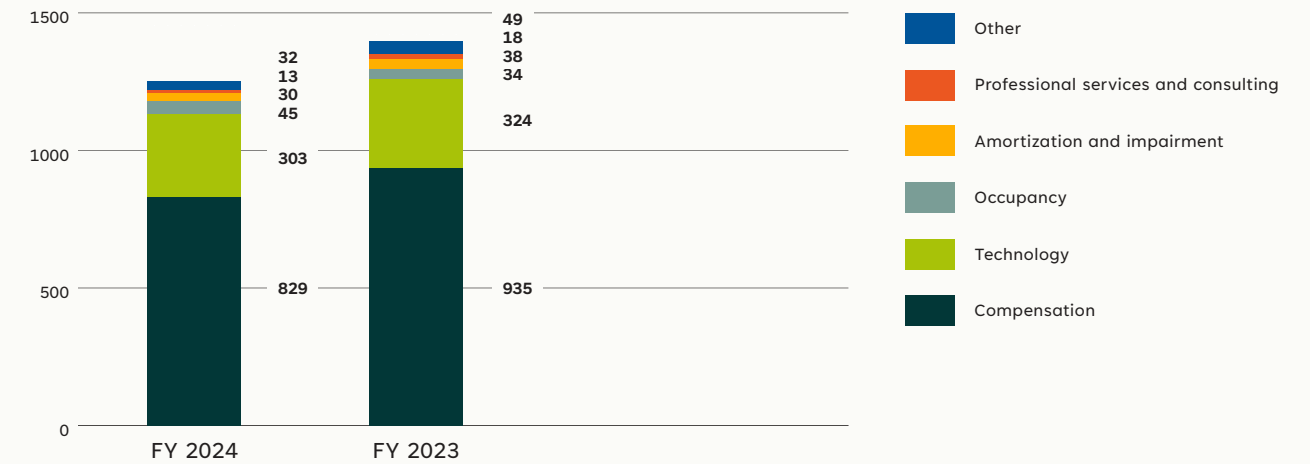
Occupancy costs represent the largest increase of \$5,390 [58%], driven by additional rent expense for the new Toronto premises effective from the turnover date of April 1, 2023, as we constructed the new facilities while still occupying the legacy premises. Furthermore, there were associated moving and relocation costs incurred in transitioning to the new Toronto premises.

Amortization and impairment decreased by a \$339 [7%] as some assets reached full amortization in FY 2023.

Professional services and consulting expenses increased by \$751 [33%], mainly driven by more projects. In FY2023, spending was curtailed due to capacity constraints resulting from a focus on pre-amalgamation and integration activities.

The other expenses category increased by \$1,359 [18%], primarily driven by higher general and administrative costs as a result of Financial Services Regulatory Authority (FSRA) start-up costs related to recognition as a credentialing body and higher Board of Director Fees and related costs. Travel and education costs were also higher for the year as employees resumed in-person activities post-pandemic. Inflationary pressures also contributed to this increase.

Debt Information Processor Operating Expenses (\$)



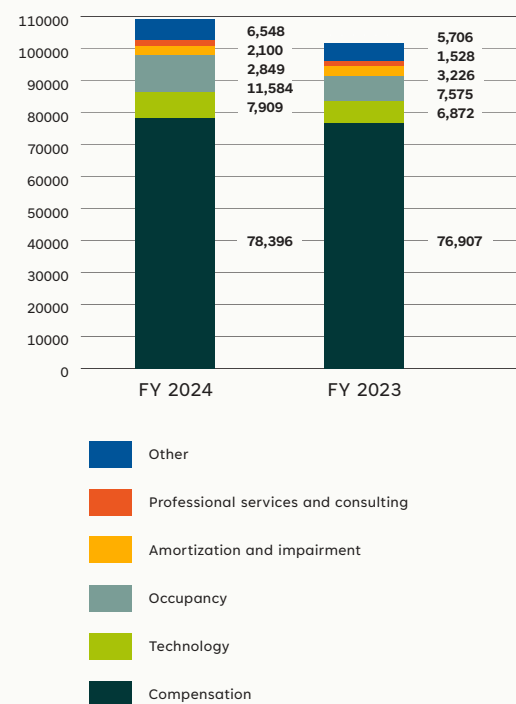
Direct business unit expenses are separately captured for each of the five fee models with indirect expenses being allocated using a cost allocation model based on either direct business unit expenses or business unit headcount as appropriate.

Dealer regulation expenses increased by \$7,572 [7%] to \$109,386 from \$101,814 in FY 2023, Investment Dealer regulation expenses increased by \$6,369, and Mutual Fund Dealer regulation expenses increased by \$1,203. The higher expenses are mainly driven by higher occupancy, compensation and technology expenses as noted above. Compensation increases include cross-asset surveillance support.

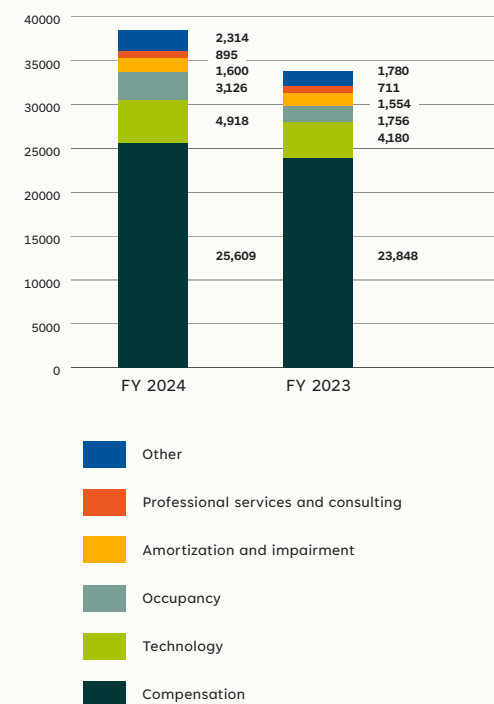
Market regulation expenses increased by \$4,633 [14%] to \$38,462 from \$33,829 in FY 2023, Equity Market regulation increased by \$4,390 and Debt Market regulation expenses increased by \$243. The higher expenses are mainly driven by higher compensation, occupancy and technology expenses as noted above. Compensation increases include investments made in resources for Member Intake and full year of cross-asset surveillance support. Technology storage costs increased to support expanded capacity of the existing market surveillance system.

Debt IP expenses slightly decreased by \$146 [10%] to \$1,252 from \$1,398 in FY 2023, the lower expenses are mainly driven by lower support costs being allocated to the fee model.

Dealer Regulation Operating Expenses (\$)



Market Regulation Operating Expenses (\$)



Unrestricted Fund

There was an excess of revenues over expenses, before integration costs net of recoveries of \$5,855 in FY 2024, compared with an excess of revenues over expenses of \$4,263 in FY 2023. The excess in FY 2023 reflected higher interest income due to higher interest rates on short-term investments of surplus liquidity as well as lower professional services and consulting spend due to a shift in focus to integration work compared to budget. Additionally, the excess in FY 2023 reflected a planned surplus by the MFDA prior to amalgamation to replenish reserves that were drawn down in FY 2022 as a result of integration costs and to meet their minimum internal liquidity guidelines. The surplus in FY 2024 is mainly due to higher investment income on short term investments and non-registered employee pension and post-retirement benefit earmarked investments, as well as underwriting levies, both of which fluctuate with market conditions.

The Unrestricted Fund balance decreased from \$104,266 to \$101,727 due to the excess of revenues over expenses before integration costs net of recoveries for FY 2024 of \$5,855, a net remeasurement loss of \$4,919 for the pension and the post-retirement benefit plans, and an interfund transfer of \$3,475 to the Internally Restricted Integration Fund as approved by the Board to reduce both the total costs to be recovered and the recovery duration through the Integration Cost Recovery Fee Model.

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

Externally Restricted Fund

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

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

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

or

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

Total revenues for the year amounted to \$9,036, compared with \$5,310 for FY 2023, an increase of \$3,726 [70%]. The increase is primarily driven by higher monetary sanctions and other fines assessed in FY 2024.

Total expenses increased by \$349 [9%] to \$4,325. The increase was primarily due to higher hearing panel expenses, member conference costs, and legal costs incurred for fine collection.

The resulting excess of revenues over expenses for the year was \$4,711, compared to an deficiency of \$1,108 after eligible integration costs of \$2,442, in the previous year.

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

At the end of FY 2024, the Externally Restricted Fund balance was \$23,728. Committed funds were \$4,398. Remaining uncommitted funds after accounting for three years' worth of hearing panel expenses (\$5,000), amount to approximately \$14,330. These remaining amounts are expected to be sufficient to fund both upcoming external and internal needs.

Integration Costs and Recoveries

As outlined in the Integration Cost Recovery Fee Model Guideline, the costs incurred relating to the amalgamation will be borne by CIRO and recovered over a period of three to five years from affiliated and dual registered Dealer Members. The integration costs incurred until March 31, 2024 are reported in the Internally Restricted Integration Fund. Fees to recover integration costs began in FY 2024 in the amount of \$4,751.

Total integration expenses were \$10,928 in FY 2024 as compared to \$13,512 for FY 2023 and were mainly for human resources and related advisory costs, technology,

communication, legal, and change management. In FY 2023, \$11,070 of costs were incurred in the Unrestricted Fund prior to interfund transfers, and \$2,442 of costs were incurred in the Externally Restricted Fund subsequent to CSA approval to cover certain external advisor costs incurred up to December 31, 2022.

The deficit in the Internally Restricted Integration Fund increased by \$2,702 from \$11,769 to \$14,471 in FY 2024 due to the deficiency of integration costs net of recoveries of \$6,177, net of the interfund transfer of \$3,475 from the Unrestricted Fund explained earlier.

During the year, CIRO increased its capital assets by \$27,658 [\$4,058 in FY 2023]. The increase was primarily driven by Toronto office construction (\$19,130), office furniture and equipment (\$3,436) and IT Back Office infrastructure (\$2,361) due to the Toronto office move.

In addition to cash and cash equivalents of \$72,009, CIRO holds investments of \$53,691 in high quality liquid short-term marketable securities such as government-issued treasury bills, debt instruments of financial institutions with remaining maturities of greater than three months, and mutual funds. Mutual funds are earmarked assets to fulfill non-registered post-retirement benefits. Unrestricted cash and cash

equivalents and investments excluding earmarked assets are \$79,101. After including short-term obligations, pre-payments, and receivables, the remaining available liquidity is \$53,052.

CIRO has an internal liquidity guideline for the Unrestricted Fund of a minimum of three months of operating expenses. Based on FY 2025 expected operating expenses of \$160,082, the minimum required by the guideline is \$40,021. The Unrestricted Fund holds more than the minimum required and is expected to also provide sufficient liquidity to cover anticipated capital expenditures.

Commitments

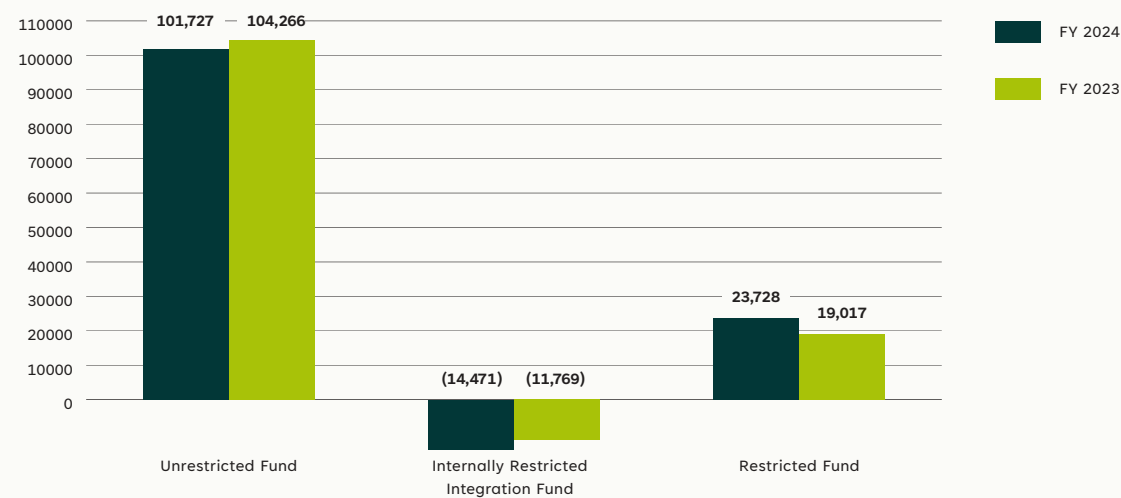
In February 2023, CIRO entered into an agreement to sub-lease new office space in Toronto to support the integration of staff after the expiry of one of the two Toronto premises leases existing at amalgamation. The sub-lease turnover date was April 1, 2023, to begin construction and fixturing. The sub-lease agreement expires September 29, 2038.

This agreement also includes a sub-lease of the remaining Toronto premises lease existing at amalgamation until its expiry in August 2026. The obligations of that lease continue under the original accounting treatment and disclosed commitments. Rental revenue recognized by CIRO for the premises sub-leased during 2024 was \$215. Remaining rental revenue to be recognized excluding operating and other costs to be recovered is \$2,853.

In September 2023, the Organization entered into an agreement to lease new office space in Calgary. The lease turnover date was December 1, 2023, to begin construction and fixturing. The lease agreement expires May 31, 2035.

As at March 31, 2024, CIRO has in place basic minimum aggregate annual rental commitments of \$73,838 [FY 2023 - \$75,703], excluding GST/HST and shared operating expenses under long-term operating leases, with varying expiry dates to September 29, 2038. These rental commitments also require CIRO to pay its share of operating expenses, which fluctuate year to year. In addition, there are minimum aggregate executory costs for capital leases of \$713 [FY 2023 - \$1,036] pertaining to costs related to the operation of the leased capital assets.

Fund Balances at Year End (\$)



Liquidity and Capital Resources

At the end of FY 2024, CIRO held total combined fund balances in the Unrestricted, Internally Restricted Integration, and Externally Restricted Funds of \$110,984, down \$530 from the FY 2023 balance of \$111,514. The decrease in fund balances arose from the net remeasurement loss for the pension plans and

post-retirement benefit plans of \$4,919 offset by the excess of revenues over expenses of \$4,389 [surplus of \$5,855 in the Unrestricted Fund, deficiency of \$6,177 in the Internally Restricted Integration Fund, and surplus of \$4,711 in the Externally Restricted Fund].

Capital Leases

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

The key capital assets are:

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

Contingencies

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

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

As at March 31, 2024, CIPF had not drawn on these lines of credit.

Use of Estimates

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

Items subject to significant management estimates include:

- Accruals – accruals are made for expenditures incurred but invoices not yet processed as of March 31, 2024. To be eligible for an accrual, CIRO must have received the goods or services as of March 31, 2024. For work-in-progress projects, the accrued amount is determined based on the percentage of completion of the projects.
- Allowances for doubtful accounts – estimates are determined based on the Dealers’ financial viability. The allowance for doubtful accounts as at March 31, 2024 was \$88 [FY 2023 - \$6].
- Eligibility of expenditures for capitalization – eligibility is determined based on accounting rules. CIRO does not capitalize consumables nor individual assets falling below their capitalization threshold in accordance with their capitalization guideline.
- 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.
- 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.
- Fair value of capital assets – capital assets are initially measured at cost and subsequently measured at cost less accumulated amortization. CIRO management undertakes an annual review to assess whether capital assets should be written off entirely, and also to identify partial impairment.
- Minimum lease payments – minimum lease payments are estimated based on terms of lease contracts.
- Lease discount rate – CIRO management determines an appropriate discount rate to apply in calculating the present value of lease payments for capital leases. A reasonable basis was determined to be CIRO’s proxy rate for incremental borrowing. Considerations were given to CIRO’s credit risk, the weighted average life of the leases, and comparable yield curves.
- Valuation of employee future benefits asset/liability – CIRO management, in consultation with actuaries, estimates the future earnings, discount rates and future salary increases or a prescribed range thereof for the purpose of the benefit asset/liability calculation which is carried out by the actuaries.

Risk

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

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

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

Litigation risk

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

Cybersecurity risk

CIRO's cybersecurity controls are continuously adjusted in response to changing cyber threats and industry standards. CIRO's information security team works jointly with our managed services provider and IT team partners to deliver services that manage our own and third-party cyber risk.

Revenue risk

About 85% of CIRO's revenue comes from Dealer membership fees, Equity and Debt Market regulation fees and Debt IP fees. Failure of a significant number of firms or a relatively large firm would have a critical impact on CIRO's financial operations. Prudent operating cost management and ongoing monitoring of the financial adequacy of firms helps to mitigate this risk. Additional risk arises from possible reductions in market activity that could adversely affect underwriting levies and from possible adverse changes in provincial registration-related revenues.

Regulatory compliance risk

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

Registered pension, SERP, SIP and PRB risk

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

Risk (Cont)

Financial instruments risk

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

Credit risk

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

Liquidity risk

CIRO's liquidity risk represents the risk that CIRO could encounter difficulty in meeting obligations associated with its financial liabilities. CIRO is exposed to liquidity risk with respect to its payables and accruals. CIRO mitigates its liquidity risk by preparing and monitoring forecasts of cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash, and maintaining a minimum of three months of budgeted operating expense as required by CIRO's internal liquidity guideline. In addition, CIRO has available credit facilities of \$6,000 for operating costs. On May 23, 2024, subsequent to year-end, this credit facility was closed.

Market risk

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

Currency risk

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

Other price risk

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

Interest rate risk

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

Resiliency

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

Outlook

CIRO's Strategic Plan starting in FY 2025 sets ambitious goals to realize the promise of the amalgamation between predecessor organizations and to pursue our long-term goal of supporting the public interest by transforming our regulatory model for the benefit of investors, our member firms and the financial system as a whole. The FY 2025 Annual Priorities tie back to the Strategic Objectives around integration, regulatory evolution, investor research, education and protection, registration and proficiency, and market regulation as well as acknowledging other business as usual objectives as we strive for continuous improvement.

The operating budget presented reflects the costs of carrying out our mandate and supporting CIRO's annual priorities. Total operating expenses for the coming year are expected to increase to \$160,084 in FY 2025 from \$149,100 in FY 2024, an increase of \$10,981 [7%]. The increase in expenses reflects compensation increases for merit and benefits, higher one-time project costs in support of the annual priorities including continued integration efforts, continued increase in travel activity, higher amortization stemming from the Toronto office move, and higher technology costs from increased usage costs of systems not yet integrated as well as higher information security costs.

Total revenues in the Unrestricted Fund are budgeted at \$156,745 for a planned deficit at \$3,337. The planned deficit in FY 2025 provides relief for specific and extraordinary one-time costs pertaining to:

- Integration project costs,
- Calgary office move and supporting IT operating expenditure project costs,

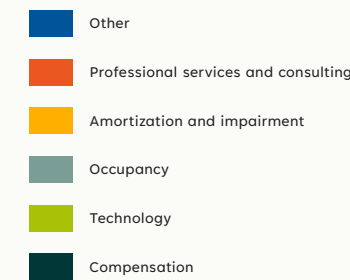
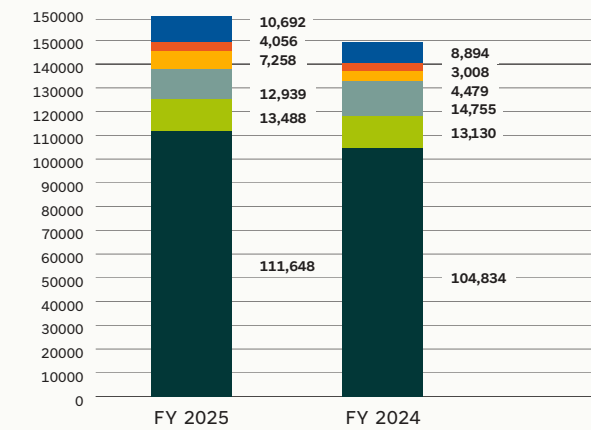
- Start-up costs charged by FSRA for recognizing CIRO as a credentialling body,
- Certain resource costs to support the build of the examination and select education modules prior to implementation of CIRO's new Proficiency Program for Investment Dealer approval categories.

The fees are derived from budgeted annual operating costs net of non-fee revenue. Non-fee revenues are budgeted at \$20,146, an expected increase of \$4,543 [29%] compared to the FY 2024 budget. This increase is largely driven by sub-lease revenue on the remaining pre-amalgamation Toronto premises, and higher budgeted interest income.

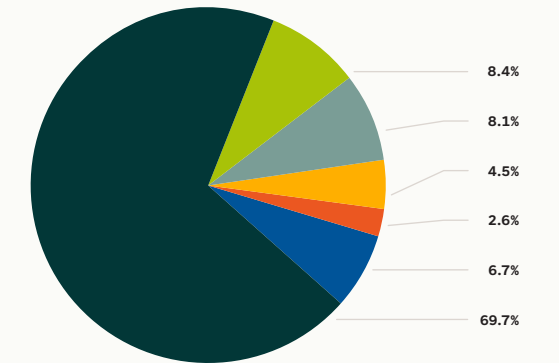
CIRO's overall budgeted fees are \$136,599 for FY 2025, an increase of 4%. Investment Dealer and Mutual Fund Dealer Regulation fees are up 4.5%, Equity Market Regulation fees are up 2.5%, Debt Market Regulation fees are up 4%, and Debt Information Processor fees are flat to FY24. These fee increases factor in inflationary increases, merit increases for employees, higher amortization stemming from the move into a new Toronto office, and a return to normalized project spending after a period largely focused on integration.

The FY 2025 fees for the Integration Cost Recovery Fee Model of \$5,089 are set at 6% of annual dues for applicable members, consistent with FY 2024. This was based on estimates of the \$14,471 balance of integration costs up to March 31, 2024 to be recovered. It is estimated that if rates are held at 6% in future years, the costs will be recovered over a total of 4 years from FY 2024 to FY 2027.

FY 2025 Budgeted Operating Expenses (\$)



FY 2025 Budgeted Operating Expenses (%)



Financial Statements

March 31, 2024 (in thousands of dollars)



Independent Auditor's Report

To the Members of the Canadian Investment Regulatory Organization

Opinion

We have audited the financial statements of Canadian Investment Regulatory Organization [the "Organization"], which comprise the statement of financial position as at March 31, 2024, 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, 2024, 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.

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.

Independent Auditor's Report *(Cont)*

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 19, 2024

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants



Statement of Financial Position

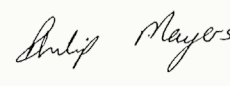
As at March 31

| | 2024 (\$) | 2023 (\$) |
|--|----------------|----------------|
| Assets | | |
| Current | | |
| Cash and cash equivalents | 72,009 | 62,949 |
| Investments [note 3] | 53,691 | 72,439 |
| Receivables [note 4] | 12,190 | 7,927 |
| Prepaid expenses | 3,689 | 3,103 |
| Current portion of long-term receivables [note 5] | 3 | 4 |
| Total current assets | 141,582 | 146,422 |
| Employee future benefits [note 8] | 3,852 | 6,962 |
| Long-term receivables [note 5] | 4 | 1 |
| Capital assets, net [note 6] | 37,157 | 15,452 |
| Deposit | 488 | 469 |
| | 183,083 | 169,306 |
| Liabilities and fund balances | | |
| Current | | |
| Payables and accruals | 35,491 | 26,375 |
| Government remittances payable | 780 | 519 |
| Current portion of capital lease obligations [note 7] | 1,700 | 1,925 |
| Deferred revenue | 75 | 211 |
| Current portion of deferred rent and lease inducements | 655 | 1,203 |
| Total current liabilities | 38,701 | 30,233 |
| Capital lease obligations [note 7] | 474 | 1,722 |
| Deferred rent and lease inducements | 5,895 | 2,165 |
| Employee future benefits [note 8] | 27,029 | 23,672 |
| Total liabilities | 72,099 | 57,792 |
| Commitments and contingencies [notes 10 and 12] | | |
| Fund balances | | |
| Unrestricted fund | 101,727 | 104,266 |
| Internally restricted integration fund | (14,471) | (11,769) |
| Externally restricted fund | 23,728 | 19,017 |
| Total fund balances | 110,984 | 111,514 |
| | 183,083 | 169,306 |

On behalf of the Board:



Andrew J. Kriegler,
President and CEO



Phil Mayers,
Chair of the Finance,
Audit and Risk Committee

Statement of Changes in Fund Balances

Year ended March 31

| | Unrestricted fund (\$) | Internally restricted integration fund (\$) | Externally restricted Fund (\$) | 2024 Total (\$) | 2023 Total (\$) |
|---|------------------------|---|---------------------------------|-----------------|-----------------|
| Fund balances, beginning of year | 104,266 | (11,769) | 19,017 | 111,514 | 105,887 |
| Excess (deficiency) of revenue over Expenses for the year | (322) | — | 4,711 | 4,389 | (7,915) |
| Interfund transfer [note 9] | 2,702 | (2,702) | — | — | — |
| Remeasurements and Other items [note 8] | (4,919) | — | — | (4,919) | 13,542 |
| Fund balances, end of year | 101,727 | (14,471) | 23,728 | 110,984 | 111,514 |

Statement of Operations

| Year ended March 31 | Unrestricted fund (\$) | Restricted fund (\$) | 2024 Total (\$) | 2023 Total (\$) |
|---|------------------------|----------------------|-----------------|-----------------|
| Revenue | | | | |
| Dealer regulation | | | | |
| Investment dealer membership fees | 58,564 | — | 58,564 | 55,487 |
| Mutual fund dealer membership fees | 37,237 | — | 37,237 | 37,205 |
| Underwriting levies | 9,327 | — | 9,327 | 7,912 |
| Registration fees | 1,883 | — | 1,883 | 2,000 |
| Continuing education revenue | 827 | — | 827 | 493 |
| Entrance fees | 130 | 40 | 170 | 283 |
| | 107,968 | 40 | 108,008 | 103,380 |
| Market regulation | | | | |
| Equity regulation | 31,156 | — | 31,156 | 28,326 |
| Debt regulation | 2,415 | — | 2,415 | 2,322 |
| Timely disclosure | 3,397 | — | 3,397 | 3,119 |
| Marketplace revenue | 557 | — | 557 | 367 |
| | 37,525 | — | 37,525 | 34,134 |
| Debt information processor | | | | |
| | 1,634 | — | 1,634 | 1,634 |
| Other revenue | | | | |
| Monetary sanctions and other fines | — | 8,196 | 8,196 | 4,692 |
| Investment income including interest | 6,002 | 769 | 6,771 | 1,882 |
| Recoveries of enforcement costs | 661 | — | 661 | 730 |
| Miscellaneous | 1,165 | 31 | 1,196 | 162 |
| | 7,828 | 8,996 | 16,824 | 7,466 |
| | 154,955 | 9,036 | 163,991 | 146,614 |
| Expenses [note 9] | | | | |
| Investment dealer regulation operating | 73,488 | — | 73,488 | 67,119 |
| Mutual fund dealer regulation operating | 35,898 | — | 35,898 | 34,695 |
| Market equity regulation operating | 35,802 | — | 35,802 | 31,412 |
| Market debt regulation operating | 2,660 | — | 2,660 | 2,417 |
| Debt information processor operating | 1,252 | — | 1,252 | 1,398 |
| Externally restricted fund | — | 4,325 | 4,325 | 3,976 |
| | 149,100 | 4,325 | 153,425 | 141,017 |
| Excess of revenue over expenses for the year before integration costs and recovery fees | 5,855 | 4,711 | 10,566 | 5,597 |
| Integration costs [note 9] | (10,928) | — | (10,928) | (13,512) |
| Integration cost recovery fees | 4,751 | — | 4,751 | — |
| Excess (deficiency) of revenue over expenses for the year | | | | |
| | (322) | 4,711 | 4,389 | (7,915) |

Statement of Cash Flows

Year ended March 31

| | | |
|--|----------|---------|
| Operating activities | | |
| Excess (deficiency) of revenue over expenses for the year | 4,389 | (7,915) |
| Amortization of capital assets | 5,875 | 6,181 |
| Rent amortization | 3,213 | (1,091) |
| Net loss on disposal of capital assets [note 6] | 77 | 1 |
| Impairment write-down of capital assets [note 6] | — | 26 |
| Employee future benefits expense [note 8] | 5,685 | 6,627 |
| | 19,239 | 3,829 |
| Changes in non-cash working capital balances related to operations | | |
| Receivables | (4,263) | 7,169 |
| Prepaid expenses | (586) | (730) |
| Deposit | (19) | (44) |
| Payable, accruals and government remittances payable | 9,377 | (844) |
| Deferred rent and lease inducements | (31) | — |
| Employer contributions for employee future benefits [note 8] | (4,317) | (5,915) |
| Deferred revenue | (136) | (8,220) |
| Cash provided by (used in) operating activities | 19,444 | (4,755) |
| Investing activities | | |
| Disposal of investments, net | 18,748 | 10,038 |
| Purchase of capital assets | (27,132) | (2,591) |
| Change in long-term receivables, net | (2) | 13 |
| Cash provided by (used in) investing activities | (8,386) | 7,460 |
| Financing activities | | |
| Repayment of capital lease obligations | (1,998) | (1,417) |
| Cash used in financing activities | (1,998) | (1,417) |
| Net increase in cash during the year | | |
| | 9,060 | 1,288 |
| Cash and cash equivalents, beginning of year | 62,949 | 61,661 |
| Cash and cash equivalents, end of year | 72,009 | 62,949 |
| Cash and cash equivalents consist of | | |
| Cash on hand and balances with bank | 40,206 | 34,593 |
| Cash equivalents | 31,803 | 28,356 |
| | 72,009 | 62,949 |
| Supplemental cash flow information | | |
| Acquisition of capital assets under capital lease | (525) | (1,467) |

Notes to Financial Statements

March 31, 2024

1. Organization

Canadian Investment Regulatory Organization ["CIRO"] is the pan-Canadian self-regulatory organization that oversees all Investment Dealers, Mutual Fund Dealers and trading activity on Canada's debt and equity marketplaces. CIRO carries out its regulatory responsibilities under Recognition Orders from the provincial securities commissions that make up the Canadian Securities Administrators ["CSA"]. The Organization sets and enforces rules regarding the proficiency, business conduct, and financial conduct of dealer firms and their Approved Persons, as well as market integrity rules regarding trading activity on Canadian debt and equity markets. The Organization is committed to the protection of investors, providing efficient and consistent regulation, and building Canadians' trust in financial regulation and the people managing their investments. As a not-for-profit organization, CIRO is exempt from income taxes under Section 149(1)(l) of the Income Tax Act (Canada).

CIRO was formed through the statutory amalgamation of the Mutual Fund Dealers Association of Canada [the "MFDA"] and the Investment Industry Regulatory Organization of Canada ["IIROC"] on January 1, 2023. The combination was accounted for as a merger in accordance with Section 4449, Combination by Not-for-profit Organizations in Part III of the CPA Canada Handbook – Accounting. The financial results for the year ended March 31, 2023 are the aggregated results for the period from April 1, 2022 to December 31, 2022 when the entities were operating independently and the results of the combined organization for the period from January 1, 2023 to March 31, 2023.

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

Unrestricted Fund

The Unrestricted Fund includes:

- (a) Dealer regulation, market regulation, and Debt Information Processor revenue and expenses, including amortization of Unrestricted Fund capital assets;
- (b) Recoveries of enforcement costs ordered by the Organization hearing panels as part of enforcement actions; and
- (c) Funding of any deficit in the registered and non-registered defined benefit pension and post-retirement benefit plans.

Internally Restricted Integration Fund

The Organization established an Internally Restricted Integration Fund, representing integration costs incurred in connection with the amalgamation that may be partially funded by the Organization on a permanent basis upon approval by the Board and/or by the Externally Restricted Fund for eligible expenses upon approval by the CSA and the Governance Committee. The remaining integration costs will be recovered by the Organization through the Integration

Cost Recovery Fee Model. Until such time, the Internally Restricted Integration Fund will report a deficit position, representing integration costs incurred to date net of recoveries.

Externally Restricted Fund

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

- (a) For the development of systems or other related expenditures that are necessary to address emerging regulatory issues and are directly related to protecting investors or the integrity of the capital markets, provided that any such use does not constitute normal course operating expenses;
- (b) For education or research projects that are directly relevant to the investment industry, and which benefit the public or the capital markets;
- (c) For specific funding related to a whistleblower program, provided that any such use does not constitute normal course operating expenses;
- (d) To contribute to a non-profit, tax-exempt organization, the purposes of which include protection of investors, or those described in paragraph [b];

- (e) For such other purposes as may be subsequently approved by the provincial securities commissions; or
- (f) For reasonable costs associated with the administration of the Organization's investor office, investor advisory panel and hearings.

Revenue recognition

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

Unrestricted revenue is recognized as revenue as follows:

Dealer regulation

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

Market regulation

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

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

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

Debt Information Processor

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

Other revenue

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

Recoveries of enforcement costs from member firms are recognized as revenue when assessed and amounts become receivable. Recoveries of enforcement costs from Approved Persons are recognized as revenue when received. Miscellaneous revenue includes rental revenue recognized over the term of the premises sub-lease as it becomes due.

Integration cost recovery fees for the fiscal year are assessed upon dealer member firms who are affiliated with the same controlling ownership interest and those who are dual-registered, as approved by the Board of Directors. Integration cost recovery fees are recognized as revenue on a straight-line basis over the fiscal year.

Cash and cash equivalents

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

Investments

Investments consist mainly of highly liquid marketable securities such as government-issued promissory notes and treasury bills, 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 their origination, acquisition, issuance or assumption. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations immediately when issued or acquired.

Subsequent measurement

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

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

Capital assets

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

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

Assets and obligations under capital lease

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

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

Deferred rent and lease inducements

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

Employee future benefits

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

- The defined benefit obligation is measured based on an actuarial valuation for accounting purposes at the statement of financial position date. The defined benefit obligation is determined using the projected benefit method prorated on services, which incorporates management's best estimate for each actuarial assumption. Actuarial assumptions are used in the calculation of the benefit obligation and the assumptions relate to administrative expenses and taxes, termination rates, disability claim rates, rates of employee turnover, retirement age, mortality, dependency status, per capita claims cost by age and by type of benefit, health care cost trend rates, discount rates to reflect the time value of money, and future salary and benefits level.
- Plan assets are measured at fair value at the statement of financial position date. The Organization recognizes a valuation allowance for any excess of plan surpluses over the expected future benefit.

- The cost of the defined benefit plans relating to current service cost and financing cost [net of 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:
 - The difference between the actual return on plan assets and the return calculated using the discount rate used to determine the defined benefit obligation;
 - Actuarial gains and losses;
 - The effect of any valuation allowance;
 - Past service costs; and
 - Gains and losses arising from settlements and curtailments.

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

Allocation of expenses

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

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

Use of estimates

Management reviews the carrying amounts of items in the financial statements at each period-end date to assess the need for revision or any possibility of impairment. Many items in the preparation of these financial statements require the use of management's judgment in arriving at a best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

These estimates are reviewed periodically and adjustments are made to the statement of operations as appropriate in the year they become known. Items subject to significant management estimates include accruals, allowance for doubtful accounts, eligibility of expenditures for capitalization, date of substantial completion of technology projects to begin amortization, useful lives of capital assets, minimum lease payments, lease discount rate, and valuation of employee future benefits asset/liability.

3. Investments

Investments, at fair value, consist of the following:

| | 2024 (\$) | 2023 (\$) |
|-----------------------|-----------|-----------|
| Marketable securities | 27,991 | 48,017 |
| Mutual funds | | |
| Balanced funds | 5,944 | 5,438 |
| Bond funds | 13,917 | 13,757 |
| Global equity funds | 5,839 | 5,227 |
| | 53,691 | 72,439 |

Marketable securities consist of government-issued promissory notes and treasury bills, and debt instruments of financial institutions with yields between 4.50% and 5.21% [2023 – 4.11% and 4.96%].

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

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

4. Receivables

Receivables consist of the following:

| | 2024 (\$) | 2023 (\$) |
|---------------------------------|-----------|-----------|
| Trade | 12,278 | 7,933 |
| Allowance for doubtful accounts | (88) | (6) |
| | 12,190 | 7,927 |

5. Long-term receivables

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

Employee loans receivable are loans provided to employees of the Organization for the purchase of home computers. Repayment terms and maturity dates were negotiated with employees at the time of making the loans. The loans are unsecured, non-interest bearing and due on or before July 15, 2026.

6. Capital assets

Receivables consist of the following:

| | 2024 | | 2023 | |
|-----------------------------------|-----------|-------------------------------|---------------------|---------------------|
| | Cost (\$) | Accumulated amortization (\$) | Net book value (\$) | Net book value (\$) |
| Unrestricted fund | | | | |
| Tangible | | | | |
| Leasehold improvements | 25,660 | 4,770 | 20,890 | 2,711 |
| Office furniture and equipment | 6,778 | 3,323 | 3,455 | 265 |
| Computer equipment and software | 559 | 405 | 154 | 261 |
| Technology projects hardware | 4,759 | 3,172 | 1,587 | 155 |
| Assets under capital lease | | | | |
| Computer equipment | 1,681 | 770 | 911 | 987 |
| Hardware | 3,572 | 1,430 | 2,142 | 2,569 |
| Office equipment | 178 | 168 | 10 | 22 |
| Intangible | | | | |
| Technology projects software | 21,579 | 15,973 | 5,606 | 4,606 |
| | 64,766 | 30,011 | 34,755 | 11,576 |
| Externally restricted fund | | | | |
| Tangible | | | | |
| Computer equipment | 53 | 26 | 27 | 44 |
| Technology projects hardware | 1,236 | 1,231 | 5 | 111 |
| Leasehold improvements | - | - | - | 51 |
| Hardware under capital lease | 1,364 | 1,067 | 297 | 586 |
| Intangible | | | | |
| Technology projects software | 7,490 | 5,417 | 2,073 | 3,084 |
| | 10,143 | 7,741 | 2,402 | 3,876 |
| | 74,909 | 37,741 | 37,157 | 15,452 |

Computer equipment under capital lease

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

Hardware under capital lease

The Organization entered into a five-year contract expiring December 2024 with an IT service provider for infrastructure services and information security operations within a new, secure, hybrid-cloud platform. Certain arrangements relating to the use of dedicated physical hardware were assessed to be leases of a capital nature. The leased capital assets recorded use management's best estimates for eligibility of expenditures for capitalization, minimum lease payments, discount rate, and date of substantial completion.

Office equipment under capital lease

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

Capital assets under development

As at March 31, 2024, there are capital assets under development for software and leasehold improvements of \$1,240, and capital lease assets under development for computer equipment of \$253. As such, these assets are not yet being amortized.

In addition, there are capital assets of \$19,190 included in leasehold improvements, \$3,436 included in furniture and equipment, and technology project hardware of \$1,346 and software of \$1,533 that were available for use in the last quarter of 2024. The majority of these assets relate to the Toronto office move in February 2024. 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 disposal losses in the amount of \$77 on office furniture, equipment, leasehold improvements, hardware and office equipment under capital lease [2023 – \$27 on technology project software and office equipment under capital lease]. The disposal losses were recognized in the statement of operations.

During the year, it was determined that assets with costs of \$14,955 [2023 – \$20,799] and accumulated amortization of \$14,878 [2023 – \$20,798], respectively, were no longer in use and written off.

7. Capital lease obligations

Concurrent with the recognition of assets under capital leases [note 6], equivalent capital lease obligations were recorded at the present value of estimated lease payments, excluding executory costs, using the Organization's estimated rate for incremental borrowing when the asset was recognized. The lease discount rates on the asset recognition dates are as follows:

| | Discount rate (%) |
|------|-------------------|
| 2024 | 1.12 – 5.60 |
| 2023 | 1.07 – 5.02 |
| 2022 | 0.66 – 3.06 |
| 2021 | 0.73 – 1.72 |
| 2020 | 1.76 |
| 2019 | 2.98 |

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 August 31, 2024 and April 30, 2028. There are no executory costs with the computer equipment leases. The capital lease obligation as at year-end is \$2,174 [2023 – \$3,647].

As at March 31, 2024, the estimated future minimum lease payments for obligations under capital leases in each of the next five years are as follows:

| | Capital (\$) | Executory (\$) | Total (\$) |
|--|--------------|----------------|------------|
| 2025 | 1,715 | 713 | 2,428 |
| 2026 | 265 | | 265 |
| 2027 | 165 | — | 165 |
| 2028 | 89 | — | 89 |
| 2029 | 6 | — | 6 |
| | 2,240 | 713 | 2,953 |
| Amount representing interest | 66 | | |
| Total capital lease obligations | 2,174 | | |
| Current portion | 1,700 | | |
| Long-term portion | 474 | | |
| Total capital lease obligations | 2,174 | | |

8. Employee future benefits

Upon amalgamation, the retirement and post-employment benefit plans of IIROC and the MFDA continued for their respective members under the sponsorship and administration of the Organization, including both defined benefit and defined contribution plan provisions. The defined benefit plans provide benefits that are based on a combination of years of service and a percentage of the participant's plan earnings and are closed to new entrants. Effective January 1, 2024, eligible employees not previously covered by provisions of a registered plan became eligible under the defined contribution plan provisions. 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. Effective January 1, 2024, the matching percentage equals the optional contribution rate for all CIRO DC participants.

As at March 31, 2024, the Organization has the following pension plans:

1. Retirement Plan for Employees of IIROC ["IIROC RPP"] – active, includes defined benefit and defined contribution provisions. On April 1, 2013, the defined benefit component of the IIROC RPP was closed to new members.
2. New Self-Regulatory Organization Pension Plan for the Members and Eligible Member of the Pension Plan for Employees of the MFDA ["MFDA RPP"] – inactive, includes a defined benefit provision and is closed to new employees as of January 1, 2014. As of April 1, 2023, active members of this plan accrue benefits under the IIROC RPP.
3. IIROC Supplemental Pension Plan for Executives ["IIROC SERP"] – active, non-registered plan including defined benefit and defined contribution

provisions. Effective January 1, 2020, the defined benefit provision of the IIROC SERP was closed to new members. Employees who become eligible for SERP on or subsequent to January 1, 2020 participate in the defined contribution provision. Effective April 1, 2023, the RS-sponsored Supplementary Income Plan ["Former RS SIP"], an inactive, non-registered defined benefit plan, was merged into the IIROC SERP.

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

In December 2023, CIRO filed an application with the regulatory authorities to merge the MFDA RPP into the IIROC RPP with an effective date of April 1, 2023. CIRO is awaiting regulatory approval, after which the assets will be transferred to effect the merger, and the reporting will be consolidated.

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

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

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

The most recent actuarial valuations for funding purposes were prepared with an effective date of April 1, 2023 for the IIROC RPP, MFDA RPP, IIROC SERP and MFDA SERP. The next actuarial valuations will be prepared with an effective date of no later than three years from the date listed.

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

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

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

| 2024 | | | | | | | |
|--|--------------------|-----------------------|--------------------|------------------|---------------|-------------------|------------------|
| | IIROC SERP (\$) | Former RS SIP (\$) | PRB Plans* (\$) | Subtotal (\$) | RPPs* (\$) | MFDA SERP (\$) | Subtotal (\$) |
| Accrued benefit Obligation | (14,227) | (103,038) | (11,174) | (128,439) | (40,985) | (6,555) | (47,540) |
| Fair value of plan assets | - | 101,410 | - | 101,410 | 48,000 | 8,993 | 56,993 |
| Fund status – plan Surplus (deficit) | (14,227) | (1,628) | (11,174) | (27,029) | 7,015 | 2,438 | 9,453 |
| Valuation allowance | - | - | - | - | (5,601) | - | (5,601) |
| Accrued benefit asset (Liability), net of Valuation allowance | (14,227) | (1,628) | (11,174) | (27,029) | 1,414 | 2,438 | 3,852 |

| 2023 | | | | | | | |
|--|--------------------|-----------------------|--------------------|------------------|---------------|-------------------|------------------|
| | IIROC SERP (\$) | Former RS SIP (\$) | PRB Plans* (\$) | Subtotal (\$) | RPPs* (\$) | MFDA SERP (\$) | Subtotal (\$) |
| Accrued benefit Obligation | (12,505) | (485) | (10,682) | (23,672) | (136,875) | (6,531) | (143,406) |
| Fair value of plan assets | - | - | - | - | 144,362 | 9,022 | 153,384 |
| Fund status – plan Surplus (deficit) | (12,505) | (485) | (10,682) | (23,672) | 7,487 | 2,491 | 9,978 |
| Valuation allowance | - | - | - | - | (3,016) | - | (3,016) |
| Accrued benefit asset (Liability), net of Valuation allowance | (12,505) | (485) | (10,682) | (23,672) | 4,471 | 2,491 | 6,962 |

The employee future benefit expense is as follows:

| 2024 | | | | | | |
|---|--------------------|-------------------|--------------------|------------------|-------------------|---------------|
| | IIROC SERP (\$) | IIROC RPP (\$) | PRB Plans* (\$) | MFDA RPP (\$) | MFDA SERP (\$) | Total (\$) |
| Current service cost | 568 | 4,010 | 334 | - | - | 4,912 |
| Interest cost on accrued Benefit obligation | 641 | 4,755 | 530 | 2,130 | 304 | 8,360 |
| Interest income on Market value of assets | - | (4,808) | - | (2,503) | (425) | (7,736) |
| Interest on valuation allowance | - | - | - | 149 | - | 149 |
| Employee future benefit expense (Recovery) | 1,209 | 3,957 | 864 | (224) | (121) | 5,685 |

| 2023 | | | | | | |
|---|--------------------|-----------------------|--------------------|---------------|-------------------|---------------|
| | IIROC SERP (\$) | Former RS SIP (\$) | PRB Plans* (\$) | RPPs* (\$) | MFDA SERP (\$) | Total (\$) |
| Current service cost | 592 | - | 371 | 4,366 | 140 | 5,469 |
| Interest cost on accrued Benefit obligation | 570 | 22 | 491 | 6,393 | 284 | 7,760 |
| Interest income on Market value of assets | - | - | - | (6,273) | (383) | (6,656) |
| Interest on valuation allowance | - | - | - | 54 | - | 54 |
| Employee future benefit expense | 1,162 | 22 | 862 | 4,540 | 41 | 6,627 |

The remeasurements and other items charged on the statement of changes in fund balances are a loss of \$4,919 [2023 – gain of \$13,542] as follows:

| 2024 | | | | | | |
|---------------------------------------|--------------------|-------------------|--------------------|------------------|-------------------|---------------|
| | IIROC SERP (\$) | IIROC RPP (\$) | PRB Plans* (\$) | MFDA RPP (\$) | MFDA SERP (\$) | Total (\$) |
| Actuarial losses (gains) | 707 | 3,773 | (45) | (2,126) | 174 | 2,483 |
| Change in valuation allowance | - | - | - | 2,436 | - | 2,436 |
| Remeasurements and other items | 707 | 3,773 | (45) | 310 | 174 | 4,919 |

| 2023 | | | | | | |
|---------------------------------------|--------------------|-----------------------|--------------------|----------------|-------------------|-----------------|
| | IIROC SERP (\$) | Former RS SIP (\$) | PRB Plans* (\$) | RPPS* (\$) | MFDA SERP (\$) | Total (\$) |
| Actuarial gains | (1,666) | (55) | (1,829) | (10,687) | (297) | (14,714) |
| Change in valuation allowance | - | - | - | 1,172 | - | 1,172 |
| Remeasurements and other items | (1,666) | (55) | (1,829) | (9,965) | (297) | (13,542) |

There is no outstanding liability for the defined contribution plan as at March 31, 2024 [2023 – nil]. Current year expense for the defined contribution provisions of the IIROC RPP was \$2,942 [2023 – \$2,533].

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

| | 2024 (%) | 2023 (%) |
|--|---------------------|--------------|
| Discount rate – accrued benefit obligation | 4.87 to 4.95 | 4.81 to 4.95 |
| Discount rate – benefits cost | 4.81 to 4.95 | 3.93 to 4.10 |
| Rate of compensation increase | 3 | 3.00 to 3.25 |

For measurement purposes in 2024, inflation of medical expenses and dental costs was assumed to remain unchanged at 5.0% and 4.5% to 6.0%, respectively.

| 2024 | | | | | | |
|-------------------------------|--------------------|--------------------|--------------------|------------------|-------------------|----------------|
| | IIROC SERP (\$) | IIROCC RPP (\$) | PRB Plans* (\$) | MFDA RPP (\$) | MFDA SERP (\$) | Total (\$) |
| Employer contributions | 679 | 3,131 | 327 | - | - | 4,137 |
| Employee contributions | - | 1,624 | - | 60 | - | 1,684 |
| Benefits paid | (679) | (2,448) | (327) | (1,441) | (456) | (5,351) |

| 2023 | | | | | | |
|------------------------|--------------------|-----------------------|--------------------|---------------|-------------------|---------------|
| | IIROC SERP (\$) | Former RS SIP (\$) | PRB Plans* (\$) | RPPs* (\$) | MFDA SERP (\$) | Total (\$) |
| Employer contributions | 600 | 22 | 263 | 4,970 | - | 5,915 |
| Employee contributions | - | - | - | 1,694 | - | 1,694 |
| Benefits paid | (600) | (22) | (263) | (4,189) | (235) | (5,369) |

Registered Pension, SERP, SIP and PRB risk

Registered pension risk refers to the risk that the Organization's financial condition on the statement of financial position would be adversely impacted because of the impact on the Organization's two registered plans of possible reductions in the future market value of the plan investments and/or increases in the pension liability if interest rates were to fall below current levels. These risks are mitigated by maintaining sufficient funding levels and by holding a diversified set of investments, which are managed

by professional investment managers operating under specified mandates and tolerances. The Organization also carefully monitors and manages funding levels and makes contributions required by law and, in addition, makes special contributions to maintain desired funding levels. Similar risks and funding considerations apply to the unregistered plans including assets earmarked for SERP, SIP and PRB [note 3], although funding levels for these plans are not dictated by law. The Organization monitors and manages funding levels for all unregistered plans for which it makes predetermined and special contributions to achieve desired funding levels.

9. Expenses

Expenses consist of the following:

| | 2024 (\$) | 2023 (\$) |
|--|-----------|-----------|
| Unrestricted fund expenses | | |
| Investment dealer regulation operating expenses | | |
| Compensation | 52,447 | 50,144 |
| Technology | 5,635 | 5,075 |
| Occupancy | 7,524 | 4,792 |
| Amortization and impairment | 1,840 | 2,270 |
| Professional services and consulting | 1,493 | 1,026 |
| Other | 4,549 | 3,812 |
| | 73,488 | 67,119 |
| Mutual fund dealer regulation operating expenses | | |
| Compensation | 25,949 | 26,763 |
| Technology | 2,274 | 1,797 |
| Occupancy | 4,060 | 2,783 |
| Amortization and impairment | 1,009 | 956 |
| Professional services and consulting | 607 | 502 |
| Other | 1,999 | 1,894 |
| | 35,898 | 34,695 |
| Market equity regulation operating expenses | | |
| Compensation | 23,896 | 22,179 |
| Technology | 4,524 | 3,847 |
| Occupancy | 2,927 | 1,655 |
| Amortization and impairment | 1,442 | 1,403 |
| Professional services and consulting | 839 | 661 |
| Other | 2,174 | 1,667 |
| | 35,802 | 31,412 |
| Market debt regulation operating expenses | | |
| Compensation | 1,713 | 1,669 |
| Technology | 394 | 333 |
| Occupancy | 199 | 101 |
| Amortization and impairment | 158 | 151 |
| Professional services and consulting | 56 | 50 |
| Other | 140 | 113 |
| | 2,660 | 2,417 |

9. Expenses (Cont)

| | 2024 (\$) | 2023 (\$) |
|--|----------------|----------------|
| Debt information processor operating expenses | | |
| Compensation | 829 | 935 |
| Technology | 303 | 324 |
| Occupancy | 45 | 34 |
| Amortization and impairment | 30 | 38 |
| Professional services and consulting | 13 | 18 |
| Other | 32 | 49 |
| | 1,252 | 1,398 |
| Total unrestricted fund expenses before integration costs | 149,100 | 137,041 |
| Integration costs | | |
| Human resources and related advisory costs | 6,301 | 6,362 |
| Technology | 3,354 | 585 |
| Communication | 549 | 411 |
| Legal | 359 | 1,751 |
| Change management | 342 | 391 |
| Financial advisory and insurance premiums | 12 | 1,651 |
| Governance | 11 | 755 |
| Integration management consultant | — | 1,583 |
| Quebec transition | — | 23 |
| Total integration costs | 10,928 | 13,512 |

The Organization has recorded an interfund transfer from the Internally Restricted Integration Fund to the Unrestricted Fund of \$6,177 for integration costs net of recovery recorded in the Unrestricted Fund. In addition, the Board approved \$3,475 of the 2023 excess of revenue over expenses to be transferred and applied to the costs of integration to reduce both the total costs to be recovered and the duration of recovery through the Integration Cost Recovery Fee Model. This results in a net transfer from the Internally Restricted Integration Fund of \$2,702.

| | 2024 (\$) | 2023 (\$) |
|--|--------------|--------------|
| Externally restricted fund expenses | | |
| Hearing panel expenses | 1,629 | 1,378 |
| Amortization and impairment [owned assets] | 1,185 | 1,116 |
| Legal costs for fine collection | 317 | 146 |
| Amortization and interest [capital assets under lease] | 296 | 287 |
| Member education | 296 | 121 |
| Cyber security table-top | 144 | — |
| Crypto insolvency simulation | 112 | — |
| Osgoode hall law school investor protection clinic | 75 | 150 |
| University of toronto law school investor protection clinic | 75 | 75 |
| Cyber security survey | 47 | 62 |
| Provision for bad debt | 39 | — |
| Investor advisory panel | 31 | 4 |
| National investor survey | 27 | — |
| Médac [mouvement d'éducation et de défense des actionnaires] | 25 | 25 |
| Cirano | 15 | — |
| Office of the investor | 12 | — |
| Canadian foundation for advancement of investor rights | — | 325 |
| Research project for prosper canada | — | 199 |
| Client research project | — | 86 |
| Implementation of framework for derivatives oversight | — | 2 |
| Total externally restricted fund expenses, before integration costs | 4,325 | 3,976 |
| Integration costs | — | 2,442 |
| Total externally restricted fund expenses | 4,325 | 6,418 |

10. Commitments

In February 2023, the Organization entered into an agreement to sub-lease new office space in Toronto to support the integration of staff after the expiry of one of the two Toronto premises leases that existed at amalgamation. The sub-lease turnover date was April 2023 to begin construction and fixturing, and the sub-lease agreement expires September 29, 2038.

This agreement also includes a sub-lease of the remaining Toronto premises lease existing at amalgamation until its expiry in August 2026. The obligations of that lease continue under the original accounting treatment and disclosed commitments.

In September 2023, the Organization entered into an agreement to lease new office space in Calgary. The lease turnover date was December 1, 2023 to begin construction and fixturing. The lease agreement expires May 31, 2035.

As at March 31, 2024, the basic minimum aggregate annual rental payments, excluding GST/HST and shared operating costs under long-term leases, with varying expiry dates to September 29, 2038, for the Organization's premises are as shown below. In addition to the minimum lease payments noted below, the Organization is also obligated to pay its share of realty taxes, operating costs and utilities, which fluctuate from year to year.

| | (\$) |
|------------|--------|
| 2025 | 5,032 |
| 2026 | 6,509 |
| 2027 | 5,696 |
| 2028 | 5,131 |
| 2029 | 5,259 |
| Thereafter | 46,211 |
| | 73,838 |

Rental revenue recognized by the Organization for the premises sub-leased during 2024 was \$215 [2023 – nil]. The undiscounted lease payments to be received in future years are shown below. In addition to the minimum sub-lease payments noted below, the Organization will be receiving its share of realty taxes, operating costs and utilities pertaining to the premises sub-leased, which fluctuate from year to year.

| | (\$) |
|------|-------|
| 2025 | 1,181 |
| 2026 | 1,181 |
| 2027 | 491 |
| | 2,853 |

12. Credit facilities

The Organization has a demand credit facility in the amount of \$6,000 [2023 – \$6,000]. The credit facility bears an interest rate of prime plus 0.75% per annum. The Organization has granted a general security interest to the bank in connection with this facility. During the years ended March 31, 2024 and March 31, 2023,

the credit facility was not utilized. On May 23, 2024, subsequent to year-end, this credit facility was closed.

Effective June 1, 2023, the \$12,000 credit facility obtained to ensure sufficient liquidity to cover integration expenses was closed.

12. Contingencies

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

maximum amounts of \$125,000 and \$30,000 for the Investment Dealer and Mutual Fund Dealer Funds, respectively. Any amount drawn on the CIRO guarantees would be assessed to member firms. The Mutual Fund Dealer Fund line of credit is secured by an assignment agreement for interest in assessments levied by the Organization to the Mutual Fund Dealer members for the purposes of funding CIPF.

As at March 31, 2024, CIPF had not drawn on these lines of credit.

From time to time, the Organization may face claims by employees, the public and other third parties arising from the ordinary course and conduct of its business. As at March 31, 2024, estimates of loss on current claims are not determinable, and no provisions for such have been recorded. The Organization has no reason to believe that any of the matters would have a material adverse impact on the financial position, results of operations, or ability to carry on its business.

13. Financial instruments and risk management

Carrying amounts of financial assets

As at March 31, 2024, the carrying amounts of the Organization's financial assets measured at amortized cost and at fair value are as follows:

| | 2024 | | | 2023 | | |
|---------------------------|-----------------------------|-----------------|---------------------------|-----------------------------|-----------------|--------------------------|
| | Cost or amortized cost (\$) | Fair value (\$) | Total carrying value (\$) | Cost or amortized cost (\$) | Fair value (\$) | Total carrying cost (\$) |
| Cash and cash equivalents | 40,206 | 31,803 | 72,009 | 34,725 | 28,224 | 62,949 |
| Investments | - | 53,691 | 53,691 | - | 72,439 | 72,439 |
| Receivables | 12,190 | - | 12,190 | 7,927 | - | 7,927 |
| Long-term receivables | 7 | - | 7 | 5 | - | 5 |
| | 52,403 | 84,494 | 137,897 | 42,657 | 100,663 | 143,320 |

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

Credit risk

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

Liquidity risk

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

Market risk

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

Currency risk

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

Interest rate risk

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

Other price risk

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

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