

For every challenge,
there's opportunity

2021 ANNUAL REPORT

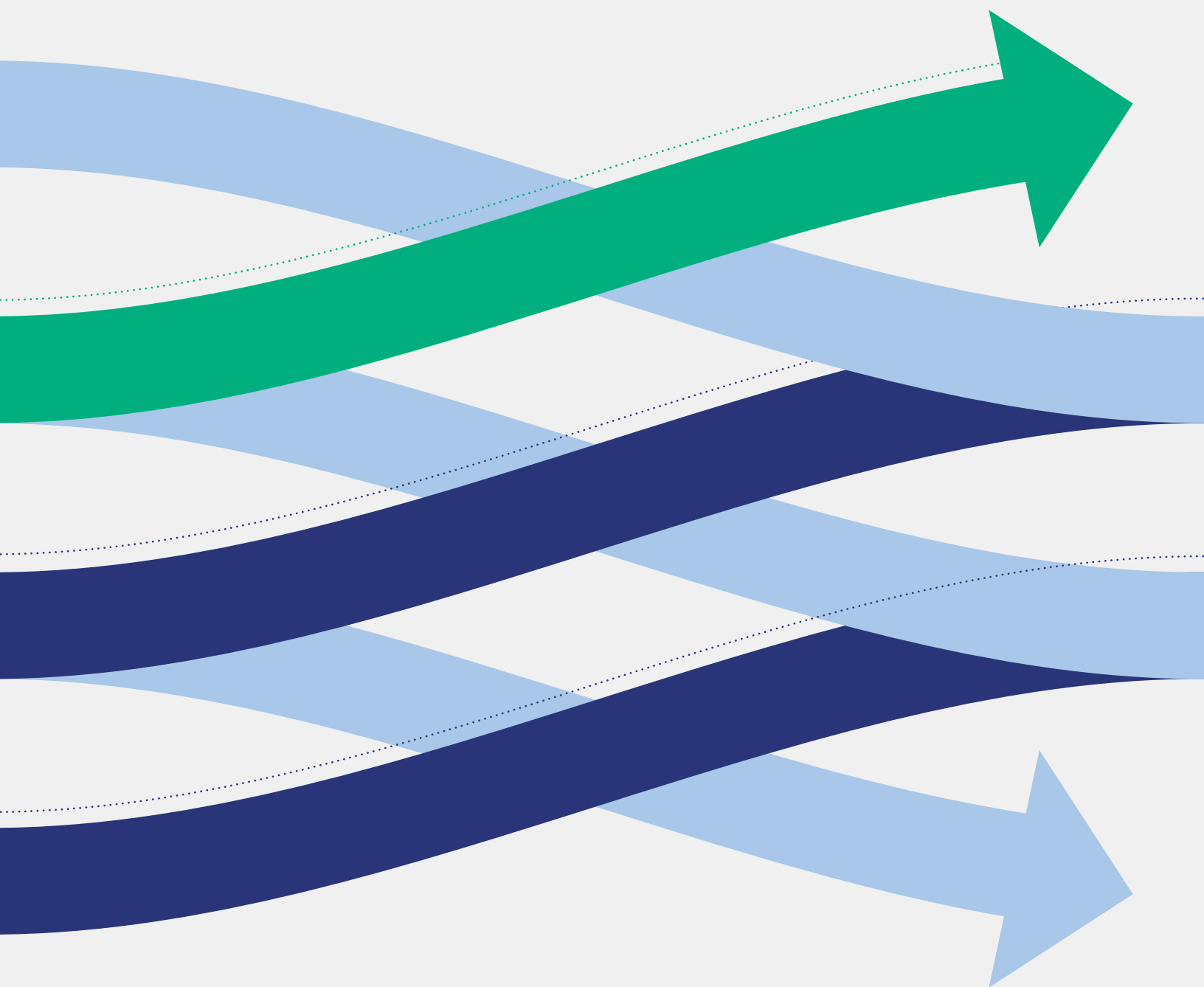




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Photos in this annual report represent Albertans and Alberta industries.

In 2020, Alberta's capital market was not spared from the significant challenges that impacted communities around the world. In delivering its strategic plan, the Alberta Securities Commission (ASC) remained steadfast in its commitment to intelligent and forward-looking regulation and to seeking opportunities for growth.



STAN MAGIDSON
Chair and Chief Executive Officer

Message from the Chair

2020 was an extraordinary year. It was the first time in my career that I have seen such profound tumult and impact on all citizens of the world – across continents, countries, provinces and communities. Alberta was certainly not spared these difficult and trying circumstances.

Our capital market had already seen exceptional change in the previous few years and the global pandemic presented Albertans, Alberta businesses and our economy as a whole with unprecedented challenges.

When we are tested, during times of stress, it's best to ask how we can help our community. Looking back, I am proud to say that all of the hard-working and dedicated staff, advisory committee members and Commission Members at the Alberta Securities Commission (ASC) stepped up and found ways to assist within our mandate to foster a fair and efficient capital market and to protect investors. We asked questions and listened to what our stakeholders needed. We supported our market and delivered on the commitments of the first year of our three-year strategy. While there were many challenges, we strived to see and embrace the opportunities within each.

Our first priority at the beginning of the pandemic was to support our staff to look after their health and safety. To make this possible, we quickly shifted to working remotely. This required adjustments, but also provided opportunities to rethink how we work together and how we deliver our services. We adopted technology faster than we have before, and we enhanced our virtual engagement with market participants, investors and all of our stakeholders. In fact, in the past year, we engaged more Albertans in more communities because of how we embraced technology.

Technology also enabled us to advance our compliance, enforcement and education efforts. We didn't miss a beat in monitoring and identifying issues, trends and risks. In our collaboration with other Canadian Securities Administrators

(CSA) members, we began using the Market Access Platform, a new supervisory technology tool that will continue to enhance our market monitoring capability into the future. We also continued to hear cases, conducting a number of our enforcement hearings remotely when required. I am pleased that, even with the challenges of the pandemic, we have been able to conduct timely and transparent enforcement, and hold accountable those who breach securities laws.

Unfortunately, predators use environments like these to lure those who are most vulnerable. We saw an increase in the number of online scams as Albertans spent more time online and struggled to cope with isolation, job loss and a natural desire to improve their financial position. We collaborated with our CSA colleagues, other regulators and law enforcement agencies to disrupt these scams and take enforcement action where possible. We also provided information on an ongoing basis to help empower investors to recognize fraudulent activity and protect themselves. Late in the year, shortly after all the media coverage about the do-it-yourself (DIY) investing by young people, among others across North America, we focused on reaching young investors in Alberta through an innovative Fraud Prevention Month campaign that reached them online and encouraged them to take the time necessary to research before investing.

Despite Alberta's economic challenges, our capital market remains one of the most important in Canada and Albertans are proving, once again, just how resilient and forward-thinking they are as they find ways to diversify our economy. Companies of all sizes, and from a range of industries, are innovating, evolving and growing. And we are committed to listening and adapting, reducing regulatory burden, optimizing securities regulation and fostering capital formation.

The energy industry is critical to Canada's economy, and it has undergone significant strain in recent years. This past year, the sector was challenged by a

complex set of issues that included low commodity prices, and environmental, social and corporate governance (ESG) considerations. The ASC takes a special interest in this sector, given its importance to the Alberta economy. Despite the many challenges, this sector is resilient and continues to evolve and diversify. In October 2020, at ASC Connect – our signature event for market participants – we had a number of experienced and knowledgeable business leaders join us for thoughtful panel discussions about what is possible for Alberta as we look ahead. We discussed developments and companies that are leading the way, including an Alberta issuer's development of one of the largest solar energy projects in North America. This is just one of the many Alberta enterprises working to lead efforts that will make a real difference.

Our New Economy group was highly engaged with entrepreneurs and our CSA colleagues in exploring the appropriate securities regulatory perimeter that should apply to the burgeoning fintech and crypto asset space. Our participation in the CSA Sandbox allows Alberta entrepreneurs to test novel ideas in an experimental environment.

One of the benefits of provincial securities regulation is the ability to address local needs, and in F2021 we took steps to support the efforts to grow and diversify the Alberta economy. We provided new tools and resources at albertasecurities.com and we led efforts and worked with other securities regulators to provide new and proposed exemptions to foster capital raising for entrepreneurs and small business owners.

Part of what enables us to listen and adapt is how we collaborate and engage with market participants, other regulators, industry partners, investor advocates and others. We play an active role in the CSA, the North American Securities Administrators Association (NASAA) and the International Organization of Securities Commissions (IOSCO), which allows us to discuss, advance our thinking

and ensure rules are harmonized across Canada. We also monitor systemic risk through our active participation in the Heads of Agencies (HoA).

On behalf of the ASC's senior management team, I want to thank our Commission Members for providing their support and guidance as we navigated the year and its challenges. In particular, I would like to recognize the exemplary service of Kate Chisholm, who completed her term with the ASC this year. Kate served as Lead Independent Member in F2021 and her experience and insights were invaluable. I also want to thank the expert members of our seven advisory committees. We sought their feedback frequently throughout the year, and their knowledge and experience benefited us greatly.

Last year, we launched our new three-year strategy that would enable us to foster resilience and respond to the prevailing economic climate, emergent trends and new market realities. As our market continues to face many challenges, I believe our plan serves us well. And after the year we have had, we can affirm that our pillars of intelligent regulation, proactive and comprehensive compliance oversight, enforcement, education and engagement will enable us to continue to serve the market and protect investors.

ASC staff have shown incredible resilience and I am consistently impressed by their dedication and can-do attitude. I want to thank everyone for their hard work during this exceptional year. Together, we supported our community and accomplished a great deal, and I am confident we are prepared for what lies ahead. As market uncertainty continues, the ASC remains committed to being a forward-looking regulator that listens and considers all opportunities.



STAN MAGIDSON
Chair and Chief Executive Officer

MISSION, VISION, STRATEGY AND VALUES AT-A-GLANCE

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

This annual report gives an update on our progress and offers select highlights from F2021 within each of the three pillars of our strategic plan.

MISSION

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

VISION

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

STRATEGY

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

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

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

**FOSTER A CULTURE OF
ENGAGEMENT**

VALUES

The values that guide employee action at the ASC are:

Stakeholder Responsiveness

Quality Results

Continuous Improvement

Teamwork

Principled Environment



PILLAR ONE

Intelligent regulation aimed at fostering a thriving capital market

The ASC is focused on providing intelligent regulation that is appropriate to the needs of our market, facilitates capital growth and prioritizes strong investor protection while being mindful of the burden on market participants. We strive to find the right balance that fosters a fair and efficient capital market and contributes to strengthening Alberta's economy.

ADDRESSING EMERGING REGULATORY FRONTIERS

Alberta's economy continued to struggle in F2021 due to reduced economic activity and the challenges posed by the COVID-19 pandemic. We worked collaboratively with our CSA colleagues to assist market participants and investors as they adapted to these challenges, and we were diligent in our efforts to provide timely and relevant information. Despite the economic situation, Alberta has many existing advantages and opportunities. To support market participants, the ASC fostered conditions for capital growth through innovation, technology, entrepreneurship and small business formation.

In June 2019, the ASC published Consultation Paper 11-701 *Energizing Alberta's Capital Market*. The feedback received from Alberta market participants through that consultation paper was helpful. It gave us a road map for how we could best contribute to capital formation. As a result, in F2021 we actively pursued initiatives to assist Alberta entrepreneurs. We created a new small business section on albertasecurities.com with practical, easy-to-understand information to make it easier for entrepreneurs to understand their securities laws, how to sell securities, principles of securities laws, common capital raising exemptions, and more. We also created an online searchable

FOCUSING ON SMALL BUSINESS GROWTH IN F2021

The ASC and the FCAA implemented Orders 45-538 *Self-Certified Investor Prospectus Exemption* to allow investors with financial or investment knowledge to invest alongside accredited investors (wealthy individuals and institutions).

The ASC and the FCAA published for comment proposed Orders 45-539 *Small Business Financing*. If adopted, this proposed new prospectus exemption will provide start-ups and other small businesses in Alberta and Saskatchewan the ability to raise up to \$5 million from investors using a streamlined offering document and with certain financial statement relief.

The ASC also published for comment proposed ASC Blanket Order 31-536 *Alberta Small Business Finder's Exemption*. If adopted, this will provide a more targeted exemption from the dealer registration. It is also intended to better integrate with the existing and proposed prospectus exemptions that small businesses in Alberta can rely on. Under this exemption, finders will be able to help small businesses that have not raised more than \$5 million find investors.



database of public and private financings to provide useful information to the market on the details of financings occurring, such as types of securities sold, commissions and industry sectors.

In F2021, the ASC, with the Financial and Consumer Affairs Authority of Saskatchewan (FCAA), adopted on a fast-track basis Blanket Order 45-538 *Self-Certified Investor Prospectus Exemption*. The goal of this exemption is to allow investors with relevant financial or investment knowledge the opportunity to invest alongside accredited investors. It is available to Alberta and Saskatchewan issuers distributing securities in Alberta and/or Saskatchewan to help them further facilitate their capital raising efforts. Use of the exemption is subject to the investor completing an expanded risk acknowledgment. To further reduce the risks to investors, investments are limited in a 12-month period to \$10,000 in any one business and \$30,000 across multiple businesses.

We also published for comment two other proposed exemptions to further support small businesses (see feature section on the left). We will continue to explore other options to better facilitate capital formation for Alberta businesses while still addressing investor protection.

Our participation on the CSA Regulatory Sandbox Committee provides us with the opportunity to work with other CSA members to coordinate the approach to financial innovation across the country. ASC Sandbox staff are actively engaged with various Alberta entrepreneurs looking to engage in businesses that employ technology that intersects with securities laws in unique ways. Through these efforts, we endeavour to help start-up fintech platforms understand how securities laws would apply to their operations and understand some of the issues involved in developing their business models to meet securities regulatory requirements. We will continue to monitor technological innovation and its impact on the financial marketplace and securities laws. An increasing number of Alberta-based businesses are looking to diversify and raise capital

through alternative ways, including using blockchain technology to trade securities and derivatives. We continue to work with Alberta businesses that are trading crypto assets that are within securities regulatory jurisdiction as set out in CSA Staff Notice 21-327 *Guidance on the Application of Securities Legislation to Entities Facilitating the Trading of Crypto Assets*. In March 2021, the CSA and the Investment Industry Regulatory Organization of Canada (IIROC) published Notice 21-329 *Guidance for Crypto Asset Trading Platforms: Compliance with Regulatory Requirements*, which outlines securities law requirements that apply to crypto asset trading platforms. As well, CSA Staff Notice 51-363 *Observations on Disclosure by Crypto-Assets Reporting Issuers* was published to provide guidance to reporting issuers that engage materially with crypto assets.

To facilitate the operationalization of the client focused reforms (CFRs) that were published as amendments to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* in F2020, the CFR Implementation Committee was established by the CSA at the end of F2020. Since then, the committee has met regularly and has produced frequently asked questions (FAQs) in response to inquiries. These FAQs, which were updated in F2021, are available on the ASC and other members' websites. The committee will continue to support registrants as they move towards the implementation of the conflict of interest provisions taking effect June 30, 2021.

The ASC is co-leading a CSA project on a proposed regulatory regime for designated benchmarks and their administrators. The first phase of the project, led by the OSC, will establish a framework for regulating financial benchmarks by adopting Multilateral Instrument 25-102 *Designated Benchmarks and Benchmark Administrators*. The second phase, led by the ASC, will propose amendments

to MI 25-102 to incorporate a regulatory regime for commodity benchmarks. The proposed regulatory regimes would reflect international developments in the regulation of benchmarks, including the relevant principles published by IOSCO and benchmarks regulation adopted by the European Union. We published both final and proposed amendments to MI 25-102 in the spring of 2021. We believe there is a need to regulate the Canadian Dollar Offered Rate (CDOR) and its administrator, Refinitiv Benchmarks Services (UK) Limited because of the significant reliance placed by users and other market participants on CDOR. In the future, CSA jurisdictions may designate other administrators and their associated benchmarks on public interest grounds.

Knowledge about climate change continues to evolve, and it is of increasing importance to investors. The ASC regularly monitors developments in this area as well as disclosure related to it. In September 2020, the International Financial Reporting Standards (IFRS) Foundation published its *Consultation Paper on Sustainability Reporting* to obtain feedback on the creation of a new Sustainability Standards Board (SSB). The SSB would fall under the governance structure of the IFRS Foundation and would develop and maintain a global set of sustainability reporting standards initially focused on climate-related risks. Given the potential significance of this proposal, we, with our CSA colleagues, provided comment and feedback. The CSA is generally supportive of sustainability reporting standards under an internationally recognized governance structure. However, we highlighted the importance of a sufficient level of global support from public authorities, global regulators and market stakeholders, particularly in principal capital markets, to promote widespread adoption and regulatory alignment. We encouraged diverse geographic representation, similar to the International Accounting Standards

Board, and that the Foundation leverage work already done in this area by existing frameworks. We also highlighted the need to consider issuers of different sizes, in diverse markets and across industries, and that any sustainability standards should prioritize flexibility and scalability in their development.

The ASC is leading a CSA review of climate change disclosures by reporting issuers as at 2020 year ends. This will help inform our ongoing climate change-related work and ensure compliance with existing requirements, and builds on the work of CSA Staff Notice 51-358 *Reporting of Climate Change-related Risks* published in August 2019. Following this review and our ongoing assessment of international developments, we will determine what next steps may be necessary.

The ASC once again participated in CSA Multilateral Staff Notice 58-312 *Report on Sixth Staff Review of Disclosure Regarding Women on Boards and in Executive Officer Positions* published on March 10, 2021. This report outlines key trends from a recent review of public disclosure regarding women on boards and in executive officer positions, as required by Form 58-101F1 *Corporate Governance Disclosure* of National Instrument 58-101 *Disclosure of Corporate Governance Practices*. The CSA is also monitoring broader diversity developments on a national and international level. Nationally, it has reviewed a variety of recommendations and reports, including the Ontario Capital Markets Modernization Taskforce final report, and is looking forward to reviewing what is published by the joint initiative of the TMX Group and the Institute of Corporate Directors (ICD) to review corporate governance practices in Canada. The CSA also reviewed the diversity disclosures arising from the requirements imposed on distributing corporations on January 1, 2020, pursuant to the *Canada Business Corporations Act*. Internationally, the CSA has reviewed

and analyzed diversity disclosure requirements and initiatives around the world. Over the coming year, the CSA will continue to engage with market participants and consider its role in the broader diversity conversation.

A collaborative and harmonized approach across all jurisdictions of the CSA is important for the optimal functioning of our capital markets. The CSA has established a robust process to develop rules and policies that incorporates stakeholder feedback, minimizes regulatory burden and protects investors. We believe that using existing CSA channels is the most efficient way to enhance the securities regulatory regime. The adoption of Multilateral Instrument 11-102 *Passport System* by all jurisdictions in Canada would result in more efficient regulatory decision-making and eliminate costs to market participants.

REDUCING REGULATORY BURDEN

Reducing regulatory burden while not compromising investor protection is important to the ASC. Much of what we have been doing to facilitate capital growth in Alberta and support innovation has been focused on reducing regulatory burden. Additionally, throughout F2021 and continuing into F2022, we are working with the Government of Alberta to support its Red Tape Reduction initiative, including amendments to the *Securities Act* (Alberta) and the *Business Corporations Act* (Alberta) that are contained in Bill 62 *Red Tape Reduction Implementation Act, 2021*.

To reduce regulatory burden for issuers, exchanges and investment dealers, we co-lead a CSA project to streamline at-the-market (ATM) distributions in Canada. The resulting amendments to CSA National Instrument 44-102 *Shelf Distributions* and its related companion policy were published in F2021. The new rules remove a number of the prior limiting conditions, allowing issuers to conduct

more substantive ATM distributions without having to apply for exemptive relief – giving them a faster and more cost-effective way to raise capital.

Amendments to the business acquisition report (BAR) requirements for reporting issuers that are not venture issuers were adopted in F2021. The amendments change the criteria for determining whether a completed acquisition is significant, based on three tests set out in National Instrument 51-102 *Continuous Disclosure Obligations*. Following extensive consultation and research, the circumstances under which a BAR must be filed have been narrowed based on what is most relevant to investors' decision-making.

A key deliverable in response to CSA Consultation Paper 51-404 *Considerations for Reducing Regulatory Burden for Non-Investment Fund Reporting Issuers* in 2017, was a project to streamline continuous disclosure requirements for reporting issuers. The ASC was co-lead of this project throughout F2021 which resulted in the publication, in May 2021, of the CSA's Proposed Amendments to National Instrument 51-102 *Continuous Disclosure Obligations*. The ASC was instrumental in having the consultation on semi-annual reporting for venture issuers included as part of this process.

The CSA and its members significantly advanced National Instrument 45-110 *Start-up Crowdfunding Registration and Prospectus Exemptions* to create a nationally harmonized prospectus and registration exemption to facilitate capital raising by early stage businesses.

The CSA published for comment proposed amendments to National Instrument 33-109 *Registration Information* to modernize, clarify and reduce the burden of the registration process for registered firms and individuals, and to improve the quality of information submitted. The proposed changes are meant to

modernize and streamline the registration filing requirements, reduce common errors, minimize duplicate filings and establish a new framework for reporting outside activities. Changes to reporting deadlines are also being considered, including extending the time frame in which registrants have to provide updates to certain registration information. These proposed amendments will help reduce the regulatory burden for smaller dealers in our province.

The ASC amended ASC Rule 72-501 *Distributions to Purchasers Outside Alberta* to reduce regulatory impediments and to facilitate offerings by Alberta issuers to investors outside Alberta. The amendments include an exemption from the underwriter certificate requirement for a foreign public offering under a prospectus and reinstate the requirement for issuers that rely on specified exemptions in the rule to provide certain information.

In July 2020, we published CSA Staff Notice 31-358 *Guidance on Registration Requirements for Chief Compliance Officers and Request for Comments*. The guidance will allow firms to implement more flexible chief compliance officer (CCO) arrangements to better align with their operational needs and business models, and outlines three models tailored to the needs of small businesses, specialized businesses and firms with multiple lines of business. This flexibility is intended to enhance the competitiveness of firms with different business models, and to encourage innovative and specialized business models to thrive.

QUESTIONING THE REGULATORY STATUS QUO

The ASC is actively involved in the CSA's review of Canada's self-regulatory organization (SRO) framework. CSA Consultation Paper 25-402 *Consultation on the Self-Regulatory Organization Framework* was published and included a review of the issues identified in the

current regulatory framework of IIROC and the Mutual Fund Dealers Association of Canada (MFDA). Stakeholders have expressed concerns with having two separate SROs, duplicative costs and a lack of harmonization. Recognizing the significant and long-term impacts on investors, market participants and our capital markets, the CSA intends to publish a position paper setting out its decision to move forward with a new SRO framework in the summer of 2021, including specific recommendations to address the issues with the current framework that were identified in the original consultation paper. The CSA will consider written representations for a 60-day period following publication of the position paper.

Work on the CSA's proposed National Instrument 52-112 *Non-GAAP and Other Financial Measures Disclosure* continued in F2021. We are co-leading this important project. Feedback received in the second comment period supported the objectives of the proposed amendments. The new rule will establish clear requirements to ensure transparency and context to the non-GAAP financial measures, non-GAAP ratios and other financial measures presented outside of the financial statements. The final rule was published on May 27, 2021.

To ensure the offering memorandum (OM) exemption continues to provide investors with relevant information, we are co-leading a CSA project to clarify the disclosure framework. In F2021, the CSA published for comment proposed amendments to National Instrument 45-106 *Prospectus Exemptions* and Companion Policy 45-106CP *Prospectus Exemptions* relating to the OM exemption. The new requirements are intended to give issuers more clarity as to what they must disclose to investors. As well, they set out new disclosure requirements for issuers engaged in "real estate activities" or issuers that are "collective investment vehicles", which are the most frequent users of the OM exemption.

National Instrument 81-105 *Mutual Fund Sales Practices* was amended in F2021 to eliminate the payment of trailing commissions by mutual funds to dealers who do not make a suitability determination, such as order-execution-only (OEO) dealers. The ASC was actively involved in the implementation of the trailing commission ban (OEO trailer ban) as well as the deferred sales charges (DSC) ban that was adopted in F2020, both of which are important measures for enhancing investor protection. To give dealer firms and representatives time to comply with these new rules, including making changes to their business systems and processes, they will both take effect on June 1, 2022.

Proposed amendments to National Instrument 52-108 *Auditor Oversight* were published for comment in F2020. They introduced a requirement for component auditors who audit a substantial portion of a reporting issuer's operations to enter into an access agreement with the Canadian Public Accountability Board (CPAB) if they are not prepared to provide working paper access to CPAB voluntarily. The proposed amendments to NI 52-108 aim to respond to challenges CPAB has had in getting access to inspect audit work performed by a significant component audit firm, particularly in certain foreign jurisdictions. We received comment letters, all from audit firms, requesting further clarity on applying the significant component auditor definition and more information on the new processes that would be employed by CPAB once the rules were effective. We anticipate the proposed amendments will be published in the early summer of 2021.

The CSA is working with the Ombudsman for Banking Services and Investments (OBSI) to strengthen OBSI's powers to secure redress for investors. Except in Quebec, under National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*, registered firms are

required to take reasonable steps to ensure the dispute resolution services of OBSI are made available to clients under certain circumstances. However, registered firms are not bound by the recommendations of OBSI and there have been instances where firms have refused to compensate clients as recommended, and where firms paid less than the OBSI-recommended amount. To address these and other issues, the committee is working on recommendations for a regulatory framework that would include amendments to NI 31-103 to strengthen OBSI's ability to secure redress for investors by making its decisions binding on registrants.

The ASC amended ASC Rule 45-511 *Local Prospectus Exemptions and Related Requirements* in conjunction with the amendments the CSA made to harmonize the regulatory framework for syndicated mortgages in Canada. These amendments will enhance investors' ability to make informed decisions and will allow registrants who distribute these products to better fulfil their obligations. Our local amendments include a prospectus exemption for qualified syndicated mortgages and for syndicated mortgages distributed to permitted clients or institutional investors.

Over the past few years, we have seen an increased interest in activist short selling campaigns and concerns have been raised about their impact on our markets. The CSA has been analyzing the nature and extent of activist short selling in Canada and published CSA Consultation Paper 25-403 *Activist Short Selling* in December 2020 to seek feedback on its findings and the issues identified through its research. The comment period ended in F2021; further analysis, including a review of the feedback, is being conducted.

Automatic securities disposition plans (ASDPs) allow insiders to make sales of securities of an issuer through a dealer or an arm's-length administrator, according

to a predetermined schedule and set of instructions. The CSA initiated a review of ASDPs and in December 2020, published CSA Staff Notice 55-317 *Automatic Securities Disposition Plans* to provide guidance to issuers and insiders on the establishment, use and disclosure of ASDPs. This guidance helps issuers and insiders understand how they can reduce the potential for improper insider trades under these plans, thereby alleviating concerns about ASDPs as they relate to corporate governance and public confidence in the fairness of our capital markets.

To ensure transparency of trades in government debt securities and expand transparency requirements for corporate debt securities, the CSA adopted, on a phased-in approach, amendments to National Instrument 21-101 *Marketplace Operation* and its related companion policy in F2021. The mandatory post-trade transparency requirements will be publicly available, increasing the ability of investors to make informed trading decisions. The information will be disseminated by IIROC, which was already processing the information for corporate debt securities, and will now also be responsible for processing the information for government debt securities.

The CSA published guidance to help investment fund managers develop and maintain effective liquidity risk management frameworks for investment funds. This guidance will help them exercise due care, skill and diligence in managing the liquidity of their funds, as required under securities legislation. It considers a number of different market conditions and recognizes that liquidity risk management is not “one size fits all”. Investment funds vary in size, structure, investor base and other fund characteristics, and what is considered a material risk for one fund may not be material for another.

ENGAGING EFFECTIVELY WITH OTHER REGULATORS

Effectively overseeing the Alberta capital market and implementing regulation to support the growth of our local economy requires collaboration with securities regulators across Canada, within North America and internationally. As capital markets become more global in nature, investors are looking beyond our local market. As well, with the increasing complexity of securities laws, the ability to leverage the knowledge and experience of our counterparts helps us ensure regulation is consistent and relevant.

The ASC leads and co-leads a number of CSA committees and working groups, including the Executive Directors, Communications, Legislative and Regulatory Coordination, Benchmarks, Derivatives Trading Facilities, Non-GAAP, Cross-Border Market Fraud Initiative, Enforcement Cooperation with Federal Agencies, and the Standing Committee on Systemic Risk. We are also actively involved in the HoA, NASAA, IOSCO, Global Financial Innovation Network (GFIN), and other national and international organizations.

The HoA is comprised of Canada’s key financial regulators – the Bank of Canada, the Department of Finance Canada, the Office of the Superintendent of Financial Institutions (OSFI), the Autorité des marchés financiers, the Ontario Securities Commission, the British Columbia Securities Commission and the ASC. The heads of the member agencies meet to discuss emerging regulatory issues in the Canadian financial sector, and oversee and manage systemic risk in a collaborative manner. In F2021, we enhanced our monitoring of systemic risk by formalizing the HoA Systemic Risk Surveillance Committee, which includes HoA members and additional federal and provincial agencies that have a role to play in mitigating systemic risk. This committee

will monitor and assess systemic risk surveillance and mitigation, and report to the HoA at each of its meetings.

As a member of the HoA Crypto-Asset Working Group, the ASC participated in information-sharing and coordination efforts in relation to the developing crypto asset sector, including stablecoins. We also explored new and emerging regulatory policy issues with respect to the crypto asset industry on an international basis through the IOSCO ICO Network and the IOSCO Fintech Network.

Through its membership in the GFIN, the ASC participated in an international testing environment, soliciting applications from fintech entrepreneurs interested in testing their innovative product or service internationally.

The ASC regularly consults and engages with IOSCO to monitor, analyze and consider ways to address risks that could impact national and international markets. We are actively involved in the various workstreams of IOSCO’s Committee on Derivatives (Committee 7).

CAPITAL MARKET STATISTICS

(As of December 31, 2020)

Alberta continues to be one of Canada's most important capital markets. We are Canada's leading energy jurisdiction, and industries like oil, gas, utilities, pipelines, renewable energy and agriculture play a critical role in our economy. Over the last year we have also seen growth in a number of emerging sectors.

\$446B

MARKET CAPITALIZATION OF
LISTED REPORTING ISSUERS
HEADQUARTERED IN ALBERTA

\$141B

MARKET CAPITALIZATION OF
OIL AND GAS COMPANIES

\$191B

MARKET CAPITALIZATION OF
UTILITIES AND PIPELINES

Market capitalization has increased from \$11 billion to \$15 billion over the past five years in the following emerging sectors: life sciences, technology and ag tech, clean technology, cannabis, financial services and investment funds.

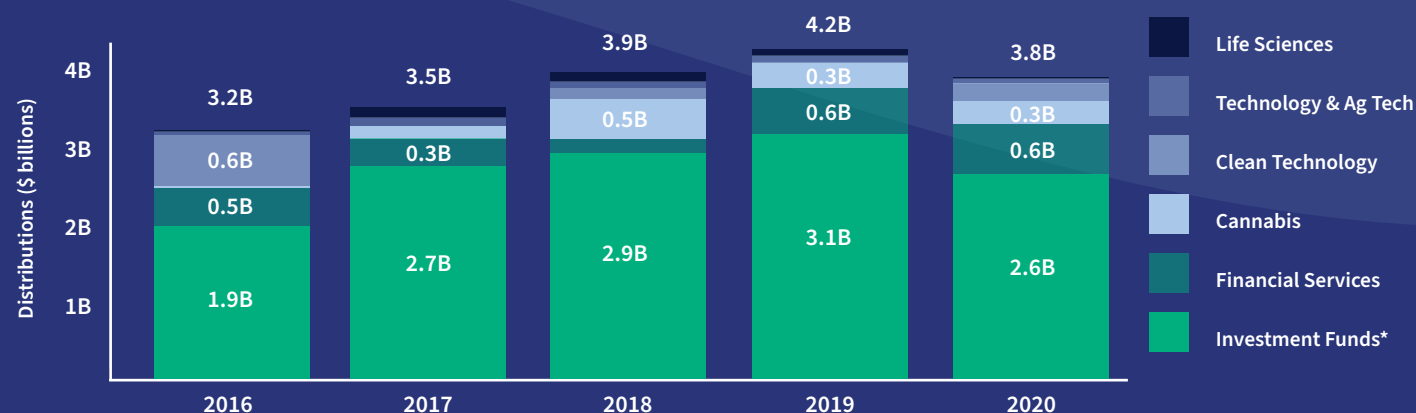
\$4.3B

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

\$17.9B

AMOUNT RAISED BY
ALBERTA-BASED ISSUERS IN
THE PUBLIC MARKET

DISTRIBUTIONS IN EMERGING SECTORS:



*Amounts are still being processed for 2020 and are subject to change.



PILLAR TWO



Proactive and comprehensive compliance oversight, enforcement and education

The ASC monitors current market activity, anticipates future challenges, collaborates with other organizations and acts decisively to promote confidence, inform and protect investors, and support market integrity.

ENSURING EFFECTIVE COMPLIANCE OVERSIGHT

The ASC is committed to providing effective compliance oversight. We regularly monitor and identify emerging issues, trends and risks that could have an economic or regulatory impact on our market. We adapt as necessary to ensure we remain responsive, develop and implement intelligent policy, and provide thought leadership in our complex and diversified market.

As client focused reforms and greater measures to protect older and vulnerable clients are phased in by June 30, 2021 and December 31, 2021, we have been working with industry and providing guidance to all registrants, including exempt market dealers (EMDs). Thanks to insight from the ASC's Exempt Market Dealer Advisory Committee, we are working to provide

Since the onset of COVID-19, the ASC has continued with compliance reviews and hearings to ensure timely and transparent accountability and enforcement during the pandemic.

EMDs with the information they need to implement the requirements. We will also provide oversight to dealers as they transition their business models to account for the DSC ban that was adopted last fiscal year.

Our Market Regulation team formally launched a Relationship Manager program for Alberta registrants. The purpose of the program is to provide registered firms with an assigned member of the Registrant Oversight team to contact if they have questions or concerns regarding the firm's compliance obligations. The program is intended to complement the resources and information available on the ASC website.

Alberta's energy industry is a critical economic driver for Canada, and as the lead oil and gas regulator within the CSA, we're proud of our expertise in this area. While oil and gas will remain a large part of the Canadian and Alberta capital markets for years to come, we recognize that energy diversification is underway. To help facilitate this, we are shifting our comprehensive expertise to "all things energy" to achieve the same regulatory integrity for the broader energy industry as we do for oil and gas. Our Energy Group continued its oversight of disclosure by oil and gas issuers pursuant to National instrument 51-101 *Standards of Disclosure for Oil & Gas Activities* and summarized the results of those reviews along

with recommendations for disclosure improvements in the annual Oil and Gas Review Report and information session. Going forward, we plan to expand our communications with the energy industry. We will also be actively engaged in other energy matters, including infrastructure, services, carbon capture and storage, energy minerals, helium, hydrogen, clean technologies and renewables, and the related environmental, social and governance (ESG) initiatives. We are also monitoring developments and trends in sustainable finance such as green bonds and transition bonds.

A first for the ASC was the Waterous/Osum hearing, in which the target of a hostile insider bid sought an order cease-trading the bid. The Commission panel rejected the application. This hearing is noteworthy though, because it is the first time Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* had been considered by an ASC panel since it was adopted in Alberta in 2017. Our expertise and ability to adjudicate MI 61-101 matters in a timely way demonstrates the ASC's capability in serving the needs and interests of our local market participants.

EXPANDING ENFORCEMENT TOOLS

The landscape for securities fraud and misconduct is becoming increasingly complex and global in nature. The ASC is committed to detecting and disrupting securities misconduct in Alberta using its growing enforcement toolkit, and through its ongoing partnerships with other regulators, Canadian and international law enforcement agencies, the Alberta Crown Prosecution Service, the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) and others.

We continue to play a leadership role in the Cross Border Market Fraud Initiative and, as a member of the CSA Enforcement Committee's Investment Fraud Task Force, we are working to disrupt the increasing number of scams related to COVID-19. The ASC, along with other CSA members, also participated in NASAA's COVID-19 Enforcement Task Force to detect COVID-19-related threats to investors.

The ASC actively participated in the testing and launch of the CSA's Market Analysis Platform (MAP) in F2021. MAP is a data repository and analytics system to identify and analyze market misconduct. It has already proven to be an efficient system and has enhanced our ability to access high-quality data that was previously unavailable to us.

F2021 KEY ENFORCEMENT DECISIONS AND ORDERS

Cem (Jim) Can, Charles Michael Miller and Bluforest Inc. were permanently banned from participating in Alberta's capital market after an ASC panel found them liable for engaging in a pump and dump scheme. Can was ordered to pay an administrative penalty of \$750,000, a disgorgement order of \$1,485,834 and \$80,000 towards the costs of the investigation and hearing. Miller was ordered to pay an administrative penalty of \$300,000 and \$50,000 towards the investigation and hearing costs. An appeal has been filed by Can and Miller.

A Joint Serious Offences Team (JSOT) investigation resulted in the sentencing of Shaun Wayne Howell to two years' imprisonment after he pled guilty to three counts of fraud over \$5,000. Howell had fraudulently raised approximately \$200,000 from six investors. He was ordered to pay \$155,480 in restitution to RBC Dominion Securities, which had previously compensated its clients who had been victimized by Howell.

Former registrant Kenton Roy Rustulka was permanently banned from Alberta's capital market after an ASC panel found that he breached the "know your client" and suitability obligations he owed to his clients, and for making material misrepresentations about the risks associated with exempt market securities. Rustulka, who was also a former police officer and a former pastor, was ordered to pay an administrative penalty of \$100,000, disgorgement to the ASC in the amount of \$99,242, and \$55,000 towards the costs of the investigation and hearing.

The ASC concluded a settlement agreement and undertaking with Gordon John Reykdal for authorizing misrepresentations in The Cash Store Financial Services Inc.'s financial statements and providing misleading information to the ASC about The Cash Store's disclosure. Reykdal was the chair and chief executive officer of The Cash Store and had a duty to provide accurate and complete disclosure to investors. Reykdal paid \$300,000 to the ASC and \$200,000 for costs, agreed to resign all positions he had as an officer or director of any reporting issuer, and to be prohibited from becoming an officer or director of any reporting issuer for two years. He also agreed to complete training in best practices for public company governance and disclosure.

The ASC concluded a settlement agreement and undertaking with Jay Modi, Arti Modi, Rajeev Singh and other affiliated entities for making misleading statements in connection with investments in OmniArch Capital Corporation. As part of the settlement agreement, the individual respondents paid the ASC a total of \$795,000 and are prohibited from trading in or purchasing securities, acting as a director or officer of an issuer, and participating in other aspects of the securities industry for 20 years (Jay Modi), 10 years (Arti Modi) and three years (Rajeev Singh).

An ASC panel found that Ashmit Patel, Zulfikar Rashid and Kilimanjaro Capital Ltd. engaged in market manipulation by conducting a promotional campaign to artificially pump the price of Kilimanjaro shares and mislead investors about the appearance of trading in these shares. The sanctions phase of the matter has not yet been completed.

ENHANCING INVESTOR EDUCATION EFFORTS TO REACH A BROADER AUDIENCE

We are seeking to deliver our investor education message in creative new ways to help Albertans of all ages have the skills necessary to invest wisely and safely. Investing is increasingly being considered by Albertans in all age groups, so enhancing their level of investment literacy is more important than ever. National research conducted by the CSA in October 2020 indicated that more young people are seeing investment opportunities being advertised, especially online, and that incidences of securities fraud are on the rise among those aged 18–24.

For Fraud Prevention Month, the ASC implemented a multimedia “Take Some Time” campaign aimed at Albertans aged 18–30. We know that young Albertans are vulnerable to investment fraud because of the CSA research data, in addition to higher rates of unemployment in Alberta, an increase in the time spent online, and

growth in pandemic-related fraud. Many scams convey a sense of urgency and encourage investors to sign up “now” so they don’t miss out. This new campaign drove investors to an Excuse Bot, a fun and educational tool that gave humorous excuses so young Albertans could “take some time” and do their research using the tools and resources available on checkfirst.ca. Adding to our repertoire of communication tools, we launched an Instagram channel, advertised on TikTok and Reddit, hosted Facebook Live CheckFirst Café discussions on a variety of topics and expanded our outreach by partnering with social media influencers.

During Financial Literacy Month, we launched the *Fraudster’s Playbook*, an engaging resource that outlines the seven steps fraudsters take to convince people to invest in a scam. To reach investors or potential investors during COVID-19, we shifted our in-person presentations to online. In F2021, we grew the number of investors and potential investors we

reached through online presentations to:

- Southern Alberta Institute of Technology (SAIT) students
- Patrons of Calgary, Red Deer and Edmonton public libraries

Even as the incidences of fraud are increasing among younger Albertans, seniors remain at risk of investment fraud. According to an ASC study completed in F2020, one-third of Albertans 55 years of age and older believe they have been approached with a potential fraud through someone they know. We continue to focus on providing seniors, their families and friends with the tools to protect themselves and to build their knowledge around investments. In recognition of Seniors Month (June) and World Elder Abuse Day (June 15, 2020), we launched a month-long senior outreach campaign to highlight the importance of investment literacy among seniors.

Our ongoing earned media, organic and paid social media promotion, and advertising efforts also helped us reach investors.

For Fraud Prevention Month, the ASC implemented a multimedia “Take Some Time” campaign aimed at Albertans aged 18–30.

checkfirst.ca





PILLAR THREE



Foster a culture of engagement

Strong collaboration within the ASC and externally with market participants continued in F2021. We successfully adapted to the challenges of working remotely, finding new and different ways to connect. We also used technology to host webinars, reaching our stakeholders wherever they were located throughout Alberta, striving to provide timely and relevant information.

ENGAGING OUR STAKEHOLDERS

Although we weren't able to hold in-person events in F2021, the need to engage and provide timely information to market participants remained critical in the rapidly shifting environment. We pivoted to reach as many stakeholders as possible through virtual presentations and webinars. These proved very successful and allowed us to continue our ongoing conversations with registrants, issuers, industry experts and others. These virtual events provided more Albertans – who previously may have been unable to attend, due to location and travel restrictions – with the opportunity to participate.

We held our ASC Connect conference virtually in October 2020. With a theme of *Adapting to new market realities and fostering resilience*, we were joined by The Honourable Travis Toews, Alberta's Minister of Finance, who outlined Alberta's economic recovery plan. His presentation was followed by two insightful panel discussions with business leaders

about Alberta's key considerations as we adapt to new market realities, and our opportunities to foster technology, innovation and capital formation. Feedback from the approximately 700 Albertans who joined was very positive. Attendees appreciated the optimistic discussions among panellists.

Part of our commitment to Alberta's issuers, registrants, investors and other market participants is to engage them in policy consultations, educational outreach, information sessions, presentations, reference materials and more. We produced the Alberta Capital Market Report, the Oil and Gas Review Report and the Corporate Finance Disclosure Report. Our virtual engagement included:

- An education session for Alberta-based exempt market dealers, portfolio managers and investment fund managers. Topics included common findings from compliance reviews, relationship disclosure information and exempt market dealer sales practices.
- An information session for corporate issuers about our disclosure observations, considerations for disclosure related to COVID-19, how reporting issuers can deliver the highest quality disclosure and financial reporting, and disclosure requirements for oil and gas activities.

Both of these sessions had high levels of engagement, with record attendance and participants from all over Alberta.

First-hand industry knowledge is important in guiding our work. We are fortunate to have seven advisory committees (see page 59) comprised of knowledgeable industry representatives who provide advice and guidance. As we navigate Alberta's evolving market, these committees provide valuable insight that helps us achieve our strategic goals.

To stay abreast of market trends and help detect and disrupt fraudulent activity, the ASC also maintains close relationships with other regulators, industry organizations, law enforcement agencies and financial institutions. This collaboration continued in F2021.

ENGAGING INVESTORS

Investors of all ages and life stages are seeing investment opportunities coming at them from a variety of sources. To ensure they have the information necessary to make decisions that are right for them, in F2021 we focused on reaching them where they are already connecting and learning. This included holding digital presentations at libraries and universities, sharing our knowledge through community organizations, and continuing our advertising and social media activity. We were the first securities regulator in Canada to leverage an Instagram account and advertise on TikTok. We also introduced a fun Excuse Bot. Our activities and campaigns were designed to interest, inform and empower Albertans of all ages.

ENGAGING AND EMPOWERING OUR STAFF

The ASC strives to provide a challenging, rewarding and safe environment for our staff. We were once again recognized as one of Alberta's Top 70 employers. We appreciate this recognition because we continuously endeavour to invest in employee growth and ensure they have what they need to fulfill their responsibilities. With most of our employees working from home in F2021, we connected with them through conference calls, virtual town halls, fun events and other online activities.

We also continue to seek feedback from our employees through one-on-one conversations and surveys. Based on this feedback, we enhanced our internal website in F2021, making it more useful and user-friendly. The revised site facilitates greater collaboration and connectedness.

We are thankful for the dedication and hard work of our employees. They truly desire to make a positive difference in the lives of their fellow Albertans and in the local and national capital market. It is their knowledge, experience and commitment that enables our organization to be a practical, intelligent and best-in-class regulator.

The ASC plays a vital role in fostering a strong economy in Alberta. Throughout the COVID-19 pandemic, we adapted to continue to reach and engage with our staff, advisory committees, Commission Members and our stakeholders.

REACHING A BROADER AUDIENCE

With in-person events on hold during the COVID-19 pandemic, the ASC made targeted efforts to connect virtually or online with audiences all across Alberta.



8,033

INDUSTRY REPRESENTATIVES WERE REACHED THROUGH 74 VIRTUAL PRESENTATIONS, SESSIONS AND CONSULTATIONS HELD BY ASC STAFF ON TIMELY TOPICS SUCH AS INDUSTRY CHALLENGES AND REGULATIONS RELATED TO COVID-19, CLIENT-FOCUSED REFORMS, CRYPTOCURRENCY, SUSTAINABLE FINANCE, INVESTMENT LITERACY AND FRAUD PREVENTION.

1,162

MARKET PARTICIPANTS ATTENDED ONE OR MORE OF OUR KEY INDUSTRY WEBINARS: ASC CONNECT, THE CORPORATE FINANCE INFORMATION SESSION, AND THE MARKET REGULATION EDUCATION AND OUTREACH SEMINAR.

1,202

INQUIRIES INTO THE PUBLIC INFORMATION OFFICE.



67.4 MILLION

TOTAL IMPRESSIONS THROUGH ADVERTISING AND ONLINE ENGAGEMENT, OF WHICH 7.6 MILLION REACHED ALBERTAN INVESTORS 55+ AND 12 MILLION REACHED YOUNG INVESTORS AGED 18-30.

168

ALBERTANS ATTENDED ONE OF OUR INVESTING 101 CLASSES OR INVESTMENT LITERACY PRESENTATIONS THROUGH THE CALGARY BOARD OF EDUCATION'S CONTINUING EDUCATION DEPARTMENT, CALGARY PUBLIC LIBRARY, EDMONTON PUBLIC LIBRARY AND THE SOUTHERN ALBERTA INSTITUTE OF TECHNOLOGY.

622

LOCAL, NATIONAL AND TRADE NEWS ARTICLES ABOUT THE ASC.

EXECUTIVE MANAGEMENT TEAM

OFFICE OF THE CHAIR AND CHIEF EXECUTIVE OFFICER

Stan Magidson, Chair and Chief Executive Officer

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

OFFICE OF THE EXECUTIVE DIRECTOR

David Linder, Executive Director

The Executive Director reports to the Chair and Chief Executive Officer, is the ASC's Chief Administrative Officer, and is responsible for ensuring that all business divisions of the ASC operate effectively and efficiently. The Executive Director is directly responsible for overseeing the divisions of Corporate Finance, Corporate Resources, Enforcement, Market Regulation, New Economy, and the Office of the Chief Accountant and Financial Services. The Executive Director also participates in meetings of the ASC's Human Resources and Audit committees and chairs the Senior Management and Strategic Planning committees. Pursuant to the *Securities Act* (Alberta), the Executive Director conducts hearings into certain decisions made by Market Regulation and Enforcement staff. The Executive Director is also the chief officer of the ASC under the *Public Interest Disclosure* (Whistleblower Protection) Act (Alberta) that came into force on June 1, 2013.*

COMMUNICATIONS AND INVESTOR EDUCATION

Hilary McMeekin, Director

The Communications and Investor Education division provides strategic communications counsel and support to all areas of the ASC to engage internal and external stakeholders in a manner that supports the market and meets the ASC's organizational objectives. The division's award-winning CheckFirst.ca website and ongoing consumer communication efforts aim to empower Albertans through their investment journey, and give them the tools to protect themselves from market misconduct and securities fraud. Through a variety of activities, the team promotes transparent and timely information-sharing in support of efficient and effective securities regulation in Alberta and throughout Canada.

CORPORATE FINANCE

Tom Graham, Director

The Corporate Finance division is the primary interface for issuers and their advisors when participating in the capital market in Alberta. It is responsible for reviewing offering documents and continuous disclosure, exempt market financing, monitoring filings in respect of takeover bids and making recommendations on applications for exemptive relief from securities legislation. In addition to these day-to-day services, Corporate Finance is active in the formulation and development of appropriate rules, regulatory instruments and policies in the

regulation of Alberta's and Canada's capital markets for issuers, including investment funds and over-the-counter derivatives. It seeks to engage with and educate market participants in these areas. Given the significance of the energy industry, Corporate Finance places considerable emphasis on the public disclosure of oil and gas information and the relevant disclosure policies for these issuers as well as emerging energy categories. Corporate Finance is also responsible for the ASC's work on systemic risk and data analysis.

CORPORATE RESOURCES

Wayne Olmstead, Director

The Corporate Resources division provides business, technical and human resource services to enable staff to fulfill the ASC's mandate. It provides services in the areas of information technology, human resources and corporate services (including purchasing, security and business continuity, health and safety, facility management and records management). Corporate Resources supports the needs of employees and management through the initiation, development, delivery and implementation of key strategies, programs and policies that are aligned to organizational objectives.

ENFORCEMENT

Cynthia Campbell, Director

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

MARKET REGULATION

Lynn Tsutsumi, Director

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

NEW ECONOMY

Denise Weeres, Director

The New Economy division works closely with staff from across the ASC coordinating efforts to energize Alberta's capital markets, enhancing public and private capital-raising alternatives, including for those focused on the innovation economy. The division also leads the ASC's inter-departmental team, addressing the intersection of securities law and emerging financial technologies, including through the CSA's Regulatory Sandbox Committee. A key focus of this division is engaging with market participants to better understand challenges faced by Alberta businesses and to help them navigate the securities regulatory regime and enhance their awareness of relevant initiatives that may assist them.

OFFICE OF THE CHIEF ACCOUNTANT AND FINANCIAL SERVICES

Cheryl McGillivray, Chief Accountant and Chief Financial Officer

The Chief Financial Officer and Chief Accountant (CFO) is the ASC's senior financial officer. The CFO's office is responsible for effective internal control over financial reporting, annual budget preparation, administration of investment manager reporting and relations, coordination of risk management processes, and accurate and timely financial reporting to senior management, Commission Members and the Minister of Finance. The Office of the Chief Accountant provides expert knowledge in accounting, auditing and financial reporting matters to ASC staff as well as guidance to reporting issuers and their advisers. This division is involved in policy initiatives that relate to these areas of expertise and provides training as needed to the professional accountants within the organization.

OFFICE OF THE GENERAL COUNSEL

Samir Sabharwal, General Counsel

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

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



Standing from left to right.

**TOM GRAHAM
HILARY MCMEEKIN
SAMIR SABHARWAL
CYNTHIA CAMPBELL
WAYNE OLMSTEAD
DENISE WEERES**

Seated from left to right.

**CHERYL MCGILLIVRAY
STAN MAGIDSON
DAVID LINDER
LYNN TSUTSUMI**

*NOTE: photo taken prior to mandated
physical distancing protocols.*



ASC'S 2021 MEMBERS

During F2021, there were 12 Members, including the designated Chair and two full-time Vice-Chairs. The Chair acts as the ASC's Chief Executive Officer and is responsible for the overall operation of the Commission. Members act as the ASC's board of directors, overseeing the management of the ASC. They determine policy, consider and approve new rules, and recommend changes to the *Securities Act* (Alberta), the regulations made pursuant to this act, and ASC rules and policies. They act as an administrative tribunal and form panels that conduct hearings into matters in discharge of the ASC's mandate.

Alberta's Lieutenant Governor in Council appoints ASC Commission Members and designates one of the ASC's Independent Members as the "Lead Independent Member". A majority of the Members are "Independent" as that term is applied in National Instrument 52-110 *Audit Committees*. The Chair and Vice-Chairs are involved in the day-to-day activities of the ASC, so are not classified as Independent. The Vice-Chairs are adjudicators in administrative proceedings commenced before the Commission, and they act independently from other divisions within the Commission when adjudicating such proceedings.

MEMBERS

From left to right.

MARYSE SAINT-LAURENT, ICD.D

TRUDY CURRAN, ICD.D

STAN MAGIDSON, ICD.D

Chair and Chief Executive Officer

RAYMOND CROSSLEY, CPA, CA, ICD.D

JAMES (JIM) OOSTERBAAN, ICD.D

MATTHEW BOOTLE, FCA

KAREN KIM, CPA, CA, CFA, ICD.D

KATHRYN (KATE) CHISHOLM, Q.C., ICD.D

Lead Independent Member

TOM COTTER *Vice-Chair*

GAIL HARDING, Q.C., ICD.D

KARI HORN *Vice-Chair*

STEVEN COHEN

NOTE: photo taken prior to mandated physical distancing protocols.

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The ASC is fortunate to have talented and dedicated leaders with varied experience, skills and backgrounds. In addition, its Members, Executive Officers and staff are diverse in age, ethnicity and gender. This diversity is necessary to support the mission, vision and strategy of our organization.

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

The ASC's offices are located within one of the few LEED Platinum buildings in Canada. The building has efficient heating and cooling systems, and an effective recycling program. ASC staff participate in the success of this recycling program. Prior to the COVID-19 pandemic, over 83 per cent of our waste was diverted from landfills.

During the COVID-19 pandemic the ASC prioritized the safety of its staff. The organization supported and encouraged staff to work from home, while also following government protocols and making its space safe for those who need to work from the office.

	F2021				F2020			
	Female		Male		Female		Male	
	#	%	#	%	#	%	#	%
Independent Members	5	55.5	4	44.4	5	55.5	4	44.4
Chair, Vice-Chairs	1	33.3	2	66.6	1	33.3	2	66.6
Executive Management	5	55.5	4	44.4	5	55.5	4	44.4

ATTENDANCE ¹

Stan Magidson, Chair

Term Expiry – June 30, 2021*
 Currently in Term – 1
 Commission – 12/12 (100%)
 Audit Committee – 5/5 (100%)
 Governance Committee – 9/9 (100%)
 Human Resources Committee – 4/4 (100%)
 *Term now expires June 30, 2026.

Tom Cotter, Vice-Chair

Term Expiry – March 31, 2026
 Currently in Term – 2
 Commission – 12/12 (100%)

Kari Horn, Vice-Chair

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

Kathryn (Kate) Chisholm, Q.C., ICD.D

Lead Independent Member
 Term Expiry – March 31, 2021
 Currently in Term – 2
 Commission – 12/12 (100%)
 Audit Committee – 4/5 (80%)
 Governance Committee – 9/9 (100%)
 Human Resources Committee – 4/4 (100%)

Steven Cohen

Term Expiry – March 31, 2021*
 Currently in Term – 1
 Commission – 12/12 (100%)
 Governance Committee – 9/9 (100%)
 *Term now expires March 31, 2024.

Raymond Crossley, CPA, CA, ICD.D

Term Expiry – March 31, 2021*
 Currently in Term – 1
 Commission – 12/12 (100%)
 Governance Committee – 9/9 (100%)
 *Term now expires March 31, 2024.

Trudy Curran, ICD.D

Term Expiry – March 31, 2023
 Currently in Term – 2
 Commission – 12/12 (100%)
 Human Resources Committee – 4/4 (100%)

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

Term Expiry – March 31, 2023
 Currently in Term – 2
 Commission – 12/12 (100%)
 Audit Committee – 5/5 (100%)

James (Jim) Oosterbaan, ICD.D

Term Expiry – March 31, 2023
 Currently in Term – 2
 Commission – 12/12 (100%)
 Human Resources Committee – 3/4 (75%)

Maryse Saint-Laurent, ICD.D

Term Expiry – March 31, 2022
 Currently in Term – 2
 Commission – 12/12 (100%)
 Human Resources Committee – 4/4 (100%)

Matthew Bootle, FCA

Term Expiry – March 31, 2022
 Currently in Term – 1
 Commission – 12/12 (100%)
 Audit Committee – 5/5 (100%)

Gail Harding, Q.C., ICD.D

Term Expiry – March 31, 2022
 Currently in Term – 1
 Commission – 12/12 (100%)
 Audit Committee – 5/5 (100%)

COMMISSION MEMBER COMMITTEES

The F2021 Board Committees were made up of the Members listed below. All were independent except Stan Magidson, who attended as an *ex officio* member where indicated.

Audit Committee

Karen Kim (Chair)
 Gail Harding
 Matt Bootle
 Kate Chisholm (*ex officio*)
 Stan Magidson (*ex officio*)

Governance Committee

Kate Chisholm (Chair)
 Steven Cohen
 Raymond Crossley
 Stan Magidson (*ex officio*)

HR Committee

Maryse Saint-Laurent (Chair)
 Trudy Curran
 Jim Oosterbaan
 Kate Chisholm (*ex officio*)
 Stan Magidson (*ex officio*)

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

THREE-YEAR STATISTICAL SUMMARY 2021

As of March 31, 2021	F2021	F2020	F2019
Enforcement Activity			
Complaints received	698	339	382
Concluded investigations	269	340	318
Current cases	163	179	145
Whistleblower tips received	56	42	22
Interim cease trade orders	0	1	2
Halt trade orders	1	0	0
Settlement agreements	3	6	7
Hearings commenced	5	5	3
Settlements agreed to ¹	\$1,357,500	\$1,022,450	\$515,000
Settlements collected	\$1,373,500 ²	\$1,044,450	\$569,000
Administrative penalties levied	\$1,270,000	\$1,675,000	\$1,170,000
Administrative penalties recovered	\$111,191	\$133,935	\$76,360
Prosecutions initiated in Provincial Court	0	2	5
Companies and individuals banned ³	21	24	22
Appeal hearings	0	0	1
Cease trade orders ⁴	35	29	36
Active Reporting Issuers			
Principal regulator – Alberta	506	540	557
Principal regulator – other	7,238	7,098	7,074
Total	7,744	7,638	7,631
Prospectuses and Mutual Funds			
Principal regulator – Alberta	74	66	67
Principal regulator – other	962	669	760
Total	1,036	735	827
Rights Offerings			
Principal regulator – Alberta	3	3	7
Principal regulator – other	16	13	19
Total	19	16	26
Exemption Applications (Corporate Finance)			
Principal regulator – Alberta	59	67	68
Principal regulator – other	29	14	11
Total	88	81	79
Continuous Disclosure Reviews (Principal Regulator – Alberta)			
Full	20	39	40
Issue-oriented reviews and data collections	243	274	198
Total	263	313	238
Total Registered Firms			
Principal regulator – Alberta	118	123	118
Principal regulator – other	849	819	796
Total	967	942	914
Total Registered Individuals⁵			
Alberta resident	11,765	11,601	11,653
Non-Alberta resident	20,671	19,761	19,593
Total	32,436	31,362	31,246

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

¹ Settlements including costs and disgorgements.

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

³ Includes Provincial Court-ordered bans (none in F2021, one in F2020 and one in F2019).

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

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

Management's Discussion & Analysis

This Management Discussion & Analysis (MD&A), prepared as of June 9, 2021, should be read in conjunction with the Alberta Securities Commission's March 31, 2021 audited financial statements and the accompanying notes, prepared in accordance with Canadian Public Sector Accounting Standards. Certain statements outlining fiscal 2022 expectations are forward-looking and are subject to risks and uncertainties. Furthermore, assumptions in the "Fiscal 2022 Outlook" section, although reasonable at the date of publication, are not guarantees of future performance. The results or events predicted in these statements and assumptions may differ materially from actual results or events. Factors that could cause results or events to differ from current expectations are described in the "Risks and Uncertainties" section.

References to "we," "our" or "the ASC" refer to the Alberta Securities Commission. In this MD&A, references to years, such as F2021, refer to the fiscal years of the ASC ending March 31. All amounts are in Canadian dollars.

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

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

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

Overview










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

FINANCIAL HIGHLIGHTS








thousands of dollars

■ F2021
■ F2020












REVENUES

Annual financial statements fees		19,648 19,299
Distribution of securities fees		18,094 16,457
Registration fees		17,018 16,816
Investment income		8,238 1,889
Other enforcement receipts		1,374 544
SEDI, exempt distributions and registration late fees		498 498
Orders (applications)		166 118
Administrative penalties		111 134
Conference and other		1 38
Total F2021		65,148
Total F2020		55,793

EXPENSES

Salaries and benefits		31,062 30,674
Premises		4,444 4,486
Administration		2,564 3,115
Professional services		1,610 1,649
Amortization of capital assets		1,393 1,330
Investor education		947 754
Investor expenses		263 179
Total F2021		42,283
Total F2020		42,187

DIVISION EXPENSES

Enforcement		8,390 8,514
Corporate Finance		6,333 6,688
Market Regulation		6,180 5,894
Corporate Resources		5,308 5,349
Office of the Chair and Members		3,346 3,185
Communications and Investor Education		2,440 2,481
Office of the Chief Accountant and Financial Services		1,801 1,616
Office of the General Counsel		1,114 1,132
Office of the Executive Director		991 1,043
New Economy		543 470
Expenses not allocated ¹		5,837 5,815

Total F2021	42,283
Total F2020	42,187

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

SELECTED ANNUAL INFORMATION

<i>thousands of dollars</i>	F2021	F2021	F2020	F2019 ²
	Budget	Actual	Actual	Actual
Revenues	57,882	65,148	55,793	56,620
Regulatory expenses	44,830	42,283	42,187	42,290
Operating surplus	13,052	22,865	13,606	14,330
Financial assets				
Cash		27,657	26,833	14,099
Investments		85,863	60,138	62,202
Liabilities				
Lease inducements		1,158	1,324	1,558
Accrued pension liability		10,287	10,285	10,055
Net financial assets		98,300	71,865	61,562
Accumulated surplus		102,631	76,925	66,848
Capital assets		3,960	4,791	5,010
Capital additions	1,093	562	1,111	780

² Certain comparative figures have been reclassified, where necessary, to conform to the F2020 and F2021 presentation. The previous presentation netted investment expense against investment income.

Highlights

The ASC had a \$22.9 million operating surplus in F2021 compared with an operating surplus of \$13.6 million in F2020. The ASC's budgeted surplus for F2021 was \$13.1 million.

Total revenue of \$65.1 million for the year ended March 31, 2021 was \$9.4 million higher than the prior year and exceeded budget by \$7.3 million. The increase is due to investment income, fee revenue and other enforcement receipts, the majority of which was investment income. Investment income of \$8.2 million increased by \$6.3 million from the prior year and exceeded budget by \$4.4 million due to higher returns on fixed income securities and equity investments. The increase in fee revenue of \$2.2 million was mainly attributable to higher fees from the distribution of securities.

Other enforcement receipts were \$830,000 higher than the prior year and budget by \$714,000 primarily due to settlement agreements concluded in F2021. Enforcement receipts fluctuate annually because of variability in types of cases, the timing of their resolution and success in collections efforts.

Total F2021 expenses were consistent with the prior year and lower than budget by \$2.5 million, primarily in salaries and benefits, administration and professional services costs, largely due to COVID-19 restrictions.

Analysis of Fiscal 2021 Operating Results

REVENUES

<i>thousands of dollars</i>	F2021	F2021	F2020
	Budget	Actual	Actual
Fees			
Annual financial statements	19,600	19,648	19,299
Distribution of securities	16,357	18,094	16,457
Registration	16,517	17,018	16,816
SEDI, exempt distributions and registration late filing fees	600	498	498
Orders (applications)	100	166	118
Total fees	53,174	55,424	53,188
Other revenues			
Investment income	3,800	8,238	1,889
Other enforcement receipts	660	1,374	544
Administrative penalties	210	111	134
Conference and other	38	1	38
Total revenue	57,882	65,148	55,793

The ASC collected 85.1 per cent (95.3 per cent in F2020) of its total revenue from fees paid by those who participate in the Alberta capital market. These participant fees, in addition to other enforcement receipts and investment income, fund our operations. The ASC does not receive transfers from government tax revenue.

Fees

ANNUAL FINANCIAL STATEMENTS

Participation fees from reporting issuers are collected at the time the annual financial statement is filed. Fees for reporting issuers, other than investment funds, are determined using a tiered fee structure based on average market capitalization. Investment funds pay a flat filing fee. Annual financial statement filing fees totalled \$19.6 million (\$19.3 million in F2020), which was consistent with the budget. These fees accounted for 35.5 per cent of the ASC's total fee revenue (36.3 per cent in F2020).

COVID-19 had a significant impact on market capitalization for most industries during March 2020; however, as the year unfolded, the market rebounded significantly for many industries. While some industry sectors continued to experience an overall decline in market capitalization, overall, the growth trend in the number of reporting issuers and average market capitalization of Alberta reporting issuers continued in F2021. The total number of active reporting issuers in Alberta at March 31, 2021 was 7,744 (7,638 at March 31, 2020), with an average market capitalization during F2021 of \$4,570 billion (\$4,038 billion in F2020).

FEES FROM DISTRIBUTION OF SECURITIES

Fees from distribution of securities have both fixed and variable components. The fixed component is charged for each prospectus or prospectus-exempt distribution filed in Alberta. The fixed transaction fee component of distribution fees totalled \$8.0 million, which was higher than F2020 (\$7.2 million) primarily due to a higher number of prospectus filings from non mutual fund reporting issuers in the latter half of F2021. The fixed transaction fees accounted for 14.4 per cent (13.5 per cent in F2020) of total fees. The variable fee component is calculated based on the proceeds obtained from public (prospectus) and private (prospectus-exempt) distributions of securities sold in Alberta. The variable fee component accounted for \$10.1 million in F2021 (\$9.3 million in F2020) and 18.2 per cent (17.5 per cent in F2020) of total fees. The increase in F2021 was primarily due to higher proceeds realized in Alberta from mutual fund reporting issuers.

Fees from distribution of securities vary with the level of capital market activity, equity issuances and mutual fund sales. The primary drivers are changes in public and private securities distributions and mutual fund sales. While equity market volatility has an impact on fees from distribution of securities, F2021 had an overall increase of \$1.6 million in fees from distribution of securities compared to F2020.

REGISTRATIONS

Fee receipts of \$17.0 million in F2021 (\$16.8 million in F2020) were received from registered firms and individuals, with 81.9 per cent of these fees received from registration renewals. Registration fees accounted for 30.7 per cent of total fees (31.6 per cent in F2020). As at March 31, 2021 there were 967 firms and 32,436 individuals registered in Alberta, compared to 942 firms and 31,362 individuals registered as at March 31, 2020. Registration fees were higher than the prior year, primarily due to an increased number of new individual registrants.

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

The ASC collected late filing fees of \$498,000 in F2021 (\$498,000 in F2020), mostly comprised of late fees on insider report filings and prospectus-exempt distributions.

ORDERS (APPLICATIONS)

The F2021 revenue for orders was \$48,000 higher than in the prior year. In F2021, \$166,000 was received from 137 applications (\$118,000 from 113 applications in F2020). The fee per application is dependent on the category of application filed.

Other Revenue Sources

INVESTMENT INCOME

In F2021, investment income totalled \$8.2 million (\$1.9 million in F2020); \$4.3 million (\$863,736 in F2020) of this was from Consolidated Cash Investment Trust Fund (CCITF) and fixed income securities and \$3.9 million (\$1.03 million in F2020) from equity investments. Total investment income increased by \$6.3 million, primarily due to higher returns on fixed income securities and equity investments and the additional investment of \$15 million to our investment portfolio in F2021. Investment income reflects an impairment of \$110,581 (\$56,947 in F2020) taken on equity securities.

OTHER ENFORCEMENT RECEIPTS

<i>thousands of dollars</i>	F2021	F2020
Settlement receipts		
Assessed	1,155	680
Directed to investors	-	(500)
Recoveries of prior-year assessments	6	22
Cost recoveries		
Assessed	418	728
Uncollectible	(205)	(600)
Disgorgements		
Assessed	1,585	4,759
Uncollectible	(1,585)	(4,545)
Total	1,374	544

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

ADMINISTRATIVE PENALTIES

<i>thousands of dollars</i>	F2021	F2020
Administrative penalties		
Assessed penalties	1,270	1,675
Uncollectible	(1,269)	(1,675)
Recoveries of prior-year assessments	110	134
Total	111	134

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

In F2021, restricted cash remained at zero as a result of a transfer of \$111,000 to fund eligible expenditures (\$172,000 in F2020). The transfer amount was comprised of prior and current year collections of \$111,000 (\$134,000 in F2020) and \$0 of conference fees (\$38,000 in F2020). No interest income was earned in F2021 (no interest in F2020). See Note 3 of the March 31, 2021 annual audited financial statements for more information.

Current year administrative penalties and other enforcement receipts total \$1.5 million in F2021 (\$678,000 in F2020) and compare to a five-year average of \$909,000 in receipts. The ASC actively pursues unpaid amounts using external legal counsel, taking steps such as judgment and writ registration, asset seizures and questionings in aid of execution. Recoveries are often limited because respondents have minimal resources at the time of assessment. However, the ASC collected \$116,000 in F2021 (\$156,000 in F2020) of prior-year assessments, costs and other enforcement receipts.

CONFERENCE AND OTHER

Due to the COVID-19 restrictions, the ASC Connect and ASC Corporate Finance and Market Regulation Information Sessions were held remotely during F2021. As such, no fees for attendance were collected (\$38,000 collected in F2020). Generally, conference registration fees are collected in order to offset a portion of actual event costs.

Comparative and Budget Expense Analysis

The ASC's F2021 budget was approved by the Commission on December 11, 2019. In F2021, operating expenses were 5.7 per cent below budget. Details by expense category follow.

REGULATORY EXPENSES

<i>thousands of dollars</i>	F2021	F2021	F2020
	Budget	Actual	Actual
Salaries and benefits	32,102	31,062	30,674
Premises	4,546	4,444	4,486
Administration	3,536	2,564	3,115
Professional services	2,191	1,610	1,649
Amortization of capital assets	1,442	1,393	1,330
Investor education	813	947	754
Investment expense	200	263	179
	44,830	42,283	42,187

SALARIES AND BENEFITS

Compensation expenses accounted for 73.5 per cent of total costs in F2021 (72.7 per cent in F2020) and increased by \$388,000 from the prior year. This was due primarily as a result of additional full-time employees in F2021. The ASC had an average of 201 full-time employees during the year (198 in F2020). The salaries and benefits expenses were \$1.0 million lower than budget due to a higher-than-budgeted employee vacancy rate.

PREMISES

Premises costs made up 10.5 per cent of total costs in F2021 (10.6 per cent in F2020). These costs decreased by \$42,000 in F2021 compared to the prior year and were \$102,000 lower than budget due to a decrease in operating costs.

ADMINISTRATION

Administration costs decreased by \$551,000 in F2021 compared to F2020. These costs were \$972,000 lower than budget and accounted for 6.1 per cent of total costs (7.4 per cent in F2020). The administration cost category includes office operations, Independent Member fees and travel. The overall decrease in administration costs were a result of COVID-19 restrictions.

Office operating costs decreased by \$237,000 compared with the prior year and were \$541,000 lower than budget primarily due to the decrease in material and supplies, repairs and maintenance, and equipment rental. Independent Member fees were lower than the prior year by \$61,000 and \$50,000 lower than budget due to fewer hearing days than expected. Travel expenses were lower than the prior year by \$252,000 and \$381,000 lower than budget. Generally, travel expenses are required primarily for participation in CSA matters, enforcement activities and professional development.

PROFESSIONAL SERVICES

Professional services costs includes contract services and CSA projects and accounted for 3.8 per cent of total costs in F2021 (3.9 per cent in F2020). These costs remained consistent with the prior year and were \$581,000 lower than budget primarily due to lower external legal and consultation services related to enforcement and market regulation activities.

All CSA projects, including the development of harmonized securities policies and rules, and shared CSA information systems, are coordinated through a permanent secretariat located in Montreal, Quebec. CSA operating costs are borne on a formula based on a percentage of population. The ASC's portion for F2021 was \$297,000 being 11.7 per cent (\$284,000 being 11.8 per cent in F2020) of these costs.

AMORTIZATION OF CAPITAL ASSETS

Amortization expense accounted for 3.3 per cent of total costs in F2021 (3.2 per cent in F2020) and increased by \$63,000 compared to the prior year and were lower than budget by \$49,000.

INVESTOR EDUCATION

Investor education costs were \$193,000 higher than the prior year and \$134,000 higher than the budget. Investor education activities included public awareness campaigns, such as fraud prevention month and elder abuse awareness. The ASC also engaged in digital advertising and cost-effective TV and radio advertisements.

INVESTMENT EXPENSE

Investment expenses were \$84,000 higher than the prior year and \$63,000 higher than budget. Investment services provided by AIMCo are charged directly to the pools on a cost-recovery basis. Fees for investment services provided to AIMCo by external managers are charged to the pools based on the percentage of net assets under management.

EXPENSES BY DIVISION

<i>thousands of dollars</i>	F2021	F2021	F2020
	Budget	Actual	Actual
Enforcement	8,975	8,390	8,514
Corporate Finance	6,748	6,333	6,688
Market Regulation	6,772	6,180	5,894
Corporate Resources	5,570	5,308	5,349
Office of the Chair and Members	3,147	3,346	3,185
Communications and Investor Education	3,106	2,440	2,481
Office of the Chief Accountant and Financial Services	1,678	1,801	1,616
Office of the General Counsel	1,153	1,114	1,132
Office of the Executive Director	1,155	991	1,043
New Economy	538	543	470
Expenses not allocated ³	5,988	5,837	5,815
Total	44,830	42,283	42,187

³ Expenses not allocated include premises and amortization of capital assets.

Division expenses are primarily for staff and professional services.

Independent Member fees are recorded in the 'Office of the Chair and Members' division. These fees vary due to the number and duration of hearings. See Salary and Benefits Disclosure in the March 31, 2021 annual audited financial statements for further information.

CAPITAL EXPENDITURES

<i>thousands of dollars</i>	F2021	F2021	F2020
	Budget	Actual	Actual
Computer equipment and software	863	317	656
Furniture and equipment	200	209	268
Leaseholds	30	36	187
Total	1,093	562	1,111

In F2021, capital expenditures were primarily related to information technology projects, including hardware and website upgrades and office furniture purchases.

Financial Assets and Liquidity**INVESTMENTS**

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

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

RATES OF RETURN ON INVESTMENTS

Investments include fixed-income and equity pool investments. The ASC's investments had a net return of 16.08 per cent for the year ended March 31, 2021 (a negative return of 3.2 per cent in F2020). The fixed-income pool includes a mix of high-quality government and corporate (public and private) fixed-income securities and debt-related derivatives. Equity pool investments include publicly traded equities from Canadian and global market index participants. The equity pools use derivatives as part of AIMCo's global strategy to simulate index composition and minimize investment risk. Investments can be accessed on two weeks' notice and are available to fund ASC cash requirements.

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

	F2021	F2020
	Actual	Actual
Fixed-income pool securities (market value)	5.48%	2.6%
Global equities pool funds (market value)	41.88%	(14.6%)
Canadian equities pool funds (market value)	50.42%	(23.9%)
Money market funds	0.42%	1.8%

Fixed-income pool securities are sensitive to interest rate fluctuations. At March 31, 2021, ASC fixed-income pool security investments of \$58.7 million market value had maturities that range from under one year (30.4 per cent) to greater than 10 years (31.4 per cent), with an average duration of 7.8 years (8.1 years in F2020). A 1.0 per cent increase in the interest rate, assuming no other changes, would reduce the market value of the ASC's fixed-income pool securities by 4.9 per cent (5.6 per cent in F2020).

LIQUIDITY

The ASC has sufficient resources to fund fiscal 2022 operations and capital purchases with cash of \$27.7 million (\$26.8 million in F2020) and investments with a market value of \$85.9 million (\$60.1 million in F2020).

Quarterly Variance Analysis

QUARTERLY RESULTS SUMMARY

	F2021				F2020			
<i>thousands of dollars</i>								
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	(Jan-Mar)	(Oct-Dec)	(July-Sept)	(Apr-June)	(Jan-Mar)	(Oct-Dec)	(July-Sept)	(Apr-June)
Revenue								
Fees and other	33,471	6,361	6,035	11,043	31,606	6,035	6,925	9,338
Investment income (loss)	2,712	1,696	2,908	922	(1,458)	1,483	947	917
	36,183	8,057	8,943	11,965	30,148	7,518	7,872	10,255
Regulatory expenses								
Salaries and benefits	8,498	7,647	7,319	7,598	8,084	7,618	7,366	7,606
Other	3,942	2,501	2,280	2,498	3,485	2,793	2,604	2,631
	12,440	10,148	9,599	10,096	11,569	10,411	9,970	10,237
Operating surplus (deficit)	23,743	(2,091)	(656)	1,869	18,579	(2,893)	(2,098)	18
Investments	85,863	86,731	83,542	81,151	60,138	65,292	64,529	63,654
Cash	27,657	6,136	9,278	12,664	26,833	6,816	10,480	13,138
Restricted cash	-	-	-	-	-	-	-	-

FEE REVENUE

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

REGULATORY EXPENSES

The ASC pays IIROC a portion of IIROC members' annual registration renewal fees. \$525,000 was paid in F2021 (\$517,000 in F2020).

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

Contractual Obligations

Commitments to outside organizations as at March 31, 2021 totalled \$22.0 million (\$28.5 million in F2020). Commitments include leases of premises to 2025 and rental of office equipment to 2024. See Note 9(A) of the March 31, 2021 annual audited financial statements for the commitments schedule.

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

Financial Instruments

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

The COVID-19 pandemic crisis caused financial market turmoil in Q4 F2020. Monetary and fiscal policy-makers responded with an unprecedented speed and scale to backstop the economic fallout. The market turnaround had similarly historic proportions. Since the initial lockdown, the partial reopening of the economy across the world was interrupted by subsequent waves of the pandemic. Nevertheless, this gradual reopening has added fuel to the rally in the stock market. Development, approval and ultimately the administration of multiple COVID-19 vaccines took off, particularly in Q3 F2021. Given this backdrop of monetary and fiscal stimulus, vaccine rollout and gradual economic reopening, equity markets had a strong recovery overall. The MSCI World index had a total return of 36.0 per cent between the periods of March 31, 2020 and March 31, 2021. The Canadian stock market benchmark, the S&P/TSX Composite Index, rallied at a slightly slower pace, gaining 44.2 per cent, including dividends, over the same period.

The bond market is also pricing-in the expected growth and inflation prospects in a post-pandemic world. Interest rates, after falling sharply in Q4 F2020, were steady all the way through the F2021. However, in Q4 F2021, interest rates, particularly at the longer end of the yield curve, have risen sharply. The Canadian 10-year sovereign bond yield moved from 0.69 per cent as at March 31, 2020 to 1.53 per cent by March 31, 2021. Given the rise in yields, returns in the fixed income space have been weak. The FTSE Canada Universe Bond Index earned a total return of 1.6 per cent over that period. Corporate credit spread recovery led to strong absolute returns in the fixed income securities portfolio relative to the benchmark.

At March 31, 2021, the fair value of derivatives was in a net asset position of \$443,553 compared to a net liability position of \$2,618,264 as at March 31, 2020. The stabilization in the capital market relative to March 31, 2020, can be attributed to this change. The onset of COVID-19 in March 2020 triggered enormous volatility due to liquidity and solvency concerns causing a significant decline in the fair value of derivatives and increased collateral demands. Cash and non-cash collateral for derivative contracts pledged as at March 31, 2021 totalled \$1,337,454 (\$2,307,006 in F2020).

To generate additional income, the pools participate in a securities-lending program. Under this program, the custodian may lend investments held in the pools to eligible third parties for short periods. As at March 31, 2021, the fair value of the ASC's share of securities loaned was \$1,174,492 (\$867,577 in F2020) and the fair value of collateral held totals \$1,254,501 (\$931,401 in F2020).

The ASC reports all of its investments at fair value, consistent with how they are evaluated and managed by AIMCo. Realized and unrealized investment gains and losses are reported separately. Only realized gains and losses are reported in the Statement of Operations. Unrealized gains and losses are reported in the Statement of Remeasurement Gains and Losses. Investment risks, including credit risk, foreign currency risk, interest rate risk, price risk and liquidity risk, are disclosed in the notes to the March 31, 2021 annual audited financial statements.

Related Party Transactions

The ASC is related, through the Government of Alberta, to all provincial government ministries, agencies, boards, commissions and Crown corporations. See Note 11 in the March 31, 2021 annual audited financial statements for related party transactions.

CSA National Systems

See Note 8 in the March 31, 2021 annual audited financial statements for more information concerning the CSA National Systems.

Risk Management Initiatives

BUSINESS CONTINUITY

The ASC has emergency response plans and processes in place that are tested annually. Key systems and data are replicated between two data centres: a primary data centre located at a secure off-site facility and a secondary backup data centre. Should any or all systems running at the primary site fail, the secondary data centre will take over. The ASC can run indefinitely using the secondary data centre until primary services are restored. Remote access capability exists for all priority ASC systems, which enables key ASC staff to continue critical work, supported through information technology, if ASC offices are not accessible.

COVID-19

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

RISK ASSESSMENT AND MITIGATION

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

During F2020, the ASC performed an extensive review of its Enterprise Risk Management program in conjunction with the fiscal 2021–2023 strategic plan. The program facilitates the identification, analysis, mitigation and monitoring of internal and external risks that threaten the achievement of the ASC's strategic objectives. The comprehensive F2020 risk review was updated through a targeted risk review in F2021. The review concluded that all reasonable steps have been taken, or are being taken, to mitigate risks to the extent they are within the control of the organization.

COVID-19 brought about heightened risk on cybersecurity and data protection due to remote working. Measures taken to mitigate the risk included the expansion of VPN access to the ASC's network, reinforced with two-factor authentication, modernization of the primary anti-malware systems with the introduction of EDR (Endpoint Detection and Response) technology, new firewalls, and engagement of a third-party cybersecurity specialist to test and validate the strength of the ASC defences.

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

MINISTERIAL BUDGET APPROVAL

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

Fiscal 2022 Outlook

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

The F2022 budget was completed in the early fall of 2020 when there was unprecedented uncertainty regarding subsequent pandemic waves, continued fiscal policy and monetary stimulus, vaccine development, and post-COVID-19 recovery. Due to these uncertainties, we believe the most significantly affected assumptions that underlie the F2022 budget are related to fee revenues and investment income.

REVENUE

F2022 revenue is budgeted to be \$52.9 million, compared with budgeted revenue in F2021 of \$57.9 million. This decrease relates to participation fee revenues and investment income. The budgeted decrease of \$3 million in participation fee revenues reflects assumptions on the average market capitalization of Alberta reporting issuers and capital-raising activities in the Alberta market. Investment income is budgeted to decrease by \$1.6 million, compared with budget F2021. The budget methodology used the average outcome of income forecast simulations based on AIMCo's mid-year updated 10-year return forecast.

REGULATORY EXPENSES AND CAPITAL EXPENDITURES

F2022 regulatory expenses are budgeted to be \$46 million, compared with budgeted expenses in F2021 of \$44.8 million. The increase is primarily from information technology expenses aligned to the strategic objective to advance and leverage new or existing technologies. A large portion of the budgeted increase reflects the shift to subscription-based software from the traditional capital-based model. As a result, the F2022 capital expenditures budget is \$576,000, compared with \$1.1 million in F2021.

LIQUIDITY AND CASH FLOW

The cash requirements for F2022 operations and capital budgets can be met from existing cash and investment balances.

RISKS AND UNCERTAINTIES

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

- the continued global shift in the energy markets;
- the duration and impact of COVID-19 on capital market volatility and the impact on investment income and fees paid in connection with the distribution of securities, filing of annual financial statements and registrants;
- business plan changes and their impact on cost assumptions; and
- disruption of CSA national systems fee processing that delays fee receipts at the ASC's year-end.

Financial Statements

Management's Responsibility For Financial Reporting

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

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

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

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

ASC Members are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls.

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



STAN MAGIDSON
Chair and Chief Executive Officer



DAVID C. LINDER, Q.C.
Executive Director

June 9, 2021



Independent Auditor's Report

To the Members of the Alberta Securities Commission

Report on the Financial Statements

OPINION

I have audited the financial statements of the Alberta Securities Commission, which comprise the statement of financial position as at March 31, 2021, and the statements of change in net financial assets, operations, remeasurement gains and losses, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Alberta Securities Commission as at March 31, 2021, and the results of its operations, its remeasurement gains and losses, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BASIS FOR OPINION

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

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

[ORIGINAL SIGNED BY W. DOUG WYLIE FCPA, FCMA, ICD.D]

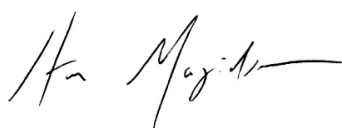
Auditor General

June 9, 2021

Edmonton, Alberta

STATEMENT OF FINANCIAL POSITION*thousands of dollars*

	At March 31, 2021	At March 31, 2020
Financial Assets		
Cash (Note 3)	27,657	26,833
Accounts receivable	101	27
Investments (Note 4)	85,863	60,138
	113,621	86,998
Liabilities		
Accounts payable and accrued liabilities	3,876	3,524
Lease inducements	1,158	1,324
Accrued pension liability (Note 6)	10,287	10,285
	15,321	15,133
Net Financial Assets	98,300	71,865
Non-Financial Assets		
Capital assets (Note 5)	3,960	4,791
Prepaid expenses	371	269
	4,331	5,060
Accumulated Surplus	102,631	76,925
Accumulated surplus is comprised of:		
Accumulated operating surplus	102,153	79,288
Accumulated remeasurement gains (losses)	478	(2,363)
	102,631	76,925

*Commitments and contingent liabilities (Note 9)**The accompanying notes and schedule are part of these financial statements.**Approved by the Members*

STAN MAGIDSON

Chair and Chief Executive Officer


KAREN KIM

Chair of the Audit Committee

June 9, 2021

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

For year ended March 31

	2021	2021	2020
	Budget (Note 10)	Actual	Actual
Operating Surplus	13,052	22,865	13,606
Acquisition of capital assets	(1,093)	(562)	(1,111)
Amortization of capital assets	1,442	1,393	1,330
Prepayment of expenses		(866)	(643)
Reduction of prepaid expenses		764	650
Net remeasurement gains (losses)		2,841	(3,529)
Increase in net financial assets	13,401	26,435	10,303
Net financial assets, beginning of year	71,865	71,865	61,562
Net financial assets, end of year	85,266	98,300	71,865

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

STATEMENT OF OPERATIONS*thousands of dollars*

For year ended March 31

	2021	2021	2020
	Budget (Note 10)	Actual	Actual
Revenues			
Fees (Note 7)	53,174	55,424	53,188
Investment income (Note 4(C))	3,800	8,238	1,889
Other enforcement receipts (Note 7)	660	1,374	544
Administrative penalties (Note 3)	210	111	134
Conference and other	38	1	38
	57,882	65,148	55,793
Regulatory Expenses			
Salaries and benefits	32,102	31,062	30,674
Premises	4,546	4,444	4,486
Administration	3,536	2,564	3,115
Professional services	2,191	1,610	1,649
Amortization of capital assets (Note 5)	1,442	1,393	1,330
Investor education	813	947	754
Investment expense	200	263	179
	44,830	42,283	42,187
Operating Surplus	13,052	22,865	13,606
Accumulated Operating Surplus, beginning of year	79,288	79,288	65,682
Accumulated Operating Surplus, end of year	92,340	102,153	79,288

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

For year ended March 31

	2021	2020
Accumulated remeasurement (losses) gains, beginning of year	(2,363)	1,166
Unrealized gains (losses) on investments during the year	3,038	(3,529)
Amounts reclassified during the year to the Statement of Operations	(197)	-
Net remeasurement gains (losses) for the year	2,841	(3,529)
Accumulated remeasurement gains (losses), end of year	478	(2,363)

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

STATEMENT OF CASH FLOWS*thousands of dollars*

For year ended March 31

	2021	2020
Operating Transactions		
Fees and other	55,556	53,592
Payments to and on behalf of employees	(30,849)	(30,473)
Payments to suppliers for goods and services	(9,645)	(10,442)
Investment income	90	245
Other enforcement receipts (Note 7)	1,374	544
Administrative penalties (Note 3)	111	134
Cash received from operating transactions	16,637	13,600
Capital Transactions		
Cash used to acquire capital assets	(813)	(866)
Cash used in capital transactions	(813)	(866)
Investing Transactions		
Purchases of investments	(15,000)	-
Cash used in investing transactions	(15,000)	-
Increase in cash	824	12,734
Cash, beginning of year	26,833	14,099
Cash, end of year	27,657	26,833

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

Notes to the Financial Statements

March 31, 2021

Note 1: Nature of Operations

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

Note 2: Significant Accounting Policies and Reporting Practices

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

A) INVESTMENTS

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

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

I. VALUATION OF INVESTMENTS

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

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

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

II. INVESTMENT INCOME AND EXPENSES

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

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

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

III. REMEASUREMENT GAINS AND LOSSES

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

B) VALUATION OF FINANCIAL ASSETS AND LIABILITIES

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

C) CAPITAL ASSETS

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

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

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

D) PREPAID EXPENSES

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

E) FEES, ADMINISTRATIVE PENALTIES AND OTHER ENFORCEMENT RECEIPTS RECOGNITION

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

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

F) EXPENSES

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

G) EMPLOYEE FUTURE BENEFITS

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

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

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

H) LEASE INDUCEMENTS

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

I) MEASUREMENT UNCERTAINTY

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

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

J) RESTRICTED CASH

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

K) FUTURE ACCOUNTING CHANGES

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

PS3280 Asset Retirement Obligations (effective April 1, 2022)

The effective date has been deferred one year to April 1, 2022, with early adoption permitted. This standard provides guidance on how to account for and report liabilities for retirement of tangible capital assets.

This new standard is not expected to have any material impact on the financial statements when adopted.

PS3400 Revenue (effective April 1, 2023)

The effective date has been deferred one year to April 1, 2023, with early adoption permitted. This standard provides guidance on how to account for and report revenue. More specifically, it differentiates between revenue arising from transactions with performance obligations (exchange transactions) and transactions without performance obligations (non-exchange transactions).

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

Note 3: Cash and Restricted Cash

<i>thousands of dollars</i>	2021	2020
Cash	27,657	26,833

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

<i>thousands of dollars</i>	2021	2020
Administrative Penalties		
Assessed penalties	1,270	1,675
Less provision for uncollectible amounts	(1,269)	(1,675)
Plus recoveries of prior-year assessments	110	134
	111	134
Administrative Penalties	111	134
Plus conference fees	-	38
Less eligible restricted cash expenses (investor education)	(111)	(172)
Change in restricted cash	-	-
Restricted Cash, beginning of year	-	-
Restricted Cash, end of year	-	-

Cash includes demand deposits in the Consolidated Cash Investment Trust Fund (CCITF). The CCITF is managed by AIMCo with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high-quality fixed-income securities, with a maximum term-to-maturity of three years. For the year ended March 31, 2021, the ASC received an annualized return of 0.5 per cent (2020 – 1.8 per cent).

Note 4: Investments

A) SUMMARY

<i>thousands of dollars</i>	2021				2020		
Investments	Cost	Remeasurement Gains (Losses)	Fair Value	%	Cost	Fair Value	%
Fixed-income securities	59,187	(537)	58,650	68.3	42,261	43,679	72.6
Global equities	19,530	939	20,469	23.8	15,664	12,892	21.4
Canadian equities	6,264	76	6,340	7.4	4,263	3,254	5.4
CCITF deposit	404	-	404	0.5	313	313	0.6
	85,385	478	85,863	100.0	62,501	60,138	100.0

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

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

Equity investments include publicly traded equities from Canadian and global market index participants. The equity pools use

derivatives as part of AIMCo's global strategy.

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

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

Derivatives are valued on a daily basis primarily using either a "mark to model" approach using valuation models created internally or sourced from specialized third-party valuers/vendors that are independent from the counterparty. The valuation models use observable market data inputs such as yield curves, spreads, volatility, and currency rates obtained from approved data providers. Review and approval of prices generated by internal models is similar to listed securities except that the prices are generally sole-sourced. The fair value of derivatives as at March 31, 2021 resulted in a net asset position of \$443,553 compared to a net liability position of \$2,618,264 as at March 31, 2020.

FAIR VALUE HIERARCHY

The measure of reliability is determined based on the following:

I. LEVEL ONE:

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

II. LEVEL TWO:

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

III. LEVEL THREE:

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

B) INVESTMENT RISK MANAGEMENT

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

I. CREDIT RISK

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

The ASC is exposed to credit risk associated with the underlying debt securities held in investment funds managed by AIMCo. The following table summarizes the ASC's investment in debt securities by counterparty credit rating as at March 31:

Credit Rating	2021	2020
Investment Grade		
AAA	22.9%	24.1%
AA+ to AA-	27.8%	28.5%
A+ to A-	21.7%	22.1%
BBB+ to BBB-	23.4%	20.3%
Speculative Grade (BB+ or lower)	2.8%	0.6%
Unrated	1.4%	4.4%
	100.0%	100.0%

To generate additional income, the pools participate in a securities-lending program. Under this program, the custodian may lend investments held in the pools to eligible third parties for short periods. As at March 31, 2021, the fair value of the ASC's share of securities loaned was \$1,174,492 (2020 – \$867,577) and the fair value of collateral held totals \$1,254,501 (2020 – \$931,401). The net impact was \$80,009 (excess credit protection). Securities borrowers are required to provide the collateral to assure the performance of redelivery obligations. Collateral may take the form of cash or other investments. All collateralization, by the borrower, must be in excess of 100 per cent of investments loaned.

At March 31, 2021, deposits in futures contracts margin accounts totalled \$703,307 (2020 – \$1,004,699). Cash and non-cash collateral for derivative contracts pledged as at March 31, 2021 totalled \$1,337,454 (2020 – \$2,307,006) and collateral received was \$nil as at March 31, 2021 (2020 – \$nil).

II. FOREIGN CURRENCY RISK

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

The following table summarizes the ASC's exposure to foreign currency investments held in investment funds at March 31:

<i>thousands of dollars</i>				
	March 31, 2021		March 31, 2020	
Currency	Fair Value	Sensitivity*	Fair Value	Sensitivity*
U.S. Dollar	12,905	(1,291)	6,963	(696)
Euro	2,370	(237)	1,323	(132)
Japanese Yen	1,561	(156)	1,147	(115)
British Pound Sterling	906	(91)	500	(50)
Swiss Franc	467	(47)	437	(44)
Australian Dollar	362	(36)	187	(19)
Other Foreign Currency	702	(70)	560	(56)
Total Foreign Currency Investments	19,273	(1,928)	11,117	(1,112)

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

III. INTEREST RATE RISK

The ASC is exposed to interest rate risk with the CCITF and fixed-income securities held in the investment funds. Interest rate risk relates to the possibility that the fair value of investments will change due to future fluctuations in market interest rates. In general, investment returns from bonds are sensitive to changes in the level of interest rates, with longer-term fixed-income securities being more sensitive to interest rate changes than shorter-term bonds. If interest rates increased by 1.0 per cent, and all other variables are held constant, the potential loss in fair value to the ASC would be approximately 4.9 per cent of total investments (2020 – 5.6 per cent).

The following table summarizes the terms to maturity of fixed-income securities held in pooled investment funds at March 31, 2021:

	<1 year	1–5 years	Over 5 years	Repurchase Agreements**
Fixed-income securities	30.4%	29.0%	71.4%	(30.8%)

**All repurchase agreements are less than 24 months.

IV. PRICE RISK

The ASC is exposed to price risk associated with the underlying equity investments held in investment funds. Price risk relates to the possibility that equity investments will change in fair value due to future fluctuations in market prices caused by factors specific to an individual equity investment or other factors affecting all equities traded in the market. If equity market indices (S&P/TSX and MSCI ACWI and their sectors) declined by 10.0 per cent, and all other variables are held constant, the potential loss in fair value to ASC would be approximately 3.4 per cent of total investments (2020 – 3.1 per cent).

V. LIQUIDITY RISK

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

C) INVESTMENT INCOME

The ASC's investment income includes \$4.3 million from CCITF and fixed-income securities (2020 – \$863,736) and \$3.9 million from equities (2020 – \$1.03 million). The ASC's investments had a net return of 16.08 per cent for the year ended March 31, 2021, which was generated by the realized and unrealized gains and losses (2020 – negative net return of 3.2 per cent). This performance compares to a benchmark (composite of FTSE TMX 91 Day T-Bill, FTSE TMX Canada Universe Bond, MSCI World index and S&P/TSX indexes) return of 11.87 per cent for the year ended March 31, 2021 (2020 – 1.7 per cent). As at March 31, 2021, the investment portfolio has recorded a loss in value, other than a temporary decline, in equity securities that resulted in an impairment of \$110,581 (2020 – \$56,947). The impairment was recognized in the statement of operations and netted against the investment income. There was no impairment in the fixed-income securities.

Note 5: Capital Assets

<i>thousands of dollars</i>	Computer Equipment & Software	Furniture & Equipment	Leaseholds	2021 Total	2020 Total
Estimated useful life	3 years	10 years	Lease duration		
Cost					
Beginning of year	3,885	3,298	7,197	14,380	13,753
Additions	317	209	36	562	1,111
Disposals	(425)	(25)	–	(450)	(484)
	3,777	3,482	7,233	14,492	14,380
Accumulated amortization					
Beginning of year	2,748	2,490	4,351	9,589	8,743
Amortization expense	643	246	504	1,393	1,330
Disposals	(425)	(25)	–	(450)	(484)
	2,966	2,711	4,855	10,532	9,589
Net book value	811	771	2,378	3,960	4,791

Cost includes computer equipment and software work in-progress as at March 31, 2021 totalling \$44,852. The F2020 work in-progress included leasehold improvements of \$135,059, computer equipment and software of \$74,123, and furniture and equipment of \$241,203.

Note 6: Accrued Pension Liability and Pension Expense

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

<i>thousands of dollars</i>	2021	2020
Public Service Pension Plan	1,465	1,449
Registered Retirement Savings Plan	1,234	1,140
Supplemental Pension Plan	338	563
	3,037	3,152

A) PUBLIC SERVICE PENSION PLAN

The ASC participates in the Public Service Pension Plan. At December 31, 2020, the Public Service Pension Plan reported a surplus of \$2,224 million (December 31, 2019 – \$2,759 million). The ASC is not responsible for future funding of any plan deficit other than through contribution increases.

B) REGISTERED RETIREMENT SAVINGS PLAN

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

C) SUPPLEMENTAL PENSION PLAN

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

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

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

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

An actuarial valuation of the SPP is undertaken every three years. In March 2021, an independent actuary performed a SPP valuation. The next valuation is scheduled for March 2024. The results of the actuarial valuation and management's cost estimates as they apply to the SPP are summarized below:

<i>thousands of dollars</i>	2021	2020
Supplemental Pension Plan		
Accrued benefit and unfunded obligation	10,451	9,687
Unamortized actuarial (losses) gains	(164)	598
Accrued benefit liability	10,287	10,285

<i>thousands of dollars</i>	2021	2020
Accrued Benefit Obligation		
Accrued benefit obligation at beginning of year	9,687	9,480
Service cost	219	229
Interest cost	319	311
Benefits paid	(336)	(333)
Actuarial losses – experience and assumptions	562	–
Accrued benefit obligation at end of year	10,451	9,687

<i>thousands of dollars</i>	2021	2020
Pension Expense for the Supplemental Pension Plan		
Service cost	219	229
Interest cost	319	311
Amortization of actuarial (gains) losses during the year	(200)	23
	338	563

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

Assumptions	2021	2020
Discount rate, year-end obligation	2.50%	3.25%
Discount rate, annual pension expense	3.25%	3.25%
Rate of inflation, year-end obligation	2.00%	2.00%
Salary increases, year-end obligation	0.00%	2.50%
Remaining service life, year-end obligation	3 years	5 years

Note 7: Fees and Other Enforcement Receipts

<i>thousands of dollars</i>	2021	2020
Fees		
Annual financial statements	19,648	19,299
Distribution of securities	18,094	16,457
Registration	17,018	16,816
SEDI, exempt distributions and registration late filing fees	498	498
Orders (applications)	166	118
	55,424	53,188

<i>thousands of dollars</i>	2021	2020
Other Enforcement Receipts		
Settlement payments, disgorgements and cost recoveries assessed	3,158	6,167
Less directed to investors	-	(500)
Less provision for uncollectible amounts	(1,790)	(5,145)
Plus recoveries of prior-year assessments	6	22
	1,374	544

Note 8: CSA National Systems

The CSA National Systems include the System for Electronic Document Analysis and Retrieval (SEDAR), the National Registration Database (NRD) and the System for Electronic Disclosure by Insiders (SEDI). These systems are administered under a CSA National Systems operations management and governance agreement (the Agreement). The Agreement empowers the ASC, jointly with three other CSA members, to manage the systems and to engage an external service provider to operate the systems. Though not expected to occur, as one of the agreement signatories, the ASC commits to pay 25.0 per cent of any shortfall from approved system operating costs that exceeds revenue. Any revenue in excess of system operating costs (surplus) is accumulated for future systems operations, including possible revenue shortfalls, fee adjustments and system enhancements. The surplus is not divisible; the CSA owns it as a group. As at March 31, 2021, the accumulated operating surplus totalled \$192.7 million (March 31, 2020 – \$183.6 million). This was primarily made up of \$127.4 million of investments comprised of a notice account earning Bank of Canada overnight rate plus 0.5 per cent, guaranteed investment certificates ranging from one to three years earning from 1.1 to 2.7 per cent; \$39.1 million in intangible assets; and \$23.2 million in cash held by the Ontario Securities Commission (the Designated Principal Administrator) earning Prime rate less 1.85 per cent. In management's judgment, this arrangement is not an interest in a partnership and the ASC does not control or have significant influence over how the net assets are managed.

Note 9: Commitments and Contingent Liabilities

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

A) COMMITMENTS

Premises Leases and Equipment Rental

Commitments arising from contractual obligations relate to the lease of premises to November 30, 2025 and rental of office equipment to 2024 totalling \$22.0 million (2020 – \$28.5 million). These commitments become expenses of the ASC when the terms of the contracts are met.

<i>thousands of dollars</i>	
2021–22	4,678
2022–23	4,705
2023–24	4,729
2024–25	4,746
Thereafter	3,173
Total	22,031

Canadian Securities Administrators

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

B) CONTINGENT LIABILITIES

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

Note 10: Budget

The ASC's F2021 budget was approved by the Commission on December 11, 2019.

Note 11: Related Party Transactions

The ASC is related through common ownership to all Alberta provincial government ministries, agencies, boards, commissions and Crown corporations. Related parties also include key management personnel of the ASC and close family members of those individuals. The ASC conducted all transactions with these entities as though they were unrelated parties and recorded these transactions at exchange amounts. Total transaction costs of \$441,387 (2020 – \$196,187) were recognized in salaries and benefits, administration and investor education expenses, primarily for employment contracts, investor education, insurance and transcript and postage services. Investment fees of \$263,350 (2020 – \$179,269) was paid to AIMCo. As of March 31, 2021, included in accounts payable and accrued liabilities is \$230 (2020 – \$350) related to these transactions.

Schedule 1 – Salary and Benefits Disclosure

thousands of dollars				2021	2020
	Base salary ¹	Other Cash benefits ²	Other Non-cash benefits ³	Total	Total
Chair and Chief Executive Officer (CEO), Alberta Securities Commission ⁴	495	132	27	654	616
Executive Director, Alberta Securities Commission	379	18	120	517	563
Vice-Chair, Alberta Securities Commission ^{4,5}	302	66	56	424	434
Vice-Chair, Alberta Securities Commission ⁴	302	49	71	422	427
Independent Members of the Alberta Securities Commission (aggregate) ⁶	516	–	–	516	577

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

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

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

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

⁵ This Vice-Chair does not participate in the SPP, but participates in the RRSP program. This RRSP benefit is reported under Other Non-cash benefits.

⁶ The Independent Members' compensation includes total fees paid for governance responsibilities of \$298,000 (2020 – \$291,000) and hearing and application panel participation of \$218,200 (2020 – \$286,000).

Independent Member fees include:

	2021
Annual retainer	\$ 10,000
Committee memberships (other than Audit Committee)	\$ 2,500
Committee memberships (Audit Committee)	\$ 4,000
Committee chairing (other than Audit Committee)	\$ 5,000
Committee chairing (Audit Committee)	\$ 8,000
Lead Independent Member	\$ 5,000
Meeting attendance fee	\$1,000 per day for an ASC meeting; \$750 for a Committee meeting
Hearing fees	\$1,500 per hearing day; and \$200 per hour of related preparation, review and decision writing
Hearing fees (Panel Chair)	\$2,000 per hearing day; and \$250 per hour of related preparation, review and decision writing

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

Supplemental Retirement Benefits

ANNUAL EXPENSE

<i>thousands of dollars</i>		2021	2020
	Current service costs	Prior service and other costs	Total
Chair and CEO, Alberta Securities Commission ¹	–	–	–
Executive Director, Alberta Securities Commission	76	–	95
Vice-Chair, Alberta Securities Commission ²	–	–	–
Vice-Chair, Alberta Securities Commission ³	49	(9)	52

ACCRUED OBLIGATIONS

<i>thousands of dollars</i>	Accrued obligation March 31, 2020	Changes in accrued obligation	Accrued obligation March 31, 2021
Chair and CEO, Alberta Securities Commission ¹	–	–	–
Executive Director, Alberta Securities Commission	1,788	(109)	1,679
Vice-Chair, Alberta Securities Commission ²	–	–	–
Vice-Chair, Alberta Securities Commission ³	719	270	989

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

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

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

2021 GLOSSARY

Alberta Investment Management Corporation (AIMCo)

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

Canadian Securities Administrators (CSA)

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

Crowdfunding

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

Crypto Assets

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

Derivative

A financial product that derives its value from some underlying benchmark.

Disciplined List (DL)

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

Exempt Market

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

Financial Transactions and Reports Analysis Centre of Canada (FINTRAC)

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

Generally Accepted Accounting Principles (GAAP)

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

Global Financial Innovation Network (GFIN)

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

Group of Twenty (G20)

The G20 is an international forum for the governments and central bank governors from 20 major economies that was founded to study, review and promote high-level discussion of policy issues pertaining to the promotion of international financial stability.

Heads of Agencies (HoA)

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

International Monetary Fund (IMF)

The IMF is an organization of 189 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world. Its primary purpose is to ensure the stability of the international monetary system – the system of exchange rates and international payments that enables countries (and their citizens) to transact with each other.

International Organization of Securities Commissions (IOSCO)

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

Investment Industry Regulatory Organization of Canada (IIROC)

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

Joint Serious Offences Team (JSOT)

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

Mutual Fund Dealers Association of Canada (MFDA)

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

National Registration Database (NRD)

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

North American Securities Administrators Association (NASAA)

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

Registrant

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

Regulatory Sandbox

The regulatory sandbox is a committee of staff from across the CSA that coordinates the efforts to address applications for discretionary exemptive relief from securities laws from parties intending to provide innovative financial products, services and applications. Through the regulatory sandbox, the CSA endeavours to support innovation while ensuring appropriate investor protection. Applicants to the CSA regulatory sandbox have included crowdfunding portals, parties conducting initial token offerings, and crypto-asset trading platforms, among others.

System for Electronic Disclosure by Insiders (SEDI)

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

System for Electronic Document Analysis and Retrieval (SEDAR)

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

Toronto Stock Exchange (TSX)

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

TSX Venture Exchange (TSXV)

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

Venture Issuer

A venture issuer means a reporting issuer that, as at the applicable time, did not have any of its securities listed or quoted on any of the Toronto Stock Exchange, Aequitas NEO Exchange Inc., a U.S. marketplace, or a marketplace outside of Canada and the United States of America other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc.

World Bank Group

The World Bank Group is one of the world's largest sources of funding and knowledge for developing countries. Its five institutions share a commitment to reducing poverty, increasing shared prosperity and promoting sustainable development.

2021 ADVISORY COMMITTEES

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

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