

BC Securities Commission

2024/25 – 2026/27 Service Plan

February 2024



For more information on the BC Securities Commission contact:

P.O. Box 10142, Pacific Centre
12th Floor, 701 W. Georgia Street
Vancouver BC, V7Y 1L2
1-800-373-6393

Or visit our website at

www.bcsc.bc.ca

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Board Chair's Accountability Statement



The 2024/25 – 2026/27 BC Securities Commission Service Plan was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act*. This plan is consistent with government's strategic priorities and fiscal plan. The Board is accountable for the contents of this plan and is responsible for the validity and reliability of the information presented.

All significant assumptions, policy decisions, events and identified risks, as of February 9, 2024 have been considered in preparing the plan. The performance measures presented are consistent with the *Budget Transparency and Accountability Act*, the BC Securities Commission's mandate and goals, and focus on aspects critical to the organization's performance. The targets in this plan have been determined based on an assessment of the BC Securities Commission's operating environment, forecast conditions, risk assessment and past performance.

Signed on behalf of the Board by:

A handwritten signature in black ink, appearing to be 'B. Leong', written over a faint circular stamp or watermark.

Brenda M. Leong
Board Chair, BC Securities Commission
February 9, 2024

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Strategic Direction

In 2024/25, public sector organizations will remain focused on providing the services and infrastructure that people depend on to build a good life. Public sector organizations will continue to support Government in delivering results that matter to British Columbians including helping people with costs, attainable and affordable housing, strengthened health care, safer communities, and a secure, clean and fair economy. Public sector organizations will also continue to work closely with Government as it works collaboratively with Indigenous Peoples to implement the Action Plan for the *Declaration on the Rights of Indigenous Peoples Act* and delivers initiatives that advance reconciliation in ways that make a difference in communities throughout the province.

This 2024/25 Service Plan outlines how the BC Securities Commission (BCSC or Commission) will support the government's priorities and selected action items identified in the most recent [BCSC Mandate Letter](#).

Purpose of the Organization and Alignment with Government Priorities

The BCSC is the independent Provincial Government agency responsible for regulating capital markets in British Columbia (B.C.). Our enabling legislation is the Securities Act, RSBC 1996, c. 418, and our mission is to protect and promote the public interest by fostering:

- A capital market that is fair and warrants public confidence.
- A dynamic and competitive securities industry that provides investment opportunities and access to capital.

The BCSC benefits the public by protecting investors and the integrity of B.C.'s capital markets. We aim to deliver effective regulation of markets that are rapidly evolving. We:

- Review businesses' offering documents and continuous disclosure, so investors have the information they need to make informed investment decisions.
- Review applications for registration from those that trade securities, provide advice, or manage portfolios or investment funds, to ensure they are qualified, ethical, and solvent.
- Take action against those who contravene securities laws to deter misconduct and mitigate investor losses.
- Educate investors to protect themselves and industry participants to understand how to comply with securities law requirements.
- Advance regulatory policy initiatives to support capital formation and innovation and mitigate risk to B.C.'s capital markets and investors.

Operating Environment

We work collaboratively with other Canadian securities regulators to protect investors from unfair, improper, or fraudulent practices and to foster fair and efficient capital markets under the umbrella of the Canadian Securities Administrators (CSA). Operating under a national and largely harmonized system influences and impacts how we approach securities regulation. While we endeavour to achieve highly harmonized regulations within the CSA, in some cases, local priorities and imperatives may lead to the adoption of different regulations or approaches to regulatory decisions in the jurisdictions.

Capital markets and the wealth management industry are rapidly evolving. Innovation and technology bring new opportunities and new challenges for the BCSC and other financial regulators. To keep up with this rapid pace of change, we are focused on four areas: building capacity, enhancing investor protection, calibrating regulation to innovation, and modernizing the regulatory framework.

- **Building Capacity** – The evolution of capital markets, including the proliferation of new investment products, new platforms for trading investment products, and new channels for disseminating investment-related communications, is generating billions of data points. To manage and optimize our use of this information, the BCSC has embarked on a digital transformation of its internal information systems, which we view as critical to regulatory responsiveness. This new platform will be foundational to the BCSC’s ability to manage and analyze information, improve the efficiency and effectiveness of regulatory processes, and continually deliver value to the capital markets we regulate and to the investing public. These new systems will require considerable human and financial resources to develop and maintain, drawing on significant BCSC resources in the 2025 fiscal year.
- **Enhancing Investor Protection** – The BCSC continues to focus significant resources on combatting market misconduct, including complex multi-party schemes that are abusive to the capital markets, and brazen frauds perpetrated on unsuspecting and unsophisticated investors. Rapid changes in technology and the proliferation of the use of social media heightens the risk for investors, as many of these investment schemes originate outside Canada and target B.C. investors online. We are also seeing increasing B.C. connections to major international fraud and market manipulation cases, and while B.C. investors may not be specifically targeted by these cases, this type of egregious conduct can impact the integrity of our capital markets.

In response to these external trends and risks, the BCSC has launched a whistleblower program that is intended to provide the BCSC with more actionable intelligence about misconduct that would otherwise be difficult to obtain. With the benefit of recent amendments to the *Securities Act*, we have begun using a new enforcement mechanism – Administrative Penalties Imposed by Notice – that enables the BCSC to impose

financial penalties for misconduct without a full enforcement hearing, subject to a right of review. Additionally, we are actively seeking innovative methods to identify and prevent improper activity carried out on social media platforms. The BCSC has led the creation of a CSA task force that is identifying technological, legal, and organizational impediments to addressing abusive promotions and trading, and finding possible ways of overcoming those obstacles.

To strengthen investor redress, we are co-leading a CSA effort to strengthen the Ombudsman for Banking Services and Investments (OBSI) – an independent dispute resolution service – with the authority to make binding investor compensation awards in resolving disputes between investment firms and clients.

The BCSC has also been vigorously pursuing sanctioned individuals for unpaid penalties, including using the tools in the 2020 *Securities Act* amendments. While our use of the new tools has been effective in encouraging some payments, our efforts are being met with multiple legal challenges in the courts, which results in delays and the diversion of litigation resources from other enforcement efforts.

- **Calibrating Regulation to Innovation** – Applications of decentralized ledger technology are constantly evolving, introducing new products and business models at an unprecedented pace. New forms of crypto assets are trading over a growing number of novel trading platforms, with heightened risk to investors. To mitigate these risks, we are working with the CSA to regulate certain platforms as they relate to securities and derivatives legislation. In addition, traditional investment services are being transformed by technology, including mobile trading applications and the prospect of artificial intelligence-based trading advice. We are closely monitoring these innovations to determine an appropriate securities regulatory framework that would support innovations and investor protection.
- **Modernizing the Regulatory Framework** – Investors are increasingly considering environmental, social and governance (ESG) matters alongside traditional finance metrics when making investment decisions. Working with the CSA, the BCSC is developing new governance and disclosure requirements for public companies regarding climate change and board and executive diversity.

The new Canadian Investment Regulatory Organization (CIRO) continues its work to bring together the operations of its predecessor self-regulatory organizations. The BCSC is jointly co-ordinating the CSA's oversight of CIRO in its first two years, a period that will include consolidating member rules, integrating enforcement teams and procedures, implementing governance policies, and considering expanding its membership to other types of firms.

We continue to consider meaningful ways to include the issues affecting Indigenous peoples, as well as their perspectives, in our policy and operational work. We have begun this work

through the creation of a CSA Task Force on Indigenous Peoples in the Capital Markets and local engagement with B.C. Indigenous peoples and organizations.

The environment in which we operate is dynamic, and we work diligently to meet the demands of this rapidly changing environment. The raising of interest rates over the past two years, driven by central banks' efforts to curb inflation, and geopolitical uncertainty have led to significant declines in capital-raising; this, in turn, has led to lower BCSC fee revenue.

Performance Planning

Goal 1: Support fair, efficient, and innovative Canadian capital markets

We work to ensure that B.C. companies listed on stock markets and public investment funds provide accurate and complete information about their finances, strategy, and operations, so investors can make sound decisions. We require private companies and investment funds to abide by rules on how they raise money and who they raise it from.

We expect investment firms to meet standards for professional knowledge and integrity, emphasizing that they treat clients honestly and fairly.

Objective 1.1: Promote a culture of compliance

Investors expect that the firms and individuals that trade or advise in securities will treat them honestly and fairly. Investors also expect the businesses and investment funds raising money in the capital markets to provide accurate and transparent information. BCSC regulatory activities, including examining registered firms and reviewing listed company continuous disclosure, promote a culture of compliance. We encourage market participants to build processes and organizational cultures that help them to proactively comply with securities law requirements.

Key Strategies

- We register suitable securities firms and their advisors, routinely audit these firms for compliance with the rules, and oversee the conduct of the TSX Venture Exchange (TSXV), Canadian Securities Exchange (CSE), Clearing and Depository Services (CDS), and CISO, all of which are recognized in B.C.
- We regulate securities issuers and insiders and review their mandatory filings to ensure they meet minimum standards. We also regulate the trading of over-the-counter derivatives and private placements of securities by companies required to report to the BCSC.

Discussion

On behalf of the CSA, the BCSC continues to co-lead work to develop a new framework that strengthens the ability of OBSI to secure redress for investors. In particular, the framework would make OBSI's compensation decisions binding on investment firms.

The BCSC is leading a CSA project to enhance and modernize NI 43-101 Standards of Disclosure for Mineral Projects. Approximately 60% of global mining issuers report in Canada and account for 50% of global mining capital formation. As such, NI 43-101 is the pre-eminent global standard for mineral project disclosure.¹

The BCSC is participating in CSA projects to develop climate-related and diversity disclosure requirements to meet the demands for more consistent and comparable ESG information to help inform investment decisions.

We monitor achievement of this objective by tracking continuous disclosure, technical disclosure, and firm examination deficiencies.

We will continue to monitor the performance of these key strategies based on established tracking systems.

Objective 1.2: Advance cost-effective regulation

We aim to provide strong investor protection and foster market integrity at an appropriate cost by focusing on:

- Emphasizing practical solutions that provide significant benefits that exceed costs.
- Using our resources efficiently through risk management, teamwork, and relevant performance measures.
- Delivering regulatory services reliably on a timely basis, recognizing that delay adds costs for market participants.

Key Strategies

- We are engaged in a multi-year digital transformation project centred on a new platform that will support the BCSC's regulatory work and create operational efficiencies for both staff and market participants.
- We will continue to encourage innovation in emerging financial technologies, including by registering crypto-asset trading platforms and considering appropriate regulatory frameworks for various types of crypto assets and crypto trading platforms.
- We actively participate in CSA projects to modernize capital-raising, improve investor protection requirements, and reduce regulatory burden.

Discussion

As part of the digital transformation project last fiscal year, we completed development work to integrate the new system with strategic data sources. Market participants from a variety of national systems will be centralized in a common data model accessible for BCSC staff reference. By the end of 2024/25, initial components of work to configure the system to support select regulatory work will be complete. Among other things, this will include continuous disclosure reviews of reporting issuers and compliance reviews of registered firms.

¹ Based on S&P Capital IQ data and internal data tracked and compiled over six years.

Our work to modernize capital-raising and disclosure requirements for reporting issuers and funds and to reduce regulatory burden includes work on streamlining and consolidating offering and disclosure documents, modernizing the investment fund prospectus regime, and facilitating greater use of electronic communication.

Performance Measures

Performance Measure	2022/23 Baseline	2023/24 Forecast	2024/25 Target	2025/26 Target	2026/27 Target
1a Percentage of reviewed issuers that reduce deficiencies ¹					
i. Improved disclosure subsequent to a continuous disclosure review	87.5%	>90%	>90%	>90%	>90%
ii. Improved disclosure to minimum standards	87.5%	>90%	>90%	>90%	>90%
1b Percentage of issuers reviewed that do not comply with standards for technical disclosure ²					
i. Percentage of issuers' technical reports reviewed that were required to be amended and refiled	22.2%	<30%	<30%	<30%	<30%
ii. Percentage of issuers reviewed placed in default for non-compliant technical disclosure in documents other than technical reports	21.6%	<25%	<25%	<25%	<25%
1c Average number of repeat deficiencies per examination in Capital Markets Regulation ³	0.13	0.64	0.64	0.64	0.64
1d Average score on cost-effective regulation scorecard ⁴	98%	>90%	>90%	>90%	>90%

Data sources:

¹Internal evaluation of subsequent disclosure.

²Data recorded in established tracking systems.

³Data recorded in established tracking systems.

⁴Internal evaluation based on staff and management judgement and project documents.

Discussion

All four measures foster greater fairness in the capital markets, enhancing investors' ability to make informed investment decisions.

1a. This pair of measures shows the extent to which our detailed reviews motivate non-compliant issuers to improve their disclosure.

1b. This measure reflects material compliance with the mineral project disclosure standard in (i.) technical reports and (ii.) all other disclosure including websites and social media.

1c. Compliance staff rely heavily on repeat deficiencies as a general indication of the state of compliance at a registered firm. Repeat deficiencies are also an indication of whether a firm has allocated sufficient resources to, or is focused on, effective compliance. Staff frequently refer firms with repeat deficiencies for enforcement or other remedial action. While we aim to reduce average repeat deficiencies over the long term, they may increase in any particular year due to factors such as increases in the number of new registrants or changes in regulation. In the 2022/23 fiscal year, compliance reviews were focused on "conflict of interest" obligations which were adopted in June 2021. Given the scope of these reviews, we were unlikely to find many repeat deficiencies. The subsequent forecasts and targets represent more predictable estimates.

1d. We use the BCSC's "cost-effective regulation scorecard" to track 16 important steps and outcomes in responding to market problems in a way that results in cost-effective regulation. We score and report the average score of all CSA and local policy projects, except those we adopt purely to harmonize with other jurisdictions. Cost-effective regulation means market participants do not spend more on regulation than is necessary. This helps support efficient markets and allows resources to be diverted to innovation.

Goal 2: Inspire investor confidence

The BCSC takes action against misconduct that harms investors and undermines confidence in B.C.'s investment market.

We investigate a range of illegal activity: fraud, misrepresentation, unregistered trading and advising, insider trading, and manipulating the price of securities.

We empower British Columbians by providing unbiased information and tools to help them make informed investment decisions.

Objective 2.1: Act decisively against misconduct

Our Enforcement Division focuses on cases with a strong B.C. connection. These include:

- Illegal distributions and fraud.
- Market misconduct, including market manipulation and insider trading.
- Regulatory compliance, including non-compliance by dealers and companies.

We work to deter misconduct and mitigate investor losses through early disruption and timely enforcement. To this end, we:

- Disrupt misconduct by issuing temporary orders and distributing investor alerts.
- Issue preservation orders to preserve assets.
- Investigate and prosecute misconduct, and seek administrative orders from our panels, or refer criminal cases to Crown Counsel to be prosecuted.
- Pursue the collection of financial sanctions and return money to harmed investors when possible.

Key Strategies

- We will continue to focus resources on combatting new and resurgent types of abusive promotions and trading in venture markets. Having identified challenges with current approaches to stopping abusive market activity.
- We will develop new strategies for detecting and analyzing promotions on social media and review the effectiveness of regulatory oversight in this area to help stop abusive market activity.

Discussion

Acting decisively against misconduct includes taking early action to stop the misconduct. We can significantly reduce public harm when we can identify and act quickly to disrupt misconduct. We aim to stop illegal investment schemes before they start and prevent further participation in existing schemes. Disruptive action provides a visible, valuable benefit to the public.

Timely investigations and enforcement actions are critical to deterrence and supporting confidence in our markets.

Due to the proliferation of misconduct using social media, we will continue to focus on developing our tools and techniques to combat this form of misconduct.

We will monitor performance based on data recorded in established tracking systems.

Objective 2.2: Educate investors

We want British Columbians to understand how investing can help them achieve their financial goals, but also to be cautious of emerging investment trends and aware of the warning signs of investment fraud. Through strategic outreach, including targeted advertising campaigns, we promote awareness of investment fraud and instill financial confidence in investors to help them make informed decisions.

Key Strategies

- We provide the B.C. public with tools and information to help them make informed investing decisions and to know how to protect themselves against unsuitable or fraudulent investments.

- We will monitor performance based on established tracking systems and independent surveying of British Columbians.
- We will promote awareness of investment market misconduct and the BCSC's enforcement actions through advertising, digital communications, and strategic media relations.

Discussion

We want British Columbians to see the BCSC as the organization that provides trusted, unbiased investor education.

We highlight risky investments, investment frauds, and potential scams using our websites, social media, an e-mail newsletter, public outreach, and both mass media and digital advertising campaigns. We educate British Columbians to fraud-proof themselves and come to us for information that helps them become informed investors.

We are entering into the second year of a three-year public awareness advertising campaign that is founded on research and designed to shape the knowledge, attitudes, and behaviours of the public in relation to B.C.'s investment markets and the BCSC's role in regulating those markets. We will continue an always-on advertising strategy throughout the fiscal year, maintaining a steady presence in both traditional and digital media markets, increasing the opportunity for British Columbians to get to know the BCSC, how we work for them, and how we can help them achieve better financial outcomes.

We will continue developing educational tools and resources to empower British Columbians to protect their financial interests and become better informed about investment products and services. We will also continue building a dialogue with our audience using social media platforms and our monthly newsletter. Our work will be founded on investor research. Crypto assets, do-it-yourself investing, and investment fraud prevention continue to be popular topics on our investor education website, InvestRight.org. In the first quarter, we will promote our new online resource focused on empowering women to meet their financial goals and share other tools in line with Investor Education Month (October), Financial Literacy Month (November) and Fraud Prevention Month (March).

Performance Measures

Performance Measure	2022/23 Baseline	2023/24 Forecast	2024/25 Target	2025/26 Target	2026/27 Target
2a Percentage of files where a disruptive step was taken within 30 days of receipt of the file ¹	n/a	>80%	>80%	>80%	>80%
2b Percentage of Notice of Hearings, settlement agreements, Reports to Crown Counsel and APIN notices completed within 40 months of receipt of the file ²	n/a	>70%	>70%	>70%	>70%
2c Number of views of investment fraud video ³	5,802	5,321	5,587	5,866	6,159
2d Percentage of B.C. public aware of the BCSC ⁴	39%	49%	51%	54%	57%

Data source:

¹Data recorded in established tracking systems, primarily the BCSC Enforcement Case Tracking system and in official documents.

²Data recorded in established tracking systems, primarily the BCSC Enforcement Case Tracking system and in official documents.

³BCSC InvestRight YouTube channel.

⁴Independent survey. Question: As you may know, there is a provincial agency in British Columbia responsible for regulating securities investments called the BC Securities Commission. Now that we have mentioned the BC Securities Commission, how familiar would you say you are with this agency?

Discussion

By actively working to hold offenders to account and disrupt misconduct, we endeavour to instill confidence in the capital markets.

2a. This refreshed measure focus on reporting on disruptive actions taken during active misconduct, which includes:

- Issuing a Temporary, Halt or Cease Trade Order
- Posting the name of an entity on the Investment Caution List (ICL)
- Issuing an investor alert
- Conducting in-person visits by enforcement staff
- Sending a warning letter
- Taking steps to have a party enter into an undertaking, offer rescission, stop a distribution, issue a clarifying news release, withdraw, remove, or block offensive material

The number of disruptive actions varies from year-to-year, and over the past three years, we have taken a disruptive step in 86.4% of files within 30 days of the receipt of the file. We issued

one investor alert independently of the CSA and 88 investor caution list postings from April 1, 2023 to December 31, 2023. Securities regulators have increased their focus on disruptive action against securities misconduct in recent years, particularly because of the significant rise in misconduct related to crypto assets promoted through social media, and the significant challenges in investigating and prosecuting this type of misconduct. For example, this past year, CSA members issued 758 investor alerts, cautions and warnings, which was a 221% increase from FY 2021/22 and a 377% increase from FY 2020/21.

2b. This new measure encompasses more enforcement activity, including administrative cases, criminal and quasi-criminal cases, and Administrative Penalties Imposed by Notice. This measure is based on data from our previous three years, in which we averaged 15 files per year and finalized 74% of Notice of Hearings, settlement agreements, and Reports to Crown Counsel within 40 months.

2c. This measure reflects the importance of educating British Columbians about investment fraud and reporting to the BCSC.

2d. Low public awareness of the BCSC is a significant challenge when it comes to delivering investment education to the B.C. public. The measure aims to aid awareness of the BCSC among the B.C. general population aged 18 and over and is collected as part of an annual online survey to measure awareness, recall and impact of our public awareness campaigns.

Financial Plan

Financial Summary

(\$millions)	2023/24 Forecast	2024/25 Budget	2025/26 Projection	2026/27 Projection
Revenue				
Local filing fees				
Prospectus and other distributions	\$ 31.2	\$ 35.8	\$ 36.9	\$ 38.0
Registration	20.4	20.7	21.0	21.3
Financial filings	4.9	5.7	5.5	5.6
Derivatives and other fees	0.8	1.2	1.2	1.3
	\$ 57.3	\$ 63.4	\$ 64.6	\$ 66.2
Other revenue				
National systems	6.1	6.4	6.5	6.5
Enforcement sanctions	1.6	1.0	1.0	1.0
Investment income net of realized losses	0.0	2.8	2.5	1.8
Total Revenue	\$ 65.0	\$ 73.6	\$ 74.6	\$ 75.5
Expenses				
Salaries and benefits	\$ 43.3	\$ 49.9	\$ 53.0	\$ 54.5
Other local expenses	19.9	23.4	23.1	23.8
Partnership expenses	11.3	11.0	10.5	10.4
Total Expenses	\$ 74.5	\$ 84.3	\$ 86.6	\$ 88.7
Annual Deficit	\$ (9.5)	\$ (10.7)	\$ (12.0)	\$ (13.2)
Supplementary information				
Total debt	-	-	-	-
Accumulated unrestricted operating surplus	72.7	65.9	57.5	47.8
Accumulated restricted operating surplus	46.3	42.3	38.8	35.3
Local capital expenditures	9.3	7.2	5.8	4.8
Partnership capital expenditures	10.2	2.1	1.8	1.8

Breakdown of Other Local Expenses

(\$millions)	2023/24 Forecast	2024/25 Budget	2025/26 Projection	2026/27 Projection
Occupancy	\$ 4.0	\$ 3.8	\$ 3.9	\$ 3.9
Depreciation	1.7	2.5	2.9	3.3
Professional services	4.7	5.3	4.5	4.5
Information management	4.2	4.8	5.3	5.5
Education	3.6	4.1	3.6	3.6
Whistleblower payments	0.1	0.7	0.7	0.7
Administration	0.4	0.6	0.6	0.6
Staff training	0.2	0.4	0.4	0.4
Business travel	0.3	0.3	0.3	0.4
External communications	0.3	0.4	0.4	0.4
Telecommunications	0.2	0.2	0.2	0.2
Funding to ISSB	0.2	0.3	0.3	0.3
Total Other Local Expenses	\$ 19.9	\$ 23.4	\$ 23.1	\$ 23.8

Key Assumptions and Risks

Key assumptions for the 2023/24 forecast are:

- Capital raising activity will be consistent with that of the first three quarters.
- The number of registrations and other filings will remain stable compared to year-to-date results.
- National systems fee revenue will be \$0.9M lower than 2022/23 due to revised national systems user fees; Partnership expenses will be higher by \$4.3M due primarily to \$1.9M higher professional fees and other operating expenses, and \$2.1M higher depreciation of newly implemented systems.
- Investment income of \$2.6M for local operations and \$0.6M for the National systems will be offset by realized losses on investments of \$3.2M.

Key assumptions for the 2024/25 budget are:

- Public and private investment funds gross sales activity will increase by 2% compared to 2023/24, which reflects a gradual return to historical growth rates in the range of 2% to 3%.
- The number of registrations will grow by 1.5% and other filings will grow by 2% compared to 2023/24.
- Fee amendments applicable to exchange traded funds and at-the-market distributions, and average outstanding notional amount of derivatives for a calendar year, will become effective April 1, 2024 and will increase revenue compared to 2023/24 by approximately \$4.0M and \$0.6M respectively.
- Sanction receipts will be similar to historical averages.
- National systems Partnership revenue will increase by \$0.3M and expenses will decrease by \$0.3M compared to 2023/24.
- The average number of staff will increase by 18 compared to 2023/24 in order to increase our technology and analytics capacity, take on international microcap fraud and other enforcement cases, support new compliance and enforcement programs enabled by recent amendments to the *Securities Act*, develop disclosure frameworks relating to Environmental, Social and Governance matters, address fintech and innovation in the capital markets and modernize the regulatory framework.
- The position vacancy rate will be 6%, consistent with 2023/24.
- Merit-based salary increases will average 4.0%.
- Anticipated salaries and benefits expense includes market-based salary adjustments totaling \$1.4M.
- Local professional services expense will increase by \$0.6M compared to 2023/24 due to \$0.2M increase for court reporting, \$0.2M for investigative services, and \$0.2M for other initiatives.
- Local information management expenses will increase by \$0.6M compared to 2023/24 due primarily to increased use and cost of software licenses.
- Education expenses will increase by \$0.5M compared to 2023/24 due primarily to costs to develop a new fraud awareness campaign.
- Whistleblower budget will increase by \$0.6M compared to 2023/24 as the new program will be in place for a full year.
- Occupancy costs will decrease by \$0.2M compared to 2023/24 due primarily to a \$0.3M savings from reducing the office space by 10% (facilitated by office renovations and a hybrid working model), partially offset by an increase of \$0.1M in shared operating and other costs.
- Depreciation expense will increase by \$0.8M compared to 2023/24 as new local

systems are placed in service and depreciation begins for office renovation costs incurred in 2023/24.

- Local capital expenditures of \$7.2M will include \$4.5M on digital transformation and \$2.7M to upgrade local systems and hardware.

Key assumptions for the 2025/26 projection are:

- The size of distributions and the number of financial filings will grow by 3%, and number of registrations will grow by 1.5%.
- The position vacancy rate will be 6%.
- Merit-based salary increases will average 3%.
- Professional services expense will decrease by \$0.8M compared to 2024/25 primarily due to lower spending on digital transformation and other initiatives.
- Information management expense will increase by \$0.5M compared to 2024/25 due primarily to increased use and cost of software licenses.
- Education expenses will be \$0.5M less than 2024/25 because that year included costs to develop a fraud campaign that are not applicable in 2025/26.
- Local capital expenditures will include \$4.3M on digital transformation and \$1.5M to maintain and upgrade systems and hardware.

Key assumptions for the 2026/27 projection are:

- The size of distributions and the number of financial filings will grow by 3%, and number of registrations will grow by 1.5%.
- The average number of staff will remain unchanged from 2025/26.
- The position vacancy rate will be 6%.
- Merit-based salary increases will average 3%.
- Professional services expenses and information management expenses will be similar to 2025/26.
- Education expenses will be consistent with 2025/26.
- Partnership revenues and expenses will be similar to 2025/26.
- Local capital expenditures will include \$3.3M on digital transformation and \$1.5M to maintain and upgrade systems and hardware.

Risks

Capital raising levels have been volatile in recent years. We have budgeted and projected modest increases in 2024/25, 2025/26 and 2026/27. If actual fee revenue is significantly lower than the amounts assumed in our budget and projections, our financial capacity will be negatively impacted.

A government partnership among the BCSC, the Alberta Securities Commission, the Ontario Securities Commission, and the Autorité des marchés financiers (Partnership) contracts with CGI Information Systems and Management Consultants Inc. (CGI) to operate several national electronic filing systems through which we collect most of our fee revenue. CGI maintains comprehensive business continuity plans for these systems.

We rely on the Partnership projections to estimate our net contribution from the national systems operations. Actual results will differ.

Overview of Operations and Management's Perspective

The BCSC does not receive taxpayer funding. Most of our revenue comes from local filing, registration, and application fees paid by market participants under the *Securities Act*. In most years, a small portion of our revenue is investment income and enforcement sanctions.

Compensation, occupancy, and asset depreciation expenses account for about 77% of local expenses.

Capital markets activity can be volatile, so we hold accumulated reserves to fund operations through market downturns. Drawing down the accumulated reserves requires government approval. Government approved deficits of \$10.5M in 2023/24 and \$10.7M in 2024/25.

In addition to our local operations, in accordance with Canadian public sector accounting standards, we proportionately consolidate 25% of the assets, liabilities, net assets, revenues and expenses of the Partnership.

The participants in the Partnership have agreed to restrict the use of national system surplus funds to benefit only national filing system users, through system enhancements or usage fee adjustments.

Appendix A: Mandate Letter from the Minister Responsible



Date: June 14, 2023

Brenda M. Leong
Chair and Chief Executive Officer
BC Securities Commission
P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver BC, V7Y 1L2

Dear Ms. Leong:

On behalf of Premier Eby and the Executive Council, I would like to extend my thanks to you, your board members and your organization's leadership for your dedication, expertise, and service to the people of British Columbia.

Public sector organizations – including Crowns, Health Authorities and Post Secondary Institution Boards – support British Columbians by delivering vital public services and are accountable to the public through their responsible Minister. Your leadership in advancing and protecting the public interest strengthens trust in public institutions.

You are serving British Columbians at a time when people in our province continue to recover from and respond to the upheaval caused by the COVID-19 pandemic, an ongoing toxic drug crisis, climate-related natural disasters, and while global inflation is driving up costs. Now more than ever, we need to focus on building a prosperous, low-carbon, sustainable economy, and a province where everyone can find a good home – in rural areas, in cities, and in Indigenous communities.

This mandate letter, which I am sending in my capacity as Minister responsible for British Columbia Securities Commission, sets out overarching principles relevant to the entire public sector and specific direction on priorities and expectations for your organization for the remainder of Government's term.

Government and public sector organizations must continue to advance results that people can see and feel in these key areas: strengthened health care, safer communities, attainable and secure housing, and a clean and fair economy that delivers affordability and prosperity.

In doing so, you will continue working towards lasting and meaningful Reconciliation by supporting opportunities for Indigenous Peoples to be full partners in the province we are building together, and delivering on specific commitments as outlined in the *Declaration on the Rights of Indigenous Peoples Act* action plan.

As required by the *Climate Change Accountability Act*, please ensure your organization implements targets and strategies for minimizing greenhouse gas emissions and managing climate risk, including achieving carbon neutrality each year and aligning with the CleanBC target of a 50% reduction in public sector building emissions and a 40% reduction in public sector fleet emissions by 2030. Your organization is expected to work with government to report out on these plans and activities as required by legislation.

Our province's history, identity and strength are rooted in its diverse population. Yet racialized and marginalized people face historic and present-day barriers that limit their full participation in their communities, workplaces, government and their lives. The public sector has a moral and ethical responsibility to tackle systemic discrimination in all its forms – and every public sector organization has a role in this work. As part of this work, your organization is expected to adopt the Gender-Based Analysis Plus (GBA+) lens to ensure gender equity is reflected in your operations and programs.

British Columbians expect that public sector organizations operate in a responsible manner to deliver quality services equitably in all regions of the province. This requires strategic stewardship of planning, operations, and policies in the areas of financial, risk, and human resource management including information security and privacy protection.

The protection of government data and networks is a priority, especially where it concerns personal information of British Columbians. Public sector organizations must maintain up to date systems and effective cybersecurity practices, including maintaining current information management and cybersecurity policies, guidelines and standards; evaluating your organization against industry standards; and maintaining appropriate security and privacy practices. The Office of the Chief Information Officer within the Ministry of Citizens Services is available to support and offer guidance to your organization in any of these areas.

Public sector organizations must also implement and maintain an effective fraud risk management strategy. The Office of the Comptroller General and the Risk Management Branch in the Ministry of Finance are available for consultation.

The Crown Agencies Secretariat (CAS) in the Ministry of Finance supports public sector organizations to operate effectively, in the public interest, and aligned with government's strategic direction and priorities. Within CAS, the Crown Agencies and Board Resourcing Office (CABRO) will continue to support you and your board on recruitment, appointments and professional development, as well as ensuring Board composition and governance reflects the diversity of our province. CAS can support you in public sector governance best practices, policy and planning.

In addition to continuing to make progress on your [2021 mandate letter](#), I expect you to ensure the important priorities and areas of focus listed in this letter are incorporated into the practices of your organization.

Each board member is asked to sign this letter to acknowledge this direction from government to your organization. The signed letter is to be posted publicly on your website by summer 2023.

I look forward to continuing to work with you and your Board colleagues to meet the high standards set for us by all British Columbians.

Sincerely,

A handwritten signature in blue ink that reads "Katrine Conroy". The signature is written in a cursive, flowing style.

Katrine Conroy
Minister of Finance and Minister responsible for the Columbia Basin Trust, Columbia Power Corporation, and the Columbia River Treaty
June 14, 2023

cc: Honourable David Eby, KC
Premier

Shannon Salter
Deputy Minister to the Premier, Cabinet Secretary and Head of the BC Public Service

Heather Wood
Deputy Minister and Secretary to Treasury Board
Ministry of Finance

Mary Sue Maloughney
Associate Deputy Minister, Crown Agencies Secretariat
Ministry of Finance

Gordon Johnson
Vice Chair
BC Securities Commission

Deborah Armour, KC
Commissioner
BC Securities Commission

Judith Downes
Commissioner
BC Securities Commission

Audrey T. Ho
Commissioner
BC Securities Commission

Karen Keilty
Commissioner
BC Securities Commission

James Kershaw
Commissioner
BC Securities Commission

Jason Milne
Commissioner
BC Securities Commission

Marion Shaw
Commissioner
BC Securities Commission



Brenda M. Leong
Chair, BC Securities Commission
Date: June 28, 2023



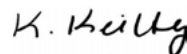
Gordon Johnson
Commissioner, BC Securities Commission
Date: June 27, 2023



Deborah Armour, KC
Commissioner, BC Securities Commission
Date: June 27, 2023



Audrey T. Ho
Commissioner, BC Securities Commission
Date: June 28, 2023



Karen Keilty
Commissioner, BC Securities Commission
Date: June 27, 2023



James Kershaw
Commissioner, BC Securities Commission
Date: June 28, 2023



Judith Downes
Commissioner, BC Securities Commission
Date: June 27, 2023



Marion Shaw
Commissioner, BC Securities Commission
Date: June 27, 2023



Jason Milne
Commissioner, BC Securities Commission
Date: June 27, 2023