

Adapting to new market realities and fostering resilience





The Alberta Securities Commission (ASC)'s important work continued in F2020 despite economic headwinds and the COVID-19 global pandemic. Showing flexibility and resilience, we are adapting to new market realities and are committed to delivering on our strategic plan.

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STAN MAGIDSON
Chair and Chief Executive Officer

Message from the Chair and CEO

Global shifts in the energy markets over the last few years brought rapid change to Alberta's economy. The COVID-19 outbreak in March of fiscal 2020 (F2020) added an entirely new set of challenges whose impact continues. Two certainties motivate the ASC's planning: we must do all we can to maintain the resilience of one of Canada's most important capital markets, and we must prepare for new market realities in the months and years to come.

The ASC strives to provide intelligent regulation that facilitates an adaptable and enduring capital market, and supports efforts to encourage the growth and diversification of our economy. As always, we continue to collaborate with our peers to seek ways to reduce regulatory burden, monitor compliance, enforce and educate. Protecting investors is always at the top of our agenda.

ADDRESSING COVID-19 CHALLENGES

As the magnitude of COVID-19 became apparent, we quickly pivoted to address what was most important for our employees, market participants and investors. We monitored the situation closely and took immediate action to follow all public health and safety protocols, equipped our employees to work remotely and implemented measures to maintain day-to-day operations. To assist market participants, we collaborated with colleagues in the Canadian Securities Administrators (CSA) to publish timely, temporary blanket relief; adjust implementation timelines

on new requirements; and delay planned publications until the market has time to consider and comment. We also engaged with industry stakeholders to understand their challenges and regulatory needs and expectations. In the short term, we continue to offer practical advice, support and relief wherever possible.

Fraudsters use crisis situations to take advantage of people in distress and COVID-19-related scams soon began to surface. This unfortunate reality reinforces the need for a responsible regulator to maintain public trust — protecting vulnerable, distressed and isolated investors is a vital part of our mandate. We continue to broadcast alerts and warnings, and provide relevant and timely information to enable investors to look out for potential scams, recognize fraudulent behaviour and protect themselves. We also take action to disrupt scams in progress, including having online advertisements removed, websites taken down and trading in securities suspended where appropriate.

The repercussions of the pandemic have not yet run their course and we must continue to be adaptable. I am proud to report that the ASC continued to deliver on our mandate to foster a fair and efficient capital market and to protect investors without interruption. The capital markets are resilient and I'm confident there will be better days to come. But we must not be complacent. A great deal of ground has been lost and it will require new thinking to address the damage that has been done.

A STEADY COURSE IN TROUBLED TIMES

F2020 marks the final year of the ASC's current three-year strategic plan. This report highlights our major achievements in each of our pillars: intelligent regulation that supports a strong capital market; proactive and comprehensive compliance, enforcement and education; and fostering a culture of engagement. Despite the challenges our capital market has faced over the last three years, we continue to make progress in the areas that best serve our market.

As we embark on our next three-year strategic plan, I am heartened by our plan's inherent flexibility and adaptability. Given recent unexpected events, it is only prudent that we plan for every eventuality. Resilience is not something that can be conjured up instantly — it is built up through years of careful planning.

INTELLIGENT REGULATION IN A VOLATILE ENVIRONMENT

To fulfill our commitment to intelligent regulation, we must strike a balance between strong investor protection, addressing critical market issues, and avoiding undue burdens on issuers, registrants and other market participants.

In F2020 we made progress on several policy matters that better safeguard investors. We advanced client focused reforms, a ban on upfront commission payments by mutual funds to dealers, and protection measures for older and vulnerable clients.

A fundamental part of a fair and efficient capital market is high-quality disclosure, and the ASC is co-leading three CSA projects to facilitate continued improvement in this area. We made progress on the proposed instrument regarding the disclosure of non-GAAP (generally accepted accounting principles) and other financial measures. After reviewing feedback from stakeholders in the first comment period, we adjusted the proposed rule accordingly and published it for comment a second time. The CSA also published guidance to help issuers identify and enhance disclosure of material risks posed by climate change, and there is a CSA project team working to update the Offering Memorandum exemption, which also proposes to improve disclosure for investors. You can read more about these initiatives starting on page 10 of this report.

One of the ASC's priorities is to help create conditions for growth while consistently striving for reduced regulatory burden. We are working with the Government of Alberta on a red tape reduction initiative, and we continue to play a leadership role in a number of CSA initiatives outlined in more detail in the following pages. Among others, they include proposed amendments to streamline the requirements and expand the availability of at-the-market (ATM) offerings, along with streamlining continuous disclosure requirements, both for investment funds and other reporting issuers.

Another important initiative to reduce regulatory burden and support market participants was ASC Consultation Paper 11-701 *Energizing Alberta's Capital Market*. Many start-ups and smaller and early-stage businesses face challenges raising capital. This Consultation Paper sought feedback on a number of preliminary ideas for enhancing access to capital for Alberta businesses and creating new opportunities for investors. We received valuable feedback that will guide us as we move forward.

I firmly believe that each of these projects, and more that are outlined later in this report, will provide the flexibility and adaptability that we need for new market realities.

ENFORCEMENT, COMPLIANCE AND EDUCATION TO BUILD TRUST

Through enforcement, compliance and education, we strive to maintain the integrity of our capital markets. In our digital age, there is no shortage of fraudsters who employ sophisticated techniques to attempt to steal investors' hard-earned money. Thanks to our collaborative enforcement and investor education efforts, we were able to detect and disrupt scams, investigate and litigate

numerous files, and inform investors throughout Alberta.

Following an investigation by the Joint Serious Offences Team (JSOT) — a partnership between the ASC, the Royal Canadian Mounted Police (RCMP) and the Alberta Crown Prosecution Service — John Carlos Labun was convicted of fraud and failure to comply with an ASC order. Labun was sentenced to two years' imprisonment by the Provincial Court of Alberta and was also permanently banned from a number of securities-related activities.

ASC panels rendered decisions on multiple securities violations in F2020. This included former registrant Ronald James Aitkens and multiple co-respondents that were sanctioned for breaching Alberta securities laws. Aitkens, Stoney View Crossing Inc. and Harbour View Landing Inc. were determined to have perpetrated a fraud on investors. To protect investors and the Alberta capital market as a whole, the panel imposed a broad array of permanent market-access bans and financial penalties. Further details and other enforcement actions are set out on pages 15 and 16.

In a fast-moving marketplace, it is more important than ever that Albertans are made aware of potential risks. Seniors continue to be targeted by scam artists and this year we enhanced our efforts to educate them, their caregivers and their financial representatives. To provide better tools for research and education, we also refreshed our CheckFirst.ca website. This site offers valuable, unbiased resources that empower investors. It is now modern and user-friendly with more information for investors at any stage in their life. Throughout the year, we engaged with Albertans through a wide range of educational activities, including trade

shows, information seminars, pop-up cafés, presentations, and an integrated marketing and communications campaign that reached investors in rural communities throughout Alberta.

COLLABORATION AND ENGAGEMENT

Collaboration and engagement is not just a pillar within our strategic plan; it is a fundamental component of how we serve our market. We have a leadership role in the CSA and are active in, and support initiatives of the North American Securities Administrators Association (NASAA), the Heads of Agencies (HoA), and the International Organization of Securities Commissions (IOSCO). We continue to work with other agencies and regulators to share timely information and lead coordinated action to disrupt market manipulation and other fraudulent activity. I take pride in our ability to create opportunities to talk with industry participants, including at information and outreach sessions and at our annual ASC Connect conference. All of our activities were well-attended and positively received by our community this past year.

On behalf of the ASC's senior management team, I want to thank our Commission Members for their guidance and support throughout the year. We benefit greatly from their wisdom, insight and experience. I also want to thank the expert members of our seven advisory committees for their industry knowledge and broad perspectives.

Every year, we are able to achieve our strategic priorities thanks to the ASC's dedicated teams. This year brought new challenges as we adjusted to deliver during the COVID-19 pandemic. I want to thank our leadership group and all of our teams for their hard work. I have received commendations from market participants

for our ability to maintain our valuable work; this was possible thanks to the willingness of ASC staff to adapt. They showed incredible resiliency and should be very proud of their achievements.

The successful conclusion of this three-year strategic plan leads us into our next. The new three-year plan for fiscal years 2021–2023 was developed after extensive consultations with internal and external stakeholders. We are maintaining our mission, vision, values and three pillars, and in doing so, we reinforce our position as a relevant and practical regulator, responsive to market participants, the economic climate and emerging trends. We will carry forward our learnings and insight from the last three years to build on our good work — it is a solid foundation for the future. As we go forward into uncertain times, the ASC's commitment to be a responsible, professional, forward-looking regulator has never been stronger.



STAN MAGIDSON

Chair and Chief Executive Officer

CAPITAL MARKET STATISTICS

(As of March 31, 2020 unless otherwise indicated.)

\$666B

ALBERTA IS ONE OF CANADA'S MOST IMPORTANT CAPITAL MARKETS WITH MORE THAN **\$666 BILLION** IN MARKET CAPITALIZATION, COMPRISED OF LISTED REPORTING ISSUERS WHOSE PRIME CANADIAN REGULATORY JURISDICTION IS ALBERTA.*

\$165B

MARKET CAPITALIZATION
OF OIL AND GAS COMPANIES.

\$192B

MARKET CAPITALIZATION
OF UTILITIES AND PIPELINES.

\$6.9B

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

\$17.4B

AMOUNT RAISED BY
ALBERTA-BASED ISSUERS
IN THE PUBLIC MARKET.**

* Measured by aggregate market capitalization of listed reporting issuers.

** For the 2019 calendar year.

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

F2020 marks the final year of our F2018 – F2020 three-year strategic plan. The plan is a blueprint for the ASC's operations, addressing the challenges and opportunities we face in achieving our mission: to foster a fair and efficient capital market in Alberta and to protect investors. This annual report gives an update on our progress and offers select highlights from F2020 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 that supports a thriving capital market

Proactive and comprehensive compliance, 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 that supports a thriving capital market

The ASC strives to ensure that Alberta's regulatory regime is appropriate to the needs of our market. We prioritize investor protection while striving to minimize the regulatory burden on issuers, registrants and other market participants.

ADDRESSING EMERGING REGULATORY FRONTIERS

As Alberta's economy continues to adapt and evolve in the midst of challenges, we are committed to supporting the resiliency and integrity of our capital market, facilitating capital growth and protecting investors. Creating room for entrepreneurs and small businesses will help stimulate, strengthen and diversify our economy, and we continue to engage with these market participants to better understand and address the challenges they face when accessing capital.

In F2020 we published ASC Consultation Paper 11-701 *Energizing Alberta's Capital Market* and we encouraged all market participants to provide input. This consultation paper summarized secondary research and sought feedback on a number of preliminary ideas to

enhance access to capital for Alberta businesses and create new opportunities for investors, while still appropriately protecting them. More than 25 in-person consultation sessions were held. In addition, our New Economy division hosted a webinar with a panel of experts to discuss the proposed ideas. Eighty-one parties responded to the online survey that accompanied the consultation paper and 11 formal comment letters were received. Recommendations and timelines are being considered within the ASC and by the ASC's New Economy Advisory Committee and other advisory committees. A number of respondents asked that the ASC play a role in information sharing between the public and private markets to bridge knowledge gaps and facilitate important connections. We took this into account when we planned the third annual ASC Connect, discussed in more detail on page 19.

To enhance harmonization and provide broader capital-raising options to early-stage businesses, in F2020 the ASC implemented Blanket Order 45-521 *Start-Up Crowdfunding Registration and Prospectus Exemptions*. This blanket order eliminates unnecessary barriers to financing, better facilitates access to capital for start-ups and other small businesses, and provides users with an exemption from prospectus and registration requirements. It was adopted as an interim measure before a national instrument could be implemented. The ASC is working with the other members of the CSA to develop proposed National Instrument 45-110 *Start-Up Crowdfunding Registration and Prospectus Exemptions*. The proposed instrument is expected to expand upon and replace the blanket order, creating a nationally harmonized regime that increases the thresholds for



start-up capital-raising and investing, while still providing appropriate investor protection.

Climate change-related disclosure continues to be an important topic. Many investors are seeking improved disclosure on the material risks, opportunities, financial impacts and governance processes related to climate change. We co-led the development of CSA Staff Notice 51-358 *Reporting of Climate Change-Related Risks*, which was published to help businesses identify and improve their disclosure of material risks posed by climate change.

There are a number of Alberta-based businesses that trade or are proposing to trade crypto assets, whether as a novel asset class or as a new means to facilitate alternative small business financing. ASC staff have been actively engaged with businesses proposing to trade crypto assets that are securities or derivatives, helping them navigate the securities regulatory regime and pursue the necessary registration as a dealer, exchange or other marketplace. In January 2020, we published CSA Staff Notice 21-327 *Guidance on the Application of Securities Legislation to Entities Facilitating the Trading of Crypto Assets* providing guidance on the situations where securities regulation will apply to crypto-asset trading platforms in Canada even if the crypto assets are not themselves securities or derivatives. ASC staff are now engaging with affected platforms in Alberta and coordinating those efforts across Canada through the CSA Regulatory Sandbox Committee. We endeavour to provide continuing guidance to fintech businesses seeking to offer innovative products, services and applications in Canada.

QUESTIONING THE REGULATORY STATUS QUO

The ASC continues to co-lead the development of the CSA's proposed National Instrument 52-112 *Non-GAAP and Other Financial Measures Disclosure*, which was published for comment for the second time in February 2020. This rule is intended to establish clear requirements for the disclosure of financial information that is not a financial measure contemplated by GAAP. In response to feedback received during the first publication, the scope was reduced and the disclosure requirements were simplified, while retaining appropriate investor protections. Currently, these disclosures often lack standardized meanings and may be potentially misleading. The proposed rule will ensure investors receive the quality of information they need to make their investment decisions, without creating unnecessary regulatory burden.

The ASC seeks to ensure that our capital-raising exemptions are as useful as possible, relevant for investors and reflect experience with past use. We are co-leading the development of a project within the CSA to update the Offering Memorandum exemption that proposes to clarify, tailor and streamline National Instrument 45-106 *Prospectus Exemptions* and improve disclosure for investors.

In an effort to increase investor confidence and investor protection, the CSA adopted amendments to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*, implementing certain reforms across Canada, termed Client Focused Reforms. These reforms will mandate that clients' interests come first in their dealings with those registered to give investment advice and trade in securities. Furthermore, registrants will be required to address material conflicts of interest in the best interest of their clients and to put clients' interests first when determining the suitability of investments. These reforms

introduce new obligations or codify best practices, particularly regarding registrants' obligations to "know your product" and "know your client", to consider specific suitability factors, and to disclose important information to clients. The Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Fund Dealers Association of Canada (MFDA) were active participants in the development of these reforms and are amending their respective member rules, policies and guidance to be consistent with these changes. The amendments were enacted across Canada on December 31, 2019, and provide for a phased implementation. The amendments related to conflicts of interest will take effect on June 30, 2021, and the associated relationship disclosure provisions, as well as other remaining changes, will take effect on December 31, 2021.

Amendments to National Instrument 31-103 and Companion Policy 31-103 also include efforts to enhance protection measures for older and vulnerable clients. Under the proposed amendments, registrants will be required to take reasonable steps to obtain the name and contact information of a Trusted Contact Person (TCP) and the client's written consent to contact the TCP, while preserving client autonomy. As well, the proposed amendments outline the steps a registered firm must take if they place a temporary hold when there is reasonable belief that a vulnerable client is being financially exploited or lacks mental capacity. Following the comment period, we expect the proposed amendments to come into force at the same time as the Client Focused Reforms "know your client" requirements.

Another collaborative effort with participating members of the CSA was the adoption of a ban on upfront commission payments by mutual funds to dealers. This will result in the end of deferred sales charges (DSC) and is another important step in enhancing investor protection. The ban eliminates a compensation bias that



gives dealers an incentive to recommend investment products that pay them a high upfront commission rather than other suitable investments that might have lower costs and do not have redemption fees for the investor. An implementation period of over two years for this new DSC ban provides time for dealers to adjust their business models.

Work is also underway to eliminate the payment of trailing commissions by mutual funds to dealers when no suitability advice is provided, such as in the case of discount brokers. These embedded commission changes, in conjunction with enhanced conflict of interest rules implemented under the Client Focused Reforms initiative, are designed to increase transparency and ensure the protection of investors' interests. The ASC is actively participating in the implementation efforts towards Client Focused Reforms, the DSC ban and the elimination of trailing fees for discount brokers.

In F2020, the CSA and its members began a review of the regulatory framework for IIROC and the MFDA. We are part of a working group that was established to analyze the current structure of these self-regulatory organizations and seek comments from stakeholders. As part of the consultation, the CSA will re-examine the initial policy reasons for the current regulatory framework, as well as its benefits, strengths and challenges. Additionally, the CSA will consult broadly with industry stakeholders, investor advocates, other market participants and the public to consider the evolution of the financial services industry and the impact of innovation on the current framework.

Prior to F2020, the ASC identified a unique group of commodity brokers that trade in commodity derivatives and play a

role in price formation. After thoughtful analysis, including consideration of U.S. regulatory requirements already imposed on these brokers, we developed a practical regulatory framework for this new category of registrants. All are now registered with the ASC. The ASC collaborates with the National Futures Association (NFA) to ensure efficient regulation of this cohort.

REDUCING REGULATORY BURDEN

In F2020, we continued to further CSA projects to reduce regulatory burden for reporting issuers:

- Co-leading proposed amendments to National Instrument 44-102 *Shelf Distributions* and its companion policy to streamline the requirements and significantly expand the availability to issuers of the benefits of conducting at-the-market (ATM) offerings of securities.
- Co-leading the reduction or streamlining of continuous disclosure requirements for non-investment fund reporting issuers.
- Proposing amendments to the business acquisition report (BAR) requirements for reporting issuers that are not venture issuers.
- Enhancing communication with investors and reducing regulatory burden for issuers under CSA Consultation Paper 51-405 *Consideration of an Access Equals Delivery Model for Non-Investment Fund Reporting Issuers*. Under this model, delivery of a document is effected by the issuer alerting investors that the document is publicly available on the System for

Electronic Document Analysis and Retrieval (SEDAR) and the issuer's website. An access equals delivery model is consistent with the general evolution of our capital markets, including changes in technology and the increased availability and accessibility of information.

- Considering pursuing an alternative offering system for smaller offerings.
- Publishing CSA Staff Notice 43-310 *Confidential Pre-File Review of Prospectuses (for Non-Investment Fund Issuers)* to ease the uncertainty some issuers face when they file their preliminary prospectus. This notice introduces a harmonized process for full reviews of prospectuses on a confidential pre-file basis for non-investment fund issuers, expanding the pre-file reviews that some jurisdictions are already conducting.

To further enhance market participants' access to global markets, the ASC took a leadership role in developing CSA Staff Notice 21-328 *Regulatory Approach to Foreign Marketplaces Trading Fixed Income Securities*. This notice outlines a new framework for granting exemptions to foreign alternative trading systems (foreign ATSs) trading fixed-income securities that want to do business in Canada. It allows foreign multilateral trading facilities to trade fixed-income securities. Under the new exemption framework, foreign ATSs may be permitted to offer direct trading access to Canadian participants without having to establish a Canadian-based affiliate, provided they meet certain terms and conditions, including a requirement that they comply with the applicable regulation in their home jurisdiction.

We published for comment proposed amendments to ASC Rule 72-501 *Distributions to Purchasers Outside Alberta* and an amended and restated companion policy. The purpose of this rule is to reduce regulatory impediments and facilitate offerings by Alberta issuers to investors outside Alberta and Canada. The amendments include a new exemption and provide additional information and clarification, improving the ability of Alberta issuers to access capital from foreign investors.

ENGAGING EFFECTIVELY WITH OTHER REGULATORS

Collaboration with other national and international regulators is a foundation of our strategic plan. As capital markets become more global in nature, it is critical to have a harmonized approach in our regulation. We continue to be an active participant in the CSA, NASAA, IOSCO, HoA (including the HoA's crypto-asset and stablecoin working groups), the Global Financial Innovation Network (GFIN), and other national and international organizations.

The HoA is a federal-provincial forum for the discussion of financial sector issues in Canada. It is chaired by the Governor of the Bank of Canada and includes 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. Through the HoA, Canada's key financial regulators share information, bridge data gaps and cooperate on areas of common interest, including systemic risk surveillance. In conjunction with our CSA colleagues, we successfully worked with other HoA members to formalize and enhance the HoA's monitoring and

assessment of current and emerging financial system vulnerabilities and risks. This included the creation of a Systemic Risk Surveillance Committee, which facilitates information-sharing and collaboration among Canadian financial authorities for the purpose of addressing systemic risk and will report to the HoA. Our interaction and relationships with HoA members have become more important than ever in light of recent events, leading to more frequent HoA meetings.

Closely related to our HoA work, the ASC chairs the CSA Standing Committee on systemic risk. This committee reports to the CSA annually and on an ad hoc basis on issues relevant to our market and regulation. It consults and engages regularly with market participants and other bodies, including the HoA, IOSCO and the Financial Stability Board (FSB). Most recently, this committee has analyzed various subjects such as the efficient resiliency of exchange-traded mutual funds, and the concentration of investment dealers and exempt funds.

The ASC is also an active member of the IOSCO Committee on Emerging Risk (CER). This committee analyzes emerging and systemic risks for the IOSCO board and standing committees. It presented a risk outlook to the IOSCO board, which was used in part to set IOSCO's priorities for F2020. The ASC hosted delegates from around the world at the CER's quarterly meeting in June 2019 in Calgary.

The level of cross-border business done by our oil and gas industry underscores the importance of our active participation in the IOSCO Committee on Derivatives (Committee 7). This recently merged committee represents the former IOSCO Committee on Commodity Derivatives and the Over-The-Counter (OTC) Derivatives

Task Force. Committee 7 focuses on issues related to all types of derivatives products and markets, with the ASC's participation focused on exchange-traded and OTC commodity derivatives.

Prior to the worldwide outbreak of COVID-19, the CSA recognized that if a significant disruption were to occur in the market, all members would need to ensure we are prepared and able to fulfill our mandates. Using guidelines from international regulators and leveraging the Financial Sector Assessment Program (FSAP), the CSA held a cyber disruption test. Identifying how best to operate in a crisis requires careful planning. The test enabled the group to prepare for and assess the major touchpoints. As is necessary with these kinds of plans, it continues to be tested and improved across all jurisdictions.

In the face of COVID-19, the CSA's coordination, communication and harmonization efforts have been fully engaged. The ASC was an important participant in the CSA's efforts to provide timely and substantially harmonized relief for market participants on an emergent basis. In addition to our ongoing focus on investor protection, the goal was to ensure participants would have the flexibility they need to focus on critical, practical business decisions while managing risks to their employees, investors, customers and other stakeholders. Furthermore, we reprioritized and adjusted the timelines of our regulatory projects to provide more time for feedback and implementation.





PILLAR TWO

Proactive and comprehensive compliance, enforcement and education

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

EXPANDING ENFORCEMENT TOOLS

The ASC continues to add to the tools we have available to detect and disrupt securities misconduct as early as possible. F2020 was the first full year in which people could submit whistleblower tips under ASC Policy 15-602 *Whistleblower Program*. This program was designed to create and encourage compliance in the industry and allows whistleblowers to safely report potential breaches of Alberta securities laws. The program has already proved successful in the number of tips received (see page 27). The impact of a single credible tip can be significant, and can help detect and disrupt fraud and other securities misconduct that can often only be identified through internal knowledge and industry expertise.

In addition to the whistleblower program, ASC Policy 15-601 *Credit for Exemplary Cooperation in Enforcement Matters* provides a means for individuals and entities to self-report securities misconduct and provide full and timely cooperation in investigations and proceedings. This policy provides clarity and detail on the circumstances in which ASC staff will give credit for exemplary cooperation and consider the option of a no-contest settlement agreement. Awareness of this policy is growing. We recently concluded a settlement agreement with Ava Trade Ltd., a company based in the British Virgin Islands, for acting as a dealer without being registered in accordance with Alberta securities laws. As part of the settlement agreement, Ava Trade received a 20 per cent discount as credit for exemplary cooperation.

Collaboration with other regulators, Canadian law enforcement agencies, the Alberta Crown Prosecution Service, the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) and others is crucial to our enforcement efforts. Thanks to this collaboration, we were able to successfully conclude a number of important enforcement matters in the last year.

- An ASC panel sanctioned recidivist Brian Arthur Kitts and Vesta Capcorp Inc. for perpetrating a fraud on investors. Kitts, who also faced criminal proceedings elsewhere, and Vesta Capcorp Inc. were found to pose significant risk to the public and ordered to pay an administrative penalty of \$600,000, a disgorgement order of \$1,960,457 and \$150,000 of the costs of the investigation and



hearing. As well, they received an array of permanent market-access bans.

- JSOT investigations resulted in another conviction in F2020. Recidivist John Carlos Labun was quasi-criminally charged and found guilty of fraud and failure to comply with an ASC order. Labun was sentenced to two years' imprisonment and ordered to pay restitution totalling \$302,300 to eight investors. He was also permanently banned from a number of securities-related activities. Labun had fraudulently raised money from investors while he was subject to a ban imposed by an ASC panel in a previous proceeding on an unrelated matter.

The ASC concluded a settlement agreement and undertaking with the Lutheran Church-Canada, the Alberta-British Columbia District, in connection with a long-running investment program that collapsed into insolvency. The parties admitted to breaching Alberta securities laws by making statements that did not disclose potential risks to investors. The individual respondents in this case agreed to pay a total of \$500,000 to be distributed to investors in accordance with the Court's direction. We were pleased to provide an opportunity to increase the amount available for harmed investors, many of whom are elderly.

ENSURING EFFECTIVE COMPLIANCE OVERSIGHT

Delivering effective compliance oversight is central to the ASC's regulatory responsibilities. Our staff regularly consider emerging trends and provincial, national and international issues that could have an economic or regulatory impact. Our strategy of proactive and comprehensive compliance allows us to respond effectively in our increasingly complex and diversified market.

The Offering Memorandum exemption (the OM exemption) is used regularly in Alberta. To ensure issuer compliance with the investment limits laid out in section 2.9 of National Instrument 45-106 *Prospectus Exemptions*, we analyzed issuers' reliance on the OM exemption. It appeared that many issuers were not complying with the limits, mainly due to issuer and dealer errors in recordkeeping. Following this, we published ASC Notice 45-705 *Compliance with Investment Limits Under the Offering Memorandum Prospectus Exemption*, summarizing the results and providing guidance to issuers that have relied on, or intend to rely on, the OM exemption.

Under our Compliance Check-Back Program, our team completed reviews of 26 previously reviewed exempt market dealers to assess whether they adequately addressed certain deficiencies identified in the initial sweep, completed in early

2017. The majority of firms showed improved compliance.

In collaboration with the Exempt Market Dealer Advisory Committee, we developed a resource for exempt market dealers that provides guidance on what should be included in their policies and procedures documents. As well as serving as a helpful resource, it is expected to facilitate greater compliance and is anticipated to be updated annually. Other industry education efforts included outreach seminars in Calgary and Edmonton for exempt market dealers, portfolio managers and investment fund managers. Topics included engaging with older and vulnerable clients, the supervision and training of dealing and advising representatives, and an industry-led presentation and panel discussion on valuation issues. Corporate Finance information sessions were held in person and via webinar to assist corporate issuers in their efforts to improve their disclosure and financial reporting. Topics included climate change-related disclosure, non-GAAP financial measures, recent accounting publications and notices, the oil and gas regulatory framework, oil and gas reviews, and clarifying disclosure of abandonment and reclamation costs.

Our oil and gas team significantly expanded its database of information, particularly as it relates to reserves reconciliation, in order to provide greater insight into compliance issues and pursue remediation as necessary.



ENHANCING INVESTOR EDUCATION TO REACH A BROADER AUDIENCE

Fraudsters prey on investors when they are financially and emotionally vulnerable. It is more important than ever to provide relevant and timely information and tools to help Albertans protect themselves and make wise investment decisions. Our ongoing investor education efforts included a Financial Literacy Month campaign that encouraged Albertans to know their ABCs before investing, CheckFirst pop-up cafés at trade shows, presentations at libraries, radio and television advertisements, and organic and paid social media promotions.

As part of our Fraud Prevention Month activities, we conducted a survey to better understand Albertans' knowledge and awareness of investment fraud, and we used this information to educate them on how to identify common red flags of fraud and protect their financial well-being. The survey found that although 75 per cent of Albertans were confident they can protect themselves against investment fraud, approximately half of the survey respondents were unable to identify common red flags of fraud. In addition, over half of Albertans trust their friends and family when it comes to providing financial investment advice, and nearly half of Albertans don't believe fraud will happen to them. This is despite the fact

that investment fraud, and affinity fraud, continues to impact Albertans every year. To highlight the importance of being an informed investor, we joined the Calgary Police Service, the RCMP and other agencies in a Fraud Prevention Month kickoff event. As well, we launched media and digital campaigns, and partnered with community groups, law enforcement and other organizations to meet as many Albertans as possible.

Our CheckFirst.ca website for investors was refreshed to empower Albertans of every age and income level through unbiased resources, tools and information that support safe investing. A modern, friendly look and user-friendly navigation will support the growth of financial literacy within Alberta. In addition to investment fraud risks, users can explore topics such as understanding their investor profile, how to start investing, and tips to plan their financial strategy and research investments and advisers. The Check Registration page discusses the importance of checking registration and how to conduct a registration check.

Seniors remain at high risk of investment fraud and we continue to seek out new opportunities to build relationships with them. We launched a month-long senior outreach campaign in recognition of Seniors Month (June) and World Elder Abuse Day (June 15, 2019). The campaign

empowered seniors to improve their financial literacy, recognize the signs of investment fraud and make wise investment decisions. Connecting with and educating caregivers and financial professionals about the signs of elder financial abuse is another important activity.







PILLAR THREE

Foster a culture of engagement

The collective knowledge and experience of the staff at the ASC is the foundation of our success. Their efforts to build strong relationships with individuals and organizations that participate in Alberta's capital market are a critical part of the administration of provincial securities laws.

ENGAGING MARKET PARTICIPANTS

Regular, timely and relevant engagement with all market participants and stakeholders is critical to the ASC fostering a fair and efficient capital market. We strive to increase two-way communication, working to address their needs, while listening to their valuable feedback.

To produce a new three-year strategic plan that sets us up for success and meets the needs of our stakeholders, we conducted extensive engagement both internally and externally. We consulted with Commission Members, employees and over 45 external market participants. Thanks to the feedback we received, we are confident this plan will lead us forward with the flexibility required in our current environment.

We also engage with Alberta's issuers, registrants, investors, academics and experts in a broad range of outreach activities. In addition to policy consultations, we facilitate industry information sessions, educational outreach, speaking engagements, webinars, meetings, conversations and publications. In F2020 we published the Alberta Capital Market Report, the Oil and Gas Review Report and the Corporate Finance Disclosure Report.

In October 2019, we hosted the third annual ASC Connect conference. Speakers discussed the critical issues and evolving trends affecting the capital markets, the current state of Alberta's energy sector, support and resources available for entrepreneurs, and the importance of collaborative enforcement activities. Feedback gathered through a survey after the event indicated it was well-received,

with all external respondents indicating that they would recommend the event to friends and colleagues. A highlight was our keynote speaker and Canadian commentator, Rex Murphy.

The ASC is fortunate to have ongoing feedback through seven advisory committees (see page 61) that are comprised of industry representatives and other knowledgeable individuals who provide advice and guidance. Each committee contributes insights into what is happening within the market, current business practices, and industry views that inform our efforts to fulfill our strategic plan.

The past year continued to be exceptionally challenging for the energy industry. Our oil and gas professionals continually monitor and engage on developments in the industry. In particular, we monitored changes in relation to the Canadian Oil and

Gas Evaluation Handbook (COGEH) and its interaction with National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* (NI 51-101) and dealt with a significant volume of industry inquiries in that regard. Through these interactions, we are considering what, if any, amendments are required to NI 51-101. We regularly present at industry conferences and interact with industry groups locally and internationally.

Our enforcement division engages with a variety of industry organizations, law enforcement agencies, financial institutions and others in their ongoing outreach program. These relationships are critical to providing insightful information about trends in the market, in addition to greater information sharing. Collaborative enforcement leads to more effective detection, disruption, investigation, litigation and deterrence.

ENGAGING OUR COLLEAGUES

The ASC continues to be recognized as one of Alberta's top employers. We value this recognition and work to ensure our

staff are well equipped to carry out their responsibilities in a rewarding, challenging and equitable environment. We host town halls, a series of events and activities during each United Way campaign, host numerous other events and conduct surveys to seek regular feedback from employees. We will continue to engage with and invest in our staff through our internal communications program, training and professional development. It is their knowledge and experience that enable our organization to be a practical, intelligent and best-in-class regulator.

ENGAGING INVESTORS

We are committed to providing timely and relevant information to investors of all ages and life stages. By interacting one-on-one at trade shows and community presentations, and by providing information through advertising, online resources and social media, we engage with investors to hear their feedback and to empower and inform them.



REACHING A BROADER AUDIENCE

1,486

INQUIRIES TO THE PUBLIC
INFORMATION OFFICE.

16,000+

ALBERTANS REACHED
THROUGH GRASSROOTS EFFORTS
SUCH AS PRESENTATIONS,
TRADE SHOWS, CONFERENCES
AND COMMUNITY EVENTS.

1,500

ALBERTA SENIORS REACHED
THROUGH TARGETED CAMPAIGNS
AND INITIATIVES.

122

ALBERTANS TOOK ONE OF
OUR INVESTING 101 CLASSES
THROUGH THE CALGARY BOARD
OF EDUCATION'S CONTINUING
EDUCATION DEPARTMENT
AND MACEWAN UNIVERSITY
IN EDMONTON.

49.8

MILLION IMPRESSIONS –
ADVERTISING, ONLINE, MEDIA
AND GRASSROOTS.

338

PARTICIPANTS ATTENDED
OUR SIGNATURE CONFERENCE,
ASC CONNECT.

97

PRESENTATIONS, SESSIONS AND CONSULTATIONS HELD BY ASC STAFF ON TIMELY TOPICS SUCH
AS CLIENT FOCUSED REFORMS, CRYPTOCURRENCY, CLIMATE CHANGE, SUSTAINABLE FINANCE
AND INVESTMENT FRAUD REACHED ~7,700 PEOPLE.



(Standing from left to right.)

Tom Graham, Alison Trollope**,
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.*

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, 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.*

COMMUNICATIONS AND INVESTOR EDUCATION

Alison Trollope, Director

The Communications and Investor Education division provides strategic communications counsel and support to all areas of the ASC to engage and educate 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 campaigns aim to educate Albertans about investing and explain how they can protect themselves from securities fraud. Through media relations, stakeholder engagement and internal communications, the team promotes transparent, relevant and timely information to support 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 advisers 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 used in the regulation of Alberta's and Canada's capital

markets for issuers, including investment funds and over-the-counter derivatives. Given the significance of the oil and gas industry, Corporate Finance places considerable emphasis on reviewing the public disclosure of oil and gas reserves information and overseeing the relevant disclosure policies for these issuers. 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 both to 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, clearing agencies and trade repositories conducting business in Alberta.

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 interdepartmental 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 to 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 Accountant and Chief Financial Officer (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, providing 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. The Executive Director is the "designated officer" for the purposes of the Act. 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.

**Effective May 2020, Hilary McMeekin became Director, Communications and Investor Education.



NOTE: photo taken prior to mandated physical distancing protocols.

ASC's 2020 Members

During F2020, 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) and the regulations made pursuant to this act. 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 Members are "Independent" as that term is defined in National Instrument 52-110 *Audit Committees* (NI 52-110). The Chair and Vice-Chairs are involved in the day-to-day activities of the ASC, so are not classified as Independent.

Meetings of the Members are held on a monthly basis. Following each meeting, Independent Members meet *in camera* (in private) 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.

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, 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

DIVERSITY

The ASC is fortunate to have talented and dedicated leaders with varied experience, skills and backgrounds. In addition, its Members and Executive Officers 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 diversity in the recruitment process for Board and Executive Officer positions.

	F2020				F2019			
	Female		Male		Female		Male	
	#	%	#	%	#	%	#	%
Independent Members	5	55.5	4	44.4	5	50	5	50
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

MEMBER TERMS AND ATTENDANCE⁽¹⁾

Stan Magidson, ICD.D, Chair

Term Expiry – June 30, 2021
Currently in Term – 1
Commission – 12/12 (100%)
Audit Committee – 6/6 (100%)
Governance Committee – 3/4 (75%)
Human Resources Committee – 4/4 (100%)

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 – 4/6 (66.7%)
Governance Committee – 4/4 (100%)
Human Resources Committee – 3/4 (75%)

Steven Cohen

Term Expiry – March 31, 2021
Currently in Term – 1
Commission – 12/12 (100%)
Governance Committee – 4/4 (100%)

Raymond Crossley, CPA, CA, ICD.D

Term Expiry – March 31, 2021
Currently in Term – 1
Commission – 11/12 (91.7%)
Governance Committee – 4/4 (100%)

Trudy Curran, ICD.D

Term Expiry – March 31, 2023
Currently in Term – 2
Commission – 11/12 (91.7%)
Human Resources Committee – 4/4 (100%)

Karen Kim, CA, CFA, ICD.D

Term Expiry – March 31, 2023
Currently in Term – 2
Commission – 12/12 (100%)
Audit Committee – 6/6 (100%)

James (Jim) Oosterbaan, ICD.D

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

Maryse Saint-Laurent, ICD.D

Term Expiry – March 31, 2022
Currently in Term – 2
Commission – 11/12 (91.7%)
Human Resources Committee – 4/4 (100%)

Matthew Bootle, FCA

Term Expiry – March 31, 2022
Currently in Term – 1
Commission – 10/12 (83.3%)
Audit Committee – 5/6 (83.3%)

Gail Harding, Q.C., ICD.D

Term Expiry – March 31, 2022
Currently in Term – 1
Commission – 11/12 (91.7%)
Audit Committee – 6/6 (100%)

COMMISSION MEMBER COMMITTEES

The F2020 Board Committees were made up of the members listed below. All were independent except Stan Magidson, who sat 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 2020

As of March 31, 2020	F2020	F2019	F2018
Enforcement Activity			
Complaints received	339	382	278
Concluded investigations	340	318	297
Current cases	179	145	139
Whistleblower tips received ¹	42	22	n/a
Interim cease trade orders	1	2	3
Halt trade orders	0	0	1
Settlement agreements	6	7	2
Hearings commenced	5	3	5
Settlements agreed to ²	\$1,022,450	\$515,000	\$111,000
Settlements collected	\$1,044,450 ³	\$569,000	\$503,142
Administrative penalties levied	\$1,675,000	\$1,170,000	\$980,275
Administrative penalties recovered	\$133,935	\$76,360	\$64,783
Prosecutions initiated in Provincial Court	2	5	0
Companies and individuals banned ⁴	24	22	28
Appeal hearings	0	1	1
Cease trade orders ⁵	29	36	28
Active Reporting Issuers			
Principal regulator – Alberta	540	557	565
Principal regulator – other	7,098	7,074	6,817
Total	7,638	7,631	7,382
Prospectuses and Mutual Funds			
Principal regulator – Alberta	66	67	77
Principal regulator – other	669	760	689
Total	735	827	766
Rights Offerings			
Principal regulator – Alberta	3	7	7
Principal regulator – other	13	19	21
Total	16	26	28
Exemption Applications (Corporate Finance)			
Principal regulator – Alberta	67	68	73
Principal regulator – other	14	11	11
Total	81	79	84
Continuous Disclosure Reviews (Principal Regulator – Alberta)			
Full	39	40	34
Issue-oriented reviews and data collections	274	198	213
Total	313	238	247
Total Registered Firms			
Principal regulator – Alberta	123	118	123
Principal regulator – other	819	796	789
Total	942	914	912
Total Registered Individuals⁶			
Alberta resident	11,601	11,653	11,470
Non-Alberta resident	19,761	19,593	18,764
Total	31,362	31,246	30,234

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

¹ The Office of the Whistleblower was implemented in November 2018.

² Settlements including costs and disbursements.

³ \$500,000 was directed to investors.

⁴ Includes Provincial Court-ordered bans (one in F2020, one in F2019 and two in F2018).

⁵ These orders are the result of failure to comply with ASC filing requirements.

⁶ 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 10, 2020, should be read in conjunction with the Alberta Securities Commission's March 31, 2020 audited financial statements and the accompanying notes, prepared in accordance with Canadian Public Sector Accounting Standards. Certain statements outlining fiscal 2021 expectations are forward-looking and are subject to risks and uncertainties. Furthermore, assumptions in the "Fiscal 2021 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 F2020, 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 and is consolidated with the Government of Alberta's budget.

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







■ F2020
■ F2019

thousands of dollars












REVENUES

Annual financial statements fees		19,299 19,381
Registration fees		16,816 16,924
Distribution of securities fees		16,457 16,691
Investment income ²		1,889 2,211
SEDI, exempt distributions and registration late fees		498 625
Other enforcement receipts		544 569
Orders (applications)		118 101
Administrative penalties		134 77
Conference and other		38 41
Total F2020		55,793
Total F2019		56,620

EXPENSES

Salaries and benefits		30,674 29,828
Premises		4,486 4,407
Administration		3,115 3,145
Professional services ²		1,828 2,917
Amortization of capital assets		1,330 1,180
Investor education		754 813
Total F2020		42,187
Total F2019 ²		42,290

DIVISION EXPENSES

Enforcement		8,514 8,697
Corporate Finance		6,688 6,521
Market Regulation		5,894 6,357
Corporate Resources		5,349 5,245
Office of the Chair and Members		3,185 3,239
Communications and Investor Education		2,481 2,797
Office of the Chief Accountant and Financial Services ²		1,616 1,511
Office of the General Counsel		1,132 1,067
Office of the Executive Director		1,043 994
New Economy		470 275
Expenses not allocated ¹		5,815 5,587
Total F2020		42,187
Total F2019 ²		42,290

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

² Certain comparative figures have been reclassified, where necessary, to conform to the F2020 presentation. The previous presentation netted investment expense against investment income, see Note 12 of the March 31, 2020 annual audited financial statements.

SELECTED ANNUAL INFORMATION

<i>thousands of dollars</i>	F2020	F2020	F2019 ³	F2018 ³
	Budget	Actual	Actual	Actual
Revenues	54,932	55,793	56,620	55,481
Regulatory expenses	42,372	42,187	42,290	39,829
Operating surplus	12,560	13,606	14,330	15,652
Financial assets				
Cash		26,833	14,099	17,691
Investments		60,138	62,202	45,273
Liabilities				
Lease inducements		1,324	1,558	1,792
Accrued pension liability		10,285	10,055	9,814
Net financial assets		71,865	61,562	45,781
Accumulated surplus		76,925	66,848	51,388
Capital assets		4,791	5,010	5,410
Capital additions	1,340	1,111	780	1,050

³ Certain comparative figures have been reclassified, where necessary, to conform to the F2020 presentation. The previous presentation netted investment expense against investment income.

Highlights

The ASC had a \$13.6 million operating surplus in F2020 compared with an operating surplus of \$14.3 million in F2019. The ASC's budgeted surplus for F2020 was \$12.6 million. From F2011 to F2016, the ASC operated at a deficit, at which time the investment balance was drawn down to the minimum sustainable balance. Effective December 1, 2016, ASC Rule 13-501 Fees (Fee Rule) was implemented to ensure the ASC remains appropriately funded to meet its existing and future capital and operating requirements, execute its strategic plan, protect investors through education and enforcement initiatives, and continue to have a strong presence to advocate effectively for Alberta's unique capital market in national initiatives.

Total revenue decreased by \$827,000 in F2020 primarily due to lower investment income, fees from distribution of securities, annual financial statement fees, registration fees and late filing fees. Investment income decreased by \$322,000 from the prior year, primarily as the result of lower returns on ASC's demand deposits (CCITF), fixed-income securities and equities. Total revenue exceeded budget by \$861,000 primarily due to higher annual financial statement filing fees from a growth in the average market capitalization of Alberta reporting issuers over the past year, higher registration fees due to a greater number of registrants, and higher fees from distribution of securities.

Administrative penalties and other enforcement receipts were \$293,000 lower than the budget and \$32,000 higher than the prior year. Enforcement receipts fluctuate annually because of variability in types of cases, the timing of their resolution and success in collections efforts.

Total F2020 expenses were lower than budget by \$185,000 and \$103,000 lower than the prior year due to effective cost controls during F2020, primarily in contract services, travel and investor education expenses.

Analysis of Fiscal 2020 Operating Results

REVENUES

<i>thousands of dollars</i>	F2020	F2020	F2019 ⁴
	Budget	Actual	Actual
Fees			
Annual financial statements	19,000	19,299	19,381
Registration	16,118	16,816	16,924
Distribution of securities	16,205	16,457	16,691
SEDI, exempt distributions and registration late filing fees	500	498	625
Orders (applications)	100	118	101
Total fees	51,923	53,188	53,722
Other revenues			
Investment income	2,000	1,889	2,211
Other enforcement receipts	735	544	569
Administrative penalties	236	134	77
Conference and other	38	38	41
Total revenue	54,932	55,793	56,620

⁴ Certain comparative figures have been reclassified, where necessary, to conform to the F2020 presentation.

The ASC collects 95.3 per cent (94.9 per cent in F2019) 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.

ANNUAL FINANCIAL STATEMENTS

Annual financial statement filing fees totalled \$19.3 million (\$19.4 million in F2019), which was higher than budgeted due to a growth in the average market capitalization of Alberta reporting issuers. These fees accounted for 36.3 per cent of the ASC's total fee revenue (36.1 per cent in F2019). The total number of active reporting issuers in Alberta at March 31, 2020 was 7,638 (7,631 at March 31, 2019), with an average market capitalization during F2020 of \$4,038.0 billion (\$3,920.0 billion in F2019).

REGISTRATIONS

Fee receipts of \$16.8 million in F2020 (\$16.9 million in F2019) were received from registered firms and individuals with 81.1 per cent of these fees received from registration renewals. This accounted for 31.6 per cent of fees (31.5 per cent in F2019). During F2020 there was an average of 966 firms and 35,567 individuals registered in Alberta compared to 952 firms and 35,875 individuals during F2019. Registration fees were lower than the prior year, primarily due to the decrease in the average number of registered individuals throughout 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 \$7.2 million, which was higher than F2019 (\$7.1 million) primarily due to a higher number of prospectus filings from mutual fund reporting issuers and filings from prospectus-exempt issuers. This accounted for 13.5 per cent (13.2 per cent in F2019) 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 \$9.3 million in F2020 (\$9.6 million in F2019) and 17.5 per cent (17.9 per cent in F2019) of total fees. The decrease in F2020 was due to lower proceeds realized in Alberta from mutual fund reporting issuers and prospectus-exempt issuers 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, the majority of this revenue remained relatively stable.

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 F2020 (\$625,000 in F2019), mostly comprised of late fees on prospectus-exempt distributions and insider report filings. Introduced in F2015, late filing fees are expected to decline over time with increased awareness and compliance.

ORDERS (APPLICATIONS)

The F2020 revenue for orders was \$17,000 higher than in the prior year. In F2020, \$118,000 was received from 113 applications (\$101,000 from 113 applications in F2019). The fee per application is dependent on the category of application filed.

Other Revenue Sources

INVESTMENT INCOME

In F2020, investment income totalled \$1.9 million (\$2.2 million in F2019); \$863,736 (\$1.3 million in F2019) of this was from CCITF and fixed-income securities and \$1 million (\$933,000 in F2019) from equity investments. Total investment income decreased \$300,000 primarily due to losses incurred during March 2020, resulting from the impact of coronavirus (COVID-19). For the 11 months ending February 29, 2020, investment income totalled \$3.6 million; this income was reduced by investment losses of \$1.7 million (\$600,000 fixed-income securities and \$1.1 million in equity investments) in the month of March. The total investment fees were \$179,000 (\$139,000 in F2019).

OTHER ENFORCEMENT RECEIPTS

<i>thousands of dollars</i>	F2020	F2019
Settlement receipts		
Assessed	680	470
Directed to investors	(500)	-
Recoveries of prior-year assessments	22	54
Cost recoveries		
Assessed	728	228
Uncollectible	(600)	(183)
Disgorgements		
Assessed	4,759	3,154
Uncollectible	(4,545)	(3,154)
Total	544	569

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>	F2020	F2019
Administrative penalties		
Assessed penalties	1,675	1,170
Uncollectible	(1,675)	(1,170)
Recoveries of prior-year assessments	134	76
Interest income and other	-	1
Total	134	77

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 for certain operating expenditures that educate investors and enhance participants' knowledge of how securities markets operate.

In F2020, restricted cash remained at zero as a result of a transfer of \$172,000 to fund eligible expenditures (\$117,000 in F2019). This was comprised of prior and current year collections of \$134,000 (\$76,000 in F2019), and \$38,000 of conference fees (\$40,000 in F2019). No interest income was earned in F2020 (\$1,000 in F2019). See Note 3 of the March 31, 2020 annual audited financial statements for more information.

Current year administrative penalties and other enforcement receipts totalled \$678,000 in F2020 (\$646,000 in F2019) and compare to a five-year average of \$861,000 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 \$156,000 in F2020 (\$130,000 in F2019) of prior-year assessments, costs and other enforcement receipts.

CONFERENCE AND OTHER

The majority of fees in this category were collected from two conferences held during F2020: ASC Connect and the ASC Corporate Finance Information Session. Conference registration fees are collected in order to offset a portion of actual event costs.

Comparative and Budget Expense Analysis

The operating expense budget for F2020 was directed by the Government of Alberta to remain at the actual F2019 total operating expenditures. In F2020, operating expenses were 0.4 per cent below budget. Details by expense category follow.

REGULATORY EXPENSES

<i>thousands of dollars</i>	F2020	F2020	F2019 ⁵
	Budget	Actual	Actual
Salaries and benefits	29,828	30,674	29,828
Premises	4,407	4,486	4,407
Administration	3,145	3,115	3,145
Professional services	2,779	1,649	2,778
Amortization of capital assets	1,400	1,330	1,180
Investor education	813	754	813
Investment expense	-	179	139
	42,372	42,187	42,290

⁵ Certain comparative figures have been reclassified, where necessary, to conform to the F2020 presentation.

SALARIES AND BENEFITS

Compensation expenses accounted for 72.7 per cent of total costs in F2020 (70.5 per cent in F2019) and increased by \$846,000 from the prior year. This was due primarily as a result of additional full-time employees and contractors in F2020. The ASC had an average of 198 full-time employees during the year (187 in F2019). In addition, the ASC used additional contractors and incurred a lower-than-budgeted employee vacancy rate.

PREMISES

Premises costs made up 10.6 per cent of total costs in F2020 (10.4 per cent in F2019). These costs increased by \$79,000 in F2020 compared to the prior year due to leasing additional office space beginning in June 2019.

ADMINISTRATION

Administration costs decreased by \$30,000 in F2020 compared to F2019. Administration costs accounted for 7.4 per cent of total costs (7.4 per cent in F2019). The administration cost category includes office operations, independent member fees and travel.

Office operating costs increased by \$48,000 compared with the prior year, primarily due to increases in repair and maintenance and insurance expense. Independent member fees were consistent with the prior year. Travel expenses were lower than the prior year by \$93,000. Travel expenses are required primarily for participation in CSA matters, enforcement activities and professional development.

PROFESSIONAL SERVICES

Professional services costs accounted for 3.9 per cent of total costs in F2020 (6.6 per cent in F2019). These costs were below the prior year by \$1.1 million primarily due to a decrease of \$783,000 in renewal fees to Investment Industry Regulatory Organization of Canada (IIROC) and lower contract services expenses resulting from cost control efforts.

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 paid approximately \$284,000 or 11.8 per cent in F2020 (\$278,000 or 11.7 per cent in F2019) of these costs.

AMORTIZATION OF CAPITAL ASSETS

Amortization expense accounted for 3.2 per cent of total costs in F2020 (2.8 per cent in F2019) and increased by \$150,000 compared to the prior year. This was a result of more capital additions occurring in F2020. Amortization expenses were lower than budget by \$70,000.

INVESTOR EDUCATION

Investor education costs were \$59,000 lower than the prior year. 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.

EXPENSES BY DIVISION

<i>thousands of dollars</i>	F2020	F2020	F2019
	Budget	Actual	Actual
Enforcement	8,697	8,514	8,697
Corporate Finance	6,521	6,688	6,521
Market Regulation	6,357	5,894	6,357
Corporate Resources	5,245	5,349	5,245
Office of the Chair and Members	3,239	3,185	3,239
Communications and Investor Education	2,797	2,481	2,797
Office of the Chief Accountant and Financial Services	1,511	1,616	1,511
Office of the General Counsel	1,067	1,132	1,067
Office of the Executive Director	994	1,043	994
New Economy	275	470	275
Expenses not allocated ¹	5,669	5,815	5,587
Total	42,372	42,187	42,290

¹Expenses 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, 2020 annual audited financial statements for further information.

CAPITAL EXPENDITURES

<i>thousands of dollars</i>	F2020	F2020	F2019
	Budget	Actual	Actual
Computer equipment and software	837	656	618
Furniture and equipment	343	268	156
Leaseholds	160	187	6
Total	1,340	1,111	780

In F2020, capital expenditures were primarily related to information technology projects, including website upgrades and furniture purchases as well as leasehold improvements.

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 negative return of 3.2 per cent for the year ended March 31, 2020 (6.0 per cent in F2019). 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:

	F2020	F2019
	Actual	Actual
Fixed-income pool securities (market value)	2.6%	6.2%
Global equities pool funds (market value)	(14.6%)	5.5%
Canadian equities pool funds (market value)	(23.9%)	6.2%
Money market funds	1.8%	2.3%

Fixed-income pool securities are sensitive to interest rate fluctuations. At March 31, 2020, ASC fixed-income pool security investments of \$43.7 million market value had maturities that range from under one year (38.6 per cent) to greater than 10 years (33.1 per cent), with an average duration of 8.1 years (7.5 years in F2019). 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 5.6 per cent (5.6 per cent in F2019).

LIQUIDITY

The ASC has sufficient resources to fund fiscal 2021 operations and capital purchases with cash of \$26.8 million (\$14.1 million in F2019) and investments with a market value of \$60.1 million (\$62.2 million in F2019).

Quarterly Variance Analysis

QUARTERLY RESULTS SUMMARY

<i>thousands of dollars</i>								
	F2020				F2019 ⁶			
	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	31,606	6,035	6,925	9,338	32,050	6,502	5,413	10,444
Investment income (loss)	(1,458)	1,483	947	917	454	129	893	735
	30,148	7,518	7,872	10,255	32,504	6,631	6,306	11,179
Regulatory expenses								
Salaries and benefits	8,084	7,618	7,366	7,606	8,536	7,053	7,068	7,171
Other	3,485	2,793	2,604	2,631	4,433	3,002	2,512	2,515
	11,569	10,411	9,970	10,237	12,969	10,055	9,580	9,686
Operating surplus (deficit)	18,579	(2,893)	(2,098)	18	19,535	(3,424)	(3,274)	1,493
Investments	60,138	65,292	64,529	63,654	62,202	45,321	46,137	46,077
Cash	26,833	6,816	10,480	13,138	14,099	9,846	12,638	16,174
Restricted cash	-	-	-	-	-	1	1	1

⁶ Certain comparative figures have been reclassified, where necessary, to conform to the F2020 presentation.

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. Approximately \$517,000 was paid in F2020 (\$1.3 million in F2019).

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, 2020 totalled \$28.5 million (\$32.6 million in F2019). Commitments include leases of premises to 2025 and rental of office equipment to 2024. See Note 9(A) of the March 31, 2020 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.

AIMCo manages investments that include derivative contracts for investment risk and return management. Multiple market factors, mostly driven by COVID-19, caused significant market impact since February 2020. Market liquidity deterioration and significant market volatility resulted in collateral calls and the need to raise liquidity. In response to these unprecedented market conditions, AIMCo sold selective holdings in order to meet the increased demand for liquidity. Margin deposits increased to \$1,004,699 as at March 31, 2020 compared to \$169,325 as at March 31, 2019, due to large market movements requiring cash be available for margin requirements. Margin deposits also increased because, as market volatility increases, clearing houses demand more margin to be posted per contract.

At March 31, 2020, the fair value of derivatives was in a net liability position of \$2,618,264 compared to a net asset position of \$212,830 as at March 31, 2019. This change, when looked at as a snapshot in time, can be attributed to increases in derivative usage (as select equity holdings were sold to raise liquidity, derivatives were used to maintain market (beta) exposure within the equity pools), changes in market value of the derivatives and Canadian dollar currency depreciation, year over year. Cash and non-cash collateral for derivative contracts pledged as at March 31, 2020 totalled \$2,307,006 (\$344,609 in F2019) and collateral received was \$nil as at March 31, 2020 (\$nil in F2019).

During this time, demand for securities lending decreased in the market, with investment managers holding back assets, otherwise used in securities lending, for liquidity purposes, leading to the decrease of ASC's portion of securities loaned to \$867,577 as at March 31, 2020 compared to \$4,531,480 as at March 31, 2019.

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, 2020 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, 2020 annual audited financial statements for related party transactions.

CSA National Systems

See Note 8 in the March 31, 2020 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.

The World Health Organization declared on March 11, 2020 the outbreak of a strain of the COVID-19 virus as a pandemic, which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus and provide financial assistance as necessary. The ASC responded in the early stages of the COVID-19 crisis and as a deemed essential service, took immediate action to follow all public and safety protocols, ensuring remote access capability for ASC staff to work from the safety of their homes.

RISK ASSESSMENT AND MITIGATION

Key risks to the effective operations of the ASC include loss of key personnel, disruption and loss of computing 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 for fiscal 2021 – 2023. The program facilitates the identification, analysis, mitigation and monitoring of internal and external risks that threaten achievement of the ASC's strategic objectives. This risk review was performed in conjunction with the development of the ASC's three-year strategic plan. 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. An annual targeted risk review will be completed in F2021 and F2022, with another comprehensive review planned for F2023. 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

In November 2010, the ASC and the Minister of Finance and Enterprise executed a Mandate and Roles Document (MRD) as per the requirements of the *Alberta Public Agencies Governance Act* (APAGA). The MRD became effective on proclamation of APAGA on June 12, 2013. The MRD outlines the ongoing roles, responsibilities, and accountability relationships between the two parties. Significant MRD financial 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. A new MRD is currently being negotiated with officials at Treasury Board and Finance.

Fiscal 2020 Outlook

REVENUE

F2021 revenue is budgeted to be \$57.8 million, compared with budgeted revenue in F2020 of \$54.9 million. This increase primarily reflects a change in assumptions related to average market capitalization of Alberta reporting issuers and capital-raising activities in the Alberta market.

With the continued global shift in the energy markets, oil price volatility, and the uncertainty of the duration and impact of COVID-19, it is not possible to reliably estimate the effect these developments will have on ASC's revenues.

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.

LIQUIDITY AND CASH FLOW

The cash requirements for F2021 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 impact of global oil demand and oil price volatility on the oil and gas industry;
- 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

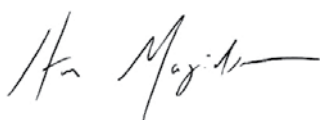
The accompanying Alberta Securities Commission (ASC) financial statements and all other information relating to the ASC contained in this annual report have been prepared and presented by management, who is responsible for the integrity and fair presentation of the information.

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 10, 2020



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, 2020, 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, 2020, 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 10, 2020

Edmonton, Alberta

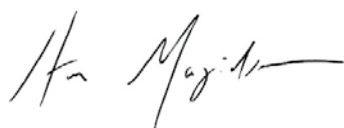
STATEMENT OF FINANCIAL POSITION

<i>thousands of dollars</i>	At March 31, 2020	At March 31, 2019
Financial Assets		
Cash (Note 3)	26,833	14,099
Accounts receivable	27	37
Investments (Note 4)	60,138	62,202
	86,998	76,338
Liabilities		
Accounts payable and accrued liabilities	3,524	3,163
Lease inducements	1,324	1,558
Accrued pension liability (Note 6)	10,285	10,055
	15,133	14,776
Net Financial Assets	71,865	61,562
Non-Financial Assets		
Capital assets (Note 5)	4,791	5,010
Prepaid expenses	269	276
	5,060	5,286
Accumulated Surplus	76,925	66,848
Accumulated surplus is comprised of:		
Accumulated operating surplus	79,288	65,682
Accumulated remeasurement gains (losses)	(2,363)	1,166
	76,925	66,848

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 10, 2020

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

thousands of dollars

For year ended March 31

	2020	2020	2019
	Budget (Note 10)	Actual	Actual
Operating Surplus	12,560	13,606	14,330
Acquisition of capital assets	(1,340)	(1,111)	(780)
Amortization of capital assets	1,400	1,330	1,180
Prepayment of expenses		(643)	(573)
Reduction of prepaid expenses		650	494
Net remeasurement gains (losses)		(3,529)	1,130
Increase in net financial assets	12,620	10,303	15,781
Net financial assets, beginning of year	61,562	61,562	45,781
Net financial assets, end of year	74,182	71,865	61,562

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

STATEMENT OF OPERATIONS

thousands of dollars

For year ended March 31

	2020	2020	2019
	Budget (Note 10)	Actual	Actual
Revenues			
Fees (Note 7)	51,923	53,188	53,722
Investment income (Note 4(C))	2,000	1,889	2,211
Other enforcement receipts (Note 7)	735	544	569
Administrative penalties (Note 3)	236	134	77
Conference and other	38	38	41
	54,932	55,793	56,620
Regulatory Expenses			
Salaries and benefits	29,828	30,674	29,828
Premises	4,407	4,486	4,407
Administration	3,145	3,115	3,145
Professional services	2,779	1,649	2,778
Amortization of capital assets (Note 5)	1,400	1,330	1,180
Investor education	813	754	813
Investment expense	-	179	139
	42,372	42,187	42,290
Operating Surplus	12,560	13,606	14,330
Accumulated Operating Surplus, beginning of year	65,682	65,682	51,352
Accumulated Operating Surplus, end of year	78,242	79,288	65,682

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

	2020	2019
Accumulated remeasurement gains, beginning of year	1,166	36
Unrealized gains (losses) on investments during the year	(3,529)	1,127
Amounts reclassified during the year to the Statement of Operations	-	3
Net remeasurement gains (losses) for the year	(3,529)	1,130
Accumulated remeasurement gains (losses), end of year	(2,363)	1,166

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

STATEMENT OF CASH FLOWS

thousands of dollars

For year ended March 31

	2020	2019
Operating Transactions		
Fees and other	53,592	53,462
Payments to and on behalf of employees	(30,473)	(31,348)
Payments to suppliers for goods and services	(10,442)	(11,538)
Investment income	245	272
Other enforcement receipts (Note 7)	544	569
Administrative penalties (Note 3)	134	77
Cash received from operating transactions	13,600	11,494
Capital Transactions		
Cash used to acquire capital assets	(866)	(1,092)
Cash used in capital transactions	(866)	(1,092)
Investing Transactions		
Purchases of investments	-	(13,994)
Cash used in investing transactions	-	(13,994)
Increase (decrease) in cash	12,734	(3,592)
Cash, beginning of year	14,099	17,691
Cash, end of year	26,833	14,099

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

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2020

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 and 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 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 (SPP). The average remaining service period of active employees in the supplemental pension plan is five years.

The ASC also maintains a plan whereby it makes Registered Retirement Savings Plan (RRSP) 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 RRSP 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, 2021)

Effective April 1, 2021, 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, 2022)

Effective April 1, 2022, this standard provides guidance on how to account for and report revenue. More specifically, it addresses revenue arising from exchange transactions and unilateral transactions.

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>	2020	2019
Cash	26,833	14,099

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>	2020	2019
Administrative Penalties		
Assessed penalties	1,675	1,170
Less provision for uncollectible amounts	(1,675)	(1,170)
Plus recoveries of prior-year assessments	134	76
	134	76
Interest income and other	-	1
Administrative Penalties	134	77
Plus conference fees	38	40
Less eligible restricted cash expenses (investor education)	(172)	(117)
Change in restricted cash	-	-
Restricted Cash, beginning of year	-	-
Restricted Cash, end of year	-	-

Cash consists of 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, 2020, the ASC received an annualized return of 1.8 per cent (2019 - 1.8 per cent).

Note 4: Investments

A) SUMMARY

<i>thousands of dollars</i>	2020				2019		
Investments	Cost	Remeasurement Gains (Losses)	Fair Value	%	Cost	Fair Value	%
Fixed-income securities	42,261	1,418	43,679	72.6	42,214	43,076	69.2
Global equities	15,664	(2,772)	12,892	21.4	14,421	14,526	23.4
Canadian equities	4,263	(1,009)	3,254	5.4	4,092	4,291	6.9
CCITF deposit	313	-	313	0.6	309	309	0.5
	62,501	(2,363)	60,138	100.0	61,036	62,202	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 us 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, 2020 resulted in a net liability position of \$2,618,264 compared to a net asset position of \$212,830 as at March 31, 2019.

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	2020	2019
Investment Grade		
AAA	24.1%	27.5%
AA+ to AA-	28.5%	19.4%
A+ to A-	22.1%	29.4%
BBB+ to BBB-	20.3%	19.5%
Speculative Grade (BB+ or lower)	0.6%	0.6%
Unrated	4.4%	3.6%
	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, 2020, the fair value of the ASC's share of securities loaned was \$867,577 (2019 - \$4,531,480) and the fair value of collateral held totals \$931,401 (2019 - \$4,805,111). The net impact was \$63,824 (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, 2020, deposits in futures contracts margin accounts totalled \$1,004,699 (2019 - \$169,325). Cash and non-cash collateral for derivative contracts pledged as at March 31, 2020 totalled \$2,307,006 (2019 - \$344,609) and collateral received was \$nil as at March 31, 2020 (2019 - \$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:

thousands of dollars	March 31, 2020		March 31, 2019	
Currency	Fair Value	Sensitivity*	Fair Value	Sensitivity*
U.S. Dollar	6,963	696	8,697	870
Euro	1,323	132	1,381	138
Japanese Yen	1,147	115	1,208	121
British Pound Sterling	500	50	817	82
Swiss Franc	437	44	400	40
Australian Dollar	187	19	320	32
Other Foreign Currency	560	56	882	88
Total Foreign Currency Investments	11,117	1,112	13,705	1,371

*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 5.6 per cent of total investments (2019 – 5.6 per cent).

The following table summarizes the terms to maturity of fixed-income securities held in pooled investment funds at March 31, 2020:

	<1 year	1-5 years	Over 5 years	Repurchase Agreements**
Fixed-income securities	36.9%	37.1%	73.5%	(47.5%)

**All repurchase agreements are less than 21 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 3.1 per cent of total investments (2019 – 3.4 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 \$863,736 from CCITF and fixed-income securities (2019 – \$1.3 million) and \$1.03 million from equities (2019 – \$933,000). The ASC's investments had a negative return of 3.2 per cent for the year ended March 31, 2020, which was generated by the realized and unrealized gains and losses (2019 – 6.0 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 1.7 per cent for the year ended March 31, 2020 (2019 – 6.2 per cent).

Note 5: Capital Assets

<i>thousands of dollars</i>	Computer Equipment & Software	Furniture & Equipment	Leaseholds	2020 Total	2019 Total
Estimated useful life	3 years	10 years	Lease duration		
Cost					
Beginning of year	3,695	3,048	7,010	13,753	13,702
Additions	656	268	187	1,111	780
Disposals	(466)	(18)	-	(484)	(729)
	3,885	3,298	7,197	14,380	13,753
Accumulated amortization					
Beginning of year	2,621	2,242	3,880	8,743	8,292
Amortization expense	593	266	471	1,330	1,180
Disposals	(466)	(18)	-	(484)	(729)
	2,748	2,490	4,351	9,589	8,743
Net book value	1,137	808	2,846	4,791	5,010

Cost includes work in-progress as at March 31, 2020 totalling \$450,385 comprised of leasehold improvements \$135,059 (2019 - \$nil), computer equipment and software \$74,123 (2019 - \$nil) and furniture \$241,203 (2019 - \$33,750).

Leaseholds relate to a 15-year lease commenced on December 1, 2010, a 8.3-year lease commenced on August 1, 2017 and a 6.5-year lease commenced on June 1, 2019.

Note 6: Accrued Pension Liability and Pension Expense

The accrued pension liability is comprised of:

<i>thousands of dollars</i>	2020	2019
Supplemental Pension Plan	10,285	10,055

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

<i>thousands of dollars</i>	2020	2019
Public Service Pension Plan	1,449	1,252
Registered Retirement Savings Plan (RRSP)	1,140	712
Supplemental Pension Plan	563	570
	3,152	2,534

A) PUBLIC SERVICE PENSION PLAN

The ASC participates in the Public Service Pension Plan. At December 31, 2019, the Public Service Pension Plan reported a surplus of \$2,759 million (December 31, 2018 - \$519.2 million). The ASC is not responsible for future funding of any plan deficit other than through contribution increases.

B) RRSP

The ASC makes 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 for certain designated executives of the ASC. The provisions of the Plan were established pursuant to a written agreement with each designated executive.

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

An actuarial valuation of the Supplemental Pension Plan is undertaken every three years. In March 2018, an independent actuary performed a Supplemental Pension Plan valuation. The next valuation is scheduled for March 2021. The results of the actuarial valuation and management's cost estimates as they apply to the Supplemental Pension Plan are summarized below:

<i>thousands of dollars</i>	2020	2019
Supplemental Pension Plan		
Accrued benefit and unfunded obligation	9,687	9,480
Unamortized actuarial gain	598	575
Accrued benefit liability	10,285	10,055

<i>thousands of dollars</i>	2020	2019
Accrued Benefit Obligation		
Accrued benefit obligation at beginning of year	9,480	9,262
Service cost	229	242
Interest cost	311	304
Benefits paid	(333)	(328)
Actuarial (gain) loss – experience and assumptions	-	-
Accrued benefit obligation at end of year	9,687	9,480

<i>thousands of dollars</i>	2020	2019
Pension Expense for the Supplemental Pension Plan		
Service cost	229	242
Interest cost	311	304
Amortization of actuarial losses during the year	23	24
	563	570

The assumptions used in the actuarial valuation of the Supplemental Pension Plan 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	2020	2019
Discount rate, year-end obligation	3.25%	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*	2.50%	2.50%
Remaining service life, year-end obligation	5 years	5 years

*0.0 per cent per year for the fiscal year beginning April 1, 2019 and 2.5 per cent thereafter.

Note 7: Fees and Other Enforcement Receipts

<i>thousands of dollars</i>	2020	2019
Fees		
Annual financial statements	19,299	19,381
Registration	16,816	16,924
Distribution of securities	16,457	16,691
SEDI, exempt distributions and registration late filing fees	498	625
Orders (applications)	118	101
	53,188	53,722

<i>thousands of dollars</i>	2020	2019
Other Enforcement Receipts		
Settlement payments, disgorgements and cost recoveries assessed	6,167	3,852
Less directed to investors	(500)	-
Less provision for uncollectible amounts	(5,145)	(3,337)
Plus recoveries of prior-year assessments	22	54
	544	569

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, 2020, the accumulated operating surplus totalled \$183.6 million (2019 - \$173.4 million). This was primarily made up of \$125.7 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 2.4 to 2.7 per cent; \$33.5 million in intangible assets; and \$23.1 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 \$28.5 million (2019 - \$32.6 million). These commitments become expenses of the ASC when the terms of the contracts are met.

<i>thousands of dollars</i>	
2020-21	4,710
2021-22	4,982
2022-23	5,052
2023-24	5,122
2024-25	5,185
Thereafter	3,489
Total	28,540

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 approved F2020 budget was ratified 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 \$196,000 (2019 – \$78,000) were recognized in administration and investor education expenses, primarily for transcript and postage services, insurance and investor education. Investment fees of \$179,000 (2019 – \$139,000) was paid to AIMCo. As of March 31, 2020, included in accounts payable and accrued liabilities is \$350 (2019 – \$10,000) related to these transactions.

Note 12: Comparative Figures

Certain March 31, 2019 figures have been reclassified, where necessary, to conform to the March 31, 2020 presentation. The comparative figures related to fees paid to AIMCo have been reclassified to conform to the presentation adopted in fiscal 2020. The previous presentation netted investment expense against investment income.

Note 13: Subsequent Events

The World Health Organization declared on March 11, 2020 the outbreak of a strain of the COVID-19 virus as a pandemic, which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus and provide financial assistance as necessary. Multiple market factors, mostly driven by COVID-19, caused significant impact to the capital market, including liquidity deterioration and market volatility.

As at March 31, 2020 the ASC experienced a decline in the value of its investments due to market conditions impacted by COVID-19, as reflected in the Statement of Remeasurement Gains and Losses. Subsequent to March 31, 2020, markets have begun to show signs of recovery, an indication that the decline in the investment value may be temporary in nature and a permanent write down has not been recorded.

The ASC has been monitoring the development of COVID-19 and is continually assessing its potential impact on the investment value, investment income and fee revenue. The overall impact to the ASC is uncertain and therefore difficult to assess.

SCHEDULE 1 – SALARY AND BENEFITS DISCLOSURE

thousands of dollars				2020	2019
	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	96	25	616	506
Executive Director, Alberta Securities Commission	379	35	149	563	636
Vice-Chair, Alberta Securities Commission ^{4,5}	379	4	51	434	548
Vice-Chair, Alberta Securities Commission ⁴	302	33	92	427	384
Independent Members of the Alberta Securities Commission (aggregate) ⁶	577	–	–	577	567

¹ Base salary includes regular salary or independent members' compensation.

² Other cash benefits may include vacation payouts, retirement payments, transit allowance, memberships, 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 \$291,000 (2019 – \$321,000) and hearing and application panel participation of \$286,000 (2019 – \$246,000).

Independent Member fees include:

	2020
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>		2020	2019
	Current service costs	Prior service and other costs	Total
Chair and CEO, Alberta Securities Commission ¹	-	-	-
Executive Director, Alberta Securities Commission	73	22	95
Vice-Chair, Alberta Securities Commission ²	-	-	-
Vice-Chair, Alberta Securities Commission ³	48	4	52

ACCRUED OBLIGATIONS

<i>thousands of dollars</i>	Accrued obligation March 31, 2019	Changes in accrued obligation	Accrued obligation March 31, 2020
Chair and CEO, Alberta Securities Commission ¹	-	-	-
Executive Director, Alberta Securities Commission	1,659	129	1,788
Vice-Chair, Alberta Securities Commission ²	-	-	-
Vice-Chair, Alberta Securities Commission ³	649	70	719

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.

2020 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.

Cryptocurrency

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

An option, swap, futures contract, forward contract or other financial or commodity contract or instrument, whose market price, value, delivery obligations, payment obligations or settlement obligations are derived from, referenced to or based on an underlying interest, including a price, rate, index, value, variable, event, probability or thing.

Exempt Market

A market where issuers 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 issuers 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.

Heads of Agencies (HoA)

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 share information on emerging regulatory issues, financial system trends and broad market developments that cut across 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 Futures Association (NFA)

The National Futures Association is the self-regulatory organization for the U.S. derivatives industry, including on-exchange traded futures, retail off-exchange foreign currency and OTC derivatives.

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)

NASAA is 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.

Over-the-Counter (OTC)

OTC refers to the trading of commodity derivatives, contracts, or other instruments not listed on any exchange. OTC transactions can occur electronically or over the telephone. Also referred to as Off-Exchange.

Recidivist

In the securities law context, recidivist means a person who breaches securities laws after having previously been found liable for securities-related misconduct in regulatory, quasi-criminal or criminal proceedings.

Registrant

A registrant is a person or company registered under the *Securities Act* (Alberta) or the regulations.

Regulatory Sandbox

The regulatory sandbox is a committee of staff from across the CSA membership 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 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.

2020 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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