

Focusing on our
Stakeholders



IIROC is the national self-regulatory organization which oversees all investment dealers and trading activity on debt and equity marketplaces in Canada. Created in 2008 through the consolidation of the Investment Dealers Association of Canada and Market Regulation Services Inc., IIROC sets high quality regulatory and investment industry standards, protects investors and strengthens market integrity while maintaining efficient and competitive capital markets. IIROC carries out its regulatory responsibilities through setting and enforcing rules regarding the proficiency, business and financial conduct of dealer firms and their registered employees and through setting and enforcing market integrity rules regarding trading activity on Canadian equity marketplaces.



IIROC MANDATE

We set and enforce high quality regulatory and investment industry standards, protect investors and strengthen market integrity while maintaining efficient and competitive capital markets.



IIROC VISION

We will be known for our integrity, our transparency and our fair and balanced solutions. We aim for excellence and regulatory best practices. Our actions are driven by sound, intelligent deliberation and consultation.



IIROC VALUES

- **Act with Integrity** – We conduct ourselves in an ethical manner in accordance with the highest degree of fairness and professionalism.
- **Be Accountable** – We act in a timely, diligent and responsive manner.
- **Be Proactive** – We are open to new ideas as we anticipate and collaborate to meet the challenges of a constantly changing environment.

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Focusing on our Stakeholders

To fulfill our mandate as a national self-regulatory organization and meet the goals of our Strategic Plan, we must be aware of and balance the interests of our stakeholders while acting with integrity, transparency and fairness.

<p>Member Firms</p>	<p>208 firms operating in 5,928 branches across Canada and their 28,380 approved employees</p>	<p>Retail Advisory – Trading Corporate Finance Discount – Managed Accounts</p>
<p>Marketplaces</p>	<p>Exchanges TSX, TSX-V, CNSX</p>	<p>Alternative Trading Systems Alpha ATS, Bloomberg Tradebook, Chi-X Canada, Liquidnet Canada, MATCH Now, Omega ATS, Pure Trading</p>
<p>Other Regulators and Agencies</p>	<p>IIROC carries out its responsibilities under the oversight of the Canadian Securities Administrators and collaborates with:</p> <p>Bank of Canada Bourse de Montréal Council of Securities Regulators of the Americas (COSRA) Financial Industry Regulatory Authority (FINRA) Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) Integrated Market Enforcement Team (IMET)</p>	<p>Intermarket Surveillance Group (ISG) International Council of Securities Associations (ICSA) International Forum for Investor Education (IFIE) International Organization of Securities Commissions (IOSCO) Office of the Superintendent of Financial Institutions (OSFI) Mutual Fund Dealers Association (MFDA) SRO Consultative Committee (SROCC) UK Financial Services Authority (FSA) U.S. Securities and Exchange Commission (SEC) World Federation of Exchanges (WFE)</p>
<p>Canadian Investing Public</p>	<p>Retail investors and institutional investors</p>	

Message from the Chair

Doug McGregor
Chair



This Annual Report details the organization's progress in developing and enforcing high quality industry and regulatory standards for the benefit of our many stakeholders in Canada's capital markets.

The leadership and commitment of our management team and Board of Directors has been integral to the Investment Industry Regulatory Organization of Canada's success in achieving our strategic objectives during the past year.

The Board has continued to strengthen IIROC's governance structure and has adopted best practices that support high ethical standards and promote accountability, transparency and effectiveness.

This year we developed and implemented a Board Self-Assessment framework and completed self-assessments for the Board and all Board committees. We also formalized our recruitment plan for the nomination of new Board members.

Our first Annual General Meeting for members took place this year. We have instituted the practice of holding Board meetings in different locations across the country. This provides an opportunity for Board members to meet with member firms, marketplace representatives and other IIROC stakeholders, including local regulators.

The Canadian Securities Administrators' Recognition Order that established IIROC two years ago called for a review of the organization's corporate governance structure. The review was undertaken, filed with the

CSA and published on IIROC's website. Also as part of IIROC's Recognition Order requirements, the Board approved a new Dealer Member Regulation fee model proposal for public comment.

In addition to its oversight responsibilities, the Board of Directors has provided strategic guidance to management on emerging trends and on the many key issues facing the organization and our stakeholders.

I would like to acknowledge the work and commitment of our outgoing Directors and welcome our incoming Directors. We are grateful for their contribution to IIROC during an historic and transformative time for Canadian self-regulation. In particular, Ron Lloyd, who served as IDA Chair and subsequently as inaugural chair of IIROC, deserves our special thanks for his commitment and many years of service.

Above all, it has been a pleasure to work with and support our dedicated President and CEO Susan Wolburgh Jenah, her management team and staff.

A handwritten signature in black ink, appearing to read 'Doug McGregor'.

Doug McGregor
Chair

Message from the President and CEO

Susan Wolburgh Jenah
President and CEO



This Annual Report documents our progress in achieving our objectives over the past year. In the face of important changes in the industry we regulate, significant market volatility and greater demands on regulators, we continue to set stretch goals both for ourselves and the industry we regulate.

Focusing on stakeholders in a rapidly evolving marketplace

Our policies and rules must support fair, reliable and efficient markets, while allowing innovation and competition to thrive. Finding this balance has never been more critical as we strive to ensure that Canada's equity markets rest on a solid foundation that positions us well for future changes in the markets we regulate.

Canadian exchanges and Alternative Trading Systems (ATSs) offer full depth of book price protection and real time, post trade transparency. The Canadian order protection rule promotes transparency, price discovery and mitigates against internalization of client orders. While equity trading is fragmented across multiple trading venues, regulatory oversight of equity trading is centralized. IIROC conducts trading surveillance on all three equity exchanges and six Alternative Trading Systems to ensure compliance with a single set of rules (the Universal Market Integrity Rules) within and across markets.

Conducting effective surveillance in this multi-market environment means keeping pace with higher volumes, faster trading, new strategies and products, more complex technologies and greater volatility.

The advent of algorithmic trading programs and high frequency trading is driving an explosion in the volume of daily messages. The speed of trading has also

dramatically increased, with latency now measured in milliseconds. This has fundamentally transformed the Canadian trading environment.

The dealer environment is also evolving. Firms have introduced new business lines. There is a greater focus on wealth management and related emphasis on a more advice-based advisor/client relationship. Complex product innovation poses challenges for regulators, investors and the industry as a whole.

Investor expectations and needs are changing too. Many investors rely on financial advisors or planners to help them achieve their overall financial objectives and ensure adequate retirement income. Faced with an increasingly complex marketplace and a vast array of advisors, products and services to choose from, investors require access to accurate information and sound, unbiased advice. Objective, knowledgeable advice geared to the investor's specific needs, circumstances and best interests will be ever more critical.

Responding to change

Over the past year, we have worked to improve our regulatory effectiveness. We continue to review and revise our processes and procedures to ensure that we are applying regulatory tools effectively and efficiently. We delivered more timely, and proactive communications to dealers and marketplaces on a wide range of relevant topics. We have participated in domestic and

Technology, innovation and regulatory reform, both domestic and international, will continue to drive the transformation of Canada's marketplaces and member firms' business models.

international regulatory forums to expand our knowledge of regulatory practices and industry trends. We are focused on providing better in-house training and support for our staff. And we have leveraged information technology to increase our productivity, streamline processes and keep regulatory costs in check.

Addressing investors' interests through proactive policy development

We have advanced the Client Relationship Model (CRM) proposal aimed at strengthening investor protections in the critical client/advisor relationship area.

The CRM proposal would enhance current suitability requirements, clarify and give more definition to existing conflict management standards and provide clients with better disclosure of account opening information and compensation practices.

CRM represents an important step forward. It builds on the current statutory duty of loyalty – to deal fairly, honestly and in good faith – owed by registrants to their clients.

Addressing product innovation and new business models through effective compliance

We have continued our compliance focus on new product due diligence by providing guidance on leveraged and inverse exchange-traded funds, know your client and suitability obligations and the distribution of non-arm's length products. We are overhauling our compliance review programs and will apply a risk-based, materiality approach to the compliance examinations we undertake.

Addressing marketplace innovation through effective surveillance and policy development

Electronic markets can offer investors tangible benefits in the form of: greater liquidity, lower costs, tighter spreads and improved transparency. Yet, technological advances, multiple markets and high-speed trading also present challenges for market participants and regulators alike. We require modern surveillance tools and in-house expertise in order to be able to effectively monitor the markets and analyze trading.

During the past year, we began implementing a new surveillance platform (STEP) that will allow us to monitor all equity marketplaces simultaneously. This new surveillance system enables us to keep pace with the explosive growth in trading volumes and market volatility. It also allows us to better identify potential regulatory infractions for follow-up by IIROC or referral to other regulators.

In the aftermath of the May 6th "Flash Crash," IIROC and the Canadian Securities Administrators (CSA) are examining a number of marketplace developments and how they impact market integrity, fair and efficient capital markets and long-term investor interests. Such developments include: dark pools, new order types, broker preferencing, direct market access, co-location and electronic and high-speed trading.

Raising the bar – on investor protection and investor confidence

This year we introduced a new complaint handling framework that sets clear and consistent standards and timelines for firms to acknowledge, investigate and respond to client complaints. Stakeholder input helped

Executive Management Team



Keith Persaud
Senior Vice President,
Finance and
Administration

Rosemary Chan
Senior Vice President,
General Counsel
and Corporate
Secretary

Warren Funt
Vice President,
Western Canada

Susan Wolburgh Jenah
President and CEO

Connie Craddock
Vice President,
Public Affairs

Paul R. Riccardi
Senior Vice President,
Enforcement,
Policy and
Registration

Carmen Crépin
Vice President,
Quebec

Maureen Jensen
Senior Vice President,
Surveillance &
Compliance

inform changes to the IIROC arbitration program, including a proposed increase in the award limit. We are also taking significant steps to improve how we handle investor complaints internally through a restructuring of our public complaint and inquiries unit.

The IIROC *AdvisorReport* was developed to help investors conduct due diligence when choosing an advisor. This new service provides an accessible web-based, central registry that makes important information regarding the background, proficiency, registration/approval category and disciplinary history of IIROC registrants readily available to investors and other stakeholders.

Reaching out

Promoting compliance with high standards requires working in close and effective partnership with firms and marketplaces. Consulting broadly and effectively with other regulators allows us to exchange intelligence, share best practices and improve how we work. Transparent and inclusive policy making helps to ensure more meaningful stakeholder input and results in better regulatory outcomes.

During the past two years, we have reached out more broadly to hear stakeholders' views on new dealer policy initiatives, such as CRM, and on current and emerging marketplace issues like dark pools, high-speed trading and co-location. The success of this year's Dark Pools Forum, co-hosted by the CSA and IIROC, underscores the value of dialogue between regulators and stakeholder groups.

We extended the scope of our policy consultation process by adopting the practice of seeking comment on all Guidance Notices. Industry input was essential in

developing the Dealer Regulation Fee Model proposal, issued for public comment this year, and will be equally important as we develop a fair and balanced Market Regulation Fee Model. Survey data and analysis from a Member Firm survey that we will conduct later this year will help to inform our compliance focus and operational approach.

Looking forward

Technology, innovation and regulatory reform, both domestic and international, will continue to drive the transformation of Canada's marketplaces and member firms' business models. In the face of these many challenges, we will continue to pursue opportunities to deliver more efficient regulation, manage and allocate costs fairly and transparently and increase our effectiveness and productivity.

I conclude by expressing my appreciation to IIROC Chair Doug McGregor and the entire Board for their unwavering support and wise counsel. Above all, I extend my deepest thanks to IIROC staff. Through their hard work and commitment, we are dedicated to delivering expert, balanced and cost-effective regulation. It is a privilege to lead the organization's efforts to enhance the fairness and efficiency of the Canadian capital markets and confidence in their integrity.

Susan Wolburgh Jenah
President and CEO

2009–10 Strategic Plan Scorecard

Goal 1: Driving a culture of compliance among those subject to IIROC’s jurisdiction

WHAT WE DID IN 2009–2010	HOW WE DID IT	WHY IT MATTERS
Issued our first Annual Consolidated Compliance Report.	Identified and shared common deficiencies from compliance audits of our member firms by IIROC teams (business conduct, trading conduct, and financial & operations). Shared IIROC’s examination agenda for coming year.	Helps firms assess and improve their compliance programs, supervision and internal controls.
Provided timely, clear guidance on key and emerging issues.	Issued guidance notes on: Registration Reform (e.g., “Transition to new IIROC Approval Categories”); Complex products (e.g., leveraged and inverse exchange traded funds); Marketplace issues (e.g., best execution and locked/crossed markets); Advisor-client issues (Know Your Client and suitability) and Supervision (branch operations).	Proactively communicates regulatory expectations and enhances industry compliance.
Provided timely, relevant industry education programs.	Created 20 webcasts reaching 7,043 members, and hosted 23 live events for 900 participants.	Educational efforts help firms and registrants understand the rules and IIROC’s regulatory expectations.
Conducted industry-wide reviews on systemic issues.	Completed study and reported findings on Principal Protected Note and Branch Office Supervision compliance reviews.	Helps IIROC and its members to better understand issues and challenges industry-wide.
Completed first pilot project for integrated compliance exams.	Brought together compliance teams (business conduct, trading conduct and financial & operations) for integrated review of member firms, where appropriate.	Integrated efforts can offer a more efficient and cost-effective approach to compliance for IIROC and its member firms.
Used consultation and compliance to resolve emerging problems in marketplace rule compliance.	Issued guidance on “trade throughs” and “locked and crossed markets” to increase understanding of new rules. Followed through with high level of monitoring.	These efforts dramatically enhanced industry compliance and reduced potential infractions.

Goal 2: Delivering effective, efficient and expert regulation

WHAT WE DID IN 2009–2010	HOW WE DID IT	WHY IT MATTERS
Expanded our risk-based practices.	Completed testing of the Registration Risk Model. All IIROC offices are using the model to flag potential high risk individual approval submissions.	A risk-based approach helps effectively prioritize and allocate resources where they are most needed.
Investigated and determined how to best proceed with the transition from Canadian to international accounting standards.	Consulted extensively with firms on potential impacts, then drafted an approach to International Financial Reporting Standards for member firms which included amendments and prescribed departures. Planned series of firm workshops and other assistance for fiscal 2010–11.	Survey findings, consultations and amendments ensure the new rules reflect the Canadian regulatory market in a consistent, balanced and fair manner.

Goal 3: Strengthening confidence in the fairness and integrity of Canadian financial markets

WHAT WE DID IN 2009–2010	HOW WE DID IT	WHY IT MATTERS
Reviewed the IIROC Arbitration Program in anticipation of further reform.	Made revisions on service providers and reporting standards. Published review results, including proposed increase in award limit and asked for public input on next steps.	Investor access to a straightforward, expeditious and cost-effective dispute resolution system fosters confidence in capital markets and provides a meaningful alternative to resolving disputes through lengthy, expensive court actions.
Strengthened our internal complaint process and expanded its focus.	Launched a new Whistleblower Service in May of 2009. Began restructuring IIROC's case assessment functions to more effectively respond to investors' complaints and questions about dealer conduct.	We will be able to provide greater assistance to investors in resolving complaints and responding to inquiries.
Completed Asset-Backed Commercial Paper (ABCP) disciplinary proceedings.	After investigating more than 100 investor complaints, IIROC joined the AMF and OSC in reaching disciplinary settlements with seven institutions.	Effective enforcement enhances the integrity of financial markets and promotes investor confidence.
Proposed new rules for trading in Over the Counter and debt markets.	Republished for comment our proposed Fair Pricing rule, which sets out clear standards for firms that will ensure prices paid or received by clients are fair and reasonable.	Enhanced fairness and transparency benefit investors and improve our ability to conduct oversight and enforce compliance with clearly articulated, principle-based standards.

Goal 4: Be a cost-effective organization

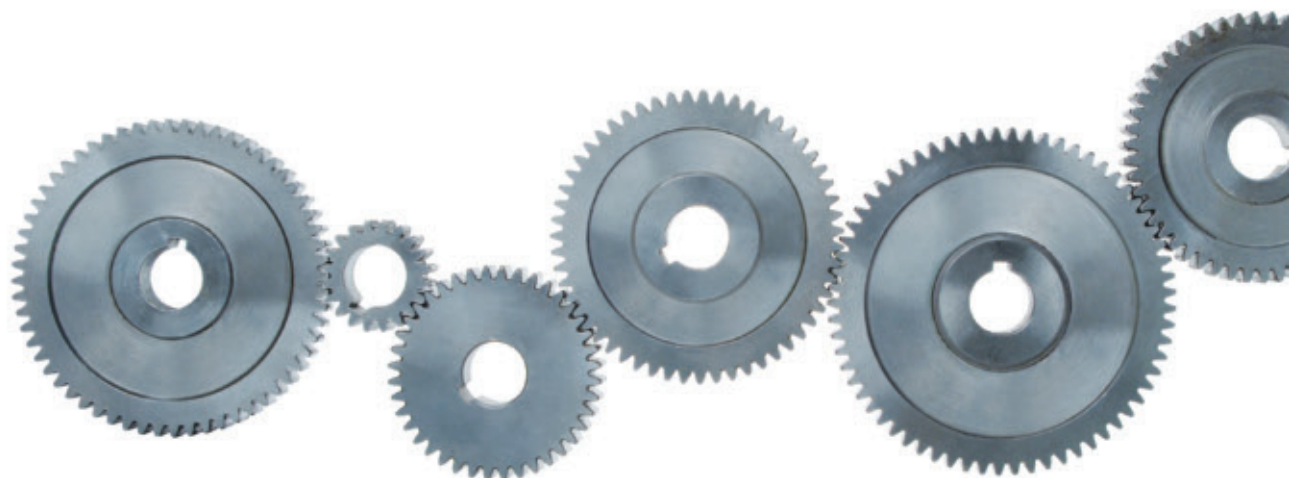
WHAT WE DID IN 2009–2010	HOW WE DID IT	WHY IT MATTERS
Invested in strategic Information Technology.	Invested in various areas of technology. Most notably: 1) STEP project to enhance marketplace surveillance; 2) HR Info System to automate administrative functions; 3) ComSet changes to expand reporting of customer complaints by firms; 4) Changes to harmonize Registration Reform with the National Registration Database.	Helps IIROC deliver cost-effective and efficient regulation.
Delivered on commitment to effective cost management.	Ran a surplus and were able to apply it to a reduction in Dealer Regulation member fees in 2010–11.	Supports IIROC's efforts to deliver cost-effective and efficient regulation to its members.

Goal 5: Be an accountable, fair and flexible organization

WHAT WE DID IN 2009–2010	HOW WE DID IT	WHY IT MATTERS
Introduced a new employee compensation program.	Developed a new framework for competitive, fair, motivating and rewarding compensation.	Helps to build a rewarding work environment that will attract and retain skilled staff.
Held a national live, electronic Town Hall for all staff.	Brought together all staff from IIROC's four offices to discuss IIROC's strategic priorities and goals.	Builds a unified organizational culture uninhibited by geographic separations.

Focus on

Dealers



WHAT WE DID IN 2009–2010	HOW WE DID IT	WHY IT MATTERS
Implemented IIROC rule amendments relating to the Registration Reform initiative.	Reduced number of IIROC approval categories from 46 to 11; simplified the functions and positions approval; streamlined approval processes and modernized our supervisory requirements. Supported Dealer Members with 4 training workshops in Vancouver, Calgary, Toronto and Montreal; produced 1 webcast; and 4 Guidance Notices.	Creates modernized, harmonized and simplified registration requirements for dealers and individuals across all CSA jurisdictions, including IIROC and the MFDA.
Advanced the Rule Book Project.	Completing re-write of all Dealer Member rules in plain language; updating and eliminating redundancies; consolidating related rules; and making substantive revisions where needed. Issued several tranches for public comment.	Simpler, more accessible rules improve comprehension of our regulatory requirements and enhance compliance.
Developed new Dealer Regulation Fee Model proposal for public comment.	Established an industry committee to consult with in developing a proposal that takes into account principles of fairness, industry competitiveness, cost recovery and transparency. Began work on developing a new Market Regulation Fee Model proposal, with input and active participation of an industry committee.	Treats IIROC members equitably and enhances our commitment to cost-effective operations, while achieving full cost recovery.

Onsite firm reviews conducted:

Financial & Operations Compliance: **141**

Business Conduct Compliance: **96**

Trading Conduct Compliance: **66**

Educational services delivered in FY2009–10:

20 educational webcasts, with **7,043** industry participants

23 live events across the country, with **900** industry participants

IIROC issued 21 Guidance Notices on topics including:

- Best Practices for Head Office Supervision of Branch Offices
- Sales Practice Obligations Relating to Leveraged and Inverse Exchange-Traded Funds
- Provisions Respecting the “Best Price” Obligation
- Registration Reform – Implementation Issues

The process of updating, streamlining, reorganizing and improving our Dealer Member Rule Book has consumed considerable resources. This extensive effort will make our rules simpler and easier to understand.

The Rule Book Project is a good example of how IIROC employs consultation and collaboration to improve regulation and compliance. We have involved our Dealer Member firms at all key stages of updating and streamlining content, reconciling inconsistencies and eliminating redundant requirements. We have also reached out to other stakeholders by seeking public comment and input.

IIROC supports its member firms in responding to broader industry changes such as Registration Reform, the Canadian Securities Administrators’ effort to completely update registration and conduct rules nationally for registered firms and individuals. This important policy initiative is intended to strengthen investor protection and foster a more efficient business environment.

We introduced a number of related rule changes to harmonize our requirements with the CSA, in order to create a simplified and modernized registration regime. Our staff worked closely with member firms to help them implement these extensive changes.

The development of a new Dealer Regulation Fee Model exemplifies the collaboration inherent in effective self-regulation. This project involved an early-stage consultation with a committee of 14 industry volunteers from a diverse cross-section of our membership, along with a wider public comment process.

The proposed fee model would continue to set minimum fees at less than the regulatory costs consumed, satisfy the public interest in fostering industry competitiveness, as well as modestly reduce the current level of fee disparity while maintaining full cost recovery.

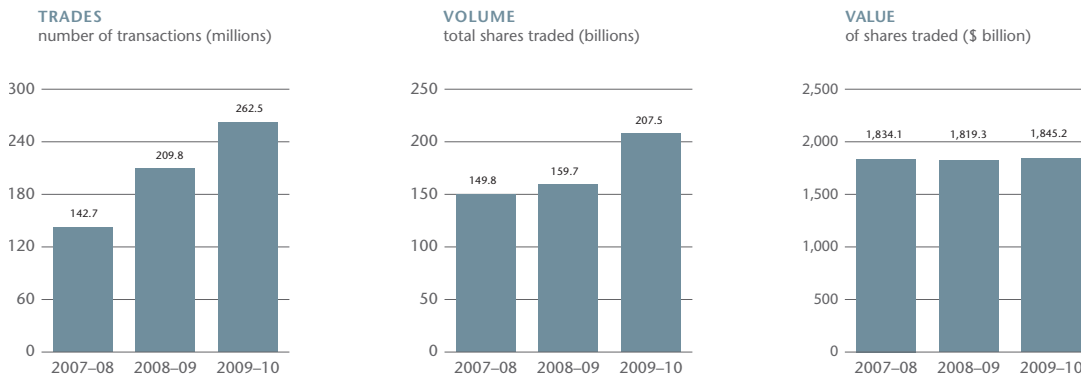
Focus on

Markets



WHAT WE DID IN 2009–2010	HOW WE DID IT	WHY IT MATTERS
Used technology to increase market surveillance capacity.	Developed Surveillance Technology Enhancement Platform (STEP), an enhanced, highly scalable and flexible system.	STEP will enable IIROC to respond to changing market structure and escalating volumes.
Undertook comprehensive consultation to obtain stakeholder views on market issues.	Issued joint CSA/IIROC consultation paper “Dark Pools, Dark Orders and Other Developments in Market Structure in Canada.” With CSA, hosted Dark Pools Forum attended by 150 industry participants.	Effective consultation leads to better rule making and more balanced regulation.

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



High traffic in orders*

52:1 ratio of orders to trades

2009-10 orders

13,542,279,733

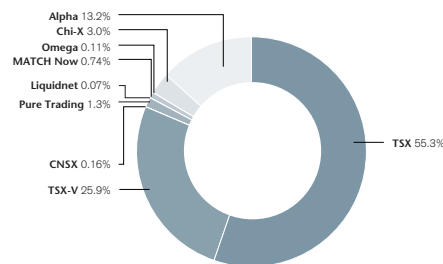
2009-10 trades

262,472,286

* Note: For marketplaces whose trading activity is regulated by IIROC.

Canada's multiple marketplace:

Where trading took place in 2009-10 (by volume*)



* Note: Represented as an average of the percentages for four quarters. (Not weighted for differences in trading activity between each quarter.)

Last year we monitored more than 262 million trades on the three exchanges and six alternative trading systems we regulate, a sharp increase over the previous year. Daily 'message' traffic – which includes quotes, orders and cancels as well as trades – reached an average of more than 100 million, up more than tenfold in a period of just four years. The ratio of orders to completed trades for marketplaces as a whole has risen from about 20:1 to more than 50:1 in the same period. In fact, we experienced a single-day record of more than 330 million messages in the spring of 2010.

We have worked to ensure that trading rules and market supervision keep pace with this rapidly evolving market structure. We have also effectively used technology to increase our surveillance capacity.

We began implementing our Surveillance Technology Enhancement Platform (STEP). This new surveillance system includes direct regulatory feeds from all nine Canadian marketplaces and combines them, for simultaneous surveillance, into a single, virtual marketplace. In addition, STEP increases our surveillance capacity and gives us the ability to create

cross-market alerts and generate consolidated surveillance reports that provide more effective market surveillance.

Together with the Canadian Securities Administrators, we have also been closely monitoring current market structure issues such as dark pools, high frequency trading, co-location and direct market access in order to develop appropriate policy and operational responses. Also with the CSA, in light of the events of the May 6th "Flash Crash," IIROC is exploring implementation of single stock circuit breakers and reviewing the current Canadian market-wide circuit breakers and exchange and ATS specific freeze and reject parameters.

We are also conducting a review of current IIROC policies and practices with respect to re-pricing and cancelling trades, in order to make the criteria for intervening in trades more transparent. This, in turn, will provide greater predictability, enhance confidence and allow market participants to better understand and hedge their risks.

Focus on

Investors



WHAT WE DID IN 2009–2010	HOW WE DID IT	WHY IT MATTERS
<p>Introduced a comprehensive and consistent complaint-handling framework and established clear standards for investors who have complaints regarding their advisor or investment dealer.</p>	<p>Introduced a new complaint handling rule that sets clear standards and timelines for IIROC-regulated firms to acknowledge, investigate and respond to client complaints about their accounts.</p>	<p>Clear and consistent standards for handling complaints enhance investor confidence in the fairness of the financial services industry.</p>
<p>Developed an enhanced investor information service about advisors; improved Investor section on the IIROC website.</p>	<p>Developed an electronic, web-based IIROC <i>AdvisorReport</i> to provide investors with information on approval categories, licensing courses/programs and disciplinary history of advisors at IIROC-regulated firms. Added additional website resources: "Know Your Advisor."</p>	<p>Offers investors a faster and easier way to obtain necessary information to make informed decisions when choosing an advisor.</p>

Highlights

Complaints filed with IIROC about Marketplace issues totalled **480**, a decrease of **11.5%**

Complaints filed with IIROC about Dealer firms totalled **429**, an **8.1%** decrease

Client complaints filed directly with Dealer firms (and subsequently reported to IIROC electronically) totalled **1,482**, a **36.3%** decrease

IIROC completed **45** disciplinary proceedings against **8** firms and **37** individuals

We assessed a total of **\$35.2** million in fines, suspended **2** firms and **12** individuals, and permanently banned **13** individuals

We collected **96.9%** of firm fines and **17.5%** of individual registrant fines

* Note: IIROC does not have the statutory ability to collect fines in all provinces and territories. If firms or registrants do not pay their fines, we will rescind their registration approval or will disallow re-approval.

Violation type in enforcement actions

Violation types – Individuals

Supervision	8
Handling of client accounts	13
Suitability	6
Gatekeeper	13
Failure to cooperate	5
Inappropriate personal financial dealings	15
Improper disclosure of client's information	2
Insider trading	1
Off-book transactions	5
Renewal of promissory notes without notice	1
Theft, fraud or misrepresentation	12
Trading without a prospectus or exemption	3
Trading without appropriate registration	3
Undisclosed conflict of interest	4
TOTAL	91*

Violation Types – Firms

Capital deficiency	1
Failed to respond to emerging issues	1
Supervision	4
Inadequate books & records	3
Inadequate staff training	2
TOTAL	11*

* Note: Totals reflect the range of violations found in disciplinary proceedings in aggregate and therefore exceed the total number of 45 actual proceedings.

In the past year, we made progress on several fronts in strengthening investor protection. Investor confidence starts with fair rules and an industry-wide culture of compliance. It is also dependent on a strong enforcement presence.

Over the past year, the investigations into third party Asset-Backed Commercial Paper (ABCP) were brought to a close. We assessed 120 ABCP-related complaints and in collaboration with the Ontario Securities Commission and L'Autorité des marchés financiers, our efforts culminated in seven successful disciplinary proceedings with combined settlements totalling \$138.8 million.

Complaints, which had surged in the wake of earlier turmoil in financial markets, declined during the past year. Enforcement staff completed 310 investigations, about double the number in recent years, and referred seven cases to the appropriate police authorities.

We successfully defended three challenges to our jurisdiction over former IIROC registrants. The decisions in these cases – which were brought in B.C., Quebec and Ontario courts – established with certainty that we have jurisdiction over both current and former registrants, in accordance with applicable IIROC rules.

We completed a comprehensive review of the IIROC Dealer Member Arbitration program and published its results. We also sought public comment on the review findings, including a proposal to increase the award limit. We made many administrative changes to improve the program's operation and its reporting. IIROC will monitor the utilization of the improved program to evaluate its effectiveness against other dispute resolution alternatives for investors.

We commenced work on a new and improved website for IIROC, and developed our online Know Your Advisor resource and its centrepiece, the new IIROC *AdvisorReport* service. This service brings together in an online report valuable information to assist investors in their due diligence when choosing an advisor.

Governance Report



Susan Wolburgh Jenah Doug McGregor Ronald S. Lloyd Roger Casgrain Michelle Khalili Thomas A. Kloet Robert LeSourd Tal Cohen

IROC's Board of Directors is comprised of 15 Directors, including the President and CEO, with an even number of Independent and Industry (Marketplace or Dealer Member) Directors.

Directors:

- Seven Independent Directors
- Five Dealer Member Directors
- Two Marketplace Directors

The Chair of the Board can be an Industry Director or an Independent Director.

TMX Group is entitled to nominate one of the Marketplace Directors in accordance with IROC By-Laws. The other Marketplace Director is a representative of a Marketplace other than one associated or affiliated with TMX.

New Directors: IROC held its first Annual General Meeting on September 23, 2009. At that meeting, three new Directors were appointed to replace outgoing Directors.

President & CEO

Susan Wolburgh Jenah (Joined February 2007)**
President & CEO, IROC
Toronto, Ontario

Industry Directors

Roger Casgrain (Joined June 2005)**
Executive Vice President,
Casgrain & Company Limited
Montréal, Quebec
• Member of the Human Resources & Pension Committee

Tal Cohen (Joined November 2009)
CEO, Chi-X Canada
New York, New York, USA
• Member of the Human Resources & Pension Committee

Michelle Khalili (Joined December 2008)
Managing Director, Equity Capital Markets
CIBC World Markets
Toronto, Ontario
• Member of the Human Resources & Pension Committee

Thomas A. Kloet (Joined October 2008)
CEO, TMX Group Inc.
Toronto, Ontario
• Member of the Finance & Audit Committee

Robert LeSourd (Joined May 2008)
EVP and Managing Partner, Western
Operations, Mackie Research Capital
Calgary, Alberta
• Member of the Human Resources & Pension Committee

Ronald S. Lloyd (Joined June 2004)**
Chairman and CEO, Credit Suisse
Securities (Canada) Inc.
Toronto, Ontario
• Chair, Human Resources & Pension Committee

Doug McGregor, Chair (Joined September 2009)
Chairman and Co-CEO, RBC Capital Markets
Toronto, Ontario
• Member of the Finance & Audit Committee

Independent Directors

Kerry Adams (Joined May 2008)
Investment Consultant
Aurora, Ontario
• Member of the Corporate Governance Committee

Jill Denham (Joined September 2009)
Consultant
Toronto, Ontario
• Member of the Corporate Governance Committee

Mike Gagné (Joined September 2009)
Controller, Radium Resort
Invermere, British Columbia
• Member of the Finance & Audit Committee

Daniel Leclair (Joined June 2004)**
Corporate Director
Shefford, Quebec
• Chair, Finance & Audit Committee
• Member of the Corporate Governance Committee

Daniel Muzyka (Joined June 2005)**
Dean and Professor
University of British Columbia
and Public Director
Vancouver, British Columbia
• Member of the Human Resources & Pension Committee
• Member of the Corporate Governance Committee

Gerry Rocchi (Joined August 2004)*
CEO, Green Power Action Inc.
Toronto, Ontario
• Member of the Corporate Governance Committee
• Member of the Finance & Audit Committee

Grant Vingoe (Joined August 2004)*
Partner, Arnold & Porter LLP
New York, New York, USA
• Chair, Corporate Governance Committee

Outgoing Directors

David Denison (Served May 2008 to September 2009)
President & CEO, Canadian Pension
Plan Investment Board
Toronto, Ontario
• Member of the Human Resources & Pension Committee

Michael Grandin (Served April 2003 to July 2009)**
Corporate Director
Calgary, Alberta
• Member of the Corporate Governance Committee
• Member of the Finance & Audit Committee

H. Sanford Riley (Served June 2006 to May 2008,
and July 2008 until September 2009)**
Chairman, Richardson Partners Financial
Winnipeg, Manitoba

Wendy Rudd (Served May 2008 to October 2009)
CEO, TriAct Canada Marketplace LP
Toronto, Ontario
• Member of the Finance & Audit Committee

* Appointed to Board of Market Regulation Services Inc. (RS) prior to the establishment of IROC.

** Appointed to Board of Investment Dealers Association of Canada prior to the establishment of IROC.



Kerry Adams

Mike Gagné

Jill Denham

Daniel Leclair

Daniel Muzyka

Gerry Rocchi

Grant Vingoe

Director Compensation

IROC does not compensate Industry Directors for their participation on IROC's Board or its Committees.

IROC compensates Independent Directors in accordance with the following framework:

Board

- Annual retainer – \$15,000 per annum
- Chair of the Board – an additional \$7,500, if the Chair is an Independent Director
- Board meetings less than two hours in duration – a fee of \$1,000
- Board meetings of two hours or longer – a fee of \$1,500

Committee

- Committee Members – \$1,500 per annum
- Committee Chairs – \$4,000 (except in the case of the Human Resources and Pension Committee Chair where the retainer will be \$3,500)
- Committee meetings less than two hours in duration – \$1,000
- Committee meetings of two hours or longer – \$1,500

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

IROC Board Committee Highlights 2009–2010

The Corporate Governance Committee implemented a self-assessment framework and oversaw the Board and committee self-assessments. It also built upon the Board's recruitment plan for directors, which culminated in the slate of directors for the first Annual General Meeting.

The Finance and Audit Committee reviewed the new Dealer Regulation Member fee model proposal and recommended that the Board approve it for publication.

The Human Resources and Pension Committee reviewed the new compensation framework and recommended that the Board approve it.

2009–2010 Board Meetings

Director Attendance at Board and Committee Meetings

Director	Board Meetings	Special Board Meetings	Regular Committee Meetings	Total Compensation
Kerry Adams	6/6	2/2	12/12	\$40,425.00
Roger Casgrain	5/6	2/2	6/7	
Tal Cohen*	2/2	1/1	2/2	
Jill Denham*	3/4	1/1	4/5	\$17,804.68
David Denison^	1/2	1/1	4/4	\$18,112.50
Mike Gagné*	4/4	1/1	3/3	\$23,149.68
Michael Grandin^	2/2	0/0	1/1	\$12,784.68
Michelle Khalili	6/6	1/2	3/3	
Thomas A. Kloet	6/6	1/2	4/5	
Daniel Leclair	6/6	2/2	7/7	\$51,673.26
Robert LeSourd	4/6	2/2	6/7	
Ronald S. Lloyd	3/6	0/2	8/13	
Doug McGregor (Chair)*	4/4	1/1	1/3	
Daniel Muzyka	5/6	2/2	12/15	\$47,129.98
H. Sanford Riley^	1/2	0/1	†	
Gerry Rocchi	6/6	2/2	10/10	\$42,853.98
Wendy Rudd^	3/3	0/1	2/2	
Grant Vingoe	6/6	1/2	12/12	\$45,000.00
Susan Wolburgh Jenah	6/6	1/2	23/24	

* Director joined Board during the year.

^ Director stepped down during the year.

† No committee assignments.

Committees

The following committees held meetings during this period:

- Corporate Governance Committee – 12 meetings
- Finance and Audit Committee – Five meetings
- Human Resources and Pension Committee – Seven meetings

Management Discussion and Analysis

(In thousands of dollars)

The Investment Industry Regulatory Organization of Canada (“IIROC”) is a not-for-profit Canadian corporation, with locations in Toronto, Calgary, Montreal and Vancouver. IIROC, the “Organization,” is the national self-regulatory organization (“SRO”) which oversees all investment dealers and trading activity on debt and equity marketplaces in Canada. IIROC tracks its operating costs within two main divisions: Dealer Regulation, which provides regulation of investment dealers; and Market Regulation, which regulates debt and equity marketplaces.

IIROC carries out its regulatory responsibilities through setting and enforcing rules regarding the proficiency, business and financial conduct of investment dealers and their registered employees, and through setting and enforcing Universal Market Integrity Rules (“UMIR”) regarding trading activity on Canadian equity marketplaces.

The Organization operates on a cost recovery basis and assesses its members’ annual fees to recover operating costs. Membership consists of all investment dealers and Alternative Trading Systems. Furthermore, the Toronto Stock Exchange (TSX), TSX Venture Exchange (TSX-V) and Canadian National Stock Exchange (CNSX) exchanges have agreements with IIROC for surveillance of their markets.

Summary financial information

The following is Management’s Discussion and Analysis of the financial condition and results of operations of IIROC for the year ended March 31, 2010. IIROC was incorporated on March 17, 2008 as a corporation without share capital under the provisions of Part II under the Canada Corporations Act as a not-for-profit organization. IIROC commenced operations in June, 2008 through the combination of the Investment Dealers Association of Canada (“IDA”) and Market Regulation Services Inc. (“RS”). Accordingly, actual results for the 2009 fiscal period are for a 10-month period. Therefore, for comparative purposes, pro-forma financial information for fiscal 2009 has been prepared for the Unrestricted Fund which extrapolates the 10-month period to be a 12-month period.

Unrestricted Fund

(In thousands of dollars)	FY 2010	FY 2009	FY 2009	Variance	Variance
	Actual	Actual	Pro forma ⁽¹⁾	\$	%
Revenue					
Dealer Regulation					
Membership fees	\$ 38,846	\$ 33,076	\$ 39,691	\$ (845)	(2%)
Underwriting levies	8,404	5,480	6,576	1,828	28%
Registration fees	2,381	2,411	2,893	(512)	(18%)
Entrance fee	160	170	204	(44)	(22%)
	49,791	41,137	49,364	427	1%
Market Regulation					
UMIR fees	23,074	17,138	20,566	2,508	12%
Timely disclosure	3,260	2,815	3,378	(118)	(3%)
	26,334	19,953	23,944	2,390	10%
Other revenue					
Interest	66	541	649	(583)	(90%)
Miscellaneous	326	137	164	162	98%
	392	678	813	(421)	(52%)
Total Unrestricted Fund revenue	76,517	61,768	74,121	2,396	3%
Expenses					
Dealer Regulation					
operating costs	48,591	39,941	47,929	662	1%
Market Regulation					
operating costs	24,150	18,668	22,402	1,748	8%
	72,741	58,609	70,331	2,410	3%
Excess of revenue over expenses					
– Unrestricted Fund	\$ 3,776	\$ 3,159	\$ 3,790	\$ (14)	0%

(1) Extrapolated based on 10-month period operating statement.

Revenues

Unrestricted Fund revenues for the period were \$76,517, a \$2,396 (3%) increase from the prior period. The increase is primarily a result of higher than expected Underwriting levies and higher UMIR fees partially offset by smaller declines in revenues in other areas. There are four factors that can affect Membership and UMIR fees, which are the primary sources of IIROC's revenues. The first is budgeted costs required to carry out the Organization's regulatory mandate. As IIROC operates on a cost-recovery basis, changes in costs can result in fee changes. The second is other sources of revenue such as Underwriting levies and Timely Disclosure fees. Budgeted increases in these areas result in a lower recovery of costs via fees. A decrease in these budgets will have the opposite impact. The third is any surpluses or deficits in the Unrestricted Fund at the end of the year which have an impact on fees, subject to Board approval, in the year following their occurrence. Finally, IIROC's requirement to maintain an Unrestricted Fund balance of at least three months operating costs will impact fees.

Management Discussion and Analysis

(In thousands of dollars)

Revenues from Dealer Regulation are made up of Membership fees, Underwriting levies, Registration fees and Entrance fees. Dealer Regulation revenues were \$49,791 for the period, compared with \$49,364 for a similar period last year.

- Membership fees are assessed to investment dealers to provide sufficient funding for Dealer Regulation operating costs, less other revenue components described below. For the year, Membership fees were \$38,846 and were lower by \$845 (2%) from a similar period last year. The decrease was caused primarily by reduced budgeted costs and the application of a surplus arising in FY 2009 to FY 2010 fees.
- Underwriting levies of \$8,404 increased year-over-year by \$1,828 (28%). The increase is attributable to improved market conditions which caused an increase in underwriting activity.
- Registration fees reached \$2,381, a decline of \$512 (18%) compared to the prior year as a result of Registration Reform and lower activity. Registration Reform has resulted in fewer positions that attract fees. Additionally, lower registration activity in some provinces decreased compared to the prior year.
- Entrance fees are assessed on new investment dealer members to cover costs related to the review of applications. For the year these fees were \$160, a decrease of \$44 (22%) from the prior year.

Market Regulation revenues consist of UMIR fees and Timely Disclosure fees.

Market Regulation revenues were \$26,334, up \$2,390 (10%) from the prior year.

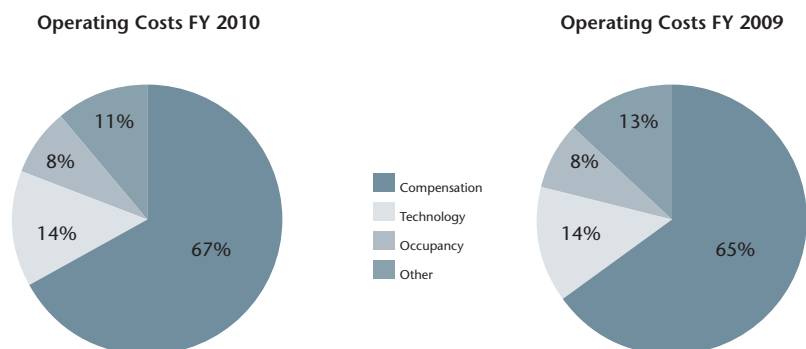
- UMIR fees are assessed to investment dealers that carry out trading activity on Canadian equity marketplaces, in order to provide sufficient funding for Market Regulation operating costs, less Timely Disclosure fees. For the year UMIR fees were \$23,074, an increase of \$2,508 (12%) from the prior year. The increase arose from higher budgeted costs connected with market surveillance technology.
- Timely Disclosure fees are for administering the Timely Disclosure policies of the TSX and TSX-V. Fees for the period were \$3,260, a decrease of \$118 (3%) due to one-time adjustments received in FY 2009 related to fees for a prior year in one of IIROC's predecessor organizations.

Other revenue

- Interest revenue for the year amounted to \$66, substantially below the prior year by \$583 (90%). The major reason for lower interest revenue was lower interest rates on short-term investments.
- Miscellaneous revenue was \$326 for the year, up by \$162 (98%) from the prior year.

Operating costs

Operating costs for IIROC are made up of five main categories.



The major categories of Compensation, Technology and Occupancy make up approximately 90% of IIROC's Operating costs. In order to ensure that costs, upon which fees are based, are segregated between Dealer Regulation and Market Regulation, IIROC uses a cost allocation model.

(In thousands of dollars)	FY 2010	FY 2009	FY 2009	Variance	Variance
	Actual	Actual	Pro forma ⁽¹⁾	\$	%
Unrestricted Fund expenses					
Dealer Regulation operating costs	\$ 48,591	\$ 39,941	\$ 47,929	\$ 662	1%
Market Regulation operating costs	24,150	18,668	22,402	1,748	8%
	\$ 72,741	\$ 58,609	\$ 70,331	\$ 2,410	3%

(1) Extrapolated based on 10-month period operating statement.

Dealer Regulation costs of \$48,591 increased \$662 (1%) mainly as a result of an increase in Compensation costs arising from the introduction of a new compensation framework for employees, and some Technology costs. This was partially offset by a decrease in Other costs, primarily arising from hearing cost recoveries connected with the Asset-Backed Commercial Paper enforcement action, and lower discretionary expenses in administration and travel.

The Market Regulation division's Operating costs were \$24,150, an increase of \$1,748 (8%) over the prior year. The primary driver of the increase was higher technology costs for market surveillance systems. The introduction of the new compensation framework also contributed to higher costs. Helping to reduce the impact of these increases was reduced discretionary expenses in travel and administration.

Excess of Unrestricted Fund revenues over expenses

Revenues exceeded expenses for the period by \$3,776, which increased the Unrestricted Fund balance to \$29,107. The balance at the end of the prior year was \$26,199. IIROC retains three months operating costs in the Unrestricted Fund. Any of this year's excess revenues may be used to reduce fees or provide funding for pensions for Dealer and Market Regulation or to finance market surveillance upgrades for the TSX-owned SMARS system in the upcoming year. The surplus allocated to Dealer Regulation amounts to \$1,568, while \$2,208 of it goes to Market Regulation.

The use of funds in the three Restricted Funds of IIROC is restricted to specific expenses under IIROC's recognition order. As such, they do not lend themselves to extrapolation for comparative purposes. Therefore the comparative figures below are actual revenues and costs for the FY 2010 (12-month) and FY 2009 (10-month) periods.

Externally Restricted Fund

Total revenues for the period amounted to \$1,130 compared to \$3,893 last year, a decrease of \$2,763 (71%). The major reason for the decline was a reduction in fine revenue in FY 2010 of \$2,238 (74%). The cause of the decrease is a \$2,000 fine collected from one firm in FY 2009. Based on the value of fines assessed for FY 2010, approximately 100% of fines against firms were collected, while for individuals it was approximately 20%. In FY 2009 it was 100% and 45%, respectively. Interest revenue declined \$481 (90%) to \$55 due to the decline in interest rates.

The main expenses were hearing panel-related costs of \$1,798, compared to a cost last year of \$1,254, an increase of \$544 (43%). The reason for the increase was a higher number of hearings in FY 2010 of 45 compared to 31 in FY 2009. Other major costs were contributions of \$282 to the Canadian Foundation for the Advancement of Investor Rights ("FAIR"), and \$201 to the Funny Money project, which introduces the markets to students. Last year the major project was the Rule Book project, which is an initiative to rewrite the Dealer Regulation rules in plain language, with expenditures of \$224. This year expenditures declined by \$133 (59%) as the rewrite of the Dealer Regulation rules are coming to an end.

Management Discussion and Analysis

(In thousands of dollars)

The fund ended the period with a deficiency of revenue over expenses of \$1,686. After the deduction of \$3,712 in capital expenditures for the STEP market surveillance system and the transfer of \$4,061 from the Merger Fund, the fund balance decreased from \$28,682 to \$27,352 at the end of the year.

Externally Restricted ABCP Fund

A subset of the Externally Restricted Fund, this fund was set up as a custodian fund for the fines specific to the ABCP enforcement action. Revenue for the year amounted to \$32,262 and consisted of fines and interest. It is anticipated that the disposition of the fund will be settled in FY 2011. Until that time, funds are being held in segregated funds in accordance with IIROC's investment policy.

Merger Fund

Set up for the IDA/RS combination, the fund has wound down in activity. The fund ended the year with an excess of revenue over expenses of \$313 compared to a deficiency of \$3,984 last year. The cause of the variance is due to the wind down of merger activity expenses. After transfers to the Unrestricted Fund and Externally Restricted Fund of \$4,072, the fund ended the year at \$(386).

Liquidity and capital resources

At the end of the year IIROC was in a surplus position of \$100,553 consisting of the Capital Asset Fund, Unrestricted Fund, the Externally Restricted Fund, Externally Restricted ABCP Fund and the Merger Fund.

The Unrestricted Fund surplus of \$29,107 must be maintained at a level equal to three months' operating costs. Based on the FY 2011 budget of \$85,975, the surplus must be \$21,494, leaving an excepted excess surplus at the end of FY 2011 with Dealer Regulation of \$4,122 and Market Regulation of \$3,491. As noted above, the excess surplus may be used to reduce fees or fund pensions in FY 2011 in both divisions and to finance technology upgrades for Market Regulation.

During the year, IIROC assessed and received \$32,250 in ABCP fines, which it is holding in an Externally Restricted Fund pending the outcome of discussion between the CSA and IIROC as to the eventual distribution of these funds. It is expected a decision will be made sometime in FY 2011.

On a consolidated fund basis, during the year, investments were made with the purchase of capital assets in the amount of \$7,187. The primary components are development of the new market Surveillance Technology Enhancement Program ("STEP"), \$3,707; \$2,462 for upgrades to the SMARS surveillance system; and computer hardware and software, \$951.

These activities led to the end of period cash and cash equivalents position of \$103,839. This was comprised of cash in banks of \$13,341 as well as Treasury Bills and Promissory Notes of \$90,498 guaranteed by the Canadian or a Provincial government.

Commitments

As at March 31, 2010, the basic minimum aggregate annual rental payments were \$13,743, excluding GST and occupancy costs, net of expected recoveries from other parties under long-term leases with varying expiry dates to February 18, 2018, for the Organization's premises.

The Organization has also entered into a services agreement in the aggregate amount of \$22,523, under which information technology and other administrative services are provided for the next three years until May 2013.

The Organization has also provided a \$100,000 guarantee on the Canadian Investor Protection Fund ("CIPF") bank lines of credit. At March 31, 2010, the CIPF has not drawn on these lines of credit. Any amount drawn on the guarantee would be assessed to dealer member firms.

The Organization has agreed to establish the Canadian Foundation for the Advancement of Investor Rights (“FAIR”). The Organization is committed to funding the Foundation over a three-year period to a maximum of \$3,750. As of March 31, 2010 the remaining commitment is \$1,640 (2009 – \$1,922). Additionally, the Organization has committed to fund the Investor Education Foundation for the “Funny Money” program to a maximum of \$558. As of March 31, 2010 the remaining commitment is \$357. IIROC has also committed to fund the Capital Markets CRC for research work to a maximum of \$450. As at March 31, 2010 the remaining commitment is \$300.

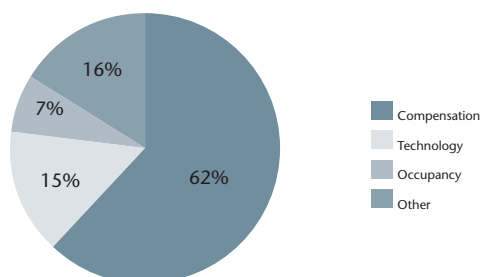
Future changes in accounting policies

In March, 2010, the Canadian Institute of Chartered Accountants (“CICA”) issued an Exposure Draft on “Accounting Standards for Not-for-Profit Organizations.” The Accounting Standards Board of the CICA expects the final standards will be issued in late 2010 with application for annual financial statements beginning on or after January 1, 2012. It is proposed that early adoption will be permitted. IIROC will assess the impact of the new standards when the final standards are issued.

Outlook

IIROC’s budget for the coming year was prepared to maintain its current level of operational capability with respect to Dealer Regulation and increase its capability for Market Regulation by launching STEP and strengthening market knowledge in IIROC’s Montreal office. Operating costs for FY 2011 are expected to be \$85,975 with the following distribution.

FY 2011 Budgeted Operating Costs



For the Dealer Regulation division, in FY 2009, there was a surplus of which \$2,900 was applied to reduce the FY 2010 fees. Without considering any subsidies, Membership fees for the upcoming year are expected to increase by 4.5% due to an increase in Compensation arising from market adjustments for eligible staff, promotions and new staff. Other increases are for regional bandwidth upgrades and the implementation of the HST in British Columbia and Ontario. Subsequent to the approval of the budget, the Board approved the use of \$3,000 of the FY 2010 surplus to reduce FY 2011 fees, resulting in a 4.5%-increase when compared to FY 2010 subsidized fees.

In the Market Regulation division, UMIR fees are expected to increase by 10.2%. The primary driver of the increase is market surveillance technology costs. The new system, STEP, is scheduled for launch in Q1 of the upcoming year. At that time it will be used to perform cross-market surveillance of all equity marketplaces regulated by IIROC and single-market surveillance of each marketplace, except for the TSX and TSX-V. SMARS will be used for surveillance of the TSX and TSX-V. The FY 2011 budget reflects the costs of operating both STEP and SMARS. Discussions are underway with the TSX and TSX-V to use STEP to monitor those markets; however, the decision to use STEP does not rest with IIROC alone. Similar to Dealer Regulation, Compensation increases and the impact of the HST also contributed to higher costs. Subsequent to the approval of the budget, the Board approved the use of \$1,200 of the FY 2010 surplus to reduce FY 2011 fees. If the surplus was not applied, FY 2011 fees would have increased by 15.4%.

Financial Statements

Investment Industry Regulatory Organization of Canada

March 31, 2010

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To the Members of the
Investment Industry Regulatory Organization of Canada

We have audited the statement of financial position of the Investment Industry Regulatory Organization of Canada as at March 31, 2010 and the statements of operations, cash flows and changes in net assets for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
May 26, 2010

Statement of Operations

(In thousands of dollars)

Year ended March 31,	2010	Ten-month period ended March 31, 2009
		(Note 1)
Unrestricted fund revenue		
Dealer regulation		
Membership fees	\$ 38,846	\$ 33,076
Underwriting levies	8,404	5,480
Registration fees	2,381	2,411
Entrance fees	160	170
	49,791	41,137
Market regulation		
Universal market integrity rules (UMIR)	23,074	17,138
Timely disclosure	3,260	2,815
	26,334	19,953
Other revenue		
Interest	66	541
Miscellaneous	326	137
	392	678
Total unrestricted fund revenue	76,517	61,768
Unrestricted fund expenses		
Dealer regulation operating costs (Note 11)	48,591	39,941
Market regulation operating costs (Note 11)	24,150	18,668
	72,741	58,609
Excess of unrestricted fund revenue over expenses	3,776	3,159
Other funds		
Externally restricted fund (Note 7)	(1,686)	2,164
Externally restricted ABCP fund (Note 8)	32,262	—
Merger fund (Note 9)	313	(3,984)
Excess of revenue over expenses	\$ 34,665	\$ 1,339

See accompanying notes to financial statements.

Statement of Cash Flows

(In thousands of dollars)

Year ended March 31,	2010	Ten-month period ended March 31, 2009
		(Note 1)
Increase (decrease) in cash and cash equivalents		
Operating activities		
Excess of revenue over expenses	\$ 34,665	\$ 1,339
Depreciation and amortization	2,597	1,827
Rent amortization	(32)	512
Loss (gain) from sale of capital assets	6	(2)
Employee future benefits	676	491
	37,912	4,167
Increase (decrease) from non-cash operating working capital		
Receivables	(168)	10,187
Prepays	165	102
Deposits	85	(90)
Payables and accruals	802	6,299
Deferred revenue	(33)	(3,280)
	38,763	17,385
Investing activities		
Purchase of capital assets	(7,187)	(3,420)
(Advances) repayment of loans receivable, net	(6)	7
	(7,193)	(3,413)
Financing activities		
Repayment of long term debt	(939)	(361)
Contribution from IDA	—	47,156
Contribution from RS	—	12,441
	(939)	59,236
Increase in cash and cash equivalents	30,631	73,208
Cash and cash equivalents, beginning of the year	73,208	—
Cash and cash equivalents, end of the year	\$ 103,839	\$ 73,208
Cash and cash equivalents consist of:		
Cash on hand and balances with bank	\$ 13,341	\$ 12,070
Term deposits and treasury bills	90,498	61,138
Cash and cash equivalents, end of year	\$ 103,839	\$ 73,208
Interest paid	\$ 11	\$ 43

See accompanying notes to financial statements.

Statement of Changes in Net Assets

(In thousands of dollars)

Year ended March 31, 2010	Investment in Capital Assets	Unrestricted Fund	Externally Restricted Fund	Externally Restricted ABCP Fund	Merger Fund	Total Net Assets
Balance, beginning of year	\$ 7,634	\$ 26,199	\$ 28,682	\$ —	\$ 3,373	\$ 65,888
Excess (deficiency) of revenue over expenses	(6)	3,782	(1,686)	32,262	313	34,665
Depreciation and amortization	(2,597)	2,590	7	—	—	—
Purchase of capital assets	7,187	(3,475)	(3,712)	—	—	—
Fund transfer	—	11	4,061	—	(4,072)	—
Balance, end of year	\$ 12,218	\$ 29,107	\$ 27,352	\$ 32,262	\$ (386)	\$ 100,553

See accompanying notes to financial statements.

Statement of Financial Position

(In thousands of dollars)

March 31	2010	2009
Assets		
Current		
Cash and cash equivalents	\$ 103,839	\$ 73,208
Receivables	3,498	3,330
Prepays	670	835
Current portion of loans receivable (Note 4)	13	12
	108,020	77,385
Employee future benefits (Note 6)	1,443	1,954
Loans receivable, less current portion (Note 4)	10	5
Capital assets (Note 5)	12,218	7,634
Deposit	5	90
	\$ 121,696	\$ 87,068
Liabilities		
Current		
Payables and accruals	\$ 12,635	\$ 11,833
Deferred revenue	—	33
Current portion of long term debt	—	433
Lease inducement	240	153
	12,875	12,452
Long term debt	—	506
Lease inducement	1,092	1,211
Employee future benefits (Note 6)	7,176	7,011
	21,143	21,180
Fund balances		
Investment in capital assets	12,218	7,634
Unrestricted fund	29,107	26,199
Externally restricted fund	27,352	28,682
Externally restricted ABCP fund	32,262	—
Merger fund	(386)	3,373
	100,553	65,888
	\$ 121,696	\$ 87,068

Commitments (Note 10)

See accompanying notes to financial statements.

On behalf of the Board:



Susan Wolburgh Jenah, **President and CEO**



Doug McGregor, **Chair**

Notes to the Financial Statements

(In thousands of dollars)
March 31, 2010

1. Organization

The Investment Industry Regulatory Organization of Canada (“IIROC” or “Organization”) is the national self-regulatory organization which oversees all investment dealers and trading activity on debt and equity marketplaces in Canada. IIROC commenced operations in June, 2008 through the combination of the Investment Dealers Association (“IDA”) and Market Regulation Services Inc. (“RS”), and carries out its regulatory responsibilities through setting and enforcing rules regarding the proficiency, business and financial conduct of dealer firms and their registered employees and through setting and enforcing market integrity rules regarding trading activity on Canadian equity marketplaces. The net assets of the IDA and RS were contributed to the new Organization at their carrying values.

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

The Organization, in trust for the beneficial interest of its dealer members, holds a 10% interest in common shares of FundSERV Inc., an organization created as a depository and clearing house for the investment fund industry.

The Organization, in trust for the beneficial interest of its dealer members, holds a 15.2% interest in the common shares of the Canadian Depository for Securities Limited (“CDS”), an organization created as a depository and clearing house for the securities industry.

IIROC was incorporated on March 17, 2008 as a Corporation without share capital under provisions of Part II under the Canada Corporations Act. As a not-for-profit organization, IIROC is exempt from income taxes under Section 149(1)(l) of the Income Tax Act (Canada).

2. Summary of significant accounting policies

The Organization follows accounting principles appropriate for not-for-profit organizations, in accordance with Canadian generally accepted accounting principles.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term investments with maturities at acquisition of four months or less.

Financial instruments

The Organization follows the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3861 – Financial Instruments – Disclosures and Presentation instead of 3862 – Financial Instruments – Disclosures and 3863 – Financial Instruments – Presentation. Cash and cash equivalents are classified as held for trading and are stated at fair value. The receivable and loans receivables are classified as loans and receivables and are measured at amortized cost. The payables and accruals are classified as other financial liabilities and are measured at amortized cost.

Revenue recognition

Dealer regulation

Annual fees are assessed upon the member firms and are recorded as income on a fiscal year basis. Underwriting levies are recognized when the underwriting transaction closes. Registration fees and other payments are recorded as income on a fiscal year basis. Fines and late filing fees due from member firms are recognized as revenue when levied. Fines from registrants of member firms, late filing fees and initiation fees from new member firms are recognized as revenue in the period they are received.

Market regulation

Under the marketplace regulation services agreements, Universal Market Integrity Rules ("UMIR") revenues are based on a fixed revenue amount, allocated to broker/dealer participants or marketplaces primarily by their proportionate share of volumes to total marketplace volumes as well as an annual fixed fee. Marketplace regulation services agreement revenue is earned through services provided by IIROC for marketplaces under the regulation services agreements. Fines from member firms are recognized as revenue when levied. Fines from registrants of member firms and employees of access firms are recognized as revenue in the period they are received.

Capital assets

Capital assets are recorded at cost. Depreciation of office furniture and equipment is computed by the straight-line method at 20% per annum and computer equipment and software and technology projects at 33 $\frac{1}{3}$ % per annum except for one technology project, which is amortized over 50 months. Leasehold improvements are amortized over the term of the respective leases. Depreciation commences when assets are placed in operation.

Fund accounting

The Organization uses the restricted fund method of accounting. Net asset balances are allocated as follows:

- (a) the **Unrestricted Fund** comprises the remaining excess of revenue over expenses from operations that are available for general operating requirements.
- (b) the **Externally Restricted Fund** is the net of revenue from fines and interest and expenses incurred for the following purposes in accordance with the terms and conditions of respective provincial Securities Commissions:
 - (i) Non-recurring capital expenditures to address emerging regulatory issues arising from changing market conditions, and are directly related to investor protection and capital markets integrity.
 - (ii) Education of market participants and the public about or research into investing, financial matters or the operation or regulation of securities markets.
 - (iii) Donations to non-profit, tax exempt organizations for investor protection and education.
 - (iv) Costs associated with the administration of IIROC's Hearing Panels.
- (c) the **Merger Fund** was funded by the **Externally Restricted Fund** and is for expenses of the Organization relating to the creation of IIROC.
- (d) the **Externally Restricted ABCP Fund** is an externally restricted fund set up to hold the asset backed commercial paper ("ABCP") fines received by IIROC. The use of fine monies is externally restricted by the Canadian Securities Administrators under IIROC's recognition order.
- (e) **Investment in Capital Assets** represents the Organization's net investment in property and equipment which is comprised of the unamortized balance of its capital assets.

Notes to the Financial Statements

(In thousands of dollars)
March 31, 2010

2. Summary of significant accounting policies (continued)

Lease inducements

The value of the rent-free periods and other inducements received by the Organization under office leases are being amortized over the term of the leases.

Employee future benefits

The Organization accrues its obligations under employee benefit plans and the related costs, net of plan assets, as follows:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method and management's best estimate of expected plan investment performance for funded plans, salary escalation, retirement ages of employees and expected health care costs.
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.
- Past service costs for plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.
- The excess of net actuarial gain (loss) over 10% of the greater of the benefit obligation and fair value of plan assets is amortized over the estimated average remaining service period of active employees.

Adoption of new accounting policies

Effective April 1, 2009, the Organization adopted the following CICA Handbook Sections:

CICA 4400 – Financial Statement Presentation by Not for Profit Organizations, has been amended to permit a not for profit organization to present net assets invested in capital assets as a category of internally restricted net assets and clarification of presentation of revenue and expenses on a gross basis when the entity is acting as the principal in a transaction. There was no impact as a result of adoption on the financial results of the Organization.

CICA 4460 – Disclosure of Related Party Transactions by Not for Profit Organizations, has been amended to align the definition of related parties to CICA 3840, Related Party Transactions. There was no impact as a result of adoption on the financial results of the Organization.

CICA 4470 – Disclosure of Allocated Expenses by Not for Profit Organization, establishes disclosure standards for a not for profit organization that classified its expenses by function and allocates its expenses to a number of functions to which the expenses relate. The disclosure required has been included in Note 13.

3. Capital disclosures

The capital structure of the Organization consists of fund balances comprised of internally and externally restricted and unrestricted funds.

The Organization's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide the appropriate level of benefits and services to its members and its stakeholders.

A portion of the Organization's capital is restricted as described in Note 2. The Organization employs internal control processes to ensure the restrictions are met prior to the utilization of these resources and has been in compliance with these restrictions throughout the year.

4. Loans receivable

Loans receivables from employees of the Organization are for the purchase of home computers. Repayment terms and maturity dates were negotiated with the Organization at the time of making the loans. The loans are non interest bearing and are due on or before February 27, 2013.

5. Capital assets

	Cost	Accumulated Depreciation	2010 Net Book Value	2009 Net Book Value
Unrestricted Fund:				
Office furniture and equipment	\$ 1,132	\$ 470	\$ 662	\$ 870
Leasehold improvements	2,614	689	1,925	2,294
Computer equipment and software	3,199	1,809	1,390	1,375
Technology projects	9,629	1,400	8,229	3,091
	16,574	4,368	12,206	7,630
Externally Restricted Fund:				
Technology projects	68	56	12	4
	\$ 16,642	\$ 4,424	\$ 12,218	\$ 7,634

Included in the above technology projects cost in the unrestricted fund, are unamortized deferred development costs of \$6,075 (2009 – \$2,374). Amortization will commence when the development is placed in operation.

6. Employee future benefits

The Organization provides retirement and post-employment benefits for its employees under both defined contribution and a defined benefit pension plans. The plans provide benefits that are based on a combination of years of service and a percentage of the participants' plan earnings. The Organization has established the following pension plans during the year:

1. IIROC Pension Plan for former RS Pension Plan Members ("Former RS RPP")
2. The formerly RS-sponsored Non-Registered SIP revenue for former TSX Employees ("Former RS SIP")
3. Retirement Plan for Employees of IIROC ("IIROC RPP")
4. The IIROC Supplemental Plan for Executives Non-Registered DB Pension Plan ("IIROC SERP"); and
5. The IIROC Non-Pension Post-Retirement Benefits Plan ("IIROC PRB").
6. The IIROC SIP defined contribution plan
7. The IIROC Employee Defined Contribution Plan

The most recent actuarial valuation of the pension benefit and other benefit plan for funding purposes was as of June 1, 2008. There was also an actuarial valuation of the Non Pension Post Retirement Benefits ("IIROC PRB") plan at January 1, 2009.

Notes to the Financial Statements

(In thousands of dollars)
March 31, 2010

6. Employee future benefits (continued)

The Organization's net benefit expense is as follows:

March 31, 2010	Former RS RPP	Former RS SIP	IIROC RPP	IIROC SERP	IIROC PRB
Net expense	\$ 230	\$ 9	\$ 1,611	\$ 707	\$ 413

March 31, 2009	Former RS RPP	Former RS SIP	IIROC RPP	IIROC SERP	IIROC PRB
Net expense	\$ 180	\$ 27	\$ 1,458	\$ 343	\$ 463

Information about the Organization's defined benefit plans is as follows:

March 31, 2010	Former RS RPP	Former RS SIP	IIROC RPP	IIROC SERP	IIROC PRB
Accrued benefit obligation					
Balance at end of year	\$ (4,481)	\$ (171)	\$ (23,377)	\$ (6,574)	\$ (4,296)
Plan assets					
Fair value at end of year	\$ 4,059	\$ —	\$ 18,968	\$ 5,060	\$ —
Funded status					
Plan surplus (deficit)	\$ (422)	\$ (171)	\$ (4,409)	\$ (1,514)	\$ (4,296)
Unrecognized transitional (asset)/obligation	—	—	(1,292)	—	227
Unrecognized past service costs	—	—	—	—	(1,582)
Unrecognized net actuarial (gain)/loss	947	(47)	4,041	2,432	477
Accrued benefit asset (liability), March 31, 2010	\$ 525	\$ (218)	\$ (1,660)	\$ 918	\$ (5,174)

March 31, 2009	Former RS RPP	Former RS SIP	IIROC RPP	IIROC SERP	IIROC PRB
Accrued benefit obligation					
Balance at end of year	\$ (3,583)	\$ (139)	\$ (17,463)	\$ (5,817)	\$ (3,312)
Plan assets					
Fair value at end of year	\$ 3,198	\$ —	\$ 14,139	\$ 4,958	\$ —
Funded status					
Plan surplus (deficit)	\$ (385)	\$ (139)	\$ (3,324)	\$ (859)	\$ (3,312)
Unrecognized transitional (asset)/obligation	—	—	(1,410)	—	264
Unrecognized past service costs	—	—	—	—	(1,736)
Unrecognized net actuarial (gain)/loss	714	(70)	2,840	2,484	(33)
Accrued benefit asset (liability), March 31, 2009	\$ 329	\$ (209)	\$ (1,894)	\$ 1,625	\$ (4,817)

In addition to the above, there is a benefit obligation of \$124 (2009 – \$91) for a SIP defined contribution plan. Current period expense for this plan was \$33 (2009 – \$13). Current period expense for the employee defined contribution plan was \$734 (2009 – \$327).

Effective January 1, 2009, the IIROC RPP plan was amended to allow current defined benefit members to stop accruing service under the defined benefit plan and join the defined contribution plan for future service. This resulted in a curtailment of the plan and accordingly, assets and obligations were re-measured as at January 1, 2009. The effect of the curtailment was an increase in pension expense of \$25 for fiscal 2009.

Plan assets by asset category are as follows:

March 31, 2010	Former RS RPP	Former RS SIP	IIROC RPP	IIROC SERP	IIROC PRB
Equity securities	50.9%	0.0%	59.2%	27.7%	0.0%
Bonds	47.2%	0.0%	34.3%	19.6%	0.0%
Short term	1.9%	0.0%	6.5%	0.7%	0.0%
Deposit with CRA	0.0%	0.0%	0.0%	52.0%	0.0%
	100.0%	0.0%	100.0%	100.0%	0.0%

Notes to the Financial Statements

(In thousands of dollars)
March 31, 2010

6. Employee future benefits (continued)

March 31, 2009	Former RS		IIROC		IIROC
	RPP	SIP	RPP	SERP	PRB
Equity securities	37.0%	0.0%	57.4%	22.6%	0.0%
Bonds	62.0%	0.0%	36.7%	19.8%	0.0%
Short term	1.0%	0.0%	5.9%	1.5%	0.0%
Deposit with CRA	0.0%	0.0%	0.0%	56.1%	0.0%
	100.0%	0.0%	100.0%	100.0%	0.0%

The significant actuarial assumptions adopted in measuring the Organization's accrued benefit obligations are as follows (weighted-average assumptions as of March 31, 2010):

March 31, 2010	Former RS		IIROC		IIROC
	RPP	SIP	RPP	SERP	PRB
Discount rate	5.75%	5.50%	5.75%	5.25%	5.75%
Expected rate of return on plan assets	6.00%	—	6.00%	3.00%	—
Rate of compensation increase	4.00%	4.00%	4.00%	4.00%	—

March 31, 2009	Former RS		IIROC		IIROC
	RPP	SIP	RPP	SERP	PRB
Discount rate	6.50%	6.25%	6.50%	6.00%	6.50%
Expected rate of return on plan assets	6.00%	—	6.00%	3.00%	—
Rate of compensation increase	4.00%	4.00%	4.00%	4.00%	—

For measurement purposes, inflation of medical expenses was assumed to be 9.5% declining to 5% in annual increments of 0.5%. Inflation of dental costs was assumed to remain constant at 4.5%.

Other information about the Organization's benefit plans is as follows:

March 31, 2010	Former RS		IIROC		IIROC
	RPP	SIP	RPP	SERP	PRB
Employer contributions	\$ 426	\$ —	\$ 1,845	\$ —	\$ 56
Employee contributions	52	—	687	—	—
Benefits paid	(130)	—	(554)	(432)	(56)

March 31, 2009	Former RS		IIROC		IIROC	
	RPP	SIP	RPP	SERP	PRB	
Employer contributions	\$ 368	\$ —	\$ 1,588	\$ —	\$ 36	
Employee contributions	47	—	488	—	—	
Benefits paid	—	—	(234)	(334)	(36)	

7. Externally Restricted Fund

	2010	Ten-month period ended March 31, 2009
Revenue		
Investigation fines	\$ 790	\$ 3,028
Interest	55	536
Late uniform termination notice	184	138
Continuing education fines	14	77
New membership fees	57	72
Late filing fines	30	42
	1,130	3,893
Expenses		
Hearing panel costs	1,798	1,254
Rule book project	91	224
DeGroote lecture series on market structure	—	125
Regulatory resources management systems	(67)	67
Amortization	7	48
Social and Enterprise Development Innovations	100	8
FAIR (Note 10)	282	2
Capital Market Cooperative Research Centre (Note 10)	150	—
Brokercheck	19	—
Funny Money sponsorship (Note 10)	201	—
Tips for Traders	50	—
Webcasts/symposiums and surveys	182	—
Financial Industry Regulatory Authority course materials	3	—
Transition costs	—	1
	2,816	1,729
(Deficiency) excess of revenue over expenses	\$ (1,686)	\$ 2,164

Notes to the Financial Statements

(In thousands of dollars)
March 31, 2010

8. Externally Restricted ABCP Fund

	2010	Ten-month period ended March 31, 2009
Revenue		
ABC P fines	\$ 32,250	\$ —
ABC P interest	12	—
	<u>32,262</u>	<u>—</u>
Excess of revenue over expenses	\$ 32,262	\$ —

9. Merger Fund

	2010	Ten-month period ended March 31, 2009
Revenue		
Interest	\$ —	\$ 47
Expenses		
Sales tax	(544)	2,123
Hiring and professional	21	615
Compensation	21	281
Communication	—	235
Space and facilities	11	190
Legal	80	161
Information technology transition	41	106
Consultation	—	60
Governance	—	28
Miscellaneous	57	232
	<u>(313)</u>	<u>4,031</u>
Excess (deficiency) of revenue over expenses	\$ 313	\$ (3,984)

10. Commitments

As at March 31, 2010, the basic minimum aggregate annual rental payments, excluding GST and occupancy costs, net of expected recoveries from other parties under long term leases with varying expiry dates to February 18, 2018, for the Organization's premises are as shown below.

2011	\$	2,735
2012		2,769
2013		2,119
2014		1,762
2015		1,762
Thereafter		2,596
	\$	13,743

The Organization has also entered into a services agreement for the next four years until 2014 under which information technology and other administrative services are provided. Minimum payments for the upcoming years and in aggregate are as follows:

2011	\$	7,209
2012		7,068
2013		7,068
2014		1,178
	\$	22,523

The Organization has also provided a \$100 million guarantee on the Canadian Investor Protection Fund ("CIPF") bank lines of credit. At March 31, 2010, the CIPF has not drawn on these lines of credit. Any amount drawn on the guarantee would be assessed to dealer member firms.

The Organization has agreed to establish the Canadian Foundation for the Advancement of Investor Rights ("FAIR"). The Organization is committed to funding the Foundation over a three year period to a maximum of \$3,750. As at March 31, 2010 the remaining commitment is \$1,640. Additionally, the Organization has committed to fund the Investor Education Foundation for the "Funny Money" program to a maximum of \$558. As at March 31, 2010 the remaining commitment is \$357. The Organization has also committed to fund the Capital Markets CRC for research work to a maximum of \$450. As at March 31, 2010 the remaining commitment is \$300.

Notes to the Financial Statements

(In thousands of dollars)
March 31, 2010

11. Unrestricted Fund expenses

	2010	Ten-month period ended March 31, 2009
Dealer Regulation Operating Costs		
Compensation	\$ 37,571	\$ 29,468
Technology	1,245	796
Occupancy	4,411	3,802
Other	5,364	5,875
	48,591	39,941
Market Regulation Operating Costs		
Compensation	11,508	8,378
Technology	8,607	7,055
Occupancy	1,206	1,058
Other	2,829	2,177
	24,150	18,668
Total Operating Costs	\$ 72,741	\$ 58,609

12. Financial instruments

The carrying values of the Organization's financial instruments – which consist of cash and cash equivalents, receivables, loans receivable and payables and accruals – approximate their fair value due to their relatively short periods to maturity.

It is management's opinion that the Organization is not exposed to significant interest or concentration of credit risks arising from these financial instruments. Credit risk is considered minimal as surplus funds are only invested in Canadian government backed securities or short-term deposits with Canadian chartered banks.

13. Allocation of expenses

The major categories of Compensation, Technology, Occupancy and Other costs make up IIROC's Operating Costs. In order to ensure costs, upon which fees are based, are segregated between Dealer Regulation and Market Regulation, IIROC uses a cost allocation model. These expense categories are first allocated to respective departments and then allocated to the two divisions. Departments are allocated to the divisions based on a per capita basis where there is a direct causal link of costs related to the staff size and pre combination organizational cost ratios where there is no direct causal link.

Self-Regulation **At Work**

IIROC is a national self-regulatory organization whose regional roots run deep and whose District Councils and policy consultative committees offer insight and invaluable input. Self-regulation helps to ensure that policies and rules keep pace with evolving markets through consultation with industry participants who are confronted by change on a daily basis. This process helps ensure that rules and policies are balanced and practical.

IIROC's National Advisory Committee

- Serves as a forum for Chairs of the District Councils to raise and discuss matters of interest, provide input on policy initiatives and report to the IIROC Board of Directors three times a year.

IIROC's 10 District Councils

- Address registration and membership matters, raise issues of regional interest, and add perspective to national issues, including policy issues.
- Ensure regional input into the regulatory process – an integral component of self-regulation.
 - District Council members: 190
 - Member Firms Participating in District Councils: 123
 - Meetings: 95
 - Decisions: 287

Policy Advisory Committees

Financial Administrators Section
Compliance and Legal Section
Fixed Income Committee
Market Rules Advisory Committee
Education and Proficiency Committee

- Committee members: 368
- Firms and Marketplaces represented: 115
- Meetings: 94

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

Montréal

Suite 1550, 5 Place Ville Marie
Montréal, Quebec, H3B 2G2

Toronto

Suite 1600, 121 King Street West
Toronto, Ontario, M5H 3T9

Calgary

Suite 2300, 355 Fourth Avenue S.W.
Calgary, Alberta, T2P 0J1

Vancouver

Suite 2800, Royal Centre
1055 West Georgia Street
P.O. Box 11164
Vancouver, British Columbia, V6E 3R5

1-877-442-4322

Web address: www.iiroc.ca

IIROC – Key Facts

- Oversees **208** members and their **28,380** registered employees
- Monitored **262,472,286** trades on **3** Exchanges and **6** equity Alternative Trading Systems
- Coordinated **1,490** trading halts, **922** resumptons and **101** cease-trade orders
- Conducted **303** on-site Business Conduct, Financial & Operations and Trading Conduct compliance firm reviews
- Completed **310** enforcement investigations
- Conducted **45** disciplinary hearings, issued **14** suspensions and **13** terminations, and assessed **\$35.2 million** in fines for firms and individuals
- Provided compliance education opportunities for **7,943** registrants
- Published **7** rule proposals and implemented **6** rule revisions

IIROC Offices

