

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

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)
<b>Increase (decrease) in cash and cash equivalents</b>		
<b>Operating activities</b>		
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
<b>Increase (decrease) from non-cash operating working capital</b>		
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
<b>Investing activities</b>		
Purchase of capital assets	(7,187)	(3,420)
(Advances) repayment of loans receivable, net	(6)	7
	(7,193)	(3,413)
<b>Financing activities</b>		
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
<b>Cash and cash equivalents consist of:</b>		
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
<b>Assets</b>		
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
	<b>108,020</b>	<b>77,385</b>
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
	<b>\$ 121,696</b>	<b>\$ 87,068</b>
<b>Liabilities</b>		
Current		
Payables and accruals	\$ 12,635	\$ 11,833
Deferred revenue	—	33
Current portion of long term debt	—	433
Lease inducement	240	153
	<b>12,875</b>	<b>12,452</b>
Long term debt	—	506
Lease inducement	1,092	1,211
Employee future benefits (Note 6)	7,176	7,011
	<b>21,143</b>	<b>21,180</b>
<b>Fund balances</b>		
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
	<b>100,553</b>	<b>65,888</b>
	<b>\$ 121,696</b>	<b>\$ 87,068</b>

## 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
<b>Unrestricted Fund:</b>				
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
<b>Externally Restricted Fund:</b>				
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
<b>Accrued benefit obligation</b>					
Balance at end of year	\$ (4,481)	\$ (171)	\$ (23,377)	\$ (6,574)	\$ (4,296)
<b>Plan assets</b>					
Fair value at end of year	\$ 4,059	\$ —	\$ 18,968	\$ 5,060	\$ —
<b>Funded status</b>					
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
<b>Accrued benefit obligation</b>					
Balance at end of year	\$ (3,583)	\$ (139)	\$ (17,463)	\$ (5,817)	\$ (3,312)
<b>Plan assets</b>					
Fair value at end of year	\$ 3,198	\$ —	\$ 14,139	\$ 4,958	\$ —
<b>Funded status</b>					
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
<b>Revenue</b>		
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
	<b>1,130</b>	<b>3,893</b>
<b>Expenses</b>		
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
	<b>2,816</b>	<b>1,729</b>
(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
<b>Revenue</b>		
ABC P fines	\$ 32,250	\$ —
ABC P interest	12	—
	<b>32,262</b>	<b>—</b>
Excess of revenue over expenses	\$ 32,262	\$ —

### 9. Merger Fund

	2010	Ten-month period ended March 31, 2009
<b>Revenue</b>		
Interest	\$ —	\$ 47
<b>Expenses</b>		
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
	<b>(313)</b>	<b>4,031</b>
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
<b>Dealer Regulation Operating Costs</b>		
Compensation	\$ 37,571	\$ 29,468
Technology	1,245	796
Occupancy	4,411	3,802
Other	5,364	5,875
	<b>48,591</b>	<b>39,941</b>
<b>Market Regulation Operating Costs</b>		
Compensation	11,508	8,378
Technology	8,607	7,055
Occupancy	1,206	1,058
Other	2,829	2,177
	<b>24,150</b>	<b>18,668</b>
<b>Total Operating Costs</b>	<b>\$ 72,741</b>	<b>\$ 58,609</b>

### 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

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Calgary, Alberta, T2P 0J1

### Vancouver

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## 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

