

# Financial Statements

## Investment Industry Regulatory Organization of Canada

March 31, 2011

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# Independent Auditors' Report

To the Members of the  
**Investment Industry Regulatory Organization of Canada**

We have audited the accompanying financial statements of **Investment Industry Regulatory Organization of Canada** which comprise the statement of financial position as at March 31, 2011, the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## **Management's Responsibility for the Financial Statements**

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

## **Auditor's Responsibility**

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Investment Industry Regulatory Organization of Canada** as at March 31, 2011, 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.

**Chartered Accountants**  
Licensed Public Accountants

Toronto, Ontario  
June 29, 2011

# Statement of Operations

(Dollars in thousands)

Year ended March 31,	2011	2010
<b>Unrestricted fund revenue</b>		
Dealer regulation		
Membership fees	\$ 40,598	\$ 38,846
Underwriting levies	8,122	8,404
Registration fees	2,371	2,381
Entrance fees	270	160
	<b>51,361</b>	<b>49,791</b>
Market regulation		
Universal market integrity rules (UMIR)	25,435	23,074
Timely disclosure	3,378	3,260
	<b>28,813</b>	<b>26,334</b>
Other revenue		
Interest	294	66
Miscellaneous	10	326
	<b>304</b>	<b>392</b>
<b>Total unrestricted fund revenue</b>	<b>80,478</b>	<b>76,517</b>
<b>Unrestricted fund expenses</b>		
Dealer regulation operating costs (Note 7)	51,004	48,591
Market regulation operating costs (Note 7)	26,398	24,150
	<b>77,402</b>	<b>72,741</b>
<b>Excess of unrestricted fund revenue over expenses</b>	<b>3,076</b>	<b>3,776</b>
<b>Other funds</b>		
Externally restricted fund (Note 8)	(1,697)	(1,686)
Externally restricted ABCP fund (Note 9)	226	32,262
Merger fund (Note 10)	414	313
<b>Excess of revenue over expenses</b>	<b>\$ 2,019</b>	<b>\$ 34,665</b>

See accompanying notes to the financial statements.

# Statement of Cash Flows

(Dollars in thousands)

Year ended March 31,	2011	2010
Increase (decrease) in cash and cash equivalents		
<b>Operating activities</b>		
Excess of revenue over expenses	\$ 2,019	\$ 34,665
Depreciation and amortization	3,819	2,597
Rent amortization	(201)	(32)
(Gain) loss from sale of capital assets	(2)	6
Employee future benefits	126	676
	<b>5,761</b>	<b>37,912</b>
Increase (decrease) from non-cash operating working capital		
Receivables	(519)	(168)
Prepays	71	165
Deposit	(120)	85
Payables and accruals	1,625	802
Deferred revenue	—	(33)
	<b>6,818</b>	<b>38,763</b>
<b>Investing activities</b>		
Purchase of capital assets	(3,282)	(7,187)
Proceeds from sale of capital assets	2	—
Advances of loans receivable, net	(6)	(6)
	<b>(3,286)</b>	<b>(7,193)</b>
<b>Financing activities</b>		
Repayment of long term debt	—	(939)
Increase in cash and cash equivalents	<b>3,532</b>	<b>30,631</b>
Cash and cash equivalents, beginning of the year	<b>103,839</b>	<b>73,208</b>
Cash and cash equivalents, end of the year	<b>\$ 107,371</b>	<b>\$ 103,839</b>
<b>Cash and cash equivalents consist of:</b>		
Cash on hand and balances with bank	\$ 15,141	\$ 13,341
Term deposits and treasury bills	92,230	90,498
Cash and cash equivalents, end of year	<b>\$ 107,371</b>	<b>\$ 103,839</b>
Interest paid	\$ —	\$ 11

See accompanying notes to the financial statements.

## Statement of Changes in Net Assets

(Dollars in thousands)

Year ended March 31, 2011	Investment in Capital Assets	Unrestricted Fund	Externally Restricted Fund	Externally Restricted ABCP Fund	Merger Fund	Total Net Assets
Balance, beginning of year	\$ 12,218	\$ 29,107	\$ 27,352	\$ 32,262	\$ (386)	\$ 100,553
Excess (deficiency) of revenue over expenses	—	3,076	(1,697)	226	414	2,019
Depreciation and amortization	(3,819)	3,811	8	—	—	—
Purchase of capital assets	3,282	(1,123)	(2,147)	—	(12)	—
Balance, end of year	\$ 11,681	\$ 34,871	\$ 23,516	\$ 32,488	\$ 16	\$ 102,572

See accompanying notes to the financial statements.

# Statement of Financial Position

(Dollars in thousands)

March 31	2011	2010
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 107,371	\$ 103,839
Receivables	5,871	5,352
Prepays	599	670
Current portion of loans receivable (Note 4)	17	13
	<b>113,858</b>	<b>109,874</b>
Employee future benefits (Note 6)	868	1,443
Loans receivable (Note 4)	12	10
Capital assets (Note 5)	11,681	12,218
Deposit	125	5
	<b>\$ 126,544</b>	<b>\$ 123,550</b>
<b>Liabilities</b>		
<b>Current</b>		
Payables and accruals	\$ 16,114	\$ 14,489
Lease inducement	251	240
	<b>16,365</b>	<b>14,729</b>
Lease inducement	880	1,092
Employee future benefits (Note 6)	6,727	7,176
	<b>23,972</b>	<b>22,997</b>
<b>Fund balances</b>		
Investment in capital assets	11,681	12,218
Unrestricted fund	34,871	29,107
Externally restricted fund	23,516	27,352
Externally restricted ABCP fund	32,488	32,262
Merger fund	16	(386)
	<b>102,572</b>	<b>100,553</b>
	<b>\$ 126,544</b>	<b>\$ 123,550</b>

Commitments (Note 11)

Subsequent event (Note 14)

See accompanying notes to the financial statements.

On behalf of the Board:



Susan Wolburgh Jenah, **President and CEO**



Doug McGregor, **Chair**

# Notes to the Financial Statements

(Dollars in thousands)  
March 31, 2011

## 1. Organization

The Investment Industry Regulatory Organization of Canada (“IIROC” or the “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 owns 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. Decisions with respect to the voting, use or disposition of these shares and the application of any proceeds from their disposition shall be made solely by the persons who are at the time Dealer Directors of IIROC and any such decision shall be binding on and complied with by IIROC. IIROC has undertaken to do all acts and things as may be necessary or desirable to carry out and achieve the intent of the foregoing.

The Organization owns a 10% interest in the common shares of FundSERV Inc. (“FundSERV”), an organization created as a depository and clearing house for the investment fund industry. Decisions with respect to the voting, use or disposition of these shares and the application of any proceeds from their disposition shall be made solely by the persons who are at the time Dealer Directors of IIROC and any such decisions shall be binding on and complied with by IIROC. IIROC has undertaken to do all acts and things as may be necessary or desirable to carry out and achieve the intent of the foregoing.

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 Section 3862 – Financial Instruments – Disclosures and

Section 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 assessed. 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<sup>1</sup>/<sub>3</sub>% per annum except for two technology projects, which are amortized over 60 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.

# Notes to the Financial Statements

(Dollars in thousands)  
March 31, 2011

## 2. Summary of significant accounting policies (continued)

(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.

### **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.

### **Future accounting changes**

On December 31, 2010, the Accounting Standards Board (AcSB) issued Part III of the Accounting Handbook: Accounting Standards for Not-for-Profit Organizations ("ASNFP"). The standards are effective for annual financial statements relating to fiscal years beginning on or after January 1, 2012. The standards are applicable to all not-for-profit organizations. Not-for-profit organizations maintain the option to adopt International Financial Reporting Standards. Early adoption is permitted. IIROC has decided to adopt Part III ASNFP for the fiscal year beginning April 1, 2012.

## 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 January 14, 2014.

## 5. Capital assets

	Cost	Accumulated Depreciation	2011 Net Book Value	2010 Net Book Value
<b>Unrestricted Fund:</b>				
Office furniture and equipment	\$ 1,276	\$ 720	\$ 556	\$ 662
Leasehold improvements	2,614	1,056	1,558	1,925
Computer equipment and software	4,290	2,762	1,528	1,390
Technology projects	11,669	3,640	8,029	8,229
	<b>19,849</b>	<b>8,178</b>	<b>11,671</b>	<b>12,206</b>
<b>Externally Restricted Fund:</b>				
Technology projects	73	63	10	12
	<b>\$ 19,922</b>	<b>\$ 8,241</b>	<b>\$ 11,681</b>	<b>\$ 12,218</b>

## 6. Employee future benefits

The Organization provides retirement and post-employment benefits for its employees under both defined contribution and 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:

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")
5. The IIROC Non-Pension Post-Retirement Benefits Plan ("IIROC PRB")
6. The IIROC SIP Defined Contribution Plan; and
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

(Dollars in thousands)  
March 31, 2011

### 6. Employee future benefits (continued)

The Organization's net benefit expense is as follows:

March 31, 2011	Former RS RPP	Former RS SIP	IIROC RPP	IIROC SERP	IIROC PRB
<b>Net expense</b>	\$ 196	\$ 13	\$ 2,000	\$ 729	\$ 509

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

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

March 31, 2011	Former RS RPP	Former RS SIP	IIROC RPP	IIROC SERP	IIROC PRB
<b>Accrued benefit obligation</b>					
Balance at end of year	\$ (5,370)	\$ (201)	\$ (30,040)	\$ (6,996)	\$ (5,240)
<b>Plan assets</b>					
Fair value at end of year	\$ 4,755	\$ —	\$ 23,440	\$ 4,767	\$ —
<b>Funded status</b>					
Plan deficit	\$ (615)	\$ (201)	\$ (6,600)	\$ (2,229)	\$ (5,240)
Unrecognized transitional (asset)/obligation	—	—	(1,174)	—	190
Unrecognized past service costs	—	—	—	—	(1,428)
Unrecognized net actuarial (gain)/loss	1,294	(30)	7,047	2,418	857
Accrued benefit asset (liability), March 31, 2011	\$ 679	\$ (231)	\$ (727)	\$ 189	\$ (5,621)

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 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)

In addition to the above, there is a benefit obligation of \$148 (2010 – \$124) for a SIP defined contribution plan. Current period expense for this plan was \$22 (2010 – \$33). Current period expense for the employee defined contribution plan was \$820 (2010 – \$734).

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, 2011	Former RS RPP	Former RS SIP	IIROC RPP	IIROC SERP	IIROC PRB
Equity securities	61.8%	0.0%	62.3%	23.9%	0.0%
Bonds	26.2%	0.0%	26.6%	17.6%	0.0%
Short term	5.3%	0.0%	4.3%	7.2%	0.0%
Deposit with CRA	0.0%	0.0%	0.0%	51.3%	0.0%
Real Estate Assets	6.7%	0.0%	6.8%	0.0%	0.0%
	100.0%	0.0%	100.0%	100.0%	0.0%

## Notes to the Financial Statements

(Dollars in thousands)  
March 31, 2011

### 6. Employee future benefits (continued)

March 31, 2010	Former RS		IIROC		IIROC
	RPP	SIP	RPP	SERP	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%

The significant actuarial assumptions adopted in measuring the Organization's accrued benefit obligations are as follows (weighted-average assumptions as of March 31, 2011):

March 31, 2011	Former RS		IIROC		IIROC
	RPP	SIP	RPP	SERP	PRB
Discount rate	5.25%	5.00%	5.25%	5.00%	5.25%
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, 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%	—

For measurement purposes, inflation of medical expenses was assumed to be 9.0% 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, 2011	Former RS		IIROC		IIROC
	RPP	SIP	RPP	SERP	PRB
Employer contributions	\$ 350	\$ —	\$ 2,933	\$ —	\$ 62
Employee contributions	\$ 36	\$ —	\$ 705	\$ —	\$ —
Benefits paid	\$ (29)	\$ —	\$ (602)	\$ (443)	\$ (62)

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)	

## 7. Unrestricted Fund 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. Indirect department costs are allocated to the divisions based on the proportion of direct dealer and market activities on a per capita basis where there is a direct causal link of costs related to the staff size and cost ratios where there is no direct causal link.

	2011	2010
<b>Dealer Regulation Operating Costs</b>		
Compensation	\$ 38,887	\$ 37,571
Technology	1,268	1,245
Occupancy	4,655	4,411
Other	6,194	5,364
	<b>51,004</b>	<b>48,591</b>
<b>Market Regulation Operating Costs</b>		
Compensation	12,100	11,508
Technology	8,815	8,607
Occupancy	1,314	1,206
Other	4,169	2,829
	<b>26,398</b>	<b>24,150</b>
<b>Total Operating Costs</b>	<b>\$ 77,402</b>	<b>\$ 72,741</b>

## Notes to the Financial Statements

(Dollars in thousands)  
March 31, 2011

### 8. Externally Restricted Fund

	2011	2010
<b>Revenue</b>		
Investigation fines	\$ 1,496	\$ 790
Interest	154	55
Late uniform termination notice	172	184
Continuing education fines	—	14
New membership fees	139	57
Late filing fines	14	30
	<b>1,975</b>	<b>1,130</b>
<b>Expenses</b>		
Hearing panel costs	1,715	1,798
Rule book project	265	91
Regulatory resources management systems	—	(67)
Amortization	8	7
Social and Enterprise Development Innovations	281	100
FAIR (Note 11)	743	282
Capital Market Cooperative Research Centre (Note 11)	150	150
Brokercheck	33	19
Funny Money Sponsorship (Note 11)	141	201
Member Education	261	232
Financial Industry Regulatory Authority course materials	—	3
IOSCO Sponsorship	75	—
	<b>3,672</b>	<b>2,816</b>
Deficiency of revenue over expenses	\$ (1,697)	\$ (1,686)

### 9. Externally Restricted ABCP Fund

	2011	2010
<b>Revenue</b>		
ABCP fines	\$ —	\$ 32,250
ABCP interest	226	12
	<b>226</b>	<b>32,262</b>
Excess of revenue over expenses	\$ 226	\$ 32,262

## 10. Merger Fund

	2011	2010
<b>Revenue</b>		
Interest	\$ 3	\$ —
<b>Expenses (recovery)</b>		
Sales tax recovery	(646)	(544)
Hiring and professional	—	21
Compensation	8	21
Space and facilities	—	11
Legal	165	80
Information technology transition	—	41
Miscellaneous	62	57
	(411)	(313)
Excess of revenue over expenses	\$ 414	\$ 313

## 11. Commitments

As at March 31, 2011, the basic minimum aggregate annual rental payments, excluding GST/HST and occupancy costs, net of expected recoveries from other parties under long term leases with varying expiry dates to February 18, 2024, for the Organization's premises are as shown below.

2012	\$ 2,769
2013	2,776
2014	2,419
2015	2,419
2016	2,339
Thereafter	17,079
	\$ 29,801

The Organization has also entered into a services agreement for the next three 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:

2012	\$ 6,240
2013	6,240
2014	1,040
	\$ 13,520

# Notes to the Financial Statements

(Dollars in thousands)  
March 31, 2011

## 11. Commitments (continued)

The Organization is a sponsor of the Canadian Investor Protection Fund (“CIPF”), which was established to protect customers who have suffered financial loss due to the insolvency of a Dealer Member of IIROC. IIROC has provided a \$100 million guarantee on bank lines of credit of the CIPF. At March 31, 2011, the CIPF has not drawn on these lines of credit. Any amount drawn on the guarantee would be assessed to dealer member firms. In order to meet potential financial obligations, the CIPF has the following resources in place: i) a contingency fund balance of \$381 million on hand as at December 31, 2010 (2009 – \$359 million); and, ii) lines of credit provided by two Canadian chartered banks totaling \$100 million (2009 – \$100 million) as noted above.

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, 2011 the remaining commitment is \$897. 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, 2011 the remaining commitment is \$216. The Organization has also committed to fund the Capital Markets CRC for research work to a maximum of \$450. As at March 31, 2011 the remaining commitment is \$150.

## 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. Comparative figures

Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

## 14. Subsequent event

Subsequent to year end, the Organization entered into a financing agreement to obtain a \$6,000,000 non-revolving term construction credit facility which will be used to finance the construction and refurbishment of the Organization’s main location and a \$4,000,000 revolving operating credit facility which will be used to finance the Organization’s ongoing working capital requirements.

# 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: 153
  - Member Firms participating in District Councils: 121
  - Meetings: 68
  - Decisions: 220

## Policy Advisory Committees

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

- Committee members: 357
- Firms and Marketplaces represented: 133
- Meetings: 59

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

### Montréal

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## IIROC – Key Facts

- Oversees **212** members and their **28,598** approved individuals
- Monitored **350,874,680** trades on **3** exchanges and **6** equity Alternative Trading Systems
- Coordinated **1,549** trading halts, **1,029** resumptions and **60** cease trade orders
- Conducted **305** on-site Business Conduct, Financial and Operations and Trading Conduct compliance firm reviews
- Completed **303** enforcement investigations
- Conducted **60** disciplinary hearings, issued **19** suspensions and **15** terminations, and assessed **\$4.9 million** in fines (excluding costs and disgorgement) for firms and individuals
- Published **16** rule proposals and implemented **9** rule revisions
- Provided compliance education opportunities for **11,066** registrants:
  - **27** educational webcasts with **10,010** industry participants
  - **6** live events with **1,056** industry participants
- Received **691** complaints about Marketplace issues, an increase of **43.9%**
- Received **449** complaints about Dealer firms, an increase of **4.7%**
- Received **1,248** complaints indirectly that were filed by clients with Dealer firms and then reported to IIROC electronically using ComSet, a **15.7%** decrease

## IIROC Offices

