



Financial Statements

(in thousands of dollars)

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Independent Auditor's Report

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

OPINION

We have audited the financial statements of the **Investment Industry Regulatory Organization of Canada** [the "Organization"], which comprise the statement of financial position as at March 31, 2022, and the statement of changes in fund balances, statement of operations, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2022, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

BASIS FOR OPINION

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

EMPHASIS OF MATTER

We draw attention to note 1 to the financial statements, which describes the combination of the Organization's regulatory activities with another organization scheduled for December 31, 2022. Our opinion is not modified in respect to this matter.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis in the Organization's Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Independent Auditor's Report

We obtained the Annual Report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditor's Report

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Toronto, Canada
June 22, 2022

Ernst + Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Financial Statements

STATEMENT OF FINANCIAL POSITION

[in thousands of dollars]

	2022	2021
As at March 31	\$	\$
ASSETS		
Current		
Cash and cash equivalents	53,612	46,070
Investments [note 3]	61,976	67,028
Receivables [note 4]	8,697	7,978
Prepaid expenses	1,489	1,511
Current portion of long-term receivables [note 5]	11	23
Total current assets	125,785	122,610
Employee future benefits [note 8]	315	371
Long-term receivables [note 5]	7	18
Capital assets, net [note 6]	14,946	14,689
Deposit	175	175
	141,228	137,863
LIABILITIES AND FUND BALANCES		
Current		
Payables and accruals	21,757	22,833
Government remittances payable	463	474
Current portion of capital lease obligations [note 7]	1,277	631
Deferred revenue	75	75
Current portion of deferred rent and lease inducements	759	753
Total current liabilities	24,331	24,766
Capital lease obligations [note 7]	2,304	1,682
Deferred rent and lease inducements	1,906	2,666
Employee future benefits [note 8]	21,995	30,081
Total liabilities	50,536	59,195
Commitments and contingencies [notes 10 and 11]		
FUND BALANCES		
Unrestricted Fund	74,595	58,947
Internally Restricted Integration Fund	(3,197)	—
Externally Restricted Fund	19,294	19,721
Total fund balances	90,692	78,668
	141,228	137,863

The accompanying notes to the financial statements are an integral part of these financial statements.

On behalf of the Board:



Andrew J. Kriegler, President and CEO



Paul D. Allison, Chair

Financial Statements

STATEMENT OF CHANGES IN FUND BALANCES

[in thousands of dollars]

Year ended March 31	Unrestricted Fund \$	Internally Restricted Integration Fund \$	Externally Restricted Fund \$	2022 Total \$	2021 Total \$
Fund balances, beginning of year	58,947	—	19,721	78,668	78,010
Excess (deficiency) of revenue over expenses for the year	2,151	—	(427)	1,724	3,168
Interfund transfer [note 9]	3,197	(3,197)	—	—	—
Remeasurements and other items [note 8]	10,300	—	—	10,300	(2,510)
Fund balances, end of year	74,595	(3,197)	19,294	90,692	78,668

The accompanying notes to the financial statements are an integral part of these financial statements.

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STATEMENT OF OPERATIONS

[in thousands of dollars]

	Unrestricted Fund \$	Externally Restricted Fund \$	2022 Total \$	2021 Total \$
Year ended March 31				
REVENUE				
Dealer regulation				
Membership fees	53,847	—	53,847	52,044
Underwriting levies	11,677	—	11,677	12,602
Registration fees	2,075	—	2,075	1,604
Continuing education accreditation revenue	199	—	199	—
Entrance fees	135	31	166	267
	67,933	31	67,964	66,517
Market regulation				
Equity regulation	26,616	—	26,616	25,510
Debt regulation	2,299	—	2,299	2,242
Timely disclosure	3,075	—	3,075	2,935
Marketplace revenue	190	—	190	190
	32,180	—	32,180	30,877
Debt Information Processor	1,634	—	1,634	1,633
Other revenue				
Disciplinary fines and other fines	—	2,559	2,559	1,912
Investment income (loss) including interest	(663)	26	(637)	2,711
Recoveries of enforcement costs	410	—	410	243
Miscellaneous	83	—	83	121
	(170)	2,585	2,415	4,987
	101,577	2,616	104,193	104,014
EXPENSES [note 9]				
Dealer regulation operating	63,759	—	63,759	65,561
Market equity regulation operating	28,907	—	28,907	28,837
Market debt regulation operating	2,171	—	2,171	2,244
Debt Information Processor operating	1,392	—	1,392	1,708
Externally Restricted Fund	—	3,043	3,043	2,496
	96,229	3,043	99,272	100,846
Excess (deficiency) of revenue over expense for the year before integration costs	5,348	(427)	4,921	3,168
Integration costs [note 9]	3,197	—	3,197	—
Excess (deficiency) of revenue over expenses for the year	2,151	(427)	1,724	3,168

The accompanying notes to the financial statements are an integral part of these financial statements.

Financial Statements

STATEMENT OF CASH FLOWS

[in thousands of dollars]

	2022	2021
Year ended March 31	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	1,724	3,168
Add (deduct) items not involving cash		
Amortization	4,605	4,505
Rent amortization	(754)	(741)
Net loss on disposal of capital assets	—	16
Impairment write-down of capital assets [note 6]	474	221
Employee future benefits expense [note 8]	5,151	4,859
	11,200	12,028
Changes in non-cash working capital balances related to operations		
Receivables	(719)	(60)
Prepaid expenses	22	126
Deposit	—	(2)
Payables and accruals, and government remittances	(1,087)	3,169
Employer contributions for employee future benefits [note 8]	(2,881)	(2,969)
Cash provided by operating activities	6,535	12,292
INVESTING ACTIVITIES		
Disposal (purchase) of investments, net	5,052	(9,762)
Purchase of capital assets	(3,269)	(3,443)
Loss from disposal of capital assets	—	(16)
Change in long-term receivables, net	23	38
Cash provided by (used in) investing activities	1,806	(13,183)
FINANCING ACTIVITIES		
Repayment of capital lease obligations	(799)	(479)
Cash used in financing activities	(799)	(479)
Net increase (decrease) in cash during the year	7,542	(1,370)
Cash and cash equivalents, beginning of year	46,070	47,440
Cash and cash equivalents, end of year	53,612	46,070
Cash and cash equivalents consist of		
Cash on hand and balances with bank	21,538	22,274
Cash equivalents	32,074	23,796
	53,612	46,070
SUPPLEMENTAL CASH FLOW INFORMATION		
Acquisition of capital assets under capital lease	2,067	935

The accompanying notes to the financial statements are an integral part of these financial statements.

Notes to Financial Statements

[in thousands of dollars]

1. Organization

The Investment Industry Regulatory Organization of Canada ["IIROC" or the "Organization"] was incorporated on March 17, 2008 as a Corporation without share capital under provisions of Part II under the *Canada Corporations Act*. The Organization transitioned to the new *Canada Not-for-profit Corporations Act* in fiscal 2015. As a not-for-profit organization, IIROC is exempt from income taxes under Section 149(1)(l) of the *Income Tax Act* (Canada).

IIROC is the national self-regulatory organization ["SRO"] that oversees all investment dealers and trading activity on debt and equity marketplaces in Canada. IIROC carries out its regulatory responsibilities under Recognition Orders from the provincial securities commissions that make up the Canadian Securities Administrators ["CSA"].

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

IIROC carries out its regulatory responsibility through setting and enforcing rules regarding the proficiency, business conduct, and financial conduct of dealer firms and their registered employees, and market integrity rules regarding trading activity on Canadian debt and equity markets.

After completing an in-depth review of the current SRO framework involving two SROs – IIROC and the Mutual Fund Dealers Association of Canada ["MFDA"], the CSA published its position on August 3, 2021 to establish a new, single, enhanced SRO ["New SRO"]. The main objective of creating the New SRO is to develop a regulatory framework that has a clear public interest

mandate and fosters fair and efficient capital markets, by focusing on investor protection to promote public confidence and accommodating innovation and change. The New SRO will consolidate the regulatory activities of IIROC and the MFDA, through a legal amalgamation with a scheduled close date of December 31, 2022.

2. Summary of significant accounting policies

BASIS OF PRESENTATION

The Organization has prepared these financial statements in accordance with Canadian accounting standards for not-for-profit organizations using the restricted fund method of accounting.

FUND ACCOUNTING

The Unrestricted Fund includes:

- [a] Dealer regulation, market regulation, and Debt Information Processor revenue and expenses, including amortization of Unrestricted Fund capital assets;
- [b] Recoveries of enforcement costs ordered by IIROC hearing panels as part of enforcement actions; and
- [c] Funding of the deficit in the IIROC Supplemental Plan for Executives ["IIROC SERP"] – Non-Registered Defined Benefit Pension Plan, IIROC Non-Pension Post-Retirement Benefits Plan ["IIROC PRB"], defined benefit provisions of the Retirement Plan for Employees of IIROC ["IIROC RPP"] and the formerly Regulation Services ["RS"] sponsored Supplemental Income Plan for former TSX Employees ["Former RS SIP"] – Non Registered Defined Benefit Plan.

Notes to Financial Statements

[in thousands of dollars]

2. Summary of significant accounting policies (continued)

The Internally Restricted Integration Fund:

After the CSA published its position paper on August 3, 2021, IIROC has been incurring expenses and charges in connection with the amalgamation with the MFDA into New SRO. Revenue to recover these integration costs will be recorded when a recovery model is established. In fiscal 2022, the Board of Directors approved the creation of the Internally Restricted Integration Fund. Certain costs may be funded by IIROC on a permanent basis upon approval by the Board and/or by the Externally Restricted Fund for qualified expenses upon approval by the CSA and the Corporate Governance Committee. Until such time, the Internally Restricted Integration Fund will report a deficit position, representing integration costs incurred to date.

The Externally Restricted Fund includes:

[a] The collection of fines and settlement monies arising from enforcement actions [disciplinary fines] and other revenue and the use of these funds in accordance with the terms and conditions of respective provincial securities commissions' and authorities' Recognition Orders. This Fund is to be used for any of the following:

[i] For the development of systems or other expenditures that are necessary to address emerging regulatory issues and are directly related to protecting investors or the integrity of the capital markets, provided that any such use does not constitute normal course operating expenses;

[ii] For education or research projects that are directly relevant to the investment industry, are in the public interest, and benefit the public or the capital markets;

[iii] To contribute to a non-profit, tax-exempt organization, the purposes of which include protection of investors, or those described in paragraph [a];

[iv] For such other purposes as may be subsequently approved by the provincial securities commissions; or

[v] For reasonable costs associated with the administration of IIROC's hearing panels.

REVENUE RECOGNITION

IIROC operates on a cost recovery basis generally through published fee models, which set out the basis of the cost recovery for each of IIROC's activities.

Unrestricted revenue is recognized as revenue as follows:

Dealer regulation

Annual membership fees are assessed upon dealers for the fiscal year as approved by the Board and are recognized as revenue on a straight-line basis over the fiscal year. Underwriting levies are recognized when the underwriting transaction closes and the assessment basis is available with collection reasonably assured. Registration fees and entrance fees are recorded as revenue when billed and collection is reasonably assured. Continuing education accreditation revenue is recognized when the application is received to initiate the accreditation process.

Notes to Financial Statements

[in thousands of dollars]

2. Summary of significant accounting policies (continued)

Market regulation

Under the marketplace regulation services agreements, revenue from equity regulation fees is governed by the Market Regulation Fee Model. Fees are assessed for the fiscal year as approved by the Board. These fees are then allocated to dealers and marketplace members.

Revenue is initially recognized monthly based on the prior year cost recovery rate and then upon Board approval, adjusted to current cost recovery rates over the remainder of the year. For attribution to each dealer on each marketplace, technology costs are assessed on the number of messages sent, while non-technology costs are assessed on the number of trades executed.

Debt regulation fees are assessed for the fiscal year as approved by the Board. These fees are allocated to dealers who trade debt securities. Revenue is initially recognized monthly based on the prior year cost recovery rate and then upon Board approval, adjusted to current cost recovery rates over the remainder of the year. Fees are allocated to each dealer based on its prorated share of the number of primary, secondary and repurchase agreement ["repos"] transactions, with a monthly fee reduction for repos on costs recovered from the Bank of Canada.

Timely disclosure revenue and marketplace revenue are recognized as billed and when collection is reasonably assured.

Debt Information Processor

Debt Information Processor fees are initially recognized monthly based on the prior year cost recovery rate, and then upon Board approval, adjusted to current cost recovery rates over the remainder of the year.

Other revenue

Recoveries of enforcement costs from member firms are recognized as revenue when assessed and amounts become receivable. Recoveries of enforcement costs from registrants of member firms are recognized as revenue when received.

Restricted revenue is recognized as revenue as follows:

Disciplinary fines, continuing education and other fines due from member firms are recognized as revenue in the Externally Restricted Fund when they are assessed, amounts can be reasonably estimated, and collection is reasonably assured. Any other fines, including disciplinary fines from registrants of member firms and late filing of notice of termination of registrants by member firms, are recognized as revenue in the Externally Restricted Fund when received.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, balances with banks and highly liquid marketable securities such as government-issued promissory notes and treasury bills, and debt instruments of financial institutions with remaining maturities of three months or less.

Notes to Financial Statements

[in thousands of dollars]

2. Summary of significant accounting policies (continued)

INVESTMENTS

Investments consist mainly of highly liquid marketable securities such as government-issued promissory notes and treasury bills, and debt instruments of financial institutions with remaining maturities of greater than three months, mutual funds and an equity investment.

FINANCIAL INSTRUMENTS

The Organization considers any contract creating a financial asset, liability or equity instrument as a financial instrument. A financial asset or liability is recognized when the Organization initially becomes party to contractual provisions of the instrument.

Initial measurement

The Organization initially measures its financial instruments at fair value. For financial instruments subsequently measured at cost or amortized cost, the initial fair value incorporates the amount of the related financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations immediately when issued or acquired.

Subsequent measurement

At each reporting date, the Organization measures its financial assets and liabilities at cost or amortized cost [less impairment in the case of financial assets] or at fair value. Fair value treatment is applied to all cash equivalents and investments, both equity and debt, which the Organization has elected to measure at fair value. The financial instruments measured at cost or amortized cost are cash, receivables, loans receivable,

and payables and accruals. The Organization uses the effective interest rate method to amortize any premiums, discounts, transaction fees and financing fees in the statement of operations for those items measured at cost or amortized cost.

For financial assets measured at cost or amortized cost, the Organization regularly assesses whether there are any indicators of impairment. If there is an indication of impairment, and the Organization determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it immediately recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

CAPITAL ASSETS

Capital assets are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization of office furniture and equipment is computed by the straight-line method at 20% per annum, and computer equipment, software and technology projects at 33 1/3% per annum except for certain technology projects, which are amortized at 20% per annum to better reflect the useful life of these assets. Leasehold improvements are amortized over the term of the respective leases. Amortization commences the quarter after the assets are available for use.

When a capital asset no longer has any remaining service potential to the Organization, the net carrying amount is immediately written off and recognized as an expense in the statement of operations. A partial impairment loss is recognized when a capital asset still has remaining service life but where the net carrying amount of a capital asset exceeds the asset's fair value or replacement cost. Impairment losses are recognized as an expense in the statement of operations. The

Notes to Financial Statements

[in thousands of dollars]

2. Summary of significant accounting policies (continued)

Organization assesses whether fair value or replacement cost is applied to measure the write-down on an asset-by-asset basis. The Organization undertakes an annual review to assess whether capital assets should be written off entirely, and also to identify partial impairment. Previously recognized write-downs are not reversed.

Assets and obligations under capital lease

Leased capital assets are recognized at cost at the beginning of the lease term. For hardware and office equipment under capital lease, the beginning of the lease term is upon installation, which approximates the financing date. Cost corresponds to the present value of the estimated minimum lease payments, excluding executory costs, at the beginning of the lease term. Amortization is based on the lesser of estimated useful life of the asset or term of the lease and begins in the quarter after the asset is available for use. Both hardware and office equipment under capital lease have estimated useful lives of five years, amortized at 20% per annum. End-user computer equipment under capital lease has an estimated useful life of four years, amortized at 25% per annum.

An obligation under a capital lease is similar to a loan. Lease payments are allocated to a reduction of the obligation, interest expense and any related executory costs. The interest expense is calculated using the discount rate used in computing the present value of the estimated minimum lease payments applied to the remaining balance of the obligation. The discount rate used is equal to the Organization's rate for incremental borrowing at inception of the lease.

DEFERRED RENT AND LEASE INDUCEMENTS

Certain of the Organization's operating leases contain predetermined fixed escalations of minimum property rentals during the original lease terms. The Organization recognizes the related rental expense on a straight-line basis over the life of the lease and records the difference between the amounts charged to operations and amounts paid as deferred rent [included in lease inducement] in the early years of the lease, when cash payments are generally lower than straight-line rent expense. Deferred rent is reduced in the later years of the lease when payments begin to exceed the straight-line expense. The Organization also receives certain lease incentives in conjunction with entering into operating leases. These lease incentives are recorded as a lease inducement at the beginning of the lease term and recognized as a reduction of rent expense over the lease term.

EMPLOYEE FUTURE BENEFITS

The Organization accrues its obligation under employee defined benefit plans and related costs as follows:

- The defined benefit obligation is measured based on an actuarial valuation for accounting purposes at the statement of financial position date. The defined benefit obligation is determined using the projected benefit method prorated on services, which incorporates management's best estimate for each actuarial assumption. Actuarial assumptions are used in the calculation of the benefit obligation and the assumptions relate to administrative expenses and taxes, termination rates, disability claim rates, rates of employee turnover, retirement age, mortality, dependency status, per capita claims cost by age and by type of benefit, health care cost trend rates, discount rates to reflect the time value of money, and future salary and benefits level.

Notes to Financial Statements

[in thousands of dollars]

2. Summary of significant accounting policies (continued)

- Plan assets are measured at fair value at the statement of financial position date. The Organization recognizes a valuation allowance for any excess of plan surpluses over the expected future benefit.
- The cost of the defined benefit plans relating to current service cost and financing cost [net interest on the defined benefit liability] is recorded on the statement of operations.
- Remeasurements and other items are recorded directly on the statement of changes in fund balances. These relate to:
 - [a] The difference between the actual return on plan assets and the return calculated using the discount rate used to determine the defined benefit obligation;
 - [b] Actuarial gains and losses;
 - [c] The effect of any valuation allowance;
 - [d] Past service costs; and
 - [e] Gains and losses arising from settlements and curtailments.

The Organization also offers a defined contribution pension plan to employees. An expense is recorded in the period when the Organization is obligated to make contributions for services rendered by the employee. Any unpaid contributions are included on the statement of financial position under payables and accruals.

ALLOCATION OF EXPENSES

IIROC engages in dealer regulation, equity market regulation, debt market regulation, and is the Debt Information Processor for certain securities.

To facilitate proper fee allocations, direct costs are separately captured for dealer regulation, market equity and debt regulation activities, and Debt Information Processor activities, with indirect costs being allocated to each of these using a cost allocation model based on either direct business unit cost or headcount as appropriate.

USE OF ESTIMATES

Management reviews the carrying amounts of items in the financial statements at each fiscal year-end date to assess the need for revision or any possibility of impairment. Many items in the preparation of these financial statements require the use of management's judgment in arriving at a best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. These estimates are reviewed periodically and adjustments are made to the statement of operations as appropriate in the year they become known. Items subject to significant management estimates include accruals, allowance for doubtful accounts, eligibility of expenditures for capitalization, date of substantial completion of technology projects to begin amortization, useful lives of capital assets, minimum lease payments, lease discount rate, and valuation of employee future benefits asset/liability.

Notes to Financial Statements

[in thousands of dollars]

3. Investments

Investments, at fair value, consist of the following:

	2022 \$	2021 \$
Marketable securities	41,401	46,570
Mutual funds		
Bond funds	15,157	14,734
Global equity funds	5,418	5,724
	61,976	67,028

Marketable securities consist of government-issued promissory notes and treasury bills, and debt instruments of financial institutions with yields between 0.05% and 1.20% [2021 – 0.13% and 1.90%].

Mutual funds are earmarked assets to fund the liabilities of the IIROC SERP, Former RS SIP and IIROC PRB.

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, which is recorded at its original cost of nil.

4. Receivables

Receivables consist of the following:

	2022 \$	2021 \$
Trade	8,478	7,984
Income taxes recoverable	225	–
	8,703	7,984
Allowance for doubtful accounts	(6)	(6)
	8,697	7,978

The trust for the Retirement Compensation Arrangement ["RCA"] for the IIROC SERP was wound up during fiscal 2022, and an outstanding amount for the tax recoverable from the Canada Revenue Agency is recorded as a receivable at year-end.

5. Long-term receivables

Long-term receivables consist of the long-term portions of employee loans receivable, accounts receivable related to agreed-upon payment plans on enforcement fines, and pension-related receivables.

Employee loans receivable are loans provided to employees of the Organization for the purchase of home computers. Repayment terms and maturity dates were negotiated with employees at the time of making the loans. The loans are unsecured, non-interest bearing and are due on or before October 31, 2024.

Notes to Financial Statements

[in thousands of dollars]

6. Capital assets

Capital assets consist of the following:

	Cost \$	2022 Accumulated Amortization \$	Net book value \$	2021 Net book value \$
UNRESTRICTED FUND				
Tangible				
Leasehold improvements	10,125	7,449	2,676	3,517
Office furniture and equipment	9,491	8,755	736	1,240
Computer equipment and software	3,935	3,906	29	94
Technology projects hardware	6,718	6,659	59	38
Assets under capital lease				
Computer equipment	1,037	186	851	619
Hardware	2,232	369	1,863	609
Office equipment	209	176	33	167
Intangible				
Technology projects software	25,049	20,473	4,576	4,839
	58,796	47,973	10,823	11,123
EXTERNALLY RESTRICTED FUND				
Tangible				
Technology projects hardware	1,429	1,213	216	318
Leasehold improvements	673	567	106	161
Hardware under capital lease	1,358	505	853	837
Intangible				
Technology projects software	7,836	4,888	2,948	2,250
	11,296	7,173	4,123	3,566
	70,092	55,146	14,946	14,689

Notes to Financial Statements

[in thousands of dollars]

6. Capital assets (continued)

Hardware under capital lease

In August 2018, the Organization entered into a five-year contract with an IT service provider for infrastructure services and information security operations within a new, secure, hybrid-cloud platform. Certain arrangements relating to the use of dedicated physical hardware were assessed to be leases of a capital nature. The leased capital assets recorded use management's best estimates for eligibility of expenditures for capitalization, minimum lease payments, discount rate, and date of substantial completion. All hardware under capital lease recorded in fiscal 2021 was available for use in that year.

Office equipment under capital lease

In August 2019, IIROC entered into a service agreement with a vendor under a cost per impression model. Under this agreement, IIROC has committed to a monthly minimum volume on each copier that includes the cost of the copier plus executory costs for supplies, maintenance and support. The arrangements relating to the use of the copiers were assessed to be leases of a capital nature, with the minimum lease payments, excluding executory costs, used to determine the present value. The copiers were installed and available for use in February 2020.

Computer equipment under capital lease

In fiscal 2021, IIROC began leasing end-user computer equipment, with the intent to replace one quarter of end-user computer equipment assets each fiscal year moving forward. These leases were assessed to be capital in nature. Computer equipment under capital lease is recorded as an asset at the beginning

of the lease term, with present value calculations based on minimum lease payments, excluding executory costs, and the discount rate established at inception of the lease. Computer equipment ordered, shipped and held for preparation at a third-party location for IIROC are recognized as leased capital assets under development using management's best estimates for minimum lease payments, discount rate, and lease commencement date.

Capital assets under development

As at March 31, 2022, there are capital assets under development for software and hardware of \$2,221, and capital lease assets under development for hardware and computer equipment of \$1,796. As such, these assets are not yet being amortized.

In January 2022, IIROC and the Montreal Exchange ["MX"] entered into a Memorandum of Understanding ["MoU"] to enable cross-asset monitoring of the derivatives and underlying securities markets to help mitigate the risk of market integrity breaches. Under the MOU, IIROC will implement a cross-asset surveillance module in the market surveillance system relying on data provided by the MX. Additionally, as a prerequisite to providing cross-asset surveillance and to accommodate growing transaction volumes, IIROC is expanding the capacity of the existing market surveillance system to support end-of day processing of two billion equity transactions and one billion derivatives transactions. Collectively, these two technology solutions are referred to as the Cross-Asset Surveillance Program with a planned launch in fiscal 2023. Of the \$4,017 capital assets under development mentioned above, \$3,117 is related to the Cross-Asset Surveillance Program.

Notes to Financial Statements

[in thousands of dollars]

6. Capital assets (continued)

In addition, there are other capital assets of \$244 included in technology projects, and \$76 of computer equipment under capital lease that were available for use in the last quarter of 2022. No amortization was recorded on these assets as amortization begins in the quarter after assets are available for use.

During the year, the Organization recognized an impairment loss in the amount of \$474 on technology project software and office equipment under capital lease [2021 – \$221 on office furniture and equipment]. The assets were written down to their estimated fair value. The impairment loss was recognized in the statement of operations.

7. Capital lease obligations

Concurrent with the recognition of assets under capital leases [note 6], equivalent capital lease obligations were recorded at the present value of estimated lease payments, excluding executory costs, using the Organization's estimated rate for incremental borrowing as the lease discount rate. For leased assets recognized in December 2018, a rate of 2.98% was used. For leased assets recognized in February 2020, a rate of 1.76% was used. For leased assets recognized in fiscal 2021, rates of between 0.73% and 1.72% were used. For leased assets recognized in fiscal 2022, rates of between 0.66% and 3.06% were used. For hardware under capital lease, the lease maturity date is December 31, 2024. For office equipment under capital lease, the lease maturity date is February 1, 2025. For end-user computer equipment under capital lease, the lease maturity dates will be four years following the first payment date. End-user computer equipment lease maturity dates are estimated between March 31, 2024, and April 30, 2026. There are no executory costs with the computer equipment leases. The capital lease obligation as at year-end of \$3,581 [2021 – \$2,313] includes nil [2021 – nil] of accrued interest expense.

Notes to Financial Statements

[in thousands of dollars]

7. Capital lease obligations (continued)

As at March 31, 2022, the estimated future minimum lease payments for obligations under capital leases in each of the next five years are as follows:

	Capital \$	Executory \$	Total \$
2023	1,290	420	1,710
2024	1,291	420	1,711
2025	994	318	1,312
2026	88	—	88
2027	1	—	1
	3,664	1,158	4,822
Amount representing interest	(83)		
Total capital lease obligations	3,581		
Current portion	1,277		
Long-term portion	2,304		
Total capital lease obligations	3,581		

8. Employee future benefits

The Organization provides retirement and post-employment benefits for its employees and has both defined benefit and defined contribution pension plans. The defined benefit plans provide benefits that are based on a combination of years of service and a percentage of the participant's plan earnings. Under the defined contribution plan provisions, the Organization makes contributions based on a percentage of the participant's plan earnings as well as a match based on an employee's contributions. The matching percentage depends on the employee's age and years of service.

Prior to amalgamation, the Investment Dealers Association ["IDA"] and Market Regulation Services ["RS"] sponsored various defined benefit and defined

contribution pension plans. At amalgamation, the IDA defined benefit plan became the defined benefit component of the IIROC RPP and the plan was amended to accommodate new IIROC defined contribution accruals. The former IDA also sponsored a Supplemental Executive Retirement Plan ["SERP"], which became the IIROC SERP. The legacy RS pension plans, which included the IIROC Pension Plan for Former RS Pension Plan Members ["Former RS RPP"], and the non-registered Supplemental Income Plan [Former RS SIP], were closed as at December 31, 2010 and their active members began accruing benefits under the IIROC RPP and the IIROC SERP after that date. However, these legacy plans were not terminated as legacy accrued benefits remain.

Notes to Financial Statements

[in thousands of dollars]

8. Employee future benefits (continued)

On April 1, 2013, the defined benefit component of the IIROC RPP was closed to new members. New hires can only join the defined contribution provision of the IIROC RPP. Effective January 1, 2020, the defined benefit provision of the IIROC SERP was closed to new members. Employees who become eligible for SERP on or subsequent to January 1, 2020 will participate in the new defined contribution provision of the IIROC SERP.

As at March 31, 2022, the Organization has the following pension plans:

1. Retirement Plan for Employees of IIROC [IIROC RPP] – includes defined benefit and defined contribution provisions
2. IIROC Supplemental Plan for Executives [IIROC SERP], Non-Registered Defined Benefit Pension Plan – inactive, with defined contribution provisions
3. IIROC Pension Plan for Former RS Pension Plan Members [Former RS RPP], Defined Benefit Plan – inactive
4. RS-sponsored SIP for former TSX Employees [Former RS SIP], Non-Registered Defined Benefit Plan – inactive

IIROC also has a Non-Pension Post-Retirement Benefits Plan [“IIROC PRB”]. The benefits provided under the plan to retired employees are medical care, dental care, a health care spending account, and catastrophic coverage to eligible retirees. Effective September 1, 2015, IIROC eliminated non-pension post-retirement benefits for new hires and members who would not otherwise be eligible for benefits by September 1, 2020.

Effective November 2021, the IIROC SERP assets that existed in the RCA trust were depleted, and the arrangement was wound up such that no funds remain as at March 31, 2022.

In December 2021, IIROC filed an application with the regulatory authorities to merge the IIROC RPP and the Former RS RPP effective April 1, 2021. IIROC received regulatory approval on March 23, 2022. The assets will be transferred in early fiscal 2023 to effect the merger. Until the assets have transferred, the individual plan disclosures continue to apply.

The most recent actuarial valuation of the pension benefit plans for funding purposes was as of April 1, 2021, and of the IIROC PRB plan was April 1, 2019. The next actuarial valuations for all defined benefit pension arrangements and for the IIROC PRB will be prepared with an effective date of no later than April 1, 2024 and April 1, 2022, respectively.

Notes to Financial Statements

[in thousands of dollars]

8. Employee future benefits (continued)

The asset (liability) on the statement of financial position is as follows:

2022						
	IIROC RPP \$	IIROC SERP \$	Former RS SIP \$	IIROC PRB \$	Subtotal \$	Former RS RPP \$
Accrued benefit obligation	(94,396)	(13,669)	(540)	(5,750)	(114,355)	(8,081)
Fair value of plan assets	92,360	—	—	—	92,360	10,186
Fund status – plan surplus (deficit)	(2,036)	(13,669)	(540)	(5,750)	(21,995)	2,105
Valuation allowance	—	—	—	—	—	(1,790)
Accrued benefit asset (liability), net of valuation allowance	(2,036)	(13,669)	(540)	(5,750)	(21,995)	315

2021						
	IIROC RPP \$	IIROC SERP \$	Former RS SIP \$	IIROC PRB \$	Subtotal \$	Former RS RPP \$
Accrued benefit obligation	(101,639)	(13,741)	(548)	(6,468)	(122,396)	(9,016)
Fair value of plan assets	91,899	416	—	—	92,315	11,044
Fund status – plan surplus (deficit)	(9,740)	(13,325)	(548)	(6,468)	(30,081)	2,028
Valuation allowance	—	—	—	—	—	(1,657)
Accrued benefit asset (liability), net of valuation allowance	(9,740)	(13,325)	(548)	(6,468)	(30,081)	371

Notes to Financial Statements

[in thousands of dollars]

8. Employee future benefits (continued)

The employee future benefit expense is as follows:

2022						
	IIROC RPP \$	IIROC SERP \$	Former RS RPP \$	Former RS SIP \$	IIROC PRB \$	Total \$
Current service cost	3,426	663	—	—	5	4,094
Interest cost on accrued benefit obligation	3,501	449	288	16	203	4,457
Interest income on market value of assets	(3,087)	(13)	(354)	—	—	(3,454)
Interest on valuation allowance	—	—	54	—	—	54
Employee future benefit expense (recovery)	3,840	1,099	(12)	16	208	5,151

2021						
	IIROC RPP \$	IIROC SERP \$	Former RS RPP \$	Former RS SIP \$	IIROC PRB \$	Total \$
Current service cost	3,225	564	—	—	13	3,802
Interest cost on accrued benefit obligation	3,474	476	309	16	220	4,495
Interest income on market value of assets	(3,089)	(24)	(405)	—	—	(3,518)
Interest on valuation allowance	—	—	80	—	—	80
Employee future benefit expense (recovery)	3,610	1,016	(16)	16	233	4,859

Notes to Financial Statements

[in thousands of dollars]

8. Employee future benefits (continued)

The remeasurements and other items charged on the statement of changes in fund balances are a gain of \$10,300 [2021 – loss of \$2,510] as follows:

2022						
	IIROC RPP \$	IIROC SERP \$	Former RS RPP \$	Former RS SIP \$	IIROC PRB \$	Total \$
Actuarial losses (gains)	(9,083)	(596)	(11)	7	(696)	(10,379)
Change in valuation allowance	–	–	79	–	–	79
Remeasurements and other items	(9,083)	(596)	68	7	(696)	(10,300)

2021						
	IIROC RPP \$	IIROC SERP \$	Former RS RPP \$	Former RS SIP \$	IIROC PRB \$	Total \$
Actuarial losses	915	943	587	113	487	3,045
Change in valuation allowance	–	–	(535)	–	–	(535)
Remeasurements and other items	915	943	52	113	487	2,510

In addition to the above, there is no outstanding liability for the defined contribution plan as at March 31, 2022 [2021 – nil]. Current year expense for the defined contribution provisions of the IIROC RPP was \$2,301 [2021 – \$2,156].

The significant actuarial assumptions adopted in measuring the Organization's accrued benefit obligations are as follows:

	2022 \$	2021 \$
Discount rate – accrued benefit obligation	3.93% to 4.02%	2.91% to 3.33%
Discount rate – benefits cost	2.91% to 3.33%	3.70% to 3.80%
Rate of compensation increase	3.00%	3.00%

For measurement purposes in 2022, inflation of medical expenses and dental costs was assumed to remain unchanged at 5.0% and 4.5%, respectively.

Notes to Financial Statements

[in thousands of dollars]

8. Employee future benefits (continued)

The following is a summary of contributions and benefits paid for defined benefits and PRB plans:

2022						
	IIROC RPP \$	IIROC SERP \$	Former RS RPP \$	Former RS SIP \$	IIROC PRB \$	Total \$
Employer contributions	2,461	159	—	31	230	2,881
Employee contributions	971	—	—	—	—	971
Benefits paid	(1,613)	(581)	(207)	(31)	(230)	(2,662)

2021						
	IIROC RPP \$	IIROC SERP \$	Former RS RPP \$	Former RS SIP \$	IIROC PRB \$	Total \$
Employer contributions	2,708	55	—	25	181	2,969
Employee contributions	983	—	—	—	—	983
Benefits paid	(2,433)	(561)	(185)	(25)	(181)	(3,385)

Registered pension, SERP, SIP and PRB risk

Registered pension risk refers to the risk that the Organization's financial condition on the statement of financial position would be adversely impacted because of the impact on the Organization's two registered plans of possible reductions in the future market value of the plan investments and/or increases in the pension liability if interest rates were to fall below current levels. These risks are mitigated by maintaining sufficient funding levels and by holding a diversified set of investments, which are managed by professional investment managers operating under specified mandates and

tolerances. IIROC also carefully monitors and manages funding levels and makes contributions required by law and, in addition, makes special contributions to maintain desired funding levels. Similar risks and funding considerations apply to the unregistered plans including assets earmarked for SERP, SIP and PRB [note 3], although funding levels for these plans are not dictated by law. IIROC monitors and manages funding levels for all unregistered plans for which it makes predetermined and special contributions to achieve desired funding levels.

Notes to Financial Statements

[in thousands of dollars]

9. Expenses

	2022 \$	2021 \$
Expenses consist of the following:		
UNRESTRICTED FUND EXPENSES		
Dealer regulation operating expenses		
Compensation	46,844	48,566
Technology	4,661	4,199
Occupancy	4,879	4,926
Amortization, impairment and disposals	2,365	2,273
Other	5,010	5,597
	63,759	65,561
Market equity regulation operating expenses		
Compensation	20,548	20,604
Technology	3,363	3,266
Occupancy	1,675	1,734
Amortization, impairment and disposals	1,270	1,192
Other	2,051	2,041
	28,907	28,837
Market debt regulation operating expenses		
Compensation	1,535	1,564
Technology	337	352
Occupancy	102	105
Amortization, impairment and disposals	66	86
Other	131	137
	2,171	2,244
Debt Information Processor operating expenses		
Compensation	926	1,163
Technology	322	323
Occupancy	41	50
Amortization, impairment and disposals	29	74
Other	74	98
	1,392	1,708
Total Unrestricted Fund expenses before integration costs	96,229	98,350

Notes to Financial Statements

[in thousands of dollars]

9. Expenses (continued)

	2022	2021
	\$	\$
Expenses consist of the following:		
INTEGRATION COSTS		
Human resources and related advisory	88	—
Financial advisory	24	—
Legal	950	—
Governance	507	—
Integration management consulting	1,608	—
Quebec transition	20	—
Total integration costs	3,197	—
IIROC has established an Internally Restricted Integration Fund to recover integration costs.		
EXTERNALLY RESTRICTED FUND EXPENSES		
Amortization, impairment and disposals [Owned assets]	1,112	690
Hearing panel expenses	1,094	993
Surveillance system hardware [Capital assets under lease]	256	211
Website implementation	194	31
Member education	92	137
Osgoode Hall Law School Investor Protection Clinic	75	75
University of Toronto Law School Investor Protection Clinic	75	75
Cybersecurity survey	68	—
Plain language rulebook implementation	47	14
MÉDAC [Mouvement d'éducation et de défense des actionnaires]	25	25
Complainant research	5	49
Canadian Foundation for the Advancement of Investor Rights [FAIR]	—	125
Cybersecurity tabletop test	—	66
Cybersecurity consultants	—	5
Total Externally Restricted Fund expenses	3,043	2,496

Notes to Financial Statements

[in thousands of dollars]

10. Commitments

As at March 31, 2022, the basic minimum aggregate annual rental payments, excluding GST/HST and shared operating costs under long-term leases, with varying expiry dates to February 28, 2029, for the Organization's premises are as shown below. In addition to the minimum lease payments noted below, the Organization is also obligated to pay its share of operating costs, which fluctuate from year to year.

	\$
2023	3,399
2024	3,044
2025	923
2026	923
Thereafter	1,760
	10,049

11. Contingencies

The Organization has an agreement with Canadian Investor Protection Fund ["CIPF"], a compensation fund approved by the CSA to afford protection [subject to limits in the CIPF coverage policy] to clients who suffer financial loss due to the insolvency of an IIROC-registered dealer. In order to meet potential financial obligations, CIPF has the following resources in place: [i] a fund consisting of liquid assets and having a balance of \$539,860 on hand as at December 31, 2021; [ii] lines of credit provided by two Canadian chartered banks totalling \$125,000 as at December 31, 2021; and [iii] a first layer of insurance in the amount of \$160,000 as at December 31, 2021 [providing aggregate annual coverage in respect of claims payable by CIPF in excess of \$200,000 upon a member insolvency] and a second layer of insurance

in the amount of \$280,000 as at December 31, 2021 [providing aggregate annual coverage in respect of claims payable by CIPF in excess of \$360,000 upon a member insolvency]. Under its agreement with CIPF, IIROC is responsible for collecting from IIROC dealer members [and, whether or not collected, paying to CIPF] assessments calculated in respect of each such dealer. IIROC has also guaranteed the obligations of CIPF under its bank lines of credit [to a maximum of \$125,000]. As at March 31, 2022, CIPF had not drawn on these lines of credit. Any amount drawn on the IIROC guarantee would be assessed to dealer firms.

Following the accidental loss in the 2013 fiscal year of a portable device that contained personal information relating to clients of a number of dealers, the Organization undertook a number of measures to notify potentially affected dealers and potentially affected clients, and to provide potentially affected clients with ongoing support services. On April 30, 2013, the Organization was served with a motion for authorization to institute a class action and to obtain the status of representative in the Superior Court of Quebec. The petitioner's class action motion on behalf of persons in Canada whose personal information was lost by the Organization sought \$1, plus interest, on behalf of each class member, in relation to damages for stress, inconvenience and measures rendered necessary as a result of the loss of personal information by the Organization.

The motion for authorization of the class action was dismissed in August 2014. The petitioner appealed and the appeal was dismissed on November 6, 2015. A new motion for authorization was filed on November 16, 2015 on behalf of a new petitioner. The new motion was filed by the same counsel as in the original motion for authorization and was based mainly on the same

Notes to Financial Statements

[in thousands of dollars]

11. Contingencies (continued)

alleged facts and grounds as the previous motion, but in addition alleged that the petitioner had been the victim of identity theft. The motion for authorization was granted in October 2017. Damages sought were \$1 in compensatory and \$0.5 in punitive damages per each of the 50,600 class members, plus other damages and legal costs. The case proceeded to trial in December 2020. In March 2021, the Superior Court of Quebec dismissed the class action against IIROC in its entirety

and awarded IIROC costs against the petitioner. In April 2021, the petitioner appealed the judgment to the Quebec Court of Appeal. The appeal was heard and dismissed by the Court of Appeal in May 2022.

The total costs of the incident incurred by IIROC to date, including legal fees for responding to the two motions for authorization, are \$5,532, of which nil was incurred in fiscal 2022 [2021 – \$2] as directly paid by the insurer.

12. Financial instruments and risk management

CARRYING AMOUNT OF FINANCIAL ASSETS

As at March 31, 2022, the carrying amounts of the Organization's financial assets measured at amortized cost and at fair value are as follows:

	2022			2021		
	Cost or Amortized Cost \$	Fair Value \$	Total Carrying Value \$	Cost or Amortized Cost \$	Fair Value \$	Total Carrying Cost \$
Cash and cash equivalents	21,538	32,074	53,612	22,274	23,796	46,070
Investments	–	61,976	61,976	–	67,028	67,028
Receivables	8,697	–	8,697	7,978	–	7,978
Long-term receivables	18	–	18	41	–	41
	29,939	94,050	123,989	30,293	90,824	121,117

Notes to Financial Statements

[in thousands of dollars]

12. Financial instruments and risk management (continued)

The Organization's main financial instrument risk exposure is detailed as follows:

Credit risk

The Organization has determined that the primary financial assets with credit risk exposure are accounts receivables since failure of any of these parties to fulfill their obligations could result in financial losses for the Organization. The risk is mitigated by the distribution of receivables over the entire membership, with the most significant amounts exposed to highly rated bank-owned dealers. Marketable securities also expose the Organization to credit risk, which the Organization limits by investing in high-quality securities. Mutual fund investments also indirectly expose the Organization to credit risk. The risk is mitigated by the diversified holdings in mutual funds. The entity is also exposed to concentration risk in that all of its cash is held with financial institutions and the balances held are in excess of Canadian Deposit Insurance Corporation limits.

Liquidity risk

The Organization's liquidity risk represents the risk that the Organization could encounter difficulty in meeting obligations associated with its financial liabilities. The Organization is exposed to liquidity risk with respect to its payables and accruals. The Organization mitigates its liquidity risk by preparing and monitoring forecasts of cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash, and maintaining a minimum of three months of budgeted operating expense as required by IIROC's internal liquidity guideline.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises currency risk, interest rate risk and other price risk.

Currency risk

Currency risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. The functional currency of IIROC is the Canadian dollar. IIROC invests a portion of its investment portfolio in mutual funds that invest in foreign equities. IIROC mitigates its currency risk exposure by limiting the extent of foreign currency exposure.

Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. Fixed rate financial instruments are subject to fair value risk and floating rate financial instruments are subject to cash flow risk. The Organization is exposed to interest rate risk with respect to cash and cash equivalents and interest-bearing investments. Fluctuations in market rates of interest on cash and cash equivalents, short-term investments and guaranteed investment certificates do not have a significant impact on IIROC's results of operations. The objective of IIROC with respect to interest-bearing investments is to ensure the security of principal amounts invested, provide for a high degree of liquidity, and achieve a satisfactory investment return.

Notes to Financial Statements

[in thousands of dollars]

12. Financial instruments and risk management (continued)

Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices [other than those arising from currency risk or interest rate risk], whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market. IIROC is exposed to other price risk because of its investment in mutual funds.

13. COVID-19 and economic impact

The COVID-19 pandemic caused significant economic disruption. Lower interest rates, economic stimulus and supply chain pressures over the last two years have resulted in inflationary costs pressures and in turn higher interest rates and market volatility. IIROC may still be subject to greater operational, credit, liquidity and market risk.

14. Subsequent events

The legal amalgamation of IIROC and the MFDA is scheduled to close on December 31, 2022 subject to recognition by the CSA and approval via member vote being held at a special meeting of members in September 2022. The closing date represents IIROC's final fiscal year-end close and creates "New SRO" effective January 1, 2023. Under a legal amalgamation, all assets and liabilities of IIROC and the MFDA are combined and continue into the new organization at their carrying value on the closing date.