Management’s Discussion and Analysis
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This Management’s Discussion and Analysis (MD&A) contains management’s interpretation of the OSC’s financial performance for the 2017 fiscal year ended March 31, 2017. While the financial statements reflect actual financial results, the MD&A explains these results from management’s perspective and sets out the OSC’s plans and budget for the year ahead.

This MD&A should be read in conjunction with the OSC’s 2017 Financial Statements and related notes. Together, the MD&A and financial statements provide key information about the OSC’s performance and ability to meet its objectives.

Important information about this MD&A

- The information in this MD&A is prepared as of June 6, 2017.
- The terms “we”, “us”, “our” and “OSC” refer to the Ontario Securities Commission.
- This MD&A contains forward-looking information and statements regarding strategies, objectives, expected operations and financial results, which are based on the OSC’s current views of future events and financial performance. Key risks and uncertainties are discussed in the Risks and risk management section of this MD&A. However, some risks and uncertainties are beyond the control of the OSC and are difficult to predict. Actual future outcomes may substantially differ from the expectations stated or implied in this MD&A.
- The words “believe”, “plan”, “intend”, “estimate”, “expect”, “anticipate” and similar expressions, as well as future conditional verbs, such as “will”, “should”, “would” and “could” often identify forward-looking statements.
- The words “plan” and “budget” are synonymous in this MD&A and are used interchangeably. Both describe the planned budget revenue and expenses for the related fiscal year.
- Unless otherwise specified, references to a year refer to the OSC’s fiscal year ended March 31.
- Notes to the financial statements refer to the OSC’s 2017 Notes to the Financial Statements.
- All financial information related to 2016 and 2017 has been prepared in accordance with International Financial Reporting Standards (IFRS). For more information, see the notes to the financial statements, in particular, Note 2 Basis of presentation, Note 3 Significant accounting policies and Note 20 Accounting pronouncements.
- Amounts shown in this MD&A are expressed in Canadian dollars, unless otherwise specified.
- Due to rounding, some variances may not reconcile and analysis of components may not sum to the analysis for the grouped components.
Management’s Discussion and Analysis

About the OSC
A summary of our role, mandate and goals

The Ontario Securities Commission is responsible for regulating the capital markets of Ontario. We are an independent self-funded Crown corporation of the Province of Ontario. Our powers are given to us under the Securities Act (Ontario), the Commodity Futures Act (Ontario) and certain provisions of the Business Corporations Act. We operate independently from the government and are funded by fees charged to market participants. We are accountable to the Ontario Legislature through the Minister of Finance.

We use our rule-making and enforcement powers to help safeguard investors, deter misconduct and regulate market participants in Ontario. We regulate firms and individuals who sell securities and provide advice in Ontario, as well as public companies, investment funds and marketplaces, such as the Toronto Stock Exchange.

The OSC operates under the direction of the Commission. The Commission has two related but independent roles. It serves as the Board of Directors of the OSC and it performs a regulatory function, which includes making rules and policies, and adjudicating administrative proceedings.

We are an active member of the Canadian Securities Administrators (CSA), the forum for the 13 securities regulators of Canada’s provinces and territories. The CSA works to foster a nationally coordinated and modernized securities regulatory framework.

The OSC also contributes to the international securities regulatory agenda by actively participating in the International Organization of Securities Commissions (IOSCO) and other international organizations.

Mandate
To provide protection to investors from unfair, improper or fraudulent practices and to foster fair and efficient capital markets and confidence in capital markets.

Vision
To be an effective and responsive securities regulator – fostering a culture of integrity and compliance and instilling investor confidence in the capital markets.

Goals
1. Deliver strong investor protection
2. Deliver effective compliance, supervision and enforcement
3. Deliver responsive regulation
4. Promote financial stability through effective oversight
5. Be an innovative, accountable and efficient organization

For more information about our goals, see our Statement of Priorities at www.osc.gov.on.ca.

Capital Markets Regulatory Authority (CMRA)
The OSC plays an important advisory role to the Ontario Ministry of Finance on the CMRA project. The CMRA is an important initiative among the Ontario, British Columbia (BC), Saskatchewan, New Brunswick (NB), Prince Edward Island (PEI), Yukon and Federal governments. The Ministers responsible for capital markets regulation in Ontario, BC, Saskatchewan, NB, PEI and the Yukon published for comment a revised consultation draft of the uniform provincial/territorial Capital Markets Act (CMA), draft initial regulations and related materials in August of 2015. Comments were received and are being considered. The CMRA, once established, would administer the uniform provincial/territorial CMA and a single set of regulations. In addition, legislation establishing the CMRA together with implementation legislation is also being developed to help ensure a smooth transition to the new regime and to integrate the new regime into the existing body of laws of each participating province and territory. There is, as well, a federal component to the proposed legislative scheme. The federal government published a revised consultation draft of the Capital Markets Stability Act on May 5, 2016 for a 60 day comment period.

The CMRA’s initial board of directors was announced on July 22, 2016. The board selected the initial Chief Regulator of the CMRA on November 17, 2016.

During 2017, the OSC expended approximately $0.7 million in staff resources, in addition to the $3.6 million expended from 2014 to 2016, for a total of $4.3 million toward the creation of, and transition to, the CMRA. These totals do not include time spent by members of the OSC’s Executive who participate on the CMRA Transition Committee and are otherwise involved in the CMRA project.
Operating results

A summary of our financial results and a discussion of our revenue and expenses

As a self-funded Crown corporation, the OSC operates on a cost-recovery basis. When the new fee rules were developed and published, the OSC advised that they would be relatively revenue neutral over the three-year period, with an expected surplus in 2016, a smaller surplus in 2017 and a deficit in 2018. This is because revenues are expected to be relatively flat over the term of the rule, while expenses are expected to increase each year. The chart below provides a comparison of results over the last three years that are further described later in this document.

Total revenues were higher than projected and total expenses were lower than projected, resulting in a higher than expected surplus. The general surplus is now expected to be $38.7 million by the end of 2018, assuming there is no significant growth or deterioration in the markets.

Fee rates will be reviewed in 2018 and the existing surplus will be taken into account in determining new rates. Other factors to be considered when reviewing the level of surplus and fee rates are the projected level of expenses, any projected capital expenses and the level of cash resources required to provide an adequate cash safety margin.

In 2017, our general operating surplus increased by $11.4 million as a result of higher revenue and lower than budgeted expenses relative to our 2017 plan.

The OSC’s operations and revenue are directly affected by market conditions and trends. Our fee revenue fluctuates with market activity.

### Selected three-year annual information

<table>
<thead>
<tr>
<th>(Thousands)</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$119,927</td>
<td>$116,849</td>
<td>$103,936</td>
</tr>
<tr>
<td>Expenses</td>
<td>110,082</td>
<td>103,958</td>
<td>98,870</td>
</tr>
<tr>
<td>Excess of revenue over expenses (before recoveries)</td>
<td>9,845</td>
<td>12,891</td>
<td>5,066</td>
</tr>
<tr>
<td>Recoveries of enforcement costs</td>
<td>160</td>
<td>900</td>
<td>2,995</td>
</tr>
<tr>
<td>Recoveries of investor education costs</td>
<td>1,471</td>
<td>1,198</td>
<td>—</td>
</tr>
<tr>
<td>Excess of revenue over expenses</td>
<td>$11,476</td>
<td>$14,990</td>
<td>$8,061</td>
</tr>
<tr>
<td>General surplus</td>
<td>$40,613</td>
<td>$29,247</td>
<td>$14,274</td>
</tr>
<tr>
<td>Property, plant &amp; equipment (purchases)</td>
<td>$2,743</td>
<td>$3,058</td>
<td>$1,616</td>
</tr>
<tr>
<td>Total assets</td>
<td>$270,899</td>
<td>$242,884</td>
<td>$207,414</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>$193,568</td>
<td>$179,020</td>
<td>$157,057</td>
</tr>
</tbody>
</table>
Management’s Discussion and Analysis

Revenue increased from 2016 to 2017 primarily due to higher activity fees and late filing fees.

The general surplus increased each year as a result of the excess of revenue over expenses for each related fiscal year’s operations.

Total assets increased from 2016 to 2017 primarily as a result of the increase in the following:

- Cash, as a result of the Excess of revenue over expenses,
- Net assets held for CSA Systems operations and redevelopment that have been accumulated and are held in trust on behalf of the other CSA regulators, mainly as a result of the excess of system fee revenues over expenses incurred, and
- Funds held pursuant to designated settlements and orders, as a result of the orders assessed and that have either been paid or deemed to be receivable.

Non-current liabilities increased from 2016 to 2017 primarily as a result of an increase in the offsetting liability corresponding to Net assets held for CSA Systems operation and redevelopment and Funds held pursuant to designated settlements and orders, as described above.

About our fees

The OSC is funded by fees from market participants. We charge two types of regulatory fees: participation fees and activity fees. Our fee structure is designed to recover costs and is set out in OSC Rules 13-502 Fees and 13-503 (Commodity Futures Exchange) Fees. The most recent fee rule amendments became effective April 6, 2015 and are expected to be in place until March 31, 2018.

- Participation fees are charged for a participant’s use of Ontario’s capital markets. They cover the cost of a broad range of regulatory services that cannot be practically or easily attributed to individual activities of market participants. Fees are calculated using an increasing tiered structure based on average market capitalization for issuers and revenues for registrants. Specified regulated entities are charged participation fees based on their market share or a fixed rate. In fiscal 2016, we changed the basis for calculating participation fees from a reference fiscal year (where participation fees were indexed to a prior fiscal year’s results) to market participants’ most recent fiscal year. The timing of participation fee revenue affects our cash flow. For more information, see the Liquidity and financial position section.

- Activity fees are charged when market participants file documents, such as prospectuses and other disclosure documents, registration applications and applications for discretionary relief, and are set to reflect the costs associated with providing the related services. Activity fees are also charged for requests, such as making changes to a registration or searching for records. Activity fees are flat-rate fees based on the estimated direct cost for the OSC to review documents and respond to requests. Activity fee rates were adjusted when the new fee rules were implemented at the start of fiscal 2016.

- Late fees are charged when market participants submit filings after applicable filing deadlines, and/or are late paying the fees related to a filing.
Revenue

Total revenues of $119.9 million were up $3.1 million (2.6%) from 2016. Total revenues for the year exceeded plan by $3.4 million (2.9%), mainly due to higher activity fees and late filing fees which were offset by lower participation fees. Activity fees account for 82% of the variance, while the offsetting variances in participation fees and late filing fees, together with miscellaneous revenue and investment income, account for the remaining 18%.

<table>
<thead>
<tr>
<th>(Thousands)</th>
<th>% of 2017 Revenue</th>
<th>2017</th>
<th>2016</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participation fees</td>
<td>83.4%</td>
<td>$99,726</td>
<td>$99,714</td>
<td>$12</td>
<td>0.0%</td>
</tr>
<tr>
<td>Activity fees</td>
<td>13.0%</td>
<td>15,471</td>
<td>13,841</td>
<td>1,630</td>
<td>11.8%</td>
</tr>
<tr>
<td>Late fees</td>
<td>3.6%</td>
<td>4,319</td>
<td>3,083</td>
<td>1,236</td>
<td>40.1%</td>
</tr>
<tr>
<td><strong>Total fees</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>$119,516</strong></td>
<td><strong>$116,638</strong></td>
<td><strong>$2,878</strong></td>
<td><strong>2.5%</strong></td>
</tr>
<tr>
<td>Miscellaneous</td>
<td></td>
<td>168</td>
<td>43</td>
<td>125</td>
<td>288.7%</td>
</tr>
<tr>
<td>Interest income</td>
<td></td>
<td>243</td>
<td>168</td>
<td>75</td>
<td>44.7%</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td><strong>$119,927</strong></td>
<td><strong>$116,849</strong></td>
<td><strong>$3,078</strong></td>
<td><strong>2.6%</strong></td>
<td></td>
</tr>
</tbody>
</table>

% Change:
- Participation fees: 0.0%
- Activity fees: 11.8%
- Late fees: 40.1%
- Miscellaneous: 288.7%
- Interest income: 44.7%
- Total revenues: 2.6%
The following is a discussion of the significant changes in Revenue components.

### Participation fees

<table>
<thead>
<tr>
<th>Year</th>
<th>Plan Revenue</th>
<th>Actual Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016 Plan</td>
<td>$14.7 M</td>
<td>$13.8 M</td>
</tr>
<tr>
<td>2016 Actual</td>
<td>$14.7 M</td>
<td>$13.8 M</td>
</tr>
<tr>
<td>2017 Plan</td>
<td>$12.7 M</td>
<td>$15.5 M</td>
</tr>
<tr>
<td>2017 Actual</td>
<td>$12.7 M</td>
<td>$15.5 M</td>
</tr>
<tr>
<td>2018 Plan</td>
<td>$13.2 M</td>
<td>$99.5 M</td>
</tr>
</tbody>
</table>

**Variance from prior year:** Total participation fee revenues were the same in 2017 compared to 2016.

**Variance from current year plan:** Participation fee revenues were $1.2 million (1.2%) lower than the 2017 plan. Issuer participation fees were $2.2 million (5.8%) under plan, as the expected growth across fee tiers assumed in the budget did not materialize in the actual results. Registrant participation fees were $1.1 million (1.9%) higher than plan due to increased registrant income which drives higher fees.

**2018 plan:** The 2018 plan for participation fees totals $99.5 million: $37.7 million from issuers, $60.3 million from registrants and $1.5 million from marketplaces and other entities. This represents a $0.2 million (0.2%) decrease from 2017 actual results and a $1.4 million (1.4%) decrease from the 2017 plan. Although these fees are anticipated to be slightly lower, they are in line with the 2017 actual results as fee rates are set until March 31, 2018 and we do not expect market changes to have a significant impact.

### Activity fees

<table>
<thead>
<tr>
<th>Year</th>
<th>Plan Revenue</th>
<th>Actual Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016 Plan</td>
<td>$6.9 M</td>
<td>$9.4 M</td>
</tr>
<tr>
<td>2016 Actual</td>
<td>$6.9 M</td>
<td>$9.4 M</td>
</tr>
<tr>
<td>2017 Plan</td>
<td>$9.4 M</td>
<td>$12.7 M</td>
</tr>
<tr>
<td>2017 Actual</td>
<td>$9.4 M</td>
<td>$12.7 M</td>
</tr>
<tr>
<td>2018 Plan</td>
<td>$13.2 M</td>
<td>$99.5 M</td>
</tr>
</tbody>
</table>

**Variance from prior year:** Activity fee revenues were $1.7 million (12.3%) higher this year than the prior year, primarily due to an increase from issuers.

**Variance from current year plan:** Activity fee revenues were $2.8 million (22.0%) above plan for the current year. Issuer activity fees were higher than plan by $1.6 million (20.9%) mainly due to higher than expected prospectus fees and exempt distribution fees. Merger and acquisition activity was also higher than expected. Registrant activity fees were $1.1 million (22.6%) higher than plan. This can mostly be attributed to a higher volume of applications for relief.
The 2018 plan for activity fees totals $13.2 million: $8.4 million from issuers, $4.7 million from registrants and $125 thousand from marketplaces and other entities. This represents a $2.3 million (14.8%) decrease from the 2017 actual results and a $570 thousand (4.5%) increase from the 2017 plan. The lower budget expresses uncertainty on the level of issuer and registrant activity fees and is considered prudent.

Variance from prior year: Late fee revenues were $1.2 million (38.7%) higher than the prior year as a result of more late exempt distribution filings, issuer interim financial statements, registrant documents and System for Electronic Disclosure by Insiders (SEDI) insider filings than in the prior year.

Variance from current year plan: Late fee revenues were $1.5 million (53.6%) higher than plan for the current year. This was also mainly due to more late exempt distribution filings, issuer interim financial statements, registrant documents and insider filings.

The 2018 plan for late fees totals $2.8 million. This represents a $1.5 million (34.9%) decrease from the 2017 actual results and a $67 thousand (2.4%) increase from the 2017 plan. This is lower than the 2017 actual revenue since there is uncertainty on the volume of late filings.
Expenses
In 2017, our total expenses were $110.1 million, up $6.1 million (5.9%) from $104.0 million in 2016 (excluding Recoveries of enforcement and investor education costs). The year-over-year increase is mainly attributable to higher salaries and benefits costs as a result of additional positions hired in priority areas and higher professional services costs to support Information Services (IS) strategic initiatives. Total expenses for the year were under plan by $5.3 million (5%) before Recoveries of enforcement costs and investor education costs, as a result of delays in filling vacant positions, lower IS consulting costs and underspending in Professional services. Other areas of underspending included information technology, travel and administrative expenses.

<table>
<thead>
<tr>
<th>(Thousands)</th>
<th>% of 2017 Expenses</th>
<th>2017</th>
<th>2016</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and benefits</td>
<td>74.4%</td>
<td>$ 81,864</td>
<td>$ 79,174</td>
<td>$ 2,690</td>
<td>3.4%</td>
</tr>
<tr>
<td>Administrative</td>
<td>8.3%</td>
<td>9,085</td>
<td>7,737</td>
<td>1,348</td>
<td>17.4%</td>
</tr>
<tr>
<td>Occupancy</td>
<td>7.6%</td>
<td>8,353</td>
<td>8,009</td>
<td>344</td>
<td>4.3%</td>
</tr>
<tr>
<td>Professional services</td>
<td>6.2%</td>
<td>6,863</td>
<td>5,479</td>
<td>1,384</td>
<td>25.3%</td>
</tr>
<tr>
<td>Depreciation</td>
<td>2.8%</td>
<td>3,112</td>
<td>2,761</td>
<td>351</td>
<td>12.7%</td>
</tr>
<tr>
<td>Other</td>
<td>0.7%</td>
<td>805</td>
<td>798</td>
<td>7</td>
<td>0.9%</td>
</tr>
<tr>
<td></td>
<td>100%</td>
<td>$ 110,082</td>
<td>$ 103,958</td>
<td>$ 6,124</td>
<td>5.9%</td>
</tr>
<tr>
<td>Recoveries of enforcement costs</td>
<td></td>
<td>(160)</td>
<td>(900)</td>
<td>740</td>
<td>-82.2%</td>
</tr>
<tr>
<td>Recoveries of investor education costs</td>
<td></td>
<td>(1,471)</td>
<td>(1,198)</td>
<td>(273)</td>
<td>100.0%</td>
</tr>
<tr>
<td><strong>Total expenses (net of recoveries)</strong></td>
<td></td>
<td>$ 108,451</td>
<td>$ 101,860</td>
<td>$ 6,591</td>
<td>6.5%</td>
</tr>
</tbody>
</table>
The following is a discussion of the significant changes in Expense components.

Salaries and benefits

For details on the composition of the Salaries and benefits expenses incurred, see Note 15 of the financial statements.

Variance from prior year: Salaries and benefits were $2.7 million (3.4%) higher this year than the prior year. This was a result of an increase in the average number of positions and salary increases implemented at the beginning of the year. For the 2017 fiscal year, the OSC Board approved the addition of nine permanent new positions for priority areas within the OSC.

Variance from current year plan: Salaries and benefits were $1.6 million (1.9%) lower than plan for the current year. This was a result of delays in filling vacant positions.

2018 plan: The 2018 plan for Salaries and benefits totals $86.1 million. This represents a $4.2 million (5.1%) increase from the current year actual results and a $2.6 million (3.1%) increase from the 2017 plan. The increase reflects the full year cost of 2017 staff additions and a limited number of new additions for 2018.

Administrative

For details on the composition of Administrative expenses incurred, see Note 16 of the financial statements.

Variance from prior year: Administrative expenses were $1.4 million (18.2%) higher this year than the prior year. This was a result of an increase in spending on library related IS resources and additional spending on information technology maintenance and support.

Variance from current year plan: Administrative expenses were $1.3 million (12.5%) lower than plan for the current year. This was primarily the result of lower information technology maintenance and support expenses than planned.

2018 plan: The 2018 plan for Administrative expenses totals $11.3 million. This represents a $2.2 million (24.2%) increase from 2017 actual results and a $937 thousand (9.0%) increase from the 2017 plan. This is mainly due to additional maintenance costs for items identified in the IS Strategic Plan for information systems, including some costs deferred from 2017.
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**Occupancy**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016 Plan</td>
<td>$8.2 M</td>
</tr>
<tr>
<td>2016 Actual</td>
<td>$8.0 M</td>
</tr>
<tr>
<td>2017 Plan</td>
<td>$8.3 M</td>
</tr>
<tr>
<td>2017 Actual</td>
<td>$8.4 M</td>
</tr>
<tr>
<td>2018 Plan</td>
<td>$8.1 M</td>
</tr>
</tbody>
</table>

**Variance from prior year:** Occupancy expenses were $344 thousand (4.3%) higher this year than the prior year as a result of general increase in additional rent charges relating to energy, property taxes and common area maintenance.

**Variance from current year plan:** Occupancy expenses were $53 thousand (0.6%) higher than plan for the current year plan.

**2018 plan:** The 2018 plan for Occupancy expenses totals $8.1 million. This represents a $219 thousand (2.6%) decrease from the current year actual results and a $166 thousand (2.0%) decrease from the 2017 plan. The decrease results from lower than planned rent changes due to the new lease effective September 1, 2017.

During 2016, the OSC leased and renovated additional space that is being utilized by the CSA IT Systems Office and the Government of Canada on a cost recovery basis through a sublease agreement, including all renovation and lease costs. The amount of lease costs spent and subsequently recovered from these organizations in 2017 is $794 thousand ($715 thousand in 2016).

**Professional services**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016 Plan</td>
<td>$7.7 M</td>
</tr>
<tr>
<td>2016 Actual</td>
<td>$5.5 M</td>
</tr>
<tr>
<td>2017 Plan</td>
<td>$9.4 M</td>
</tr>
<tr>
<td>2017 Actual</td>
<td>$6.9 M</td>
</tr>
<tr>
<td>2018 Plan</td>
<td>$10.2 M</td>
</tr>
</tbody>
</table>

**Variance from prior year:** Professional services expenses were $1.4 million (25.5%) higher this year than the prior year. This was mainly due to additional spending related to the data management project and an increase in recruitment expenses.

**Variance from current year plan:** Professional services expenses were $2.5 million (26.6%) lower than plan for the current year. This is due to lower IS consulting costs, underspending due to the timing of projects and lower than expected enforcement related professional services.

**2018 plan:** The 2018 plan for Professional services expenses totals $10.2 million. This represents a $3.3 million (47.8%) increase from the current year actual results and a $0.8 million (8.5%) increase from the 2017 plan. This is mainly due to increased spending on IS projects.
Depreciation

<table>
<thead>
<tr>
<th>Year</th>
<th>Plan</th>
<th>Actual</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td>$351 k</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(12.5%)</td>
</tr>
</tbody>
</table>

Variance from prior year: Depreciation expense was $351 thousand (12.5%) higher than the prior year due to an increase in the capital asset base.

<table>
<thead>
<tr>
<th>Year</th>
<th>Plan</th>
<th>Actual</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td></td>
<td></td>
<td>$312 k</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(11.1%)</td>
</tr>
</tbody>
</table>

Variance from current year plan: Depreciation expense was $312 thousand (11.1%) higher than plan for the current year due to timing of capital expenditures.

2018 plan: The 2018 plan for Depreciation expense totals $3.5 million and is higher due to continuing capital expenditures.

Recovery of investor education costs

During the year, the OSC recorded $1.5 million in Recoveries of investor education costs from Funds held pursuant to designated settlements and orders. This amount is lower than the $2.3 million expected to be recovered as the underlying expenses were lower than expected. These recoveries are reviewed by the Audit and Finance Committee and are approved quarterly.

Subparagraph 3.4(2)(b)(ii) of the Securities Act (Ontario) states that enforcement monies may be designated “for use by the Commission for the purpose of educating investors or promoting or otherwise enhancing knowledge and information of persons regarding the operation of the securities and financial markets.”

CSA shared costs

As a member of the CSA, the OSC pays a portion of the costs to operate the CSA’s office and joint CSA projects. In 2017, total CSA spending on shared projects was $1.9 million ($1.9 million in 2016). The OSC contributed $746 thousand ($739 thousand in 2016). CSA shared costs incurred by the OSC are included in Professional services expenses.

CSA project costs are allocated to each CSA member based on the population of its jurisdiction as a percentage of all participating jurisdictions. The OSC’s percentage is 38.5%. All CSA projects, including developing harmonized securities policies and rules, are coordinated through a central secretariat. In 2017, the OSC contributed $421 thousand ($396 thousand in 2016) to support the CSA Secretariat.
Management's Discussion and Analysis

Liquidity and financial position

A discussion of our liquidity, cash flows, financing activities and changes in our financial position

Liquidity

Cash

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$29.2 M</td>
<td>$42.3 M</td>
</tr>
</tbody>
</table>

At March 31, 2017, the OSC held $42.3 million in Cash ($29.2 million in 2016) and $20.0 million in Reserve fund assets ($20.0 million in 2016), for a combined total of cash and cash equivalent resources available of $62.3 million ($49.2 million in 2016).

We hold enough Cash, Reserve fund assets and credit access to ensure liquidity for our forecast cash requirements.

At March 31, 2017, the OSC had current assets of $48.7 million ($34.6 million in 2016) and current liabilities of $16.7 million ($14.6 million in 2016) for a current ratio of 2.9:1 (2.4:1 in 2016). The higher current ratio is mainly due to the increase in our Cash balance as described below.

The OSC uses multi-year forward-looking operational forecasts to anticipate potential future cash requirements. In 2017, a lower amount was drawn on the line of credit than forecasted. This resulted in a reduction in interest charges paid on the line of credit.

The OSC’s Cash position increased $13.1 million (44.9%) from 2016 as a result of an operational surplus in 2017 adjusted by investments in fixed assets. In 2017, we had an excess of revenue over expenses of $11.5 million ($15.0 million in 2016), and our year-end surplus was $40.6 million ($29.2 million in 2016).

Cash flows

In 2017, Cash flows from operating activities produced an inflow of $15.8 million ($15.4 million in 2016). Property, plant & equipment investments in 2017 consumed $2.7 million ($3.1 million in 2016).

Approximately 75% of our revenues are received in the last quarter of each fiscal year, while expenses are incurred relatively evenly over the fiscal year. This timing difference typically results in negative cash balances from the second quarter to the beginning of the fourth quarter of each fiscal year. The OSC currently uses two key tools to manage temporary negative cash positions: a $20.0 million general operating reserve and a $52.0 million revolving line of credit, both as approved by the Minister of Finance.

In 2017, we used all of our $20 million in Reserve fund assets and $75 thousand ($14.4 million in 2016) of our revolving line of credit to fund operations. We repaid the full outstanding balance of the line of credit and restored the $20.0 million in Reserve fund assets in early January 2017 when most registrant participation fees were received.

The agreement for the current line of credit expires on June 30, 2018. During the year, the Commission will work with the Ontario Financing Authority to secure the Minister of Finance’s approval to renew the line of credit for an additional two years, up to the same maximum of $52.0 million as the current line of credit.

Financial instruments

The OSC uses Cash and Reserve fund assets to manage its operations. Both are recorded at fair value. See Note 3(a) of the financial statements for the OSC’s accounting policies related to financial instruments.

The OSC acts as a custodian of Funds held pursuant to designated settlements and orders, and funds held for CSA Systems redevelopment (included in Net assets held for CSA Systems operations and redevelopment). Both are recorded at fair value.

The OSC is not exposed to significant interest rate, currency or liquidity risks from these investments because they are short-term in nature and all balances are denominated in Canadian dollars. For a complete analysis of the risks relating to these financial instruments, see Note 4 of the financial statements.

Trade and other receivables, Trade and other payables and accrued liabilities are recorded at amortized cost, which approximates fair value given their short-term maturities. For more information on Trade and other receivables, see Note 5 of the financial statements. For more information on Trade and other payables (including accrued liabilities), see Note 10 of the financial statements.

The OSC is not exposed to significant interest rate, currency or liquidity risks.
Financial position
The following is a discussion of the significant changes in our Statement of Financial Position.

Trade and other receivables
Trade and other receivables were $4.8 million ($3.8 million in 2016). The 26.3% increase was primarily due to a $1.4 million accrual of revenue for unpaid participation fees.

For more information on Trade and other receivables, see Note 4 and Note 5 of the financial statements.

Prepayments
Prepayments totaled $1.5 million ($1.5 million in 2016).

Funds held pursuant to designated settlements and orders

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>$35.6 M</td>
</tr>
<tr>
<td></td>
<td>$31.2 M</td>
<td>$38.0 M</td>
</tr>
</tbody>
</table>

The Commission may impose monetary sanctions for breaches of Ontario securities law. The sanctions reflect what the Commission believes is appropriate for the circumstances, regardless of a respondent’s ability to pay. This practice is intended to deter others from contravening the Securities Act (Ontario).

The OSC may designate funds under settlement agreements and orders from enforcement proceedings to be allocated as the Board of the OSC determines. This includes allocating money to harmed investors, where an allocation can be reasonably made, and for investor education. Funds not designated when settlements are approved or when orders are made must be paid to the Consolidated Revenue Fund of the Government of Ontario.

In 2017, $164.0 million in orders was assessed ($223.3 million in 2016). Included in the $164.0 million in orders assessed by the OSC are four orders for which the respondents were required to make payment directly to harmed investors, totaling $148.1 million ($164.3 million in 2016). While this amount is considered for our enforcement sanctions statistics, it is not captured in the OSC’s accounting records and does not form part of the Funds held pursuant to designated settlements and orders balance. The OSC recorded $7.9 million of orders in Funds held pursuant to designated settlements and orders ($13.5 million in 2016).

As authorized by its Board, the OSC distributed $3.1 million ($627 thousand in 2016) to harmed investors and $1.4 million ($584 thousand in 2016) to the OSC for the recovery of investor education costs.

In 2014 the Board authorized a payment of $2.0 million to the Canadian Foundation for the Advancement of Investor Rights (FAIR Canada). In 2017 OSC concluded an agreement with FAIR Canada to begin accessing the funds distributed to them by the OSC. The agreement states that $500 thousand per year can be used for operating expenses.

On July 14, 2016, the OSC established the Whistleblower Program (the “Program”). Under the Program, whistleblowers may be eligible for awards of between 5% to 15% of total monetary sanctions imposed and/or voluntary payments made, if their information leads to an administrative proceeding where these amounts total $1 million or more. The maximum amount of the award has been set at $1.5 million where monetary sanctions and/or voluntary payments are not collected and $5 million where these amounts have been collected. Whistleblowers will be paid out of Funds held pursuant to designated settlements and orders.

To date, no payments have been made under the Program.

At March 31, 2017, the accumulated balance of designated funds was $38.0 million ($35.6 million in 2016). Of this amount, $36.5 million was held in cash ($31.2 million in 2016) and $1.5 million was deemed as being receivable ($4.4 million in 2016). After considering funds set aside for possible allocation to harmed investors, $14.3 million of the funds on hand is available for distribution ($14.6 million in 2016).

For more information on Funds held pursuant to designated settlements and orders, see Note 6 of the financial statements.

Collecting monetary sanctions
While the OSC actively works to collect outstanding sanction amounts, material differences between sanction assessments and collections have persisted since we began imposing monetary sanctions. Historically, collection rates from market participants have been much higher than from respondents sanctioned on matters related to fraud – where assets are typically non-existent or inaccessible. Collections of monetary sanctions improved in 2017 primarily because respondents were well-established market participants that promptly paid the sanctions assessed to them.

We continue to look for ways to improve our collections rates, including reviewing the experiences of other public and private sector organizations to identify methods that can be used by the OSC. We actively pursue collections using internal and external resources.

A list of respondents who are delinquent in paying monetary sanctions to the Commission is available on the OSC website at www.osc.gov.on.ca.
Management’s Discussion and Analysis

The table below shows the collection rates on sanction amounts for the last three years.

Fund held pursuant to designated settlements and orders

<table>
<thead>
<tr>
<th>(Thousands)</th>
<th>Assessed</th>
<th>Collected</th>
<th>% Collected</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2015</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Settlements</td>
<td>$17,890</td>
<td>$7,156</td>
<td>40.0%</td>
</tr>
<tr>
<td>Contested hearings</td>
<td>35,081</td>
<td>343</td>
<td>1.0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$52,971</td>
<td>$7,499</td>
<td>14.2%</td>
</tr>
<tr>
<td><strong>2016</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Settlements</td>
<td>$23,284</td>
<td>$9,969</td>
<td>42.8%</td>
</tr>
<tr>
<td>Contested hearings</td>
<td>35,743</td>
<td>990</td>
<td>2.8%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$59,027</td>
<td>$10,959</td>
<td>18.6%</td>
</tr>
<tr>
<td><strong>2017</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Settlements*</td>
<td>$7,890</td>
<td>$7,856</td>
<td>99.6%</td>
</tr>
<tr>
<td>Contested hearings**</td>
<td>12,798</td>
<td>50</td>
<td>0.4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$20,688</td>
<td>$7,906</td>
<td>38.2%</td>
</tr>
</tbody>
</table>

* Does not reflect amounts paid directly by respondents to investors
** Includes $4.8 million that would be owing to the OSC if not paid directly by respondents to investors

Reserve fund assets

Since 2001, the OSC has held $20.0 million in Reserve fund assets, as approved by the then Minister of Finance, to guard against revenue shortfalls or unexpected expenses, or to cover discrepancies between timing of revenue and expenses. Our primary investment consideration is protection of capital and liquidity. The OSC records income generated by the Reserve fund assets with general operations. The Reserve fund assets are segregated as a Reserve operating surplus to reflect their restricted use.

For more information on Reserve fund assets, see Note 8 of the financial statements.

Property, plant & equipment

- **2016**: $12.9 M
- **2017**: $12.5 M

Property, plant & equipment decreased 3.1% to $12.5 million ($12.9 million in 2016). The decrease is the result of lower expenditure on additions and the impact of depreciation on acquisitions.

For more information on Property, plant & equipment, see Note 9 of the financial statements.

Trade and other payables

- **2016**: $14.6 M
- **2017**: $16.7 M

Trade and other payables increased 14.4% to $16.7 million ($14.6 million in 2016). This increase is a result of an increase in accrued liabilities and accrued payroll expenses.

For more information on Trade and other payables, see Note 10 of the financial statements.

During the year the OSC signed a new lease for premises effective September 1, 2017. The term is for 10 years ending August 31, 2027 and contains two consecutive options to extend the term beyond August 31, 2027, each for a period of 5 years. The lease was approved by the Minister of Finance under the Financial Administration Act section 28. The OSC’s lease commitments are outlined in Note 11 of the financial statements.
The core CSA National Systems (CSA Systems) are hosted and operated by CGI Information Systems and Management Consultants Inc. (CGI). The CSA Systems include the System for Electronic Document Analysis and Retrieval (SEDAR), SEDI and the National Registration Database (NRD). The CSA is planning to develop and implement a new marketplace surveillance and analytical system to improve market analytics capacity. Market participants are required to use the CSA Systems to file regulatory documents, such as prospectuses and other disclosure documents, report trades by insiders, file registration information and submit fee payments.

The OSC, Alberta Securities Commission, British Columbia Securities Commission and l’Autorité des marchés financiers are principal administrators (PAs) of the CSA Systems. The OSC has been appointed the Designated Principal Administrator – Operations (DPA). As DPA, the OSC oversees the custody and financial management of the system fees collected relating to CSA Systems used by market participants. The CSA IT Systems Project Office, which is housed at the OSC, manages the CSA Systems business relationships with third-party technology providers.

**Pension liabilities**

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$3.6 M</td>
</tr>
<tr>
<td>2017</td>
<td>$3.8 M</td>
</tr>
</tbody>
</table>

The accrued supplemental pension plans’ defined benefit obligation Pension liabilities of $3.8 million ($3.6 million in 2016) represents future obligations for supplemental pension plans for present and past Chairs and Vice-Chairs. The OSC’s related expenses for the year were $360 thousand ($233 thousand in 2016).

For more information on the supplementary pension plan and related defined benefit obligation, see Note 12(b) of the financial statements.

**Net assets held for CSA Systems redevelopment**

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$139.9 M</td>
</tr>
<tr>
<td>2017</td>
<td>$151.7 M</td>
</tr>
</tbody>
</table>

Net assets held for CSA Systems operation and redevelopment includes all surplus funds accumulated from CSA Systems operations that are collected, held and administered by the DPA on behalf of the PAs. The use of these surplus funds is governed by various agreements between the PAs, and the total is reflected in the Statement of financial position as both a Non-current asset and an equal offsetting Non-current liability of $151.7 million ($139.9 million in 2016).

For more information on the judgment exercised with respect to the appropriate accounting treatment of these surplus funds, see Note 2(d) of the financial statements.

The funds included in Net assets held for CSA Systems redevelopment may be used to fund the operations of the CSA Systems, enhance the systems, reduce systems fees, offset shortfalls in system fee revenue related to operation of SEDAR, SEDI and NRD, and fund the operations of the DPA and the CSA IT Systems Project Office.

In June 2016, the PAs signed an agreement with CGI to replace the core CSA National Systems with one system to support existing and future requirements for the benefit of market participants. Services in the scope of the agreement include software acquisition, application development, systems integration and application support. Redevelopment began in a multi-year phased approach beginning in fiscal 2017. The PAs have certain rights to terminate the agreement, with and without cause, as set out in the agreement.

For more information on Net assets held for CSA Systems redevelopment, including current and prior year operating results, see Note 7 and Note 17(a) of the financial statements.
**2018 Strategy**

*Our plans and budget for fiscal year 2018*

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**Statement of Priorities**

Every year, the OSC publishes a Statement of Priorities for the current fiscal year. It sets out the specific areas we will focus on to fulfil our mandate. The public has an opportunity to comment on the draft document before the Statement of Priorities is published and delivered to the Minister of Finance.

The Statement of Priorities is our cornerstone accountability document.

On March 28, 2017, the OSC published its 2018 OSC Draft Statement of Priorities – Request for Comments. The draft Statement of Priorities was open for public comment until May 23, 2017 and is available on the OSC website at www.osc.gov.on.ca.

**2018 Budget approach**

Our regulatory framework needs to remain current and responsive to the continuing evolution of market structures and products and be supportive of capital formation in Ontario. The OSC must carefully balance the desire to improve access to capital with the need to retain appropriate investor protections. The 2018 Statement of Priorities sets out the OSC’s key priorities to meet these challenges.

Achieving these priorities is a key driver of the proposed increases to the 2018 OSC Budget over 2017 as this will require focused investments in the following areas:

- **Deliver strong investor protection**
  - Publish regulatory reforms to define a best interest standard and improve the advisor/client relationship
  - Define regulatory action needed to address embedded commissions
  - Advance retail investor protection, engagement and education through the OSC’s Investor Office
  - Address independent evaluator’s recommendation that OBSI be better empowered to secure redress for investors

- **Deliver effective compliance, supervision and enforcement**
  - Protect investors and foster confidence in our markets by upholding strong standards of compliance with our regulatory framework
  - Actively pursue timely and impactful enforcement cases involving serious securities laws violations
  - Increase deterrent impact of OSC enforcement actions and sanctions through a more visible and active collection strategy
  - Deliver responsive regulation
  - Identify opportunities to reduce regulatory burden while maintaining appropriate investor protections
  - Work with fintech businesses to support innovation and promote capital formation and regulatory compliance
  - Actively monitor and assess impacts of recently implemented regulatory initiatives

- **Promote financial stability through effective oversight**
  - Enhance OSC systemic risk oversight
  - Promote cybersecurity resilience through greater collaboration with market participants and other regulators on risk preparedness and responsiveness

- **Be an innovative, accountable and efficient organization**
  - Enhance OSC business capabilities
  - Work with the Capital Markets Regulatory Authority (CMRA) partners on the transition of the OSC to the CMRA

As a result, the budget reflects an increase of 4.9% from the 2017 budget and 8.5% from 2017 spending. Salaries and benefits, which comprise $86.1 million or 73.2% of the budget, represent an increase of $4.2 million or 5.1% over 2017 spending. The key reasons for this increase are:

- approval of new positions to support the investments noted above, and
- the impact of the full year costs of the positions hired in the prior year, many of which were hired later in the year.

The OSC will maintain fiscal responsibility in its other operating areas as evidenced by the underspending noted in the prior years and the fact that budget amounts will decrease, or remain flat in approximately 65% of its operating branches. The budget also includes resources for work toward the implementation of the CMRA.

The capital budget, although relatively flat compared to 2017 spending, reflects the cost to support the OSC’s information technology needs, in particular, a significant data management program initiative. The budget also includes further refresh of the OSC’s personal computers and laptops.
2018 plan

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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$116,522</td>
<td>$119,927</td>
<td>$115,781</td>
<td>$741 (-0.6%)</td>
<td>$4,146 (-3.5%)</td>
</tr>
<tr>
<td>Expenses</td>
<td>112,141</td>
<td>108,451</td>
<td>117,657</td>
<td>5,516 (4.9%)</td>
<td>9,206 (8.5%)</td>
</tr>
</tbody>
</table>

Surplus (deficiency) of revenue compared with expenses

<table>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$4,381</td>
<td>$11,476</td>
<td>$1,876</td>
<td>$6,257 (-6,257)</td>
<td>$13,352 (-13,352)</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>$2,989</td>
<td>$2,743</td>
<td>$2,735</td>
<td>$254</td>
<td>$8</td>
</tr>
</tbody>
</table>

For more information on the 2018 planned budget amounts for significant revenue and expense line items, see the Revenue and Expenses sections of this MD&A.

Critical accounting estimates

Judgments, estimates and assumptions related to preparing IFRS financial statements

Preparing financial statements consistent with IFRS requires that management makes judgments, estimates and assumptions that affect reported amounts of assets and liabilities for the date of the financial statements, as well as reported amounts of the revenues and expenses for the periods.

These judgments, estimates and assumptions are considered “critical” if:

- they require assumptions about highly uncertain matters when made, or
- we could reasonably have used different judgments, estimates or assumptions in the period, or
- related changes are likely to occur between periods that would materially affect our financial condition, changes in our financial condition or results of our operations.

Judgment was used to determine the appropriate accounting treatment for the Recoveries of investor education costs and the Net assets held for CSA Systems redevelopment.

Sources of estimation uncertainty primarily consisted of the supplemental pension plan defined benefit obligation pension liabilities, Funds held pursuant to designated settlements and orders, and Recoveries of enforcement costs.

For more information on judgments and sources of estimation uncertainty that impact the OSC, see Note 2(d) of the financial statements.
Management’s Discussion and Analysis

Risks and risk management
Risks and uncertainties facing us, and how we manage these risks

Risk can relate to threats to the OSC’s strategy or operations, or failure to take advantage of opportunities. The OSC seeks to fully address or mitigate the strategic and business risks that are most likely to impair achievement of our mandate.

Strategic risks
The OSC applies International Risk Management Standard ISO 31000 to its enterprise risk management. We do this through a Risk Management Framework, which we adopted in November 2012. The goal of the framework is to embed risk management at key strategic decision points, within all elements of our operations and through all levels of staff. The framework sets out a process for identifying and assessing risks, and highlighting and reviewing controls.

Enterprise Risk Inventory
Information gathered through the risk management process is captured in the OSC’s Strategic Risk Inventory. It includes a “top-down” and “bottom-up” view of the risks and controls within the OSC. The top-down portion describes the environment in which the OSC works, while the bottom-up portion deals with day-to-day operational risks that affect our ability to do our work.

The OSC’s Risk Committee reviews the Enterprise Risk Inventory each quarter to identify significant changes in the OSC’s risk profile, including any new or emerging risks. This information is reported to Senior Management, the Audit and Finance Committee, and the Board of Directors.

Business risks
The OSC has established policies and processes to identify, manage and control operational and business risks that may impact our financial position and our ability to carry out regular operations. Management is responsible for ongoing control and reduction of operational risk by ensuring that appropriate procedures, internal controls and processes, other necessary actions and compliance measures are undertaken.

Operational risk can include risk to the OSC’s reputation. Reputational risk, as it relates to financial management, is primarily addressed through the OSC’s Code of Conduct and governance practices established by its Board of Directors (details available at www.osc.gov.on.ca), as well as other specific risk management programs, policies, procedures and training.

Internal audit
OSC Internal Audit is an assurance and advisory service to the Board of Directors and to management. Internal Audit helps the OSC develop, evaluate and improve risk management practices, risk-based internal controls, good governance and sound business practices.

The internal audit function is governed by a Charter approved by the OSC’s Board of Directors and by an annual internal audit plan that is also approved by the Board. The Chief Internal Auditor reports the results of internal audits to the Audit and Finance Committee and provides an annual summary of key internal audit findings to the Board of Directors.

Systems risk
The OSC’s Information Services group regularly monitors and reviews the OSC’s systems and infrastructure to maintain optimal operation. The OSC also performs extensive security and vulnerability assessments bi-annually to highlight potential areas of risk. All findings and key recommendations from these assessments are tracked along with a management response and target remediation date. The results of these assessments and the progress made to address these findings and recommendations are reported to the Audit and Finance Committee and are used to improve security of the OSC systems.

The OSC relies on CSA Systems, which are operated by CGI, to collect most of its fee revenue. The CSA requires CGI to provide an annual third-party audit report (CSAE 3416 – Type II) that reviews and evaluates the internal controls design and effectiveness of the CSA Systems and CGI’s outsourcing
operations. CGI is also required to have an operating disaster recovery site for operating these systems and to test it annually. The most recent test was performed in March 2017.

The OSC could be contingently liable for claims against, or costs related to, CSA Systems operations. See Note 17 of the financial statements for more information. No material change is expected in the volume of fees collected through these systems. Following a competitive tender for redeveloping these systems, the CSA IT Systems Project Office signed an agreement with CGI to redevelop the systems as described under the heading Net Assets held for CSA Systems redevelopment.

Financial risk
The OSC maintains strong internal controls, including management oversight, to provide reasonable assurance of financial reporting reliability and preparation of financial statements for external purposes consistent with IFRS. These controls are tested annually through our internal control over financial reporting (ICFR) program.

For fiscal years ending March 31, 2016, 2017 and 2018, we require participants to use their most recent fiscal year as the basis for calculating their participation fees. As a result, actual revenues received may be different than plan, but are not expected to impair our operations.

Legal risk
Occasionally, the OSC is involved in legal actions arising from the ordinary course of business. This year, no new legal actions were commenced against the OSC and there are no other outstanding actions involving the OSC from prior years.

Business continuity
The OSC has a detailed Business Continuity Plan (BCP) to ensure critical regulatory services can continue if an external disruption occurs. The BCP is continually reviewed and refined, and includes strategies to effectively address various market disruption scenarios.

Internal control over financial reporting (ICFR)
A summary of our ICFR program results

During the year, the OSC’s ICFR processes were reviewed and documentation updated where necessary. Operating effectiveness was tested using the framework and criteria established in “Internal Control – Integrated Framework (2013 version)” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Staff performed an evaluation, under the supervision and with the participation of management, of the effectiveness of the OSC’s ICFR as at March 31, 2017. Based on this evaluation, the OSC has concluded that the ICFR was operating effectively and that there are no material weaknesses.

There have been no significant changes in controls that occurred during the most recent year ended March 31, 2017, that have materially affected, or are reasonably likely to materially affect, the OSC’s ICFR. The Chair and the Director, Corporate Services, certify the design and effectiveness of ICFR in the Statement of Management’s Responsibility and Certification.