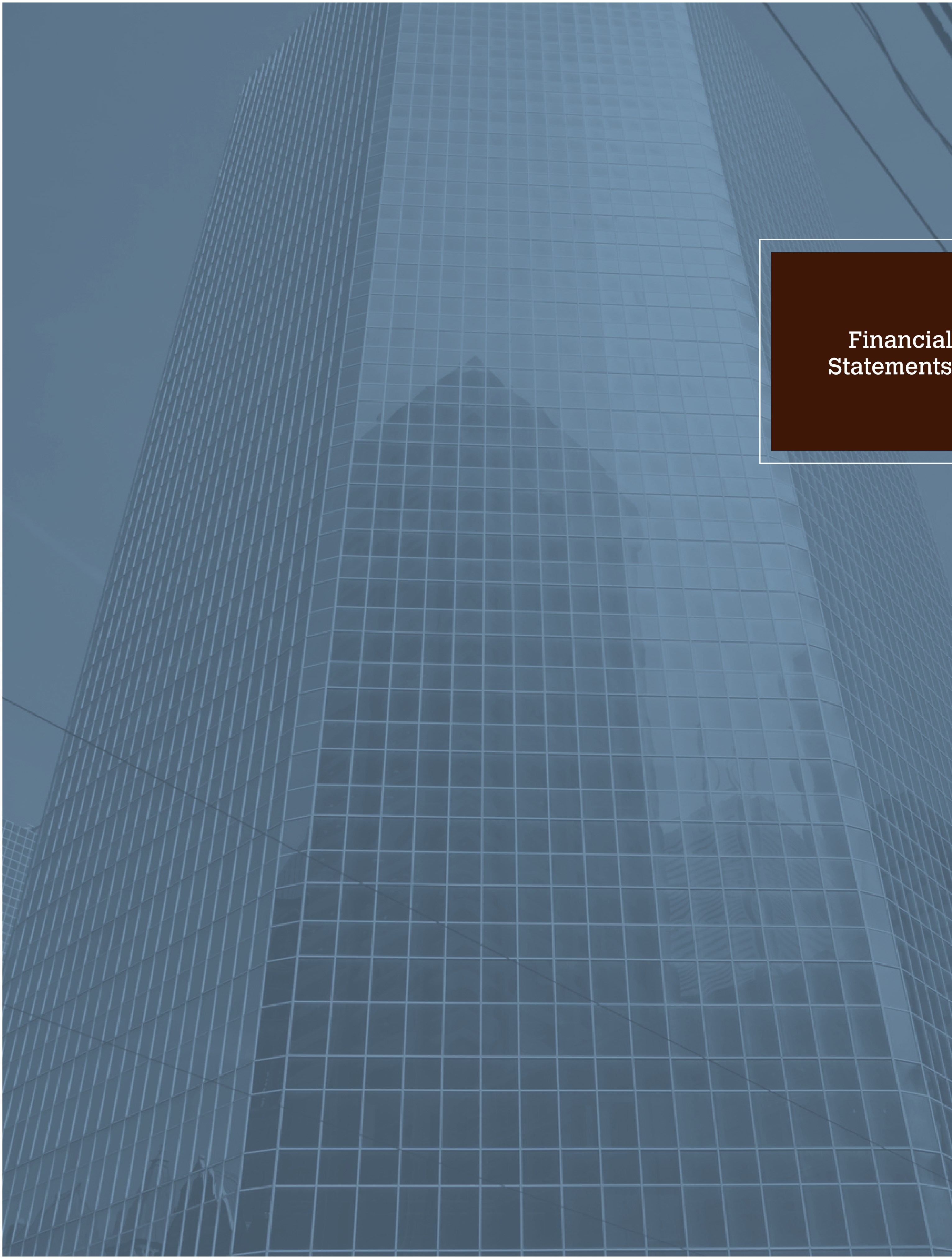

Financial Statements

Management's Responsibility and Certification

Management is responsible for the integrity, consistency and reliability of the financial statements and other information presented in the annual report. The financial statements have been prepared by Management in accordance with International Financial Reporting Standards.

We certify that we have reviewed the financial statements and other information contained in the annual report, and, based on our knowledge, they do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the statements and the annual report.

Based on our knowledge, the financial statements together with other financial information included in the annual report fairly present in all material respects the financial condition, results of operations and cash flows of the Ontario Securities Commission (the "OSC") as of the dates and for the periods presented. The preparation of financial statements involves transactions affecting the current period which cannot be finalized with certainty until future periods. Estimates and assumptions are based on historical experience and current conditions, and are believed to be reasonable.

We are responsible for establishing and maintaining internal control over financial reporting for the OSC. We have designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

We evaluated, or caused to be evaluated under our supervision, the effectiveness of the OSC's internal control over financial reporting at the financial year end and the OSC has disclosed in its annual MD&A our conclusion about the effectiveness of internal control over financial reporting at the financial year-end based on that evaluation.

We have also disclosed in the MD&A any change in our internal control over financial reporting that occurred during the year that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

The Board of Directors ensures that management fulfills its responsibility for financial reporting and internal control. The financial statements have been reviewed by the Audit and Finance Committee and approved by the Board of Directors. The Auditor General's Report, which follows, outlines the scope of the Auditor's examination and opinion on the financial statements.

Howard I. Wetston, Q.C.
Chair and Chief Executive Officer
June 3, 2014

H.R. Goss
Director, Corporate Services

Independent Auditor's Report

To the Ontario Securities Commission

I have audited the accompanying financial statements of the Ontario Securities Commission, which comprise the statement of financial position as at March 31, 2014, and the statement of comprehensive income, statement of changes in surplus and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ontario Securities Commission as at March 31, 2014 and its financial performance, and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Bonnie Lysyk, MBA, CPA, CA, LPA

Auditor General

June 3, 2014
Toronto, Ontario

Statement of financial position

In Canadian dollars

	Notes	March 31, 2014	March 31, 2013
Assets			
Current			
Cash		$9,518,603	$11,175,984
Trade and other receivables	5	3,503,209	3,566,243
Prepayments		1,292,995	1,129,765
Total current		**$14,314,807**	**$15,871,992**
Non-current			
Funds held pursuant to designated settlements and orders	6	18,573,291	19,756,165
Net assets held for CSA Systems redevelopment	7, 17	115,685,590	94,810,759
Reserve fund assets	8	20,000,000	20,000,000
Property, plant & equipment	9	13,675,681	9,257,175
Total non-current		**$167,934,562**	**$143,824,099**
Total assets		**$182,249,369**	**$159,696,091**
Total liabilities and surplus		**$182,249,369**	**$159,696,091**

	Notes	March 31, 2014	March 31, 2013
Liabilities			
Current			
Trade and other payables	10	$18,332,125	$17,090,122
Total current		**$18,332,125**	**$17,090,122**
Non-current			
Pension liabilities	12(b)	3,118,630	2,731,527
Funds held pursuant to designated settlements and orders	6	18,573,291	19,756,165
Net assets held for CSA Systems redevelopment	7, 17	115,685,590	94,810,759
Total non-current		**$137,377,511**	**$117,298,451**
Total liabilities		**$155,709,636**	**$134,388,573**

	Notes	March 31, 2014	March 31, 2013
Surplus			
Operating			
General		$6,539,733	$5,307,518
Reserve	8, 13	20,000,000	20,000,000
		$26,539,733	**$25,307,518**
Total liabilities and surplus		**$182,249,369**	**$159,696,091**

The related notes are an integral part of these financial statements.

On Behalf of the Board of the Commission

Howard I. Wetston, Q.C.
Chair

Sinan O. Akdeniz
Chair, Audit and Finance Committee

Statement of comprehensive income

In Canadian dollars

	Notes	Year ended March 31, 2014	Year ended March 31, 2013
Revenue			
Fees	14	$98,441,276	$86,930,037
Interest income		127,797	236,708
Miscellaneous		108,047	111,136
		$98,677,120	**$87,277,881**
Expenses			
Salaries and benefits	15	$74,471,187	$72,222,006
Occupancy		7,996,668	7,434,056
Administrative	16	7,760,794	7,606,472
Professional services		4,446,393	5,767,182
Depreciation	9	2,480,939	2,461,213
Other		506,546	560,669
		$97,662,527	$96,051,598
Recoveries of enforcement costs	3(c)	$(507,879)	$(1,244,931)
		$97,154,648	**$94,806,667**
Excess/(Deficiency) of revenue over expenses		**$1,522,472**	**$(7,528,786)**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit pension plans		$(290,257)	$(287,066)
Other comprehensive income/(loss)		**$(290,257)**	**$(287,066)**
Total comprehensive income/(loss)		**$1,232,215**	**$(7,815,852)**

The related notes are an integral part of these financial statements.

Statement of changes in surplus

In Canadian dollars

	Notes	March 31, 2014	March 31, 2013
Operating surplus, beginning of year		$25,307,518	$33,123,370
Total comprehensive income/(loss)		1,232,215	(7,815,852)
Operating surplus, end of year		**$26,539,733**	**$25,307,518**
Represented by:			
General		$6,539,733	$5,307,518
Reserve	8, 13	20,000,000	20,000,000
		$26,539,733	**$25,307,518**

The related notes are an integral part of these financial statements.

Statement of cash flows

In Canadian dollars

	Notes	Year ended March 31, 2014	Year ended March 31, 2013
Cash flows from/(used in) operating activities			
Excess/(Deficiency) of revenue over expenses		$1,522,472	$(7,528,786)
Adjusted for:			
Interest received		$134,799	$248,495
Interest income		(127,797)	(236,708)
Interest expense on line of credit		130,305	24,012
Pension liabilities		96,846	66,854
Loss on disposal of Property, plant & equipment	9	40,214	931
Depreciation	9	2,480,939	2,461,213
		$4,277,778	$(4,963,989)
Changes in non-cash working capital			
Trade and other receivables		$56,032	$(878,520)
Prepayments		(163,230)	(103,922)
Trade and other payables		1,242,003	1,861,945
		$1,134,805	$879,503
Net cash flows from/(used in) operating activities		$5,412,583	**$(4,084,486)**
Cash flows used in investing activities			
Purchase of Property, plant & equipment	9	$(6,939,659)	$(7,775,590)
Net cash flows used in investing activities		$(6,939,659)	**$(7,775,590)**
Cash flows used in financing activities			
Repayment of obligation under finance leases		–	$(1,631)

	Notes	Year ended March 31, 2014	Year ended March 31, 2013
Interest paid on line of credit		$(130,305)	(24,012)
Net cash flows used in financing activities		$(130,305)	**$(25,643)**
Net decrease in cash		**$(1,657,381)**	**$(11,885,719)**
Cash position, beginning of year		**11,175,984**	**23,061,703**
Cash position, end of year		**$9,518,603**	**$11,175,984**

The related notes are an integral part of these financial statements.

Notes to the financial statements

1. Reporting entity

The Ontario Securities Commission (OSC) is a corporation domiciled in Canada. The address of the OSC's registered office is 20 Queen Street West, Toronto, Ontario, M5H 3S8. The OSC is a corporation without share capital and is the regulatory body responsible for regulating the province's capital markets. As a Crown corporation, the OSC is exempt from income taxes.

2. Basis of presentation

(a) Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). These financial statements for the year ended March 31, 2014 (including comparatives) were authorized for issue by the Board of Directors on June 3, 2014.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value and pension liabilities that are measured net of actuarial gains and losses, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the OSC's functional currency, which have been rounded to the nearest dollar.

(d) Use of judgments and sources of estimation uncertainty

(i) Judgments

The preparation of financial statements in accordance with IFRS requires that management make judgments in applying accounting policies that can affect the reported amounts of assets and liabilities as at the date of the financial statements, as well as the reported amounts of revenue and expenditures for the period.

The following are the judgments in applying accounting policies apart from those involving estimates that have the most significant effect on the amounts recognized in the financial statements.

Investor Education Fund (IEF or the Fund)

The IEF is a non-profit organization funded by settlements and fines from enforcement proceedings of the OSC. There are a number of areas where judgment is exercised to establish whether the Fund needs to be consolidated with the OSC. Key areas of judgment include control, legal relationship, contractual terms, board and management representation, power to govern, benefits and materiality. OSC management has exercised judgment in these areas to determine that consolidation of the Fund with the OSC results would not be appropriate because investors in the capital market, rather than the OSC, obtain the benefit or variable returns from the activities of the IEF. Further details related to the IEF are set out in **Note 19**.

Net assets held for Canadian Securities Administrators (CSA) Systems redevelopment (CSA net assets or surplus funds)

There are a number of areas where judgment is exercised to establish whether this arrangement and related net asset amounts are presented as a financial asset, an equity accounted investment, joint arrangement or consolidated with OSC operations. In making this determination, OSC management considered the requirements of recently effective IFRS pronouncements that could apply to this arrangement, in particular, IFRS 10, *Consolidated Financial Statements,* IFRS 11, *Joint Arrangements,* and IFRS 12, *Disclosure of Interests in Other Entities,* as well as IAS 28, *Investments in Associates and Joint Ventures.*

The OSC has been appointed to administer the financial management processes of the surplus funds and their use, and to receive, hold and manage any surplus funds. Despite the OSC acting as custodian of these surplus funds, based on an evaluation of the contractual terms and conditions related to the arrangement, OSC management has determined that participants in the capital market, rather than the OSC (or other CSA members, including the Investment Industry Regulatory Organization of Canada (IIROC) in the case of NRD until October 13, 2013) obtain the benefit or rewards from holding the surplus funds, or any future development of the CSA Systems. OSC management has determined that the OSC does not have control over the surplus funds, as the OSC is not exposed to and does not have rights to variable returns from the surplus funds. The surplus funds are therefore not consolidated with the OSC's results.

In addition, OSC management exercised judgment to determine that the OSC does not have joint control of the surplus funds because the significant relevant activities relating to the surplus funds do not require unanimous consent of all parties that control the arrangement collectively.

OSC management exercised judgment to determine that the surplus funds represent a financial asset and a corresponding liability rather than an equity accounted investment. In making this determination, OSC management considered the surplus funds' restricted future use, and that the surplus funds will provide future benefits to market participants. There has been no substantive change in the arrangement and continuity of the previous presentation of the funds held for CSA Systems redevelopment, with related note disclosure, is appropriate. A change in presentation of the surplus funds in the OSC financial statements could impair the comparability of the financial statements without providing information that is more relevant to the users of the financial statements.

Further details, including summary financial information related to the Net assets held for CSA Systems redevelopment, are set out in **Note 7**.

(ii) Sources of estimation uncertainty

The preparation of financial statements in accordance with IFRS requires that management make assumptions about the future and other sources of estimation uncertainty that have a significant risk of affecting the carrying amounts of assets and liabilities within the next financial year. Determining the carrying amounts of some assets and liabilities requires estimation of the effects of uncertain future events on those assets and liabilities at the end of the reporting period. Actual amounts can differ from these estimates to the extent future outcomes differ significantly from management's estimations. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The following are the key assumptions and other major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year.

Supplemental pension plan

Supplemental Pension Plan liabilities represent the estimated present value of the OSC's obligation for future payments on March 31, 2014. The OSC relies on an independent actuarial expert to determine the present value of the defined benefit obligation of the supplemental pension plan and related impact to the Statement of comprehensive income, and Other comprehensive income (OCI). In some cases, this determination will involve management's best estimates and other information from other accredited sources. A change in one or more of these assumptions can possibly have a material impact on the OSC's financial statements. The significant actuarial assumptions used in determination of the present values of the defined benefit obligations and sensitivity analysis of changes in the actuarial assumptions used is outlined in **Note 12(b)**.

Designated settlements and orders and Recoveries of enforcement costs

Designated settlements and orders and Recoveries of enforcement costs are recognized net of amounts deemed uncollectible when it is expected that the amount related to the sanction imposed on respondents is collectible. Estimation is required to determine the amount of designated settlements to recognize and orders that will be collected and the estimated Recoveries of enforcement costs. Key areas considered include the ability of the respondent to pay the sanction amount, the ability to locate the respondent and whether the respondent owns any assets. A change in any of the above areas can have a material impact on the OSC's financial statements. Assets and liabilities will change related to estimated designated settlements and order amounts deemed to be collectible. Expenses may change related to the Recoveries of enforcement costs. Further details of designated settlements and orders are set out in **Note 6**.

(e) Comparative figures

Certain comparative figures have been adjusted to conform to current IFRS presentation and disclosure requirements. These adjustments are not material to the Statement of financial position or Statement of comprehensive income and are primarily the result of retrospective application of IAS 19 (refer to **Notes 12** and **20** for further details).

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. Refer to **Note 20** for discussion related to accounting standards, interpretations and amendments that became effective in the year.

(a) Financial instruments

Financial assets and financial liabilities are recognized when the OSC becomes a party to the contractual provisions of the instrument.

Financial instruments are classified into one of the following categories: financial assets at fair value through profit or loss, loans and receivables, and other liabilities.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

The OSC has adopted the following classifications for financial assets and financial liabilities.

Loans and receivables

Trade and other receivables and receivables from designated settlements and orders are classified as loans and receivables and are measured at amortized cost, less any impairment loss. Impairment provisions are recognized when there is objective evidence (such as significant financial difficulties on the part of a market participant, or default or significant delay in payment) that the OSC will be unable to collect all of the amounts due under the terms of the amount receivable.

Financial assets at fair value through profit or loss

Cash, Funds held pursuant to designated settlements and orders, funds included in the Net assets held for the CSA Systems redevelopment and Reserve fund assets are classified as held-for-trading and recorded balances approximate their fair value.

Other liabilities

Trade and other payables are classified as other liabilities and measured at amortized cost. The recorded balances approximate their fair value.

(b) Property, plant & equipment

Items of Property, plant & equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Depreciation is recognized in profit and loss and calculated on a straight-line basis over the estimated useful life of the asset less its residual value, as follows:

Computer hardware and related applications	Network servers and cabling*	Office furniture and equipment	Leasehold improvements
3 years	5 years	5 to 10 years	Over remaining term of the lease plus one option period

* This change in accounting estimate for the expected useful lives of network servers and cabling (which was included with Computer hardware and related applications, with an estimated useful life of 3 years) is the result of new information in the 2014 financial year. No depreciation for the year was recorded for Network servers and cabling as their acquisition took place at year end.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each year, with the effect of any changes in estimates accounted for on a prospective basis.

Computer hardware and related applications held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, when shorter, the term of the relevant lease.

An item of Property, plant & equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of Property, plant & equipment is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in profit or loss.

Items of Property, plant & equipment are reviewed for impairment at each reporting date to determine whether there is any indication of impairment. If such indication exists, then the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

(c) Revenue recognition

Fees are recognized when services are rendered, which is normally upon receipt.

Participation fees

Participation fees are recognized when received. Prior to receipt of the fee, the probability that the economic benefits associated with the transaction will flow to the OSC is unknown. Additionally, reliable measurement of participation fees for new market participants is not possible because the market capitalization of issuers or the specified Ontario revenue of registrants, on which their participation fees are based, is undeterminable prior to receipt. These fees represent the payment for the right to participate in the Ontario capital markets, and the OSC has no specific obligations throughout the year to any individual market participant. As such, the OSC's performance consists of a single act, which is the payment of the fee. Once the fee is paid, there is no obligation to refund the fees and there are no other unfulfilled conditions on behalf of the OSC. Therefore, participation fees are deemed to be earned upon receipt.

Activity fees

Activity fees represent the direct cost of OSC staff resources expended in undertaking certain activities requested of staff by market participants. Because the activities undertaken are normally completed in a relatively short period of time, activity fees are recognized when received.

Late filing fees

Late filing fees in respect of insider trading reports are recognized weekly and include fees related to all insider trading reports filed late in the preceding seven-day period.

Recoveries of enforcement costs

Recoveries of enforcement costs are recorded as offsets to total expenses on the date a settlement is approved or an order is issued by the OSC, unless management determines there is significant doubt as to ultimate collection, in which case, recovery is recognized when cash is received.

(d) Funds held pursuant to designated settlements and orders

Funds held pursuant to designated settlements and orders are recorded when settlements are approved or orders are made by the Commission, unless management determines there is significant doubt as to ultimate collection, in which case, they are recognized when cash is received.

(e) Employee benefits

Ontario's Public Service Pension Plan

The OSC provides pension benefits to its full-time employees through participation in Ontario's Public Service Pension Plan (OPSPP), which is a multi-employer defined benefit pension plan. The Province of Ontario is the sole sponsor of the OPSPP. This plan is accounted for as a defined contribution plan, as sufficient information is not provided to the OSC, or otherwise available for the OSC to apply defined benefit plan accounting to this pension plan. As the sponsor is responsible for ensuring that the pension funds are financially viable, any surpluses or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the OSC. The OSC is not exposed to any liability to the plan for other entities' obligations under the terms and conditions of the multi-employer plan. There is no deficit or surplus in the plan that could affect the amount of future contributions for the OSC. Furthermore, there is no agreed allocation of a deficit or surplus on wind-up or withdrawal by the OSC from the plan. Payments made to the plan are recognized as an expense when employees have rendered service entitling them to the contributions. Refer to **Note 12(a)** for further details on the OPSPP.

Supplemental pension plan

The OSC also maintains unfunded supplemental pension plans for certain full-time Commission members as described in **Note 12(b).** The plans are final salary pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of the target benefits provided depends on members' length of service and their salary in the final years leading up to retirement. In some plans, the target benefits are indexed with inflation. The target benefits are then offset by the benefits payable from the OPSPP (registered and supplemental plans), which is linked to inflation.

The defined benefit liability recognized in the Statement of financial position for the supplemental pension plans is the present value of the defined benefit obligation at the reporting date.

Remeasurements of the net defined benefit liability arising from the supplemental pension plans, the actuarial gains and losses are recognized immediately in the Statement of financial position with a corresponding debit or credit through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Other post-employment obligations

The costs of non-pension benefits for eligible pensioners are paid by the Government of Ontario and are not included in the Statement of comprehensive income, as described in **Note 18(c).**

Termination benefits

Termination benefits are generally payable when employment is terminated before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these benefits. The OSC recognizes a liability and an expense for termination benefits as the earlier of the date the OSC has demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without a realistic possibility of withdrawal, or when it has recognized costs for providing termination benefits as a result of a restructuring involving a fundamental reorganization that has a material effect on the nature and focus of OSC operations.

Short-term benefits

Short-term employee benefits, such as salaries, pension contributions, paid annual leaves and bonuses, are measured on an undiscounted basis and are expensed as the related service is provided to the OSC.

(f) Leases

Leases of Property, plant & equipment are classified as finance leases when the OSC obtains substantially all the risks and rewards of ownership of the underlying assets. At the inception of the lease, the OSC records an asset together with a corresponding long-term liability at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Any initial direct costs are added to the amount recognized as an asset. Thereafter, the asset is amortized over the shorter of its useful life and the lease term. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

All other leases are classified as operating leases. Lease payments are expensed on a straight-line basis over the term of the lease.

In the event that lease incentives are received to enter into operating leases, the aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(g) Provisions

A provision is recognized when a present legal or constructive obligation results from past events, it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

4. Financial instruments risks

The OSC is exposed to various risks in relation to financial instruments. The OSC's objective is to maintain minimal risk. The OSC's financial assets and liabilities by category are summarized in **Note 3.** The main types of risks related to the OSC's financial instruments are currency risk, interest rate risk, credit risk and liquidity risk. This note presents information about the OSC's exposure to these risks and the OSC's objectives, policies and processes for measuring and managing these risks.

Currency risk

The OSC's exposure to currency risk is minimal as only a small number of transactions are in currencies other than Canadian dollars.

Interest rate risk

The OSC's financial assets and liabilities are not exposed to significant interest rate risk due to their short-term nature. The OSC's Cash, Funds held pursuant to designated settlements and orders, Net assets held for CSA Systems redevelopment (cash components) and Reserve fund assets are held by Schedule 1 banks. The bank balances earn interest at a rate of 1.85% below the prime rate, and the average rate of interest earned for the year was 1.15% (2013 – 1.22%). The Reserve fund earned interest at an average rate of 1.15% (2013 – 1.23%).

A 25 basis points change in the interest rate would impact the OSC's operating surplus as follows:

Impact on operating surplus

	25 basis points increase in rates	25 basis points decrease in rates
Reserve fund assets	$9,474	$(9,474)
Cash balance	16,115	(16,115)
	$25,589	**$(25,589)**

Credit risk

The OSC is exposed to minimal credit risk related to Cash, Funds held pursuant to designated settlements and orders, cash components of Net assets held for CSA Systems redevelopment, Reserve fund assets, and Trade and other receivables.

Schedule 1 financial institutions hold approximately 94% of the OSC's financial assets. However, given the nature of this counterparty, it is management's opinion that exposure to concentration of credit risk is minimal. Additionally, the investment policy for Cash, Reserve fund assets and for Funds held pursuant to designated settlements and orders limits amounts held on deposit in any one of the Schedule 1 banks to $30,000,000 for each category.

Trade receivable balances consist of a large number of debtors owing individually immaterial balances.

Other receivables in aggregate are material, with a number of debtors owing individually and in aggregate immaterial amounts, and a small number of debtors owing larger amounts, which are material in aggregate but not individually, and are receivable from:

- Government of Canada for recovering Harmonized Sales Tax (HST) paid during the year,

- Net assets held for CSA Systems redevelopment, which the OSC oversees, to recover staff costs and other charges incurred,
- The IEF for seconded staff and other charges incurred, and
- The Canadian Securities Transition Office (CSTO) for seconded staff.

Therefore, the OSC's exposure to concentration of credit risk is minimal.

The OSC maintains an allowance for doubtful accounts. Therefore, the carrying amount of Trade and other receivables generally represents the maximum credit exposure. Based on historical information about debtors' default rates, management considers the credit quality of trade receivables that are not past due or impaired to be good. Collection efforts continue for Trade and other receivables balances, including those that are captured in the allowance for doubtful accounts.

The aging of Trade and other receivables is as follows:

	March 31, 2014	March 31, 2013
Current	$2,310,349	$2,004,358
Past due 31 to 60 days	575,207	970,252
Past due 61 to 90 days	312,354	328,970
Past due greater than 90 days	1,445,598	1,333,007
	$4,643,508	$4,636,587

Reconciliation of allowance for doubtful accounts is as follows:

	Notes	March 31, 2014	March 31, 2013
Opening balance		$1,070,344	$958,834
Current year provision		164,215	140,540
Written-off during the year		(94,260)	(29,030)
Closing balance	5	$1,140,299	$1,070,344

Liquidity risk

The OSC's exposure to liquidity risk is low as the OSC has a sufficient cash balance, reserve fund assets, and access to a credit facility to settle all current liabilities. As at March 31, 2014, the OSC had a cash balance of $9.5 million and reserve fund assets of $20 million to settle current liabilities of $18.3 million.

The OSC has a $35 million credit facility to address any short-term cash deficiencies. Interest on the credit facility is charged at a rate of 0.5% below the prime rate. During the year, the OSC utilized the credit facility to a maximum of $24 million. As at March 31, 2014, there is no amount outstanding on the credit facility.

The overall exposure to the above noted risk remains unchanged from 2013.

Supplemental pension plan risks

The OSC's overall exposure to supplemental pension plan risks is low due to the plan being a supplemental plan and the limited number of plan members entitled to plan benefits. Refer to **Note 12(b)** for further details.

5. Trade and other receivables

	Notes	March 31, 2014	March 31, 2013
Trade receivables		$1,040,114	$1,202,251
Other receivables		$1,979,836	$2,031,326
Allowance for doubtful accounts	4	(1,140,299)	(1,070,344)
		$1,879,651	**$2,163,233**
Interest receivable		24,638	30,936
Due from IEF	19	330,018	502,635
HST recoverable		1,268,902	869,439
		$3,503,209	**$3,566,243**

6. Funds held pursuant to designated settlements and orders

The OSC has a number of settlement agreements and orders arising from enforcement proceedings where monies from these settlements and orders are to be set aside and allocated to such third parties as the OSC may determine. As a result of an amendment to the *Securities Act* (Ontario) effective June 2012, the Commission may also use these funds 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. The accumulated funds are held in a segregated bank account and earn interest at the monthly average bank prime rate less 1.85%. The OSC will allocate these funds as it determines appropriate in its discretion. This will include allocations to harmed investors, where appropriate and where an allocation can be reasonably effected.

As at March 31, 2014, the accumulated balance is determined as follows:

	Notes	March 31, 2014	March 31, 2013
Opening balance		$19,756,165	$47,194,738
Assessed during the year		61,675,609	80,174,712
Less:			
Amounts to be paid directly to investors		–	(4,019,124)
Adjustments to present value		(11,909)	(21,051)
Orders deemed uncollectible		(57,911,552)	(71,249,950)
Amount recorded from assessments in year		3,752,148	4,884,587
Amounts collected in advance of an order		100,000	–
Adjustments to amounts assessed in prior years		31,720	195,172
Total settlements and orders recorded		**$3,883,868**	**$5,079,759**

	Notes	March 31, 2014	March 31, 2013
Add: interest		$165,271	$514,283
Less: payments			
IEF	19	(3,295,000)	(3,900,000)
ABCP		–	(28,632,615)
Others		(1,937,013)	(500,000)
Closing balance		**$18,573,291**	**$19,756,165**

Represented by:		
Cash	$13,854,489	$14,607,579
Receivable	4,718,802	5,148,586
	$18,573,291	**$19,756,165**

The $3,883,868 (2013 – $5,079,759) identified as total settlements and orders recorded reflects the portion of $61,675,609 (2013 – $80,174,712) in settlements and orders that was assessed during the year, for which payment was either received or has been deemed collectible. This total includes $31,720 (2013 – $195,172) in adjustments from orders recorded in prior years and $100,000 (2013 – $0) collected from a respondent in advance of an order being issued.

The adjustments to amounts assessed in prior years include portions of orders from prior years that are on payment plans that were recorded in fiscal 2014, plus the amount that had been previously deemed uncollectible where payment was received in fiscal 2013, less the amount that is now deemed as uncollectible, or will be distributed directly, but had been deemed as collectible in prior periods. As at March 31, 2014, $4,718,802 (2013 – $5,148,586) was considered receivable because these amounts are expected to be collected.

The OSC collected a total of $1,768,769 (2013 – $3,218,134) of the designated settlements and orders assessed during the year resulting in an average collection rate of 2.87% (2013 – 4.01%).

As authorized by the Board, the OSC made the following payments from the designated funds: $3,295,000 to the IEF (2013 – $3,900,000), $1,437,013 (2013 – $28,632,615) to be distributed to the eligible investors in two different enforcement matters and $500,000 (2013 – $500,000) to FAIR Canada representing the final payment of a two-year funding commitment.

7. Net assets held for CSA Systems redevelopment (surplus funds)

The core CSA National Systems (CSA Systems) are comprised of the System for Electronic Document Analysis and Retrieval (SEDAR), the National Registration Database (NRD) and the System for Electronic Disclosure by Insiders (SEDI).

The OSC, British Columbia Securities Commission (BCSC), Alberta Securities Commission (ASC) and l'Autorité des marchés financiers (AMF) 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 the CSA Systems use by market participants. The Net assets held for CSA Systems redevelopment include surplus funds accumulated from CSA Systems operations received, held and managed by the DPA on behalf of the PAs, and IIROC (in the case of NRD system fee surplus funds accumulated to October 13, 2013). The use of these surplus funds is restricted by various agreements between the PAs.

Prior to January 13, 2014 CDS Inc. (CDS) operated the CSA Systems on behalf of the PAs under agreements dated as of August 1, 2004 for SEDAR, October 26, 2001 for SEDI and June 13, 2003 for NRD. CDS forwarded the annual operating surpluses associated with CSA Systems fees collected, net of operating costs, to the OSC as custodian of the surplus funds. Direction to CDS for the CSA Systems operation was provided by representatives from the PAs, through unanimous vote. These surplus funds were held and managed by the OSC as custodian in accordance with agreements among the PAs. The surplus funds are held in segregated bank accounts with a Schedule 1 financial institution and earn interest at the monthly average bank prime rate less 1.85%.

Effective January 13, 2014, CGI Information Systems and Management Consultants Inc. (CGI) became the service provider to host and maintain the CSA Systems, as a result of a competitive request for proposal process. Under the new agreements, CGI will forward the gross system fees collected from users of the CSA Systems to the DPA as they are received and will invoice the DPA for these services. The DPA will administer payments to CGI for services provided, as they become due from the surplus funds. A Governance Committee comprised of members of the four PAs was established through an agreement signed on April 2, 2013, creating a governance framework for management and oversight, including that of CGI. The agreement outlines how user fees will be collected and deployed, and addresses allocation and payment of liabilities that may arise.

As of January 13, 2014, use of the surplus funds within the terms of the various agreements requires the approval of members of the Governance Committee. Majority approval is required for all permissible uses of the surplus funds as outlined within the various agreements, with the exception of: (a) any financial commitments in excess of the lesser of (i) $5 million and (ii) 15% of the accumulated surplus at such date; (b) significant changes to the design of the systems; and (c) any changes to System Fees, which all require unanimous approval of the PAs. In the case of NRD, IIROC is a party to the applicable agreement, and its approval is required for any use of the surplus funds that deviates from the contractually agreed uses. IIROC approval is not required for NRD funds accumulated after October 13, 2013 for any purpose, nor is it required for use of non-NRD funds accumulated.

The CSA plans to redevelop the CSA Systems in a multi-year phased approach. Funding for this redevelopment program will come from the accumulated surplus funds.

The results of the Net assets held for CSA Systems redevelopment are presented below. Due to the transition of CSA System operations from CDS to CGI in the current year and the introduction of the OSC as DPA, the prior year results relating to the Net assets held for CSA Systems redevelopment are not comparable, and therefore have not been included.

Financial position

	As at March 31, 2014
Assets	
Current	
Cash	$112,105,853
Trade and other receivables	2,983,766
Prepayments	1,250,268
Total current	**$116,339,887**
Intangible asset	708,333
Total assets	**$117,048,220**

Liabilities	
Current	
Trade and other payables	$1,362,630
Total current	**$1,362,630**
Total liabilities	**$1,362,630**

Financial position

	As at March 31, 2014
Surplus	
Opening surplus	$94,810,759
Excess of revenue over expenses	20,874,831
Closing surplus	**$115,685,590**
Total liabilities and surplus	**$117,048,220**

Results of operations

	Year ended March 31, 2014
Revenue	
NRD system fees	$28,510,359
SEDAR system fees	21,515,082
Data distribution services fees	344,805
Interest income	1,130,292
Total revenue	**$51,500,538**
Expenses	
Professional services	$27,962,272
Depreciation	41,667
Other	2,621,768
Total expenses	**$30,625,707**
Excess of revenue over expenses	**$20,874,831**

Cash flows

	Year ended March 31, 2014
Cash flows from operating activities	
Excess of revenue over expenditures	$20,874,831
Adjusted for:	
Interest income received	1,111,025
Interest income	(1,130,292)
Depreciation	41,667
	$20,897,231
Changes in non-cash working capital	
Trade and other receivables	$(2,765,281)
Prepayments	(1,250,268)
Trade and other payables	1,362,630
	$(2,652,919)
Net cash flows from operating activities	**$18,244,312**
Cash flows used in investing activities	
Purchase of intangible asset	$(750,000)
Net cash flows used in investing activities	**$(750,000)**
Cash flows used in financing activities	
Net cash flows used in financing activities	–
Net increase in cash position	**$17,494,312**
Cash position, beginning of period	**94,611,541**
Cash position, end of period	**$112,105,853**

For more information on the Net assets held for CSA Systems redevelopment, see **Note 2(d)** and **Note 17** for further details.

8. Reserve fund assets

As part of the approval of its self-funded status, the OSC was allowed to establish a $20 million reserve to be used as an operating contingency against revenue shortfalls and unanticipated expenditures, or to cover the discrepancy between timing of revenue and expenses.

The prime investment consideration for the reserve is the protection of principal and the appropriate liquidity to meet cash flow needs. Interest earned on investments is credited to the operations of the OSC. The March 31, 2014 accumulated reserve fund assets are held in a segregated bank account and earn interest at the monthly average bank prime rate less 1.85%.

9. Property, plant & equipment

2014	Office furniture	Office equipment	Computer hardware and related applications	Computer hardware and related applications held under finance leases	Networks and servers	Leasehold improvements	Total
Gross carrying amount							
Balance as at April 1, 2013	$4,531,620	$581,252	$18,695,699	$309,964	–	$5,594,364	$29,712,899
Additions	266,263	2,619	402,897	–	$2,513,937	3,753,943	6,939,659
Disposals	(101,244)	–	(302,995)	–	–	–	(404,239)
Balance at March 31, 2014	**$4,696,639**	**$583,871**	**$18,795,601**	**$309,964**	**$2,513,937**	**$9,348,307**	**$36,248,319**
Depreciation							
Balance as at April 1, 2013	$(3,984,278)	$(449,591)	$(15,552,446)	$(309,964)	–	$(159,445)	$(20,455,724)
Depreciation for the year	(239,959)	(14,816)	(1,317,866)	–	–	(908,298)	(2,480,939)
Disposals	88,385	–	275,640	–	–	–	364,025
Balance at March 31, 2014	**$(4,135,852)**	**$(464,407)**	**$(16,594,672)**	**$(309,964)**	**$0**	**$(1,067,743)**	**$(22,572,638)**
Carrying amount at March 31, 2014	**$560,787**	**$119,464**	**$2,200,929**	**$0**	**$2,513,937**	**$8,280,564**	**$13,675,681**

2013	Office furniture	Office equipment	Computer hardware and related applications	Computer hardware and related applications held under finance leases	Networks and servers	Leasehold improvements	Total
Gross carrying amount							
Balance as at April 1, 2012	$4,163,752	$581,182	$16,897,843	$395,828	–	$10,028,079	$32,066,684
Additions	368,883	70	1,812,274	–	–	5,594,363	7,775,590
Disposals	(1,015)	–	(14,417)	(85,864)	–	(10,028,078)	(10,129,374)
Balance at March 31, 2013	**$4,531,620**	**$581,252**	**$18,695,700**	**$309,964**	**$0**	**$5,594,364**	**$29,712,899**

2013	Office furniture	Office equipment	Computer hardware and related applications	Computer hardware and related applications held under finance leases	Networks and servers	Leasehold improvements	Total
Depreciation							
Balance as at April 1, 2012	$(3,814,510)	$(430,666)	$(14,304,544)	$(224,368)	–	$(9,348,867)	$(28,122,955)
Depreciation for the year	(170,783)	(18,925)	(1,261,370)	(171,460)	–	(838,675)	(2,461,213)
Disposals	1,015	–	$13,468	85,864	–	10,028,097	10,128,444
Balance at March 31, 2013	**$(3,984,278)**	**$(449,591)**	**$(15,552,446)**	**$(309,964)**	**$0**	**$(159,445)**	**$(20,455,724)**
Carrying amount at March 31, 2013	**$547,342**	**$131,661**	**$3,143,254**	**$0**	**$0**	**$5,434,919**	**$9,257,175**

10. Trade and other payables

	March 31, 2014	March 31, 2013
Trade payables	$3,699,262	$1,263,691
Payroll accruals	12,148,952	12,009,019
Other accrued expenses	2,483,911	3,817,412
	$18,332,125	$17,090,122

11. Lease commitments

Operating leases

The OSC has entered into operating lease agreements for equipment and office space, and is committed to operating lease payments as follows:

	March 31, 2014	March 31, 2013
Less than one year	$7,484,445	$7,859,555
Between one and five years	18,007,672	26,762,021
More than five years	–	–
	$25,492,117	$34,621,576

Lease expense recognized during the period was $7,695,633 (2013 – $7,198,182). This amount consists of minimum lease payments. A small portion of the OSC's office space is subleased to the IEF and the CSA IT Systems Project Office, which is recorded as Miscellaneous revenue. Sublease payments of $216,122 are expected to be received during the next year.

The lease on OSC premises began August 30, 2012 for a term of five years, expiring on August 31, 2017. The OSC has two consecutive options to extend the term beyond August 31, 2017, each for a period of five years. The OSC expects to exercise the first option. The OSC's operating lease agreements do not contain any contingent rent clauses.

12. Pension plans

(a) Ontario Public Service Pension Plan

All eligible OSC employees must, and members may, participate in the OPSPP. The OSC's contribution to the OPSPP for the year ended March 31, 2014 was $4,565,594 (2013 – $4,384,576), which is included under Salaries and benefits in the Statement of comprehensive income. The expected contributions for the plan for the next fiscal year are $4,750,000.

Information on the level of participation of the OSC in the multi-employer OPSPP compared with other participating entities is not available.

(b) Supplemental pension plans

The OSC also has unfunded supplemental defined benefit pension plans for the OSC's current and former Chairs and Vice-Chairs. These supplemental pension plans have no plan assets. The actuarial liability and the current service cost are determined by independent actuaries using the projected benefit method prorated on services and management's best estimate assumptions. The supplemental defined benefit pension plans are non-registered plans. The benefit payments are made by the OSC as they become due. Responsibility for governance of the plans lies with the OSC. The OSC has an Audit and Finance Committee, and a Human Resources and Compensation Committee to assist in the management of the plans. The OSC has also appointed experienced, independent professional actuarial experts to provide a valuation of the pension obligation for the supplemental plans in accordance with the standards of practice established by the Canadian Institute of Actuaries.

Under the projected benefit method, the liability is the actuarial present value of benefits accrued in respect of service prior to the valuation date, based on projected final average earnings. The current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period. The current service cost, expressed as a percentage of pensionable earnings, will be stable over time if the demographic characteristics of the active membership remain stable from valuation to valuation. However, all other things being equal, the current service cost of an active membership whose average age rises between actuarial valuations will result in an increasing current service cost.

The supplemental pension plan exposes the OSC to the following risks:

- Changes in bond yields – a decrease in corporate bond yields will increase the plans' liabilities,
- Inflation risk – in plans where the target benefit is not indexed, given the pension offset amounts are linked to inflation, higher inflation will lead to lower liabilities; conversely, for plans where the target benefits are linked to inflation, the OSC's liability increases when inflation increases, and,
- Life expectancy – the majority of the obligations are to provide benefits for the life of the members. Therefore, increases in life expectancy will result in an increase in the plans' liabilities.

There were no plan amendments, curtailments or settlements during the period. The duration of all plans combined is approximately 11.4 years.

The defined benefit obligation continuity schedule after retrospective application of IAS 19, as amended, is as follows:

	March 31, 2014	March 31, 2013	April 1, 2012
Defined benefit obligation, beginning of year	$2,731,527	$2,377,607	$2,021,766
Current service cost	147,095	124,936	83,329
Interest cost	99,622	87,582	101,563
Benefit payments	(149,871)	(145,664)	(147,767)
Actuarial loss on obligation	290,257	287,066	318,716
Defined benefit obligation, end of year	**$3,118,630**	**$2,731,527**	**$2,377,607**

Actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation were as follows:

	March 31, 2014	March 31, 2013
Discount rate	4.10%	3.75%
Inflation	2.50%	2.50%
Expected rate of salary increase	0%	0%
CPP YMPE increase	3.00%	3.00%
Increase in CRA limit	$2,700.00	$2,696.67

The assumptions for mortality rates are based on the 2014 Public Sector Mortality Table (CPM2014Publ), with a size adjustment factor for monthly income of $6,000 and more, and with fully generational projections using the improvement scale CPM-B.

Sensitivity analysis

Changes in the actuarial assumptions used have a significant impact on the defined benefit obligation.

The following is an estimate of the sensitivity of the defined benefit obligation to a change in the significant actuarial assumptions (the sensitivity assumes all other assumptions are held constant):

	March 31, 2014
Discount rate increased by 0.5% (obligation will decrease by)	5.4%
Discount rate decreased by 0.5% (obligation will increase by)	5.9%
Life expectancy increased by 1 year (obligation will increase by)	2.3%
Life expectancy decreased by 1 year (obligation will decrease by)	2.4%
Inflation rate increased by 0.5% (obligation will decrease by)	2.6%
Inflation rate decreased by 0.5% (obligation will increase by)	3.0%

Retrospective application

The revised amount included in the Statement of financial position arising from retrospective application of IAS 19, as amended, to its supplemental benefit plans is as follows:

	March 31, 2014	March 31, 2013	April 1, 2012
Unfunded defined benefit obligation liability attributable to OSC stakeholders prior to change in accounting policy	**$2,206,017**	$2,197,427	$2,016,341
Increase in supplemental pension plans liability	**912,613**	534,100	361,266
Unfunded defined benefit obligation liability attributable to OSC stakeholders after change in accounting policy	**$3,118,630**	**$2,731,527**	**$2,377,607**

The revised amounts recognized in the Statement of comprehensive income, including OCI, arising from retrospective application of IAS 19, as amended, to the supplemental benefit plans are as follows:

	March 31, 2013	March 31, 2012
Excess of revenue over expenses prior to change in accounting policy	$(7,643,018)	$(4,387,040)
Decrease in supplemental pension plan expense	114,232	25,977
Excess of revenue over expenses after change in accounting policy	**$(7,528,786)**	**$(4,361,063)**

Total comprehensive income prior to change in accounting policy	$(7,643,018)	$(4,387,040)
Decrease in supplemental pension plan expense	114,232	25,977
Remeasurement loss on defined benefit plans	(287,066)	(318,716)
Total comprehensive income after change in accounting policy	**$(7,815,852)**	**$(4,679,779)**

The OSC's pension expense relating to the supplemental pension plans for the year ended March 31, 2014 was $246,717 (2013 – $212,518). The OSC expects to incur $143,100 (2013 – $144,000) in benefit payments from the supplemental pension plan during next fiscal year.

13. Capital management

The OSC has established a $20 million reserve fund, as described in **Note 8**, which it considers as capital. The primary objective of maintaining this capital is to fund OSC's operations in the event of revenue shortfalls and unanticipated expenditures, or to cover the discrepancy between timing of revenue and expenses. The OSC's overall strategy remains unchanged from 2013.

The OSC maintains an investment policy where reserve funds are restricted to direct and guaranteed obligations of the Government of Canada and its provinces, and to instruments issued by Canadian Schedule 1 banks to protect the principal.

The OSC has a $35 million credit facility with a Schedule 1 financial institution to address any short-term cash deficiencies. Subsequent to March 31, 2014, the OSC received approval from the Minister to replace the $35 million credit facility with a $52 million credit facility, which becomes effective July 1, 2014.

The OSC is not subject to any externally imposed capital requirements.

14. Fees

The OSC's fee structure is designed to generate fees that recover the OSC's cost of providing services to market participants. The fee structure is based on the concept of "participation fees" and "activity fees". Participation fees are based on the cost of a broad range of regulatory services that cannot be practically or easily attributed to individual activities or entities, and are intended to serve as a proxy for the market participants' use of the Ontario capital markets. Activity fees represent the direct cost of OSC staff resources expended in undertaking certain activities requested of staff by market participants. Late fees represent fees applied to market participants for untimely filing of required documents and/or payment of their participation and activity fees. Any general operating surpluses generated are normally returned to market participants by way of fees that are lower than otherwise required to recover costs or direct refunds.

The Commission revised its participation fees and activity fees effective April 1, 2013, with participation fees being subsequently adjusted at the beginning of fiscal 2015. The effective date of the next fee rule is expected to be April 1, 2015.

Fees received are as follows:

	March 31, 2014	March 31, 2013
Participation fees	$83,267,321	$75,310,296
Activity fees	13,208,161	9,615,841
Late filing fees	1,965,794	2,003,900
	$98,441,276	**$86,930,037**

15. Salaries and benefits

	March 31, 2014	March 31, 2013
Salaries	$62,042,890	$59,778,078
Benefits	6,736,097	6,288,066
Pension expense	4,786,283	4,551,096
Severance/termination payments	905,917	1,604,766
	$74,471,187	**$72,222,006**

16. Administrative

	March 31, 2014	March 31, 2013
Commission expense	$1,872,675	$1,953,225
Communications & publications	1,725,924	1,469,219
Maintenance & support	2,043,621	1,996,279
Supplies	802,870	797,585
Other expenses	674,019	709,650
Training	641,685	680,514
	$7,760,794	**$7,606,472**

17. Contingent liabilities and contractual commitments

(a) The OSC has committed to paying in full any liability with respect to CSA Systems operation and custody of the related surplus funds that arises as a result of wilful neglect or wilful misconduct on behalf of the OSC.

Under the new agreements, described in **Note 7**, the OSC, ASC, BCSC and AMF, as PAs, have committed to paying an equal share of any claim or expenses related to operation and redevelopment of the CSA Systems that exceed the surplus funds held.

In the current year, there were no such claims or expenses. As described in **Note 7**, the OSC is holding funds in segregated bank accounts that may be used to settle claims and expenses relating to the operation and redevelopment of the CSA Systems.

	March 31, 2014	**March 31, 2013**
Total accumulated funds	$112,105,853	$94,611,541
Available for:		
SEDAR and SEDI	$52,074,315	$48,940,037
NRD	59,898,313	45,671,504
Data distribution services	133,225	–
	$112,105,853	**$94,611,541**

(b) The OSC is involved in various legal actions arising from the ordinary course and conduct of business. The outcome and ultimate disposition of these actions cannot be measured with sufficient reliability at this time. However, management does not expect the outcome of any of these proceedings, individually or in aggregate, to have a material impact on the OSC's financial position. Settlements, if any, concerning these contingencies will be accounted for in the period in which the settlement occurs.

18. Related party transactions

(a) Net assets held for CSA Systems redevelopment

In the course of normal operations, the OSC entered into transactions with the Net assets held for CSA Systems redevelopment. Refer to **Note 7** for further details.

(b) IEF

In the course of normal operations, the OSC entered into transactions with the IEF. Refer to **Note 19** for further details.

(c) The Province of Ontario

In the course of normal operations, the OSC entered into transactions with the Province of Ontario as follows:

(i) The *Securities Act* (Ontario) states that when ordered to do so by the responsible Minister, the OSC shall remit to the Province of Ontario such surplus funds as determined by the Minister. In light of the fee model as described in **Note 14** and the OSC's practice of setting fees periodically, the OSC is not required to make remittances of its surplus to the Consolidated Revenue Fund. Surpluses retained by the OSC are subject to appropriate terms and conditions to be agreed with the Ministry.

(ii) Costs of non-pension benefits for eligible pensioners are paid by the Government of Ontario and are not included in the Statement of comprehensive income.

(d) Compensation to key management personnel

Key management of the OSC are members of the Board of Directors, Chair, Vice-Chairs and Executive Director.

Key management personnel remuneration includes the following expenses:

	March 31, 2014	March 31, 2013
Short-term employee benefits	$3,683,102	$3,458,567
Post-employment benefits	302,740	406,642
Total compensation	**$3,985,842**	**$3,865,209**

19. Investor Education Fund

The IEF was incorporated by letters patent of Ontario dated August 3, 2000 as a non-profit corporation without share capital. The Fund is managed by a separate Board of Directors and its purpose is to increase knowledge and awareness among investors and potential investors, and to support research and develop programs and partnerships which promote investor and financial education in schools and among adult learners.

The OSC is the sole voting member of the Fund. However, the OSC has determined, based on an evaluation of the terms and conditions of the arrangement, that investors in the capital market, rather than the OSC, obtain the benefit or rewards from the activities of the IEF. As such, the OSC does not control the Fund, and the Fund has not been consolidated in the OSC's financial statements as discussed in **Note 2(d)**. The Fund is exempt from income taxes.

Financial statements of the Fund are available on request. During the year, the OSC entered into transactions with the Fund as follows:

(i) The OSC paid $3,295,000 to the Fund (2013 – $3,900,000). These payments were from Funds held pursuant to designated settlements and orders as described in **Note 6**.

(ii) The OSC has a Management Services agreement with the Fund for the provision of administrative and management services, at cost. For the period ended March 31, 2014, the OSC incurred costs totalling $1,088,307 (2013 – $1,000,975) for services related to the Fund. The total cost of these services has been charged to the Fund and, of this amount, $330,018 is owing to the OSC (2013 – $502,635).

(ii) Subsequent to year end, the Commission approved funding totalling $2,720,000 for the IEF for the 2015 fiscal year.

20. Accounting pronouncements

Effective in the year

A number of new IFRS standards, interpretations and amendments effective for the first time for periods beginning on (or after) April 1, 2013, have been considered or adopted in these financial statements. The nature and effect of each new standard, interpretation and amendment is detailed below.

IFRS 10, *Consolidated financial statements*

In May 2011, the IASB issued IFRS 10, *Consolidated Financial Statements* to replace IAS 27, *Consolidated and Separate Financial Statements* and SIC 12, *Consolidation – Special Purpose Entities*. The new standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. Determination of control now includes elements of power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns. Refer to the Judgments section of **Note 2(d)** for further details.

IFRS11, *Joint arrangements*

In May 2011, the IASB issued IFRS 11, *Joint Arrangements* to replace IAS 31, *Interests in Joint Ventures*. The standard outlines the accounting by entities that jointly control an arrangement. Joint control involves the contractual agreed sharing of control, and arrangements subject to joint control are classified as either a joint venture (representing a share of net assets and equity accounted) or a joint operation (representing rights to assets and obligations for liabilities, accounted for accordingly). Refer to the Judgments section of **Note 2(d)** for further details.

IFRS 12, *Disclosure of interests in other entities*

In May 2011, the IASB released IFRS 12, *Disclosure of Interests in Other Entities*. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The standard requires an entity to disclose information regarding the nature and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. Refer to the Judgments section of **Note 2(d)** for further details.

IFRS 13, *Fair value measurement*

In May 2011, the IASB released IFRS 13, *Fair value measurement*. IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS.

IFRS 13 was adopted by the OSC for the fiscal year ended March 31, 2014. There was no material adjustment as a result of adoption. Refer to **Note 3** for further details.

IAS 19, *Employee benefits*

In June 2011, the IASB amended IAS 19, *Employee Benefits*. This amendment eliminated the use of the "corridor" approach and mandates that all remeasurements of the net defined benefit liability or assets be recognized immediately in OCI. It also enhances the disclosure requirements, requiring more information to be disclosed about the characteristics of defined benefit plans and the risk that an entity is exposed to through participation in those plans.

Net interest cost is now calculated by multiplying the discount rate (used to measure the net defined benefit obligation) by the net liability. Changes in the fair value of plan assets and defined benefit obligations are segmented into three components: service costs, net interest on the net defined benefit liabilities and remeasurements of the net defined benefit liabilities. This amendment also clarifies when an entity should recognize a liability and an expense for termination benefits.

The amendments to IAS 19 were retrospectively adopted by the OSC for the fiscal year ended March 31, 2014. There was no material adjustment as a result of adoption and retrospective application was not necessary. Refer to **Note 2(d)**, **Note 3** and **Note 12** for further details.

New and revised in issue, but not yet effective

The following new IFRS standards, interpretations and amendments, which have been issued but are not yet effective for the year ended March 31, 2014, have not been applied in preparing these financial statements. These pronouncements are not expected to have a material impact on the financial statements of the OSC upon adoption.

IFRS 9, *Financial instruments*

IFRS 9, *Financial instruments* as issued in November 2009 and later expanded and amended will ultimately replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 replaces the multiple classifications for financial assets in IAS 39 with two measurement categories, amortized cost and fair value, which are based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

In November 2013, the IASB issued a revised version of IFRS 9, *Financial Instruments*, which introduces a new chapter on hedge accounting, putting in place a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The revised standard permits an entity to apply only the requirements introduced in IFRS 9 (2010) for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss without applying the other requirements of IFRS 9, meaning the portion of the change in fair value related to changes in the entity's own credit risk can be presented in other comprehensive income rather than within the consolidated statements of income.

The amendments to IFRS 9 remove the mandatory effective date of IFRS 9 (2013), IFRS 9 (2010) and IFRS 9 (2009), leaving the effective date open pending the finalization of the impairment and classification and measurement requirements. Notwithstanding the removal of an effective date, each standard permits early application.

IFRIC 21, *Levies*

In May 2013, the IFRS Interpretation Committee issued IFRIC 21, *Levies*. IFRIC 21 provides guidance on when to recognize a liability to pay a levy imposed by government that is accounted for in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014, and is to be applied retrospectively. Earlier application is permitted.