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.

M. Jensen

Maureen Jensen
Chair and Chief Executive Officer

Mary Campione
Director, Financial Management & Reporting

June 5, 2018

Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

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, 2018, and the statements 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, 2018 and its financial performance, and its cash flows for the year ended in accordance with the International Financial Reporting Standards

20 Dundas Street West
Suite 1530
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-327-9862
tty 416-327-6123

20, rue Dundas ouest
suite 1530
Toronto (Ontario)
M5G 2C2
416 327-2381
telecopieur 416 327-9862
ats 416 327-6123

www.auditor.on.ca

Toronto, Ontario
June 5, 2018

Bonnie Lysyk, MBA, FCPA, FCA, LPA
Auditor General

Statement of Financial Position

(in Canadian dollars)

As at March 31	Note(s)	2018	Restated* 2017
ASSETS			
Current			
Cash		$ 58,917,413	$ 42,345,003
Trade and other receivables	4, 5	3,652,751	4,795,056
Prepayments		2,380,100	1,527,576
Total current		**$ 64,950,264**	**$ 48,667,635**
Non-current			
Funds held pursuant to designated settlements and orders	3(d), 6	$ 42,095,231	$ 37,995,716
Funds restricted for CSA Systems operations and redevelopment	2, 7, 17	137,825,393	134,886,194
Reserve funds	8	20,000,000	20,000,000
Property, plant & equipment	9	11,448,550	12,502,675
Total non-current		**$ 211,369,174**	**$ 205,384,585**
Total assets		**$ 276,319,438**	**$ 254,052,220**
LIABILITIES			
Current			
Trade and other payables	10	$ 16,507,584	$ 16,717,810
Total current		**$ 16,507,584**	**$ 16,717,810**
Non-current			
Pension liabilities	12(b)	$ 4,104,618	$ 3,839,928
Funds held pursuant to designated settlements and orders	3(d), 6	42,095,231	37,995,716
Funds restricted for CSA Systems operations and redevelopment	2, 7, 17	137,825,393	134,886,194
Total non-current		**$ 184,025,242**	**$ 176,721,838**
Total liabilities		**$ 200,532,826**	**$ 193,439,648**
SURPLUS			
General		$ 55,786,612	$ 40,612,572
Reserve	8, 13	20,000,000	20,000,000
Operating surplus		**$ 75,786,612**	**$ 60,612,572**
Total liabilities and surplus		**$ 276,319,438**	**$ 254,052,220**

* 2017 Funds restricted for CSA Systems operations and redevelopment have been restated, refer to Note 2(d)(i)

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

On behalf of the Board of the Commission

Maureen Jensen
Chair

William Furlong
Chair, Audit and Finance Committee

Statement of Comprehensive Income

(in Canadian dollars)

For the year ended March 31	Note(s)	2018	2017
REVENUE			
Fees	3(c), 14	$ 124,230,016	$ 119,516,341
Miscellaneous		77,066	167,627
Interest income		511,625	243,132
		$ 124,818,707	**$ 119,927,100**
EXPENSES			
Salaries and benefits	15	$ 84,477,723	$ 81,864,332
Administrative	16	8,447,603	9,084,988
Occupancy		8,082,581	8,352,813
Professional services		6,584,053	6,862,591
Depreciation	9	3,906,597	3,112,148
Other		882,803	805,454
		$ 112,381,360	**$ 110,082,326**
Recoveries of insurance proceeds over loss on asset disposal	9	(521,938)	—
Recoveries of enforcement costs	3(g)	(853,902)	(160,250)
Recoveries of investor education costs	3(g), 19	(1,475,045)	(1,470,894)
		$ 109,530,475	**$ 108,451,182**
Excess of revenue over expenses		**$ 15,288,232**	**$ 11,475,918**
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit and loss:			
Remeasurements of defined benefit pension plans	12 (b)	$ (114,192)	$ (110,166)
Other comprehensive loss		**$ (114,192)**	**$ (110,166)**
Total comprehensive income		**$ 15,174,040**	**$ 11,365,752**

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

Statement of Changes in Surplus

(in Canadian dollars)

For the year ended March 31	Note(s)	2018	2017
Operating surplus, beginning of year		$ 60,612,572	$ 49,246,820
Total comprehensive income		15,174,040	11,365,752
Operating surplus, end of year		**$ 75,786,612**	**$ 60,612,572**
Represented by:			
General		$ 55,786,612	$ 40,612,572
Reserve	8, 13	20,000,000	20,000,000
		$ 75,786,612	**$ 60,612,572**

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

Statement of Cash Flows

(in Canadian dollars)

For the year ended March 31	Note(s)	2018	Restated* 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of revenue over expenses		$ 15,288,232	$ 11,475,918
Adjusted for:			
Interest received		$ 450,107	$ 232,868
Interest income		(511,625)	(243,132)
Pension liabilities		150,498	121,720
Loss on disposal of property, plant & equipment	9	531,763	865
Depreciation	9	3,906,597	3,112,148
		$ 19,815,572	**$ 14,700,387**
Changes in non-cash working capital:			
Trade and other receivables		$ 1,203,823	$ (952,951)
Prepayments		(852,524)	(4,870)
Trade and other payables		(1,371,436)	616,974
		$ (1,020,137)	**$ (340,847)**
Net cash flows from operating activities		**$ 18,795,435**	**$ 14,359,540**
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchase of property, plant & equipment	9	$ (2,223,025)	$ (1,259,252)
Net cash used in investing activities		**$ (2,223,025)**	**$ (1,259,252)**
Net increase in cash position		$ 16,572,410	$ 13,100,288
Cash, beginning of year		**42,345,003**	**29,244,715**
Cash, end of year		**$ 58,917,413**	**$ 42,345,003**
SUPPLEMENTAL CASH FLOW INFORMATION			
Property, plant & equipment funded by trade and other payables		**$ 1,161,210**	**$ 1,483,496**

* 2017 Purchase of Property, plant & equipment and trade and other payables has been restated to reduce Property, plant & equipment funded by trade and other payables. See supplemental cash flow information above.

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 are as at March 31, 2018 and for the year then ended and includes comparatives. These financial statements were authorized for issue by the Board of Directors on June 5, 2018.

(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 Note 3(e). 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. Amounts 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.

Recoveries of investor education costs

Beginning April 1, 2015, the OSC began recovering costs that are in accordance with subparagraph 3.4(2)(b)(ii) of the *Securities Act* (Ontario) which was amended on June 20, 2012 to expand the purposes for which enforcement monies may be designated to include "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" ("investor education costs").

The OSC developed guidelines to assist in determining which costs would be in accordance with subparagraph 3.4(2)(b)(ii). The OSC exercised judgement in evaluating the types of costs incurred which would be in accordance with these guidelines. See Note 19 for a summary of costs recovered.

Funds restricted for Canadian Securities Administrators (CSA) Systems operations and redevelopment (Funds Restricted for CSA Systems)

Previously, the OSC was appointed to administer the financial management processes of the CSA Systems net assets. During the year, the OSC changed the application of its accounting policy for CSA Systems from the recognition of *"Net assets held for CSA Systems operations and redevelopment"* to *"Funds restricted for CSA Systems operations and redevelopment"*. This change was made to provide users of OSC's financial statements with more relevant information as it recognizes only the elements for which the OSC holds and manages for CSA Systems (cash and investments with a corresponding liability for those assets). Although the use of the CSA Systems surplus funds is governed by the four principal administrators (PAs), each having one vote on CSA Systems matters, the OSC's role is that of custodian over these funds. The four PAs are the OSC, British Columbia Securities Commission (BCSC), Alberta Securities Commission (ASC) and l'Autorité des marchés financiers (AMF).

Based on an evaluation of the contractual terms and conditions related to the arrangement, OSC management has exercised judgment to determine that participants in the capital markets, 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 the restricted funds or any future development of the CSA Systems. The OSC does not control or have significant influence over how the restricted funds are managed in performing its custodial role for the CSA Systems.

The OSC exercised judgment to determine that the Funds restricted for CSA Systems administered by the OSC on behalf of CSA Systems are best represented by the presentation of an asset and a corresponding liability. The change in the application of the accounting policy resulted in a reduction in the asset and corresponding liability of $25.1 million (2017 - $16.8 million).

See Note 7 for more information, including summary financial information related to CSA Systems operations and redevelopment.

(ii) Sources of estimation uncertainty

The preparation of financial statements in accordance with IFRS requires management to 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 fiscal year. Determining the carrying amounts of some assets and liabilities requires management to estimate 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, 2018. The OSC utilizes 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 information from other accredited sources. A change in one or more of these assumptions could have a material impact on the OSC's financial statements.

The significant actuarial assumptions used to determine the present values of the defined benefit obligations and sensitivity analysis of changes in the actuarial assumptions used are outlined in Note 12(b).

Designated settlements and orders and Recoveries of enforcement costs

Funds held pursuant to designated settlements and orders and Recoveries of enforcement costs are recorded when settlements are approved or orders are made by the Commission, unless management determines that collecting the settlement and order is significantly doubtful, in which case it is recognized when payment is received. Estimation is required to determine the collectible amount of designated settlements, orders and Recoveries of enforcement costs.

Management considers 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 these factors could have a material impact on the OSC's financial statements. Assets and liabilities will change based on estimated designated settlements and order amounts deemed to be collectible. Expenses may change based on Recoveries of enforcement costs. For more information on Designated settlements and orders, see Note 6.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. See 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 excess of revenues over expenses (held-for-trading), 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 excess of revenues over expenses, which are measured initially at fair value.

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

A financial liability is derecognized when it is extinguished; that is, when the contractual obligation is discharged, cancelled or expires.

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

Financial assets at fair value through excess of revenues over expenses (held-for-trading)

Cash, cash held pursuant to designated settlements and orders, Funds restricted for CSA Systems operations and redevelopment, and Reserve funds are classified as held-for-trading. The recorded balances approximate their fair value.

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, or a portion, of the amounts due under the terms of the amount receivable.

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 impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

The cost of the Property, plant & equipment, less any residual value, is depreciated and recognized in excess of revenues over expenses on a straight-line basis over the estimated useful life of the asset, as follows:

Computer hardware and related applications	3 years
Network servers and cabling	5 years
Office furniture and equipment	5 to 10 years
Leasehold improvements	Lesser of lease term[1] and useful life of asset

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

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 from 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 excess of revenues over expenses.

1 The lease term is the non-cancellable period for which the OSC has contracted to lease the asset together with any renewal options that are reasonably certain to be exercised.

Items of Property, plant & equipment are reviewed for impairment at each reporting date. If any impairment is indicated, 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

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. 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, cannot be determined prior to receipt.

These fees represent the payment for the right to participate in the Ontario capital markets. 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 receipt of the fee payment. 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. In the case of specified regulated entities that file their participation fees through the OSC's electronic filing portal, revenue is recognized when the fee amount can be reliably measured, which is the date the required document has been filed, or the corresponding outstanding fee is paid.

Activity fees

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

Late filing fees

Late filing fees relating to insider trading reports are recognized weekly and include fees related to all insider trading reports filed late in the preceding seven-day period. Other late fee amounts are recognized when the fee amount can be reliably measured, which is the date the required document has been filed, or the corresponding outstanding fee is paid.

(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 that collecting the settlement amount is significantly doubtful, in which case they are recognized when payment is received. Due to the restricted use of Funds held pursuant to designated settlements and orders, a corresponding Non-current liability that equals the related Non-current asset is reflected in the Statement of financial position.

(e) Employee benefits

Ontario Public Service Pension Plan (OPSPP)

The OSC provides pension benefits to its full-time employees through participation in the OPSPP. The Province of Ontario is the sole sponsor of the OPSPP. This plan is accounted for as a defined contribution plan because sufficient information is not provided to the OSC or otherwise available for the OSC to apply defined benefit plan accounting to this pension plan.

The plan 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 plan. There is no deficit or surplus in the plan that could affect the amount of future contributions for the OSC.

In addition, 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 the service entitling them to the contributions. For more information on the OPSPP, see Note 12(a).

Supplemental pension plan

The OSC also maintains unfunded supplemental pension plans for its current and former Chairs and Vice-Chairs as described in Note 12(b). These 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 the member's length of service and their salary in the final years prior 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 are 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.

Actuarial gains and actuarial losses resulting from remeasurements of the net defined benefit liability arising from the supplemental pension plans 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 excess of revenues over expenses 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(b).

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 at 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 the OSC 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

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

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

(g) Recoveries

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 that collecting the settlement amount is significantly doubtful, in which case, recovery is recognized when payment is received.

Recoveries of investor education costs

Recoveries of investor education costs are recorded as offsets to total expenses on a quarterly basis based on the eligible expenses recorded in the quarter.

(h) 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(a). 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 provides 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 due to the low number of transactions denominated 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, Funds restricted for CSA Systems operations and redevelopment and Reserve funds are held by Schedule 1 financial institutions (and credit unions in British Columbia with respect to Funds restricted for CSA Systems operations and redevelopment). The bank balances earn interest at a rate of 1.85% below the prime rate. The average rate of interest earned on bank balances for the year was 1.22% (2017 – 0.85%).

A 25 basis point 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 funds	$ 44,096	$ (44,096)
Cash balance	58,624	(58,624)
	$ 102,720	**$ (102,720)**

Credit risk

The OSC is exposed to minimal credit risk related to Cash, Funds held pursuant to designated settlements and orders, Funds restricted for CSA Systems operations and redevelopment, Reserve funds and Trade and other receivables.

Schedule 1 financial institutions hold approximately 87% of the OSC's financial assets including those held for Funds restricted for CSA Systems operations and redevelopment and another 11% are held in two credit unions in British Columbia (for cash components of Funds restricted for CSA Systems operations and redevelopment exclusively). The remaining balance of financial assets are accounts receivable. The Credit Union Deposit Insurance Corporation (CUDIC), a statutory corporation, guarantees all deposits of British Columbia credit unions, as set out in the Financial Institutions Act. Given the nature of these counterparties, it is management's opinion that exposure to concentration of credit risk is minimal.

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

Other receivables in aggregate are material, with most debtors owing individually and in aggregate immaterial amounts, and a small number of debtors owing larger amounts, which are material in aggregate or individually, and are receivable from:

- Funds restricted for CSA Systems operations and redevelopment, to recover staff and space costs and other charges incurred,
- Funds held for designated settlements and orders, to recover investor education costs,
- Government of Canada for recovering Harmonized Sales Tax (HST) paid during the year, and
- Government of Canada to recover costs for OSC space under a sublease.

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:

	Note	March 31, 2018	March 31, 2017
Current		$ 3,114,653	$ 2,526,475
Past due 31 to 60 days		202,548	922,861
Past due 61 to 90 days		16,208	484,114
Past due greater than 90 days (net)		319,342	861,606
Total Trade and other receivables	**5**	**$ 3,652,751**	**$ 4,795,056**

Past due greater than 90 days detail	Note	March 31, 2018	March 31, 2017
Past due greater than 90 days (gross)		$ 563,344	$ 1,034,609
Allowance for doubtful accounts	5	(244,002)	(173,003)
		$ 319,342	**$ 861,606**

Reconciliation of allowance for doubtful accounts is as follows:

	Note	March 31, 2018	March 31, 2017
Opening balance		$ 173,003	$ 161,835
Current year provision		422,723	316,268
Written-off during the year		(351,724)	(305,100)
Closing balance	**5**	**$ 244,002**	**$ 173,003**

In 2018, $351,724 of Trade and other receivables that related to balances owing prior to April 1, 2017 were written off, resulting in a reduction to the allowance for doubtful accounts and a corresponding reduction of Trade and other receivables for the same amount. The amount written off was charged to bad debt expense in prior years. The current year provision of $422,723 was charged to bad debt expense in fiscal 2018.

Liquidity risk

The OSC's exposure to liquidity risk is low as the OSC has sufficient cash, reserve fund assets, and access to a credit facility to settle all current liabilities. As at March 31, 2018, the OSC had a cash balance of $58.9 million and reserve fund assets of $20.0 million to settle current liabilities of $16.5 million.

The OSC has a $52.0 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 did not utilize the credit facility (2017 - $75 thousand).

The overall exposure to liquidity risk remains unchanged from 2017.

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. For more information, see Note 12(b).

5. Trade and other receivables

	Notes	March 31, 2018	March 31, 2017
Trade receivables		$ 726,748	$ 717,605
Other receivables		2,440,437	3,003,059
Allowance for doubtful accounts	4	(244,002)	(173,003)
		$ 2,923,183	**$ 3,547,661**
Interest receivable		105,748	44,230
Amount recoverable from investor education costs	19	363,644	687,769
HST recoverable		260,176	515,396
Total Trade and other receivables	**4**	**$ 3,652,751**	**$ 4,795,056**

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 Board of the OSC may determine. These funds are eligible to be allocated to the OSC 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, including such designated internal costs as approved by the Board.

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.

The accumulated funds are held in a segregated bank account and earn interest at the monthly average bank prime rate less 1.85%. The Board will allocate these funds as it determines appropriate at its discretion. This includes allocations to harmed investors, where appropriate and where an allocation can be reasonably effected.

As at March 31, 2018 the accumulated balance is determined as follows:

	Note	March 31, 2018	March 31, 2017
Opening balance		$ 37,995,716	$ 35,555,504
Assessed during the year		$ 60,449,350	$ 163,955,995
Less:			
Amounts paid or payable directly to investors		(48,396,642)	(148,057,864)
Orders deemed uncollectible		(5,955,936)	(7,988,558)
Amount recorded from assessments in year		**6,096,772**	**7,909,573**
Adjustments to amounts assessed in prior years		437,377	(1,194,980)
Total settlements and orders recorded		**6,534,149**	**6,714,593**
Add: Interest		505,032	255,131
Less: Payments to			
OSC for recovery of Investor education costs	19	(1,799,170)	(1,412,949)
External collections firm		(71,968)	—
Harmed investors		(1,068,528)	(3,116,563)
Closing balance		**$ 42,095,231**	**$ 37,995,716**
Represented by:			
Cash		$ 40,850,699	$ 36,464,623
Receivable		1,244,532	1,531,093
		$ 42,095,231	**$ 37,995,716**

The $6,534,149 (2017 – $6,714,593) identified as total settlements and orders recorded reflects the portion of $60,449,350 (2017 – $163,955,995) in settlements and orders that was assessed during the year, for which payment was either received or has been deemed collectible. This total includes an increase of $437,377 (2017- a reversal of $1,194,980) in adjustments from orders assessed in prior years. These amounts include payments received in the current year for orders that were deemed uncollectable in prior years less orders that had been previously deemed as collectible that are now deemed as uncollectible in fiscal 2018. Included in the total assessed was $48,396,642 (2017 – $148,057,864) where the respondents were required to distribute monies directly to harmed investors, which are not captured in the OSC's accounting records.

The OSC collected a total of $5,681,000 (2017 – $7,905,652) of the designated settlements and orders assessed during the year, resulting in an average collection rate of 47.1% (2017 – 49.7%). The 2017 collection rate was restated from 38.2% as a result of a respondent fulfilling their obligation by paying investors directly. As authorized by the Board, the OSC made payments from the designated funds totalling $2,939,666 (2017 – $4,529,512). Details on the recipients of these payments are included in the table above.

7. Funds restricted for CSA Systems Operations and Redevelopment (Funds Restricted for CSA Systems)

The core CSA Systems consist 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 CSA is planning to develop and implement a new marketplace surveillance and analytical system to improve market analytics capacity.

The OSC has been appointed the Designated Principal Administrator – Operations (DPA) to collect, hold, and administer the surplus funds accumulated from system fees charged to market participants that use the CSA Systems. This role is essentially that of a custodian. The funds restricted for CSA Systems operations and redevelopment include surplus funds accumulated from operation of the CSA Systems, which are 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.

CGI Information Systems and Management Consultants Inc. (CGI), as service provider, hosts and maintains the CSA Systems. A CSA Systems Governance Committee (SGC), consisting of members of the four PAs, was established through an agreement signed on April 2, 2013. This agreement also created a governance framework for management and oversight of the CSA Systems, including that of CGI. It outlines how user fees will be collected and deployed, and addresses allocation and payment of liabilities that may arise. User fees are charged to recover systems operations and redevelopment costs, which are used to benefit the CSA National Systems users.

Use of the surplus funds within the terms of the various agreements requires the approval of members of the SGC. Majority approval is required for all permissible uses of the surplus funds as outlined within the various agreements, with the exception of the following, which all require unanimous approval of the PAs:

- any financial commitments in excess of the lesser of (i) $5.0 million and (ii) 15% of the accumulated surplus at such date,
- significant changes to the design of the systems, and
- any changes to system fees.

In the case of NRD, IIROC approval is required for any use of the surplus funds that deviates from the contractually agreed uses for funds accumulated prior to October 12, 2013.

The CSA is redeveloping the CSA Systems in a multi-year phased approach. Funding for the redevelopment is coming from the accumulated surplus funds.

The 2018 financial results of the CSA Systems operations and redevelopment are presented below. Assets include cash and investments of $137.8 million (2017 - $134.9 million) presented on the OSC's Statement of Financial Position. Assets also include intangible assets of $18.4 million (2017 - $14.6 million) primarily consisting of costs towards the redevelopment of the CSA National Systems.

Summarized Statement of Financial Position

As at March 31	2018	2017
Assets	$ 164,523,346	$ 155,970,261
Liabilities	$ 1,587,219	$ 4,237,653
Surplus	162,936,127	151,732,608
Liabilities and surplus	$ 164,523,346	$ 155,970,261

Summarized Statement of Comprehensive Income

For the year ended March 31	2018	2017
Revenue	$ 27,317,404	$ 27,405,208
Expenses	16,113,885	15,528,568
Excess of revenues over expenses	$ 11,203,519	$ 11,876,640

Summarized Statement of Cash Flows

For the year ended March 31	2018	2017
Net cash flows from operating activities	6,838,523	8,891,125
Net cash flows used in investing activities	(4,160,854)	(85,494,987)
Net (decrease)/increase in cash position	2,677,669	(76,603,862)
Cash, beginning of year	19,886,194	96,490,056
Cash, end of year	$ 22,563,863	$ 19,886,194

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

8. Reserve funds

As part of the approval of its self-funded status, the OSC was allowed to establish a $20.0 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 the principal and appropriate liquidity to meet cash flow needs. Interest earned on investments is credited to the operations of the OSC. Reserve funds are held in a segregated bank account and earn interest at the monthly average bank prime rate less 1.85%.

9. Property, plant & equipment

2018	Office furniture	Office equipment	Computer hardware and related applications	Networks and servers	Leasehold improvements	Total
COST						
Balance as at April 1, 2017	$ 4,836,379	$ 710,515	$ 23,935,095	$ 3,326,954	$ 10,391,206	$ 43,200,149
Additions	51,630	39,864	1,677,802	1,536,224	78,715	3,384,235
Disposals	—	—	(9,085)	(1,747,703)	—	(1,756,788)
Balance at March 31, 2018	**$ 4,888,009**	**$ 750,379**	**$ 25,603,812**	**$ 3,115,475**	**$ 10,469,921**	**$ 44,827,596**
ACCUMULATED DEPRECIATION						
Balance as at April 1, 2017	$ (4,588,610)	$ (528,962)	$ (19,229,409)	$ (1,866,187)	$ (4,484,306)	$ (30,697,474)
Depreciation for the year	(115,806)	(29,106)	(1,736,804)	(778,958)	(1,245,923)	(3,906,597)
Disposals	—	—	9,085	1,215,940	—	1,225,025
Balance at March 31, 2018	**$ (4,704,416)**	**$ (558,068)**	**$ (20,957,128)**	**$ (1,429,205)**	**$ (5,730,229)**	**$ (33,379,046)**
Carrying amount at March 31, 2018	**$ 183,593**	**$ 192,311**	**$ 4,646,684**	**$ 1,686,270**	**$ 4,739,692**	**$ 11,448,550**
2017						
COST						
Balance as at April 1, 2016	$ 4,791,873	$ 684,970	$ 21,417,379	$ 3,223,289	$ 10,353,145	$ 40,470,656
Additions	44,506	25,545	2,530,971	103,665	38,061	2,742,748
Disposals	—	—	(13,255)	—	—	(13,255)
Balance at March 31, 2017	$ 4,836,379	$ 710,515	$ 23,935,095	$ 3,326,954	$ 10,391,206	$ 43,200,149
ACCUMULATED DEPRECIATION						
Balance as at April 1, 2016	$ (4,469,991)	$ (503,839)	$ (18,217,067)	$ (1,186,184)	$ (3,220,635)	$ (27,597,716)
Depreciation for the year	(118,619)	(25,123)	(1,024,732)	(680,003)	(1,263,671)	(3,112,148)
Disposals	—	—	12,390	—	—	12,390
Balance at March 31, 2017	**$ (4,588,610)**	**$ (528,962)**	**$ (19,229,409)**	**$ (1,866,187)**	**$ (4,484,306)**	**$ (30,697,474)**
Carrying amount at March 31, 2017	**$ 247,769**	**$ 181,553**	**$ 4,705,686**	**$ 1,460,767**	**$ 5,906,900**	**$ 12,502,675**

In the first quarter of fiscal 2018, flooding occurred at the OSC resulting in damages to certain Property, plant and equipment. Costs incurred to replace damaged equipment amounted to $1.8 million in 2018 and have been capitalized.

An insurance claim was initiated and proceeds of $1.1 million were received. A loss on disposal of damaged capital assets of $0.5 million has been recorded against insurance proceeds on the Statement of Comprehensive Income. The OSC expects the claim to be finalized in fiscal 2019 and further proceeds will be recognized when the OSC receives formal confirmation of an approved amount.

10. Trade and other payables

	March 31, 2018	March 31, 2017
Trade payables	$ 424,461	$ 1,148,122
Payroll accruals	12,417,094	12,017,104
Other accrued expenses	3,666,029	3,552,584
	$ 16,507,584	**$ 16,717,810**

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, 2018	March 31, 2017
Less than one year	$ 8,025,122	$ 8,205,840
Between one and five years	35,131,322	34,513,391
More than five years	40,675,751	49,859,515
	$ 83,832,195	**$ 92,578,746**

Lease expense recognized during 2018 was $7,634,287 (2017 – $7,826,890). This amount consists of minimum lease payments. A portion of the OSC's office space is subleased to the CSA IT Systems Project Office and the Government of Canada on a full cost recovery basis. During the year, the OSC recorded sublease payments totaling $785,089 (2017 - $794,465) from these two organizations.

The OSC entered into a new lease as of September 1, 2017 for a term of ten years, ending August 31, 2027. The lease contains two consecutive options to extend the term beyond August 31, 2027, each for a period of five years. The lease was approved by the Minister of Finance under the *Financial Administration Act* section 28, which required review of contingent liabilities inherent in the lease.

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, 2018 was $4,986,418 (2017 – $5,078,084), which is included under Salaries and benefits in the Statement of comprehensive income. The expected contributions for the plan for fiscal 2019 are $5,618,241.

(b) Supplemental pension plans

The OSC also has unfunded supplemental defined benefit pension plans for its 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.

The OSC is responsible for governance of these plans. The OSC Board's Audit and Finance Committee assists 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 Pension liabilities are 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 plans expose 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 that 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.
- 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 12 years (2017 – 12 years).

	March 31, 2018	March 31, 2017
Defined benefit obligation, beginning of year	$ 3,839,928	$ 3,608,042
Current service cost	254,812	230,996
Interest cost	132,311	129,189
Benefit payments	(236,625)	(238,465)
Actuarial loss on obligation	114,192	110,166
Defined benefit obligation, end of year	**$ 4,104,618**	**$ 3,839,928**

Actuarial assumptions

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

	March 31, 2018	March 31, 2017
Discount rate(s)	3.45%	3.55%
Inflation	2.25%	2.25%
Expected rate(s) of salary increase	0%	0%
CPP YMPE increase	2.75%	2.75%
Increase in Canada Revenue Agency limit	$ 2,944.4	$ 2,914.4

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, 2018	March 31, 2017
Discount rate increased by 0.5% (obligation will decrease by)	5.4%	5.5%
Discount rate decreased by 0.5% (obligation will increase by)	5.9%	6.1%
Life expectancy increased by 1 year (obligation will increase by)	2.6%	2.9%
Life expectancy decreased by 1 year (obligation will decrease by)	2.6%	3.0%
Inflation rate increased by 0.5% (obligation will decrease by)	1.2%	2.0%
Inflation rate decreased by 0.5% (obligation will increase by)	1.8%	2.5%

The OSC's pension expense relating to the supplemental pension plans for the year ended March 31, 2018 was $381,703 (2017 – $360,185). The OSC expects to incur $230,500 in benefit payments relating to the supplemental pension plan during the next fiscal year.

13. Capital management

The OSC has a $20.0 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 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 financial institutions to protect the principal.

The OSC has a $52.0 million credit facility with a Schedule 1 financial institution to address any short-term cash deficiencies. The credit facility was renewed on July 1, 2016 and will expire on June 30, 2018. The Ministry of Finance has approved the renewal of the credit facility for a further two years, expiring on June 30, 2020.

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 not filing required documents and/or paying their participation and activity fees on time.

On March 15, 2018 the commission announced that the fee rule will remain unchanged for a two year period until March 31, 2020. Factors considered while reviewing the fee structure were the existing surplus, the projected levels of revenue and expenses, projected capital expenses and the level of cash resources required to fund operations through market downturns.

Fees received are as follows:

	March 31, 2018	March 31, 2017
Participation fees	$ 104,501,605	$ 99,726,141
Activity fees	15,648,189	15,470,992
Late filing fees	4,080,222	4,319,208
	$ 124,230,016	**$ 119,516,341**

15. Salaries and benefits

	March 31, 2018	March 31, 2017
Salaries	$ 69,924,102	$ 67,727,969
Benefits	8,411,061	8,113,532
Pension expense	5,368,994	5,438,269
Severance/termination payments	773,566	584,562
	$ 84,477,723	**$ 81,864,332**

16. Administrative

	March 31, 2018	March 31, 2017
Commission expense	$ 1,620,405	$ 1,887,267
Communications & publications	1,799,864	1,865,559
Maintenance & support	2,768,072	3,069,562
Supplies	517,131	799,956
Other expenses	1,080,760	786,178
Training	661,371	676,466
	$ 8,447,603	**$ 9,084,988**

17. Contingent liabilities and contractual commitments

(a) The OSC has committed to paying in full any liability with respect to CSA Systems operations 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 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 2018, there were no such claims or expenses. As described in Note 7, the OSC, in its capacity as DPA, is holding funds in segregated bank and investment accounts that may be used to settle claims and expenses relating to the operation and redevelopment of the CSA Systems.

(b) Occasionally, the OSC is involved in legal actions arising from the ordinary course of business. Settlements from these actions are accounted for when they occur. The outcome and ultimate disposition of these actions cannot currently be determined. However, management does not expect the outcome of any legal actions, individually or in aggregate, to have a material impact on the OSC's financial position.

18. Related party transactions

(a) Funds restricted for CSA Systems operations and redevelopment

In the course of normal operations, the OSC fulfills transactions for CSA Systems with the Funds restricted for CSA Systems operations and redevelopment. During the year, total related party charges incurred and to be reimbursed were $4.2 million ($3.7 million in 2017). At March 31, 2018, $0.6 million was still owed to the OSC ($1.1 million in 2017). For more information, see Note 7.

(b) The Province of Ontario

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

(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.

(iii) Certain payments to harmed investors from the Funds held pursuant to designated settlements and orders are made through the Civil Remedies for Illicit Activities Office (CRIA). Payments are made to CRIA from the OSC pursuant to forfeiture orders obtained by CRIA under the *Civil Remedies Act*. CRIA is an office of the Ministry of the Attorney General of Ontario.

(c) Compensation to key management personnel

The OSC's key management personnel are the members of the Board of Directors, Chair, Vice-Chairs and Executive Director.

The remuneration of key management personnel includes the following expenses:

	March 31, 2018	March 31, 2017
Short-term employee benefits	$ 3,610,842	$ 3,984,123
Post-employment benefits	451,687	364,594
Total compensation	**$ 4,062,529**	**$ 4,348,717**

19. Recoveries of investor education costs

During the year, as described in Note 3(g), the OSC recorded recoveries of investor education costs from the Funds held for designated settlements and orders as follows:

	March 31, 2018	March 31, 2017
Payroll costs	$ 679,997	$ 672,628
OSC in the Community costs	14,602	16,134
Media Campaign costs (Fraud Prevention Month)	243,112	217,131
Website and other IT costs	185,080	154,063
Consulting costs	352,254	410,938
Total	**$ 1,475,045**	**$ 1,470,894**

The amount recorded in the year is $1,475,045 (2017 – $1,470,894), of which $363,644 (2017 – $687,769) is owing to the OSC at March 31, 2018. The amount reimbursed to the OSC in the year from the Designated settlements fund was $1,799,170 relating to costs incurred in the 2017 and 2018 fiscal years.

20. Accounting pronouncements

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, 2018, have not been applied in preparing these financial statements. These pronouncements are currently under consideration or have been determined not to have a material impact on the financial statements of the OSC.

IFRS 9, *Financial Instruments*

In July 2014, the IASB issued a finalized version of IFRS 9, *Financial Instruments*. The completed version of IFRS 9 includes revised guidance on the classification and measurement of financial assets and carries forward the guidance on recognition and derecognition of financial instruments from IAS 39, *Financial Instruments: Recognition and Measurement*. This standard is effective for annual periods beginning on or after January 1, 2018. IFRS 9 is not expected to have a material impact on the financial statements of the OSC.

IFRS 15, *Revenue from Contracts with Customers*

In 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* that sets out the principles for when revenue should be recognized and how it should be measured, together with related disclosures. This standard replaces all existing IFRS revenue requirements and applies to revenue arising from contracts with customers.

This standard is effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively, subject to certain practical expedients, using either a full retrospective approach or a modified retrospective approach. The new standard is applicable to the OSC's financial statements for the year ending March 31, 2019, with an initial application date of April 1, 2018.

During the year, the OSC significantly progressed with the implementation of IFRS 15, including an analysis of the standards applicability to our two most material sources of revenue: participation fees and activity fees. Although neither participation fees nor activity fees are judged to arise from contracts with customers and are therefore outside the scope of IFRS 15, the OSC has determined, considering guidance in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, that accounting for such fees in accordance with IFRS 15 would result in relevant and reliable information to our stakeholders.

The OSC intends to adopt IFRS 15 using the modified retrospective approach, adjusting general surplus as at April 1, 2018 for the cumulative effect of applying IFRS 15, if any, with comparative figures unchanged.

Based on our assessment to date, the OSC does not expect the application of IFRS 15 to result in a material impact on the OSC's financial statements.

IFRS 16, *Leases*

In 2016, the IASB issued IFRS 16, *Leases*, which sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The standard replaces IAS 17, *Leases* and related interpretations.

The standard is effective for annual periods beginning on or after January 1, 2019 and must be applied retrospectively, subject to certain practical expedients, using either a retrospective approach or a modified retrospective approach. The standard is applicable to the OSC's financial statements for the year ending March 31, 2020, with an initial application date of April 1, 2019. While early adoption is permitted, the OSC will not adopt the standard early.

The OSC is a party to various leases, as lessee and as a lessor. Where the OSC is a lessee, all leases will be recorded on the Statement of Financial Position, except short-term leases and leases of low-value items. This is expected to result in a material increase to both assets and liabilities upon adoption of the standard, and changes to the timing of recognition and classification of expenses associated with such lease arrangements. The standard substantially carries forward the lessor accounting requirements. Accordingly, the OSC expects to continue to classify such leases as operating leases or finance leases, and to account for each differently.

Over the next year, the OSC intends to progress in quantifying the impact of the standard, which is currently not known or reasonably estimable. During this time, the OSC intends to select a transition approach and prepare qualitative and quantitative information regarding the impact that initial application of the standard is expected to have on the OSC's financial statements. The OSC intends to disclose further information regarding the impact of the standard in the next annual financial statements.