

Management’s Discussion and Analysis Financial Statements

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Overview

This document sets out the key financial events and actions and how they have influenced the OSC's operations during the past year and provides an outlook on its 2011–12 plans. The environment and challenges that the OSC faces and details on the key elements that were considered in developing the plans are also set out. Additional details on 2011–12 plans are set out in the OSC Statement of Priorities, which is available at www.osc.gov.on.ca.

Certain statements included in this annual report are forward-looking and are subject to risks and uncertainties. The results or events forecast in these statements may differ materially from actual results or events. Factors that could cause results or events to differ from current expectations are described in the risks and uncertainties section. The words "believe," "plan," "intend," "estimate," "expect" or "anticipate" and similar expressions, as well as future or conditional verbs such as "will," "should," "would" and "could" often identify forward-looking statements. The OSC has based these forward-looking statements on its current views with respect to future events and financial performance. Readers should note that any assumptions, although reasonable at the time of publication, are not guarantees of future performance.

This document should be read in conjunction with the financial statements. The financial statements present the OSC's results for the year ended March 31, 2011, with 2010 comparatives and accompanying notes. Unless otherwise specified, references to years (for example, 2011) refer to the fiscal years of the OSC ended March 31 of that year. The factors that affected the OSC's operations during 2011, as well as the factors that reasonably may be expected to affect future operations and financial results, are set out in the document.

The preparation of financial statements that conform with Canadian generally accepted accounting principles (GAAP) requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are calculated based on historical experience, current trends and other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

OSC Responsibilities

The OSC plays a major role in securities regulation in Canada. The OSC is accountable to the Ontario Government. As a self-funded agency, the OSC is wholly dependent on fees from market participants. Its work affects investors, market participants and marketplaces:

Investors

- Both retail and institutional, who seek to invest in fair and efficient markets. Ontario residents hold about 42% of the financial assets held by individual Canadians and approximately 83% of investment fund assets are held by fund companies based in Ontario.

Market Participants and Marketplaces

- Issuers – public and private companies that rely on the capital markets to fund growth and diversification. Approximately 32% of Canadian-listed corporate issuers are based in Ontario, accounting for 40% of Canada's equity market value.
- Intermediary firms – registered to provide investment services to both users and suppliers of capital. There are 1,249 registrant firms (out of 1,465 in Canada) and 64,628 individuals (out of 118,993 in Canada) registered in Ontario.
- Marketplaces – There are currently 18 marketplaces (e.g. TSX, Pure Trading, Alpha ATS etc.) operating within Ontario.

As a member of the Canadian Securities Administrators (CSA), the OSC works with other Canadian securities regulators to improve, coordinate and harmonize the regulation of Canada's capital markets.

OSC Approach

The OSC is a Crown corporation without share capital and is the body responsible for regulating Ontario's capital markets. Protecting investors and fostering fair and efficient capital markets in Ontario involve striking an appropriate balance between facilitating timely access to the material information needed by investors to make informed investment decisions without imposing undue regulatory burdens on market participants.

The OSC achieves its objectives through a variety of regulatory tools, including:

- imposing requirements through rules and other regulatory instruments;
- providing guidance to market participants;
- assessing compliance and directing corrective action; and
- taking enforcement action.

The OSC is also an administrative tribunal with quasi-judicial powers. Panels of Commissioners hear enforcement proceedings and contested applications and consider applications for discretionary exemptions from the requirements of Ontario securities laws. Certain authorities are delegated by statute to OSC Directors and other staff as designated under the *Securities Act* and the *Commodities Futures Act*.

Financial oversight and accountability are achieved by:

- preparing an annual budget, which is reviewed by the Audit and Finance Committee and approved by the Board and the responsible Minister;
- providing summary financial information to the Board each month;
- reporting actual versus budget performance and updated full-year forecasts every quarter to the Audit and Finance Committee and the Board;
- requiring Board approval of significant unbudgeted expenses or re-allocations; and
- certifying the design and effectiveness of Internal Control over Financial Reporting (ICFR) by the Chair and the Director of Corporate Services.

Current Environment and Issues

The prevailing financial environment continues to pose challenges for those that the OSC regulates and the OSC itself. Despite improving global economic conditions uncertainties remain about the possible outcomes for the economy and financial market volatility persists. The main environmental factors affecting the OSC's work are set out below.

Market Developments/Evolution

The rapid pace of product and market innovation includes many developments, including the proliferation of complex exchange-traded funds (ETFs) and structured products, dark pools and algorithmic trading, portfolio account services that provide retail investors with access to the exempt market, a rise in importance of new trading platforms and developments surrounding new order types, the need for a securities regulatory regime for credit rating agencies that is consistent with evolving international standards, and emerging regulatory requirements for the clearing and reporting of over-the-counter (OTC) derivatives trades. The OSC continues to assess the impact of these developments on market transparency, stability, investor access and fairness in order to determine what changes need to be made to the regulatory environment to uphold its mandate and maintain consistency with global standards. (For more, see Proactive Regulation)

TMX Group and London Stock Exchange

The OSC, in its capacity as the lead regulator of the TSX and TMX, is required to review the proposed transaction between the TMX Group and London Stock Exchange that was announced in February. As it pursues this review in 2012, the Commission's goal will be to ensure a transparent and comprehensive public consultation process and confirm that any changes associated with the transaction are in the public interest.

Systemic Risk

Domestic and international policy agendas will continue to be driven by the G20 and Financial Stability Board initiatives, including continued focus in the areas of OTC and commodity derivatives, market integrity and systemic risk. The pace of reforms, as well as the state of implementation of reforms to date, will continue to dominate international discussions. During 2011, the OSC was actively engaged at the international level. The OSC was co-chair of the IOSCO's Working Group on Systemic Risk, which was set up to enhance the understanding of sources of potential instability and bolster the financial system's resilience to future shocks. The OSC worked domestically through the CSA Systemic Risk Committee to develop processes to identify, analyze and monitor systemic risks within the Canadian capital markets. Further work with other Heads of Agencies members (OSFI, Bank of Canada, Department of Finance) on some of these issues is planned for 2012. During 2011 the OSC increased its focus on derivatives by resourcing a new program area responsible for considering and addressing related regulatory issues. Given the breadth of these issues, more resources are planned for this area in 2012.

Working With Retail Investors

The OSC is continuing its efforts to try to ensure that the voice of the retail investor is heard just as clearly as the voice of the more formally organized market participants. In addition to the outreach efforts undertaken by various OSC branches, in August, the OSC set up the Investor Advisory Panel as a forum to hear the concerns of retail investors and gain better insight into investor issues. To date, the panel has held several meetings to gather feedback from investors and provided comments on a number of proposed OSC rules.

During the year, the OSC undertook a variety of actions to better inform investors, including publishing Disciplined Persons lists and providing Investor Alerts and Investor Warnings about suspicious activity in the capital markets, such as potential frauds. To address future investors at the grassroots level, the OSC provided \$1.9 million to the Ministry of Education to assist in the development and introduction of a financial literacy programs in Grades 4 to 12 across Ontario. (For more, see Investor Protection)

OSC Enforcement

Our primary focus is on protecting the interests of Ontario's investors and capital markets. To effectively protect the public interest, our enforcement and compliance regime must be vigorous, effective and fair - and must be seen as such. The OSC will need to continue to adapt its regulatory system to reflect the realities of the global marketplace. The OSC continues to adopt new approaches and tools to improve its enforcement and compliance programs. Details on the enforcement initiatives undertaken in 2011 are highlighted in the **OSC Enforcement Activity Report** on the OSC website.

OSC Revenues and Surplus

Securities market participants fund our operations through fees they pay. The current fee structure under the Securities Act (Ontario) and the Commodity Futures Act was established in 2003. The fee model is intended to recover our costs of operation in fulfilling our mandate while allowing us to remain financially stable. When we implemented the fee model, we committed to re-evaluate fee levels every three years. Our fees were last amended on April 5, 2010.

On March 31, 2010, the balance of the general surplus was \$28.8 million. In setting fees for the three years ending March 2013, we planned to operate at a deficit in each year so as to eliminate the surplus by the end of the period. In 2011, the OSC had an operating deficit of \$11.1 million, and the year-end surplus was reduced to \$17.7 million. In 2012, the OSC is expecting an operating deficit of \$10.4 million, and the general surplus is projected to further decline to \$7.3 million at the end of 2012.

Credit Facility

Achieving an appropriate financial balance can be challenging for the OSC because most costs are relatively fixed and revenues are seasonal. Since a large portion of revenues are normally received in the last quarter of the fiscal year and expenses are incurred relatively evenly throughout the year, cash balances decrease through the first three quarters. This results in a cash shortfall in the third quarter, which, prior to 2011, has been covered by the accumulated surplus.

With the planned reduction in the surplus, the OSC needed to draw \$13 million from its \$20 million reserve for the first time in 2011. In January 2011, when the majority of registrant fees were received, the \$20 million reserve was restored.

Due to the timing of its cash flows, the OSC will again need to draw upon its Reserve fund assets during 2012 to manage its cash requirements. In instances where the OSC reserve has been fully drawn down, the OSC will need to cover any additional cash flow shortfall with a credit facility. Although the OSC expects its reserve to be adequate to fund its operations in 2012, discussions have been held with the OSC's banks, the Minister of Finance (who must approve any borrowing) and the Ontario Financing Authority on setting up a credit facility to deal with cash shortfalls. We plan to have the facility approved and in place this summer.

International Financial Reporting Standards (IFRS)

Consistent with the discussion in the MD&A for the past two years, the OSC sought and obtained approval from the Provincial Controller's Office to adopt IFRS. The OSC views IFRS as a continuation of financial reporting that is transparent and accountable to the market participants that fund the OSC. Internationally, the Financial Services Authority, which regulates the securities industry in the United Kingdom, prepares its financial statements in accordance with IFRS. In Canada, federal agencies such as OSFI and the Bank of Canada have expressed their intention to transition to IFRS as well. Additional details on the OSC's IFRS changeover plan are set out in Appendix A.

Internal Control Over Financial Reporting (ICFR)

During the year, the OSC's ICFR processes were reviewed and documentation updated where necessary. Operating effectiveness was tested using the framework and criteria established in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Staff performed an evaluation, under the supervision and with the participation of management, of the effectiveness of the OSC's ICFR as at March 31, 2011. Based on this evaluation, the OSC has concluded that the ICFR was operating effectively and that there are no material weaknesses.

There have been no changes that occurred during the most recent year ended March 31, 2011, that have materially affected, or are reasonably likely to materially affect, the OSC's ICFR. The Chair and the Director of Corporate Services certify the design and effectiveness of ICFR in the Statement of Management's Responsibility and Certification.

Canadian Securities Transition Office (CSTO)

The evolution of the capital markets reinforces the OSC's ongoing support for the creation of a national securities regulator for Canada. The OSC will continue to support the Ontario Government, the Canadian Securities Transition Office (CSTO) and participating provincial securities regulators to make the implementation of a national securities regulator a reality and will continue to provide OSC resources to support this initiative as it proceeds. (For more, see the Chair's Message)

Selected Three-Year Annual Information

(\$ Thousands)	2011	2010	2009
Revenues	72,955	61,466	68,562
Expenses	84,750	80,320	81,053
Deficiency of Revenue over Expenses (before recoveries)	(11,795)	(18,854)	(12,491)
Recoveries of enforcement costs	703	870	2,831
Deficiency of Revenue over Expenses	(11,092)	(17,984)	(9,660)
General Surplus	17,676	28,767	46,752
Capital Expenditures	1,321	1,373	5,297

Analysis of Operating Results

Certain financial statement amounts have been rounded for discussion purposes; however, percentages are calculated from the financial statement amounts. As a result, small differences in calculations may arise. Where these occur, they are not considered to be material.

Overview

Consistent with its plan to reduce its surplus, as noted above, the OSC had a net deficit of \$11.1 million in 2011 (\$18.0 million – 2010). The deficit was \$6.2 million less than budgeted because revenues were \$3.5 million higher than expected and spending was \$2.7 million under budget.

Revenues increased by \$11.5 million or 18.7% mainly due to higher participation and activity fee revenues.

Expenses were \$4.4 million or 5.5% higher. Key drivers of the increase were costs for salaries and benefits related to additional staff in key areas (\$4.3 million), amortization (\$276,000) and professional services (\$183,000). Employee compensation and occupancy costs account for 85.5% (2010 – 84.8%) of expenses (before recoveries).

The OSC's deficiency of revenues over expenses was reduced by the recovery of \$703,000 in enforcement costs through settlements and orders. Recoveries were down \$167,000 from 2010.

The premises and equipment balance decreased by \$1.7 million or 31.0% because amortization exceeded capital additions.

Detailed Analysis of Fiscal 2011 Operating Results

The OSC fee structure is designed to generate fees that reflect the OSC's cost of providing services to market participants. The fee schedule requires the payment of activity fees and participation fees.

Activity fees are set at a level to reflect an estimate of the direct cost of OSC staff resources used in undertaking those activities requested of staff by market participants. Activity fees are charged at flat rates based on the OSC's average cost to provide the service.

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 participant's use of the Ontario capital markets. Participation fee levels are set using a tiered structure. Fees for issuers are based on average market capitalization across their fiscal year; fees for registrants are based on their revenues. As a market participant grows, it moves through various tiers which have increasingly higher fees.

Revenues					
(Thousands)	% of Total 2011	2011	2010	Change	% Change
Participation fees	80.5	\$ 58,404	\$ 49,068	\$ 9,336	19.0
Activity fees	16.2	11,777	9,828	1,949	19.8
Late fees	3.3	2,386	2,032	354	17.4
Total fees	100.0	72,567	60,928	11,639	19.1
Investment income		298	460	(162)	(35.2)
Miscellaneous		90	77	13	16.9
Total revenues		72,955	61,466	11,490	18.7

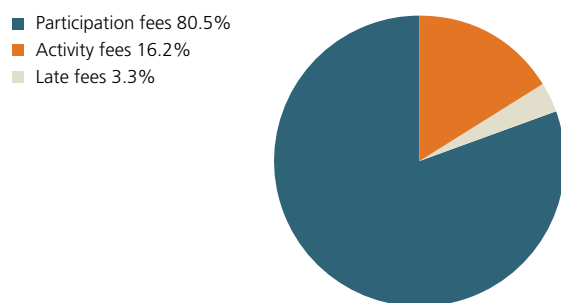
Figure 1 – OSC Fees by Type

Figure 1 shows the sources of the OSC's fee revenues.

When fee rates were last changed April 5, 2010, most of the activity fees were unchanged from the rates set in 2006, and participation fee rates were raised by 9% per year for registrants and 17% per year for issuers. The difference in fee increases for issuers and registrants is intended to better align revenues generated from each group with its level of participation in the Ontario capital markets.

The impact of stronger than expected market performance in conjunction with higher fee rates had a positive impact on OSC revenues. Revenues for the year were \$73.0 million, up from \$61.5 million in 2010. The variance is explained below.

Participation fees were higher by \$9.3 million or 19.0%. About two-thirds of the overall increase or \$6.2 million resulted from the higher fee rates. For issuers, increased market capitalization levels and a net increase in the number of issuers were the other key fee drivers. For registrants, a slight net decrease in the number of registrants was more than offset by the impact of strong market growth on their revenues.

Activity fees rose by \$1.9 million or 19.8% as market activity improved, resulting in increased numbers of prospectus and private placement filings and due to higher fee rates.

Late fees were \$354,000 or 17.4% higher than last year. While fewer participants are now required to file insider trade reports, there was an increase in late filings of these reports. This is likely related to the reduction in the insider filing deadline from ten to five days.

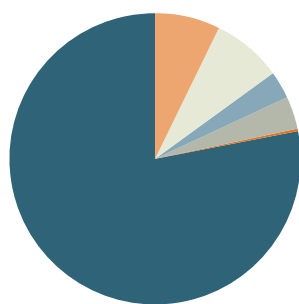
Investment income fell \$162,000 or 35.2%, reflecting continued low rates of interest on reduced cash balances due to the drawdown of the general surplus. The average rate of return on cash balances and investments was 0.9% (2010 – 0.9%) and was unchanged from 2010.

Expenses					
(Thousands)	% of Total 2011	2011	2010	Change	% Change
Salaries and benefits	77.8	\$ 65,958	\$ 61,673	\$ 4,285	6.9
Occupancy	7.7	6,526	6,445	81	1.3
Administrative	7.3	6,195	6,567	(372)	(5.7)
Amortization	3.6	2,981	2,705	276	10.2
Professional services	3.1	2,649	2,466	183	7.4
Other	0.5	441	464	(23)	(5.0)
Total Expenses	100.0	84,750	80,320	4,430	5.5
Recoveries		703	870	(167)	(19.2)
Total Expenses (net of recoveries)		84,047	79,450	4,597	5.8

Total expenses (net of recoveries) for 2011 increased 5.8% to \$84.0 million (2010 – \$79.5 million).

Figure 2 – OSC Expenses by Type

■ Salaries and benefits 77.8%
 ■ Administrative 7.3%
 ■ Occupancy 7.7%
 ■ Professional services 3.1%
 ■ Amortization 3.6%
 ■ Other 0.5%



The key contributors to the expenditure increase were as follows:

Salaries and Benefits costs increased by 6.9% to \$66.0 million (2010 – \$61.7 million) and accounted for 77.8% (2010 – 76.8%) of total expenses. Salary increases put in place at the beginning of the fiscal year averaged 1.6%, totalling approximately \$614,000 (2010 – \$620,000). The 2011 expenses included the full-year cost impact of staff hired during 2010, as well as the costs for new staff – two in Registrant Regulation and Compliance and one each in

Enforcement and Investment Funds. Two staff were added in the Corporate Secretary's Office to support and coordinate operation of the OSC Investor Advisory Panel and to improve the timeliness of OSC adjudicative processes. A new Derivatives Branch was created with three new staff. Total staff increased to 478. Temporary staff use increased by \$76,000. Other key contributors to the increase were bonus payments that increased by \$1.3 million and severance costs that were \$640,000 higher. These increases were partially offset by savings of \$556,000 on salaries and benefits that were recovered for staff seconded to the CSTO.

Administrative costs decreased by 5.7% to \$6.2 million (2010 – \$6.6 million) and accounted for 7.3% (2010 – 8.2%) of total expenses. The key contributors to the decrease were office supply costs, which were down \$120,000, a \$126,000 decrease in cellphone costs and a \$102,000 decrease in witness and court reporting costs.

Occupancy costs accounted for 7.7% (2010 – 8.0%) of the OSC's total expenses. Expenditures on occupancy increased \$81,000 or 1.3% to \$6.5 million.

Professional Services spending increased 7.4% from \$2.5 million to \$2.6 million and accounted for 3.1% (2010 – 3.1%) of the OSC's total expenses. Key projects contributing to the increase were real estate support related to the pending lease expiry (\$140,000) enterprise risk management (\$140,000) and economics/market research (\$87,000). Enforcement-related professional services costs increased by \$74,000. These increases were partially offset by reduced litigation costs related to actions against the OSC, which were lower by \$269,000.

The OSC is a member of the CSA, which is a forum of Canadian securities regulators. Professional services include costs to operate CSA offices (allocated on a formula basis), as well as the OSC's portion of professional services costs incurred on joint CSA projects. Total CSA spending on shared projects in 2011 was slightly higher at \$2.7 million (2010 – \$2.5 million); the OSC contributed \$1.1 million (2010 – \$952,000). OSC staff time spent on CSA projects is not included in these totals. All CSA projects, including the development of harmonized securities policies and rules, are coordinated through a central secretariat. The CSA's business relationships with third-party technology providers are managed through the CSA systems office. In 2011, the OSC contributed \$337,000 (2010 – \$306,000) to the cost of the CSA Secretariat and \$242,000 (2010 – \$195,000) to the cost of the systems office.

Amortization costs increased to \$3.0 million (2010 – \$2.7 million) and accounted for about 3.6% (2010 – 3.4%) of the OSC's total expenses. Amortization expenses rose, reflecting increases to the OSC capital base related to expenditures on computer applications systems (e.g., Autonomy) and computer hardware and software.

Other expenses, which are travel and related expenses, decreased by \$23,000 or 5.0% to \$441,000 (2010 – \$464,000) and accounted for 0.5% (2010 – 0.6%) of the OSC's total expenses. In 2010, travel expenses fell by over 40% as a significant amount of travel was deferred pending finalization of government travel directives. Travel in 2011 was slightly lower than 2010 due to lower levels of enforcement-related travel, which was partially offset by more travel related to our international work with IOSCO.

Liquidity and Financial Position

Financial Instruments

Financial instruments used by the OSC consist of Cash, Funds held pursuant to designated settlements and orders, Funds in trust, and Reserve fund assets, all of which are recorded at fair value. Accounts receivable and accounts payable and accrued liabilities are recorded at cost, which approximates fair value given their short-term maturities. Cash, Funds held pursuant to designated settlements and orders and Funds in trust are held in a Canadian deposit account with a Schedule 1 bank, earning interest at 1.75% below the prime rate. Reserve fund assets are invested with the Ontario Financing Authority in highly liquid Government of Ontario treasury bills with maturities of one year or less. The carrying values of the OSC's financial instruments approximate their fair values because of their short-term nature.

It is management's opinion that the OSC is not exposed to significant interest rate, currency or liquidity risks arising from its financial instruments due to their short-term nature and because virtually all transactions occur in Canadian dollars. The OSC's concentrations of credit risk with respect to accounts receivable are limited as they are made up of a large number of debtors owing individually immaterial balances and amounts receivable from the Government of Canada for the recovery of the Harmonized Sales Tax paid during the year and from the CSTO for staff seconded to that office.

Liquidity

The OSC holds cash and marketable securities to ensure that sufficient liquidity is available to meet forecasted cash requirements. With the general surplus and the steps being taken to establish a credit facility, the OSC expects to have sufficient liquidity to finance its operations and purchases of premises and equipment. The OSC's general surplus decreased by \$11.1 million, reflecting the anticipated deficit of revenues over expenses. As a result, the OSC's cash position decreased by \$9.1 million or 25.5% in 2011. Cash flows from operating activities are an outflow of \$8.0 million. Purchases of premises and equipment used \$1.3 million.

As at March 31, 2011, the OSC held \$26.5 million (2010 – \$35.6 million) in cash and had current assets of \$29.4 million (2010 – \$37.1 million) and current liabilities of \$13.5 million (2010 – \$11.8 million) for a current ratio of 2.2:1 (2010 – 3.2:1).

Details on expected deficits, their expected impact on the general surpluses and OSC cash balances have been provided earlier in the document. In 2012, the OSC is expecting an operating deficit of \$10.4 million. In March 2012, the cash balance is projected to decrease to approximately \$15.8 million, and the general surplus is projected to be \$7.3 million.

Revenues

Revenue generation remains a source of risk since all the OSC's revenues are correlated to market activity. The degree to which the OSC's revenues vary along with market fluctuations is greater than was anticipated when its fee structure was developed. In September 2008, the OSC released a proposal for a new fee model for public comment that would have reduced the uncertainty of OSC revenues, based on research on other regulators in Canada and overseas. Due to the significant market upheaval at that time, the OSC did not proceed with the proposal; however, the OSC plans to reconsider this approach in the next review of its fees. This may be affected by the timing of a potential national regulator. Additional discussion is provided under "Financial Risk" later in the document.

Reserves

Since 2001, the OSC has had a \$20.0 million general reserve as an operating contingency for revenue shortfalls or unexpected expenses. The prime investment consideration for the reserve is the protection of capital and liquidity. The rate of return on investments is low since funds are invested in Government of Ontario treasury bills. The OSC records income generated by the reserve in general operations.

Accounts Receivable

Accounts receivable increased 105.7% to \$2.2 million (2010 – \$1.0 million). Outstanding late fees, which accounted for 21.2% of accounts receivable, increased 20.4% to \$456,000 (2010 – \$379,000), and the allowance for doubtful accounts increased by \$69,000. Other key increases in receivables are HST recovery (\$437,000), recoveries of costs from the CSTO (\$565,000) and higher interest receivable (\$35,000).

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. Funds that are not so designated at the time that settlements are approved or orders are made are to be paid to the Consolidated Revenue Fund of the Government of Ontario and may not be used to fund OSC operations. With regard to monetary sanctions imposed, a fair and appropriate use for these monies will be determined in accordance with applicable laws and court orders and in the public interest.

Amendments to the *Securities Act* in December 2004 removed the requirement for Ministerial approval of allocations of designated funds. The Minister retained the right to establish guidelines for the allocation of the funds collected prior to December 2004. During 2011, the OSC received Ministerial approval to allocate the remaining \$1.9 million of these funds to the Ministry of Education to promote the development of a financial literacy component for inclusion in the school curriculum.

In 2011, the OSC received \$4.5 million (2010 – \$29.8 million) through designated settlements and orders. As authorized by the Board, the OSC paid \$2.97 million to the Investor Education Fund (2010 – \$3.37 million) as part of a two-year commitment. At March 31, 2011, the OSC holds \$43.6 million (2010 – \$43.5 million) pursuant to designated settlements and orders.

Funds in Trust

To March 31, 2011, the OSC received \$62.6 million (2010 – \$46.9 million) from the operator of the System for Electronic Document Analysis and Retrieval (SEDAR), the National Registration Database (NRD) and the System for Electronic Disclosure by Insiders (SEDI), representing the accumulated surplus from the operations of SEDAR, NRD and SEDI from their inception. Interest earned on these funds to 2011 was \$2.9 million (2010 – \$2.3 million), which is included in the funds in trust balance.

As described in Note 6 of the financial statements, these funds may be used to enhance the systems, reduce systems fees or offset shortfalls in revenue in SEDAR, SEDI and NRD. In 2011, there were no SEDAR deficits. As at March 31, 2011, \$25.8 million (2010 – \$22.4 million) of the total funds held in trust is available for SEDAR, \$10.4 million (2010 – \$7.5 million) is available for SEDI and \$28.1 million (2010 – \$19.2 million) is available for NRD. The OSC has committed to paying its share of annual shortfalls resulting from the operations of SEDAR (45.1%), SEDI (25%) and NRD (36.07%) should they occur and accumulated surpluses are unavailable.

During the year, work continued on the redevelopment of these systems. As at March 31, 2011, payments related to this redevelopment project totalled \$638,000. The CSA has also entered into a contract totalling \$500,000 for procurement and technology advice related to these systems. Redevelopment work will be funded by the amount held in trust.

Premises and Equipment

Expenditures on premises and equipment during 2011 were:

(Thousands)	2011	2010	% Change
Furniture and equipment	\$ 40	\$ 11	264
PCs, laptops and other IT equipment	1,134	1,306	-13
Leaseholds and other capital items	147	56	163
Total	1,321	1,373	-4

Expenditures on premises and equipment remained fairly consistent at \$1.3 million (2010 – \$1.4 million). Higher expenditures on leaseholds and other capital items were offset by lower spending on technology-related purchases.

The OSC premises lease expires in August 2012. The OSC must notify the landlord of its leasing intentions by August 2011. A request for proposal has been issued to solicit offers for space; at this time the outcome of this process is unknown. Should a decision be taken to move to new premises, the OSC could incur material costs for leasehold improvements.

Liabilities

Accounts payable and accrued liabilities increased 14.4% to \$13.4 million (2010 – \$11.7 million) primarily due to higher charges and accruals for bonuses of \$1.1 million and severance by \$773,000.

The accrued pension liability of \$1.9 million (2010 – \$1.7 million) represents future obligations relating to supplementary pension plans for the current and former Chairs and Vice-Chairs. The unfunded supplemental pension plans' accrued benefit obligation at March 31, 2011, was \$2 million (2010 – \$1.8 million). The OSC's related expense for the year was \$221,000 (2010 – \$198,000) and is included in salaries and benefits.

The OSC is committed to lease payments as outlined in Note 13 to the financial statements.

Critical Accounting Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements, as well as the reported amounts of revenues and expenditures for the period. Actual amounts can differ from these estimates to the extent future outcomes differ significantly from management's forecast expectations. To address this, the OSC uses various estimating techniques and assumptions to prepare the financial statements. Estimates were used in the following accounts: collectibility of accounts receivable, valuation of pension liabilities, estimated useful life of premises and equipment, total accrued liabilities and collectibility of designated settlements and orders. Where appropriate, such as for pension matters, the OSC obtains independent professional expertise to assist in the calculation of these estimates. It is management's opinion that none of the estimates as described in Note 2 of the 2011 financial statements requires the OSC to make assumptions about matters that are highly uncertain. For these reasons, none of the estimates is considered a critical accounting estimate.

Risks and Uncertainties

The OSC Board of Directors is responsible for sound corporate governance and oversight of risk. The range of risks the OSC must manage continues to grow due to the pace of change and the continuing globalization of financial entities and their operations.

- Developments in the overall investment marketplace: These changes may be product-based or market-structure-based or relate to transactions or the activities of market intermediaries.
- Developments in the domestic and international regulatory arena: As economies and markets have become more globally linked, so has the need to consider changes to the way many aspects of financial services regulation are viewed.
- Developments in stakeholder perceptions of regulatory effectiveness: Despite extensive efforts and resource expenditures of regulators, there remains a gap between the expectations of the public and its perceptions of regulatory effectiveness.

Against this background, the importance of identifying and understanding the nature of specific risks the OSC must manage continues to grow.

Enterprise Risk Management

The enhancement of risk management programs in the OSC's day-to-day operations has been identified as a key business priority for 2012 and beyond. The OSC is improving its ability to identify, assess and report on risks affecting its operations by:

- developing a consistent understanding of risk within the OSC;
- establishing clear accountability for its management; and
- setting out a framework for the ongoing monitoring and reporting on specific risk management activities across the organization.

In 2011, the OSC used consultants to assist in the ongoing development of an appropriate enterprise risk management framework. The scope of the project included a comprehensive review and assessment of current risk management approaches employed by the OSC, assessment of their effectiveness, benchmarking and identification and recommendations for improvement. Work on the risk management initiative is proceeding together with other strategy-related work that is central to the achievement of the OSC's business objectives. As part of this process, the OSC will review its progress in managing its identified risks. The OSC will use the increased understanding gained through enterprise risk management processes to refine its regulatory approaches.

Operational Risk

Operational risk can be defined as the risk of direct or indirect loss resulting from the organizational environment or external events or from inadequate internal processes, staff resources or supporting systems. Management is responsible for the day-to-day control of operational risk by ensuring that appropriate procedures, internal controls and processes or other actions and compliance with such programs are established to reduce operational risk.

Specialist support groups, such as Human Resources, Corporate Services and the Office of the General Counsel, assist operational management by maintaining oversight in areas such as corporate data security, staff conduct requirements, technology stability and reliability, financial controls, corporate insurance and legal compliance, among others. The OSC has established policies and processes to identify, manage and control operational risk. Key components include:

- A strong internal control environment, including management oversight that includes reviewing the design of internal control over financial reporting and testing operating effectiveness of key controls, as discussed earlier;
- Regular reviews of systems security measures to monitor controls and identify potential vulnerabilities to external parties accessing OSC data;
- Mitigation of risk to assets through insurance where practical and appropriate; and
- Separation of duties across key functions.

Operational risk can extend to risk to the OSC's reputation as can the risk of not meeting its mandate or regulatory requirements. Reputational risk is addressed at the OSC by its Code of Conduct and governance practices established by its Board of Directors (additional details available at www.osc.gov.on.ca) as well as other specific risk management programs, policies, procedures and training.

The OSC, from time to time, is involved in various legal actions arising from the ordinary course and conduct of business. Settlements concerning these contingencies, if any, will be accounted for in the period in which the settlement occurs. The outcome and ultimate disposition of these actions are not determinable at this time; however, OSC management does not expect the outcome of any of these proceedings, individually or in aggregate, to have a material impact on its financial position.

The implications of the ongoing Federal initiative, supported by both the Ontario Government and the OSC, to establish a common securities regulator in Canada are a source of uncertainty and could have a material impact on OSC operations. As this initiative becomes more defined, the OSC may encounter more difficulty attracting or retaining staff. Although no evidence has been seen to date, the OSC will continue to monitor staffing and will develop strategies to address issues should they arise.

Key supplier dependency is another potential source of risk. A number of major applications (SEDAR, NRD and SEDI) are operated by CDS INC. (CDS) on behalf of the CSA, which includes the OSC. CDS recovers its costs to operate these systems through the application of user fees to filers. In 2011, 91.1% (2010 – 91.8%) of total regulatory fee revenue at the OSC was collected through these national applications (SEDAR 37.5% and NRD 53.6%) No material change is expected in the volume of fees collected through these systems. The current operating agreement with CDS for these systems has been extended until October 2012. A strategy for redevelopment of the systems has been created by the CSA IT Systems Office, and an implementation plan has been agreed to. In addition, it has been agreed to competitively tender operation of the current systems in parallel with the development of replacement systems.

The CSA requires CDS to provide an annual third-party audit report (CICA 5970) that confirms the operational and environmental controls for each system. In addition, CDS is required to have an operating disaster recovery site for these systems that is tested annually.

Financial Risk

The majority of OSC revenue is generated through participation fees. The OSC fee model uses a tiered structure to moderate the impact of market fluctuations in an effort to provide revenue stability. While the fee model has achieved this objective across multi-year periods, in any given year, the predictability of OSC revenues is less certain as participation fees are still subject to market fluctuations.

When setting the current fees, the OSC assumed a 10% annual market growth in developing its fee rates and revenue forecast. In 2011, revenues exceeded projections due to stronger than expected market performance for reporting issuers. The market growth projection in our 2012 revenue forecast was reduced to 5%, reflecting our assessment that the rate of growth will not be as strong as previously projected, based on a survey of market economists. The 2011 revenue surplus offsets the lower projections for 2012. Should this growth rate not be achieved, revenues could be materially lower than forecast, and further revisions to the fee rule could then be required ahead of plan.

Business Continuity

In the event of an external disruption, the OSC maintains a robust Business Continuity Plan to ensure the continuation of critical regulatory services. Detailed business continuity plans are in place for each priority business function. Each functional plan includes documented recovery procedures including manual workarounds and other mitigation strategies. Off-site recovery services and facilities have been contracted and were successfully tested during 2011. Remote access capability exists to enable staff to access all critical OSC systems. The OSC plan is continually reviewed and refined to include strategies to recover data and functionality and to resume operations under various disruption scenarios. Another key element of the OSC plan addresses its interfaces with SROs and other key market participants and includes strategies to effectively address various market disruption scenarios.

During 2011, the OSC implemented its Business Continuity Plan to ensure continuity of OSC operations in the period leading up to and during the G20 Summit in Toronto. This event provided a live opportunity to test our work-at-home capacity and to identify opportunities to improve our overall preparedness. Service levels were safely maintained at all client access points, and all critical program functions and processes were executed in a timely manner.

2012 Outlook

The 2011/2012 OSC Statement of Priorities sets out the Commission's priorities and proposed initiatives for the upcoming year. The document is available at www.osc.gov.on.ca. The OSC has identified five broad priorities for 2012:

1. Better Demonstrate our Commitment to Investor Protection
2. Intensify Operational, Compliance and Enforcement Efforts
3. Modernize our Regulatory Systems and Approaches
4. Pursue a Coordinated Approach to Securities Regulation
5. Demonstrate Accountability for our Performance as a Leading Securities Regulator in Canada

Details on planned initiatives toward achievement of these priorities are set out earlier in the Annual Report.

OSC Revenues and Surplus

Overall, the OSC is forecasting revenues to increase by 10.1% from 2011 actual revenues, primarily due to the higher fee rates noted earlier. Even with these fee increases and consistent with its plan to reduce its surplus (as outlined earlier), the OSC expects to operate at a deficit in 2012.

2012 Budget Approach

In developing the 2012 budget, we have continued to balance the need for restraint with our need to move forward on initiatives that are necessary to achieve our mandate of providing protection to investors and fostering fair and efficient capital markets.

					2012 Budget to 2011 Budget		2012 Budget to 2011 Actual		
(Thousands)	2011 Budget		2011 Actual	2012 Budget		Change	% Change	Change	% Change
Revenues	\$	69,496	\$ 72,955	\$	80,287	\$ 10,791	15.5	\$ 7,332	10.1
Expenses		86,740	84,047		90,706	3,966	4.6	6,659	7.9
Deficiency of Revenue compared with Expenses									
		(17,244)	(11,092)		(10,419)	6,825		673	
Capital Expenditures	\$	1,401	\$ 1,321	\$	2,396	\$ 995	71.0	\$ 1,075	81.4

The 2012 budget increase includes investments in a number of new strategic initiatives. While these initiatives will be staffed in part by a reallocation of existing resources, the scope of the initiatives is such that incremental resources will be needed and are reflected in the budget.

The 2012 budget includes resources for new staff and consulting resources to deal with market structure issues that are increasing both in number and complexity. Additional funding is also allocated to build out the new group focused on the regulation of OTC derivatives. These initiatives are consistent with the regulatory outcomes the OSC is seeking.

The OSC is committed to becoming a 21st-century regulator. As a first step, consulting resources have been committed to complete a comprehensive strategic plan. The plan will provide a road map for future operational priorities and investments. To be a 21st-century regulator, the OSC also needs to attract, retain and motivate staff with the range of skills and experience required. Skilled staff, including specialists in market and product research and analysis, have become increasingly important resources. The OSC believes that becoming a leading employer will lead to greater success in attracting these types of resources. Toward this outcome, resources have been targeted to develop a talent strategy and to create the appropriate organizational structure and development environment. (For more, see the Chair's Message)

The budget reflects a projected increase of \$6.6 million or 7.9% over 2011 spending and 4.6% above the 2011 budget. The level of the proposed increase is consistent with those being sought by regulators in other jurisdictions. Salaries and benefits, which comprise \$69.9 million or 77.1% of the budget, reflect an increase of \$4.0 million or 5.6% over 2011 spending. The average annual increase for staff was 1.9%. The increase in salaries and benefits cost reflects the full-year costs for staff hired during 2010–11 and higher health benefit costs. Eleven new positions were approved focused on the strategic initiatives set out above. More resources were targeted to support OSC Commissioners and improve the timeliness of our adjudicative processes. Staffing was also added to support our new directions and approaches to enforcement and compliance. Our goal is to bring forward meaningful cases that have a strong deterrent impact in order to protect investors and the markets.

The significant increase in the capital budget reflects the replacement of personal computers and laptops because the bulk of the OSC's computer leases end in 2012 and must be replaced.

The OSC's current premises lease ends August 31, 2012. If a decision is made to move, there will be leasehold improvements in 2012. No provision has been made at this time, pending a decision on location and the terms of the new leasing deal.

Appendix A

Adoption of International Financial Reporting Standards (IFRS)

In 2008, the Canadian Accounting Standards Board confirmed that Canadian GAAP for publicly accountable enterprises will be IFRS, for interim and annual reporting purposes, for financial years beginning on or after January 1, 2011.

In October 2009, the Public Sector Accounting Board (PSAB) approved an amendment to the Introduction to the PSA Handbook that allows an "Other Government Organization," such as the OSC, to determine, by assessing its mandate, considering its purpose, objectives and limitations, and the users' needs, the appropriate accounting standards it wishes to apply.

An Addendum to the 2010 Ontario Budget expressed concerns with the range of accounting standards in use across the Ontario public sector. It states that amendments will be proposed to the *Financial Administration Act* and other statutes "to clarify the government's authority to direct the organizations that are included in the Province's consolidated accounts on which accounting policies are to be applied in the preparation of their financial statements."

Earlier this fiscal year, OSC staff met with staff from each of the Ministry of Finance, the Provincial Controller's Office, and the Auditor General's Office to explain why we believed that application of IFRS was the most appropriate basis of accounting for the OSC. Following discussion and follow-up analysis to demonstrate that the potential impact of the OSC adopting IFRS rather than PSAB principles was not material to the OSC, the Provincial Controller's Office agreed with the OSC's position and concluded that IFRS is the most appropriate basis of accounting for the OSC and that IFRS financial statements can meet both the province's and the OSC's users' needs.

The date of transition for the OSC is April 1, 2010. The first set of IFRS financial statements is for the year ending March 31, 2012. As required by IFRS in the year of transition, amounts reported by the OSC for its year ending March 31, 2011, will be restated to IFRS along with the presentation of the opening statement of financial position as at April 1, 2010.

Status Update of Our Changeover Plan

IFRS uses a conceptual framework similar to Canadian GAAP. However, there are differences in recognition and measurement of assets and liabilities, and related presentation and disclosures. The OSC has developed an IFRS changeover plan to prepare the organization for this transition. This plan is comprised of three related phases: Scope and Planning, Design and Build, and Implement and Review.

The changeover plan is currently on track. We are currently in the Implement and Review phase. In this phase we are finalizing:

- IFRS conversion impacts;
- approval and implementation of accounting policies, including decisions on retrospective or prospective adoption;
- implementation and testing of new processes, systems and controls;
- IFRS training for staff and Audit Committee members; and
- preparation of the opening IFRS statement of financial position.

To date, the OSC has completed its detailed assessment of differences between Canadian GAAP and IFRS, including accounting and disclosure differences upon transition to IFRS. We have identified and assessed all areas affected by the changeover to IFRS. The table below illustrates key elements of our changeover plan, our major milestones and current status.

PHASES AND KEY ACTIVITIES	MILESTONES <i>(expected time frame)</i>	STATUS AND COMMENTS
Phase 1 – Scope and planning – 2010		
Develop an initial project plan.	Identification of IFRS differences, IFRS 1 exemptions to be elected and impact on controls and systems.	Developed the detailed project plan.
Initial assessment of all accounts to identify measurement accounting and disclosure differences between current accounting policies and IFRS.		Completed the identification of IFRS differences, IFRS 1 exemptions that are applicable and impact on controls and systems.
Identify IFRS 1 exemptions to be elected.		
Assess impact of IFRS on internal control over financial reporting (ICFR) and information systems.		
Staff participates in OSC training programs.		IFRS training is ongoing.
Phase 2 – Design and build – 2011		
Staff to propose IFRS accounting policy choices, including IFRS 1 exemptions to be elected.	OSC's Audit and Finance Committee sign-off on policy recommendations and IFRS 1 exemptions to be elected.	Detailed assessment of key IFRS standards, including the determination of policy choices and quantification of the impact along with the assessment and determination of key changes to ICFR and information systems were completed.
Engage in discussion with Audit and Finance Committee on policy choices and alternatives.		
Design and develop any required changes to ICFR and information systems.	ICFR and information systems changes to be completed and draft IFRS financial statement content to be developed.	Audit and Finance Committee approval was obtained for the policy recommendations and IFRS 1 exemptions.
Develop draft IFRS financial statement content.		Drafted the preliminary financial statements format.
IFRS training, including training for Audit and Finance Committee members.		A training session was organized for Audit and Finance Committee members and other members of the OSC Board.
		The OSC's staff training is ongoing.
Phase 3 – Implement and review – 2012		
Address impact of IFRS conversion on financial performance, the balance sheet, opening retained earnings, and MD&A disclosure.	Disclose quantitative impact of IFRS conversion, if available, in 2011 MD&A.	Evaluation and selection of accounting policies are complete. Quantification of significant effects on the opening balance sheet has been completed and presented in this MD&A.
Engage in discussion with Audit and Finance Committee on the approval of draft statements.	OSC's Audit Committee approval of financial statement format.	The remaining activities in Phase 3 are in progress and expected to be completed on schedule.
	Approval of 2012 final IFRS statements.	
Test new processes, systems and controls.	Updated processes tested.	Approval of 2012 IFRS statements in Q1 2013.
Prepare the draft format of 2011 comparative financial statements, including note disclosures.		
Prepare IFRS comparative financial statements including note disclosure as at March 31, 2012.		
Monitor ongoing development of IFRS standards and determine any impact on OSC's financial statements.		

Summary of Key Expected Changes

Based on our analysis of the expected differences between IFRS and the current accounting treatment under Canadian GAAP, with the exception of the items discussed below, the impact on our financial statements upon adoption of IFRS does not appear to be material. Further, we do not expect that the initial adoption of IFRS will have a significant impact on existing accounting policies, information systems and business and control processes.

Impact of IFRS 1: First-Time Adoption of International Financial Reporting Standards (“IFRS 1”)

a. Deemed Cost

IFRS 1 allows a first-time adopter to measure Property, Plant and Equipment (PP&E) at the date of transition to IFRS at fair value as deemed cost (or, under certain circumstances, to use a previous GAAP revaluation) as opposed to full retrospective application of the cost model under IFRS. Under this option, fair value as deemed cost will become the new cost amount for qualifying assets at transition.

The majority of the OSC’s capital assets are computer hardware and related applications and leasehold improvements. These are assets that are unlikely to appreciate in value, and assessing the fair values could be time-consuming and/or costly to obtain. It is unlikely that moving to fair value would provide either materially different or improved disclosure for the OSC.

The OSC does not expect to elect the IFRS 1 exemption to restate PP&E to fair value as deemed cost under IFRS. The OSC expects to use the historical cost under Canadian GAAP as cost under IFRS at the date of transition.

b. Employee Benefits

All eligible OSC employees are members of the Ontario Public Service Pension Plan, which is a multi-employer defined benefit plan. The OSC accounts for this plan as a defined contribution plan because the OSC has insufficient information to apply defined benefit accounting to this plan. The transition to IFRS is not expected to affect the accounting treatment.

The OSC also maintains unfunded supplemental pension plans for the current and former Chairs and Vice-Chairs.

In accordance with IAS 19, Employee Benefits, an entity may elect to use a “corridor” approach that requires, as a minimum, only a specified portion of actuarial gains and losses to be recognized. Retrospective application of this approach requires an entity to split the cumulative actuarial gains and losses from the inception of the plan until the date of transition to IFRS into a recognized portion and an unrecognized portion. However, IFRS 1 permits a first-time adopter to elect to recognize all cumulative actuarial gains and losses at the date of transition to IFRS even if it uses the corridor approach for later actuarial gains and losses. If a first-time adopter uses this election, it will apply it to all plans. The OSC expects to elect the relevant IFRS 1 exemption and to continue to use the corridor approach.

Under IAS 19, the opening Accrued Benefit Obligation related to the supplementary pension plans that the OSC administers would remain the same as under Canadian GAAP. However, the accrued benefit liability would increase by the amount of the cumulative actuarial loss recorded as at the transition date. We expect the impact of the change at April 1, 2010, will be to decrease opening operating surplus by \$35,000, offset by a corresponding increase in the pension liability.

IFRS 1 also provides an optional exemption with respect to IAS 19 disclosures. Among the prescribed disclosures of IAS 19, an entity is required to disclose for the current and four previous annual periods related to the present value of the defined benefit obligation the fair value of the plan assets, the surplus or deficit in the plan and experience adjustments arising on the plan liabilities. The IFRS 1 exemption allows a first-time adopter to disclose these amounts because the amounts are determined for each accounting period prospectively from the date of transition to IFRS. The OSC expect to elect this exemption and provide disclosure prospectively from the date of transition.

Impact of Property Plant & Equipment (IAS 16)

IAS 16 permits the use of the cost model or the revaluation model for these assets. Under the cost model, assets are carried at cost less any accumulated depreciation and any accumulated impairment losses. Under the revaluation model, assets whose fair value can be reliably measured can be carried at the revalue amount. The OSC expects to apply the cost model for PP&E.

IAS 16 also requires the depreciation of an asset to begin when it is available for use. The OSC commences the depreciation of an asset in the beginning of the fiscal year following the acquisition. Per the requirements of IFRS 1, this adjustment will be recorded in opening operating surplus upon transition to IFRS. We expect the impact of the change at April 1, 2010, will be to decrease opening operating surplus by approximately \$32,000, offset by a corresponding decrease in PP&E.

Impact of Other Accounting Policy Choices

The OSC's balance sheet includes a balance of \$98,244 in contributed surplus. This amount represents the value of the assets transferred to the OSC by the Government of Ontario when the OSC became a self-funded organization. IFRS does not specifically address contributed surplus. IAS 8 requires that management use its judgment and ensure that the accounting policy applied is consistent with the IFRS Framework. As a result, the OSC has opted to transfer the amount in contributed surplus to the general operating surplus, creating an increase in opening operating surplus of \$98,244 as at April 1, 2010.

Business Activities

The OSC has considered the impact of IFRS conversion on all areas of the business and determined that the adoption of IFRS will not have a significant impact on its business activities.

ICFR

At this point, the OSC has determined that ICFR applicable to its current reporting processes under Canadian GAAP is fundamentally the same as that which will be required in an IFRS reporting environment. Changeover to IFRS will not significantly affect ICFR.

Information Systems and Processes

Based on the work performed to date, the OSC does not expect that adoption of IFRS will have a pervasive impact on its information systems and processes. Due to the limited nature of the differences identified in the conversion process, the OSC believes that the current information system and processes can support the preparation of IFRS-compliant financial statements.

Financial Reporting Expertise

The OSC has implemented a detailed staff training plan, led by the OSC's Office of the Chief Accountant, addressing all aspects of the IFRS conversion project. A number of training sessions related to specific standards and customized training sessions related to the IFRS conversion were provided to relevant staff, including those with financial reporting responsibilities. Audit and Finance Committee members have received IFRS training to assist them in fulfilling their oversight role.

Audit and Finance Committee Involvement

As discussed in the changeover plan, the OSC's Audit and Finance Committee has been updated on the progress of the IFRS conversion plan, including the review of timelines for implementation, the implication of IFRS standards to the Commission and an overview of the impact on the financial statements. The Committee has discussed and approved all accounting policy choices (and selected policies).

Changes to IFRS

Staff are monitoring proposed changes to IFRS. Staff will continue to evaluate whether any of the proposed changes affect the OSC and whether the OSC should early-adopt any of the new IFRS.