



Canadian Securities Regulation Regime Transition Office

Annual Report 2014-2015



CANADIAN SECURITIES TRANSITION OFFICE

LE BUREAU DE TRANSITION CANADIEN
EN VALEURS MOBILIÈRES

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July 31, 2015

The Honourable Joe Oliver
Minister of Finance
Department of Finance
90 Elgin Street
Ottawa ON K1P 0C6

Dear Minister,

We are pleased to submit to you the sixth Annual Report of the Canadian Securities Regulation Regime Transition Office for the fiscal year from April 1, 2014 to March 31, 2015.

The Transition Office, with its strong base of core capital markets regulatory knowledge as well as valuable background experience from prior implementation planning and development efforts, has supported implementation efforts to build a new Cooperative Capital Markets Regulatory System (Cooperative System). As well, we have continued to provide advice to the Government of Canada on matters related to its participation in the Memorandum of Agreement and matters of federal responsibility.

During this past year, we have assisted the project in the areas of legislation, regulations and governance, as well as the integration of the regulatory organizations and operations of the participating jurisdictions into the Capital Markets Regulatory Authority.

This work couldn't have been done without the dedication and commitment of our staff throughout this project.

We have been encouraged that four more provinces and territories have joined the project over the past year and look forward to continuing to work with the participating governments as we move towards a new regulatory authority.

Yours sincerely,



Douglas Hyndman
Chair and Chief Executive Officer

OVERVIEW

The Canadian Securities Regulation Regime Transition Office (Transition Office) was established by the Government of Canada in 2009 to lead and manage the transition from the current system of provincial and territorial regulators to a Canadian securities regulator.

In 2010, we developed the *Transition Plan for the Canadian Securities Regulatory Authority* as well as draft securities legislation. The following year, the Supreme Court of Canada determined that the proposed legislation was not constitutionally valid under the general branch of the federal power to regulate trade and commerce. The court also ruled that Parliament has a role in securities regulation regarding matters of genuine national importance and scope, and that the federal and provincial levels of government could seek common ground in a cooperative approach to sharing oversight of capital markets.

In September 2013, the governments of British Columbia, Ontario and Canada signed an Agreement in Principle (AIP) to Move Towards a Cooperative Capital Markets Regulatory System (Cooperative System) and invited all provinces and territories to participate. Since then, the Transition Office's principal focus has been to assist with the implementation of the Cooperative System.

The AIP was subsequently amended in July 2014, when the governments of New Brunswick and Saskatchewan joined. The amended AIP was formalized in a Memorandum of Agreement (MOA), concluded in September 2014. Prince Edward Island agreed to join the Cooperative System later that month, followed by Yukon in April 2015.

The Transition Office is supporting implementation efforts under the MOA, while also providing advice to the Government of Canada on matters related to its participation in the MOA and matters of federal responsibility.

OUR TEAM

The Transition Office is headed by a Management Team which is supported by a staff of full and part-time employees in our Vancouver and Toronto offices.

MANAGEMENT TEAM

Douglas M. Hyndman – *Chair and Chief Executive Officer*

Mr. Hyndman was appointed Chair and CEO of the Transition Office in 2009. Prior to that, he had served as Chair of the British Columbia Securities Commission. In that position, he played an active role in the Canadian Securities Administrators (CSA), the association of the provincial and territorial securities regulators. From 1995 to 2003, Mr. Hyndman was Chair of the CSA and from 2005 to 2009 he chaired the CSA's Passport Steering Committee.

Peter Grant – *Chief Information Officer and Director, Transition Planning and Implementation*

Prior to joining the Transition Office in 2009, Mr. Grant was the Chief Information Officer at the British Columbia Securities Commission. He has also worked for the Vancouver Stock Exchange, the Canadian Venture Exchange and the TRIUMF subatomic nuclear particle physics research facility.

Morag MacGougan – *Stakeholder Outreach Advisor*

Ms. MacGougan has been with the Transition Office since 2010. She was previously Vice President and Corporate Secretary of the Investment Industry Association of Canada and held senior roles in the Investment Dealers Association of Canada prior to that. Ms. MacGougan has also served as Vice President, Compliance and Corporate Secretary at a predecessor of HSBC Securities (Canada) Inc.

Leigh-Anne Mercier – *Special Advisor to the Chair*

Ms. Mercier joined the Transition Office in 2009, prior to which she was the Special Advisor to the Chair at the British Columbia Securities Commission. She has also worked for the Manitoba Securities Commission and Thompson Dorfman Sweatman.

Jay Whitwham – *Chief Financial Officer*

Prior to joining the Transition Office as its Chief Financial Officer in 2010, Mr. Whitwham was a professional advisor providing corporate finance services to small and medium-sized enterprises requiring expertise in the areas of strategy, financing, M&A and restructuring. He

previously held CFO and senior financial roles in manufacturing and technology businesses, including a TSX-listed pulp and paper company. Mr. Whitwham is a member of the Institute of Chartered Accountants of British Columbia.

We wish to thank Trish Callon, our Chief Legal Officer and Director, Stakeholder Outreach and Communications, who left in December 2014 after five years with the Transition Office, for her contribution and dedication to the work of our project.

SUPPLEMENTARY EXPERTISE

The Transition Office has retained professional advisors to assist with multi-jurisdictional implementation efforts, including Deloitte LLP, PwC Canada and Mercer.

On behalf of the Implementation Team of senior government officials established under the MOA, we retained the services of Dwight Willett as Implementation Lead to provide program management support to the Transition Committee of executives from the regulators of the participating jurisdictions who are responsible for the integration of existing regulatory operations into the Capital Markets Regulatory Authority (Authority). Mr. Willett brings expertise in major program oversight and change management.

Seconded participating jurisdiction regulatory staff and seconded staff from several law firms assisted our efforts in coordinating the development of initial regulations under the *Capital Markets Act*.

REPORT ON ACTIVITIES

I KEY MILESTONES IN THE DEVELOPMENT OF THE COOPERATIVE SYSTEM

1. *Memorandum of Agreement:*

In July 2014, New Brunswick and Saskatchewan agreed to join the Cooperative System. These governments, along with those of British Columbia, Ontario and Canada, formalized the terms of the Cooperative System by signing an MOA in September of that year. Soon after, on September 30, Prince Edward Island also joined, followed by Yukon in April 2015.

2. *Consultation Draft Legislation:*

When the MOA was signed in September 2014, consultation drafts of the uniform *Provincial Capital Markets Act* and complementary *Capital Markets Stability Act* were also released for public comment. The public consultation process attracted more than 60 submissions from a wide range of stakeholders in Canada's capital markets.

3. *Nominating Committee:*

In April 2015, the Council of Ministers appointed a Nominating Committee to recommend candidates to the Council for the initial Board of Directors of the Authority. The Council, comprised of the Ministers responsible for capital markets regulation in each participating province and territory and the Minister of Finance of Canada, will be responsible for overseeing the Cooperative System and be accountable to the participating jurisdictions for the exercise of the Authority's regulatory powers.

The Nominating Committee for the initial Board of Directors is made up of five members – one member appointed by the responsible minister of each of British Columbia, Ontario, Saskatchewan, New Brunswick and Canada.

II ROLE OF THE TRANSITION OFFICE IN THE AUTHORITY'S IMPLEMENTATION PROCESS

The Transition Office maintains a strong base of core capital markets regulatory knowledge together with valuable background experience from prior implementation planning and development efforts. Support for the implementation of the Cooperative System is being provided through two phases identified by the Implementation Team of government officials established under the MOA: Phase 1 — development of legislation and regulations for the Cooperative System and establishment of the proposed Authority with appropriate powers, oversight and governance; and Phase 2 — integration of the regulatory organizations and operations of the participating jurisdictions into the Authority.

PHASE 1

a) Development of legislation and regulations for the Cooperative System:

As part of the Legislation Working Group, the Transition Office assisted with the development of the consultation draft of the *Capital Markets Stability Act* and also participated in later stages of drafting discussions on the provincial and territorial legislation, the *Capital Markets Act*. The consultation drafts of the *Capital Markets Act* and *Capital Markets Stability Act* were released for comment on September 8, 2014. The subsequent comment submissions were published on the Cooperative System website.

The Transition Office also helped to coordinate the development of draft initial regulations under the *Capital Markets Act*. The initial regulations will be based on the existing rules or regulations currently in place in the participating jurisdictions. Where there are differences in existing rules and regulations among the jurisdictions, changes will be proposed to provide uniformity. To maintain continuity and minimize disruption, changes will be made only as necessary to adapt the existing requirements to the *Capital Markets Act* and remove differences in requirements among participating jurisdictions.

b) Establishment of the proposed Authority with appropriate powers, oversight and governance:

As part of the Capital Markets Regulatory Authority Working Group, the Transition Office is assisting with the development of the legislative and governance regime that will provide the legal basis and accountability framework for the Authority, and for the Authority's administration of the *Capital Markets Act* and *Capital Markets Stability Act*.

PHASE 2

The Transition Office retained the services of the Implementation Lead to provide program management support to the Transition Committee consisting of executives from the regulators of the participating jurisdictions who are responsible for the integration of existing regulatory operations into the Authority. These multi-jurisdictional implementation activities were also supported by external program management and implementation support services retained by the Transition Office.

NEXT STEPS

We will continue to support the work of the participating jurisdictions to implement the Cooperative System.

FINANCIAL HIGHLIGHTS

The following table summarizes key financial highlights for the Transition Office for the twelve months ended March 31, 2015, together with comparative budget and prior year figures.

<i>(in thousands of dollars)</i>	2015 Budget	2015 Actual	2014 Actual
Operating expenses	10,747	7,364	5,567
Interest income	58	86	25
Government of Canada funding	10,000	53,100	13,670
Net results of operations	(689)	45,822	8,128
Cash provided by operating activities		1,197	8,862
Proceeds on disposition of tangible capital assets		4	-
Acquisition of tangible capital assets		(13)	(71)
Increase in cash		1,188	8,791
Cash and cash equivalents		13,017	11,829
Net financial assets		56,426	10,580
Accumulated surplus		56,620	10,798

Net Results of Operations vs. Fiscal 2013-14 Actual

The Transition Office's principal focus is assisting with Cooperative System development and implementation under the Memorandum of Agreement (MOA). Primary responsibility for implementation lies with a joint Implementation Team, which reports to a Ministers' oversight committee, as set out in section 10.2 of the MOA. The Transition Office is providing support to the Implementation Team, and continues to work with the Department of Finance on the federal aspects of implementation.

Transition Office activities in fiscal 2014-15 contributed to Cooperative System development and implementation in several key areas.

1. Contributing to the consultation draft of the *Capital Markets Stability Act* and assisting in the later stages of drafting discussions on the *Capital Markets Act*. The consultation drafts were released for comment in September 2014, and over 60 comment submissions were received and subsequently published.
2. Coordinating the development of draft initial regulations under the draft *Capital Markets Act*. The draft initial regulations adapt the entire body of existing rules and

regulations of the participating jurisdictions to the draft *Capital Markets Act* while removing current differences in requirements between the jurisdictions.

3. Assisting with the development of the legislative and governance regime that will provide the legal basis and accountability framework for the Authority.
4. Supporting Phase 1 and Phase 2 program management efforts and providing third-party external service resources to meet specific Phase 2 integration needs.

Operating expenses for the year ended March 31, 2015 totalled \$7.4 million, an increase from \$5.6 million for the same period a year ago. The increase in fiscal 2014-2015 is due primarily to increased external services activities in support of Cooperative System implementation.

Compensation and benefits expense of \$3.7 million was \$0.2 million higher than the previous year. The increase reflects staff on secondment to the Transition Office to assist with the development of draft initial regulations. The Transition Office had an average complement of 20 staff in fiscal 2014-2015, compared with 16 staff in fiscal 2013-2014.

External services expense of \$2.4 million was up by \$1.7 million over a year earlier. The increase reflects additional external services support for implementation activities, particularly for Phase 2 integration.

Occupancy expense of \$808,000 was \$20,000 lower than the same period a year earlier. The decrease reflects a reduction in premises space part way through the earlier year.

Travel and consultation, information and technology, and administration expenses totalling \$379,000 were down slightly from \$396,000 in the prior year.

Amortization costs decreased to \$51,000 from \$73,000 in the previous year, with a number of capital assets reaching full amortization during the current year.

Interest income of \$86,000 was up from the prior year's \$25,000, with higher average cash balances in the current year.

The Transition Office recognized \$53.1 million in Government of Canada funding in the Statement of Operations for the year, up from \$13.7 million a year earlier. The increased funding provides for projected costs and expenses of the Transition Office through the period of transition to the Cooperative System, including related integration support costs and the funding requirements of an interim organization that will focus on operational matters relating to the launch of the Authority.

The net results of operations for the year was \$45.8 million, with an accumulated surplus of \$56.6 million at March 31, 2015. This compares with net results of operations of \$8.1 million for the previous year and an accumulated surplus of \$10.8 million at March 31, 2014.

Net Results of Operations vs. FY2015 Budget

Operating expenses of \$7.4 million for the year ended March 31, 2015 were below budget by \$3.3 million, or 31%. Staffing levels and external services requirements were lower than planned, with later than anticipated timing of some aspects of Phase 2 integration while structural Phase 1 legislation and initial regulations development is being completed.

Compensation and benefits expense at \$3.7 million was 33% under the \$5.5 million budgeted. Staffing needs were lower than budget due to Phase 2 integration timing considerations.

External services expense of \$2.4 million for the year was 35% under the \$3.7 million budgeted. External services support for Phase 2 integration was lower than planned, with deferred initiation of activities as a result of dependencies on Phase 1 structural elements.

Occupancy expense of \$808,000 was 9% below budget due primarily to unplanned tax recoveries.

Travel and consultation, information and technology, and administration expenses were under budget by a collective 38%, reflecting the lower than anticipated staff complement.

Government of Canada funding of \$53.1 million was \$43.1 million above budget as a result of the Government of Canada's approval for funding in March 2015 pursuant to the funding request to cover the projected costs to support the Transition Office's 2015-16 Plan and Budget as well as the estimated 2016-17 expenditures through to the Authority's launch. The 2014-15 budget amount for Government of Canada funding represents the Transition Office funding request for fiscal 2014-2015, which was received in March 2014, and is included in the Statement of Operations for the prior year.

Cash Flow

Cash increased by \$1.2 million in the twelve months ended March 31, 2015, compared with an increase of \$8.8 million for the same period last year.

Cash of \$1.2 million was provided by operating activities, reflecting the Transition Office's operating surplus for the year net of movements in non-cash items. This compares with \$8.9 million of cash provided by operating activities a year earlier.

Cash paid for capital asset acquisitions was \$13,000 for the year, down from \$71,000 in the prior year. Surplus assets were disposed of for proceeds of \$4,000 during the year.

The Transition Office closed the year with a \$13.0 million cash position, up from \$11.8 million a year ago.

Financial Position

The Transition Office had net financial assets of \$56.4 million at March 31, 2015, up from \$10.6 million a year earlier. Net financial assets comprise cash and amounts receivable of \$57.2 million (most of which was \$44.0 million receivable from the Government of Canada), offset by accounts payable and accrued liabilities of \$819,000. Together with non-financial assets of \$194,000, the Transition Office closed the year with an accumulated surplus of \$56.6 million, an increase from the previous year's \$10.8 million accumulated surplus.

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

The preparation of the financial statements of the Canadian Securities Regulation Regime Transition Office (Transition Office) and other financial information in this annual report is the responsibility of the Transition Office’s management. The financial statements have been prepared in accordance with Canadian public sector accounting standards. Where required, management’s best estimates and judgements have been applied in the preparation of these financial statements.

Management fulfils its financial reporting responsibilities by maintaining financial and management control systems and practices designed to provide reasonable assurance that transactions are duly authorized, assets are safeguarded, proper records are maintained, accurate financial information is prepared on a timely basis, and the Transition Office complies with all statutory requirements.

These financial statements have been audited by the Auditor General of Canada, and the report is included herein.



Douglas M. Hyndman
Chair and Chief Executive Officer



Jay G. Whitwham
Chief Financial Officer

Vancouver, Canada

June 26, 2015



INDEPENDENT AUDITOR'S REPORT

To the Canadian Securities Regulation Regime Transition Office and the Minister of Finance

Report on the Financial Statements

I have audited the accompanying financial statements of the Canadian Securities Regulation Regime Transition Office, which comprise the statement of financial position as at 31 March 2015, and the statement of operations and accumulated surplus, statement of change in net financial assets and statement of cash flow 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 Canadian public sector accounting 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.

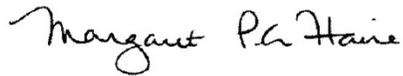
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Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Canadian Securities Regulation Regime Transition Office as at 31 March 2015, and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Report on Other Legal and Regulatory Requirements

In my opinion, the transactions of the Canadian Securities Regulation Regime Transition Office that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the *Canadian Securities Regulation Regime Transition Office Act*.

A handwritten signature in cursive script that reads "Margaret P. Haire".

Margaret Haire, CPA, CA
Principal
for the Auditor General of Canada

26 June 2015
Ottawa, Canada

FINANCIAL STATEMENTS AND NOTES

Statement of Financial Position

As at March 31

<i>(in thousands of dollars)</i>	2015	2014
Financial Assets		
Cash and cash equivalents (note 3)	13,017	11,829
Government of Canada funding receivable (note 4)	44,000	-
GST/HST rebate receivable	228	120
Other amounts receivable	-	14
Total financial assets	57,245	11,963
Liabilities		
Accounts payable and accrued liabilities	819	853
Repayable contribution (note 4)	-	530
Total liabilities	819	1,383
Net financial assets	56,426	10,580
Non-financial assets		
Tangible capital assets (note 5)	47	89
Prepaid expenses	147	129
Total non-financial assets	194	218
Accumulated surplus	56,620	10,798

Contractual obligations (note 8)

The accompanying notes form an integral part of these financial statements.

Approved by:



Douglas M. Hyndman
Chair and Chief Executive Officer

Statement of Operations and Accumulated Surplus

For the year ended March 31

<i>(in thousands of dollars)</i>	2015 Budget	2015 Actual	2014 Actual
Operating expenses			
Compensation and benefits	5,526	3,703	3,509
External services	3,697	2,423	761
Occupancy	884	808	828
Travel and consultation	256	165	199
Information and technology	253	154	140
Administration	98	60	57
Amortization	33	51	73
Total operating expenses	10,747	7,364	5,567
Revenue			
Interest income	58	86	25
Net results of operations before Government of Canada funding	(10,689)	(7,278)	(5,542)
Government of Canada funding (note 4)	10,000	53,100	13,670
Net results of operations	(689)	45,822	8,128
Accumulated surplus at beginning of year	1,083	10,798	2,670
Accumulated surplus at end of year	394	56,620	10,798

The accompanying notes form an integral part of these financial statements.

Statement of Change in Net Financial Assets

For the year ended March 31

<i>(in thousands of dollars)</i>	2015 Budget	2015 Actual	2014 Actual
Net results of operations	(689)	45,822	8,128
Acquisition of tangible capital assets	-	(13)	(71)
Amortization of tangible capital assets	33	51	73
Proceeds on disposal of tangible capital assets	-	4	-
Acquisition of prepaid expenses	(125)	(147)	(129)
Use of prepaid expenses	125	129	125
Increase (decrease) in net financial assets	(656)	45,846	8,126
Net financial assets at beginning of year	865	10,580	2,454
Net financial assets at end of year	209	56,426	10,580

The accompanying notes form an integral part of these financial statements.

Statement of Cash Flow

For the year ended March 31

<i>(in thousands of dollars)</i>	2015	2014
Operating activities		
Cash received from:		
Government of Canada funding	9,100	14,200
Interest on deposits	86	25
Total cash received	9,186	14,225
Cash paid for:		
Compensation and benefits	(3,724)	(3,507)
Facilities, services and supplies	(3,735)	(1,856)
Contribution repayment	(530)	-
Total cash paid	(7,989)	(5,363)
Cash provided by operating activities	1,197	8,862
Capital activities		
Proceeds on disposition of tangible capital assets	4	-
Acquisition of tangible capital assets	(13)	(71)
Cash used in capital activities	(9)	(71)
Increase in cash	1,188	8,791
Cash and cash equivalents at beginning of year	11,829	3,038
Cash and cash equivalents at end of year	13,017	11,829

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

March 31, 2015

1. Authority and purpose

The Canadian Securities Regulation Regime Transition Office (the Transition Office) was created under the *Canadian Securities Regulation Regime Transition Office Act* (the Act), which came into force on July 13, 2009. The purpose of the Transition Office is to assist in the establishment of a Canadian securities regulation regime and a Canadian securities regulatory authority.

The Government of Canada is entitled to any residual interest in the Transition Office after payment of its debts and liabilities.

2. Significant accounting policies

(a) Basis of presentation

These financial statements are prepared in accordance with Canadian public sector accounting standards.

(b) Government of Canada funding

Funding provided by the Government of Canada under the Act is recognized in the Statement of Operations in the period when the funding is authorized by the Minister of Finance. Funding provided by the Government of Canada by way of contribution agreement is recognized in the Statement of Operations to the extent of operating and capital costs incurred within the stipulated period of the agreement.

(c) Operating expenses

Operating expenses of the Transition Office are recorded when goods have been received and when services have been rendered.

(d) Cash and cash equivalents

Cash and cash equivalents include cash in bank and interest bearing deposits. There is no risk of a change in value. Refer to note 3.

(e) Financial instruments

i) Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

ii) *Accounts payable and accrued liabilities*

Accounts payable and accrued liabilities are measured at cost, the majority of which are due within three months of year-end.

(f) Tangible capital assets

Tangible capital assets are recorded at acquisition cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful life of the asset, as follows:

Computers (hardware and software)	-	3 years
Telecommunications equipment	-	3 years
Office furniture	-	5 years
Leasehold improvements	-	lesser of lease term or estimated useful life

When conditions indicate that a tangible capital asset no longer contributes to the operations of the Transition Office, its cost is written down to net realizable value.

(g) Measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets, liabilities and expenses reported in the financial statements. At the time of preparation of these financial statements, management believes the estimates and assumptions to be reasonable. Actual results could differ significantly from those estimated. The most significant management estimate is the useful life of tangible capital assets.

3. Cash and cash equivalents

<i>(in thousands of dollars)</i>	2015	2014
Funds on deposit – operating	360	226
Funds on deposit – interest bearing	12,657	11,603
Total cash and cash equivalents	13,017	11,829

The average yield on interest bearing deposits during the year was 1.1%. There are no restrictions on funds on deposit.

4. Government of Canada funding

<i>(in thousands of dollars)</i>	2015	2014
Funding under the Act	53,100	10,000
Contribution agreement funding	-	3,670
Total Government of Canada funding	53,100	13,670

Year ended March 31, 2014

Funding of \$4.2 million was provided by the Government of Canada under a contribution agreement covering the period August 1, 2013 to March 31, 2014. Costs and expenses of \$3.7 million were incurred under the contribution agreement, with that amount being recognized as Government of Canada funding in the Statement of Operations for the year. The remaining \$530,000 was repayable to the Government of Canada in accordance with the contribution agreement. An additional \$10.0 million in Government of Canada funding was received under the Act, following an increase in authorized funding from \$33.0 million to \$52.1 million in December 2013. This amount is also recognized in the Statement of Operations for the year.

Year ended March 31, 2015

Authorized funding under the Act was increased from \$52.1 million to \$96.1 million in March 2015. The Government of Canada approved funding of \$53.1 million in March 2015, and this amount is recognized in the Statement of Operations for the year. Of this amount, the Transition Office received \$9.1 million in funding during the fiscal year and \$44.0 million is receivable at March 31, 2015. Aggregate funding received and receivable under the Act since July 2009 totals \$96.1 million.

5. Tangible capital assets

<i>(in thousands of dollars)</i>	Computer & Telecom Equipment	Office Furniture	Leasehold Improvements	2015	2014
Cost					
Opening balance	251	100	133	484	584
Acquisitions	3	-	10	13	71
Disposals	(4)	-	-	(4)	-
Write-downs	-	-	-	-	(171)
Closing balance	250	100	143	493	484

Accumulated amortization					
Opening balance	204	75	116	395	493
Amortization	18	18	15	51	73
Write-downs	-	-	-	-	(171)
Closing balance	222	93	131	446	395
Net book value	28	7	12	47	89

6. Financial risk management

Financial instruments of the Transition Office include cash and cash equivalents and accounts payable and accrued liabilities. These financial instruments expose the Transition Office to credit risk and liquidity risk.

a) Credit risk

Financial instruments that potentially expose the Transition Office to credit risk consist of cash and cash equivalents. Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Transition Office's cash and cash equivalents are held in demand deposits with a major Schedule 1 Canadian chartered bank. Accordingly, the Transition Office is not exposed to significant credit risk. The maximum exposure the Transition Office has to credit risk is the carrying value of cash and cash equivalents.

b) Liquidity risk

Liquidity risk is the risk the Transition Office will encounter difficulty in meeting its obligations associated with financial liabilities. The Transition Office's objective for managing liquidity risk is to manage operations and expenditures within funding provided by the Government of Canada.

Each year, the Transition Office presents information on planned expenditures to the Minister of Finance and requests funding, as necessary, to ensure it has sufficient financial resources to meet obligations that will come due during the year. The Transition Office monitors expenditure commitments for the purpose of ensuring it is capable of discharging its obligations within available funding.

There has been no change to the level of risk compared to the prior year and no changes in risk management practices used by the Transition Office to manage risk.

7. Related party transactions

The Transition Office is related to all Government of Canada departments, agencies, and Crown corporations. During the year the Transition Office received services without charge from the Office of the Auditor General of Canada in the amount of \$94,000 (2014 - \$87,000) for the purpose of auditing the financial statements. The costs of these services provided without charge have not been recognized in the Statement of Operations.

8. Contractual obligations

The Transition Office has agreements for the lease of office premises and equipment. Under these agreements, the Transition Office is obligated to make the following annual payments:

<i>(in thousands of dollars)</i>	2015-16	2016-17	Total
Lease payments	876	655	1,531

Payments noted above include operating costs and property taxes for office premises, which are subject to adjustment annually based on the Transition Office's proportionate share of the actual costs incurred by the landlord.

Vancouver:

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701 West Georgia Street, Suite 1650
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V7Y 1E4

Toronto:

P.O. Box 109, TD North Tower
77 King Street West, Suite 3110
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Website: www.csto-btcvm.ca**Email:** info@csto-btcvm.ca**Toll-free:** 888-697-5390**Fax:** 888-701-5177**CANADIAN SECURITIES TRANSITION OFFICE****LE BUREAU DE TRANSITION CANADIEN
EN VALEURS MOBILIÈRES**