



British Columbia
Securities Commission


Regulatory Update from the BCSC

January 16, 2019

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CD Reviews - financial statements

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- The background image shows a close-up of a person's hand holding a silver pen, poised to write on a financial statement. The document contains various tables and a pie chart. In the background, a hand is seen using a calculator. The overall scene suggests a professional review or audit of financial data.
- **Related party transactions**
 - **Statement of cash flows – presentation**
 - **Fair value measurements – valuation techniques, inputs, sensitivity to changes**
 - **Adoption of new accounting policies – impact, entity-specific**

Cannabis

Disclosures relating to accounting

- Separate P&L fair value adjustments
- “Gross profit” may be misleading where expensing some production costs
- Users want information about cost of sales
- Fair value techniques, inputs, judgements

Cannabis



- **CSA Staff Notices 51-352 & 51-357**
- **Risk disclosures for producers with US operations**

Cryptocurrency

- Significant number of BC-based issuers holding or mining cryptocurrency
- Accounting: continued discussion by standard setters; disclosure is key
- Auditing: views evolving
- CPA Canada – *Audit Considerations Relating to Crypto Currency* August 2018 ; *Blog* October 2018
- CPAB “*Call to auditors*” August 2018, “*Auditing in the Crypto-Asset Sector*” December 2018

Cryptocurrency

Audit considerations

- Traditional audit procedures may not provide appropriate audit evidence
- Expertise of auditors and use of specialists
- Service auditor report generally not available
- Risks, controls, evaluating & testing controls

Problematic Promotional Activities – CSA SN 51-356

- **Problems include:**
 - Marketing materials with unsupported assertions
 - Numerous news releases but no new facts
 - Promotional expenditures without disclosure
 - Announce a change without supporting plan
 - Announce a significant planned transaction but no follow-through
- **Securities laws & guidance**
 - Prohibition against false or misleading statements, and acts/conduct resulting in misleading appearance of trading activity or artificial price
 - Forward-looking info must have a reasonable basis and accompanying disclosure of risks, assumptions, updates
 - NP 51-201 *Disclosure Standards*, CSA Multilateral SN 51-366 *Issuers Using Mass Advertising*, CSA SN 51-348 *Staff's Review of Social Media Used by Reporting Issuers*

Other Regulatory Initiatives

- **Auditor Oversight** — plan to publish in early 2019 proposed amendments to address CPAB's access to inspect audit work done by significant component auditors
- **Non-GAAP & Other Financial Measures** — evaluating responses to proposed NI 52-112

Questions

