

1.1.2 OSC Notice 11-753 - Statement of Priorities for the Financial Year to End March 31, 2006

**NOTICE OF STATEMENT OF PRIORITIES
FOR FINANCIAL YEAR TO END MARCH 31, 2006**

The *Securities Act* requires the Commission to deliver to the Minister by June 30 of each year a statement of the Commission setting out its priorities for its current financial year in connection with the administration of the Act, the regulations and rules, together with a summary of the reasons for the adoption of the priorities.

In the notice published by the Commission on April 8, 2005 (28 OSCB 3274), the Commission set out its proposed Statement of Priorities and invited public input in advance of finalizing and publishing the 2005/2006 Statement of Priorities. As of June 6, 2005, ten responses had been received.

There continues to be strong support for initiatives that would improve the efficiency of our markets through harmonization of regulatory requirements. Five respondents specifically expressed support for implementation of a single, national securities regulator. One respondent noted that harmonization initiatives should only be pursued where they are congruent with ultimately establishing a single securities regulator.

Most of the suggestions were supportive and focused on specific action steps that could be taken to achieve the identified priorities. Four letters expressed support for our proposed review of the role of SROs. Our plan to support the Ontario Government in establishing a workable consumer redress mechanism received a mixed response. The views presented ranged from support for the OSC developing an appropriate redress system to leaving restitution matters to the courts. Also, some responders thought the OSC had sufficient powers to deal with the redress issue while others did not think the OSC should have powers to order restitution to investors.

Support for improved enforcement timelines was balanced by concerns that fairness and thoroughness might be compromised in pursuing this goal. One respondent expressed concern about "vigorous" enforcement and noted that our actions should be fair and measured relative to the conduct in question.

Two respondents suggested that we add an initiative to examine the issues related to the differences in investment rules for mutual funds, segregated funds and other pooled funds and to seek a harmonized approach to product and intermediary regulation in this area. In response to these comments an initiative was added to reflect our role in supporting the work of the Joint Forum of Financial Market Regulators on initiatives to achieve greater regulatory co-ordination and consistency across the financial sector.

June 17, 2005

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THE ONTARIO SECURITIES COMMISSION

**STATEMENT OF PRIORITIES
FOR
FISCAL 2005/2006**

June 2005

Executive Summary

The Ontario Securities Commission (OSC) remains committed to delivering its regulatory services in a highly professional manner and to working closely with our colleagues within the Canadian Securities Administrators (CSA) and with market participants to ensure the regulatory system remains relevant to the changing marketplace.

This year's Statement of Priorities:

- describes our vision, mandate and overall approach
- assesses key challenges, trends and risks facing capital markets and the OSC in the year ahead
- identifies our goals and the major activities planned to achieve these goals, as well as the measures we will use to gauge our success
- presents our financial outlook for 2005/2006
- reports on our progress against the priorities we set for 2004/2005

Our vision is Canadian financial markets that are attractive to domestic and international investors, issuers and intermediaries because they are cost efficient and have integrity.

Our mandate has two key elements:

- provide protection to investors from unfair, improper or fraudulent practices
- foster fair and efficient capital markets and confidence in their integrity

Our goals for 2005/2006 are:

- 1 Providing fair, vigorous and timely enforcement
- 2 Taking actions that better reflect the needs of the retail investor
- 3 Promoting a harmonized, simplified securities regulatory system for Canada
- 4 Contributing to Canada's role as an active and respected player in the global capital market

We will also continue to support the Ontario Government in responding to the recommendations set out in the report of the Standing Committee on Finance and Economic Affairs (SCFEA), including the recommendations focused on:

- protection and redress for consumers of financial services
- the role of self-regulatory organizations (SROs)
- establishing a new Ontario Securities Tribunal
- establishing an independent investment fund governance regime

Our ability to meet our objectives is affected by various external factors that are sources of risk within the global regulatory environment. Potential risks continue to emerge, and it is increasingly important to have a strong, visible and effective enforcement presence in order to detect, deter and prevent abuses in our capital market.

Competition for investors' savings is driving innovation of ever more sophisticated financial products, services and trading strategies. Additional effort needs to be focused on compliance activities and investor education to enhance the level and quality of information provided to investors and to improve their capability to understand this information when making investment decisions. To do this, securities regulators need to continually upgrade their internal expertise. Also, the changing functions of intermediaries continue to alter the structure of the global financial environment. Maintaining and enhancing the global competitiveness of our capital market is becoming increasingly vital because issuers and investors are attracted to opportunities for the best returns for the risks assumed.

As part of our commitment to operate in a transparent and accountable manner, the final section of this document details our performance against last year's plan. By showing leadership and co-operation, we engaged industry participants, investors and other regulators and supported the Ontario Government in making progress towards the goals of strengthening the regulatory system and fostering investor confidence. Our work with the CSA, SROs and international regulatory organizations advanced the development of harmonized best practices in securities regulation. The relationship between our Enforcement Branch and the RCMP has become a model for inter-agency cooperation. Also, the Communications Branch forged new partnerships in the community to expand the reach of our messages on protecting and educating investors.

The past year saw many notable events. Our comprehensive probe into mutual fund trading practices – the largest investigation in OSC history – resulted in enforcement proceedings and settlements totaling \$205.6 million. We implemented and are actively enforcing compliance with the new continuous disclosure rule and our investor confidence rules, which include CEO/CFO certification and the audit committee and auditor oversight rules. A number of important projects related to registration were consolidated into one umbrella initiative, the CSA's Registration Reform Project, and the first phase of that project, the National Registration System, was approved for April 2005 implementation. In addition, we supported new initiatives by the Ontario Government that advance securities regulatory reform.

Our budget for 2005/2006 is \$67 million, an increase of 8.1% over 2004/2005. This increase relates primarily to plans to add staff to our Enforcement, Investment Funds and Investor Communications groups, as required to address our 2005/06 goals while maintaining the high service standards that Ontario investors and other market participants expect.

Introduction

The *Securities Act* requires the Ontario Securities Commission to deliver to the Minister and to publish in its Bulletin by June 30 of each year a statement by the Chair setting out the proposed priorities for the Commission for the current financial year. The OSC remains committed to delivering its regulatory services in a businesslike manner and to working closely with its colleagues within the Canadian Securities Administrators (CSA) and with market participants to ensure that the regulatory system remains relevant to the changing marketplace.

- Our Vision** Canadian financial markets that are attractive to domestic and international investors, issuers and intermediaries because they are cost efficient and have integrity
- Our Mandate** To provide protection to investors from unfair, improper or fraudulent practices and to foster fair and efficient capital markets and confidence in their integrity
- Our Approach** We will be
- Proactive, innovative and cost effective in carrying out our mandate
 - Fair and rigorous in applying the rules to the marketplace
 - Timely, flexible and sensible in applying our regulatory powers to a rapidly changing marketplace

Key challenges, trends and risks

Our ability to meet our objectives is affected by a range of external factors including economic conditions, the performance of financial markets and social and political developments within the global regulatory environment.

Securities regulators need to continue to improve the timeliness and transparency of enforcement activities so that the public and market participants better understand their actions. It is becoming increasingly important to have a strong, visible and effective enforcement presence in order to detect, deter and prevent abuses in our capital market. New risks continue to emerge. The incidence and awareness of financial crime (e.g., identity theft, internet fraud) has increased markedly. This is a major challenge that law enforcement authorities and securities regulators are working together to address.

The need to promote public confidence in our capital market is ongoing. The *Securities Act* was amended to include provisions that strengthen the regulatory framework and enhance investor confidence. We need to ensure that we apply and administer these powers in an appropriate and balanced fashion.

Competition for investors' savings is driving market innovation both in terms of major changes to the form, risk profile and presentation of traditional products as well as in the creation of ever more sophisticated financial products, trading techniques and strategies. The risk inherent in new products is magnified if disclosure from advisors to clients (e.g., about risks, fees or conflicts) is inadequate. Additional effort needs to be focused on compliance activities and investor education to enhance the level and quality of information disclosed to investors and to improve their capability to understand this information when making their investment decisions. To do this, securities regulators need to continually upgrade their internal expertise.

Financial markets are global. Recent removal of restrictions on foreign investments in registered retirement savings plans will increase the desire of Canadian investors to access these markets. Ease of access to marketplaces has been increased vastly by the changing structure of financial intermediaries. Trades can be executed directly from any location. The emergence of direct links into trading platforms, with less intermediation by investment dealers, and the proliferation of alternative marketplaces continue to alter the structure of the financial environment.

Technology is evolving quickly. This makes innovative products and services easier and cheaper to design, market and deliver to the consumer. Declining trading costs increase market liquidity. This has positive implications for the cost of capital and investor returns. Innovation has been the major driver in reducing trading costs and securities regulators need to ensure that the Canadian capital market keeps pace in a global context in order to ensure these benefits are passed on to domestic investors. However, our increased reliance on technology also brings a growing exposure to potential market disruption by external parties. Securities regulators need to be vigilant in their efforts to anticipate and respond to these potential threats.

Maintaining and enhancing the global competitiveness of our capital market is becoming increasingly vital because issuers and investors are attracted to opportunities for the best returns for the risks assumed. The fragmented Canadian regulatory environment is cumbersome, costly and frustrating for stakeholders. It negatively affects the competitiveness of our capital market and ultimately the ability of our market participants to raise capital on a cost-effective basis.

Our goals for fiscal 2005/2006

For Canadian financial markets to be attractive to all market participants, they must provide effective protection to investors while being and being seen to be fair and efficient. We need to operate in a transparent and accountable manner and enforce clear rules in a consistent fashion. Our decisions need to keep pace with changing markets.

Our mandate has two key elements:

- to protect investors from unfair, improper or fraudulent practices
- to foster fair and efficient capital markets and confidence in their integrity

Our 2005/2006 Statement of Priorities sets out our key priorities to fulfill our mandate, the major projects we will undertake, and the resources required to complete this work. We will also continue to work on a range of smaller projects as well as our ongoing operational activities to advance our regulatory agenda. We will fulfill our mandate by focusing our efforts on achieving the following goals:

- 1 Providing fair, vigorous and timely enforcement
- 2 Taking actions that better reflect the needs of the retail investor
- 3 Promoting a harmonized, simplified securities regulatory system for Canada

4 Contributing to Canada's role as an active and respected player in the global capital market

We will also continue to support the Government of Ontario in responding to the SCFEA Report including the recommendations focused on:

- protection and redress for consumers of financial services
- the role of SROs (Investment Dealers Association of Canada, Mutual Fund Dealers Association, Market Regulation Services Inc.)
- establishing a new Ontario Securities Tribunal
- establishing an independent investment fund governance regime

Mandate: To provide protection to investors from unfair, improper or fraudulent practices

We set rules for participation in our capital market. These rules exist to ensure that investors have fair access to qualified advice and timely information. Our first two goals are key to achieving the first element of our mandate.

1) Providing fair, vigorous and timely enforcement

A fair, vigorous and timely enforcement presence is critical to deter undesirable behaviour and, when necessary, to remove participants from our capital market who do not comply with securities laws. We will achieve this outcome by:

- A Improving the effectiveness and transparency of our enforcement work, e.g. through reduced timelines for completing investigations and bringing regulatory proceedings and more timely disclosure of investigations where warranted
- B Focusing additional resources on reducing illegal market conduct
- C Actively monitoring compliance with new rules and devoting more resources to their enforcement
- D Working with our regulatory partners to respond to the recommendations of the Insider Trading Task Force
- E Contributing to effective enforcement through increased coordination with other enforcement agencies and regulators, including participation with the RCMP on Integrated Market Enforcement Teams (IMETs), which are designed to respond to major capital market fraud and market-related crimes. The OSC will refer cases to IMETs that are substantially criminal in nature and share expertise to increase the breadth of investigations.

We will measure success in achieving this outcome by the following:

- The current case assessment timeline, where 75% of cases are transferred within six months, will be reduced to less than four months.
- The current investigation timeline, where 75% of files closed without action are completed within six months, will be reduced to three months.
- For surveillance, the average timeline between detection and transfer to investigation/litigation will be reduced from twelve months to less than six months.
- Greater cooperation with IMETs will result in an increase in the number of capital markets offenders who are prosecuted.
- The number of foreign jurisdictions who become signatories to the IOSCO Multi-lateral Memorandum of Understanding (IOSCO MMOU) for cooperation will increase.

2) Taking actions that better reflect the needs of the retail investor

Investors face an environment of increasingly complex products with very different elements of risk. Diminishing returns, due to low interest rates on traditional "low risk" securities such as treasury bills and government bonds, are causing investors to seek alternative investments to improve their financial returns. Perceiving the level of risk in the equity markets to be higher, they are

turning to securities that appear "debt-like" with much higher yields or that appear to promise limited downside risk with the potential for substantial gains. The risks involved in purchasing these new products are often not well understood by retail investors and are intensifying the need to better educate investors about various investment products and their risks.

Significant progress on enhancing the quality of information available has been achieved through the introduction of the Canadian Public Accountability Board rules as well as implementation and enforcement of our new continuous disclosure rule and investor confidence rules, which include CEO/CFO certification and the audit committee and auditor oversight rules. Efforts to educate investors will help to ensure that they are able to benefit from the level and quality of information, financial and non-financial, which is available to them.

We plan to increase our focus on retail investors and better understand their priorities and concerns. We plan to concentrate on activities that prevent harm to investors, including a proactive public education program and other actions that better respond to the needs of the retail investor. We see a clear need to improve the interface between investors and financial services professionals to better protect investors against improper, unfair or fraudulent practices. We will achieve this goal by:

- A Implementing measures to engage the retail investor in the regulatory process, including holding Investor Town Hall meetings and establishing an investor advisory committee
- B Considering the needs of all our constituents to ensure the promotion of a customer-focused approach in OSC communications and service delivery
- C In conjunction with the Investor Education Fund, developing and distributing targeted, understandable and relevant public education resources designed to help investors protect themselves when making financial decisions
- D Supporting the Ontario Government in responding to the SCFEA recommendation relating to the establishment of a workable mechanism that would allow investors to pursue restitution in a timely and affordable manner, including studying existing avenues that provide for redress for consumers of financial services and making recommendations to address any deficiencies that may exist in the current system
- E Proposing rule 46-102: *Scholarship Plan Dealers*
- F Working with our CSA colleagues and SROs to introduce principles to improve the interface between investors and financial services professionals including:
 - Transparency of performance against promise
 - Clarity of relationship (on both sides)
 - Transparency of compensation and conflicts of interest
- G Working with the Investment Dealers Association of Canada to improve its arbitration process

We will measure success in achieving this outcome by the following:

- OSC service levels will continue to meet standards laid out in the OSC Commitment to Quality Service, as indicated by biennial surveys of public opinion and through internal measures (e.g., telephone inquiries quality score, retention rates for investor education etc.)
- Rule 46-102: *Scholarship Plan Dealers* will be in force
- Recommendations will be developed that will establish a more effective and efficient mechanism for consumers of financial services to seek redress for investor losses
- Changes will be made to SRO rules to create bylaws that improve the interface between investors and financial services professionals as set out above

Mandate: To foster fair and efficient capital markets and confidence in their integrity

The second component of our mandate is to foster fair and efficient capital markets and confidence in the integrity of those markets. Our work is influenced by the changing environment in which we operate. Fulfilling our mandate requires us to be

responsive to short-term economic and market developments while maintaining an awareness of key longer-term trends and changes affecting market participants, exchanges and the global regulatory framework.

Our last two goals reflect our plans to pursue harmonization of regulatory systems both domestically and internationally. Wherever practical, we will continue to favour being less prescriptive and more flexible in our regulatory approach and to resort to regulation, as necessary, when it represents a cost-effective solution to address real market problems. Our focus will be to make our capital market safer, more efficient and easier to access for market participants.

3) Promoting a harmonized, simplified securities regulatory system for Canada

We will work with other securities regulators and market participants to make the Canadian securities regulatory system better by:

- A Supporting the Ontario Government, in promoting measures that are consistent with creating a single regulator, single securities code and a single fee structure
- B Working with the CSA to further harmonize securities legislation to create a more efficient and seamless single window access for market participants by:
 - streamlining the Mutual Reliance Review System and improving the National Registration System (NRS) by harmonizing registration categories and market conduct requirements
 - addressing issues relating to clarity of market participants' relationships with the investor and greater transparency of fees and conflicts of interest
- C Lead a CSA project to review the recognized SROs and system of regulatory oversight to identify areas for improvement, reduce duplication and inconsistency and enhance effectiveness
- D Proposing National Instrument 81-107: *Independent Review Committee for Investment Funds* to create an independent governance and oversight regime for investment funds
- E Proposing National Instrument 81-106: *Investment Fund Continuous Disclosure* and implementing continuous disclosure compliance capability in the Investment Funds Branch
- F Supporting the Ontario Government in its statutory mandate to review the *Commodity Futures Act*
- G Examining "best execution", including assessing the impact of "soft dollar arrangements", market structure and market fragmentation and developing policies to address these issues
- H Pursuing measures to strengthen the Canadian securities clearing and settlement system, including supporting the adoption of uniform securities transfer legislation and the implementation of fully electronic straight-through processing and electronic audit trails
- I Support Joint Forum of Financial Market Regulators initiatives to achieve greater regulatory co-ordination and consistency across the financial sector. Examples include:
 - completing work on harmonizing Point of Sale Disclosure for mutual funds and segregated funds
 - identifying and analyzing differences in regulatory treatment of mutual funds, segregated funds, pension funds and other pooled investment fund products

We will measure success in achieving this outcome by the following:

- Rules will be developed to implement a revised and re-focused national regulatory regime for securities intermediaries
- National Instrument 81-107: *Independent Review Committee for Investment Funds* will be introduced
- National Instrument 81-106: *Investment Fund Continuous Disclosure* will be in force supported by implementation of a continuous disclosure compliance program for investment funds
- Cost benefit analysis will be completed for major initiatives to clearly identify costs and benefits for stakeholders

- We will be a leader in fostering and implementing non-legislative, non-rule alternatives where alternative solutions are appropriate and supported by a better cost/benefit relationship than new regulation

4) Contributing to Canada's role as an active and respected player in the global capital market

Through participation with international securities organizations we learn from the experiences of other regulators, we benefit from cooperation among jurisdictions and we participate directly in the development of international standards. We may tailor these standards to meet the needs of our capital market before adopting those standards into our jurisdiction. Our goal is to achieve a level of protection for investors that meets or exceeds the standards established internationally, while minimizing undue burdens on market participants. We will undertake the following initiatives towards achievement of this outcome:

- A Play a leadership role in the work of International Organization of Securities Commissions (IOSCO), by supporting IOSCO's efforts to increase implementation levels of IOSCO standards across its membership and by participating in activities designed to:
- improve cooperation in cross-border investigations through the IOSCO MMOU
 - develop best practices in a variety of areas applicable to investment funds
 - improve the relevance and reliability of financial information available to investors by harmonizing and strengthening financial reporting and auditing standards and the related supporting infrastructure, including mechanisms for independent oversight of audit firms
 - provide consistent guidance on the role and regulation of market intermediaries
- B Play a leadership role with international regulatory associations such as the Council of Securities Regulators of the Americas (COSRA) and the national and international Joint Forums of Financial Regulators, including activities designed to:
- develop initiatives to enhance access to capital by small and medium sized enterprises in the Americas, while providing an appropriate level of investor protection
 - develop high-level cross-sectoral business continuity principles for financial firms and their regulators
 - assess differences in regulatory practices regarding risk management across the banking, insurance and securities sectors
- C Foster inter-jurisdictional co-operation to reduce impediments to information sharing and enforcement support.
- D Continue development of internal control guidelines as set out in MI 52-111: *Reporting on Internal Controls over Financial Reporting*

We will measure success in achieving this outcome by the following:

- Harmonized measures developed internationally will be implemented domestically
- OSC representatives will be leaders in important initiatives undertaken by international regulatory associations, such as IOSCO

2005/2006 financial outlook

Our goal is to ensure that fees paid by issuers and registrants reflect the costs of regulating each group. Surpluses have been generated since the fee schedule was introduced in March 2003. In March 2005, \$14.9 million of this surplus was refunded to market participants.

Our revenue budget for 2004/2005 was \$67.3 million. The budget reflected our projected ongoing revenue base of \$58.8 million and the expected \$8.5 million one-time impact of transitional payments related to the introduction Continuous Disclosure Rule 51-102. In 2004/2005, \$80.7 million in gross revenues was collected. This total included \$78.4 million in fees collected under the *Securities Act* and the *Commodity Futures Act* and \$2.3 million in investment income and miscellaneous revenues. This

total exceeded our budget by \$13.4 million. The variance was primarily due to higher than expected participation fee revenues as we had more and larger issuers and registrants than originally forecast.

The OSC revenue budget for 2005/2006 is \$67.1 million, 16.9% lower than gross revenues collected in 2004/2005. The budget includes \$65.6 million in fees under the *Securities Act* and the *Commodity Futures Act* and \$1.5 in investment income and miscellaneous revenues. Our budget includes an expected increase in our base revenue forecast, reflecting the higher level of issuer and registrant participation fees experienced in 2004/2005, and the removal of the one-time impact related to Rule 51-102.

Before setting fees for the three-year period ending March 2009, we will review each service activity and its related cost. Activity fees will be set based on the estimated cost to provide the service. Participation fees will be set at levels to recover costs, offset by the OSC's projected surplus as at March 2006. Our experience with the current fee structure positions us to better set fee levels going forward. Our data is now more complete, we have a better understanding of the variables which need to be estimated and the transitional issues in moving from the previous fee structure to the current fee structure no longer exist.

In delivering on our goals there remains an ongoing need for us to ensure that our operations are efficient and effective and to continually work to improve our client service delivery. The OSC has budgeted total 2005/2006 net operating expenditures of \$67.0 million, an 8.7% increase over our 2004/2005 expenditures. The majority of the increase is in staffing costs. Salaries and benefits costs, which account for more than 70% of our costs, are projected to rise by 10.2% to \$48.8 million. Last fall the Commission held a strategic planning session which included a detailed review of our priorities and resources. This analysis resulted in a decision to add eighteen staff. The new staff is primarily in our Enforcement, Investment Funds and Investor Communications groups and will be targeted to address the initiatives set out under our 2005/2006 goals.

These resources will allow us to deliver on our commitment to improve investigation timelines, to complete work related to the recent Mutual Fund Probe including implementation of a continuous disclosure regime for investment funds and to increase the effectiveness of our investor communications. Higher costs for employee benefits, the introduction of a new compliance program which relies on retired industry professionals and development of a knowledge management framework for the OSC are other key factors in the budget increase. Costs associated with our participation in CSA initiatives (net of internal staffing costs) are projected to exceed \$1 million for 2005/2006.

Report on 2004/2005 organizational priorities

The four goals published in our 2004/2005 Statement of Priorities were taken from our 2004 – 2008 Business Plan. Under each goal we have set out in a table our progress against the success measures we identified last year. Following the table, each 2004/2005 initiative is presented in italics. Details on our progress towards completion of each initiative are provided below each initiative.

1. Ontario’s capital market and financial services regulatory system will be fully consolidated, harmonized nationally and coordinated internationally.

2004/2005 Success Measures

Measure	Progress	Status
Market participants will use fewer points to access the market conduct regulatory system in Canada	<p>Quebec joined the National Registration Database (NRD) in January 2005.</p> <p>A number of important projects related to registration were consolidated into one umbrella initiative, the CSA’s Registration Reform Project, and the first phase of that project, the National Registration System, was approved for April 2005 implementation.</p> <p>The CSA’s proposed Uniform Securities Act contained several legal mechanisms (e.g. delegation of authority, mutual recognition) to enable “one stop” regulation for market participants.</p>	Ongoing
As impediments to investigation and enforcement initiatives created by international boundaries are reduced, we will re-focus resources on other initiatives	<p>Securities regulators in four countries committed to reform their laws to enable them to become IOSCO signatories and one regulator was accepted as a full signatory to the MMOU, raising the total number of full signatories to 26 (including the OSC). During 2004/2005 we responded to 38 requests and made 4 requests for information under the IOSCO MMOU.</p> <p>Enforcement staff actively participated in several projects undertaken by IOSCO’s Standing Committee 4 to improve cross-border cooperation. Further work is required.</p> <p>Discussions with a number of “secrecy” jurisdictions have led to a growing willingness to address our requests for information.</p>	Ongoing
Harmonized measures developed internationally will be implemented domestically.	<p>IOSCO’s <i>Principles for Addressing Sell-Side Analysts Conflicts of Interest</i> were adopted by the Investment Dealers Association of Canada (IDA) in Policy 11: <i>Analyst Standards</i>.</p> <p>IOSCO’s <i>Principles for Auditor Oversight</i> has been implemented with the creation of the CPAB.</p>	Ongoing

2004/2005 Results

Engaging regulators, governments and industry participants in moving towards a single securities regulator or a more effective national securities regulatory system with a uniform securities code.

In June 2004, the Government of Ontario released a discussion paper, Modernizing Securities Regulation in Canada, that outlines Ontario’s proposal for securities regulatory reform in Canada. The proposal envisions provinces and territories working together to move to a new securities regulatory framework that features a common securities regulator, a common body of securities law and a single fee structure.

As part of the Five Year Review of the *Securities Act*, the SCFEA looked at the province’s proposal for a single securities regulator and concluded that the Government of Ontario should continue to take a leadership role to move to a common regulator for Canada. We will continue to support the Government of Ontario in responding to the recommendations set out in the SCFEA report. On February 18, 2005, the Government of Ontario announced the appointment of a panel, chaired by Ronald Daniels, Dean of the University of Toronto Law School, to advance the design of a common securities regulator. The panel is expected to report by end of June 2005.

Participating actively in the International Organization of Securities Commissions (IOSCO), the Council of Securities Regulators of the Americas (COSRA) and the national and international Joint Forums of Financial Regulators and, where appropriate, providing leadership on initiatives. Fostering inter-jurisdictional co-operation to reduce impediments to information sharing and enforcement support.

We continued to participate actively in these international organizations. Our international activities give us opportunities to increase cooperation among jurisdictions, participate directly in developing international standards and learn through other regulators' experiences. For example, we used a checklist developed internationally to create the framework for the CPAB.

The OSC was selected by IOSCO's Technical Committee (consisting of regulators from most of the world's largest and most developed capital markets) to chair its Standing Committee 3 (SC3) on Market Intermediaries. Under the OSC's leadership, SC3 developed international standards for outsourcing of financial services by securities firms and coordinated its work with the international Joint Forum, which developed high-level cross-sectoral outsourcing principles for the banking, insurance and securities sectors.

The OSC was elected to IOSCO's Executive Committee for a two-year term. This election constitutes recognition by IOSCO members of the contribution that the OSC has made, and is expected to make, to the development of harmonized, internationally recognized best practices in securities regulation.

During 2004/2005, the OSC participated in IOSCO committees and task forces that,

- developed a Code of Conduct for credit rating agencies,
- produced a comprehensive report and action plan for combating financial fraud in capital markets,
- issued international standards for client identification and beneficial ownership in the securities industry,
- published a report and recommendations for improving transparency in corporate bond markets,
- completed a comprehensive multi-jurisdictional survey regarding the implementation of international best practices for auditor oversight, and
- developed international best practice standards applicable to the fees and expenses of investment funds.

The OSC also participated in IOSCO committees and task forces that published consultation reports on error trade policies in regulated securities markets, anti-money laundering guidance for investment funds and international standards to combat market timing in investment funds. We also participate in a task force that develops tools and delivers training to help regulators in emerging markets understand and implement IOSCO standards.

The OSC hosted delegations from European, Asian and African countries interested in learning about the Ontario securities regulatory system, as well as responding to numerous requests for information from regulators in other countries. We also developed and hosted an international conference, Intelligence-Led Regulation: Organized Crime in the Financial Markets, which brought together participants from 19 countries to discuss techniques for detecting and derailing financial crime before it causes harm. These meetings and conferences are used to develop relationships and generally lead to greater cooperation with other regulators. They also provide an opportunity for jurisdictions to share their experiences in dealing with problems.

Providing an effective enforcement deterrent through increased coordination with other enforcement agencies and regulators, including participation with the RCMP on Integrated Market Enforcement Teams (IMETs) designed to respond to major capital markets fraud and market-related crimes.

Enforcement staff actively participate in an IOSCO screening group that evaluates applications by securities regulators to become signatories to the IOSCO MMOU and provides advice to applicants on how to amend their laws and procedures to improve their ability to cooperate in cross-border investigations. Enforcement staff also actively participated in several projects undertaken by IOSCO's Standing Committee 4 to facilitate enforcement-related cooperation among international jurisdictions, including jurisdictions that have not been cooperative in the past. Discussions with a number of "secrecy" jurisdictions have led to a growing willingness to address our requests for information. During 2004/2005 we responded to 38 MMOU requests for information from other jurisdictions and made four requests for information.

The relationship between our Enforcement Branch and IMETs has been viewed as a model for cooperation. The Enforcement Branch has referred several cases to IMETs which are now under active investigation. Enforcement staff seconded to IMETs is assisting in the investigation of a number of cases. In addition, Enforcement staff is working directly with the Royal Canadian

Mounted Police (RCMP) and the Ontario Provincial Police (OPP) on two major investigations. In addition, our Enforcement Branch is working on several very substantial matters with police forces and regulators in other countries.

Continuing to improve the national electronic information systems (e.g. SEDI, SEDAR, NRD) and to lever these investments to facilitate the activities of market participants

Improvements to the National Registration Database (NRD) continue. Quebec joined the NRD in January 2005 and all registrants in Canada are now on the system. The NRS was approved by all Commissions in December 2004 and will be implemented by April 2005. The NRS is the first step in the Registration Reform project which is a CSA initiative to harmonize, modernize and streamline the registration system in Canada. The OSC Executive Director is leading this project that will lead to both uniform categories of registration and uniform conduct rules for registrants. The project will incorporate some of the key concepts of the Fair Dealing Model and is being managed by a steering committee with representation from the Alberta Securities Commission (ASC), British Columbia Securities Commission (BCSC), the IDA, the Mutual Fund Dealers Association of Canada (MFDA), the Autorite des Marches Financiers (AMF) and three industry representatives. Non-employment relationships and the establishment of a flexible business model for mutual fund sales representatives will be addressed as part of the registration reform project.

We implemented various changes to improve the System for Electronic Disclosure by Insiders (SEDI), System for Electronic Document Analysis and Retrieval (SEDAR) and NRD and contributed \$1 million from revenues generated by late filing fees to improve SEDI's user-friendliness. We also performed a targeted review of certain insider reports filed on SEDI, our newest system, to assess the quality of insider reporting, improve compliance with insider filing requirements and ensure the completeness of SEDI filings. A notice to be published in the spring of 2005 will present our findings and recommendations for best practices to assist various market participants with their filing obligations.

Pursuing measures to strengthen the Canadian securities clearing and settlement system, including leading CSA initiatives to support implementation of a Uniform Securities Transfer Act and regulatory measures to facilitate the implementation of fully electronic, straight-through processing of securities by June 2005.

The OSC continued to lead the CSA Task Force on the Uniform Securities Transfer Act (USTA). A consultation draft of the USTA and consequential *Ontario Business Corporations Act/Personal Property Security Act* amendments was republished in May 2004. In August 2004, the Uniform Law Conference endorsed the USTA. The SCFEA also unanimously recommended that the Ontario Government introduce securities transfer legislation modeled on legislation in place in the United States.

In September 2004 the CSA published responses to public comments received in connection with the proposed *Uniform Securities Act* and *Model Securities Administration Act* published as part of the CSA's Uniform Securities Legislation (USL) initiative. The CSA's proposed *Uniform Securities Act* contains several legal mechanisms to enable "one stop" regulation for market participants including provisions that would permit delegation among provincial securities commissions, mutual recognition, and adoption of another provincial securities commission's decisions.

Significant progress was made towards implementation of straight through processing as CSA staff published various documents in April 2004 (Discussion Paper 24-401: *Straight Through Processing*, Proposed National Instrument 24-101: *Post Trade Matching and Settlement* and Companion Policy 24-101CP). Responses to these documents were received in February 2005.

An industry committee provided recommendations regarding the implementation of the electronic audit trail as set out in Part II of National Instrument 23-101: *Trading Rules*. OSC and self-regulatory organizations (SROs) are working to develop a Request for Proposal (RFP) and will continue to consult the industry regarding the RFP and the implementation plan.

2. Market participants and investors will have confidence in the integrity of Ontario's capital market.

2004/2005 Success Measures

Measure	Progress	Status
Public surveys of market participants will show an increase in confidence.	A benchmark measurement for mutual fund investors was established in 04/05. The impact on investor confidence of our recently completed mutual fund probe will be measured in our next survey which is scheduled to be completed in 2006. A broader range of investors will be covered with this survey.	Ongoing
The revised framework for regulating mutual funds will significantly update and simplify product regulation for mutual funds in the area of conflicts of interest and result in fewer requests for exemptions.	Proposed National Instrument 81-107: <i>Independent Review Committee for Investment Funds</i> was published for consultation. The second comment period is to be completed early in 2005.	Rule is targeted for completion in 2005.
Implementation of a revised and re-focused national regulatory regime for securities intermediaries.	The OSC is leading a CSA group in drafting a national registration requirements rule to harmonize, streamline and modernize registration categories, proficiency requirements for intermediaries and conduct rules. We expect to present the rule to the Commissions for approval in December 2006.	Ongoing

2004/2005 Results

Working with the provincial government and our CSA colleagues to respond to the Report of the Five Year Review Committee and to develop legislative initiatives to strengthen our regulatory system and improve investor confidence.

In June 2004, the SCFEA was directed by the Ontario Legislative Assembly to review the priority recommendations of the *Final Report of the Five Year Review Committee* including the recommendations relating to the need for a single regulator system and the appropriate structure for the adjudicative tribunal role of the Commission. In August 2004, the SCFEA held public hearings to review the Final Report of the Five Year Review Committee. The OSC Chair made oral and written submissions to SCFEA including a status report on OSC action taken to date with respect the Five Year Review Committee's recommendations. The OSC submission also recommended that SCFEA give priority to four initiatives requiring legislative attention:

- The need to proclaim amendments to the *Securities Act* that have been enacted that would create a regime for statutory civil liability for secondary market disclosure, and add express prohibitions against fraud, market manipulation and misrepresentation.
- The need for better and more flexible tools to deal effectively with securities regulators in other Canadian jurisdictions, including statutory amendments to facilitate inter-jurisdictional delegation of decision-making.
- The need to reduce the regulatory burden and facilitate quick responses to new situations by allowing the Commission to issue blanket rulings and orders that provide exemptive relief to market participants.
- The need to catch up to changes in how commercial law deals with the transfer and pledging of securities. This is an area where Canada lags the U.S. and the European Union.

Our submission also addressed the challenge faced by SCFEA in examining the Commission's structure and the need to balance the advantages and disadvantages of different models to determine if the current structure continues to be the best to serve Ontario investors and market participants. The OSC tabled a report on the structure of the Commission, which the OSC commissioned from a committee headed by Ontario's Integrity Commissioner, Coulter Osborne. The report examined the structure of the Commission and the potential for the perception of bias and the possibility that such perception would erode the credibility of the Commission. While the report advised the OSC to undertake structural changes that will require authorizing legislation, the report found no legal impediment to the OSC continuing to fulfill its adjudicative responsibilities and functions on a business-as-usual basis.

In October 2004, SCFEA tabled its final report, containing 14 recommendations. Among other things, SCFEA endorsed the need for a single securities regulator, recommended that the Commission's adjudicative function be separated from its other functions, and recommended that the Ontario Government re-introduce the relevant provisions of former Bill 41 (containing technical amendments to the statutory civil liability regime for secondary market disclosure) and proclaim the civil liability provisions in force. The Ontario Government reintroduced the technical amendments, which received Royal Assent in December 2004 but have not been proclaimed in force yet. We are studying several of SCFEA's other recommendations that were addressed to us.

Appropriately applying the new powers arising from changes to the Securities Act.

Some of the proposed changes to the *Securities Act* recommended in the Five Year Review report and supported by the OSC were not endorsed in the SCFEA Report (e.g. blanket exemptive relief). SCFEA recommended that we jointly study options to allow the OSC to deal with recurring requests for discretionary relief.

Actively monitoring compliance with new rules and placing increased resources into their enforcement.

Our Corporate Finance and Enforcement branches have developed and implemented a process for "simplified proceedings" involving failures to comply with existing and new rules. Hearings have been conducted in relation to these matters. This approach offers an efficient vehicle to ensure compliance with all aspects of Ontario securities law, without interfering with the time the Commission needs to spend addressing highly complex and serious cases.

The Corporate Finance Branch's continuous disclosure review program again met its objective of reviewing 25% of Ontario reporting issuers annually. Full reviews focused on compliance with the continuous disclosure requirements in new NI 51-102. Targeted reviews addressed compliance with (1) the technical report requirements in National Instrument 43-101 *Standards of Disclosure for Mining Projects*, (2) certain aspects of Multilateral Instrument 52-110 *Audit Committees*, (3) the registration requirements in National Instrument 52-108 *Auditor Oversight*, (4) the Business Acquisition reporting requirements in NI 51-102 and (5) overall compliance with the insider reporting requirements.

Adopting project management techniques to increase the efficiency of the investigation process.

Project management techniques are in place for the management of the investigation process. Substantial technology advancements designed to enhance the project management function were put in place near the end of the year.

Working with our regulatory partners to respond to the recommendations of the Insider Trading Task Force by March 2007.

Our Enforcement Branch is taking a leadership role in the analysis and implementation of the Insider Trading Task Force's recommendations. All projects arising from the recommendations are on track.

Developing and proposing a revised framework for regulating mutual funds and their managers that relies on independent oversight as a means to address conflicts of interest.

In January, 2004, the first draft of Proposed National Instrument 81-107: *Independent Review Committee for Investment Funds* was published for comment. This proposed rule is designed to promote investor protection in investment funds while fostering market efficiency. It proposes the requirement for publicly offered investment funds to have an independent governance body charged with reviewing conflicts of interest that may arise out of the management of the funds. Based on comments received, the CSA working group has been developing a revised draft rule that they expect to publish for second comment by June 2005.

Examining the "best execution" issue, including assessment of the impact of "soft dollars", market structure, and market fragmentation and developing strategies to address the findings.

We completed an examination of "best execution" issues, specifically assessing the impact of "soft dollars" in the management of mutual funds, and published Concept Paper 23-402: *Best Execution and Soft Dollar Arrangements* in February 2005.

Developing a revised regulatory approach to address the emergence of alternative investment products.

Our Investment Funds Branch addressed the emergence of alternative investment products and strategies over the past year by: (1) requiring enhanced prospectus disclosure for exchange-traded alternative investment products; and (2) considering exemptive relief applications on an *ad hoc* basis to respond to the conventional mutual fund industry's requirements for innovation. In 2005/06, the Branch intends to develop a more systematic approach to regulating alternative investment products and strategies by proposing revisions to long form prospectus requirements for all exchange-traded funds (including those using alternative investment strategies) and reviewing the existing rules to consider further accommodating alternative investment strategies.

Working with our CSA colleagues and the SROs to put in place by 2006 the four pillars of a Fair Dealing Model which are: (1) clarity of relationship (on both sides); (2) transparency of compensation and conflict; (3) transparency of performance against promise; and (4) simplified, harmonized and streamlined approach to registration.

After consultation with industry and the CSA, a number of registration related projects being worked on concurrently by OSC and CSA Staff were consolidated into one project. The Registration Reform Project is an umbrella CSA project which includes the National Registration System, implementing the core principles from the Fair Dealing Model and harmonizing, streamlining and modernizing registration requirements (including categories of registration). The Registration Reform Project is led by a steering committee chaired by the OSC Executive Director with representation from the AMF, ASC, BCSC, IDA, MFDA and three industry representatives.

The National Registration System will be implemented in April 2005. Three working groups were established and have prepared direction documents for the SROs to draft by-laws related to the core principles of the fair dealing model. The direction documents deal with Account Opening documentation, Transparency of Costs and Conflicts, and Performance Reporting. A separate CSA group is drafting a national registration requirements rule that will result in harmonized, streamlined and modernized registration categories, proficiency requirements for intermediaries and conduct rules. The rule is expected to be ready for presentation to the Commissions for approval in December 2006.

3. Regulatory interventions in Ontario will be balanced and merit based.

2004/2005 Success Measures

Measure	Progress	Status
It will be clear to investors, issuers and intermediaries that the benefits of regulation measurably and significantly outweigh the costs of regulation.	Cost-benefit analyses were completed and published for major projects such as MI 52-111: <i>Reporting on Internal Controls over Financial Reporting</i> , the Joint Forum Point of Sales Disclosure and the Registration Projects.	Ongoing
We will be a leader in fostering and implementing non-regulatory alternatives where such action is supported by a better cost/benefit relationship than new regulation.	The OSC participated in an IOSCO Task Force that developed a Code of Conduct for credit rating agencies (CRAs). It is expected that market pressure will induce CRAs to adopt the provisions of the Code of Conduct, thereby eliminating any need to introduce a more costly regulatory approach, such as a licensing or registration requirement. Draft National Policy 58-201 <i>Corporate Governance Guidelines</i> provides guidance to issuers on corporate governance practices. These guidelines are not intended to be prescriptive and companies are encouraged to consider the guidelines in developing their own corporate governance practices. The policy is accompanied by a disclosure rule that will require reporting issuers to keep the market informed about those practices.	Ongoing
The effective cost and burden of regulation will be competitive with our peers, without undermining investor protection and confidence.	The OSC analyses the potential cost and benefits of new Rules prior to issuing them for comment. An important part of this analysis is the comparison to other jurisdictions.	Ongoing

2004/2005 Results

Making appropriate changes to our practices as a result of the recommendations of the Regulatory Burden Task Force.

In response to the recommendations of the Regulatory Burden Task Force, OSC staff, in conjunction with other CSA staff and Market Regulation Services Inc. created a national Cease Trade Order Database. This centralized source of cease trade orders issued against issuers and individuals can be accessed at www.rs.ca.

The OSC published for comment an amended version of National Instrument 44-101 *Short Form Prospectus Distributions*. The amended rule would expand eligibility to the short form system, thereby simplifying the prospectus regime.

Amendments to National Instrument 55-101: *Exemption from Certain Insider Reporting Requirements* will come into force by April 30, 2005. These amendments will exempt certain individuals who hold the title of "senior officer" in a reporting issuer or subsidiary of a reporting issuer from insider reporting requirements if, among other things, they do not routinely have access to material, undisclosed information. These amendments will eliminate the need for such insiders to seek exemptive relief.

Consistently applying risk-based criteria in enforcement cases to ensure matters pursued by staff give appropriate consideration to Commission priorities.

The OSC is leading the CSA Insider Trading Task Force initiative, has established a project to investigate concerns about leakage of information in special warrant offerings, and has initiated steps to work with RS to streamline insider trading investigations. Currently 50% of the matters in investigation involve illegal insider trading. During the current fiscal year, the branch initiated five illegal insider trading proceedings (compared to three the year before). There are six additional illegal insider trading cases that have been transferred to litigation and are currently in the Enforcement Notice process.

Improving accountability through the use of rigorous cost benefit analysis, impact analysis and risk based assessments for all proposed initiatives.

The OSC conducted a thorough probe into mutual fund trading practices (in particular, market timing and late trading) that began in November 2003 and concluded in December 2004. The probe resulted in enforcement proceedings and settlements totaling \$205.6 million with five fund managers. This was a cross-Branch initiative involving staff from Compliance, Enforcement, Investment Funds and the Office of the Chief Economist (OCE). Risk-based criteria were applied throughout the three phases of the probe to assess the information obtained from fund managers involved and to assess the potential harm to investors. We are now developing policy responses to our findings from the probe and have begun consultation with stakeholders in that process.

We completed a comprehensive cost-benefit analysis (CBA) of proposed MI 52-111 *Reporting on Internal Controls over Financial Reporting* and then developed an implementation schedule, based on statistical data about the distribution of listed Canadian issuers and the number and total size of the firms affected by the proposed instrument.

The OCE implemented and continues to support the Earnings Risk Criteria for continuous disclosure. Using the Earnings Risk Criteria, Corporate Finance staff have increased the rate at which they find deficiencies in disclosure from 70% to over 90% of companies examined.

Using risk-based criteria, the OCE has referred a significant number of cases, now under investigation, to our Enforcement branch. The OCE is also supporting our Enforcement Branch through the use of Event Studies.

The OCE continues to help staff in other branches carry out CBAs, as well as taking primary responsibility on major projects like proposed MI 52-111, the Joint Forum's Point of Sales Disclosure Project and the Registration Reform Project. The OCE will oversee the CBA for the parts of the Registration Reform Project to be implemented by the SROs.

4. The OSC will have superior and transparent governance and accountability mechanisms.

2004/2005 Success Measures

Measure	Progress	Status
Investors, issuers and other market participants who use the Ontario capital market will be afforded access, protection, education and information at levels similar or superior to those of the best of our peer group.	OSC staff is invited to speak at Investor Education training sessions because we are at the leading edge of our field. Positive free coverage of investor education content and resources has doubled over the last fiscal year confirming that we are continuing to provide information that's relevant and of interest to the general public. OSC investor education resources continue to be popular as measured by public requests (51,000 brochures and kits ordered), the number of investors reached directly at events (9000) and web traffic on www.investorED.ca (doubled over the fiscal year). Investors are extremely satisfied with the quality (92% satisfaction rating) and presentation (96% readability rating) of information available as measured by surveys.	Ongoing
OSC governance practices and policies meet or exceed disclosure requirements for public issuers.	We are continuing to examine our practices to determine where it is appropriate for a regulatory body to conform to the corporate governance requirements for public companies. We implemented a Lead Director with a mandate to oversee OSC Board governance practices and to facilitate adherence by the OSC Board to the highest standards of corporate governance. We have enhanced disclosure of our corporate governance practices by publishing the composition and mandates of our Board, our Lead Director and our Board committees on our website.	Ongoing
Public surveys of market participants will sustain positive ratings for OSC customer service.	Customer services standards were published in our 2004 Annual Report. Our performance against these standards will be assessed as part of our stakeholder survey to be completed in 2006.	To be completed in 2006.
100% of OSC communications will be accessible electronically by 2005.	All publications are available electronically on our website. We provide a free, public-access twelve-week rolling on-line version of the OSC Bulletin (OSCB). We also post a weekly Table of Contents of the OSCB on our site, with links to all material that can be found on the OSC website. The Bulletin is available electronically through the Carswell service.	Complete

2004/2005 Results

Continuing to promote a customer focused approach to our communications and service delivery.

The OSC is committed to communicating with many diverse stakeholder groups, including reporting issuers, registrants, investors and the general public regarding, among other things, major OSC and CSA policy initiatives and the impact of emerging issues on Ontario's capital markets and its participants.

Service to our stakeholders is a top priority for the OSC. The OSC Commitment to Quality Service, which was published for the first time in the 2004 Annual Report, documented standards already in place throughout the organization. All new staff in the Inquiries and Contact Centre participate in a tailored two-day, intensive customer service training program, with refreshers for all staff in the Centre. In addition, a call quality program assists in maintaining our service commitment and in identifying knowledge and skill areas for individual and team development.

The OSC's Inquiries and Contact Centre maintains a 24-hour telephone information service (with answers to six frequently asked questions), as well as a general inquiries voice mailbox, with responses to questions by end of next business day. The Centre receives and responds to inquiries and complaints in the delivery mode of choice - fax, mail, email or telephone.

The OSC recognizes the importance of a policy of openness and accessibility for all external communication. The Communications team continues to maintain a high level of accessibility to Canada's business reporters, as a way of communicating important information to investors and the general public. In Fiscal 04/05, the OSC Chair and Vice-Chairs presented at numerous Canadian capital markets events, on major policy initiatives and market issues. Through participation in these events, the OSC was able to reach representatives from all of the organization's major stakeholder groups.

In July 2004, we released a final report on the OSC Stakeholder Satisfaction Study Wave 3. Key stakeholders were surveyed on a broad range of topics, including service quality, fulfillment of mandate and success of major OSC initiatives. The results of this study were considered by the OSC in setting the priorities and goals for Fiscal 05/06.

Expanding the use of partnerships to deliver investor education products to target groups and continuing to tailor the form and method of access to OSC communications to the needs of OSC constituents, including implementing predominantly electronic-based communications vehicles.

The OSC Investor Communications team continued to implement community outreach and public awareness initiatives in Fiscal 04/05, through partnerships and paid and unpaid targeted media penetration. The OSC Staff Ambassadors program trains OSC staff from all branches to deliver messages on investor protection, fraud awareness and regulatory issues. Ambassadors speak to community groups, seniors, high school students and industry groups across Ontario. Since the program launch in November 2003, we have trained 87 OSC staff members, delivered more than 55 presentations and directly reached 2,811 Ontario investors. The OSC Staff Ambassadors program means that we can respond to more speaker requests, and promote investor education resources at targeted events.

The OSC Investor Communications team forged partnerships with community groups (e.g. Ontario Rotary Clubs), government agencies (e.g. the Ontario Council of Agencies Serving Immigrants), and media outlets (e.g. NewsCanada, City TV) to deliver investor protection messages to larger audiences.

Continuing to enhance the transparency of OSC corporate governance practices, adjudicative policies and accountability mechanisms.

Accountability and transparency were two of the many areas explored at this year's Dialogue with the OSC 2004, "Facing the Issues." Every session included at least one industry representative, with some sessions having a majority of external panelists. More than 400 people attended or directly participated in the event.

Transparency of the OSC's corporate governance practices, adjudicative policies and accountability mechanisms was addressed in the new OSC *Governance* section of the Annual Report. The section includes information on accountability and oversight, Board role and effectiveness, financial accountability, and the role of OSC Commissioners and Board Committees. The Report also included an *Accountability to our Stakeholders* section, with an overview of stakeholder accountability mechanisms and a progress report on the Regulatory Burden Task Force.

Completing the re-design of the OSC website in 2004.

The redesigned OSC website was launched in July 2004 with a significantly enhanced search engine and an advanced search feature. Ease of navigation was improved and content was significantly enhanced.

As part of the re-design of its website, the OSC created an International Affairs webpage, which is intended to increase OSC stakeholders' understanding of why the OSC participates in international organizations, to serve as an information resource for stakeholders, OSC staff and other Canadian regulators, and to facilitate the public consultation processes conducted by international organizations, such as IOSCO.