

OSC

ONTARIO
SECURITIES
COMMISSION

Office of Economic Growth & Innovation (Innovation Office)

Charter

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Vision

To be recognized as a catalyst in innovative regulation that promotes confidence and economic growth.

The Ontario Securities Commission is pleased to present our vision and accompanying strategy and initiatives for the Innovation Office, a new branch of the OSC focused on accelerating innovation, bolstering capital formation and reducing regulatory burden in Ontario's capital markets.

The Office originates from the Ontario Government's five-point capital markets plan, which supports the Government's mandate of lowering business costs, promoting Ontario internationally, attracting skilled workers and creating further confidence in the capital markets and financial services¹.

Our vision for the Office recognizes the role of innovation as a powerful driver of competition and consumer choice, and the critical role it will play in Ontario's pandemic recovery and long-term growth.

We intend to be progressive and take calculated risks in support of this vision. This includes fostering a culture that encourages experimentation, embraces failures as necessary learning steps and allows for a quick pivot to the next idea.

Following its launch in the spring of 2020, the Office will be fully operational by March 2021. It plays an important role in the OSC's ongoing modernization, which includes adopting a more flexible regulatory approach, making investments in technology and simplifying our rules and processes.

Role of the New Office

The Innovation Office will primarily focus its efforts on initiatives that support economic growth and innovation in Ontario's capital markets. It will also contribute to initiatives that support innovation and drive efficiency in internal OSC operations.

¹ 2019 [Ontario Budget, Budget Papers](#)

The Office builds on the foundation established by OSC LaunchPad, which has worked directly with over 300 new and innovative firms since 2016, helping them to navigate securities laws.

The LaunchPad team will continue their hands-on work within the Office's broader mandate to deepen engagement with the innovation community and build a stronger ecosystem. The Office will bring together insights from working with the fintech and other innovation communities across Ontario to further the OSC's progress in making regulation more efficient.

Through stronger engagement and collaboration, the team will help ensure that market participants' input is considered in OSC policy making and operational programs. They will be accountable for providing advice to senior management on implementing ongoing burden reduction initiatives, and bring forward other changes to OSC rules and processes to reduce burden.

Strategic Objectives

The Office will lead initiatives in support of three overarching strategic objectives:

1. Promote Innovation and Capital Formation

- Aid, foster, and where possible, test innovative business models and methods in capital formation, transaction and service efficiency and fairness.
- Introduce and implement an Ontario regulatory sandbox for businesses to test novel ideas.
- Focus OSC LaunchPad activities and outcomes to further support innovation and capital formation.

2. Modernize Regulation and Reduce Burden

- Work closely with the OSC's internal branches to monitor and report on progress and to support delivery of the recommendations in the OSC's 2019 report, [*Reducing Burden in Ontario's Capital Markets*](#).
- Contribute to the OSC's efforts to:
 - (a) modernize the OSC's regulatory programs and policy formulation;
 - (b) obtain stakeholder feedback on opportunities to reduce burden and improve efficiency;
 - (c) validate external data, analysis, delivery and post-implementation review for effectiveness of initiatives; and
 - (d) consider whether existing rules require modification or have outlived their usefulness.

3. Strengthen Outreach and Engagement

- Increase the OSC’s visibility as an innovative and agile regulator.
- Demonstrate clear, visible connections to innovation hubs, stakeholders, market participants and other regulators.
- Engage in more proactive outreach with broader stakeholder community.

Supporting Initiatives

The Office’s strategic objectives are supported by a broad range of initiatives, outlined below. These will evolve through further research, as well as through consultations with OSC staff, key stakeholders and the financial and innovation communities.

As the new Office continues to build its team, hire staff and finalize plans, work is already underway in numerous areas where there are opportunities to make progress on achievable goals and to lay the groundwork for future initiatives. Several of these initial focus areas are highlighted below.

1. Promote Innovation and Capital Formation

- Implement a fully functioning Ontario sandbox to provide a testing ground for novel ideas and start-ups.
- Enhance LaunchPad to include ability to test new forms of capital formation including crowdfunding, angel investment networks and others.
- Identify and research challenges in our capital markets and engage with external participants on potential solutions to lower access and trading costs, increase transparency and foster capital formation.
- Deepen engagement with venture capital firms, law firms, advisors and angel investors to create a community for novel businesses and determine at what stage companies should receive the benefit of the LaunchPad process.
- Engage more proactively with market participants on the development of novel businesses that benefit investors and our capital markets.

Initial Focus Areas:

Building a better experimental testing framework

The Office is applying lessons learned from LaunchPad's experience supporting innovation since 2016 to optimize this activity. It is reviewing international approaches to building a sandbox and will be designing an approach that will offer rapid relief to test financial services and products, with experiments based in Ontario.

ACTION: The Office has hired a new Manager of the LaunchPad team within the Innovation Office, who will lead this initiative. We expect to announce an optimized LaunchPad offering and an approach for an Ontario sandbox in spring 2021.

Improving consultation and feedback on novel business methods in finance

The Office is building the capability to engage the wider financial community in the design and testing of new products and services, new methods in financial intermediation and regulation.

ACTION: The Office will be engaging more broadly with the community through research and position papers starting in 2021, discussing how to affect change and support innovative processes in capital markets.

The intent is to signal the willingness to have organizations and firms experiment and support novel business methods that enhance investor knowledge, streamline intermediation and introduce novel products and services.

The Office will also start designing and conducting experiments for itself to improve outcomes for stakeholders. The first project is expected to launch in summer 2021.

2. Modernize Regulation and Reduce Burden

- Lead the OSC’s efforts to modernize regulation and reduce burden by researching, proposing, testing and implementing systematic methods to reduce regulatory barriers, fees, anti-competitive behaviour and response times.
- Oversee the implementation of the 107 recommendations in the Burden Reduction Report. Research and consider policy changes that further reduce burden for investors and marketplaces.
- Encourage greater accessibility to data that will assist businesses in providing new products and services, reduce regulatory burden and build long-term solutions to support innovative business models.

Initial Focus Areas:

Finding and implementing new ways to reduce regulatory barriers

The Office is responsible for coordinating efforts to reduce regulatory overhead for businesses in our market. We expect concrete steps to be announced periodically in this effort.

ACTION: The OSC is currently in the process of recruiting for a Manager who will be responsible for this effort. This will be a dedicated team within the Office that will oversee the progress of the 107 recommendations in the Burden Reduction Report, as well as the final recommendations from the Capital Markets Modernization Taskforce. It will also be responsible for the OSC’s broader efforts to modernize how we formulate policy and new regulations.

This Office will consider how regulatory technology (“regtech”) and supervisory technology (“suptech”) solutions can benefit market participants as well as the OSC internally, starting in fall 2021.

3. Strengthen Outreach and Engagement

- Research and implement a broader outreach and engagement strategy to seek input on the initiatives of the Innovation Office.
- Seek more timely input and feedback and engage stakeholder groups more proactively. This broader strategy will consider social media, new methods of gaining insight, collecting data and getting real time input on our initiatives.
- Research, assess and develop various methods of communication and outreach, including an ability to poll and receive feedback from staff, market participants and external stakeholder groups.

Initial Focus Areas:

Fostering new methods of engagement to effectively reach all stakeholders

The Office will be integrating interactive communication into its activities to engage investors, businesses, adjacent government agencies and regulators. The purpose is to drive faster interactions and turnaround times to deal with issues and opportunities.

ACTION: The Office will shortly be searching for specialists in interactive engagement and user experience engagement techniques to help with this effort.

We Welcome Your Input

The Innovation Office represents a new model for supporting innovation in Ontario's capital markets and the broader economy. This model relies upon strong engagement from all parties with an interest in building a diverse and resilient economy that attracts new ideas, talent and capital from around the world.

As the Office ramps up its outreach, we welcome your continued feedback and suggestions for reducing burden, eliminating barriers to innovation and building a stronger ecosystem to fuel Ontario's long-term economic growth.



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