

OSC

ONTARIO
SECURITIES
COMMISSION



2020
ANNUAL
REPORT



ONTARIO
SECURITIES
COMMISSION

OSC Vision

To be an effective and responsive securities regulator – fostering a culture of integrity and compliance and instilling investor confidence in the capital markets.

OSC Mandate

To provide protection to investors from unfair, improper or fraudulent practices, to foster fair and efficient capital markets and confidence in capital markets, and to contribute to the stability of the financial system and the reduction of systemic risk.

OSC Values

Professional

- Protecting the public interest is our purpose and our passion
- We value dialogue with the marketplace
- We are professional, fair-minded and act without bias

People

- To get respect, we give it
- Diversity and inclusion bring out our best
- Teamwork makes us strong

Ethical

- We are trustworthy and act with integrity
- We strive to do the right thing
- We take accountability for what we say and do

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The OSC logo consists of the letters "OSC" in white, bold, sans-serif font, centered within a dark teal square.

At a glance in 2019–2020

Engaging with Canada's largest capital market

- Oversaw 67,335 registered individuals and 1,316 registered firms in Ontario
- Processed 8,834 individual and 81 firm registration applications
- Reviewed 719 public company, investment fund and structured product prospectuses
- 54 per cent of Canada's equity market value came from listed issuers in Ontario
- More than 1,900 foreign firms operate in Ontario's capital markets
- 97 per cent of all Canadian over-the-counter (OTC) derivatives trading includes an Ontario market participant¹
- Assisted more than 7,200 market participant inquiries through our Inquiries and Contact Centre, providing an essential public service to the industry

Responding to the needs of investors and markets during global pandemic

- Developed educational resources and published three alerts to protect investors from COVID-19-related scams
 - Developed four fraud alert videos within the first six weeks of the pandemic
 - Hosted two telephone town halls for more than 1,100 investors to address their concerns
- Provided immediate relief and flexibility to market participants so they could focus on critical business decisions and manage rapidly changing risks
 - With the CSA, from the start of the pandemic until the end of May 2020, issued 21 news releases, 18 notices, including 15 temporary relief orders and a series of FAQs, to explain relief measures
- Hosted a webinar for small and medium-sized enterprises to provide guidance on disclosing and reporting on the effects of the COVID-19 pandemic. The webinar was delivered to more than 300 participants

¹ Proportion of OTC derivative transactions by outstanding notional, reported to the OSC, compared to the aggregate Canadian outstanding notional reported by DTCC as of March 31, 2020. Commodity trades are excluded.

Building more nimble and competitive capital markets

- Working closely with Ontario's Capital Markets Modernization Taskforce to identify areas for streamlining securities regulation
- Establishing a dedicated Office of Economic Growth and Innovation to lead our efforts to reduce burden, foster innovation and facilitate capital formation
- Published a report identifying 107 initiatives to reduce burden for market participants while maintaining investor protection
 - By May 2020, approximately 27 per cent of these initiatives are complete, 36 per cent are on track for completion within the timelines established last year, and 37 per cent are delayed
- Provided regulatory support to 37 innovative companies through OSC LaunchPad
- Hosted four free educational and outreach seminars and webinars for more than 1,100 registrants and businesses²

Protecting investors and market integrity

- Published Client Focused Reforms across Canada that put investors' interests first and provide a higher standard of care for the industry
- Supported a nationwide ban on the use of trailer fees by discount brokers
- Proposed a series of restrictions on deferred sales charges for mutual fund sales
- 732 cases assessed by our Enforcement branch with 42 cases transferred for further investigation and another 52 investigations completed
- 22 administrative sanctions and \$44.4 million in monetary sanctions handed down
- Four court proceedings concluded with 119 months of jail sentence ordered
- 382 further regulatory actions were imposed as a result of our Compliance and Registrant Regulation (CRR) branch oversight activities
- Delivered 104 in-person investor education and anti-fraud presentations in communities across Ontario
 - More than half of these presentations were delivered to older and vulnerable investors
- OSC's online investor resource hub, [GetSmarterAboutMoney.ca](https://www.getsmarteraboutmoney.ca), received 5.8 million visits
- Assisted more than 4,000 investors with a variety of questions or concerns through our Inquiries and Contact Centre

² Through our Registrant Outreach and OSC SME Institute programs.

A Message from the Chair

A Year of Change

It has been a year of tremendous change at the OSC as we shifted our organizational focus, published transformational policy work, and responded to extreme market conditions.

Early in the year, the Ontario government's five-point capital markets plan set out a clear path for our process of modernization and a broader mandate to focus on reducing burden in our markets. As we made progress on this important work, we also passed sweeping investor protection initiatives that increased the fairness and transparency of our markets.

As the fiscal year ended, the COVID-19 global pandemic sent shockwaves through financial markets and required an emergency response that included changes in our working arrangements and service delivery.

All this change has occurred against the backdrop of rapid evolution in financial services driven by demographic, social and technological shifts. Our work this past year has been to balance these competing priorities by addressing the challenges in front of us while continuing to lay a strong foundation for the future.

Responding to Crisis

At the time of this letter, the status of the global COVID-19 pandemic is still evolving and the full human and economic impact is not yet known. In March, as the pandemic grew in scale and severity, our team responded quickly to move to remote working arrangements, and we were able to deliver all essential and core operations that are critical to the stability of our capital markets.

Working with the CSA, we took immediate steps to offer support and flexibility to market participants navigating an extraordinarily difficult business environment. Our focus was to give market participants the flexibility they need to focus on critical business decisions and to manage rapidly changing risks.



We have a busy agenda as we respond to the needs of investors and our markets in the wake of COVID-19. Investor protection has never been more important, as so many Ontario investors face financial hardship and the loss of value in their portfolios.

We will continue to support investors as we build more competitive capital markets through burden reduction and the establishment of our new Office to support innovation and capital formation.

We will also monitor our markets closely and stay connected with our stakeholders to keep them informed about our priorities and progress.

Leslie Byberg
Executive Director

The CSA published a series of orders that included blanket relief from certain regulatory requirements, as well as guidance for making alternative arrangements for holding annual shareholder meetings. The CSA also issued a warning to investors about schemes that take advantage of the fear surrounding the COVID-19 virus.

We remain in regular contact with our regulatory partners in Canada and abroad, as well as our key stakeholders and governments at the provincial and federal level to respond to the volatility in our markets and the challenges facing businesses.

I am grateful for the ongoing collaboration and support of our staff and our many regulatory and government partners as we continue to address the challenges stemming from the pandemic. We will continue this work in the coming months to foster stability and confidence in our capital markets and to support a full economic recovery.

Modernizing for the Future

The pandemic crisis underscores the need for securities regulation to be flexible to address the needs of market participants and to be responsive to change. As our markets become more complex, we are working to make regulation simpler and more straightforward, and to use the lightest touch possible to achieve our mandate.

In November 2019, we published our report on reducing regulatory burden in Ontario's capital markets – just one year into our organization-wide focus on reducing red tape in line with our government's five-point plan.

Our report contains more than 100 tangible initiatives that will save time and costs for market participants, without weakening investor protections. They range from changes to our day-to-day processes to longer-term policy initiatives we will be undertaking with the CSA.

The changes we are making reflect a more modern and tailored approach, including more flexibility for businesses, stronger regulatory coordination, enhanced technology tools and more accessible information.

I want to thank our stakeholders for providing valuable input about how regulatory burden impacts them. One thing we heard was the need for more transparency in our rule-making process. We are committed to providing a publicly available qualitative and quantitative analysis of the anticipated costs and benefits for each proposed rule and rule amendment. The OSC's Office of Economic Growth and Innovation will work to strengthen our dialogue with our stakeholders and embed burden reduction more deeply into our organization.

We are also continuing our work on separate projects with the CSA to reduce regulatory burden for investment funds and investment fund managers, enhance electronic access to documents, and review the regulatory framework for industry self-regulatory organizations to determine the most effective structure to serve our markets.

Complementing these efforts, the OSC is working closely with the Ontario government's Capital Markets Modernization Taskforce to identify potential areas for reform of Ontario's securities laws and regulations, and to build a more flexible and efficient framework to support competition and economic growth.

Internally, we are looking ahead to how we need to be structured, staffed and trained to effectively regulate fully data-driven markets. During the year, we restructured and strengthened our management team, as we welcomed Deana Djurdjevic into the newly-created role of Chief Administrative Officer, responsible for the oversight and leadership of our business operations. Leslie Byberg, our Executive Director, continues to be focused on overseeing our core regulatory functions as we respond to evolving market needs.

Our new structure provides the right foundation for our investments in information technology and infrastructure to support an integrated data management program, and for the addition of improved tools and processes for our staff.



The OSC is on an exciting path of modernization, and I am delighted to be part of this exceptional team working together to enhance our efficiency and responsiveness.

My focus is on making sure we are operating effectively and investing in the right areas to support a high standard of service, while managing our costs. We are making our processes more straightforward and simplifying our interactions with those we regulate, particularly as they manage through the global pandemic.

I look forward to taking on these challenges with our team, building on the OSC's great culture of professionalism, collaboration, and doing the right thing.

Deana Djurdjevic
Chief Administrative Officer

Building Confidence Through Investor Protection

Streamlining regulation and becoming more efficient benefits investors through improvements to disclosure, and by providing better access to the information investors need to make informed choices.

With more Ontarians relying on investing for their security in retirement, it is critical that they have confidence and trust in our capital markets. To that end, in the past year we put forward two of the most significant advancements in investor protection in my time at the OSC, representing years of work by our staff and regulatory partners.

Together with the CSA, we published rule amendments to implement Client Focused Reforms, which provide better protection for retail investors across Canada, and a higher standard of conduct for those who provide investment products and advice. These reforms put clients' interests first when addressing material conflicts of interest and determining the suitability of investments. These are critical steps for building investor confidence in our markets.

We also joined the CSA in banning trailing commissions by investment fund organizations to dealers who only execute orders and do not provide advice, such as discount brokers. In addition, we published for comment a proposed rule that would restrict the use of the deferred sales charge (DSC) option in the sale of mutual funds by limiting the circumstances in which DSC funds can be sold and by giving clients greater flexibility to redeem these investments without penalties.

These initiatives give investors a clearer understanding of the products they are buying, the advice they are receiving, and the fees they are paying for them. This is particularly important for older and vulnerable investors. That is why, along with the CSA, we published resources for advisors to better communicate with their clients, engage with their powers of attorney, handle complaints and identify trusted contacts with whom they can work to make sure their clients are protected.

We will continue to improve the investor experience, including by building on the behavioural insights research we published this year, which identified ways to better communicate with investors regarding fees.

Ready for the Challenges Ahead

Navigating change comes with the territory of regulating dynamic capital markets, and the pace of change will only accelerate from here. I believe that the OSC is well positioned in terms of our structure, our team and our priorities to respond to the challenges that our markets face today, and those to come.

We are continuing to monitor the needs of our markets and provide guidance to those we regulate as our economy moves toward recovery from the COVID-19 outbreak. We are also continuing to implement the burden reduction initiatives we outlined in our report, so that businesses can spend less time on regulatory compliance and more time on innovating and contributing to economic growth.

While our timelines for these initiatives and other projects have changed as a result of the global pandemic, we remain committed to our priorities and working with our regulatory partners to keep our markets functioning fairly and efficiently under all conditions.

As I reflect on the end of my term as Chair and CEO, I consider the nearly 10 years I have spent at the OSC as some of the most rewarding of my career. It has been an honour to serve the people of Ontario in this role, alongside so many wonderful colleagues. I have every confidence that our staff, led by Grant Vingoe as Acting Chair, will continue our progress to protect investors, foster innovation and modernize to meet the needs of tomorrow's business climate.



Maureen Jensen

Chair and Chief Executive Officer
Ontario Securities Commission

Our Executive Team

(as at March 31, 2020)

Maureen Jensen

Chair and Chief Executive Officer

Leslie Byberg

Executive Director

Deana Djurdjevic

Chief Administrative Officer

Timothy Moseley

Vice-Chair

D. Grant Vingoe*

Vice-Chair

* Grant Vingoe was appointed Acting Chair and CEO in April 2020 following Chair Jensen's retirement.

Mary Campione

Chief Financial Officer and Director,
Financial Management and Reporting

Raymond Chan

Director, Investment Funds and
Structured Products

Kevin Fine

Director, Derivatives

Tyler Fleming

Director, Investor Office

Debra Foubert

Director, Compliance and
Registrant Regulation

Susan Greenglass

Director, Market Regulation

Naizam Kanji

Director, Office of Mergers and
Acquisitions and Special Advisor to
the Chair, Burden Reduction

Jeff Kehoe

Director, Enforcement

Grace Knakowski

Secretary to the Commission,
Office of the Secretary

Elle Koor

Director, Business Planning and
Corporate Performance

Cameron McInnis

Chief Accountant,
Office of the Chief Accountant

Sonny Randhawa

Director, Corporate Finance

Paul Redman

Chief Economist and Director,
Regulatory Strategy and Research

Stephen Rotstein

Director, Global and Domestic Affairs

Carolyn Shaw-Rimmington

Director, Communications and
Public Affairs

James Sinclair

General Counsel,
General Counsel's Office

Russell White

Chief Information Officer

Lisa Wilkins

Chief Human Resources Officer and
Director, Corporate Services

Governance

Composition of the Board and Executive Management

The Ontario Securities Commission is a self-funded Crown corporation, accountable to the Ontario Minister of Finance. The Commission operates under the direction of the Members, who are also called Commissioners. The Members perform three distinct functions in support of the organization's mandate – serving as the board of directors of the Commission, reviewing and approving policies and rules, and adjudicating administrative proceedings.

Our Board of Directors is composed only of the Members. The Chair is the Chief Executive Officer of the Commission. The Chair & CEO and Vice-Chairs are full-time Members, and the other Members are part-time. A Lead Director is selected by the part-time Members to represent them and provides leadership and oversight of the governance obligations of the Board and its committees. Each Member is appointed for a fixed term by Ontario's Lieutenant Governor in Council, and appointments are made according to the procedures of the Public Appointments Secretariat of the Government of Ontario. Government appointments reflect the needs of the entity to which they have been appointed, but also reflect the diversity of the people of Ontario and the need to deliver services and decisions in a professional, ethical and competent manner.

Members of the Commission

(as at March 31, 2020)

- Mary Anne De Monte-Whelan
- Garnet W. Fenn
- Lawrence P. Haber (Lead Director)
- Craig Hayman
- Maureen Jensen (Chair & CEO)
- Raymond Kindiak
- Frances Kordyback
- Timothy Moseley (Vice-Chair)
- D. Grant Vingoe (Vice-Chair)
- M. Cecilia Williams
- Heather Zordel

More information about the Members of the Commission can be found in the Ontario Securities Commission Charter of Governance, which is available at www.osc.ca.

We follow the best practices of corporate governance for public companies, where appropriate for a regulatory body. This includes the policies outlined in National Instrument 58-101 *Disclosure of Corporate Governance Practices* relating to women on boards and in executive officer positions, which were implemented in December 2014 by the OSC and other Canadian Securities Administrators members.

	2019-20				2018-19			
	Female		Male		Female		Male	
	#	(%)	#	(%)	#	(%)	#	(%)
Board Members	5	45	6	55	5	56	4	44
Executive Office (Chair & CEO, Vice-Chair, Executive Director, Chief Administrative Officer)	3	60	2	40	2	50	2	50
Executive Management (including Executive Office)	10	43	13	57	9	45	11	55

More information about our governance practices can be found in the Ontario Securities Commission Charter of Governance, which is available on the OSC website at www.osc.ca.

Board and Commission Committees

(as at March 31, 2020)

Audit and Finance Committee

Mary Anne De Monte-Whelan
Garnet W. Fenn (Chair)
Craig Hayman
M. Cecilia Williams
Heather Zordel

Governance and Nominating Committee

Lawrence P. Haber
Craig Hayman (Chair)
Maureen Jensen (non-voting member)
Raymond Kindiak

Human Resources and Compensation Committee

Garnet W. Fenn
Raymond Kindiak
M. Cecilia Williams (Chair)

Risk Committee

Mary Anne De Monte-Whelan
Garnet W. Fenn (Chair)
Craig Hayman
Timothy Moseley
M. Cecilia Williams

Adjudicative Committee

Lawrence P. Haber
Grace Knakowski (non-voting member)¹
Timothy Moseley (Chair)
M. Cecilia Williams
Heather Zordel

The responsibilities of the Chair & CEO, Vice-Chairs, Lead Director and committees are found in the Ontario Securities Commission Charter of Governance available at www.osc.ca.

¹ The Secretary to the Commission is a non-voting member of the Adjudicative Committee.

Meeting Attendance

(April 1, 2019 to March 31, 2020)

Member	Type of meeting ¹						
	Commission Policy	Board	Audit and Finance Committee	Governance and Nominating Committee	Human Resources and Compensation Committee	Risk Committee	Adjudicative Committee
Mary Anne De Monte-Whelan	15/15	12/12	6/6			4/4	
Garnet W. Fenn	15/15	12/12	6/6		6/6	4/4	
Lawrence P. Haber (Lead Director)	14/15	10/12	6/6 ²	1/1 ³ and 4/4 ²	6/6 ²	3/4 ²	3/4 ³
Craig Hayman ⁴	13/14	9/11	6/6	5/5		1/1	
Maureen Jensen (Chair & CEO)	15/15	12/12		5/5			
Raymond Kindiak ⁵	14/14	11/11		5/5	6/6		
Frances Kordyback ⁶	1/1	2/2					
Timothy Moseley (Vice-Chair)	14/15	11/12				4/4	4/4
Poonam Puri ⁷	11/11	7/8		4/4	3/4	3/3	
D. Grant Vingoe (Vice-Chair)	15/15	12/12					3/3 ⁸
M. Cecilia Williams ⁹	14/14	12/12	6/6		6/6	4/4	3/4
Heather Zordel	15/15	12/12	6/6				4/4
Total Attendance	98%	95%	100%	100%	95%	100%	91% ¹⁰

1 Includes both regular and special meetings

2 The Lead Director may attend any meetings of the Board committees as a non-voting member and the Lead Director's participation is not reflected in a committee's Total Attendance

3 Attendance as a member of the Committee

4 Term of appointment commenced on April 4, 2019

5 Term of appointment commenced on April 18, 2019

6 Term of appointment commenced on February 27, 2020

7 Term of appointment ended on January 18, 2020

8 Removed from the Adjudicative Committee on February 4, 2020 once it was confirmed he would assume the role of Acting Chair

9 Term of appointment ended on November 29, 2019, with reappointment on January 17, 2020

10 Includes attendance by the Secretary to the Commission, who is a non-voting member of the Adjudicative Committee

Member Remuneration

(April 1, 2019 to March 31, 2020)

Members perform three distinct roles in support of the Commission's mandate – policy and rule-making, adjudication and governance.

	Term of Appointment		Total Member Remuneration	Remuneration Categorized by Activity					
	Start	End		Policy ¹	Tribunal ²	Governance ³	Orientation and Approved Events ⁴	Retainer ⁵	
Full-time Members⁶									
1	Maureen Jensen (Chair & CEO)	February 2016	April 2020	\$ 703,613	Included	n/a	Included	Included	n/a
2	Timothy Moseley (Vice-Chair)	November 2017	November 2020	\$ 470,462	Included	Included	Included	Included	n/a
3	D. Grant Vingoe (Vice-Chair)	August 2015	August 2021	\$ 473,422	Included	Included	Included	Included	n/a
Part-time Members⁷									
4	Mary Anne De Monte-Whelan	February 2019	February 2021	\$ 140,239	\$ 56,750	\$ 16,250	\$ 31,500	\$ 26,750	\$ 8,989
5	Garnet W. Fenn	July 2015	July 2021	\$ 107,745	\$ 34,750	\$ 11,250	\$ 34,500	\$ 12,250	\$ 14,995
6	Lawrence P. Haber (Lead Director)	January 2018	January 2022	\$ 114,066	\$ 24,750	\$ 45,000	\$ 23,500	\$ 9,250	\$ 11,566
7	Craig Hayman	April 2019	April 2021	\$ 91,170	\$ 27,500	\$ 7,250	\$ 21,500	\$ 25,500	\$ 9,420
8	Raymond Kindiak	April 2019	April 2021	\$ 157,448	\$ 44,500	\$ 38,500	\$ 28,500	\$ 37,500	\$ 8,448
9	Frances Kordyback	February 2020	February 2022	\$ 8,217	\$ 2,750	\$ 2,250	\$ 1,500	\$ 1,250	\$ 467
10	Poonam Puri	January 2018	January 2020	\$ 73,602	\$ 28,000	\$ 8,000	\$ 19,250	\$ 8,000	\$ 10,352
11	M. Cecilia Williams ⁸	November 2017	January 2022	\$ 138,399	\$ 30,000	\$ 58,250	\$ 24,750	\$ 12,250	\$ 13,149
12	Heather Zordel	February 2019	February 2021	\$ 155,989	\$ 51,750	\$ 40,750	\$ 20,000	\$ 34,500	\$ 8,989
Subtotal – Part-time Members				\$ 986,875	\$ 300,750	\$ 227,500	\$ 205,000	\$ 167,250	\$ 86,375
Total Remuneration				\$ 2,634,372					

1 Includes preparation for and attendance at Commission policy meetings and duty panel exemptive relief applications and other policy-related matters

2 Includes remuneration for preparation and attendance at OSC Tribunal hearings, as well as panel deliberations, decision writing, adjudicative roundtables and meetings of the Adjudicative Committee

3 Includes preparation for and attendance at meetings of the Board, committees of the Board and governance roundtables

4 Includes pre-approved participation in such events as new part-time Member orientation, Society of Ontario Adjudicators and Regulators / Osgoode Professional Development *Certificate in Adjudication for Administrative Agencies, Boards & Tribunals* program, regulatory roundtables, OSC Dialogue, and Biennial Canadian Securities Administrators Commissioners Conference

5 Under the *Remuneration Schedule for Part-Time Commissioners*, annual retainer amounts are paid to a part-time Member for serving as a member of the Commission, a member or chair of a committee, and Lead Director

6 The Chair & CEO and each Vice-Chair are compensated under their respective employment agreements with the Commission

7 Part-time Members are compensated in accordance with the *Remuneration Schedule for Part-Time Commissioners*, which is available at www.osc.ca

8 Term of appointment ended on November 29, 2019 with reappointment on January 17, 2020

Advisory Committees

OSC Advisory Committees

As part of policy and rule development, the OSC has established several advisory committees to gather input on securities regulation issues and industry trends. Below is a complete list of OSC Advisory Committees and their members as of March 31, 2020.

Continuous Disclosure Advisory Committee advises OSC staff on the development, implementation and review of continuous disclosure policies and practices.

Michael Balter (Chair)	<i>Ontario Securities Commission</i>
Ivan Chittenden	<i>Ernst & Young LLP</i>
Joseph Cosentino	<i>Magna International Inc.</i>
Catherine De Giusti	<i>TMX Group Limited</i>
Lucy Durocher	<i>PricewaterhouseCoopers LLP</i>
Bill Gorman	<i>Goodmans LLP</i>
Wendi Locke	<i>McCarthy Tétrault LLP</i>
Catherine McCall	<i>Canadian Coalition for Good Governance</i>
Matthew Merkley	<i>Blake, Cassels & Graydon LLP</i>
Chris Polson	<i>The Brattle Group</i>
Penny Rice	<i>Shorecrest Group</i>
Anthony Scilipoti	<i>Veritas Investment Research Corporation</i>
Julia Suk	<i>Deloitte LLP</i>
Jonathan Tong	<i>Miller Thomson LLP</i>
Robin Upshall	<i>Davies Ward Phillips & Vineberg LLP</i>
Chris Vollmershausen	<i>Agnico Eagle Mines Limited</i>

Fintech Advisory Committee advises OSC staff on developments in the fintech space as well as the unique challenges faced by fintech businesses in the securities industry.

Bram Abramson	<i>Decentral Inc.</i>
George Bordianu	<i>Balance</i>
Torstein Braaten	<i>Instinet Canada Ltd</i>
Pat Chaukos (Chair)	<i>Ontario Securities Commission</i>
Geoffrey Cher	<i>Wildeboer Dellelce LLP</i>
Lucille D'Souza	<i>Royal Bank of Canada</i>
Brady Fletcher	<i>TMX</i>
Karim Gillani	<i>Luge Capital</i>
Brian Mosoff	<i>Ether Capital</i>
Randee Pavalow	<i>Regulatory and Legal Consultant</i>
Laurence Rose	<i>Omega ATS Inc., 4C Clearing Corp.</i>
Omar Soliman	<i>Stikeman Elliott LLP</i>
Bradley Tagieff	<i>BDO Canada LLP</i>
Peter-Paul Van Hoeken	<i>FrontFundr</i>
John Willock	<i>Tritum Inc.</i>
Tanya Woods	<i>Chamber of Digital Commerce Canada</i>

Investment Funds Technical Advisory Committee advises OSC staff on technical compliance challenges in the investment funds product regulatory regime, and opportunities for improving alignment among investor, industry and regulatory goals.

Steve Banquier	<i>TD Securities Inc.</i>
Michael Burns	<i>McMillan LLP</i>
Mario Cianfarani	<i>Vanguard Investments Canada Inc.</i>
Wayne Hong	<i>Fundserv Inc.</i>
John Kruk	<i>Fasken Martineau DuMoulin LLP</i>
Robert Lemon	<i>CIBC World Markets Inc.</i>
Steven Leong	<i>BlackRock Asset Management Canada Limited</i>
Ruth Liu	<i>Lysander Funds Ltd.</i>
Valerie Lockerbie	<i>Neo Exchange Inc.</i>
Paul Mayhew	<i>RBC Global Asset Management</i>
Florence S. Narine	<i>AGF Investments Inc.</i>
Anne Ramsay	<i>CI Investments Inc.</i>
Melissa Schofield (Chair)	<i>Ontario Securities Commission</i>
Gillian Seidler	<i>Mackenzie Financial Corporation</i>
Michael Thom	<i>CFA Societies Canada</i>
Rob Turnbull	<i>BMO Capital Markets</i>

Investor Advisory Panel an independent committee advising the Commission, the Investor Advisory Panel provides advice and comments in writing on proposed rules, policies, and investor protection issues. Members include a mix of thought leaders with backgrounds in investor advocacy, investment industry operations, public policy development and professional regulation.

Jacqueline Allen	<i>Independent Consultant/Advisor, Former Capital Markets Executive</i>
Patti Best	<i>Former Senior Executive in Investment Industry</i>
Daniel Brunet	<i>National Director, Board of the National Association of the Federal Retirees</i>
Neil Gross (Chair)	<i>President, Component Strategies Consulting and former Executive Director, Canadian Foundation for Advancement of Investor Rights (FAIR Canada)</i>
Malcolm Heins	<i>Director, lawyer and former insurance industry executive and CEO Law Society of Ontario</i>
Serge Kalloghlian	<i>Partner, Kalloghlian Myers LLP, representing investors in securities class actions and investor rights litigation</i>
Harvey Naglie	<i>Former Senior Policy Advisor, Ontario Ministry of Finance's Financial Services Policy Division</i>
Ilana Singer	<i>Vice-President and Corporate Secretary, Canadian Investor Protection Fund, Former Chief Operating Officer and Deputy Director, FAIR Canada, and Capital Markets Expert, World Bank Group</i>
Leslie Wood	<i>Former Senior Executive in the Investment Fund Industry</i>

Market Structure Advisory Committee serves as a forum to discuss issues and policy- and rule-making initiatives associated with market structure and marketplace operations in the Canadian and global capital markets.

Rizwan Awan	<i>Independent</i>
Stephen Bain	<i>Independent</i>
Katie Gouinlock	<i>Vanguard Investments Canada</i>
Robert Gouley	<i>OMERS Capital Markets</i>
Susan Greenglass (Chair)	<i>Ontario Securities Commission</i>
David Hecht	<i>TD Securities</i>
Dan Kessous	<i>Nasdaq Canada</i>
Laflèche Montreuil	<i>Desjardins Securities</i>
Alex Perel	<i>Scotia Capital</i>
Martin Piszal	<i>Omega ATS</i>
Kelly Reynolds	<i>Hillsdale Investment Management</i>
Ryan Riordan	<i>Queen's University</i>
Kevin Sampson	<i>TMX Group</i>
Nick Savona	<i>ITG</i>
Daniel Schlaepfer	<i>Select Vantage Canada</i>
Jeff Varey	<i>RBC Capital Markets</i>
Mark Wilkinson	<i>Citadel Securities Canada</i>

Registrant Advisory Committee serves as a forum to discuss issues and challenges faced by registrants in interpreting and complying with Ontario securities law, including registration and compliance-related matters.

Denys Calvin	<i>Nexus Investment Management Inc.</i>
Julie Clarke	<i>Private Capital Markets Association of Canada</i>
Patrick Farmer	<i>Edgepoint Wealth Management Inc.</i>
Debra Foubert (Chair)	<i>Ontario Securities Commission</i>
Supriya Kapoor	<i>Aurelius GRP (Canada)</i>
John Kruk	<i>Fasken Martineau DuMoulin LLP</i>
Sunny Mann	<i>18 Asset Management Inc.</i>
Robyn Mendelson	<i>Fidelity Investments Canada ULC</i>
Peter Moulson	<i>CIBC Asset Management Inc.</i>
Paul Spagnolo	<i>Sionna Investment Managers Inc.</i>
Rob Wortzman	<i>Wildeboer Dellelce LLP</i>
Gina Yee	<i>Portfolio Management Association of Canada</i>

Securities Advisory Committee provides advice to the OSC on legislative and policy initiatives, and capital markets trends.

Katie Daniels	<i>Canada Pension Plan Investment Board</i>
Deanna Dobrowsky	<i>TMX Group</i>
Linda Fuerst	<i>Norton Rose Fulbright Canada LLP</i>
Margaret Gunawan	<i>BlackRock Asset Management</i>
Barbara Hendrickson	<i>Bax Securities Law</i>
Desmond Lee	<i>Osler, Hoskin & Harcourt LLP</i>
Jennifer F. Longhurst	<i>Davies Ward Phillips Vineberg LLP</i>
Julie Mansi	<i>Borden Ladner Gervais LLP</i>
Leila Rafi	<i>McMillan LLP</i>
Rima Ramchandani	<i>Torys LLP</i>
James Sinclair (Chair)	<i>Ontario Securities Commission</i>
Ora Wexler	<i>Dentons Canada LLP</i>
Blair Wiley	<i>Wealthsimple Inc.</i>

Securities Proceedings Advisory Committee provides comments and advice to the Office of the Secretary on policy and procedural initiatives relating to the Commission’s administrative tribunal proceedings.

Daniel Bach	<i>Siskinds LLP</i>
Robert Blair	<i>Manager, Adjudication Legal Services, Office of the Secretary, OSC</i>
Matthew Britton	<i>Senior Litigation Counsel and Head of Appeals, Enforcement, OSC</i>
James Camp	<i>Camp Advocacy</i>
Adam Chisholm	<i>McMillan LLP</i>
David Conklin	<i>Goodmans LLP</i>
Derek Ferris	<i>Senior Litigation Counsel and Case Lead, Enforcement, OSC</i>
Lara Jackson	<i>Cassels Brock & Blackwell LLP</i>
Craig Lockwood	<i>Osler, Hoskin & Harcourt LLP</i>
Grace Knakowski (Chair)	<i>Secretary to the Commission, OSC</i>
Susan Kushneryk	<i>Hansell LLP</i>
Brad Moore	<i>Fasken Martineau DuMoulin LLP</i>
Ryan Morris	<i>Blake, Cassels & Graydon LLP</i>
Bruce O’Toole	<i>O’Toole Advocacy</i>
Laura Paglia	<i>Borden Ladner Gervais LLP</i>
David Sischy	<i>Groia & Company Professional Corporation</i>
Carolyn Slon	<i>Senior Legal Counsel, Office of the Secretary, OSC (secretary to SPAC)</i>
Johanna Superina	<i>Deputy Director, Enforcement, OSC</i>

Seniors Expert Advisory Committee serves as a forum to discuss issues and challenges faced by seniors. The Committee provides OSC staff with expert opinions and input on securities-related policy, operational, education and outreach activities that are designed to meet the needs of Ontario’s older investors.

Dr. Joe Bornstein	<i>Health Innovations Group</i>
Arthur Fish	<i>BLG LLP</i>
Tyler Fleming (Chair)	<i>Investor Office, Ontario Securities Commission</i>
Harold Geller	<i>MBC Law Professional Corporation</i>
Marta C. Hajek	<i>Elder Abuse Prevention Ontario</i>
Kelley Keehn	<i>Consumer Advocate and Personal Finance Educator</i>
Sidney Peters	<i>Legal Director, Ontario Government</i>
Lindsay Rogan	<i>Investment Management (Portfolio Management Association of Canada representative)</i>
Keith Sjogren	<i>Investor Economics</i>
Laura Tamblyn Watts	<i>CanAge</i>
Danielle Tetrault	<i>IG Wealth Management and Investors Group Financial Services Inc.</i>
James (Jim) Turner	<i>Former OSC Vice-Chair</i>
Minal Upadhyaya	<i>Investment Funds Institute of Canada</i>
Kimberly Whaley	<i>Principal, Whaley Estate Litigation Partners</i>
Terri Williams, CFP	<i>Canadian Foundation for Economic Education</i>

Small and Medium Enterprises Committee advises OSC staff on policy and rule-making initiatives relevant to small issuers, and on the emerging issues and unique challenges faced by small issuers.

The OSC is committed to serving small and medium enterprises and is currently reviewing the mandate and membership of this Committee with a view to renewing its focus. We expect to announce new membership in 2020-2021.

CSA Advisory Committees

The OSC also participates on advisory committees of the Canadian Securities Administrators (CSA).

Financial Reporting Advisory Committee provides advice to the CSA Chief Accountants Committee on relevant policy initiatives and various technical accounting and auditing issues that relate to financial reporting requirements and guidance in securities legislation in Canada. The committee also serves as a forum to discuss financial reporting practices and trends in the Canadian and global capital markets.

Carolyn Anthony	<i>PwC LLP</i>
Susan Bennett	<i>Deloitte LLP</i>
Richard Cracknell	<i>BDO LLP</i>
Craig Cross	<i>RSM Canada</i>
Laney Doyle	<i>Ernst & Young LLP</i>
Carla-Marie Hait	<i>British Columbia Securities Commission</i>
Kelly Khalilieh	<i>Canadian Accounting Standards Board</i>
Cheryl McGillivray	<i>Alberta Securities Commission</i>
Cameron McInnis (Chair)	<i>Ontario Securities Commission</i>
Brad Owen	<i>KPMG LLP</i>
Suzanne Poulin	<i>Autorité des marchés financiers</i>
Rinna Sak	<i>Grant Thornton LLP</i>
Eric Turner	<i>Auditing and Assurance Standards Board</i>

Mining Technical Advisory and Monitoring Committee provides advice to the CSA on technical issues relating to disclosure requirements for the mining industry. The committee also serves as a forum for continuing communication between the CSA and the mining industry.

Brian Abraham	<i>Dentons Canada LLP</i>
Luc Arsenault (Observer)	<i>Toronto Stock Exchange</i>
Lynda Bloom	<i>Analytical Solutions Ltd.</i>
Kurt Breede	<i>Metallica Consulting</i>
James Brown	<i>Osler Hoskin & Harcourt LLP</i>
Chris Collins (Co-Chair)	<i>British Columbia Securities Commission</i>
Christopher Davis	<i>Consulting Geologist</i>
Guy Desharnais	<i>Osisko Gold Royalty Ltd.</i>
Catherine Gignac	<i>Corporate Director</i>
Greg Gosson	<i>Wood PLC</i>
Steve King	<i>Independent Analyst</i>
Garth Kirkham (Observer)	<i>Kirkham Geosystem Ltd.</i>
Darcy Krohman (Observer)	<i>IIROC</i>
André Laferrière	<i>Autorité des marchés financiers</i>
Stefan Lopatka (Observer)	<i>TSX Venture Exchange</i>
Deborah McCombe	<i>RPA - SLR Consulting</i>
Joseph Ringwald	<i>ScoZinc Mining Ltd.</i>
Craig Waldie (Co-Chair)	<i>Ontario Securities Commission</i>

2019-2020
OSC STATEMENT OF PRIORITIES
REPORT CARD



2019-2020 Report Card

Each year, the OSC publishes a Statement of Priorities that sets out the OSC's strategic goals, priorities and specific initiatives for the year.

This section reports on the OSC's performance against the priorities set out in the 2019-2020 Statement of Priorities.

Our 2019-2020 OSC Goals are:



**Promote Confidence in
Ontario's Capital Markets**



Reduce Regulatory Burden



**Facilitate Financial
Innovation**



**Strengthen Our
Organizational Foundation**

GOAL: PROMOTE CONFIDENCE IN ONTARIO'S CAPITAL MARKETS



The OSC will promote confidence in Ontario's capital markets among market participants and investors

Priority

Continue consulting on Client Focused Reforms

Why it's important

We work to make Ontario an attractive place for investors. When rules are clear, fair and align the interests of registrants with the interests of their clients, investor outcomes improve. Client Focused Reforms establish a higher level of protection for investors and a higher standard of care for the investment industry.

Success measures

- Client outcomes enhanced when material conflicts of interest are addressed in the client's best interest
- Improved suitability determinations for investors when the client's interests are put first
- Better disclosure on product and service offerings reduces information asymmetry for investors

PLANNED ACTIONS

Publish rule amendments to registrant conduct requirements and Companion Policy guidance to better align the interests of securities advisors, dealers, and representatives (registrants) with the interests of clients and improve outcomes for clients.

PROGRESS AND KEY OUTCOMES

Completed: Following extensive consultations, final amendments were published to Canadian Securities Administrators (CSA) National Instrument (NI) 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and its related companion policy, to implement Client Focused Reforms across Canada.

Under these reforms, registrants are required to address material conflicts of interest in the best interest of their clients and to put clients' interests first when determining suitability of investments.

1

PROMOTE CONFIDENCE IN ONTARIO'S CAPITAL MARKETS

PLANNED ACTIONS

Implement recommendations for registrant conduct requirements based on a review of comments received.

Determine next steps in consultation with the CSA and other stakeholders on other identified initiatives.

PROGRESS AND KEY OUTCOMES

Completed: Established an implementation committee to respond to questions and help registrants operationalize the reforms.

Ongoing: Working with the Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Fund Dealers Association of Canada (MFDA and together with IIROC, the SROs), the CSA is actively consulting with industry stakeholders through the implementation committee to consider operational challenges industry stakeholders are facing and how to respond to them to ensure a phased implementation as planned.

Recognizing the significant work many registrants need to undertake to implement the reforms and in response to the unique challenges associated with the COVID-19 pandemic, the CSA granted relief by postponing the effective date by which registrants will have to comply with the conflicts of interest requirements by six months to June 30, 2021.

Through the implementation committee, industry stakeholders informed the CSA of operational challenges associated with implementing the relationship disclosure (RDI) provisions of the reforms. Accordingly, the CSA extended the time for registrants to comply with the RDI reforms, postponing the implementation deadline to December 31, 2021, so that they will come into effect at the same time as all remaining reforms.

Despite the delay, the CSA is encouraging registrants to follow the original implementation timing wherever possible.

Ongoing: Continue to engage with stakeholders.

PROMOTE CONFIDENCE IN ONTARIO'S CAPITAL MARKETS

1

Priority

Continue CSA policy consultations on mutual funds embedded commissions

Why it's important

When investors understand the costs of their investments, they are better positioned to make decisions that support their overall financial goals. A more transparent fee model better balances the interests of investors with those of advisors and mitigates any potential conflicts of interest.

Success measures

- Revised proposals developed and published for comment

PLANNED ACTIONS

With the CSA, develop responses to the proposal published for comment in September 2018.

PROGRESS AND KEY OUTCOMES

Completed: Consulted with other CSA jurisdictions on proposals related to two specific types of embedded fees: fees embedded in the deferred sales charges (DSC) model; and embedded trailing commissions for order execution only (OEO) dealers.

Ongoing: Published CSA Staff Notice 81-332 *Next Steps on Proposals to Prohibit Certain Investment Fund Embedded Commissions*, announcing that the CSA (without Ontario) will proceed with final amendments for a DSC ban and with Ontario will also proceed with an OEO trailing commission ban.

Published for comment proposed OSC Rule 81-502 *Restrictions on the Use of the Deferred Sales Charge Option for Mutual Funds*, its related companion policy, and proposed amendments to NI 81-105 *Mutual Funds Sales Practices*. The proposed rule would restrict the use of the DSC option in the sale of mutual funds and is intended to address negative investor outcomes by limiting the circumstances in which mutual funds with the DSC option can be sold and by giving clients greater flexibility to redeem these investments without penalties. We anticipate that the proposed OSC rule will become effective in 2022.

Another proposed rule related to NI 81-105 *Mutual Funds Sales Practices* would prohibit payment of trailing commissions payments by fund organizations to dealers who do not make a suitability determination, such as OEO dealers. These amendments are planned to be published later in 2020.

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PROMOTE CONFIDENCE IN ONTARIO'S CAPITAL MARKETS

Priority

Improve the retail investor experience

Why it's important

Financial markets are evolving and becoming increasingly complex with new investment opportunities and products continually being introduced. Investors are the lifeblood of our capital markets, and it is essential that they have the information they need to make informed financial decisions.

Success measures

- Greater use of educational resources by investors, including online access
- Delivery of outreach sessions and resources for seniors and new Canadian community groups
- Consultation with stakeholders on ways to improve the investor experience
- Existing partnerships strengthened and new external relationships created to inform and advance investor-focused initiatives
- Publication of a staff notice and rule amendments for comment to address financial exploitation of seniors and vulnerable investors

PLANNED ACTIONS

Improve effectiveness of OSC policies and outcomes for retail investors through integration of behavioural insights.

Seek ways to improve the investor experience through disclosure innovations, plain language initiatives, improving investor tools and resources, and adopting customer-centric principles in a variety of work areas.

PROGRESS AND KEY OUTCOMES

Completed: Published OSC Staff Notice 11-787 *Improving Fee Disclosure through Behavioural Insights*, which identifies behaviourally-informed ways to improve how investment fees are communicated to investors.

In Progress: Undertook behavioural insights research to identify ways to protect older investors from financial exploitation and diminished mental capacity. A report, *Protecting Older Investors through Behavioural Insights*, will be published in 2020.

Completed: Conducted stakeholder and OSC advisory committee consultation that explored ways to improve the investor experience. Feedback to inform OSC activities and possible future consultation.

PROMOTE CONFIDENCE IN ONTARIO'S CAPITAL MARKETS

1

PLANNED ACTIONS

PROGRESS AND KEY OUTCOMES

Advance investor protection through financial literacy and investor education programs.

Completed: Developed resources and educational programs for our online investor hub to enhance the financial literacy of investors, attracting 5.8 million visits to our Investor Office resources, including [GetSmarterAboutMoney.ca](https://www.getsmarteraboutmoney.ca), during the fiscal year.

Highlights include:

- Created a series of Financial Literacy 101 videos to make financial literacy information more engaging for new investors.
- Launched the InvestingFundamentals.ca website to provide a clear introduction to the core concepts of retail investing.
- Developed six new calculators on [GetSmarterAboutMoney.ca](https://www.getsmarteraboutmoney.ca) to help investors with key aspects of their finances.
- Launched enhanced online resources in 22 languages on [InvestingIntroduction.ca](https://www.investingintroduction.ca)
- Delivered and participated in various Fraud Prevention Month activities with key stakeholders.
- Published a new information hub for investors on [GetSmarterAboutMoney.ca](https://www.getsmarteraboutmoney.ca) related to COVID-19 and its impact on personal finances.
- Published *Financial Literacy: A Foundation of the Investor Experience* research report. This research tested investor knowledge of key topics including diversification, inflation and interest.

Ongoing: Regular improvements to tools and resources to align with investor sentiments.

Launched a survey to capture the impact of the COVID-19 market volatility on the investor experience. Results are expected to be published in 2020.

Increase partnerships with stakeholders and community groups interested in investor education initiatives.

Completed: Delivered 104 investor outreach events with 7,224 participants. For example, we partnered with the Canadian Anti-Fraud Centre and North Bay stakeholders on an OSC in the Community event that included local police and officials, including former Minister of Finance Vic Fedeli, to provide local seniors with information on how to avoid fraud and make informed investment decisions.

Ongoing: Continue to deliver outreach (in person and virtually) and strengthen relationships with stakeholders and community groups during COVID-19.

Collaborate with the Ministry of Education to enhance the financial literacy curriculum.

Ongoing: Our Investor Office met with the Ministry of Education to discuss collaborative efforts to enhance the financial literacy curriculum.

1

PROMOTE CONFIDENCE IN ONTARIO'S CAPITAL MARKETS

PLANNED ACTIONS

PROGRESS AND KEY OUTCOMES

Continue to implement the OSC Seniors Strategy, which includes addressing issues of financial exploitation and cognitive decline.

Completed: Published for comment, with the CSA, proposed amendments to NI 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* to address issues of financial exploitation and diminished mental capacity among older and vulnerable investors.

Published CSA Staff Notice 31-354 *Suggested Practices for Engaging with Older or Vulnerable Clients* to respond to concerns raised by registrants regarding how to address the changing needs and issues they may encounter when working with older or vulnerable clients, including responding to potential financial exploitation and diminished mental capacity.

Partnered with Elder Abuse Prevention Ontario to deliver training and education to staff who interact with older individuals, such as when receiving inquiries and complaints, or when conducting compliance reviews or enforcement matters.

Published a Personal Information Inventory document, which is a fillable form, that can be used to collect and store relevant information for a trusted person, including details of relevant legal documents, insurance information, professional advisors, medical professionals, assets, debts, utilities and services, and digital accounts.

Promoted Seniors Month in Ontario with a series of activities, including providing 70 in-person investor education and anti-fraud presentations to older and vulnerable investors and conducting a telephone town hall, reaching 380 Ontarians.

Continue to evolve strategy to address emerging challenges facing older and vulnerable investors.

Ongoing: Continue to advance our strategy with respect to older and vulnerable investors.

Collaborated with the Ministry for Seniors and Accessibility.

Provide educational and regulatory tools to registrants to help them meet the needs and priorities of older and vulnerable investors.

Completed: Added a new Resource for Seniors hub on [GetSmarterAboutMoney.ca](https://www.getsmarteraboutmoney.ca), which provides links to resources for older Ontarians and their families and caregivers in a central online location.

PROMOTE CONFIDENCE IN ONTARIO'S CAPITAL MARKETS

1

Priority

Expand systemic risk oversight of derivatives

Why it's important

The derivatives market is growing in Ontario and appropriate safeguards are necessary to protect market participants and investors and to allow the derivatives market to flourish.

Success measures

- A framework for analyzing Over-the-Counter (OTC) derivatives data for systemic risk oversight and market conduct purposes is in place and provides improved awareness of potential systemic vulnerabilities that can impact or be impacted by Ontario's capital markets
- Higher quality trade reports and measurable improvement in trade reporting completion statistics enhance our ability to meet policy setting, systemic risk monitoring and enforcement assistance objectives
- The Canadian regulatory framework keeps pace with global regulatory developments. Harmonized regulatory approaches (internationally and within the CSA) reduce regulatory burden on our market participants
- A monitoring regime for data relevant to applicability of proposed margin rule for uncleared derivatives to Ontario entities is established

PLANNED ACTIONS

PROGRESS AND KEY OUTCOMES

Publish a business conduct rule and develop a registrant regulation framework.

Delayed: CSA Derivatives Committee work on NI 93-101 *Business Conduct* and NI 93-102 *Registration* was delayed due to COVID-19. Publication of proposed revisions is now expected in fall 2020.

Develop a compliance review program for derivatives market participants.

Completed: Published multilateral CSA Staff Notice 91-306 *Compliance Review Findings for Reporting Counterparties*.

Delayed: Work on the OTC 2019-2020 compliance reviews was delayed due to COVID-19-related challenges and is expected to be completed this summer.

Establish a monitoring regime for data relevant to the applicability of a proposed margin rule for uncleared derivatives to Ontario entities.

Completed: Established a quarterly monitoring program using trade repository data to assess the applicability of the proposed margin rule for Canadian entities.

1

PROMOTE CONFIDENCE IN ONTARIO'S CAPITAL MARKETS

PLANNED ACTIONS

PROGRESS AND KEY OUTCOMES

Improve quality and completion of trade reports to improve systemic risk monitoring and enforcement.

Completed: Automated ingestion, validation and storage of data from two trade repositories and one reference data source.

Ongoing: User acceptance testing is in progress for one trade repository and one reference data source.

Completed requirements gathering and data mapping for the 3.0 consolidated layer for one asset class. Development expected to be complete for this asset class in 2020-2021.

Propose amendments to trade reporting rule to accommodate internationally adopted data standards.

Ongoing: Work to develop proposed amendments to OSC Rule 91-507 *Trade Repositories and Derivatives Data Reporting* is underway, including a review of the Commodity Futures Trading Commission's proposed rules on swap data requirements and project scope discussions with the CSA.

Publish final amendments to clearing rules regarding applicability to affiliates.

Completed: Finalized proposed amendments to NI 94-101 *Mandatory Central Counterparty Clearing of Derivatives* which are expected to be published for comment this fall. Consultation was delayed due to COVID-19.

PROMOTE CONFIDENCE IN ONTARIO'S CAPITAL MARKETS

1

Priority

Timely and impactful enforcement actions

Why it's important

Securities misconduct doesn't just hurt the investors who lose money, it threatens the trust people have in our markets.

Success measures

- The implementation of new tools supports increased use of data to support case selection and investigation decisions
- Enhanced profile for the OSC Whistleblower Program increases the number of credible tips
- Increased visibility of priority case outcomes with strong regulatory messages aligned with OSC strategic priorities
- Improved use of data analytics in market conduct cases to strengthen the detection of harmful conduct

PLANNED ACTIONS

Ensure investigative and litigation resources are focused on cases expected to have a strong regulatory impact and are aligned with our strategic priorities.

PROGRESS AND KEY OUTCOMES

Completed: Assessed 732 cases, with 42 cases transferred for further investigation and another 52 investigations completed. New algorithms were developed to better assess potential cases of market manipulation and insider trading.

The Joint Serious Offences Team (JSOT), that works in cooperation with policing partners, will continue to focus on fraudulent behavior and recidivism.

Completed: Completed 21 cases during the year. Charges were laid and prosecutors recovered \$639,500 for investors, in full repayment of their investments in certain fraudulent securities.

1

PROMOTE CONFIDENCE IN ONTARIO'S CAPITAL MARKETS

PLANNED ACTIONS

Identify ongoing harmful misconduct and take timely, proactive disruptive action to stop the misconduct at the earliest stage and minimize investor harm.

PROGRESS AND KEY OUTCOMES

Completed: We actively pursued, investigated and sanctioned violators of securities law to send a strong message of deterrence.

Below are some of the more significant cases pursued this year:

- Reached settlement agreements totalling \$22.8 million plus \$1.6 million in costs with two of the major Canadian banks related to inappropriate foreign exchange trading practices.
- Reached another settlement agreement with a major investment firm for failing to meet its best execution obligations as an advisor, collecting \$1.8 million in administrative penalties and another \$250,000 in costs.
- Convicted fraudster ordered to pay \$14.5 million in restitution and sentenced to nine years in prison at criminal trial.
- Collected \$3.5 million in administrative penalties and \$500,000 in costs from a major accounting firm for its failure to comply with generally accepted auditing standards.

Ongoing: Initiated a proactive case identification (PCI) pilot to identify potential illegal insider trading. PCI analyzes market data associated with material events to detect potential patterns as well as potential “one-off” instances of illegal insider trading.

The Whistleblower group will triage tips to focus action on impactful enforcement proceedings with effective regulatory messages.

Completed: Our OSC Whistleblower Program received 145 tips, a 24 per cent increase over the last fiscal year.

Ongoing: During the year, \$525,000 was awarded to a company outsider who used their industry expertise to identify irregularities. Since its launch, the OSC Whistleblower Program has awarded more than \$8 million to four whistleblowers for providing timely, specific and credible information that initiated or advanced enforcement matters.

PROMOTE CONFIDENCE IN ONTARIO'S CAPITAL MARKETS**1****OSC Enforcement Activity****OSC Enforcement Branch: Intake**

Fiscal year	2019-2020	2018-2019
Number of cases assessed	732	565
Number transferred for investigation	42	42

OSC Enforcement Branch: Investigations

Fiscal year	2019-2020	2018-2019
Number of completed investigations	52	42
Number transferred for litigation	19	23

OSC Enforcement Branch: Litigation

Fiscal year	2019-2020	2018-2019
Proceedings commenced before the Commission	15	19
Quasi-criminal proceedings	2	4
Number of accused	3	9
Criminal Code proceedings	2	0
Number of accused	2	0
Search warrants executed	15	26
ENFORCEMENT TIMELINES:		
Average number of months from intake to commencement of a proceeding	19.9	18.8

1

PROMOTE CONFIDENCE IN ONTARIO'S CAPITAL MARKETS**Concluded Matters Before the Commission**

If someone contravenes Ontario securities law or commodity futures law, the OSC can bring an enforcement proceeding against them. Some of these cases are heard by a panel of Commissioners who act as independent adjudicators. Hearing panels have the power to impose sanctions, including ordering someone that has not complied with Ontario securities law or commodity futures law to pay an administrative penalty or to disgorge to the Commission any amounts obtained as a result of the non-compliance. Panels may also approve voluntary payments to the Commission under settlement agreements.

In addition to ordering sanctions following contested hearings or through settlements in which an admission of liability was made, this year the Commission approved one no-contest settlement with a foreign issuer that opened and operated trading accounts for Ontario investors without complying with Ontario registration and prospectus requirements. As part of the settlement, the issuer agreed to cease doing business in Ontario, and to attempt to return all funds remaining in Ontario accounts to the Ontario account holders (totalling approximately USD \$73,000).

Fiscal year	2019-2020	2018-2019
Number of proceedings concluded	14	25
SANCTIONS INCLUDE:		
Cease trade orders	6	20
Exemptions removed	4	20
Director and Officer bans	5	22
Registration restrictions	7	17
Administrative penalties, disgorgement orders, settlement amounts	\$ 41,307,703	\$ 126,466,054
Costs ordered	\$ 3,120,307	\$ 8,495,999
Amounts ordered or undertaken to be returned to investors (includes no-contest settlements)	\$ 995,966	\$ 10,970,518

PROMOTE CONFIDENCE IN ONTARIO'S CAPITAL MARKETS

1

Collections

The Commission's annual collections rate is calculated based on the amounts ordered during that year and the amounts collected from those orders. The rate may later be adjusted upward if amounts are recovered on an unpaid order in a future year. Collections actions can generally be commenced only after all appeals have been concluded, and they often take time to produce results.

The Commission's collections rate with respect to orders in both contested proceedings and settlements is 95 per cent for the fiscal year.

Concluded Matters Before the Courts

Fiscal year	2019-2020	2018-2019
Total number of proceedings	4	7
Total number of accused	4	8

SANCTIONS INCLUDE:

Jail sentences	119 months	51 months
Conditional sentences/House arrest	24 months	0
Fines	\$ 15,679,088	\$ 100,000
Restitution	\$ 14,468,682	\$ 2,707,636

1

PROMOTE CONFIDENCE IN ONTARIO'S CAPITAL MARKETS

Adjudicative Activities of the Commission

Proceeding type ¹	2019–2020			2018–2019		
	Applications commenced ²	Applications closed ³	Oral hearing days scheduled ⁴	Applications commenced ²	Applications closed ³	Oral hearing days scheduled ⁴
Enforcement proceeding ⁵ (an application for an order requested in a statement of allegations –s. 127)	24	21	106	39	44	127
Authorization to disclose (an application to authorize disclosure of information –s. 17)	12	15	0	23	19	9
Temporary order (an application for a temporary order –s. 127)	2	1	5	2	5	11
Hearing and review (an application for a review of a Director's or a self-regulatory organization's decision –s. 8 or s. 21.7)	1	4	10	8	10	6
Further decision/revocation or variation of a decision (an application for a further decision or a revocation or variation of a decision –s. 9(6) or s. 144)	6	6	0	0	0	0
Transactional proceeding (an application relating to a take-over bid, issuer bid, amalgamation, statutory arrangement, merger or acquisition, related party transaction or meeting of security holders –s. 104 or s. 127(1))	2	2	6	0	0	0
Other (an application for an order not specified above)	0	0	0	1	1	0
Total	47	49	127	73	79	153

1 Sections cited relate to *Securities Act* (Ontario).

2 An application is commenced when it is filed with the Registrar.

3 An application is closed when a final order or reasons, if any, are issued, or an application is withdrawn.

4 The number of oral hearing days scheduled that proceeded. Excludes written hearings.

5 Includes enforcement proceedings, inter-jurisdictional proceedings and settled enforcement proceedings.

PROMOTE CONFIDENCE IN ONTARIO'S CAPITAL MARKETS

1

Priority

Enhance economically focused rule making

Why it's important

Part of our role as a regulator is to be transparent about what we are doing, why it matters, and the impact we expect it to have. We are working to ensure that proposed rules are supported by a robust, publicly available analysis of the anticipated benefits and costs for stakeholders.

Success measures

- Improved transparency and understanding of the expected impacts of proposed rules

PLANNED ACTIONS

Ensure proposed rules are supported by publicly available qualitative and quantitative analysis of the anticipated costs and benefits.

PROGRESS AND KEY OUTCOMES

Completed: Regulatory impact analyses were completed on various regulatory proposals including:

- Start-up crowdfunding exemptions
- Proposed amendments to address the financial exploitation and diminished mental capacity of older and vulnerable clients
- Ontario's approach to restricting the use of deferred sales charges

1

PROMOTE CONFIDENCE IN ONTARIO'S CAPITAL MARKETS**Priority****Support transition to the cooperative capital markets regulatory system****Why it's important**

The proposed cooperative capital markets regulatory system (CCMR) is intended to give Canadians a straightforward and uniform approach to capital markets regulation. We view the proposed CCMR as an opportunity to enhance investor protection, foster efficient rulemaking and promote globally competitive markets in Canada.

Success measures

- OSC is ready and able to seamlessly transition to the proposed CCMR

PLANNED ACTIONS

Collaborate with other CCMR partners to complete work to develop effective legislation, regulations and efficient regulatory oversight processes.

PROGRESS AND KEY OUTCOMES

Ongoing: Continue to collaborate with our government and other participating jurisdictions on the proposed transition to a cooperative capital markets regulatory system.

GOAL: REDUCE REGULATORY BURDEN

The OSC will enhance access for businesses and financial services providers to Ontario’s capital markets

Priority

Engage with stakeholders on burden reduction opportunities

Why it’s important

Our stakeholders provide critical perspectives that help inform our policies, direction and approach. With their input, we are better able to understand where our rules and processes may be adding burden, duplication, or other impacts to their business so we can address and make it easier for them to do business.

Success measures

- Streamlined regulatory requirements and processes save participants in Ontario’s capital markets time and money
- Proposed solutions are tailored to address the different characteristics and needs of businesses of various sizes
- Timely alignment with international regulatory changes results in reduced reporting burden for market participants
- Investor protection is maintained or strengthened
- Proposed policy initiatives are informed by impact analysis
- Improved efficiency and effectiveness of operations results in cost savings and improved resource usage

PLANNED ACTIONS

Develop a CSA agreed interpretation of what would trigger primary business financial statement requirements in an IPO.

PROGRESS AND KEY OUTCOMES

Delayed: We are finalizing the draft rule and companion policy materials for Form 41-101F1 *Information Required in a Prospectus* and its related companion policy. Publication is targeted for fall 2020.

2

REDUCE REGULATORY BURDEN

PLANNED ACTIONS

PROGRESS AND KEY OUTCOMES

Propose amendments to streamline, eliminate duplication among, and potentially consolidate into one report (both annual and interim), the financial statements, MD&A and, where applicable, AIF.

In Progress: Along with the CSA, we are drafting proposed amendments to NI 51-102 *Continuous Disclosure Requirements*. Publication for comment is targeted for late 2020.

Consider modifications to the Business Acquisition Report (BAR) requirements.

Completed: Published for comment proposed amendments, including cost benefit analysis, to NI 51-102 *Continuous Disclosure Obligations and Changes to Certain Policies Related to the Business Acquisition Report (BAR) Requirements*. The proposed amendments aim to reduce regulatory burden and change the requirements for companies to file reports detailing significant acquisitions.

After reviewing all public comments, we are in the process of finalizing the rule amendments with an anticipated implementation date in the fall of 2020.

Codify exemptive relief routinely granted to facilitate at-the-market offerings and consider whether other changes to liberalize the current approach are appropriate.

In Progress: Published for comment proposed amendments to NI 44-102 *Shelf Distributions* and its related companion policy.

After reviewing all public comments, we are in the process of finalizing the rule amendments with an anticipated implementation date in the summer of 2020.

Identify opportunities to enhance electronic delivery of documents.

Completed: Published for comment CSA Consultation Paper 51-405 – *Consideration of an Access Equals Delivery Model for Non-Investment Fund Reporting Issuers*.

Seek to harmonize the prospectus and registration exemptions for securities-based crowdfunding by adopting a start-up crowdfunding exemption as a national instrument.

In Progress: Published for comment CSA Notice Proposed NI 45-110 *Start-up Crowdfunding Registration and Prospectus Exemptions*.

Research and identify an alternative and streamlined offering regime for reporting issuers.

Completed: Published CSA Staff Notice 43-310 *Confidential Pre-File Review of Prospectuses (for non-investment funds issuers)*.

In Progress: Developing proposals for public consultation.

Publish a report in fall 2019, setting out short-, medium-, and longer-term burden-reduction initiatives and action plans to implement them.

Completed: Published *Reducing Regulatory Burden in Ontario's Capital Markets – 2019*, setting out 107 regulatory and process changes to reduce burden for market participants while maintaining investor protection.

To date, approximately 27 per cent of the burden reduction initiatives are complete, 36 per cent are on track for completion within the timelines established last year, and 37 per cent are delayed.

REDUCE REGULATORY BURDEN

2

PLANNED ACTIONS

Implement the plan set out in CSA Staff Notice 81-329 *Reducing Regulatory Burden for Investment Fund Issuers*.

Review NI 33-109 *Registration Information* (including considering relevant stakeholder comments from the Burden Reduction task force) to identify options to modernize its requirements. Any amendments to the rule will require a CSA initiative.

PROGRESS AND KEY OUTCOMES

Ongoing: With the CSA, published for comment eight sets of proposed amendments and changes to reduce regulatory burden for investment funds.

As part of the *Reducing Regulatory Burden in Ontario's Capital Markets – 2019* report, 24 initiatives were announced related to reducing regulatory burden for investment fund issuers.

Completed: Considered relevant stakeholder comments from the Burden Reduction task force, consulted with the OSC's Registrant Advisory Committee, industry groups, behavioural and plain language analysts regarding the information requirements.

Announced amendments to OSC Rule 13-502 Fees and OSC Rule 13-503 (*Commodity Futures Act*) Fees to implement a moratorium on late fees associated with late disclosures of outside business activities. The moratorium will provide estimated savings of \$700,000 to Ontario registrants and will apply while the OSC considers streamlining the disclosure regime for outside business activities.

We also conducted focused compliance reviews of seven firms registered in different categories to assess their supervision of outside business activities.

Ongoing: With the CSA, IIROC and the MFDA, we are drafting proposed amendments to NI 33-109 – *Registration Information* and NI 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations* related to outside business activity. Publication for comment is targeted for fall 2020.

2

REDUCE REGULATORY BURDEN

Priority**Initiate OSC website redevelopment****Why it's important**

Our corporate website is critical to how we interact with the public and those we regulate. We are redesigning the site to make it easier for investors and market participants to quickly find the information they need.

Success measures

- Identify content to be revised and removed, with an aim to decrease the size of the OSC website by 50 per cent
- Engage vendors in content revision and website redevelopment

PLANNED ACTIONS**PROGRESS AND KEY OUTCOMES**

Complete discovery for content revision and website redevelopment, including a user engagement survey.

Completed: Discovery for content revision and website redevelopment is complete.

In Progress: A user engagement survey that will inform and improve site structure and navigation is planned for fiscal 2020-21.

Develop and begin implementation of a content revision plan.

Completed: Implementation of content revision (underway with expected completion summer 2020) will result in streamlined, accessible content and an improved user experience.

Develop a technical strategic plan for design and build of the new website.

In Progress: A technical strategic plan is being finalized and work on design and build is underway. We expect to launch the new website in fiscal 2020-21.

GOAL: FACILITATE FINANCIAL INNOVATION



The OSC will cultivate an environment that supports development of innovative financial business models

Priority

Engage with the fintech/start-up sector

Why it's important

Innovation offers economic opportunity and choices for investors. We support the creation of a globally competitive and efficient capital markets regulatory system that helps innovative businesses succeed and attracts investments from around the world.

Success measures

- OSC LaunchPad and the CSA Regulatory Sandbox support development of novel business models, facilitate more timely registration and exemptive relief processes for emerging firms and support fintech businesses
- Greater use of creative regulatory approaches (e.g. limited registration and other exemptive relief) provides an environment for innovators to test their products, services and applications
- Time-to-market of novel fintech businesses is reduced while maintaining appropriate investor safeguards
- Capital formation and innovation supported through OSC LaunchPad as Ontario is viewed as a fintech innovation hub with a positive and supportive environment for investment
- Timely updates on the OSC LaunchPad website reflect any fintech-related notices, news releases or guidance
- Enhanced disclosure relating to the Exchange-Traded Funds (ETF) unit creation and redemption process, as relevant for investors and other market participants

3

FACILITATE FINANCIAL INNOVATION

PLANNED ACTIONS

PROGRESS AND KEY OUTCOMES

Identify issues and opportunities and integrate learnings gained by working with innovative businesses to modernize regulation, reduce burden, improve regulatory alignment and better support emerging businesses.

Completed: OSC LaunchPad hosted or participated in close to 40 events with individuals operating in the fintech space and attended 210 meetings with external stakeholders, including Canadian and global regulators, fintech businesses and services providers.

In addition, OSC LaunchPad provided regulatory support to 37 fintech companies during the year.

Along with certain jurisdictions from the CSA, we entered into a fintech co-operation agreement with the Monetary Authority of Singapore.

Ongoing: OSC LaunchPad, in collaboration with two students from the University of Toronto's Rotman School of Management, developed a survey and obtained feedback from 71 industry participants on the capital raising challenges faced by innovative businesses at various stages of development.

Participated in the Global Financial Innovation Network's (GFIN) cross-border pilot testing, considered learnings and implemented solutions intended to improve the process for future cohorts to test their innovations and scale new technologies in multiple jurisdictions.

Publish a CSA/IIROC consultation paper on the regulatory framework for crypto-asset trading platforms.

Completed: The consultation period for the Joint CSA/IIROC Consultation Paper 21-402 *Proposed Framework for Crypto-Asset Trading Platforms* closed during the year.

Published CSA Staff Notice 21-327 *Guidance on the Application of Securities Legislation to Entities Facilitating the Trading of Crypto Assets* to provide further clarification on which types of crypto-asset trading platforms are not subject to securities legislation.

Examine the role of the unit creation and redemption process in the secondary market trading of ETFs units. Assess disclosure of the unit creation and redemption process.

Delayed: With the onset of COVID-19, staff have actively engaged with ETF providers to understand how they managed their challenges. Our regulatory analysis will be delayed six months until fall 2020 so that we can incorporate COVID-19 impacts.

Incorporate regulatory developments in global ETF markets as input in developing a tailored Canadian approach.

Delayed: Given the impact of COVID-19 to the ETF market and day-to-day operations of fund managers, policy discussion with stakeholders will be delayed six months until fall 2020.

FACILITATE FINANCIAL INNOVATION

3

Priority

Establish the Office of Economic Growth and Innovation

Why it's important

We have established a dedicated office to lead our efforts in reducing burden, supporting innovation and facilitating capital formation to drive competitiveness in our markets. Our Office of Economic Growth and Innovation will be our link to those we regulate to identify their needs and listen to their ideas.

Success measures

- Increased capital formation within the province
- Accelerated innovation in financial services through proliferation of technology, reduced costs and increased competition
- Impacts of regulatory actions are assessed in the context of small or medium-sized market participants
- Office of Economic Growth and Innovation is fully operational and delivering on its mandate

PLANNED ACTIONS

Create and launch an Office of Economic Growth and Innovation.

PROGRESS AND KEY OUTCOMES

In Progress: The launch of the new office was delayed. We announced the appointment of a Director for this new office in April 2020.

Collaborate with businesses and other regulators to gain insights on how to support innovation, facilitate competition and reduce regulatory burden.

In Progress: We will be building out the business plan and the team in 2020-2021 to identify additional ways to collaborate with businesses and other regulators.



3

FACILITATE FINANCIAL INNOVATION

Priority**Implement alternative funds regime****Why it's important**

As markets continue to evolve, new investment products are emerging that are more complex, pose higher risk, and require regulation.

Success measures

- Reduction in routine alternative fund related exemptive relief requests
- Increased numbers and types of new alternative funds and structured products improve investor choice

PLANNED ACTIONS

Expand investment choices for Ontario investors by supporting and facilitating industry stakeholders to develop and launch funds with alternative strategies and innovative structured investment products (e.g. foreign structured notes, ADR-type products) and enable portfolio managers to manage fund assets with more flexibility and efficiency.

PROGRESS AND KEY OUTCOMES

Completed: Received the first bitcoin exchange-traded closed-end fund in Canada.

Issued exemptive relief decisions to several alternative funds to facilitate new alternative investment strategies (e.g., short selling government bonds up to 300 per cent and short selling equities up to 100 per cent).

Observed significant growth in alternative funds. Of the 120 alternative mutual funds managed by 38 different fund managers, 76 of the funds are newly established and 11 of the managers are new entrants to retail investment funds management.

Permitted cross-trading of European-listed structured notes on a Canadian exchange.

GOAL: STRENGTHEN OUR ORGANIZATIONAL FOUNDATION



The OSC will provide efficient and effective regulation that delivers better outcomes

Priority

Implement strategic workforce planning (SWP)

Why it's important

We recognize that our people are the foundation for our long-term success. We are building for the future by investing in the recruitment and development of a diverse team that can support our modernization.

Success measures

- Strategic workforce planning is integrated into OSC business operations
- Employment relationships are aligned with organizational and employee needs
- Lower turnover of staff with sought-after skillsets, reduced time to staff critical roles
- Staffing tactics and work structures reflect evolving approaches to policy and file work that draw upon multiple skills and expertise

PLANNED ACTIONS

Measure the outcomes against success criteria.

PROGRESS AND KEY OUTCOMES

Completed: Developed and embedded a strategic workforce planning tool within our annual business and budget planning process and our in-year position management process, enabling improved enterprise decision-making.

Increased access to talent with sought-after skillsets through academic partnerships and direct outreach, which has reduced reliance on, and cost of, external recruitment support for select critical roles.

Strategic workforce plan resources were fully utilized and contributed to workforce productivity and a reduced requirement to recruit to fill short-term vacancies.

In Progress: Expanding access to professional, specialized and leadership resources, beyond traditional employment relationships, through the development of strategic external arrangements aligned with organizational needs.

4

STRENGTHEN OUR ORGANIZATIONAL FOUNDATION

PLANNED ACTIONS

PROGRESS AND KEY OUTCOMES

Make recommendations to be incorporated into a broad Strategic Workforce Planning (SWP) framework.

Ongoing: Given the current environment, the focus of SWP is being adjusted to support an expanded corporate approach (as opposed to individual Branch approach) to strategic workforce and resource management that is responsive to the needs of the business and the impacts of the COVID-19 pandemic.

In the framework, integrate multiple sources of workforce, employee, position and financial information to enable improved planning and decision making to support OSC operations.

Complete: Developed business requirements for a technology solution that will replace and integrate the current separate and manual process, tools and information sets.

STRENGTHEN OUR ORGANIZATIONAL FOUNDATION

4

Priority

Continue national systems renewal program (NSRP)

Why it's important

The redevelopment of the CSA national filing systems is in direct response to feedback received from market participants. We are working together to provide users with a single, easy to use, integrated information and filing system that will seamlessly include all the CSA's national systems.

Success measures

- A successful launch of the NSRP system (known as SEDAR+) that meets the needs of the users and is aligned with OSC local systems
- Improved operational functions and more efficient service delivery to market participants

PLANNED ACTIONS	PROGRESS AND KEY OUTCOMES
<p>Support the CSA initiative to replace the CSA national systems with a modern, accessible, integrated, searchable, secure, robust database and system to deliver capabilities that support existing regulatory requirements and can be easily modified to support the future needs of market participants and regulators.</p>	<p>Ongoing: Continue to support the work of the CSA to modernize the shared CSA national systems in phases.</p> <p>The first phase of SEDAR+ (formerly "The Renewed System") will replace SEDAR, the CTO Database, the Disciplined List, and certain filings made in the local OSC electronic filing system. This first phase of the program is expected to commence in 2021.</p>
<p>Amend the systems rule, plus a new CSA systems fee rule.</p>	<p>Ongoing: In preparation for the transition to SEDAR+, the CSA published a Notice and Request for Comment related to instruments 13-102 <i>System Fees for SEDAR and NRD</i>, and 13-103 <i>Proposed National Systems Renewal Program Rule and Related Amendments</i>.</p>
<p>Complete work on OSC local systems and related processes, workflows and policies to ensure they are aligned with the NSRP national systems when they are launched.</p>	<p>Ongoing: Completion of work on impacted OSC applications remains aligned with the SEDAR+ program.</p>

4

STRENGTHEN OUR ORGANIZATIONAL FOUNDATION**Priority****Implement first phase of market analysis platform (MAP)****Why it's important**

The implementation of a market analysis platform will enhance oversight of our capital markets and help us identify, assess and investigate potential cases of market abuse.

Success measures

- Automation of multiple data management processes, thereby increasing data quality, accuracy and reliability
- Increased ability to detect market misconduct
- Increased efficiency in terms of quality, reliance and usage of automated reports and queries
- Ability to store a wider breadth and depth of trade related data on a timelier and more standardized basis

PLANNED ACTIONS**PROGRESS AND KEY OUTCOMES**

Complete Phase 1 implementation of MAP.

Ongoing: Launch of MAP Phase 1 is planned for summer 2020.

STRENGTHEN OUR ORGANIZATIONAL FOUNDATION

4

Priority

Modernize OSC technology platform

Why it's important

Strong technology systems support us in providing efficient and effective regulation. We are modernizing our OSC technology platform to enhance our operations and better serve those we regulate.

Success measures

- Successful implementation of the OSC Data Management Program enables improved management, usage and quality of OSC data
- Implementation of additional tools and technologies facilitates improved data management and analytics
- Ongoing platform currency and upgrade activities completed as required
- Successful implementation of the Information Security Program results in secure operations of OSC systems and more reliable OSC system up-time

PLANNED ACTIONS	PROGRESS AND KEY OUTCOMES
Data Management Program:	
Implement a new centralized review and case management system for improved regulatory business work-flow management.	<p>Completed: Launched the new centralized review and case management system and implemented several OSC regulatory business workflows.</p> <p>Ongoing: Additional business work-flows will be implemented in alignment with the CSA SEDAR+ program and other OSC initiatives.</p>
Implement a right-sized framework for ongoing data governance.	<p>Completed: Implemented a right-sized framework for ongoing data governance.</p> <p>Ongoing: Data governance activities will continue as an ongoing operational activity.</p>
A data management technology stack that includes tools for improved data management and analytics.	<p>Completed: Implemented a data management technology stack with several tools for improved data management and analytics.</p> <p>Ongoing: We will continue to rollout and operationalize existing tools for data management and analytics and add new tools as required.</p>

4

STRENGTHEN OUR ORGANIZATIONAL FOUNDATION

PLANNED ACTIONS

PROGRESS AND KEY OUTCOMES

Systems Modernization & IT Resilience:

Launch a new OSC compliance system.

Complete: Launched the My Compliance Office solution to support OSC Code of Conduct staff compliance reporting.

Replace enforcement e-discovery system.

In Progress: Enforcement acquired a new platform for e-discovery and training has been completed. Migration to the new platform and the decommissioning of the current system is expected to be completed by fall 2020.

Introduce additional data management and analytics tools.

In Progress: IIROC provided historical data on corporate bond market transactions for a three-year period. We are currently analyzing the data to assess market trends and the extent of retail investor participation.

Make ongoing platform currency upgrades and improvements to various internal operational systems.

In Progress: We have multiple technology solutions, which require security, functional, and obsolescence updates at various intervals. To maintain platform currency, we implemented multiple solution updates and upgrades, or completely replaced obsolete solutions.

Delayed: We were unable to complete the refresh of all our solution portfolio as planned due to resourcing and COVID-19 challenges.

Information Security Program:

Improve information security and governance.

Ongoing: Continue to develop information security policies and standards to support our evolving enterprise architecture.
Continue to perform security risk assessments and contract reviews for new initiatives.
Continue to support various audits and remediate the audit findings.

Improve ongoing information security operations and remediation of information security risks

Completed: An external and internal vulnerability scan was completed.
Ongoing: Continue with a vulnerability management program.
Continue with security events monitoring, incident response and incident investigations.

Implement additional information security tools and technology.

Ongoing: Continue with the execution of the OSC information security program and implement additional tools and technology as required.

Develop additional policy, procedures and controls.

Completed: Introduced a new information security incident escalation process to provide a clear process and workflow for handling and escalating incidents.

Continue ongoing information security awareness training for all staff.

Ongoing: Continue to provide information security awareness training to staff, including developing COVID-19-related security guidelines.

STRENGTHEN OUR ORGANIZATIONAL FOUNDATION

4

Priority

Build a data-driven, evidence-based and risk-focused organization

Why it's important

As capital markets continue to evolve and generate large volumes of data, market and reference data is important for regulators to support effective market surveillance.

Success measures

- Integrated vision, strategy and governance of OSC data management initiatives
- Consistent cross-Commission compliance with data policies, standards and procedures
- Improved data management processes and more focused data collection

PLANNED ACTIONS	PROGRESS AND KEY OUTCOMES
Establish and launch an enterprise data management office to support a data-driven, evidence-based and risk-focused organization.	Delayed: The establishment of an enterprise data management office has been delayed due to resource constraints.
Develop and implement a fit-for-purpose data governance framework and approach to data management to enhance the collection, management and analysis of data.	Ongoing: Continue to build a fit-for-purpose data governance framework and approach to data management to enhance the collection, management and analysis of data. Progress has been made developing various systems and applications to access and analyze data and information to better inform operational decisions.
Promote use of enhanced data management and analytics at the OSC to support and inform OSC policy and operations.	Ongoing: Initial activities for the master data management system are complete. A Request for Proposal for the next phase of master data management work was issued and responses received. Procurement is delayed due to COVID-19.
Further develop staff expertise to assemble and analyze relevant, reliable, comparable and timely data in a systematic manner.	Completed: Implemented various analytical tools that support staff in compiling and analyzing data to meet the needs of business and decision makers.

4

STRENGTHEN OUR ORGANIZATIONAL FOUNDATION

Priority**Ensure competitiveness and clear service standards****Why it's important**

Maintaining effective and transparent service standards is integral to strengthening accountability and building trust with our stakeholders.

Success measures

- Improved understanding of relative competitiveness of Ontario capital markets
- Better service and trend analysis

PLANNED ACTIONS**PROGRESS AND KEY OUTCOMES**

Report on metrics that track the competitiveness of Ontario's capital markets relative to other jurisdictions.

Ongoing: Continue to conduct research on peer markets and regulators in order to identify indicators of market competitiveness.

Service standards will be tracked relative to securities regulators in leading jurisdictions.

In Progress: Reviewed our OSC service standards and other publicly committed service standards of securities regulators in leading jurisdictions. We are in the process of updating, and improving, the OSC service standards based on our analysis.

Create clarity for market participants on the processes for interacting with the OSC.

In Progress: Reviewed our core activities and processes involving OSC stakeholders and work is underway to identify opportunities to streamline our processes, identify internal quality control enhancements and communicate with stakeholders about our processes for interacting with us.

Review and update OSC customer service standards.

In Progress: We are reviewing our OSC customer service standards and will be updating them concurrently with the jurisdictional benchmarking exercise noted above.

MANAGEMENT'S DISCUSSION AND ANALYSIS CONTENTS

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This Management's Discussion and Analysis (MD&A) contains management's interpretation of the Ontario Securities Commission's (OSC) financial performance for the fiscal year ended March 31, 2020. While the financial statements reflect actual financial results, the MD&A explains these results from management's perspective and sets out the OSC's plans and budget for the year ahead.

This MD&A should be read in conjunction with the OSC's 2020 Financial Statements and related notes. Together, the MD&A and financial statements provide key information about the OSC's performance.

Important information about this MD&A

- The information in this MD&A is prepared as of June 16, 2020.
- The terms "we", "us", "our" and "OSC" refer to the Ontario Securities Commission.
- This MD&A contains forward-looking information and statements regarding strategies, objectives, expected operations and financial results, which are based on the OSC's current views of future events and financial performance. Key risks and uncertainties are discussed in the Risks and risk management section of this MD&A. However, some risks and uncertainties are beyond the control of the OSC and are difficult to predict. Actual future outcomes may substantially differ from the expectations stated or implied in this MD&A.
- The words "believe", "plan", "intend", "estimate", "expect", "anticipate" and similar expressions, as well as future conditional verbs, such as "will", "should", "would" and "could" often identify forward-looking statements.
- Unless otherwise specified, references to a year refer to the OSC's fiscal year ended March 31.
- Notes to the financial statements refer to the OSC's 2020 Notes to the Financial Statements.
- All financial information related to the current and preceding fiscal years has been prepared in accordance with International Financial Reporting Standards (IFRS). For more information, see the notes to the financial statements, in particular, Note 2 *Basis of presentation*, Note 3 *Significant accounting policies* and Note 21 *Accounting pronouncements*.
- Amounts shown in this MD&A are expressed in Canadian dollars, unless otherwise specified.
- Due to rounding, some variances may not reconcile, and analysis of components may not sum to the analysis for the grouped components.

About the OSC

A summary of our role, mandate and goals

The Ontario Securities Commission is responsible for regulating the capital markets of Ontario. We are an independent self-funded Crown corporation of the Province of Ontario. Our powers are given to us under the *Securities Act* (Ontario), the *Commodity Futures Act* (Ontario) and certain provisions of the *Business Corporations Act*. We operate independently from the government and are funded by fees charged to market participants. We are accountable to the Ontario Legislature through the Minister of Finance. The OSC operates under the direction of the Commission. The Commission has three distinct functions in support of its mandate – making policies and rules, serving as the board of directors, and adjudicating. As policy and rule-makers, Members approve and oversee the implementation of regulatory initiatives and priorities. As the Board, Members oversee the management of the financial and other affairs of the OSC. As adjudicators, Members (other than the Chair and CEO who does not adjudicate) act independently of their other roles and preside over administrative proceedings brought before the OSC's Tribunal – the administrative tribunal that is assigned the power to conduct hearings under Ontario securities law and commodity futures law.

We use our rule making and enforcement powers to help safeguard investors, deter misconduct and regulate market participants in Ontario. The OSC oversees the operation of marketplaces, self-regulatory organizations (SROs), clearing agencies, and investor protection funds in Ontario. We work to regulate market participants including: firms and individuals who sell securities and derivatives, firms who provide investment advice in Ontario and public companies.

We are an active member of the Canadian Securities Administrators (CSA), the forum

for the 13 securities regulators of Canada's provinces and territories. The CSA works to foster a nationally coordinated and modernized securities regulatory framework.

The OSC also contributes to the international securities regulatory agenda by actively participating in the International Organization of Securities Commissions (IOSCO) and other international organizations.

Mandate

To provide protection to investors from unfair, improper or fraudulent practices, to foster fair and efficient capital markets and confidence in capital markets, and to contribute to the stability of the financial system and the reduction of systemic risk.

Vision

To be an effective and responsive securities regulator – fostering a culture of integrity and compliance and instilling investor confidence in the capital markets.

Goals

1. **Promote confidence in Ontario's capital markets**
2. **Reduce regulatory burden**
3. **Facilitate financial innovation**
4. **Strengthen our organizational foundation**

For more information about our goals, see our [Statement of Priorities](#) at www.osc.gov.on.ca.

About Our Fees

The OSC is funded by fees from market participants and we typically re-evaluate fee rates every three years. Our fee structure is designed to recover costs and is set out in OSC Rules 13-502 *Fees* and 13-503 *(Commodity Futures Act) Fees* ("Fee Rules"). When re-evaluating fee rates, the OSC considers the existing surplus, projected level of revenue and expenses, capital spending and the level of cash resources required to fund operations through capital market downturns. In 2020 we performed an analysis of our fee rates, but many of the underlying assumptions have since changed in light of COVID-19 including a potential negative impact on OSC revenues. We anticipate reassessing fee rates and are considering Fee Rule amendments once market conditions stabilize.

Participation fees are charged for a participant's use of Ontario's capital markets. They cover the cost of a broad range of regulatory services that cannot be practically or easily attributed to individual activities of market participants. Fees are calculated, using an increasing tiered structure, based on average market capitalization for issuers and Ontario specified revenues for registrants. Specified regulated entities are charged participation fees based on their market share or a fixed rate. The basis for calculating participation fees is on a market participants' most recent fiscal year. The timing of participation fee revenue affects our cash flow. For more information, see the Liquidity and Financial Position section.

Activity fees are charged when market participants file documents, such as prospectuses and other disclosure documents, registration applications and applications for discretionary relief, and are set to reflect the costs associated with providing the related services. Activity fees are also charged for requests, such as making changes to a registration or searching for records. Activity fees are flat-rate fees based on the estimated direct cost for the OSC to review documents and respond to requests.

Late fees are charged when market participants submit filings after applicable filing deadlines, and/or are late paying the fees related to a filing.

2020 Organizational Developments

Operational Effectiveness

We successfully delivered on key priorities while achieving cost savings throughout the year. The OSC's financial management oversight framework considers shifts in organizational focus and their impact on priorities to make available the necessary resources to meet these needs while maintaining cost prudence.

Regulatory Modernization

We are focused on delivering objectives outlined in the Five-Point Capital Markets Plan contained in the April 2019 Budget, consisting of the following elements:

- The OSC's burden reduction task force
- Establishing the Office of Economic Growth and Innovation
- Improving the investor experience and protection
- Ensuring economically focused rule-making
- Ensuring competitiveness and clear services standards

Through the 107 burden reduction initiatives reported in November 2019, we are re-examining rules and processes to ensure they are appropriate and necessary in a fashion that maintains investor protection. Furthermore, we are working on staffing the newly created Office of Economic Growth and Innovation. By working closely with the Ontario government's Securities Modernization Taskforce, we are identifying potential areas for reform of Ontario securities laws and regulations. In response to the expanding and evolving core regulatory functions, a restructure was performed, and a Chief Administrative Officer was hired in December 2019 to oversee the OSC's business operations, previously overseen in conjunction with regulatory operations by the Executive Director.

Chair and CEO Transition

Following the departure of OSC Chair and CEO Maureen Jensen, Grant Vingoe has assumed Acting Chair and CEO effective April 15, 2020. Grant Vingoe was previously OSC Vice-Chair before accepting this role. He was a partner with international law firms in Toronto and New York for more than 25 years before joining the OSC. He has extensive experience in cross-border securities activities and corporate governance and regulatory policy.

Impact of the Novel Coronavirus Disease (COVID-19)

COVID-19 has resulted in significant capital markets volatility for Ontario market participants. As part of our commitment to support market participants during the COVID-19 crisis, we developed temporary relief in the form of blanket orders for market participants from certain regulatory requirements. We continue to collaborate with the Canadian Securities Administrators (CSA), to coordinate our approach for market participants on filing deadlines, meeting expectations for Annual General Meetings and other compliance requirements. We are also actively monitoring market operations and are working collaboratively with the Investment Industry Regulatory Organization of Canada (IIROC).

Given the onset of COVID-19 late in the fiscal year, there is minimal impact to the OSC's 2020 financial results. If capital market volatility continues throughout fiscal 2021, there may be an impact on the OSC's fiscal 2021 priorities and financial results. Business plan and budgetary considerations as a result of COVID-19 are included in the 2021 Strategy section.

Designated Fund

During the year, the designated fund grew by \$34.0 million as a result of six significant settlements. While the fund has grown to \$118.4 million, the inflow of funds into the account is completely dependent upon the nature of enforcement cases from year to year. See *Liquidity and Financial position* section for further details and Note 6 of the financial statements.

The recent growth in the designated fund and allocations from this fund have been an area of focus for the Commission. We expect to publish additional details regarding the Commission's allocations process by fiscal year-end.

Cooperative Capital Markets Regulatory System (CCMR)

The CCMR is designed to streamline the capital markets regulatory framework to protect investors, foster efficient capital markets and manage systemic risk while preserving strengths of the current system. The OSC continues to play an important advisory role to the Ontario Ministry of Finance on the project to create the CCMR. The participating jurisdictions engaged to implement the CCMR include British Columbia, Ontario, Saskatchewan, New Brunswick, Prince Edward Island, Yukon, the Federal government and as of April 2019, Nova Scotia.

Financial Highlights

A summary of our financial results and a discussion of our revenue and expenses

As a self-funded Crown corporation, the OSC operates on a cost-recovery basis. The chart below provides a comparison of results over the last two years. The general surplus on March 31, 2020 was \$79.1 million, which increased by \$11.6 million from the prior year. Total revenue for the fiscal year ended March 31, 2020 was \$5.0 million (3.9%) higher than the prior year, increasing primarily as a result of higher registrant participation fees from growth in Ontario financial markets. Total expenses before recoveries and finance costs were \$4.6 million (3.8%) higher than the prior year, primarily due to an increase in salaries and benefits partially offset by lower professional services.

As a result of the adoption of IFRS 16 *Leases* ("IFRS 16"), which replaces IAS 17 *Leases*, OSC premise and office equipment leases that were previously reported as off-balance sheet commitments are now capitalized on the Statement of Financial Position. This resulted in the setup of right of use assets and offsetting lease liabilities on April 1, 2019 of \$57.7 million. Given the OSC's subleasing activity as a lessor

on the premise lease, the \$57.7 million right of use assets were offset by a lease receivable totaling \$3.7 million, thus resulting in net right of use assets of \$54.0 million. Depreciation on the right of use assets began in 2020 while occupancy costs declined in 2020 as lease payments are now included in the measurement of the lease liabilities. Interest charges on the lease liabilities are recognized against finance costs. Refer to Note 3 of the financial statements for further information on the impact of IFRS 16 on our financial statements.

Total assets increased by \$106.7 million and total liabilities increase by \$95.1 million. The primary reasons for the increase in assets and liabilities is due to an increase in funds held pursuant to designated settlements and orders of \$34.0 million, held as both an asset and liability, as well as \$57.7 million to establish right of use assets and a lease receivable, and offsetting lease liabilities based on the adoption of IFRS 16. Furthermore, excess of revenue over expenses has also contributed an increase in total assets from 2019.

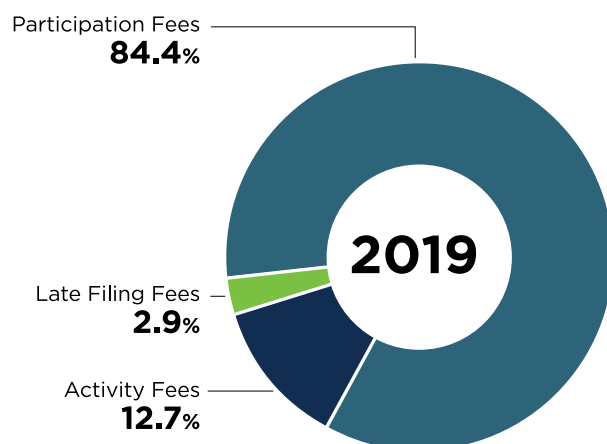
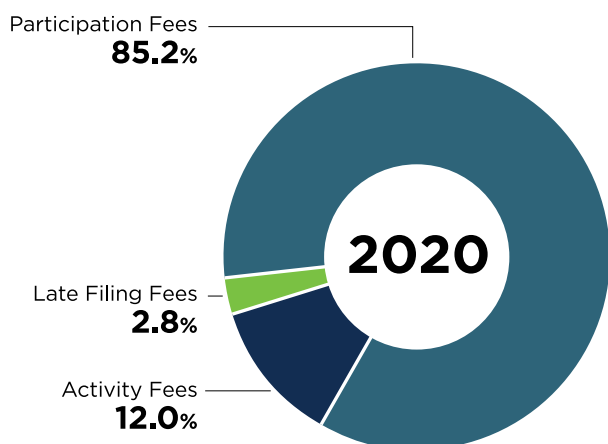
(Thousands of dollars)	2020 Actual	2019 Actual	2018 Actual
Revenue	\$ 134,396	\$ 129,353	\$ 124,819
Expenses	126,271	121,651	112,381
Excess of revenue over expenses before Recoveries and Finance costs	\$ 8,125	\$ 7,701	\$ 12,438
Finance costs	1,793	—	—
Recoveries of insurance proceeds net of loss on asset disposals	(622)	(471)	(521)
Recoveries of enforcement costs	(2,993)	(2,563)	(854)
Recoveries of investor education costs	(1,362)	(1,130)	(1,475)
Excess of revenue over expenses	\$ 11,309	\$ 11,865	\$ 15,288
General surplus	\$ 79,080	\$ 67,516	\$ 55,787
Property, plant, equipment and intangibles (additions)	\$ 3,839	\$ 5,657	\$ 3,384
Total assets*	\$ 446,915	\$ 340,233	\$ 276,319
Total liabilities*	\$ 347,835	\$ 252,717	\$ 200,533

* Includes \$267.1 million of restricted funds from designated orders and settlements as well as funds collected by the CSA to operate and redevelop national systems

Revenue

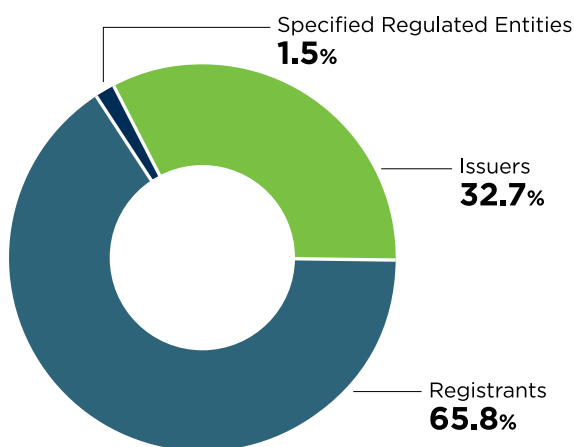
For the year-ended March 31, 2020, total revenue of \$134.4 million was \$5.0 million (3.9%) higher than the prior year, primarily due to higher participation fees from registrant firms. Total revenue for the year exceeded budget by \$7.6 million (6.0%), primarily due to higher participation fees from registrants and issuers.

(Thousands of dollars)	2020 Actual	2020 Budget	2019 Actual	Variance Favourable/(Unfavourable)			
				Budget		Prior Year	
				\$	%	\$	%
REVENUE							
Participation fees	\$ 112,610	\$ 106,140	\$ 108,083	\$ 6,470	6.1%	\$ 4,527	4.2%
Activity fees	15,918	16,006	16,312	(88)	-0.6%	(394)	-2.4%
Late filing fees	3,695	2,886	3,716	809	28.0%	(21)	-0.6%
Total fees	\$ 132,223	\$ 125,032	\$ 128,111	\$ 7,191	5.8%	\$ 4,112	3.2%
Miscellaneous	\$ 763	\$ 575	\$ 156	\$ 188	32.7%	\$ 607	389.2%
Interest income	1,410	1,232	1,086	178	14.4%	324	29.8%
Total revenues	\$ 134,396	\$ 126,839	\$ 129,353	\$ 7,557	6.0%	\$ 5,043	3.9%



The following is a discussion of the significant changes in revenue components.

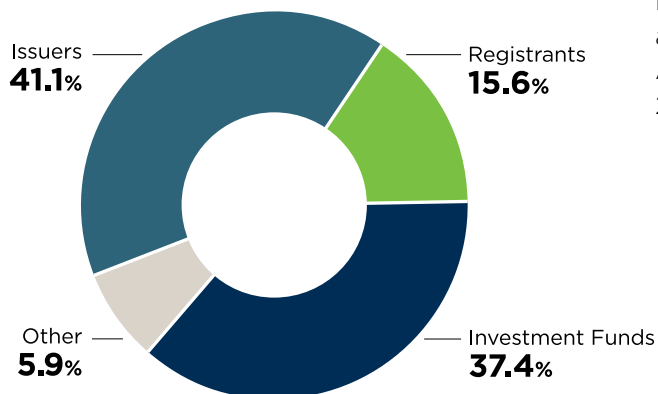
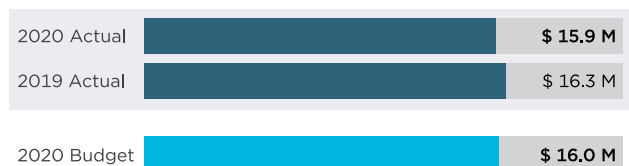
Participation Fees



Participation fee levels are set using a tiered structure based on Ontario specified revenues for registrants and unregistered capital market participants and average market capitalization for reporting issuers. Participation fee revenues were \$4.5 million (4.2%) higher in 2020 than the prior year, primarily as a result of Ontario specified revenue growth from existing large registrants, moving these firms into higher fee tiers.

Participation fee revenues were \$6.5 million (6.1%) higher in 2020 than budget, primarily due to higher registrant and issuer participation fees of \$5.1 million and \$1.4 million, respectively.

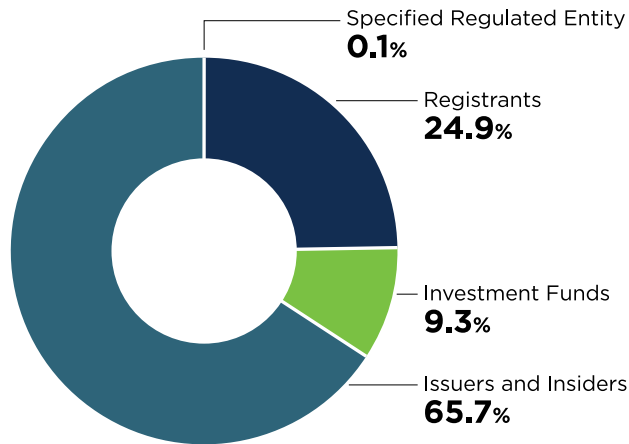
Activity Fees



The majority of issuer activity fees are charged for services relating to securities offerings and applications (e.g. exemptive relief applications from Ontario Securities Act requirements). The majority of registrant activity fees are charged for services relating to registrations (e.g. new firm or individual) and applications.

Activity fee revenues were \$0.4 million (2.4%) lower in 2020 than the prior year, primarily as a result of lower dealer/advisor registrations. Activity fee revenues were comparable to the 2020 budget.

Late Fees

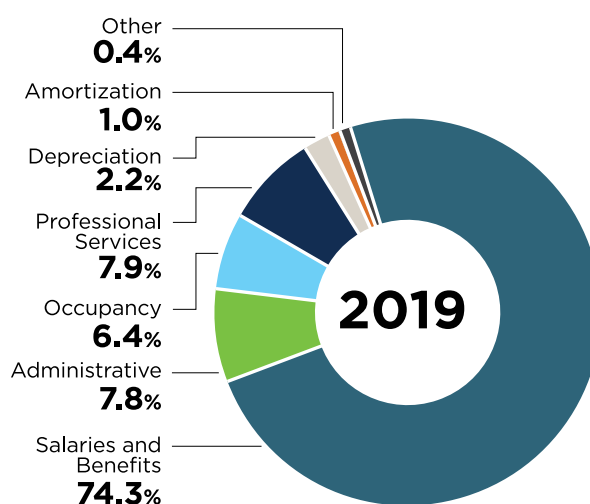
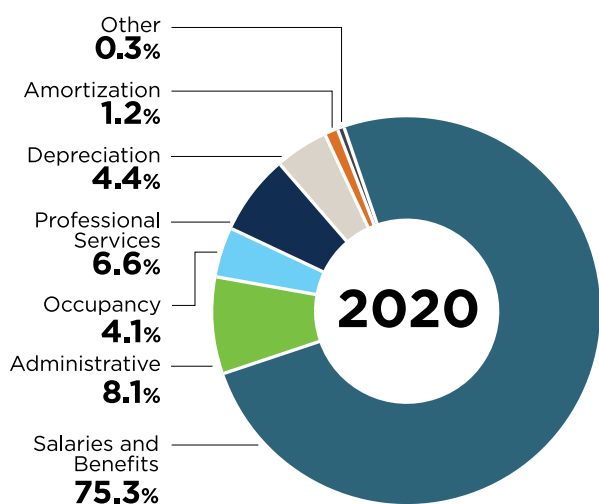


Late fees are triggered when market participants do not pay or do not file regulatory forms by established due dates as required by securities legislation. Late fees are intended to promote compliance with securities legislation to allow for filings to be made publicly available on a timely basis and to ensure the OSC can carry out required regulatory tasks. Late fee revenues in 2020 are comparable to 2019. Late fee revenues were \$0.8 million (28.0%) higher than the 2020 budget primarily due to a higher volume of late issuer filings. In May 2019, the OSC issued a moratorium on registrant late fees owing for disclosing outside business activities past the required filing deadline. In the past few years, an average of \$0.7 million was generated from these filings.

Expenses

For the year-ended March 31, 2020, expenses before recoveries and finance costs amounted to \$126.3 million, representing a decrease of \$3.2 million (2.5%) against the budget and an increase of \$4.6 million (3.8%) against the prior year.

(Thousands of dollars)	2020 Actual	2020 Budget	2019 Actual	Variance Favourable/(Unfavourable)			
				Budget		Prior Year	
				\$	%	\$	%
Salaries and benefits	\$ 95,099	\$ 93,295	\$ 90,394	\$ (1,804)	-1.9%	\$ (4,705)	-5.2%
Administrative	10,188	12,359	9,537	2,171	17.6%	(651)	-6.8%
Occupancy	5,137	4,614	7,735	(523)	-11.3%	2,598	33.6%
Professional services	8,304	11,426	9,576	3,122	27.3%	1,272	13.3%
Depreciation	5,540	5,732	2,703	192	3.3%	(2,837)	-105.0%
Amortization	1,521	1,178	1,159	(343)	-29.1%	(362)	-31.3%
Other	482	839	547	357	42.6%	65	11.9%
Total expenses (before recoveries and finance costs)	\$ 126,271	\$ 129,443	\$ 121,651	\$ 3,172	2.5%	\$ (4,620)	-3.8%
Finance costs	\$ 1,793	\$ 1,729	\$ —	\$ (64)	-3.7%	\$ (1,793)	-100.0%
Recoveries of insurance proceeds net of loss on asset disposals	(622)	—	(471)	622	100.0%	151	32.0%
Recoveries of enforcement costs	(2,993)	(1,000)	(2,563)	1,993	199.4%	430	16.8%
Recoveries of investor education costs	(1,362)	(1,587)	(1,130)	(225)	-14.1%	232	20.6%
Total recoveries	\$ (3,184)	\$ (858)	\$ (4,164)	\$ 2,326	271.1%	\$ (980)	-23.5%
Total expenses (net of recoveries)	\$ 123,087	\$ 128,585	\$ 117,487	\$ 5,498	4.3%	\$ (5,600)	-4.8%



The following is a discussion of the significant changes in expense components.

Salaries and Benefits


2020 Actual		\$ 95.1 M
2019 Actual		\$ 90.4 M
2020 Budget		\$ 93.3 M

The OSC's largest cost is salaries and benefits, representing 77.3% of total expenses net of recoveries. In 2020, salaries and benefits were \$4.7 million (5.2%) higher than the prior year partially due to an increase in the OSC's average headcount by 17 positions from 555 in 2019 to 572 in 2020. Five new positions were created to enhance data-gathering, intelligence and analytical capabilities while three positions created to support the restructure, including hiring the Chief Administrative Officer. The remaining increase in headcount is due to filling more vacant positions in 2020. In addition, inflationary performance-based salary increases were provided to staff during the year.

Salaries and benefits expenses were \$1.8 million (1.9%) higher than the 2020 budget. This was primarily due to filling more vacant positions in 2020 and higher employee termination expenditures compared to the budget.

For details on the composition of the salaries and benefits expenses incurred, see Note 16 of the financial statements.

Administrative

2020 Actual		\$ 10.2 M
2019 Actual		\$ 9.5 M
2020 Budget		\$ 12.4 M

Administrative expenses primarily consist of ongoing information technology (IT) maintenance and support charges, Commission expenses, research and stakeholder outreach costs. Administrative expenses were \$0.7 million (6.8%) higher than the prior year, primarily as a result of higher IT maintenance costs as we continue to invest in cloud hosted software, offset by lower Commission expenses.

Administrative expenses were \$2.2 million (17.6%) lower than the 2020 budget. In addition to lower Commission expenses, various cloud-hosted technology solution projects were deferred to 2021 resulting in lower information technology costs compared to the budget. In addition, spending on research and stakeholder outreach were lower than the budget.

For details on the composition of administrative expenses incurred, see Note 17 of the financial statements.

Occupancy



As a result of the adoption of IFRS 16, non-lease component payments (i.e. common area maintenance) continue to be presented as occupancy costs. Occupancy costs were \$2.6 million (33.6%) lower than the prior year primarily due to the capitalization of the premise lease that relates to lease payments included in the measurement of the lease liabilities and an adjustment to reclassify lease income from a subtenant previously offset against occupancy costs to miscellaneous income. Occupancy costs were \$0.5 million (11.3%) higher than the budget primarily due to the adjustment to reclassify lease income.




Professional Services



Professional services include consultants who provide specialized services to meet corporate and regulatory needs and CSA shared costs. As a member of the CSA, the OSC pays a portion of the costs to operate the CSA's office and joint CSA projects. CSA project costs are allocated to each CSA member based on the population of its jurisdiction as a percentage of all participating jurisdictions (Ontario - 38.7% in 2020 and 2019). All CSA projects, including developing harmonized securities policies and rules, are coordinated through a central secretariat.

Professional services expenses were \$1.3 million (13.3%) lower than the prior year and \$3.1 million (27.3%) lower than the 2020 budget primarily as a result of decreased spending on external legal services on collection cases and enforcement matters and lower spend on information technology projects. In 2020, total CSA spending on shared projects was \$2.3 million (\$2.3 million in 2019). The OSC contributed \$0.9 million (\$0.9 million in 2019).

Depreciation

2020 Actual		\$ 5.5 M
2019 Actual		\$ 2.7 M
2020 Budget		\$ 5.7 M

Depreciation expenses were \$2.8 million (105.0%) higher than the prior year, primarily as a result of depreciation on the right of use assets established in 2020 in accordance with IFRS 16 *Leases*. Depreciation expenses were comparable to the 2020 budget.

Finance Costs

2020 Actual		\$ 1.8 M
2019 Actual		\$ 0.0 M
2020 Budget		\$ 1.7 M

As a result of the adoption of IFRS 16 in 2020, interest charges on lease payments capitalized as part of the lease liabilities are recognized as finance costs.

Recovery of Enforcement Costs

Recoveries of enforcement costs are recorded as offsets to total expenses on the date a monetary sanction is issued, unless management determines that collecting the monetary sanction is significantly doubtful, in which case, recovery is recognized when payment is received. In 2020, \$3.0 million was recorded (\$2.6 million in 2019).

Recovery of Investor Education Costs

During the year, the OSC recorded \$1.4 million in recoveries of investor education costs from funds held pursuant to designated settlements and orders (\$1.1 million in 2019). These recoveries are reviewed and approved by the Audit and Finance Committee on a quarterly basis.

Subparagraph 3.4(2)(b)(ii) of the *Securities Act* (Ontario) states that enforcement monies may be designated “for use by the Commission for the purpose of educating investors or promoting or otherwise enhancing knowledge and information of persons regarding the operation of the securities and financial markets.”

Liquidity and Financial Position

A discussion of our liquidity, cash flows, financing activities and changes in our financial position

Liquidity

At March 31, 2020, the OSC held \$84.2 million in cash (\$74.0 million in 2019) and \$20.0 million in reserve fund assets (\$20.0 million in 2019), for a combined total of cash and cash equivalent resources available of \$104.2 million (\$94.0 million in 2019). We hold an appropriate level of cash, reserve fund assets and credit access to ensure liquidity for our forecast cash requirements.

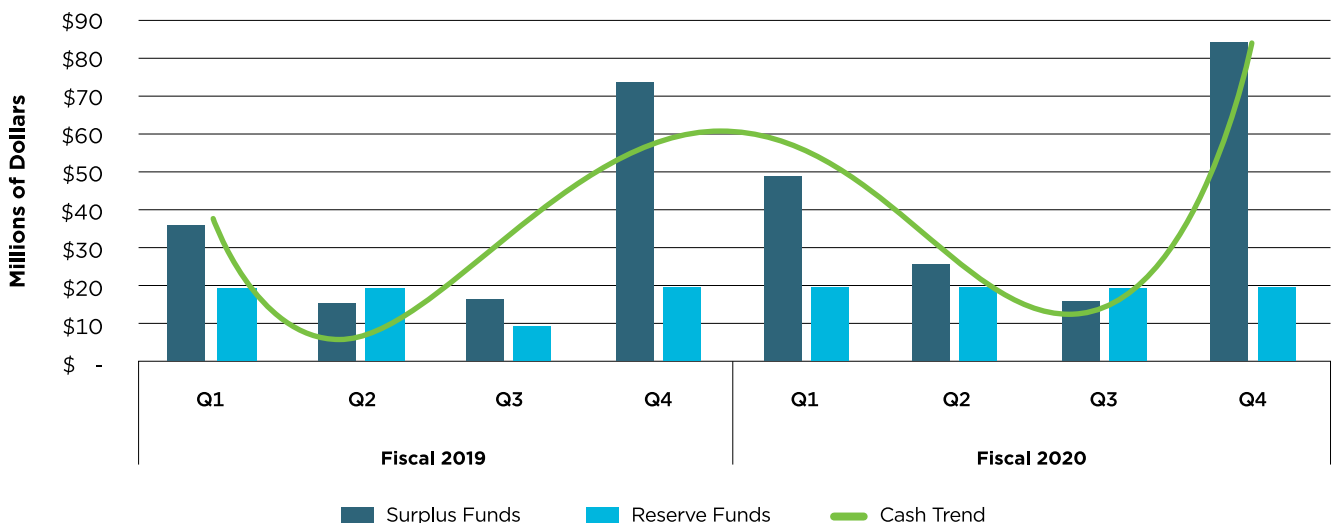
Historically, approximately 73% of our revenues are received in the last quarter, between January 1 and March 31 of each fiscal year, while expenses are incurred relatively evenly over the year. Funds received in the last quarter primarily represent annual participation fees used to fund most of our operating expenses during the following year. As depicted in the graph, this timing difference results in a significant decline in our cash balances between the second quarter to the beginning of the fourth quarter, reflecting their lowest points between the second and third quarter each year.

Approximately 84% of the OSC's revenues are from participation fees, which are derived from a tiered structure which will fluctuate depending on capital market activities. The OSC prudently manages liquidity risk from

seasonal cash deficits and capital market downturns by utilizing three critical levers in the following order: cash, a \$20.0 million general operating reserve and a \$52.0 million revolving line of credit. As approved by our Board, we aim to maintain combined cash and reserve funds of approximately six months of operating expenditures. These financial management strategies are necessary to minimize the disruption during downturns for the OSC to continue carrying out its mandate effectively, and for market participants by reducing the need to raise fees during capital market downturns.

The OSC uses multi-year forward-looking forecasts to project and maintain cash to meet ongoing operational needs and significant capital requirements.

At March 31, 2020, the OSC had current assets of \$91.8 million (\$79.6 million in 2019) and current liabilities of \$22.2 million (\$20.8 million in 2019) for a current ratio of 4.1:1 (3.8:1 in 2019). The increase in the current ratio is primarily due to excess of revenue over expenses recognized in 2020.



Cash Flows

In 2020, no reserve fund assets were used (\$10.0 million in 2019), and the revolving line of credit was not used (\$0 in 2019). The agreement for the current line of credit expires on June 30, 2020, and the OSC has subsequently extended the line of credit until June 30, 2022 as approved by the Minister of Finance. The line of credit is a critical tool to fund seasonal deficits during future periods of projected deficiency of revenues over expenses. There are no financial covenant requirements on the line of credit.

In 2020, cash flows from operating activities produced an inflow of \$15.4 million (\$19.3 million in 2019). In 2020, cash flows used in investing activities amounted to \$3.2 million (\$4.2 million in 2019). Cash flows used in financing activities amounted to \$2.0 million (\$0 in 2019).

Financial Instruments

The OSC uses cash and reserve fund assets to manage its operations. Both are recorded at fair value. See Note 3(a) of the financial statements for the OSC's accounting policies related to financial instruments.

The OSC acts as a custodian of funds held pursuant to designated settlements and orders, and funds restricted for CSA Systems operations and redevelopment. Both are recorded at fair value. Funds restricted for CSA Systems operations and redevelopment includes investments of \$148.7 million. The OSC is not exposed to significant interest rate, currency or liquidity risks from these investments because they are short-term in nature, redeemable and all balances are denominated in Canadian dollars. For a complete analysis of the risks relating to these financial instruments, see Note 4 of the financial statements.

Trade and other receivables, trade and other payables (including accrued liabilities) are recorded at amortized cost, which approximates fair value given their short-term maturities. For more information on trade and other receivables, see Note 5 of the financial statements. For more information on trade and other payables (including accrued liabilities), see Note 11 of the financial statements.

The OSC is not exposed to significant interest rate, currency or liquidity risks.

Financial Position

(Thousands of dollars)	2020 Actual	2019 Actual	Variance	
			\$	%
ASSETS				
Current				
Cash	\$ 84,220	\$ 74,005	\$ 10,215	13.8%
Trade and other receivables	3,624	3,548	76	2.1%
Prepayments	3,968	2,002	1,966	98.2%
Non-Current				
Funds held pursuant to designated settlements and orders *	\$ 118,394	\$ 84,380	\$ 34,014	40.3%
Funds restricted for CSA Systems operations and redevelopment **	148,730	143,054	5,676	4.0%
Reserve funds	20,000	20,000	—	0.0%
Lease receivable	3,404	—	3,404	100.0%
Right of use assets	51,620	—	51,620	100.0%
Property, plant & equipment	6,000	8,224	(2,224)	-27.0%
Intangible assets	6,955	5,020	1,935	38.5%
LIABILITIES				
Current				
Trade and other payables	\$ 20,022	\$ 20,839	\$ (817)	-3.9%
Lease liabilities	2,138	—	2,138	100.0%
Non-Current				
Lease liabilities	\$ 54,112	\$ —	\$ 54,112	100.0%
Pension liabilities	4,439	4,444	(5)	-0.1%
Funds held pursuant to designated settlements and orders *	118,394	84,380	34,014	40.3%
Funds restricted for CSA Systems operations and redevelopment **	148,730	143,054	5,676	4.0%

* Represents funds recognized from orders and settlements restricted for use in accordance with section 3.4(2)(b) of the Securities Act.

** Represents funds collected and managed by the CSA to operate and redevelop national systems.

The following is a discussion of the significant changes in our Statement of Financial Position.



Assets

Cash

2020		\$ 84.2 M
2019		\$ 74.0 M

Cash increased by \$10.2 million (13.8%) in 2020 primarily as a result of excess of revenues over expenses recorded in 2020.

Prepayments

2020		\$ 4.0 M
2019		\$ 2.0 M

Prepayments increased by \$2.0 million (98.2%) in 2020 primarily as a result of renewing various information technology maintenance contracts in the last quarter of 2020.

Funds Held Pursuant to Designated Settlements and Orders

2020		\$ 118.4 M
2019		\$ 84.4 M

(i) Background on Monetary Sanctions

If someone contravenes Ontario securities law or commodity futures law, the OSC can bring an enforcement proceeding against them. Some of these cases are heard by a panel of Commissioners who act as independent adjudicators. Hearing panels have the power to impose sanctions, including ordering someone that has not complied with Ontario securities law or commodity futures law to pay an administrative penalty or to disgorge to the Commission any amounts obtained as a result of the non-compliance. Hearing panels may also approve voluntary payments to the Commission under settlement agreements.

Monetary sanctions reflect what the hearing panel believes is appropriate in the circumstances, regardless of a respondent's ability to pay. Monetary sanctions are also intended to deter others from contravening securities laws.

Hearing panels do not have the power to order someone to compensate or make restitution to an aggrieved person or company. However, under the terms of a settlement agreement, a person or company may agree to directly compensate affected persons. Any such payments do not pass through the Commission's bank account but are included in the Commission's enforcement statistics.

(ii) Designated Funds

A hearing panel may designate funds payable to the Commission under orders and settlement agreements ("designated funds") to be allocated in accordance with section 3.4(2)(b) of the Securities Act. Once designated funds have been received, the Commission, acting as a Board and guided by the purposes set out in the Act section 1.1, later exercises its discretion to allocate or use these funds in accordance with section 3.4(2) of the Act and OSC Policy 15-601 Whistleblower Program (the "Whistleblower Program"). The Act permits designated funds to be allocated to or for the benefit of third parties or to be used by the Commission for the purpose of educating investors or promoting or otherwise enhancing knowledge and information of persons regarding the operation of the securities and financial markets. The Whistleblower Program allows for awards to individuals who voluntarily submit information to Commission staff regarding a breach of Ontario securities law if it is determined that the information was of meaningful assistance to Commission staff in investigating the matter and obtaining a decision of the Commission that results in a final order imposing monetary sanctions and/or the making of a voluntary payment of \$1,000,000 or more.

Third party recipients of these funds have included harmed investors, whistleblowers and certain investor related activities, such as providing funding to the Canadian Foundation for the Advancement of Investor Rights.

(Thousands of dollars)	2020	2019
Total monetary sanctions assessed during the year	\$ 42,304	\$ 137,437
Total amount paid or payable to investors	7,467	12,128
Total amount recovered by the OSC for investor education	1,235	1,146
Total amount paid to whistleblowers	525	7,499

In 2020, \$42.3 million in orders were assessed (\$137.4 million in 2019). Included in the \$42.3 million are orders, if applicable, for which the respondents agree to make payments directly to harmed investors. There were \$1.0 million in such orders in the current year (\$11.0 million in 2019). While this amount is considered for our enforcement sanctions statistics, as part of the total monetary sanctions assessed during the year, it does not form part of the funds held pursuant to designated settlements and orders balance as the amounts owing are paid from respondents to investors directly and not by the OSC. Of the \$42.3 million in orders assessed in 2020, the OSC recognized \$40.1 million in funds held pursuant to designated settlements and orders, reflective of orders deemed collectible in 2020 (\$46.4 million in 2019).

Total amounts paid or payable to harmed investors, by the OSC or respondents directly, were \$7.5 million (\$12.1 million in 2019). In 2020, total amounts for the recovery of OSC investor education costs approved by the Board amounted to \$1.2 million (\$1.1 million in 2019).

On July 14, 2016, the OSC established the Whistleblower Program (the "Program"). Under the Program, whistleblowers may be eligible for awards of between 5% to 15% of total monetary sanctions imposed and/or voluntary payments made, if their information leads to a proceeding where these amounts total \$1 million or more. The maximum amount of the award has been set at \$1.5 million where monetary sanctions and/or voluntary payments are not collected and \$5 million where these amounts have been collected. Whistleblowers will be paid out of funds held pursuant to designated settlements and orders. In 2020, the OSC paid \$0.5 million to whistleblowers (\$7.5 million in 2019). Whistleblower payments are inherently uncertain and not susceptible to a trend.

As at March 31, 2020, the accumulated balance of designated funds was \$118.4 million (\$84.4 million in 2019). Of this amount, \$117.0 million was held in cash (\$82.0 million in 2019) and \$1.4 million was deemed as being receivable (\$2.4 million in 2019). After considering funds set aside for possible allocation to harmed investors, \$75.5 million (\$21.7 million in 2019) of the funds on hand are available for distribution less funds earmarked for whistleblower payments and recoveries of investor education costs. The increase in funds on hand for distribution in 2020 is mainly due to the large dollar settlement of orders in 2020.

For more information on funds held pursuant to designated settlements and orders, see Note 6 of the financial statements.

Collecting Monetary Sanctions

While the OSC actively works to collect outstanding sanction amounts, material differences between sanction assessments and collections have persisted since we began imposing monetary sanctions. Historically, collection rates from market participants have been much higher than from respondents sanctioned on matters related to fraud – where assets are typically non-existent or inaccessible. Collections of monetary sanctions are substantially higher than in previous years as a result of settlements being reached in most of the proceedings.

The enforcement collections rate more than doubled in 2020 as a result of the increase in settlements as compared with contested hearings. The collection rate will vary from year to year depending upon the nature of the cases brought by the Enforcement Branch.

We have been successful in finding ways to improve our collections rates by actively pursuing collections using internal and external resources. In 2018, an external collections firm was retained under a contingency arrangement to provide legal services to collect unpaid monetary sanctions. The firm has been successful in commencing legal actions and pursuing legal remedies resulting in the payment of amounts owing to the Commission.

A list of respondents who are delinquent in paying monetary sanctions to the Commission is available on the OSC website at www.osc.gov.on.ca.

The table below shows the collection rates on sanction amounts for the last two years.

Fund held pursuant to designated settlements and orders

(Thousands of dollars)

2019	Assessed*	Collected	% Collected
Settlements	\$ 48,484	\$ 45,430	93.7%
Contested hearings	77,982	9	0.0%
Total	\$ 126,466	\$ 45,438	35.9%
2020	Assessed*	Collected	% Collected
Settlements	\$ 39,963	\$ 39,063	97.7%
Contested hearings	1,345	—	0.0%
Total	\$ 41,308	\$ 39,063	94.6%

* Does not reflect amounts paid directly by respondents to investors.

Funds Restricted for CSA Systems Operations and Redevelopment

2020		\$ 148.7 M
2019		\$ 143.1 M

The core CSA Systems consist of the System for Electronic Document Analysis and Retrieval (SEDAR), the National Registration Database (NRD) and the System for Electronic Disclosure by Insiders (SEDI). The CSA is developing a new marketplace surveillance and analytical system to improve market analytics capacity.

The OSC has been appointed the Designated Principal Administrator - Operations (DPA) to collect, hold, and administer the surplus funds accumulated from system fees charged to market participants that use the CSA Systems. This role is essentially that of a custodian. The funds restricted for CSA Systems operations and redevelopment include surplus funds accumulated from operation of the CSA Systems, which are received, held and managed by the DPA on behalf of the Principal Administrators (PAs), and IIROC (in the case of NRD system fee surplus funds accumulated prior to October 13, 2013). The use of these surplus funds is restricted by various agreements between the PAs.

CGI Information Systems and Management Consultants Inc. (CGI), as a service provider, hosts and maintains the CSA Systems. A CSA Systems Governance Committee (SGC), consisting of members of the four PAs, was established through an agreement signed on April 2, 2013. This agreement also created a governance framework for management and oversight of the CSA Systems, including that of CGI. It outlines how user fees will be collected and deployed, and addresses allocation and payment of liabilities that may arise. User fees are charged to recover systems operations and redevelopment costs, which are used to benefit the CSA National Systems users.

In June 2016, the PAs signed an agreement with CGI to replace the core CSA National Systems with one system to support existing and future requirements for the benefit of

market participants. Redevelopment began in a multi-year phased approach beginning in 2018. The PAs have certain rights to terminate the agreement, with and without cause, as set out in the agreement. For more information on CSA National Systems contractual arrangements and financial results, see Note 7 and Note 18 of the financial statements.

For more information on the judgement exercised with respect to the appropriate accounting treatment of these surplus funds, see Note 2(d) of the financial statements.

Reserve Funds

Since 2001, the OSC has held \$20.0 million in reserve fund assets, as approved by the Minister of Finance, to guard against revenue shortfalls or unexpected expenses, or to cover discrepancies between timing of revenue and expenses. The primary investment consideration is protection of capital and liquidity. The OSC records interest income generated by the reserve fund assets with general operations. The reserve fund assets are segregated on the Statement of Financial Position to reflect their restricted use.

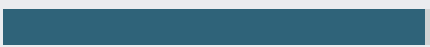
For more information on reserve fund assets, see Note 8 of the financial statements.

Lease Receivable

2020		\$ 3.4 M
2019		\$ 0.0 M



A sublease with the Government of Canada was recognized as a finance lease in accordance with IFRS 16, adopted in 2020. Accordingly, the OSC recognized a lease receivable with an offsetting reduction to the right of use assets.

Right of Use Assets

2020		\$ 51.6 M
2019		\$ 0.0 M

Right of use assets have been established in 2020 as a result of the adoption of IFRS 16. The \$51.6 million balance for right of use assets is primarily driven from the recognition of the lease agreement for rent of office space representing \$51.1 million. Other right of use assets includes lease agreements for printer equipment. For more information on right of use assets, see Note 12 of the financial statements.

Property, Plant & Equipment

2020		\$ 6.0 M
2019		\$ 8.2 M

Property, plant & equipment decreased by \$2.2 million (27.0%) in 2020 due to higher depreciation on assets compared to purchases during the year. For more information on property, plant & equipment, see Note 9 of the financial statements.

Intangible Assets

2020		\$ 7.0 M
2019		\$ 5.0 M

Intangible assets increased by \$2.0 million (38.6%) in 2020 due to spending on the development of an integrated data-focused case management system. For more information on intangible assets, see Note 10 of the financial statements.

Liabilities

Current Lease Liabilities

2020		\$ 2.1 M
2019		\$ 0.0 M

Non-current Lease Liabilities

2020		\$ 54.1 M
2019		\$ 0.0 M

Lease liabilities have been established in 2020 as a result of the adoption of IFRS 16. The \$2.1 million current balance and \$54.1 million non-current balance represents the recognition of the lease agreement for premise and office equipment leases. For more information on IFRS 16 Leases, see Note 12 of the financial statements.

2021 Strategy

Our plans and budget for fiscal year 2021

Every year, the OSC publishes a Statement of Priorities for the current fiscal year. It sets out the specific areas we will focus on to fulfil our mandate. The public has an opportunity to comment on the draft document before the Statement of Priorities is published and delivered to the Minister of Finance.

The Statement of Priorities is our cornerstone accountability document.

On April 30, 2020, the OSC published OSC Notice 11-780 *OSC Statement of Priorities (SoP)* for a 30-day comment period until June 1, 2020.

Considering the unprecedented environment and significant challenges affecting stakeholders given the outbreak of COVID-19 and the related financial market uncertainty, the OSC decided not to consult on a more detailed 2020-2021 SoP. Instead, the OSC Business Plan for fiscal 2021 was informed by the 2020 SoP, outlined below, and the initiatives as outlined in the *Reducing Regulatory Burden in Ontario's Capital Markets* report. The OSC anticipates adjusting and re-aligning priorities throughout the year to accommodate changes due to the impact of the COVID-19 pandemic, as well as the outcomes of the Ontario Government's Capital Markets Modernization Taskforce.

The Commission will consider stakeholder feedback on existing OSC priorities, as well as suggestions on potential priorities or areas for consideration for fiscal 2021.

Our regulatory framework needs to remain current and responsive to the continuing evolution of market structures and products and be supportive of capital formation in Ontario. The OSC must carefully balance the desire to improve access to capital with the need to retain appropriate investor protections. The Statement of Priorities sets out the OSC's key priorities to meet these challenges.

Statement of Priorities

Promote confidence in Ontario's capital markets

- Implement Client Focused Reforms
- Continue CSA Policy Consultations on Mutual Fund Deferred Sales Charges and Order Execution Only Embedded Commissions
- Improve the Retail Investor Experience and Protection
- Continue to Expand Systemic Risk Oversight
- Bring Timely and Impactful Enforcement Actions
- Enhance Economically-Focused Rule-Making
- Initiate Consultation to Consider the Current Self-Regulatory Organization (SRO) Framework
- Support Transition to the Cooperative Capital Markets Regulatory System (CCMR)

Reduce regulatory burden

- Complete Actions Identified in OSC Burden Reduction Plan

Facilitate financial innovation

- Develop Multi-Year Plan for the Office of Economic Growth and Innovation
- Engage with Fintech and Support Innovation in Capital Markets

Strengthen our organizational foundation

- Continue Redevelopment of CSA National Systems
- Modernize OSC Technology Platform
- Ensure Competitiveness and Clear Service Standards
- Improve Efficiency and Regulatory Responsiveness through Internal Innovation

2021 Budget

The 2021 budget presented below was finalized prior to the outbreak of COVID-19, reflecting a 5.1% increase in costs from the 2020 budget and 9.8% from the 2020 actual results. The primary drivers of the increase are due to the following:

- Annualized cost of permanent positions hired to deliver on the Ontario Government's Five-Point Plan, consisting of the following elements:
 - The OSC's burden reduction task force
 - Establishing the Office of Economic Growth and Innovation
 - Improving the investor experience and protection
 - Ensuring economically focused rule-making
 - Ensuring competitiveness and clear services standards
- Higher administrative costs, primarily from higher Information Technology costs. As the organization continues to invest in technology to support a more data driven OSC, more applications and infrastructure are moving to the cloud. The move to the cloud is expected to shift costs away from the traditional capital spend model towards administrative costs.

- Higher depreciation and amortization, primarily attributed to capital spending on the following multi-year projects: The Data Management Program to build out new systems with improved data management, data governance and reporting analytics; and facilities rehabilitation to optimize space utilization and accessibility.

Participation fees account for 84% of our revenues, which are directly impacted by capital market conditions. If capital market downturns persist throughout 2021, it is expected that revenues will also decline. As we navigate uncharted territories resulting from COVID-19, we are committed to maintaining fiscal responsibility, remaining flexible during uncertain times and taking appropriate action on spending as new information emerges. As a result, while we make progress on certain key priorities, other investments, including various capital programmes, are expected to be deferred to preserve financial liquidity during these uncertain times.

(Thousands of dollars)	2020 Actual	2021 Budget	Variance Favourable/(Unfavourable)	
			\$	%
Revenues	\$ 134,396	\$ 130,312	\$ (4,084)	-3.0%
Expenses	123,087	135,143	(12,056)	-9.8%
Excess (deficiency) revenue over expenses	\$ 11,309	\$ (4,831)	\$ (16,140)	
Capital expenditures	\$ 3,839	\$ 9,915	\$ (6,076)	-158.3%

Critical Accounting Estimates and Pronouncements

Judgements, estimates and assumptions related to preparing IFRS financial statements

Preparing financial statements consistent with International Financial Reporting Standards (IFRS) requires that management makes judgements, estimates and assumptions that affect reported amounts of assets and liabilities for the date of the financial statements, as well as reported amounts of the revenues and expenses for the periods.

These judgements, estimates and assumptions are considered "critical" if:

- They require assumptions about highly uncertain matters when made, or
- We could reasonably have used different judgements, estimates or assumptions in the period, or
- Related changes are likely to occur between periods that would materially affect our financial condition or results of our operations.

Judgement was used to determine the appropriate accounting treatment for the recoveries of investor education costs, lease obligations, and funds restricted for CSA Systems operations and redevelopment.

Sources of estimation uncertainty primarily consisted of the supplemental pension plan, defined benefit obligation pension liabilities, lease obligations, funds held pursuant to designated settlements and orders, and recoveries of enforcement costs.

For more information on judgements and sources of estimation uncertainty that impact the OSC, see Note 2(d) of the financial statements.

Accounting Pronouncements

Refer to Note 21 of the audited financial statements for new and revised in issue, but not yet effective.

Risks and Risk Management

Risks and uncertainties facing us, and how we manage these risks.

Risk can relate to threats to the OSC's strategy or operations, or failure to take advantage of opportunities. The OSC seeks to fully address or mitigate the strategic and business risks that are most likely to impair achievement of our mandate.

Strategic Risks

The OSC applies International Risk Management Standard ISO 31000 to its enterprise risk management. We do this through a Risk Management Framework, which we adopted in November 2012. The goal of the framework is to embed risk management at key strategic decision points, within all elements of our operations and through all levels of staff. The framework sets out a process for identifying and assessing risks and highlighting and reviewing controls.

Enterprise Risk Inventory

Information gathered through the risk management process is captured in the OSC's Enterprise Risk Inventory. This includes a view of the enterprise level risks and risks at the branch level regarding day-to-day operations that affect our ability to do our work.

The OSC's Risk Committee reviews the Enterprise Risk Inventory each quarter to identify significant changes in the OSC's risk profile, including any new or emerging risks. This information is reported to Senior Management, the Audit and Finance Committee, and the Board of Directors.

Business Risks

The OSC has established policies and processes to identify, manage and control operational and business risks that may impact our financial position and our ability to carry out regular operations. Management is responsible for ongoing control and reduction of operational risk by ensuring that appropriate procedures, internal

controls and processes, other necessary actions and compliance measures are undertaken.

A Code of Conduct and governance practice has been established by the Board of Directors (details available at www.osc.gov.on.ca) which outlines key compliance requirements and accountabilities for all employees.

Internal Audit

OSC Internal Audit is an assurance and advisory service to the Board of Directors and to management. Internal Audit helps the OSC develop, evaluate and improve risk management practices, risk-based internal controls, good governance and sound business practices.

The internal audit function is governed by a Charter approved by the OSC's Board of Directors and by an annual internal audit plan that is also approved by the Board. The Chief Internal Auditor reports the results of internal audits to the Audit and Finance Committee and provides an annual summary of key internal audit findings to the Board of Directors.

Systems Risk

The OSC's Information Services group regularly monitors and reviews the OSC's systems and infrastructure to maintain optimal operation.

The OSC relies on CSA Systems, which are operated by CGI, to collect most of its fee revenue and permit regulatory filings by market participants. The CSA requires CGI to provide an annual third-party audit report (CSAE 3416-Type II) that reviews and evaluates the internal controls design and effectiveness of the CSA Systems and CGI's outsourcing operations. CGI is also required to have an operating disaster recovery site for operating these systems and to test it annually. The most recent test was performed in January 2020, concluding CSA Systems used to collect fees recovered successfully.

The OSC could be contingently liable for claims against, or costs related to, CSA Systems operations. See Note 18 of the financial statements for more information. No material change is expected in the volume of fees collected through these systems.

Security Risk

The OSC has implemented security controls to safeguard the preservation of confidentiality, integrity, availability, accountability and assurance of information the OSC is collecting, generating and processing as part of normal business operations.

Following industry best practices, the OSC has developed and implemented a comprehensive Information Security Program aligned with National Institute of Standards and Technology (NIST) Cybersecurity framework. The program implements a comprehensive security governance framework with established set of policies, standards and procedures. The policies are supported by technical controls and operational processes designed to identify, detect, protect, respond and recover from information security incidents. Security risks are tracked and monitored as part of the OSC Risk management framework. The OSC maintains cybersecurity insurance.

The OSC recognizes that the risk of a breach to its systems and networks cannot be eliminated. A significant breach could produce adverse effects within the financial markets and negatively affect the OSC's reputation.

Business Continuity

The OSC has a detailed Business Continuity Plan (BCP) to ensure critical regulatory services can continue if an external disruption occurs. The BCP is continually reviewed and refined and includes strategies to effectively address various market disruption scenarios. The OSC effectively executed its business continuity plan in response to the COVID-19 pandemic to continue the delivery of core operations.

Financial Risk

The OSC has implemented financial risk mitigation measures to maintain financial health to deliver its mandate. The risk of capital market volatility on OSC revenues is mitigated by relying on various levers, consisting of cash, reserve funds and the line of credit. The OSC's primary credit risk is its concentration of 85% of its financial assets with two Schedule 1 financial institutions. For a complete analysis of the risks relating to financial instruments, see Note 4 of the financial statements.

The OSC has strong internal controls, including management oversight, to provide reasonable assurance of financial management and financial reporting reliability consistent with IFRS. These controls are tested annually through our internal control over financial reporting (ICFR) program.

Legal Risk

Occasionally, the OSC is involved in legal actions arising from the ordinary course of business. Settlements from these actions are accounted for when they occur. The outcome and ultimate disposition of any actions cannot currently be determined. However, management does not expect the outcome of any legal actions, individually or in aggregate, to have a material impact on the OSC's financial position.

Internal Control Over Financial Reporting (ICFR)

A summary of our ICFR program results.

During the year, the OSC's ICFR processes were reviewed and updated where necessary. Design and operating effectiveness were tested, using the framework and criteria established in "Internal Control - Integrated Framework (2013 version)" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Staff performed an evaluation, under supervision and with the participation of management, of the effectiveness of the OSC's ICFR processes as at March 31, 2020. Based on this evaluation, the OSC has concluded that the ICFR processes were designed and operating effectively, to reduce the risk of material misstatement to an acceptably low level, and that there are no material weaknesses.

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Management's Responsibility and Certification

Management is responsible for the integrity, consistency and reliability of the financial statements and other information presented in the annual report. The financial statements have been prepared by Management in accordance with International Financial Reporting Standards.

We certify that we have reviewed the financial statements and other information contained in the annual report, and, based on our knowledge, they do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the statements and the annual report.

Based on our knowledge, the financial statements together with other financial information included in the annual report fairly present in all material respects the financial condition, results of operations and cash flows of the Ontario Securities Commission (the "OSC") as of the dates and for the periods presented. The preparation of financial statements involves transactions affecting the current period which cannot be finalized with certainty until future periods. Estimates and assumptions are based on historical experience and current conditions, and are believed to be reasonable.

We are responsible for establishing and maintaining internal control over financial reporting for the OSC. We have designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding

the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

We evaluated, or caused to be evaluated under our supervision, the effectiveness of the OSC's internal control over financial reporting at the financial year-end, and the OSC has disclosed in its annual MD&A our conclusion about the effectiveness of internal control over financial reporting at the financial year-end based on that evaluation.

We have also disclosed in the MD&A any change in our internal control over financial reporting that occurred during the year that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

The Board of Directors ensures that management fulfills its responsibility for financial reporting and internal control. The financial statements have been reviewed by the Audit and Finance Committee and approved by the Board of Directors. The Auditor General's Report, which follows, outlines the scope of the Auditor's examination and opinion on the financial statements.



D. Grant Vingoe

Acting Chair and Chief Executive Officer



Mary Campione

Chief Financial Officer, and Director,
Financial Management & Reporting

June 16, 2020



Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

Independent Auditor's Report

To the Ontario Securities Commission

Opinion

I have audited the financial statements of the Ontario Securities Commission (OSC), which comprise the statement of financial position as at March 31, 2020, and the statements of comprehensive income, statement of changes in surplus and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the OSC as at March 31, 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the OSC in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the OSC's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless OSC either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the OSC's financial reporting process.

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Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 OSC's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the OSC's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the OSC to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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Toronto, Ontario
June 16, 2020



Bonnie Lysyk, MBA, FCPA, FCA, LPA
Auditor General

Statement of Financial Position

(in Canadian dollars)

As at March 31, 2020	Note(s)	2020	2019
ASSETS			
Current			
Cash		\$ 84,220,419	\$ 74,005,444
Trade and other receivables	4, 5	3,623,677	3,547,647
Prepayments		3,967,772	2,001,847
Total current		\$ 91,811,868	\$ 79,554,938
Non-current			
Funds held pursuant to designated settlements and orders	3(e), 6	\$ 118,393,872	\$ 84,379,977
Funds restricted for CSA Systems operations and redevelopment	2, 7, 18	148,730,211	143,053,977
Reserve funds	8	20,000,000	20,000,000
Lease receivable	12	3,403,919	—
Right of use assets	12	51,620,297	—
Property, plant & equipment	9	5,999,888	8,224,013
Intangible assets	10	6,955,229	5,019,671
Total non-current		\$ 355,103,416	\$ 260,677,638
Total assets		\$ 446,915,284	\$ 340,232,576
LIABILITIES			
Current			
Trade and other payables	11	\$ 20,021,724	\$ 20,838,870
Lease liabilities	12	2,138,206	—
Total current		\$ 22,159,930	\$ 20,838,870
Non-current			
Lease liabilities	12	\$ 54,111,915	\$ —
Pension liabilities	13(b)	4,438,979	4,443,754
Funds held pursuant to designated settlements and orders	3(e), 6	118,393,872	84,379,977
Funds restricted for CSA Systems operations and redevelopment	2, 7, 18	148,730,211	143,053,977
Total non-current		\$ 325,674,977	\$ 231,877,708
Total liabilities		\$ 347,834,907	\$ 252,716,578
SURPLUS			
General		\$ 79,080,377	\$ 67,515,998
Reserve	8, 14	20,000,000	20,000,000
Operating surplus		\$ 99,080,377	\$ 87,515,998
Total liabilities and surplus		\$ 446,915,284	\$ 340,232,576

The related notes are an integral part of these financial statements.

On behalf of the board of the commission.

Grant Vingoe

D. Grant Vingoe

Acting Chair and Chief Executive Officer

Garnet Fenn

Garnet Fenn

Chair, Audit and Finance Committee

Statement of Comprehensive Income

(in Canadian dollars)

For the year ended March 31, 2020	Note(s)	2020	2019
REVENUE			
Fees	3(d), 15	\$ 132,223,073	\$ 128,110,332
Miscellaneous		763,120	156,124
Interest income		1,409,983	1,086,172
		\$ 134,396,176	\$ 129,352,628
EXPENSES			
Salaries and benefits	16	\$ 95,099,273	\$ 90,394,112
Administrative	17	10,187,885	9,536,691
Occupancy		5,136,563	7,734,948
Professional services		8,303,515	9,576,112
Depreciation	9, 12	5,540,152	2,703,147
Amortization	10	1,521,440	1,159,087
Other		482,446	547,231
		\$ 126,271,274	\$ 121,651,328
Finance costs	12	1,793,099	—
Recoveries of insurance proceeds net of loss on asset disposals	9	(621,662)	(471,358)
Recoveries of enforcement costs	3(h)	(2,993,014)	(2,563,215)
Recoveries of investor education costs	3(h), 20	(1,362,373)	(1,129,508)
		\$ 123,087,324	\$ 117,487,247
Excess of revenue over expenses		\$ 11,308,852	\$ 11,865,381
OTHER COMPREHENSIVE INCOME			
Remeasurements of defined benefit pension plans	13 (b)	\$ 255,527	\$ (135,995)
Other comprehensive gain (loss)		\$ 255,527	\$ (135,995)
Total comprehensive income		\$ 11,564,379	\$ 11,729,386

The related notes are an integral part of these financial statements.

Statement of Changes in Surplus

(in Canadian dollars)

For the year ended March 31, 2020	Note(s)	2020	2019
Operating surplus, beginning of year		\$ 87,515,998	\$ 75,786,612
Total comprehensive income		11,564,379	11,729,386
Operating surplus, end of year		\$ 99,080,377	\$ 87,515,998
Represented by:			
General		\$ 79,080,377	\$ 67,515,998
Reserve	8, 14	20,000,000	20,000,000
		\$ 99,080,377	\$ 87,515,998

The related notes are an integral part of these financial statements.

Statement of Cash Flows

(in Canadian dollars)

For the year ended March 31, 2020	Note(s)	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of revenue over expenses		\$ 11,308,852	\$ 11,865,381
Adjusted for:			
Interest received		1,448,582	1,024,619
Interest income		(1,409,983)	(1,086,172)
Pension liabilities		250,752	203,141
Depreciation - right of use asset	12	2,934,489	—
Depreciation	9	2,605,663	2,703,147
Amortization	10	1,521,440	1,159,087
		\$ 18,659,795	\$ 15,869,203
CHANGES IN NON-CASH WORKING CAPITAL			
Trade and other receivables		\$ 14,639	\$ 166,657
Prepayments		(1,965,925)	378,253
Trade and other payables		(1,347,588)	2,873,483
		\$ (3,298,874)	\$ 3,418,393
Net cash flows from operating activities		\$ 15,360,921	\$ 19,287,596
CASH FLOWS USED IN INVESTING ACTIVITIES			
Principal payments on lease receivable	12	\$ 135,408	\$ —
Purchase of intangible assets	10	(3,101,258)	(3,791,731)
Purchase of property, plant & equipment	9	(206,836)	(407,834)
Net cash used in investing activities		\$ (3,172,686)	\$ (4,199,565)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Principal payments on lease liabilities	12	\$ (1,973,260)	\$ —
Net cash flows used in financing activities		\$ (1,973,260)	\$ —
Net increase in cash position		\$ 10,214,975	\$ 15,088,031
Cash, beginning of year		\$ 74,005,444	\$ 58,917,413
Cash, end of year		\$ 84,220,419	\$ 74,005,444
SUPPLEMENTAL CASH FLOW INFORMATION			
Finance costs paid		\$ 1,793,099	\$ —
Finance income received		\$ 113,724	\$ —
Property, plant & equipment and intangible assets funded by trade and other payables		\$ 530,443	\$ 1,457,803

The related notes are an integral part of these financial statements.

Notes to the Financial Statements

1. Reporting Entity

The Ontario Securities Commission (OSC) is a corporation domiciled in Ontario. The address of the OSC's registered office is 20 Queen Street West, Toronto, Ontario, M5H 3S8. The OSC is a corporation without share capital and is the regulatory body responsible for regulating the province's capital markets. As a Crown corporation, the OSC is exempt from income taxes.

2. Basis of Presentation

(a) Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). These financial statements are as at March 31, 2020 and for the year then ended and includes comparatives. These financial statements were authorized for issue by the Board of Directors on June 16, 2020

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain pension liabilities that are measured net of actuarial gains and losses, as explained in Note 3(f). Historical cost is generally based on the fair value of the consideration given in exchange for assets.

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the OSC's functional currency. Amounts have been rounded to the nearest dollar.

(d) Use of judgements and sources of estimation uncertainty

(i) Judgements

The preparation of financial statements in accordance with IFRS requires that management make judgements in applying accounting policies that can affect the reported amounts of assets and liabilities as at the date of the financial statements, as well as the reported amounts of revenue and expenditures for the period.

The following are the judgements in applying accounting policies, apart from those involving estimates, that have the most significant effect on the amounts recognized in the financial statements.

Lease Accounting

Effective April 1, 2019, the OSC adopted IFRS 16 *Leases* ("IFRS 16") which replaces IAS 17 *Leases*. In determining the lease liabilities and corresponding right of use assets, significant judgement is required in determining the lease term.

The lease term is defined as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

The OSC exercised significant judgement in determining the lease term, particularly the premise lease, by considering all facts and circumstances that create an economic incentive to exercise a renewal option or to not exercise a termination option including investments in major leaseholds, past practice and the length of time remaining before the option is exercisable. See note 3(g) for further information relating to the adoption of IFRS 16 *Leases*.

Revenue Recognition

The OSC exercised significant judgement in determining whether participation fees and other certain fees are within the scope of IFRS 15. Since these fees do not arise from contracts with customers as envisioned in IFRS 15, the OSC has exercised judgement in deciding to apply IFRS 15, by analogy, to such fees.

Significant judgement is required to determine the nature and extent of the OSC's performance obligations arising from participation fees and determining the timing of the transfer of control – at a point in time or over time. OSC recognizes revenue when (or as) the organization satisfies a performance obligation by transferring the promised service to the market participant. This transfer happens when the market participant obtains control of the service.

Recoveries of investor education costs

Beginning April 1, 2015, the OSC began recovering costs that are in accordance with subparagraph 3.4(2)(b)(ii) of the *Securities Act* (Ontario) which was amended on June 20, 2012 to expand the purposes for which enforcement monies may be designated to include “for use by the Commission for the purpose of educating investors or promoting or otherwise enhancing knowledge and information of persons regarding the operation of the securities and financial markets” (“investor education costs”). The OSC developed guidelines to assist in determining which costs would be in accordance with subparagraph 3.4(2)(b)(ii). The OSC exercised judgement in evaluating the types of costs incurred which would be in accordance with these guidelines. See Note 20 for a summary of costs recovered.

Funds restricted for Canadian Securities Administrators (CSA) Systems operations and redevelopment (Funds Restricted for CSA Systems)

The OSC was appointed to administer the financial management processes of the CSA Systems net assets and act as custodian over any surplus funds. The use of the CSA Systems surplus funds is governed by the four Principal Administrators (PAs), each having one vote on the CSA Systems matters. The four PAs are the OSC, British Columbia Securities Commission (BCSC), Alberta Securities Commission (ASC) and l'Autorité des marchés financiers (AMF).

Based on an evaluation of the contractual terms and conditions related to the arrangement, OSC management has exercised significant judgement to determine that participants in the capital markets, rather than the OSC (or other CSA members, including the Investment Industry Regulatory Organization of Canada (IIROC) in the case of NRD system fee surplus funds accumulated prior to October 12, 2013), obtain the benefit or rewards from the restricted funds or any future development of the CSA Systems. The OSC does not control or have significant influence over how the restricted funds are managed in performing its custodial role for the CSA Systems.

See Note 7 for more information, including summary financial information related to CSA Systems operations and redevelopment.

(ii) Sources of estimation uncertainty

The preparation of financial statements in accordance with IFRS requires management to make assumptions about the future and other sources of estimation uncertainty that have a significant risk of affecting the carrying amounts of assets and liabilities within the next fiscal year.

Determining the carrying amounts of some assets and liabilities requires management to estimate the effects of uncertain future events on those assets and liabilities at the end of the reporting period. The infectious coronavirus (“COVID-19”) pandemic has added to the OSC’s measurement uncertainty primarily due to a reduction of available information with which to make significant assumptions related to critical estimates as compared to those estimates reported at March 31, 2019. Actual amounts can differ from these estimates to the extent future outcomes differ significantly from management’s estimations. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The following are the key assumptions and other major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year.

Leases

In determining the carrying amount of right of use assets and lease liabilities, the OSC is required to estimate the incremental borrowing rate specific to each leased asset if the interest rate implicit in the lease is not readily determined. The OSC determines the incremental borrowing rate using a prime rate with an adjustment that reflects, among other things, the OSC’s credit rating, lease term, value of the underlying leased asset, and the economic environment in Ontario.

Supplemental pension plan

Supplemental pension plan liabilities represent the estimated present value of the OSC’s obligation for future payments on March 31, 2020. The OSC utilizes an independent actuarial expert to determine the present value of the defined benefit obligation of the supplemental pension plan and related impact to the Statement of Comprehensive Income and Other comprehensive income (OCI).

In some cases, this determination will involve management’s best estimates and information from other accredited sources. A change in one or more of these assumptions could have a material impact on the OSC’s financial statements.

The significant actuarial assumptions used to determine the present values of the defined benefit obligations and sensitivity analysis of changes in the actuarial assumptions used are outlined in Note 13(b).

Designated settlements and orders and recoveries of enforcement costs

Funds held pursuant to designated settlements and orders and recoveries of enforcement costs are recorded when settlements are approved or orders are made by the Commission, unless management determines that collecting the settlement and order is significantly doubtful, in which case it is recognized when payment is received. Estimation is required to determine the collectible amount of monetary sanctions and recoveries of enforcement costs.

Management considers the ability of the respondent to pay the sanction amount, the ability to locate the respondent and whether the respondent owns any assets. A change in any of these factors could have a material impact on the OSC’s financial statements. Assets and liabilities will change based on estimated designated settlements and order amounts deemed to be collectible. Expenses may change based on recoveries of enforcement costs. For more information on designated settlements and orders, see Note 6.

Allowance for credit losses

The determination of the OSC's expected credit losses for trade receivables depends on several highly related variables and is subject to estimation uncertainty. In determining expected credit losses, the OSC considers historical data, existing market conditions, and forward-looking information to determine, among other things, expected loss rates. The OSC must rely on estimates and exercise judgement regarding circumstances that may cause future assessments of expected credit losses to be materially different from current assessments, which could require an increase or decrease in the allowance for credit losses.

Trade and other receivable, and funds held pursuant to designated settlements and orders are subject to measurement uncertainty due to the credit risk of debtors. Due to the COVID-19 pandemic, additional measurement uncertainty exists around the collectability of these amounts. The uncertainty is caused by potential collection delays and an increase in the rate of doubtful accounts from these parties due to the economic slowdown in Ontario brought on by emergency measures to combat the spread of COVID-19. See Note 5 and Note 6 for further details on trade and other receivables, and funds held pursuant to designated settlements and orders.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. See Note 21 for discussion related to accounting standards, interpretations and amendments that became effective in the year.

(a) Financial Instruments

IFRS 9 *Financial Instruments*

Trade receivables and borrowings issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the OSC becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value, plus or minus transaction costs that are directly attributable to their acquisition. The measurement of financial instruments in subsequent periods and the recognition of changes in the fair value depend on the category in which they are classified. See below for a summary table of the classification of financial instruments:

	Measurement category under IFRS 9
Financial assets	
Cash	Amortized Cost
Funds restricted for CSA Systems operations and redevelopment	Amortized Cost
Reserve funds	Amortized Cost
Funds held pursuant to designated settlements and orders - Cash	Amortized Cost
Funds held pursuant to designated settlements and orders - Receivables	Amortized Cost
Trade and other receivables	Amortized Cost
Financial liabilities	
Trade and other payables	Amortized Cost
Lease liabilities	Amortized Cost
Line of credit	Amortized Cost
Funds held pursuant to designated settlements and orders	Amortized Cost
Funds restricted for CSA Systems operations and redevelopment	Amortized Cost

Classification of financial assets depends on the business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. A financial asset is subsequently measured at amortized cost if both of the following conditions are met.

- a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Currently, OSC's financial assets meet the conditions for subsequent measurement at amortized cost. Gains or losses on disposal and impairment losses are recorded in the Statement of Comprehensive Income. Premiums, discounts and transaction costs are amortized over the term of the instrument on an effective yield basis as an adjustment to interest income. Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire or when the contractual rights to receive the cash flows of the financial asset are transferred. A financial liability is derecognized when it is extinguished; that is, when the contractual obligation is discharged, cancelled or expires.

The OSC recognizes an allowance for expected credit losses for all financial assets not held at fair value through profit and loss. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the OSC expects to receive, discounted at an approximation of the original effective interest rate.

In relation to trade receivables, the OSC measures expected credit losses for trade receivables by setting up a provision based on aging at year end through the application of a provision matrix. The provision matrix is based on historically observed default rates over the expected life of the trade receivables, adjusted for forward looking estimates.

The carrying amount of trade receivables is reduced through the use of an allowance account and the expected credit loss is recognized in the Statement of Comprehensive Income.

The gross carrying amount of a trade receivable is written off to the extent there is no reasonable prospect of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, insolvency of the debtor and the exhaustion of reasonable collection efforts.

(b) Property, plant & equipment

Items of property, plant & equipment are recorded at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

The cost of property, plant & equipment, less any residual value, is depreciated and recognized in excess of revenues over expenses on a straight-line basis over the estimated useful life of the asset, as follows:

Computer hardware and related applications	3 years
Network servers and cabling	5 years
Office furniture and equipment	5 to 10 years
Leasehold improvements	Lesser of lease term and useful life of asset

The estimated useful lives, residual values and depreciation method are reviewed at the end of each fiscal year. Any changes in estimates are accounted for on a prospective basis.

An item of property, plant & equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the disposal or retirement of an item of property, plant & equipment is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognized in excess of revenue over expenses.

Items of property, plant & equipment are reviewed for impairment at each reporting date. If any impairment is indicated, the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

(c) Intangible Assets

Intangible assets represent identifiable non-monetary assets and are acquired either separately or internally generated. The OSC's intangible assets consist primarily of software enhancement and development and purchased software.

Development costs that are directly attributable to internally developed software are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use it;
- there is an ability to use the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use the software are available; and
- the expenditures attributable to the software during its development can be reliably measured.

For internally generated intangible assets, cost includes all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. Subsequent expenditures on a specific intangible asset is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including maintenance, are recognized in profit or loss as incurred. Research expenditures and certain development expenditures that do not meet the criteria for capitalization above are recognized as an expense as incurred.

For purchased software, the cost of separately acquired intangible assets include its purchase price and directly attributable costs of preparing the asset for its intended use.

For software enhancement and development, amortization of an intangible asset begins when development is complete, and the asset is available for use. After initial recognition, an intangible asset is carried at its cost less any accumulated amortization and accumulated impairment losses. Amortization expense is included in the Statement of Comprehensive Income. Intangible assets are amortized using the straight-line method over the following periods:

Software enhancement and development – 10 years

Purchased software – 3 years

Amortization methods, useful lives and residual values are reviewed at the end of each fiscal year and adjusted if appropriate, with the effect of any changes in estimate being accounted for on a

prospective basis. Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired. Intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. If any impairment is indicated, the intangible asset's recoverable amount is estimated. The recoverable amount is the higher of an intangible asset's fair value less costs to sell and value in use. An impairment loss is recognized for the amount by which the intangible asset's carrying amount exceeds its recoverable amount. An impairment loss is recognized on the Statement of Comprehensive Income in the period in which the impairment is identified.

Impairment losses previously recognized are assessed and reversed if the circumstances leading to the impairment are no longer present. Reversal of any impairment loss will not exceed the carrying amount of the intangible asset that would have been determined had no impairment loss been recognized for the asset in prior periods.

(d) Revenue recognition

IFRS 15 sets out the principles for when revenue should be recognized and how it should be measured, together with related disclosures.

Participation fees

Participation fees are recognized when the OSC has permitted (or not restricted) access to the market participant to the Ontario capital markets. Typically, this occurs at a point-in-time when both the access is granted (or not restricted) and the associated fees are received.

These fees represent the payment for the right to participate in the Ontario capital markets. The OSC has no specific obligations throughout the year to any individual market participant. As such, the OSC's performance consists of a single act, which is provision of access. Once the access is provided (or not restricted), the OSC has the right to the stipulated participation fees, there is no obligation to refund the fees, the market participant has the legal right to access and participate in the capital market including the risks and rewards associated with such participation and there are no unfulfilled conditions on behalf of the OSC to the participant.

Activity fees

Activity fees represent the direct cost of OSC staff resources expended in undertaking certain activities requested of staff by market participants. Activity fees are recognized when the filing is received, as the activities undertaken are normally completed in a relatively short period of time.

Late filing fees

Late fees may apply if certain documents that are required to be filed under Ontario Securities law are not filed on time. Additional fees may be charged for payments made past the required due date. Revenue from late fees is recognized when the respective document is filed or the corresponding outstanding fee is paid. In addition, the transaction price is measured as the amount of the fee.

(e) Funds held pursuant to designated settlements and orders

Funds held pursuant to designated settlements and orders are recorded when settlements are approved or orders are made by the Commission, unless management determines that collecting the settlement amount is significantly doubtful, in which case they are recognized when payment is received. Due to the restricted use of funds held pursuant to designated settlements and orders, a corresponding non-current liability that equals the related non-current asset is reflected in the Statement of Financial Position.

(f) Employee benefits

Ontario Public Service Pension Plan (OPSPP)

The OSC provides pension benefits to its full-time employees through participation in the OPSPP. The Province of Ontario is the sole sponsor of the OPSPP. This plan is accounted for as a defined contribution plan because sufficient information is not provided to the OSC or otherwise available for the OSC to apply defined benefit plan accounting to this pension plan.

The plan sponsor is responsible for ensuring that the pension funds are financially viable. Any surpluses or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the OSC. The OSC is not exposed to any liability to the plan for other entities' obligations under the terms and conditions of the plan.

In addition, there is no agreed allocation of a deficit or surplus on wind-up or withdrawal by the OSC from the plan. Payments made to the plan are recognized as an expense when employees have rendered the service entitling them to the benefit. For more information on the OPSPP, see Note 13(a).

Supplemental pension plan

The OSC also maintains unfunded supplemental pension plans for its current and former Chairs and Vice-Chairs as described in Note 13(b). These plans are final salary pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of the target benefits provided depends on the member's length of service and their salary in the final years prior to retirement. In some plans, the target benefits are indexed with inflation. The target benefits are then offset by the benefits payable from the OPSPP (registered and supplemental plans), which are linked to inflation.

The defined benefit liability recognized in the Statement of Financial Position for the supplemental pension plans is the present value of the defined benefit obligation at the reporting date.

Actuarial gains and actuarial losses resulting from remeasurements of the net defined benefit liability arising from the supplemental pension plans are recognized immediately in the Statement of Financial Position with a corresponding debit or credit through OCI in the period in which they occur. Remeasurements are not reclassified to excess of revenues over expenses in subsequent periods.

Other post-employment obligations

The costs of non-pension benefits for eligible pensioners are paid by the Government of Ontario and are not included in the Statement of Comprehensive Income, as described in Note 19(b).

Termination benefits

Termination benefits are generally payable when employment is terminated before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these benefits.

The OSC recognizes a liability and an expense for termination benefits at the earlier of the date the OSC has demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without a realistic possibility of withdrawal or when the OSC has recognized costs for providing termination benefits as a result of a restructuring involving a fundamental reorganization that has a material effect on the nature and focus of OSC operations..

Short-term benefits

Short-term employee benefits, such as salaries, pension contributions, paid annual leaves and bonuses, are measured on an undiscounted basis and are expensed as the related service is provided to the OSC.

(g) Leases

IFRS 16 – Leases (For periods beginning from April 1, 2019)

A contract is or contains a lease if it conveys the right to control the use of an identified asset for a specified period in exchange for consideration. When the OSC leases assets from other parties, the OSC is the lessee. When the OSC leases or subleases assets to other parties, the OSC is the lessor.

Lessee Accounting

At the lease commencement date, a lease liability and right of use asset are recognized on the Statement of Financial Position for the leased asset. These two amounts are determined as follows:

- a) Lease liability – the present value of fixed payments from commencement date, variable payments that depend on an index or a rate, exercise price of a purchase option (if the lessee is reasonably certain to exercise that purchase option), payments for penalties for terminating a lease (if the lease term reflects the lessee exercising an option to terminate the lease), and amounts expected to be payable by the lessee under residual value guarantees.
- b) Right of use asset – the sum of the initial lease liability, initial indirect costs and expected restoration costs, and lease payments made at or prior to commencement, less any lease incentives received.

In determining the carrying amount of lease liabilities and right of use assets, the lessee is required to use the incremental borrowing rate specific to each leased asset, if the interest rate implicit in the lease is not readily determined.

Most of the OSC's leases are comprised of premise leases, for which fixed payments covering lease components are included in the value of the right of use assets and lease liabilities. As lease payments are made and the leases elapse, lease liabilities are reduced by the principal portion of payments, finance costs are recognized for the interest portion of payments, and the right of use assets are depreciated. Depreciation and finance costs are recognized in the Statement of Comprehensive Income.

For non-lease components payments (i.e. common area maintenance), amounts are recognized within occupancy costs in the Statement of Comprehensive Income and are not recognized in the Statement of Financial Position.

Payments for short-term leases (12 months or less and do not have a purchase option) and low-value leases are recognized on a straight-line basis within occupancy costs in the Statement of Comprehensive Income and are not recognized in the Statement of Financial Position.

Lessor Accounting

The OSC engages in subleasing arrangements for premise leases on a full cost recovery basis. When the OSC makes the underlying leased asset available for use to the lessee, the OSC classifies each lease as either an operating lease or a finance lease. A lease is a finance lease if it transfers substantially all the risks and rewards of the underlying asset to the lessee; otherwise, the lease is an operating lease.

For leases classified as finance leases, the underlying assets are derecognized, lease receivables are recognized on the Statement of Financial Position and finance income is recognized.

The OSC assesses the sublease classification by reference to the right of use assets. Among other things, the OSC considers factors such as whether the sublease term covers a major portion of the head lease term. For those subleases classified as finance leases, a lease receivable is recognized

within the trade and other receivables, with an offsetting reduction in the right of use assets, on the Statement of Financial Position, and finance income is recognized. For those classified as operating leases, there is no impact on the right of use assets and lease income is recognized. Refer to Note 12 for details on subleasing activities.

IAS 17 – Leases and IFRIC 4 – Determining whether an Arrangement contains a Lease (For periods prior to April 1, 2019)

Prior to the succeeding standard, IFRS 16, IAS 17 and IFRIC 4 were applied for lease accounting. At the inception of the lease, a lease was classified as a finance lease if substantially all the risks and rewards incidental to ownership of the underlying assets were transferred to the lessee. Where such risks and rewards were retained by the lessor, the lease was classified as an operating lease.

Lessee Accounting

As a lessee, the OSC's premise and office equipment leases were previously classified as operating leases. The leases were off-balance sheet, with payments recognized as occupancy costs on the Statement of Comprehensive Income, and lease commitments disclosed.

When lease incentives were received upon entering into operating leases, the aggregate benefit of the incentives was recognized as a reduction within occupancy costs on a straight-line basis, except where another systematic basis was more representative of the period in which economic benefits from the leased asset were consumed.

Lessor Accounting

As a lessor, all of the OSC's subleasing arrangements were previously classified as operating leases. The payments were recognized as sublease income on the Statement of Comprehensive Income.

(h) Recoveries

Recoveries of enforcement costs

Recoveries of enforcement costs are recorded as offsets to total expenses on the date a settlement is approved or an order is issued by the OSC, unless management determines that collecting the settlement amount is significantly doubtful, in which case, recovery is recognized when payment is received.

Recoveries of investor education costs

Recoveries of investor education costs are recorded as offsets to total expenses on a quarterly basis based on eligible expenses recorded in the quarter.

(i) Provisions

Recoveries of enforcement costs

A provision is recognized when a present legal or constructive obligation results from past events, it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

4. Financial Instruments Risks

The OSC is exposed to various risks in relation to financial instruments. The OSC's objective is to maintain minimal risk. The OSC's financial assets and liabilities by category are summarized in Note 3(a). The main types of risks related to the OSC's financial instruments are currency risk, interest rate risk, credit risk and liquidity risk. This note provides information about the OSC's exposure to these risks and the OSC's objectives, policies and processes for measuring and managing these risks.

Currency Risk

The OSC's exposure to currency risk is minimal due to the low number of transactions denominated in currencies other than Canadian dollars.

Interest Rate Risk

The OSC's financial assets and liabilities are not exposed to significant interest rate risk due to their short-term nature. The OSC's cash, funds held pursuant to designated settlements and orders, funds restricted for CSA Systems operations and redevelopment and reserve funds are held by Schedule I financial institutions (and credit unions in British Columbia with respect to funds restricted for CSA Systems operations and redevelopment). The bank balances earn interest at a rate of 1.85% below the prime rate. The average rate of interest earned on bank balances for the year was 2.08% (2019 - 1.89%).

A 25 basis points change in the interest rate would impact the OSC's operating surplus as follows:

	Impact on operating surplus	
	25 basis points increase in rates	25 basis points decrease in rates
Reserve funds	\$ 50,355	\$ (50,355)
Cash balance	122,294	(122,294)
	\$ 172,649	\$ (172,649)

Credit Risk

The OSC is exposed to credit risk related to cash, funds held pursuant to designated settlements and orders, funds restricted for CSA Systems operations and redevelopment, reserve funds and trade and other receivables.

Schedule I financial institutions hold approximately 85% of the OSC's financial assets including those held for funds restricted for CSA Systems operations and redevelopment and another 15% are held in two credit unions in British Columbia (for cash components of funds restricted for CSA Systems operations and redevelopment exclusively). The remaining balance of financial assets are accounts receivable. The Credit Union Deposit Insurance Corporation, a statutory corporation, guarantees the deposits of one of the British Columbia credit unions, as set out in the *Financial Institutions Act* of British Columbia. All other deposits are guaranteed to a maximum of \$100,000 by Canada Deposit Insurance Corporation. Given the nature of these counterparties, it is management's opinion that the credit risk exposure due to concentration is low.

Trade receivables balances consist of a large number of debtors owing individually material balances.

Other receivables in aggregate are material, with most debtors owing individually and in aggregate immaterial amounts, and a small number of debtors owing larger amounts, which are material in aggregate or individually, and are receivable from:

- Funds restricted for CSA Systems operations and redevelopment, to recover staff and occupancy costs and other charges incurred,
- Funds held pursuant to designated settlements and orders, to recover investor education costs,
- Government of Canada for recovering Harmonized Sales Tax paid during the year, and
- Government of Canada to recover costs for OSC leasing activity under a sublease.

Therefore, the OSC's exposure to credit risk is considered low.

The OSC maintains an allowance for credit losses. Therefore, the carrying amount of trade and other receivables generally represents the maximum credit exposure. The expected credit loss is not expected to have a significant impact on trade and other receivables and the lease receivable as a significant component of these balances are owing from the Government of Canada, the CSA and the designated fund. Collection efforts continue for trade and other receivables balances, including those that are captured in the allowance for credit loss.

The aging of trade and other receivables is as follows:

	Note	March 31, 2020	March 31, 2019
Current		\$ 2,794,524	\$ 2,857,137
Past due 31 to 60 days		314,540	238,831
Past due 61 to 90 days		204,243	73,744
Past due greater than 90 days (net)		310,370	377,935
Total trade and other receivables	5	\$ 3,623,677	\$ 3,547,647

Past due greater than 90 days detail	Note	March 31, 2020	March 31, 2019
Past due greater than 90 days (gross)		\$ 542,105	\$ 590,169
Allowance for credit losses	5	(231,735)	(212,234)
		\$ 310,370	\$ 377,935

Reconciliation of allowance for credit losses is as follows:

	Note	March 31, 2020	March 31, 2019
Opening balance		\$ 212,234	\$ 244,002
Current year provision		618,400	344,296
Written-off during the year		(598,899)	(376,064)
Closing balance	5	\$ 231,735	\$ 212,234

In 2020, after reviewing the collectability of trade and other receivables, it was determined that there were \$0.6 million of uncollectable amounts and they were written off, resulting in a reduction to the allowance for credit losses and a corresponding reduction of trade and other receivables for the same amount. The amount written off was charged to bad debt expense in prior years. The current year provision of \$0.6 million was charged to bad debt expense in fiscal 2020. Credit losses are calculated at an amount equal to the lifetime expected credit losses.

Liquidity Risk

The OSC's exposure to liquidity risk is low as the OSC has sufficient cash, reserve fund assets, and access to a credit facility to settle all current liabilities. As at March 31, 2020, the OSC had a cash balance of \$84.2 million and reserve fund assets of \$20.0 million to settle current liabilities of \$22.2 million.

The OSC has a \$52.0 million credit facility to address any short-term cash deficiencies. Interest on the credit facility is charged at a rate of 0.5% below the prime rate. During the year, the OSC did not utilize the credit facility (2019 - \$0).

The overall assessment of the OSC's exposure to liquidity risk is low and remains unchanged from 2019.

Supplemental Pension Plan Risks

The OSC's overall exposure to supplemental pension plan risks is low due to the plan being a supplemental plan and the limited number of plan members entitled to plan benefits. For more information, see Note 13(b).

5. Trade and Other Receivables

	Notes	March 31, 2020	March 31, 2019
Trade receivables		\$ 651,287	\$ 621,850
Other receivables		1,585,724	1,952,107
Allowance for credit losses	4	(231,735)	(212,234)
		\$ 2,005,276	\$ 2,361,723
Interest receivable		128,700	167,301
Amount recoverable from investor education costs	20	527,762	400,438
HST recoverable		832,670	618,185
Lease receivable	12	129,269	—
Total trade and other receivables	4	\$ 3,623,677	\$ 3,547,647

The lease receivable represents the current portion of the receivable due from the Government of Canada as part of the subleasing arrangement. The OSC is an intermediate lessor in the arrangement to sublease office space to the Government of Canada. For more information, see Note 12.

6. Funds Held Pursuant to Designated Settlements and Orders

The OSC has a number of settlement agreements and orders arising from enforcement proceedings where monies from these settlements and orders are to be set aside and allocated to third parties in accordance with section 3.4(2)(b) of the *Securities Act* (Ontario) and OSC Policy 15-601 *Whistleblower Program* (the "Program"). These funds are eligible to be allocated to the OSC for the purpose of educating investors, or promoting or otherwise enhancing knowledge and information of persons regarding the operation of the securities and financial markets, including such designated internal costs as approved by the Board.

Under the Program, whistleblowers may be eligible for awards of between 5% to 15% of total monetary sanctions imposed and/or voluntary payments made, if their information leads to an administrative proceeding where these amounts total \$1.0 million or more. The maximum amount of the award has been set at \$1.5 million where monetary sanctions and/or voluntary payments are

not collected and \$5.0 million where these amounts have been collected. Whistleblowers will be paid out of funds held pursuant to designated settlements and orders. Since inception of the program in 2016, \$8.0 million has been paid to whistleblowers.

The accumulated funds are held in a segregated bank account and earn interest at the monthly average bank prime rate less 1.85%. The Board allocates these funds as it determines appropriate at its discretion. This includes allocations to harmed investors, where appropriate and where an allocation can be reasonably determined.

As at March 31, 2020 the accumulated balance is determined as follows:

	Note	March 31, 2020	March 31, 2019
Opening balance		\$ 84,379,977	\$ 42,095,231
Assessed during the year		\$ 42,303,669	\$ 137,436,573
Less:			
Amounts paid or payable directly to investors		(995,966)	(10,970,518)
Orders deemed uncollectible		(1,238,203)	(80,072,434)
Amount recorded from assessments in year		\$ 40,069,500	\$ 46,393,621
Add: Adjustments to amounts assessed in prior years		989,545	4,747,656
Interest		2,076,842	1,118,016
Less: Payments to			
Whistleblowers		(525,000)	(7,499,000)
OSC for recovery of Investor education costs	20	(1,235,049)	(1,145,733)
External collections firm		(891,266)	(173,074)
Harmed investors		(6,470,677)	(1,156,740)
Closing balance		\$ 118,393,872	\$ 84,379,977
Represented by:			
Cash		\$ 117,029,772	\$ 82,030,183
Receivable		1,364,100	2,349,794
		\$ 118,393,872	\$ 84,379,977

The \$40.1 million (2019 - \$46.4 million) identified as the total amount recorded from assessments in year reflects the portion of \$42.3 million (2019 - \$137.4 million) in settlements and orders that were assessed during the year, for which payment was either received or has been deemed collectible. As such, the total includes reductions of \$1.0 million (2019 - \$11.0 million) for amounts paid or payable directly to investors and \$1.2 million (2019 - \$80.1 million) in orders deemed uncollectible. The amounts paid or payable directly to investors represents orders that require respondents to distribute monies directly to harmed investors, which are not captured in the OSC's accounting records.

The OSC collected a total of \$39.1 million (2019 - \$44.2 million) of the designated settlements and orders assessed during the year less amounts paid or payable directly to investors, resulting in an average collection rate of 94.6% (2019 - 35.0%). As authorized by the Board, the OSC made payments from the designated funds totalling \$9.1 million (2019 - \$10.0 million). Details on the recipients of these payments are included in the table above.

7. Funds Restricted for CSA Systems Operations and Redevelopment (Funds Restricted for CSA Systems)

The core CSA Systems consist of the System for Electronic Document Analysis and Retrieval (SEDAR), the National Registration Database (NRD) and the System for Electronic Disclosure by Insiders (SEDI). The CSA is also developing the Market Analysis Platform (MAP), a new marketplace surveillance and analytical system to improve market analytics capacity.

The OSC has been appointed the Designated Principal Administrator – Operations (DPA) to collect, hold, and administer the surplus funds accumulated from system fees charged to market participants that use the CSA Systems. This role is essentially that of a custodian. The funds restricted for CSA Systems operations and redevelopment include surplus funds accumulated from operation of the CSA Systems, which are received, held and managed by the DPA on behalf of the PAs, and IIROC (in the case of NRD system fee surplus funds accumulated prior to October 12, 2013). The use of these surplus funds is restricted by various agreements between the PAs.

CGI Information Systems and Management Consultants Inc. (CGI), as a service provider, hosts and maintains the CSA Systems. A CSA Systems Governance Committee (SGC), consisting of members of the four PAs, was established through an agreement signed on April 2, 2013. This agreement also created a governance framework for management and oversight of the CSA Systems, including that of CGI. It outlines how user fees will be collected and deployed, and addresses allocation and payment of liabilities that may arise. User fees are charged to recover systems operations and redevelopment costs, which are used to benefit the CSA National Systems users.

Use of the surplus funds within the terms of the various agreements requires the approval of members of the SGC. Majority approval is required for all permissible uses of the surplus funds as outlined within the various agreements, with the exception of the following, which all require unanimous approval of the PAs:

- any financial commitments in excess of the lesser of
 - (i) \$5.0 million and
 - (ii) 15% of the accumulated surplus at such date,
- significant changes to the design of the systems, and
- any changes to system fees.

In the case of NRD, IIROC approval is required for any use of the surplus funds that deviates from the contractually agreed uses for funds accumulated prior to October 12, 2013.

The CSA is redeveloping the CSA Systems in a multi-year phased approach. Funding for the redevelopment is coming from the accumulated surplus funds.

The 2020 financial results of the CSA Systems operations and redevelopment are presented below. Assets include cash and investments of \$148.7 million (2019 - \$143.1 million) presented on the OSC's Statement of Financial Position. Assets also include intangible assets of \$33.5 million (2019 - \$27.0 million) primarily consisting of costs towards the redevelopment of the CSA National Systems.

Summarized Statement of Financial Position

As at March 31

	2020	2019
Assets	\$ 187,149,789	\$ 175,794,307
Liabilities	\$ 3,532,059	\$ 2,355,825
Surplus	183,617,730	173,438,482
Liabilities and surplus	\$ 187,149,789	\$ 175,794,307

Summarized Statement of Comprehensive Income

For the year ended March 31

	2020	2019
Revenue	\$ 29,350,540	\$ 29,033,983
Expenses	19,171,292	18,531,628
Excess of revenues over expenses	\$ 10,179,248	\$ 10,502,355

Summarized Statement of Cash Flows

For the year ended March 31

	2020	2019
Net cash flows from operating activities	\$ 10,894,227	\$ 12,900,353
Net cash flows used in investing activities	(8,085,785)	(15,213,945)
Net (decrease)/increase in cash position	2,808,442	(2,313,592)
Cash, beginning of year	\$ 20,250,271	\$ 22,563,863
Cash, end of year	\$ 23,058,713	\$ 20,250,271

For more information on the net assets held for CSA Systems operations and redevelopment, see Note 2(d) and Note 18.

8. Reserve Funds

As part of the approval of its self-funded status, the OSC was allowed to establish a \$20.0 million reserve to be used as an operating contingency against revenue shortfalls and unanticipated expenditures, or to cover the discrepancy between timing of revenue and expenses. The prime investment consideration for the reserve is the protection of principal and appropriate liquidity to meet cash flow needs. Interest earned on investments is credited to the operations of the OSC. Reserve funds are held in a segregated bank account and earn interest at the monthly average bank prime rate less 1.85%.

9. Property, Plant & Equipment

The table below presents the property, plant, & equipment continuity schedule.

2020	Office furniture	Office equipment	Computer hardware and related applications	Networks and servers	Leasehold improvements	Total
COST						
Balance as at April 1, 2019	\$ 4,935,268	\$ 759,983	\$ 22,549,033	\$ 3,611,662	\$ 10,499,532	\$ 42,355,478
Additions	48,207	—	52,429	110,924	169,979	381,539
Disposals	—	—	—	—	—	—
Balance as at March 31, 2020	\$ 4,983,475	\$ 759,983	\$ 22,601,462	\$ 3,722,586	\$ 10,669,511	\$ 42,737,017
ACCUMULATED DEPRECIATION						
Balance as at April 1, 2019	\$ (4,793,166)	\$ (590,456)	\$ (20,040,611)	\$ (1,748,155)	\$ (6,959,078)	\$ (34,131,466)
Depreciation for the year	(70,432)	(32,458)	(816,159)	(466,703)	(1,219,911)	(2,605,663)
Disposals	—	—	—	—	—	—
Balance as at March 31, 2020	\$ (4,863,598)	\$ (622,914)	\$ (20,856,770)	\$ (2,214,858)	\$ (8,178,989)	\$ (36,737,129)
Carrying amount as at March 31, 2020	\$ 119,877	\$ 137,069	\$ 1,744,692	\$ 1,507,728	\$ 2,490,522	\$ 5,999,888
2019						
COST						
Balance as at April 1, 2018	\$ 4,888,009	\$ 750,379	\$ 25,603,812	\$ 3,115,475	\$ 10,469,921	\$ 44,827,596
Reclassification to Intangibles	—	—	(3,287,123)	(1,184)	—	(3,288,307)
Additions	47,259	9,604	232,344	497,371	29,611	816,189
Disposals	—	—	—	—	—	—
Balance as at March 31, 2019	\$ 4,935,268	\$ 759,983	\$ 22,549,033	\$ 3,611,662	\$ 10,499,532	\$ 42,355,478
ACCUMULATED DEPRECIATION						
Balance as at April 1, 2018	\$ (4,704,416)	\$ (558,068)	\$ (20,957,128)	\$ (1,429,205)	\$ (5,730,229)	\$ (33,379,046)
Reclassification to Intangibles	—	—	1,949,837	890	—	1,950,728
Additions	(88,750)	(32,388)	(1,033,320)	(319,840)	(1,228,849)	(2,703,147)
Disposals	—	—	—	—	—	—
Balance as at March 31, 2019	\$ (4,793,166)	\$ (590,456)	\$ (20,040,611)	\$ (1,748,155)	\$ (6,959,078)	\$ (34,131,465)
Carrying amount as at March 31, 2019	\$ 142,102	\$ 169,528	\$ 2,508,422	\$ 1,863,507	\$ 3,540,454	\$ 8,224,013

10. Intangible Assets

Intangible assets consist of assets with finite useful lives. Finite life intangible assets include assets such as purchased software and software enhancement and development. Amortization on intangible assets only commences once the software is available for use.

2020	Purchased software	Software enhancement and development	Total
COST			
Balance as at April 1, 2019	\$ 4,441,291	\$ 3,688,195	\$ 8,129,486
Additions	1,512,244	1,944,754	3,456,998
Disposals	—	—	—
Balance as at March 31, 2020	\$ 5,953,535	\$ 5,632,949	\$ 11,586,484
ACCUMULATED AMORTIZATION			
Balance as at April 1, 2019	\$ (3,109,815)	\$ —	\$ (3,109,815)
Amortization expense	(1,340,309)	(181,131)	(1,521,440)
Disposals	—	—	—
Balance as at March 31, 2020	\$ (4,450,124)	\$ (181,131)	\$ (4,631,255)
Carrying amount as at March 31, 2020	\$ 1,503,411	\$ 5,451,818	\$ 6,955,229

2019

COST			
Balance as at April 1, 2018	\$ 3,288,307	\$ —	\$ 3,288,307
Additions	1,152,984	3,688,195	4,841,179
Disposals	—	—	—
Balance as at March 31, 2019	\$ 4,441,291	\$ 3,688,195	\$ 8,129,486
ACCUMULATED AMORTIZATION			
Balance as at April 1, 2018	\$ (1,950,728)	\$ —	\$ (1,950,728)
Amortization expense	(1,159,087)	—	(1,159,087)
Disposals	—	—	—
Balance as at March 31, 2019	\$ (3,109,815)	\$ —	\$ (3,109,815)
Carrying amount as at March 31, 2019	\$ 1,331,476	\$ 3,688,195	\$ 5,019,671

11. Trade and Other Payables

	March 31, 2020	March 31, 2019
Trade payables	\$ 2,284,630	\$ 413,191
Payroll accruals	14,537,703	13,706,710
Other accrued expenses	3,199,391	6,718,969
	\$ 20,021,724	\$ 20,838,870

12. Leases

Lessee Accounting – Lease Liabilities and Right of Use Assets

The OSC's leasing activities, as a lessee, relate to a premise lease and office equipment leases.

The OSC entered into a new premise lease as of September 1, 2017 for a term of ten years, ending August 31, 2027. The lease contains two consecutive options to extend the term beyond August 31, 2027, each for a period of five years. The lease was approved by the Minister of Finance under the *Financial Administration Act* section 28, which required review of contingent liabilities inherent in the lease.

Additionally, the OSC entered into a lease agreement for office equipment (printers) as of March 20, 2020 for a term of five years ending March 19, 2025.

The tables below provide reconciliations of the right of use assets and lease liabilities for the year ended March 31, 2020:

Right of use assets	Notes	Premise Lease(s)	Office Equipment Lease(s)	Total
COST				
Balance as at April 1, 2019		\$ —	\$ —	\$ —
Adoption adjustment	21	57,712,103	—	57,712,103
Additions - new contracts		—	511,279	511,279
Sublease to Government of Canada		(3,668,596)	—	(3,668,596)
Balance as at March 31, 2020		\$ 54,043,507	\$ 511,279	\$ 54,554,786
ACCUMULATED DEPRECIATION				
Balance as at April 1, 2019		\$ —	\$ —	\$ —
Depreciation expense		(2,934,489)	—	(2,934,489)
Balance as at March 31, 2020		\$ (2,934,489)	\$ —	\$ (2,934,489)
Carrying amount as at March 31, 2020		\$ 51,109,018	\$ 511,279	\$ 51,620,297
Lease liabilities				
Lease liabilities	Notes	Premise Lease(s)	Office Equipment Lease(s)	Total
Balance as at April 1, 2019		\$ —	\$ —	\$ —
Adoption adjustment	21	57,712,103	—	57,712,103
Additions - new contracts		—	511,279	511,279
Balance as at March 31, 2020		\$ 57,712,103	\$ 511,279	\$ 58,223,382
Increases to lease liabilities				
Finance costs		\$ 1,793,099	\$ —	\$ 1,793,099
Decrease(s) to lease liabilities				
Lease payments		\$ (3,759,044)	\$ (7,316)	\$ (3,766,359)
Lease liabilities balance as at March 31, 2020		\$ 55,746,158	\$ 503,963	\$ 56,250,121
Non-current portion of Lease liabilities		\$ 53,706,579	\$ 405,336	\$ 54,111,915
Current portion of Lease liabilities		2,039,579	98,627	2,138,206
Lease liabilities balance as at March 31, 2020		\$ 55,746,158	\$ 503,963	\$ 56,250,121

Lessee Accounting – Depreciation, Finance Costs, and Payments

The related right of use depreciation and interest charges are recorded on the Statement of Comprehensive Income under the depreciation and finance costs expense line items, respectively. For the year ended March 31, 2020, depreciation and finance costs were \$2.9 million and \$1.8 million, respectively.

For the year ended March 31, 2020, payments of lease principal and interest on the leases recorded as lease liabilities were \$3.8 million.

The following table sets forth the OSC's future aggregate undiscounted lease payments over the lease term:

	March 31, 2020	March 31, 2019
Less than one year	\$ 8,965,022	\$ 8,572,175
Between one and five years	36,892,605	35,914,480
More than five years	114,985,784	31,509,161
	\$ 160,843,411	\$ 75,995,816

The OSC has some office equipment leases that qualify as short-term leases. The OSC recognized the lease payments associated with such office equipment leases as an expense on a straight-line basis over the lease term. For the year ended March 31, 2020, lease payments were \$0.2 million.

The OSC has leases that qualify as low-value leases. The OSC recognized the lease payments associated with these leases as an expense on a straight-line basis over the lease term. For the year ended March 31, 2020, lease payments were nominal (\$3,379).

The OSC makes non-lease payments (i.e. common area maintenance, property tax, and insurance) on leased properties. For the year ended March 31, 2020, \$4.7 million was recognized within occupancy costs in Statement of Comprehensive Income.

As of March 31, 2020, the OSC has not committed to leases with future cash outflows beyond those recognized and presented above.

Lessor Accounting

Lessor accounting is applicable in office space subleasing agreements where the OSC is the lessor. The two sublease arrangements, to the CSA IT Systems Project Office and the Government of Canada, are on a cost-recovery basis.

The OSC has classified the sublease with the CSA as an operating lease since the arrangement does not substantially transfer all the risks and rewards incidental to ownership of the underlying asset. Accordingly, the OSC recognizes income from the sublease within miscellaneous revenue on the Statement of Comprehensive Income. For the year ended March 31, 2020, sublease payments totaling \$0.2 million were recorded for the operating lease.

The OSC has classified the sublease with the Government of Canada as a finance lease since all of the risks and rewards incidental to ownership of the underlying asset have been substantially transferred to the lessee. Accordingly, the OSC recognizes a lease receivable, with an offsetting reduction to the right of use asset, on the Statement of Financial Position and finance income on the Statement of Comprehensive Income. For the year ended March 31, 2020, sublease payments totaling \$0.2 million were recorded for the finance lease. The table below provides a reconciliation of the lease receivable and finance income for the year ended March 31, 2020:

Lease receivable	Notes	March 31, 2020
Balance as at April 1, 2019		\$ —
Adoption adjustment	21	3,668,596
Sublease payments		(249,132)
Finance income		113,724
Balance as at March 31, 2020		\$ 3,533,188
Current portion of Lease receivable	5	\$ 129,269
Non-current portion of Lease receivable		3,403,919
Total lease receivable		\$ 3,533,188

The current portion of the lease receivable is presented within trade and other receivables in the Statement of Financial Position. For more information, see Note 5.

The non-current portion of the lease receivable is presented as a separate non-current asset in the Statement of Financial Position.

The table below presents the OSC's expected aggregate undiscounted sublease payment receipts for operating and finance leases:

	March 31, 2020
Less than one year	\$ 461,855
Between one and five years	1,062,537
More than five years	3,410,660
	\$ 4,935,052

13. Pension Plans

(a) Ontario Public Service Pension Plan (OPSP)

All eligible OSC employees must, and members may, participate in the OPSP. The OSC's contribution to the OPSP for the year ended March 31, 2020 was \$6.4 million (2019 – \$5.7 million), which is included under salaries and benefits in the Statement of Comprehensive Income. The expected contributions for the plan for fiscal 2021 are \$6.7 million.

(b) Supplemental pension plans

The OSC also has unfunded supplemental defined benefit pension plans for its current and former Chairs and Vice-Chairs. These supplemental pension plans have no plan assets. The actuarial liability and the current service cost are determined by independent actuaries using the projected benefit method prorated on services and management's best estimate assumptions. The supplemental defined benefit pension plans are non-registered plans. The benefit payments are made by the OSC as they become due.

The OSC is responsible for governance of these plans. The OSC Board's Audit and Finance Committee assists in the management of the plans. The OSC has also appointed experienced, independent professional actuarial experts to provide a valuation of the pension obligation for the supplemental plans in accordance with the standards of practice established by the Canadian Institute of Actuaries.

Under the projected benefit method, the pension liabilities are the actuarial present value of benefits accrued in respect of service prior to the valuation date, based on projected final average earnings. The current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period. The current service cost, expressed as a percentage of pensionable earnings, will be stable over time if the demographic characteristics of the active membership remain stable from valuation to valuation. However, all other things being equal, the current service cost of an active membership whose average age rises between actuarial valuations will result in an increasing current service cost.

The supplemental pension plans expose the OSC to the following risks:

- Changes in bond yields – a decrease in corporate bond yields will increase the plans' liabilities.
- Inflation risk – in plans where the target benefit is not indexed, given that the pension offset amounts are linked to inflation, higher inflation will lead to lower liabilities. Conversely, for plans where the target benefits are linked to inflation, the OSC's liability increases when inflation increases.
- Life expectancy – the majority of the obligations are to provide benefits for the life of the members. Therefore, increases in life expectancy will result in an increase in the plans' liabilities.

There were no plan amendments, curtailments or settlements during the period. The duration of all supplemental pension plans combined is approximately 12 years (2019 – 12 years).

	March 31, 2020	March 31, 2019
Defined benefit obligation, beginning of year	\$ 4,443,754	\$ 4,104,618
Current service cost	340,255	300,303
Interest cost	140,684	137,562
Benefit payments	(230,187)	(234,724)
Actuarial (gain)/loss on obligation	(255,527)	135,995
Defined benefit obligation, end of year	\$ 4,438,979	\$ 4,443,754

Actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation were as follows:

	March 31, 2020	March 31, 2019
Discount rate(s)	3.75%	3.25%
Inflation	2.00%	2.00%
Expected rate(s) of salary increase	0%	0%
CPP YMPE increase	2.50%	2.50%
Increase in Canada Revenue Agency limit	\$ 3,092.22	\$ 3,025.56

The assumptions for mortality rates are based on the 2014 Public Sector Mortality Table (CPM2014Publ), with a size adjustment factor for monthly income of \$6,000 and more, and with fully generational projections using the improvement scale CPM-B.

Sensitivity analysis

Changes in the actuarial assumptions used have a significant impact on the defined benefit obligation.

The following is an estimate of the sensitivity of the defined benefit obligation to a change in the significant actuarial assumptions (the sensitivity assumes all other assumptions are held constant):

	March 31, 2020	March 31, 2019
Discount rate increased by 0.5% (obligation will decrease by)	5.5%	5.7%
Discount rate decreased by 0.5% (obligation will increase by)	6.0%	6.3%
Life expectancy increased by 1 year (obligation will increase by)	2.6%	2.7%
Life expectancy decreased by 1 year (obligation will decrease by)	2.7%	2.7%
Inflation rate increased by 0.5% (obligation will decrease by)	0.0%	0.6%
Inflation rate decreased by 0.5% (obligation will increase by)	0.6%	1.3%

The OSC's pension expense relating to the supplemental pension plans for the year ended March 31, 2020 was \$0.5 million (2019 - \$0.4 million). The OSC expects to incur \$0.2 million in benefit payments relating to the supplemental pension plan during the next fiscal year.

14. Capital Management

Since 2001, the OSC has held a \$20.0 million reserve fund, as described in Note 8, which it considers as capital. The primary objective of maintaining this capital is to fund OSC's operations in the event of revenue shortfalls and unanticipated expenditures, or to cover the discrepancy between timing of revenue and expenses.

The OSC maintains an investment policy where reserve funds are restricted to direct and guaranteed obligations of the Government of Canada and its provinces, and to instruments issued by Canadian Schedule I financial institutions to protect the principal.

The OSC has a \$52.0 million credit facility with a Schedule I financial institution to provide additional support for short-term cash deficiencies. The Minister of Finance approved the renewal of the credit facility on July 1, 2018 for two years expiring on June 30, 2020.

The OSC is not subject to any externally imposed capital requirements.

15. Fees

The OSC's fee structure is designed to generate fees that recover the OSC's cost of providing services to market participants. The fee structure is based on the concept of "participation fees" and "activity fees". Participation fees are based on the cost of a broad range of regulatory services that cannot be practically or easily attributed to individual activities or entities and are intended to serve as a proxy for the market participants' use of the Ontario capital markets.

Activity fees represent the direct cost of OSC staff resources expended in undertaking certain activities requested of staff by market participants. Late fees represent fees applied to market participants for not filing required documents and/or paying their participation and activity fees on time.

Fees received are as follows:

	March 31, 2020	March 31, 2019
Participation fees	\$ 112,610,373	\$ 108,082,005
Activity fees	15,917,830	16,311,842
Late filing fees	3,694,870	3,716,485
	\$ 132,223,073	\$ 128,110,332

16. Salaries and Benefits

	March 31, 2020	March 31, 2019
Salaries	\$ 77,668,843	\$ 73,717,590
Benefits	9,297,530	8,787,700
Pension expense	6,871,881	6,151,205
Severance/termination payments	1,261,019	1,737,617
	\$ 95,099,273	\$ 90,394,112

17. Administrative

	March 31, 2020	March 31, 2019
Commission expenses	\$ 954,283	\$ 1,318,968
Communications & publications	1,959,122	2,016,176
IT maintenance & support	5,007,133	4,228,008
Supplies	297,349	425,348
Other expenses	739,477	423,125
Bad debt	598,899	376,064
Training	631,622	749,002
	\$ 10,187,885	\$ 9,536,691

18. Contingent Liabilities and Contractual Commitments

The OSC has committed to paying in full any liability with respect to CSA Systems operations and custody of the related surplus funds that arises as a result of wilful neglect or wilful misconduct on behalf of the OSC.

Under the agreements described in Note 7, the OSC, ASC, BCSC and AMF, as PAs, have committed to paying an equal share of any claim or expenses related to operation and redevelopment of the CSA Systems that exceed the surplus funds held.

In 2019 and 2020, there were no such claims or expenses. As described in Note 7, the OSC, in its capacity as DPA, is holding funds in segregated bank and investment accounts that may be used to settle claims and expenses relating to the operation and redevelopment of the CSA Systems.

Occasionally, the OSC is involved in legal actions arising from the ordinary course of business. Settlements from these actions are accounted for when they occur. The outcome and ultimate disposition of these actions cannot currently be determined. However, management does not expect the outcome of any legal actions, individually or in aggregate, to have a material impact on the OSC's financial position.

19. Related Party Transactions

(a) Funds restricted for CSA Systems operations and redevelopment

In the course of normal operations, the OSC fulfills transactions for CSA Systems with the funds restricted for CSA Systems operations and redevelopment. During the year, total related party charges incurred and to be reimbursed were \$5.8 million (\$4.8 million in 2019). At March 31, 2020, \$0.5 million was still owed to the OSC (\$0.4 million in 2019). For more information, see Note 7.

(b) The Province of Ontario

In the course of normal operations, the OSC entered into the following transactions with the Province of Ontario:

The *Securities Act* (Ontario) states that when ordered to do so by the responsible Minister, the OSC shall remit to the Province of Ontario such surplus funds as determined by the Minister. In light of the fee model as described in Note 15 and the OSC's practice of setting fees periodically, the OSC is not required to make remittances of its surplus to the Consolidated Revenue Fund. Surpluses retained by the OSC are subject to appropriate terms and conditions to be agreed with the Minister.

Costs of non-pension benefits for eligible pensioners are paid by the Government of Ontario and are not included in the Statement of Comprehensive Income.

Certain payments to harmed investors from the funds held pursuant to designated settlements and orders are made through the Civil Remedies for Illicit Activities Office (CRIA). Payments are made to CRIA from the OSC pursuant to forfeiture orders obtained by CRIA under the *Civil Remedies Act*. CRIA is an office of the Ministry of the Attorney General of Ontario.

(c) Compensation to key management personnel

The OSC's key management personnel are the members of the Board of Directors, Chair, Vice-Chairs and Executive Director. As of December 16, 2019, a newly appointed Chief Administrative Officer was added to key management personnel.

The remuneration of key management personnel includes the following expenses:

	March 31, 2020	March 31, 2019
Short-term employee benefits	\$ 3,138,516	\$ 3,283,719
Post-employment benefits	564,356	514,986
	\$ 3,702,872	\$ 3,798,705

20. Recoveries of Investor Education Costs

During the year, as described in Note 3(h), the OSC recorded recoveries of investor education costs from the funds held for designated settlements and orders as follows:

	March 31, 2020	March 31, 2019
Salaries and benefits	\$ 706,812	\$ 678,739
OSC in the Community costs	19,703	25,704
Media Campaign costs	307,077	182,855
Website and other IT costs	70,709	—
Consulting costs	258,072	242,210
	\$ 1,362,373	\$ 1,129,508

The amount recorded in the year is \$1.4 million (2019 - \$1.1 million), of which \$0.5 million (2019 - \$0.4 million) is owing to the OSC at March 31, 2020.

21. Accounting Pronouncements

Current period changes in accounting policies

IFRS 16, Leases

Effective April 1, 2019 (the date of initial application (DOA)), the OSC adopted IFRS 16 Leases (“IFRS 16”) which replaced IAS 17 *Leases* and related interpretations regarding leases. This introduced a single lease accounting model, eliminating the distinction between operating and finance leases for lessee accounting. The OSC elected to apply IFRS 16 retrospectively, using the modified retrospective basis, with no restatement of comparatives. Instead, the OSC elected to recognize the cumulative effect of initial application, if any, as an adjustment to General surplus.

Practical expedients and elections were applied in the application of IFRS 16 as follows:

- a) The OSC, as a lessee and lessor, applied the practical transition expedient not to reassess all contracts to determine whether a contract is, or contains, a lease at the date of initial application. The OSC applied IFRS 16 to contracts that were previously identified as leases under the preceding standards.
- b) The OSC, as a lessee, elected not to apply the lessee accounting model to short-term and low value leases. For these leases covered under the recognition exemption, the OSC recognized the lease payments as an expense, on a straight-line basis, over the lease term.
- c) The OSC, as a lessee, elected not to apply the lease accounting model on transition to leases for which the lease term ends within 12 months of the date of initial application. These leases were accounted for in the same manner as short-term leases.
- d) The OSC relied on its assessment of whether leases are onerous, applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets (IAS 37) immediately before the date of initial application as an alternative to performing an impairment review. At the date of initial application, the OSC did not have any onerous leases as defined in IAS 37.

On transition, the OSC used its incremental borrowing rates, as at April 1, 2019, to measure lease liabilities. The weighted average incremental borrowing rate was approximately 3.45%.

As of March 31, 2019, the OSC was a lessee to various leases, all of which were classified as operating leases, thus not recorded on the Statement of Financial Position but rather accounted for as expenses on the Statement of Comprehensive Income (i.e. off-balance sheet). Total disclosed

operating lease commitments were \$168.2 million as at March 31, 2019, for which the majority related to premise leases. The OSC, on initial transition to IFRS 16, recorded lease liabilities and right of use assets of \$57.7 million, on the Statement of Financial Position. The following table presents the disclosed operating lease commitments as at March 31, 2019 to the lease liabilities recognized on the date of initial application, as at April 1, 2019:

Disclosed operating lease commitments as at March 31, 2019	\$ 75,995,816
Add: Lease payments for renewal period(s) (reasonably certain to exercise)	92,221,935
Less: Lease(s) beginning after April 1, 2019	—
Subtotal (Operating Lease Commitments subject to IFRS 16)	\$ 168,217,751
Less: Non-lease components (such as common area maintenance)	(89,819,206)
Less: Adjustment for discounting effect	(20,555,209)
Less: Exemptions for short-term lease	(131,233)
Total (Lease Liability as at April 1, 2019)	\$ 57,712,103

As of March 31, 2019, the OSC was also an intermediate lessor in subleasing activities. As a lessor, a sublease in which the OSC transfers substantially all the risks and rewards incidental to ownership of the underlying asset, was classified as a finance lease. Accordingly, a separate lease receivable and offset to the right of use assets was recorded. This relates to a portion of the OSC's office space subleased to the Government of Canada on a full cost recovery basis. The OSC recorded a lease receivable of \$3.7 million with a corresponding offset to the right of use assets.

The following table presents the impacts of adoption on the Statement of Financial Position:

Amounts in millions	IAS 17 (As at March 31, 2019)	Transition Adjustment	IFRS 16 (As at April 1, 2019)
ASSETS			
Right of use assets	\$ —	\$ 57,712,103	\$ 57,712,103
Less: Sublease to Government of Canada	—	(3,668,596)	(3,668,596)
Net Right of use assets	\$ —	\$ 54,043,507	\$ 54,043,507
Trade and other receivables (Current portion of Lease receivable)	—	135,408	135,408
Lease receivable (Non-current portion of Lease receivable)	—	3,533,188	3,533,188
Impact on total Assets	\$ —	\$ 57,712,103	\$ 57,712,103
LIABILITIES			
Lease liabilities	\$ —	\$ 57,712,103	\$ 57,712,103
Impact on total Liabilities	\$ —	\$ 57,712,103	\$ 57,712,103

As a result of the adoption of IFRS 16, as at April 1, 2019, total assets increased by \$57.7 million (\$54.0 million right of use assets and \$3.7 million lease receivable) and total liabilities increased by \$57.7 million.

Subsequent to the DOA, the right of use assets were subject to depreciation. For the year ended March 31, 2020, IFRS 16 adoption resulted in financial statement activity including depreciation and finance costs on the Statement of Comprehensive Income, and lease payments bifurcated for principal (financing activities) and interest (operating activities) portions on the Statement of Cash Flows.

The application of IFRS 16 had a material impact on the OSC's financial statements. See Note 12 for more details.

New and revised in issue, but not yet effective

The IASB has issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The amendments are effective for annual periods on or after January 1, 2020 and applied prospectively. The OSC intends to adopt the amendments in its financial statements for the annual period beginning April 1, 2020. The initial adoption of the amendments is not expected to have an impact on the OSC's financial statements.

22. Subsequent Events

As discussed in Note 14, the OSC has a \$52.0 million credit facility to address short-term cash deficiencies. As at March 31, 2020, the renewal on the credit facility was set to expire on June 30, 2020. On May 7, 2020, the credit facility renewal was approved by the Minister of Finance for a further two years expiring on June 30, 2022.



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As the regulatory body responsible for overseeing the capital markets in Ontario, the Ontario Securities Commission administers and enforces the provincial *Securities Act* and the provincial *Commodity Futures Act*, and administers certain provisions of the provincial *Business Corporations Act*. The OSC is a self-funded Crown corporation accountable to the Ontario Legislature through the Minister of Finance.