



ONTARIO
SECURITIES
COMMISSION

FOR FISCAL 2018-2019

OSC STATEMENT OF PRIORITIES

REPORT CARD

2018-2019 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.

Our 2018-2019 OSC Goals were:

1

DELIVER STRONG INVESTOR PROTECTION

2

DELIVER EFFECTIVE COMPLIANCE, SUPERVISION AND ENFORCEMENT

3

DELIVER RESPONSIVE REGULATION

4

PROMOTE FINANCIAL STABILITY THROUGH EFFECTIVE OVERSIGHT

5

BE AN INNOVATIVE, ACCOUNTABLE AND EFFICIENT ORGANIZATION

This section reports on the OSC's performance against the priorities set out in the 2018-2019 Statement of Priorities.

EXECUTIVE SUMMARY

The 2018-2019 Statement of Priorities set out the OSC's strategic goals and the specific initiatives that the OSC would pursue in support of each of these goals. This document reports on the OSC's performance against the priorities set out in the 2018-2019 Statement of Priorities.

The following is a summary highlighting the OSC achievements for this past fiscal year. These are specific initiatives that the OSC completed in support of each of the OSC goals.

Deliver strong investor protection

- Published for comment proposed Client Focused Reforms to enhance the client-advisor relationship through amendments to National Instrument (NI) 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*
- Published a CSA regulatory impact analysis (RIA) of the Client Focused Reforms which included the anticipated benefits and costs related to the implementation of the proposed Client Focused Reforms
- Published recommendations and guidance for registrants to address conflict of interests in connection with embedded mutual fund fees
- Published for comment proposed amendments to prohibit all forms of the deferred sales charge option and associated upfront commissions, and the payment of trailing commissions to dealers who do not provide suitability advice
- Published an impact analysis of the proposed policy changes related to embedded mutual fund fees
- Implemented an education and outreach strategy for new Canadians, with a focus on older investors
- Published *Taking Caution: Financial Consumers and the Crypto Asset Sector*, a research study on Ontarians' knowledge, attitudes and behaviour relating to crypto assets
- Published *Getting Started: Human-Centered Solutions to Engage Ontario Millennials in Investing*, a study into the barriers faced by millennials regarding investing

- Published OSC Notice 11-783 *Encouraging Retirement Planning through Behavioural Insights*, new evidence and potential tactics for designing products, programs and services to make retirement planning simpler and less stressful
- Published *National Investor Research Study*, insights into different demographical groups and their attitudes and behaviours related to investing.

Deliver effective compliance, supervision and enforcement

- Awarded \$7.5 million to three whistleblowers, demonstrating the effectiveness of the tips received under the Whistleblower program
- Brought forward cases involving serious misconduct, resulting in meaningful sanctions imposed to address misleading disclosures, internal control and governance failures, unregistered trading and the distribution of securities without a prospectus or exemptions, as well as the failure to address conflicts of interest and insider tipping
- Eight repeat offenders were referred directly from case assessment to Joint Serious Offences Team (JSOT). This included a repeat offender who was sentenced to two years in jail and ordered to pay \$158,000 in restitution
- Issued the 2018 Risk Assessment Questionnaire (RAQ) to 1,058 registrants. The RAQ is used to identify trends and select firms for compliance reviews

- Improved efficiency and reduced the timelines of enforcement efforts by developing and implementing a framework for proactive case assessment, use of advance analytical and detection tools
- Improved the process to collect unpaid monetary sanctions and secured more than \$800,000 in unpaid monetary sanctions during a successful continuing pilot program.

Deliver responsive regulation

- Formed the Global Financial Innovation Network (GFIN), along with 34 other financial regulators and organizations, aimed to drive more collaboration among regulators and easier cross-border navigation for innovative firms
- Published for comment the Joint CSA/IIROC Consultation Paper 21-402 *Proposed Framework for Crypto-Asset Trading Platforms*
- OSC LaunchPad hosted or participated in more than 42 events, 130 meetings, liaised with international regulators and engaged with individuals operating in the fintech space
- Consulted on novel policy issues with the OSC Fintech Advisory Committee (FAC) and welcomed new members in February 2019
- Published CSA Staff Notice 46-308 *Securities Law Implications for Offerings of Tokens* to help token issuers determine when an offering of tokens is considered a distribution of securities
- Assisted the Ministry of Finance and FSCO in developing investor protection-focused amendments to the current mortgage broker regulations for syndicated mortgages
- Published CSA Staff Notice 81-329 *Reducing Regulatory Burden for Investment Fund Issuers*, which announced the CSA's intention to publish proposed rule amendments for comment to remove redundant information requirements in select disclosure documents and use web-based technology to provide information
- Published CSA Multilateral Staff Notice 58-310 *Report on Fourth Staff Review of Disclosure regarding Women on Boards and in Executive Officer Positions*.

Promote financial stability through effective oversight

- Implemented rules for the segregation and portability of cleared OTC derivatives
- Hosted a public roundtable for 200 attendees to discuss business conduct and registration national instruments and received feedback on how to implement the rule and minimize regulatory burden
- Published for comment NI 93-101 *Derivatives: Business Conduct*
- Published for comment NI 93-102 *Derivatives: Registration*
- Completed two trade reporting compliance reviews of large OTC derivatives dealers
- Published for comment NI 25-102 *Designated Benchmarks and Benchmark Administrators* to implement a regime for the designation and regulation of benchmarks and those that administer them
- Completed targeted reviews on 15 fixed income mutual funds to assess how derivatives are used for hedging and non-hedging purposes
- Published CSA Notice 11-338 *CSA Market Disruption Coordination Plan*, regarding CSA's plans and obligations of market participants to deal with a disruption in the Canadian capital markets.

Be an innovative, accountable and efficient organization

- Completed a Career Week initiative focused on building employee knowledge and professional skills
- Expanded the range of staffing approaches and employment relationships to increase ability to attract, retain and leverage staff with specialized skills and experience by launching multiple educational co-op program partnerships and a multi-year resource strategy
- Improved access to data through enhancements to OSC local systems and improved interfaces to various data sources
- Completed a data governance and strategy review to assess the current and planned status of the OSC's Data Management Program.

1

DELIVER STRONG INVESTOR PROTECTION

Priority

**Publish regulatory reforms that address the best interests of the client
(Client Focused Reforms)**

Why it's important

We work to make Ontario an attractive place for investors. When our rules are clear, fair and help to better align the interests of advisors with the interests of their clients, investor outcomes will be improved.

Success measures

- Regulatory reforms proposed to improve the advisor/client relationship published for comment
- Focused consultations on rule proposals completed and comments evaluated
- Implementation project plan for further reforms developed

Actions

Publish proposed amendments to regulatory requirements under National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (Client Focused Reforms) (including conflicts of interest, know your client, know your product, suitability, relationship disclosure and titles and designations)

Develop plans to advance remaining reforms such as next phase of a titles and designations project and proficiency and provide recommendations to the Commission

Provide a regulatory impact analysis of the proposed regulatory provision

Progress

Completed: Published for comment proposed amendments (Client Focused Reforms) to National Instrument (NI) 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and its related companion policy. Reviewed 135 comment letters received. Working with the CSA, we have proposed a higher standard of conduct for the industry that would be harmonized across the country. The proposed changes would require securities advisers, dealers and registrants to address conflicts of interest in the best interest of the client, put the client's interest first when making a suitability determination, and do more to clarify for clients what they should expect from their registrants.

Delayed: The plan for the titles and designations project is still under development.

Completed: The CSA published a regulatory impact analysis (RIA) of the Client Focused Reforms. The RIA included the anticipated benefits and costs related to the implementation of the proposed Client Focused Reforms.

Priority

Publish regulatory actions needed to address 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

- Increased cost transparency, product access and cost competition
- Advisors will highlight their value propositions to help investors evaluate the costs for services

Actions

Publish policy recommendations on embedded commissions to mitigate the investor protection and market efficiency issues identified in Consultation Paper 81-408 *Consultation on the Option of Discontinuing Embedded Commissions*

Publish policy provisions to enact the recommendations

Complete analysis of the potential impacts of proposed policy changes relating to the use of embedded commissions in securities products

Progress

Completed: Published CSA Staff Notice 81-330 *Status Report on Consultation on Embedded Commissions and Next Steps*, which included recommendations to implement enhanced conflict of interest mitigation rules and guidance for registrants, prohibit all forms of the deferred sales charge option and their associated upfront commissions, as well as the payment of trailing commissions to dealers who do not provide suitability advice.

Completed: Published for comment proposed amendments to NI 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* to implement enhanced conflict of interest mitigation rules and guidance for registrants.

Completed: Published for comment proposed amendments to NI 81-105 *Mutual Fund Sales Practices* to prohibit all forms of the deferred sales charge option and their associated upfront commissions, and the payment of trailing commissions to dealers who do not provide suitability advice. Reviewed all public comments received.

Completed: Published an impact analysis of the proposed policy changes related to embedded commissions.

Priority

Advance retail investor protection, engagement and education through the OSC's Investor Office

Why it's important

Financial markets are evolving and becoming increasingly complex with new investment opportunities and products continually being introduced. It is essential that investors have the information they need to make informed financial decisions. We are committed to improving outcomes for retail investors through policy, research, education and outreach initiatives led by our Investor Office.

Success measures

- A regulatory framework to address issues of financial exploitation and cognitive impairment developed together with regulatory colleagues
- An update is published detailing how we are addressing the recommendations in the independent evaluator's report on OBSI and our progress on developing a regulatory roadmap
- Retail investor research informs OSC work and provides insights for investors and market participants
- Behavioural insights principles integrated into OSC policies and programs

Actions

Implement the OSC Seniors Strategy, including the development of a regulatory framework for addressing financial exploitation and cognitive impairment that includes a safe harbour for firms and their representatives

Strengthen OBSI and publish a plan to enhance compliance with OBSI's recommendations and a response to the OBSI independent evaluator's other recommendations, while providing a robust oversight framework

Implement an education and outreach strategy for new Canadians, with a focus on older investors

Progress

In progress: Developing with the CSA and self-regulatory organizations a regulatory framework for addressing financial exploitation and cognitive impairment of older or vulnerable clients.

The CSA is also developing staff guidance for registrants regarding engaging older or vulnerable clients.

Delayed: With the CSA, we considered a regulatory framework that would enable the Ombudsman for Banking Services and Investments (OBSI) to make awards that are binding on firms. We will continue to monitor refusals and settlements for less than recommended amounts before further considering whether to move forward with the work necessary for binding decisions.

In progress: Continue to monitor data on investment-related complaints in relation to OBSI recommendations through the Joint Regulators Committee.

Completed: Undertook the following actions in support of our outreach strategy:

- Formed a partnership with Elder Abuse Ontario for outreach events, including OSC in the Community events focused on seniors.
- Launched enhanced online resources in six languages (English, French, Chinese simplified and traditional, Hindi and Punjabi) on InvestingIntroduction.ca.
- Published new brochures and other educational materials for newcomers and seniors without internet access.
- Delivered 83 investor outreach events with 6,517 participants. Of these presentations, 37 reached 1,135 newcomers and seniors in the South Asian, Chinese and Filipino communities.

Actions

Publish timely and responsive retail investor and behavioural research

Progress

Completed: Published *Taking Caution: Financial Consumers and the Crypto Asset Sector*, a research study on Ontarians' knowledge, attitudes and behaviour relating to crypto assets.

Published *Getting Started: Human-Centered Solutions to Engage Ontario Millennials in Investing*, a study into the barriers faced by millennials regarding investing.

Published OSC Notice 11-783 *Encouraging Retirement Planning through Behavioural Insights*, new evidence and potential tactics for designing products, programs and services that can make retirement planning simpler and less stressful.

Published *National Investor Research Study*, insights into different demographical groups and their attitudes and behaviours related to investing.

2

DELIVER EFFECTIVE COMPLIANCE, SUPERVISION AND ENFORCEMENT

Priority

Protect investors and foster confidence in our markets by upholding strong standards of compliance with our regulatory framework

Why it's important

Our compliance oversight benefits investors and supports the integrity of our capital markets. We actively monitor market participants to ensure they are following the rules as intended, to identify and correct any misunderstandings and prevent misconduct before it causes harm to investors and our markets.

Success measures

- Compliance is improved by identifying significant areas of non-compliance and ensuring that these issues are resolved by registrants within agreed timelines, or by firms before registration is granted
- 2018 RAQ revised, completed and released on time

Actions

Maintain effective oversight of registrants by conducting targeted compliance reviews focused on:

- New registrants and high-risk, problematic (for cause), large/high impact firms identified from the 2018 Risk Assessment Questionnaire (RAQ)
- Sales practices of registrants
- Emerging risk areas including evolving business models and expansion of the exempt market

Update and issue the 2018 RAQ

Progress

Ongoing: Completed compliance reviews on key issues, including referral arrangements, short-term trading, high-risk firms, pre-registration reviews, and sales practices reviews.

Completed: Issued the 2018 RAQ to 1,058 registrants. RAQ data was used to identify trends and select firms for desk reviews and sweeps.

Priority

Increase deterrent impact of OSC enforcement actions and sanctions by actively pursuing timely and consequential enforcement cases involving serious securities laws violations

Why it's important

We will not tolerate fraud, misconduct or non-compliance with Ontario securities law. Dishonest behaviour deprives investors of their right to make informed investment decisions and undermines confidence in our markets. To deter further misconduct, we will take the necessary enforcement actions against individuals or firms that contravene our rules.

Success measures

- Enhanced profile for the OSC Whistleblower program increases the number of credible tips
- Increased visibility of areas targeted for priority enforcement actions
- Enhanced market analytics capability generates more timely, accurate and actionable information for improved compliance and enforcement outcomes
- OSC collection presence is improved

Actions

Investigate and prosecute complex quasi-criminal and criminal matters that harm market integrity or erode confidence in Ontario's capital markets

Focus on cases involving repeat offenders, fraudulent activity and other serious breaches of the Securities Act or violations of the Criminal Code

Progress

Ongoing: Investigating matters involving recidivists and large-scale fraud contrary to the Securities Act.

Completed: Participated with other regulators and law enforcement agencies in the investigation and prosecution of violations of securities law international in scope and with a clear connection to Ontario. Ten referrals were made to policing agencies, one extradition was achieved from a foreign jurisdiction, and 51 months of jail sentences were ordered.

Completed: Eight repeat offenders were referred directly from case assessment to the Joint Serious Offences Team. This included a repeat offender who was sentenced to two years in jail and ordered to pay \$158,000 in restitution.

Other cases that involved serious breaches of the Securities Act included the \$28.5 million settlement with Katanga Mining Limited; the US\$1.8 million disgorgement paid by Cyprus-based eToro (Europe) Ltd.; the \$2.9 million voluntary payment by Questrade Wealth Management Inc.; and robust sanctions and administrative penalties to senior officers of Aston Hill Asset Management Inc.

Our actions in these and other cases of serious misconduct resulted in meaningful sanctions being laid to address misleading disclosures, internal control and governance failures, unregistered trading and the distribution of securities without a prospectus or exemptions, as well as the failure to address conflicts of interest, insider tipping and misleading staff.

Actions

Improve the efficiency and reduce the timelines of our enforcement efforts through:

- Streamlined investigative and prosecution processes
- Strategic case selection that is focused on core aspects of our regulatory framework — disclosure, governance, conflicts of interest and market integrity
- Greater use of technology, including working with the CSA to develop a new market analytics platform (MAP) for investigations
- By using data analytics tools and the expertise of strategic partners in law enforcement

Progress

Completed: Developed and implemented a framework for proactive case assessment of risk trends and targeted issues and implemented greater use of advanced analytics tools. We have used advanced analytics in 18 cases.

Implemented new methods of disruption including warning letters (five issued this year) and in-person visits (19 visits conducted this year) to ensure earliest possible intervention in cases of suspected securities laws violations where warranted.

In progress: With the CSA, started the Market Analytics Platform (MAP) project that will replace the current system to support market abuse cases.

Continue to raise awareness of the OSC Whistleblower Program (OWB) including:

- Promoting better understanding of the anti-retaliation protections for whistleblowers
- Developing a more proactive outreach program to reach potential high-value whistleblowers

Ongoing: Improved awareness of the OWB through enhanced stakeholder engagement. The OWB participated in 38 outreach activities, an increase of 90% over the prior year, and received 117 tips, a 17% increase over the last fiscal year.

Completed: Awarded \$7.5 million to three whistleblowers, demonstrating the value of the information received. Through this program, we were able to uncover misconduct that we otherwise would have been unable to detect.

Improve the process for collection of unpaid monetary sanctions and continue a pilot program to collect unpaid monetary sanctions on a contingency basis

Completed: Will continue the collections pilot as a permanent program. During the successful pilot phase, a large number of respondents were referred to a specialized collections law firm and we collected more than \$800,000 in unpaid monetary sanctions.

OSC Enforcement activity

OSC Enforcement Branch: Intake

Fiscal year	2017-18	2018-19
Number of cases assessed	429	565
Number transferred for investigation	37	42

OSC Enforcement Branch: Investigations

Fiscal year	2017-18	2018-19
Number of completed investigations	49	42
Number transferred for litigation	25	23

OSC Enforcement Branch: Litigation

Fiscal year	2017-18	2018-19
Proceedings commenced before the Commission	21	19
Number of respondents	49	74
Quasi-criminal proceedings	1	4
Number of accused	2	9
Criminal Code proceedings	3	0
Number of accused	3	0
Search warrants executed	99	26

ENFORCEMENT TIMELINES:

Average number of months from intake to commencement of a proceeding	18.9	18.8
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Concluded matters before the Commission

In addition to issuing sanctions following contested hearings or through conventional settlements, this year the Commission approved one no-contest settlement with two registered firms, where they had self-reported that clients paid excess fees. As part of the settlement, the firms undertook to pay compensation totalling approximately \$11 million to the affected clients. They also committed to take corrective action, including implementing enhanced procedures, controls, and monitoring systems designed to prevent a recurrence of the alleged inadequacies.

This settlement represented an efficient resolution where systemic problems had been identified; namely, weak compliance systems, and market participants resolved to improve controls and correct their conduct in a timely manner.

Concluded matters before the Commission

Fiscal year	2017-18	2018-19
Number of proceedings concluded	20	25
Number of respondents	50	49
SANCTIONS INCLUDE:		
Cease trade orders	29	20
Exemptions removed	27	20
Director and Officer bans	19	22
Registration restrictions	22	17
Administrative penalties, disgorgement orders, settlement amounts	\$ 13,677,706	\$ 126,488,622
Costs ordered	\$ 2,027,333	\$ 8,440,720
Amounts ordered or undertaken to be returned to investors (includes no-contest settlements)	\$ 49,396,644	\$ 10,970,518

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 only be commenced 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 35% for the fiscal year. This is below last year's rate of 47% due in part to the large outstanding order in the Sino-Forest matter, which is currently under appeal.

Concluded matters before the courts

Fiscal year	2017-18	2018-19
Total number of proceedings	7	7
Total number of accused	8	8
SANCTIONS INCLUDE:		
Jail sentences	21.5 months	51 months
Conditional sentences/House arrest	6 months	0
Fines	\$ 50,000	\$ 100,000
Restitution	\$ 2,059,997	\$ 2,707,636

Adjudicative activities of the Commission

Proceeding type ¹	2017-18			2018-19		
	Applications commenced ²	Applications closed ³	Oral hearing days scheduled ⁴	Applications commenced ²	Applications closed ³	Oral hearing days scheduled ⁴
Enforcement proceeding⁵ (an application for an order requested in a statement of allegations – s. 127)	34	35	102	39	44	127
Authorization to disclose (an application to authorize disclosure of information – s. 17)	31	33	1	23	19	9
Temporary order (an application for a temporary order – s. 127)	6	2	18	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)	10	7	18	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)	4	4	1	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))	3	3	9	0	0	0
Other (an application for an order not specified above)	1	1	3	1	1	0
Total	89	85	152	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.

3

DELIVER RESPONSIVE REGULATION

Priority

Work with fintech businesses to support innovation and capital formation through regulatory compliance

Why it's important

Financial innovation offers economic opportunity and choices for investors. We support the creation of a globally competitive, efficient and strong capital markets regulatory system that attracts investments from around the world. The OSC actively assists fintech businesses seeking to offer innovative products, services and applications in Canada.

Success measures

- 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
- Ontario is viewed as a fintech innovation hub with a positive and supportive environment for investment
- CSA Regulatory Sandbox supports development of novel business models and facilitates more timely registration and exemptive relief processes for emerging firms
- Cryptocurrency, initial coin and related offerings, and blockchain issues and regulatory gaps are identified and addressed in a timely manner with minimal impacts on investors or disruptions to capital markets
- Enhanced guidance that defines when initial coin and similar offerings involve securities is published
- Time-to-market of novel fintech businesses is reduced while maintaining appropriate investor safeguards
- Capital formation and innovation supported through OSC LaunchPad

Actions

Support fintech innovation through OSC LaunchPad by:

- Offering direct support to innovative businesses in navigating the regulatory requirements and potentially providing flexibility in how they meet their obligations including participating in the CSA regulatory sandbox
- Working with FSRA to develop eligibility criteria and success measures for the Ministry of Finance (MOF) SuperSandbox
- Fostering the use of cooperation agreements with other regulators to support Ontario firms seeking to expand into other jurisdictions

Progress

Ongoing: OSC LaunchPad supported 74 fintech businesses this year and provided guidance to businesses that include online lending and crowdfunding platforms, private investment funds, RegTech providers and crypto asset businesses. We helped firms get registered, addressed key risks of novel businesses, and provided exemptive relief.

Completed: Along with 34 other financial regulators and organizations, we formed the Global Financial Innovation Network (GFIN), which aims to drive more collaboration among regulators and easier cross-border navigation for innovative firms.

In progress: As a part of the Ministry of Finance's Capital Markets Plan, the OSC is in the process of creating the Office of Economic Growth and Innovation, which will serve as a voice for financial innovation within the OSC. We will participate in GFIN's cross-border testing pilot for firms to test new technologies in multiple jurisdictions, gaining real-time insight into how a product or service might operate in the market.

Actions

Integrate learnings from working with innovative businesses and identify opportunities to modernize regulation for the benefit of similar businesses by:

- Engaging the fintech community to better understand their needs and help them understand the regulatory requirements that apply to their businesses
- Liaising with other international regulators that have similar innovation hub initiatives to better understand international trends and developments
- Working with the OSC Fintech Advisory Committee to further understand the unique challenges raised with novel fintech businesses

Continue to identify issues and potential regulatory gaps arising from crypto-currency, initial coin and similar offerings, and blockchain developments by:

- Conducting ongoing monitoring and reviews of reporting issuers with crypto-currency and blockchain businesses including those seeking to become reporting issuers through reverse take-overs or initial public offerings and existing reporting issuers that are involved in change of businesses transactions
- Liaising with listing venues and the CSA to identify and discuss industry developments and consider the impact on disclosures
- Enhancing the guidance as to when initial coin and similar offerings involve securities

Progress

Completed: In collaboration with the CSA and IIROC, we developed a flexible framework for the regulation of crypto asset trading platforms.

Published for comment the Joint CSA/IIROC Consultation Paper 21-402 *Proposed Framework for Crypto-Asset Trading Platforms*.

We hosted or participated in more than 42 events through our OSC LaunchPad, engaging directly with individuals operating in the fintech space. We attended close to 130 meetings with external stakeholders, including Canadian and global regulators, fintech businesses and services providers.

We actively participated in international associations, networks and working groups that discuss issues related to fintech business oversight, crypto asset developments, and emerging trends and risks.

Ongoing: We are a member of the International Organization of Securities Commissions (IOSCO), including chair of the IOSCO Committee 2 on Secondary Markets; a member of the ICO Consultation Network, a forum to discuss experiences and concerns regarding initial coin offerings; and the Fintech Network, a forum for collaborative work on regulatory issues, trends and emerging risks.

We consulted regularly on novel policy issues with our Fintech Advisory Committee (FAC) and welcomed new members in February 2019.

Ongoing: We continued to monitor reporting issuers in this industry, including reviewing the disclosure of five issuers in this sector.

Completed: Published CSA Staff Notice 46-308 *Securities Law Implications for Offerings of Tokens* to help token issuers determine when an offering of tokens is considered a distribution of securities.

Completed: Published Joint CSA/IIROC Consultation Paper 21-402 *Proposed Framework for Crypto-Asset Trading Platforms* which sets out a proposed regulatory framework for crypto asset trading platforms.

Priority

Implement additional investor protection measures for syndicated mortgage investments

Why it's important

Changes to the oversight of syndicated mortgage product offerings are intended to enhance and harmonize investor protections.

Success measures

- Transition plan for the updated oversight of syndicated mortgage offerings developed

Actions

On March 8, 2018, amendments to NI 45-106 *Prospectus Exemptions* and NI 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*, that substantially harmonize the regulatory approach to syndicated mortgage offerings across CSA jurisdictions and introduce additional investor protections, were published for comment. OSC and CSA staff will consider comments received and work toward finalizing the amendments by March 2019

Develop a plan for the registration and oversight by the OSC of certain market participants active in offering syndicated mortgages

Progress

Delayed and Ongoing: Published for additional comment revised proposed amendments to NI 45-106 *Prospectus Exemptions* and NI 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* related to syndicated mortgages.

We are working with the CSA to finalize the amendments by the end of 2019, subject to Ministerial approval.

Completed: Through a joint working group, we assisted the Ministry of Finance and the Financial Services Commission of Ontario (FSCO) in developing investor protection-focused amendments to the current mortgage broker regulations for syndicated mortgages.

Ongoing: We are working to promote timely information sharing with FSRA and the Ministry of Finance to ensure the efficient transfer of oversight from FSRA to OSC of market participants distributing non-qualified syndicated mortgages. The transfer is expected to be completed by December 31, 2019.

Priority

Address opportunities to reduce regulatory burden while maintaining appropriate investor protections

Why it's important

The intent of securities regulation is to protect investors and support the competitiveness of our capital markets. Excessive regulation can undermine this intent, be costly and burdensome. Our burden reduction activities are focused on identifying outdated, inefficient and duplicative rules to simplify the process for investors and public companies and eliminate any unnecessary costs or requirements.

Success measures

- Streamlined regulatory requirements and processes make it easier to participate in Ontario's capital markets
- Investor protection is maintained or strengthened

Actions

Draft amendments to the rules to implement identified opportunities to reduce investment fund disclosure requirements

Initiate key policy initiatives to streamline reporting issuer requirements, including potential draft rule amendments (where applicable), related to:

- The criteria to file a business acquisition report
- Primary business requirements
- At-the-market offerings
- Identified opportunities to reduce continuous disclosure requirements
- Consideration of a potential alternative prospectus model

Progress

Completed: Published CSA Staff Notice 81-329 *Reducing Regulatory Burden for Investment Fund Issuers* which announced the CSA's intention to publish proposed rule amendments for comment in spring 2019 to remove redundant information requirements in select disclosure documents and use web-based technology to provide certain information about investment funds. These amendments also aimed to codify exemptive relief that is routinely granted and minimize the filing of documents that may contain duplicative information, such as Personal Information Forms.

Completed: Together with our CSA partners, we initiated policy projects to streamline requirements for public companies, including draft rule amendments (where applicable), related to:

- The criteria to file a business acquisition report
- Primary business requirements
- At-the-market offerings
- Continuous disclosure requirements
- An alternative offering system
- Enhanced electronic delivery

With the CSA, we completed 20 consultations with public companies and their advisors, investors and other stakeholders regarding these initiatives to better understand concerns with the current regulatory requirements, potential areas of improvement and alternatives that should be considered.

In progress: Published for comment amendments to NI 44-102 *Shelf Distributions* in May 2019 to facilitate at-the-market offerings. The CSA is developing proposals regarding the other five initiatives.

Actions

Identify opportunities to use technology and data to reduce regulatory burden (e.g. electronic delivery of documents)

Progress

Completed: With the CSA, completed a review of the challenges faced by issuers and market intermediaries relating to the current rules governing shareholder communications and the approaches to shareholder communication in foreign jurisdictions.

In progress: The CSA is developing regulatory improvements to promote electronic access and delivery of documents. The National Systems Renewal Program (NSRP) is under development to replace aging, separate systems with a single user access web-based system.

The first phase, with an expected launch in early 2021, will replace issuer-related systems and filings: SEDAR, the National Cease Trade Order (CTO) Database, the Disciplined List (DL), and certain filings made in paper format or in local electronic filing systems. Later phases will replace SEDI, NRD, the National Registration Search (NRS), and the remaining filings in local systems.

Priority

Review the effectiveness of the disclosure requirements regarding women on boards and in executive officer positions (WOB) to determine if there is a need for further action

Why it's important

Diverse boards are better equipped to understand business risks and opportunities. With good corporate governance, investors receive the information they need to make investment and voting decisions.

Success measures

- An update on the key findings of the review of next steps regarding the WOB initiative is published

Actions

The OSC and its CSA partners are assessing the effectiveness of the disclosure requirements and, are considering whether:

- Changes to the disclosure requirements are warranted and, if so, the nature of those changes
- Strengthening the existing "comply or explain" disclosure model with guidelines regarding corporate governance practices is warranted

Progress

Completed: With the CSA, published Multilateral Staff Notice 58-310 *Report on Fourth Staff Review of Disclosure regarding Women on Boards and in Executive Officer Positions*, the fourth review of disclosure regarding women on boards and in executive officer positions. The report showed that the total percentage of board seats held by women increased to 15 per cent in 2018 from 11 per cent in 2015. In addition, the underlying data was published along with the data for additional issuers that were not included in past review samples for the balance of 2015, 2016 and 2017.

In progress: To help assess the effectiveness of the disclosure requirements, the CSA engaged in stakeholder consultations, revised and updated research to support evidence-based policy making and considered the key trends arising from the four annual disclosure reviews. We are working to develop a harmonized approach with our CSA partners.

Priority

Actively monitor and assess impacts of recently implemented regulatory initiatives

Why it's important

This project contributes to evidence-based rule making by providing data and analysis for the OSC and CSA. The research findings will provide empirical evidence of the post-implementation impacts of the Client Relationship Model 2 (CRM2) and Point of Sale (POS) regulatory requirements and whether the planned policy outcomes of these requirements are being achieved.

Success measures

- Analysis of the CRM2 and POS implementation identifies the impacts on investors and investment industry and confirms whether the policy projects achieved their stated goals. Applicable OSC/CSA policy is informed by the early results of the CRM2 impact analysis project
- Regulatory impact analyses completed for all Statement of Priorities initiatives and other initiatives with significant stakeholder impact

Actions

Continued participation in the CSA project measuring the post implementation impact of the CRM2 and POS initiatives

Progress

In progress: Research is continuing, including:

- Completion of two waves of investor surveys
 - The advisor-use of Fund Facts and fund profile documents during the sale process
 - An analysis of informational content differences in Fund Facts and fund profile documents
 - Data collection to support the research on mutual fund fees and product offerings
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4

PROMOTE FINANCIAL STABILITY THROUGH EFFECTIVE OVERSIGHT

Priority

Enhance OSC systemic risk oversight

Why it's important

Identifying emerging risks in a timely manner leads to a better understanding of the key components of systemic risk and how they interact.

Success measures

- OTC derivative framework in place and oversight reviews completed
- Exemption requests for segregation and portability rules handled expeditiously and preliminary monitoring completed on the effects of mandatory clearing and segregation and portability rules on the market
- Proposed registration and business conduct rules completed on time, requiring responsible market conduct in the OTC derivatives markets
- Improved awareness of potential systemic vulnerabilities that can impact or be impacted by Ontario's capital markets
- New risk controls are identified and implemented as result of internal OSC analysis and/or inter-agency collaboration
- Provided update on proposal for regulation of financial benchmarks
- Market disruption protocol finalized and published

Actions

Continue to implement a framework for analyzing OTC derivatives data for systemic risk oversight and market conduct purposes including the development of analytical tools and the creation of snapshot descriptions of the Canadian OTC derivatives market

Progress

In progress: Continued to enhance the OSC derivatives data platform as part of a multi-year initiative. Once completed, the framework will improve our ability to access and analyze up-to-date over-the-counter (OTC) derivative and reference data from all sources and all file types in a fully integrated manner.

Enhance OTC derivatives regime by:

- Implementing rules for the segregation and portability of cleared OTC derivatives

Completed: Implemented the rules for the segregation and portability of OTC derivatives which apply to agencies and service providers that clear derivatives for customers in Ontario.

Established a system to monitor the customer clearing market in Ontario including regular analysis of customer collateral held at clearing agencies and clearing service providers.

Actions

Progress

<ul style="list-style-type: none"> • Hosting a Business Conduct Rule roundtable 	<p>Completed: Hosted a public roundtable for 200 attendees to discuss the business conduct and registration national instruments and received feedback on how to implement the rule and minimize regulatory burden while ensuring our policy objectives are achieved.</p>
<ul style="list-style-type: none"> • Republishing the Derivatives Business Conduct Rule for comment 	<p>Completed: Published NI 93-101 <i>Derivatives: Business Conduct</i> and its proposed companion policy for public comment.</p>
<ul style="list-style-type: none"> • Publishing Derivatives Dealer Registration rule 	<p>Completed: Published for comment NI 93-102 <i>Derivatives: Registration</i>.</p>
<ul style="list-style-type: none"> • Publishing Margin for Uncleared Derivatives rule 	<p>Ongoing: Continued to monitor systemic risk, evaluate the activity of local OTC derivatives market participants and consider the appropriateness of implementing a CSA-wide margin rule.</p>
<ul style="list-style-type: none"> • Proposing amendments to trade reporting rule with respect to internationally adopted data standards 	<p>Ongoing: Proposed amendments to the trade reporting rule are dependent on adopting globally harmonized OTC derivatives data elements. We are part of an international committee which harmonized reporting requirements of the OSC and other market regulators into standardized fields.</p>
<ul style="list-style-type: none"> • Conducting liquidity analyses on OTC derivative transactions to confirm public dissemination of trade details is appropriate and will not harm markets and market participants 	<p>Delayed: Work to adopt globally harmonized OTC derivatives data is on hold while we focus our efforts on burden reduction. Once the CFTC releases its proposed rule changes, we will work on modifying our rule to ensure we are harmonized where possible.</p>

<p>Propose amendments to clearing rules with respect to clearable products</p>	<p>In progress: The CSA is expected to publish proposed amendments to the clearing rule in June 2019.</p>
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<p>Conduct reviews of compliance with OTC Derivatives rules</p>	<p>Completed: Completed two trade reporting compliance reviews of large OTC derivatives dealers.</p> <p>In progress: Currently conducting reviews of two US derivatives dealers for trade reporting compliance as well as compliance with NI 94-102 <i>Derivatives: Customer Clearing and Protection of Customer Collateral and Positions</i>.</p>
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<p>Publish a Staff Notice on the Derivatives Trade Reporting Compliance reviews regarding findings and areas for improvement</p>	<p>In progress: Completed compliance reviews on derivatives trade reporting and finalized a Staff Notice which is expected to be published by summer 2019. Once published, we will monitor reporting to determine if the notice contributes to improve the quality of reporting of OTC derivatives trades.</p>
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<p>Develop OSC/CSA regulatory regime for financial benchmarks and publish for comment a proposed rule to establish a Canadian regulatory regime for financial benchmarks</p>	<p>Completed: Published NI 25-102 <i>Designated Benchmarks and Benchmark Administrators</i> to seek comment on a proposed rule to implement a comprehensive regime for the designation and regulation of benchmarks and those that administer them.</p>
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<p>Continue to develop the OSC's capabilities to monitor liquidity conditions in the corporate debt market</p>	<p>Ongoing: We continue to enhance our internal capabilities to monitor and better understand liquidity conditions in Canada's corporate bond market using more granular data in our analysis.</p>
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Actions

Identify, assess, monitor and address (as required) potential financial stability risks in Ontario's capital markets

Progress

Ongoing: We continue to develop our internal framework and approach to monitoring systemic risk. Participated in the International Monetary Fund's Financial Sector Assessment Program for Canada, which will support a better understanding of how our approach to monitoring systemic risk compares to global best practices.

Respond to IOSCO's recommendations on liquidity management and leverage measurements and reporting including an assessment of the industry's readiness

Completed: Together with the Autorité des marchés financiers, we approached the Investment Funds Institute of Canada and the Portfolio Management Association of Canada to assess their members' readiness and adoption of IOSCO's recommendations on liquidity risk management.

We completed targeted reviews on 15 fixed income mutual funds to assess how derivatives are used for hedging and non-hedging purposes.

Priority

Promote cyber security resilience through greater collaboration with market participants and other regulators on risk preparedness and responsiveness

Why it's important

Cyber risk represents a significant and growing threat to the integrity and efficiency of our capital markets and erodes investor confidence. We will continue to encourage market participants to maintain and improve their cyber defenses to effectively respond to cyber attacks.

Success measures

- Evidence of improved cyber security awareness and growing cross-industry collaboration on cyber risk

Actions

Promote cyber resilience through greater collaboration with market participants and regulators on risk preparedness and responsiveness

Progress

Completed: With the CSA, we finalized a more formal process and protocol to manage a market disruption, including those caused by a large-scale cybersecurity incident.

Improve coordination in case of cyber attack or disruption by finalizing a market protocol

Completed: Published CSA Notice 11-338 *Market Disruption Coordination Plan*, which informed the public of the CSA's plans to deal with a disruption in the Canadian capital markets and reiterated the obligations of market participants with respect to market disruption incidents.

Ongoing: Working with the CSA, we are developing our incident response plan for cyber attacks or security breaches of the CSA National Systems and routinely test these systems.

5

BE AN INNOVATIVE, ACCOUNTABLE AND EFFICIENT ORGANIZATION

Priority

Develop and implement a strategic OSC workforce plan

Why it's important

We recognize that our people are the foundation for our long-term success. We will develop our long-term capabilities by investing in the recruitment of talented, expert staff across a range of disciplines, and the ongoing skills development of staff through targeted formal training and experience-based learning.

Success measures

- Work structures reflect the evolving approach to policy and file work that draws upon multiple skills and expertise
- Lower turnover of staff with sought-after skill sets
- Demonstrated examples of information sharing and/or cross-branch collaboration result in reduced training costs and enhanced productivity in support of OSC goals

Actions

Sustaining a workplace culture where employees have a sense of purpose and pride in their work, are productive, and enjoy being part of the OSC community

Increasing efforts to identify, monitor, and manage talent risks to mitigate impact on operations

Expanding the range of staffing approaches and employment relationships to increase its ability to attract, retain and leverage staff with specialized skills and experience

Progress

Completed: Introduced a Career Week initiative focused on building employee knowledge and professional skills in response to ideas generated at an employee hackathon held in 2018.

Ongoing: We continued to invest in programs and initiatives to enhance employee well-being.

Completed: Successfully deployed alternative attraction and retention strategies for critical and hard-to-hire roles, reducing vacancies and ensuring experienced staff are retained in these positions.

Through the annual succession and talent assessment process, we identified talent risks in senior professional and leadership positions to inform our development planning and other strategies to mitigate retention risks.

Completed: Initiated three strategic workforce planning pilots focused on different workforce challenges. We launched multiple educational co-op program partnerships aimed at developing a talent pipeline for hard-to-fill critical positions. We also developed a multi-year resource strategy focused on how to attract and retain individuals with rare and critical skills in a competitive talent market.

Actions

Continuing to strengthen and build on succession planning and talent mapping practices to ensure a robust talent pipeline for critical roles across the organization

Progress

Completed: Completed the annual succession planning and talent assessment process.

Priority

Enhance OSC business capabilities

Why it's important

We are committed to using our resources prudently. To meet the challenges of an evolving securities landscape and to effectively deliver on our mandate, we continually adapt our organizational tools, systems and workforce.

Success measures

- OSC data governance framework implemented
- Consistent cross-Commission compliance with data policies, standards and procedures
- Business needs supported by improved ability to effectively identify, collect, manage and use data
- Demonstrated examples of greater reliance on data to support priority setting and more evidence-based, policy/operational decision-making

Actions

Develop and implement a comprehensive data strategy that will provide the foundation for increased reliance on enterprise-wide data management and analytics to support risk and evidence-based decision making by:

- Developing clearly defined, approved and understood data strategies, policies, standards, procedures and metrics
- Improving staff efficiency and ability to generate quality work through - more accessible, cleaner, better organized data; enhanced data sharing; reduced time to access appropriate data; earlier identification of emerging risks/trends
- Working across the OSC to develop a community of practice focused on data analytics

Progress

Completed: Improved access to data through enhancements to our Reporting Issuer database. Also modified various user interfaces to improve access to various historical data sources.

Completed a data governance and strategy review to assess the current and planned status of our Data Management Program (DMP).

Ongoing: Significant work is underway on the multi-year DMP and several areas of the program have been completed, implemented or initiated.

Delayed: Certain planned initiatives in the DMP were reprioritized to give priority to work related to local systems enhancements connected to the NSRP initiative.

Enhance current e-filings portal to address inefficiencies in the way e-filings are captured and integrated into the financial information system

Ongoing: This work was reprioritized to provide resources for work on the DMP.

Priority

Work with CMRA partners on the transition of the OSC to the proposed CMRA

Why it's important

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

Success measures

- The OSC is ready and able to transition to the proposed CMRA

Actions

Progress

Continue to work with participating jurisdictions and the proposed CMRA to develop a harmonized regulatory approach and seamless transition

Ongoing: We continued to participate in the operational work to prepare for CMRA implementation.

Maintain an engaged and effective regulatory presence including a cooperative interface with the CSA

Ongoing: We continued to engage cooperatively with our CSA colleagues on regulatory policy and operations.
