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ONTARIO
SECURITIES
COMMISSION

Ontario Securities Commission Charter of Governance

Effective April 1, 2020



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Introduction

The Ontario Securities Commission has established this Charter of Governance to promote transparent, accountable and informed governance. The Ontario Securities Commission is committed to excellence in our governance practices. That commitment is supported by clear roles and responsibilities, effective processes and reporting, and extensive strategic planning and stakeholder engagement. We follow the best practices of corporate governance for public companies, where appropriate for a regulatory body. The Ontario Securities Commission aims to continuously advance and innovate its governance framework.

The Ontario Securities Commission performs three distinct functions in support of its mandate – making policies and rules, serving as a board of directors and adjudicating. It is a self-funded Crown corporation, accountable to the Ontario Legislature through the Minister of Finance. As the regulatory body responsible for overseeing the capital markets in Ontario, the Ontario Securities Commission enforces the Ontario *Securities Act* and *Commodity Futures Act* and administers certain provisions of the Ontario *Business Corporations Act*.

Organizational Structure

The Ontario Securities Commission is supported by staff branches, structured into three main areas:

1. Governance and Advisory Functions
2. Regulatory Operations
3. Business Operations

Governance and Advisory Functions

The Governance and Advisory functions include the branches of Communications & Public Affairs, General Counsel's Office, Global & Domestic Affairs and Office of the Secretary. The branch Directors report to the Chair & CEO.

Chair & CEO

The Chair & CEO provides strategic and executive leadership to the Ontario Securities Commission. See the "Members of the Ontario Securities Commission" section below for the responsibilities of the Chair & CEO.

Regulatory Operations

Regulatory Operations include the branches of Compliance & Registrant Regulation, Corporate Finance, Derivatives, Enforcement, Investment Funds & Structured Products, Investor Office, Market Regulation, Office of the Chief Accountant, Office

of Economic Growth & Innovation, Office of Mergers & Acquisitions and Regulatory Strategy & Research. The branch Directors report to the Executive Director.

Executive Director

The [*Securities Act*](#) provides that the Ontario Securities Commission shall appoint an Executive Director as an officer. The Executive Director is responsible for the oversight and leadership of the regulatory operations. The Executive Director provides strategic regulatory advice and guidance to the Chair & CEO. This ensures regulatory policy and processes reflect a current and forward-thinking understanding of capital markets, which promotes confidence in Ontario's capital markets, reduces regulatory burden and facilitates financial innovation. The Executive Director reports to the Chair & CEO.

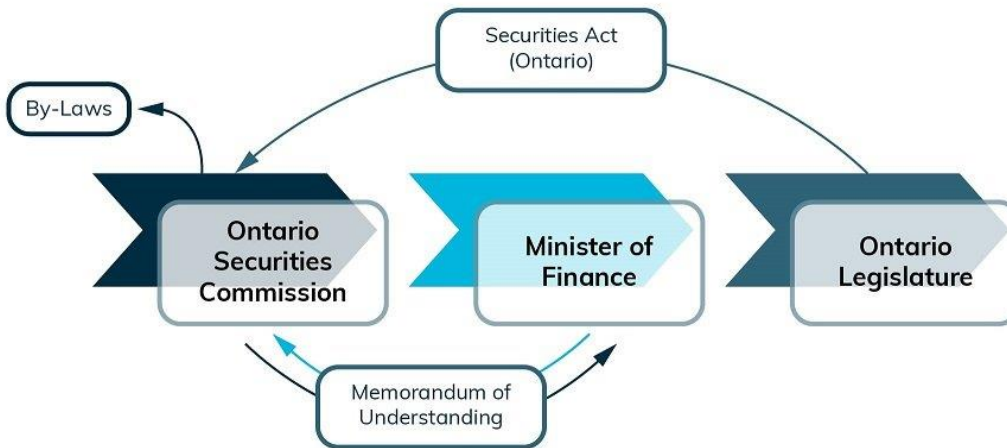
Business Operations

Business Operations include the branches of Business Planning & Corporate Performance, Financial Management & Reporting, Human Resources & Corporate Services, and Information Services. The directors of these branches report to the Chief Administrative Officer.

Chief Administrative Officer

The [*Securities Act*](#) provides that subject to the direction of the Ontario Securities Commission, the Executive Director is the Chief Administrative Officer. The Ontario Securities Commission has divided the Executive Director and Chief Administrative Officer roles into two positions, each with its own distinct areas of responsibility. The Chief Administrative Officer is responsible for the oversight and leadership of business operations. The Chief Administrative Officer acts as the custodian of the organizational culture, providing strategic advice and guidance to the Chair & CEO, sustaining a leadership agenda that engages highly professional and motivated employees and a work environment that aligns to the organization's values. The Chief Administrative Officer reports to the Chair & CEO.

Governance Authorities



Securities Act

The [Securities Act](#) establishes the Ontario Securities Commission as a self-funded Crown corporation. Although structured as a corporation, the Ontario Securities Commission is a regulatory body and its mandate, as specified by the [Securities Act](#), is to:

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

The [Securities Act](#) sets out the fundamental principles that the Ontario Securities Commission shall consider in overseeing the administration and enforcement of the [Securities Act](#).

The [Securities Act](#) also outlines the basic governance and accountability structure for the Ontario Securities Commission. Unlike a business corporation, the Ontario Securities Commission does not have shareholders to whom the Board reports. Instead, it is accountable to the Minister of Finance and, through the Minister, the Ontario Legislature.

By-laws

The [Securities Act](#) provides that the Ontario Securities Commission may make by-laws that govern the administration, management and conduct of its affairs. By-laws are subject to the approval of the Minister of Finance.

[By-law No. 1](#) describes, among other things, the powers of the Ontario Securities Commission, the conduct of Board and committee meetings, the appointment and roles of officers and the indemnification and other protections of Members and officers.

Memorandum of Understanding

The [Securities Act](#) requires the Ontario Securities Commission to enter into a [Memorandum of Understanding](#) with the Minister of Finance and to provide the Minister with any information about its activities, operations and financial affairs that the Minister requests, including an Annual Report. The [Memorandum of Understanding](#) sets out the accountability relationship between the Ontario Securities Commission and the Minister. The [Memorandum of Understanding](#) remains in effect until it is renewed, usually every five years.

Members of the Ontario Securities Commission



The [Securities Act](#) provides that the Ontario Securities Commission be composed of at least nine and not more than 16 Members. If there are fewer than nine but at least two Members in office, the [Securities Act](#) deems the Ontario Securities Commission to be properly constituted for up to 90 days.

The Chair & CEO and the Vice-Chairs are full-time Members. The other Members, including the Lead Director, are part-time Members and are independent of management and devote as much time as necessary to perform their duties.

Members perform three distinct functions in support of the Ontario Securities Commission's mandate – making policies and rules, serving as a 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 Ontario Securities

Commission. As adjudicators, Members (other than the Chair & CEO who does not adjudicate) act independently of their other roles and preside over administrative proceedings brought before the Ontario Securities Commission's Tribunal – the administrative tribunal that is assigned the power to conduct hearings under Ontario securities law and commodity futures law.

Appointment and Term

Each Member is appointed by the Lieutenant Governor in Council. The Lieutenant Governor in Council also designates one Member as Chair of the Ontario Securities Commission and may designate up to three Members as Vice-Chairs.

Appointments and reappointments are made in accordance with the [Agencies and Appointments Directive](#), the [Memorandum of Understanding](#) and the procedures of the [Public Appointments Secretariat of the Government of Ontario](#). In accordance with the [Agencies and Appointments Directive](#), government appointments will respect the needs of the entity to which they have been appointed, but will also respect the diversity of the people in Ontario and the need to deliver services and decisions in a professional, ethical and competent manner.

The [Agencies and Appointments Directive](#) provides that a person appointed to a regulatory agency will serve an initial appointment for a period of up to two years, and may be eligible for reappointment for a second term of up to three years and a third term of up to five years. The Ontario Securities Commission has adopted a policy to recommend the reappointment of an eligible part-time Member for up to two additional terms of two years each, resulting in a possible overall term of six years.

Orientation and Continuing Education

The Office of the Secretary leads a strategic and comprehensive orientation program for newly appointed Members. The orientation program is modular in design and is provided over time to assist with learning. It includes information about organizational structure, strategic priorities, policy and rule-making process, risk management, Ontario Securities Commission [Code of Conduct](#), conflict management, governance framework and adjudication.

The orientation program provides a valuable opportunity to acquaint new Members with the work of the Ontario Securities Commission and its staff. Leaders of the executive, governance and regulatory advisory functions, regulatory operations and business operations introduce new Members to the priorities, emerging issues and ongoing work of the Ontario Securities Commission. In addition, new Members complete intensive adjudication training, receive technology instruction and are assigned mentors from among the experienced part-time Members.

On an ongoing basis, Members are briefed on current market and securities industry developments at policy and rule-making and Board meetings. Members

also participate in governance education and the Vice-Chairs and part-time Members participate in ongoing adjudicative education.

Remuneration

The Chair & CEO and Vice-Chairs are full-time, salaried Members. Part-time Members are remunerated in accordance with the [Remuneration Schedule for Part-Time Commissioners](#). The [Public Sector Salary Disclosure Act, 1996](#) requires the disclosure of the total annual remuneration of the Chair, Vice-Chairs and Members who receive remuneration in excess of \$100,000 in the year.

Attributes

The Ontario Securities Commission strives to ensure Members collectively possess the required mix of skills and experience necessary to enable the Ontario Securities Commission to carry out its mandate and support an accessible, inclusive and innovative approach to stakeholder engagement.

Members have an advanced understanding of the Canadian capital markets. Members maintain an independent perspective and value public service. The integrity, competence and commitment of Members are vital to the discharge of the Ontario Securities Commission's statutory mandate.

The key attributes of Members include:

Integrity

- Adhere to the Ontario Securities Commission [Code of Conduct](#) and values and promote the highest standards of corporate governance
- Avoid and disclose actual, apparent or potential conflicts of interest
- Value teamwork, diversity and inclusion, and interact respectfully with Members, staff and stakeholders

Competence

- Possess relevant regulatory experience, including experience relating to markets/exchanges, public policy/regulation, accounting/auditing, investor/public relations, investor education, the financial industry, capital markets, securities law and/or corporate/commercial law
- Possess relevant governance experience, including experience relating to for-profit/not-for-profit boards, public service, executive management positions, risk management, information technology/cybersecurity, human resources/compensation, corporate governance, financial literacy and/or strategic planning

- Possess relevant adjudicative or litigation experience, including experience relating to rules of evidence, proceedings management, administrative or securities law, decision-writing and/or French language proficiency

Commitment

- Demonstrate stewardship of the organization's interests over personal or stakeholder interests
- Allocate the time necessary to fulfill the duties of Members and ensure current or future commitments do not materially interfere with the timely completion of requested or assigned activities
- Prepare for, attend and actively participate in Ontario Securities Commission business

Chair & CEO

The Lieutenant Governor in Council designates one Member to serve as Chair. The [Securities Act](#) designates the Chair as the chief executive officer. The Chair & CEO is devoted to the work of the organization on a full-time basis. The Chair & CEO's responsibilities may be set forth in the [Securities Act](#), the regulations made under the [Securities Act](#), the [Memorandum of Understanding, by-laws](#) and [government directives and policies](#). The Chair & CEO also carries out any other functions and duties under authority delegated by the Board. The Chair & CEO reports to the Minister of Finance and Board.

Leadership Responsibilities

1. Lead and manage the Ontario Securities Commission, ensuring both a high level of employee morale and the highest ethical standards of honesty, integrity and impartiality
2. Act as the primary contact with the Minister of Finance
3. Act as the primary spokesperson and represent the Ontario Securities Commission publicly, including addressing conferences and giving speeches, and assist as required with the communication of policies, practices and initiatives that affect or have the potential to affect Ontario's capital markets
4. Preside at Board and policy and rule-making meetings
5. Provide leadership in stakeholder outreach and consultation by communicating with a wide range of constituencies on policies, practices, initiatives and on matters that affect or have the potential to affect Ontario's investors and capital markets

6. Support the Ontario Government in the development of the Capital Markets Regulatory System, providing leadership to the initiative, ensuring that the Ontario Securities Commission is well-positioned to continue providing leading expertise with respect to securities regulation and enforcement activities
7. Provide guidance and leadership to the establishment of enforcement strategies and practices that enhance their effectiveness as well as maximizing the benefits of partnerships with law enforcement agencies
8. Oversee the exercise of delegated authority to staff, as appropriate, for the orderly administration of the [Securities Act](#) and report at least annually to the Members on the exercise of such delegated authority
9. Represent the Ontario Securities Commission and assume a leadership role in national and international regulatory bodies and organizations to help identify and address regulatory priorities, and oversee initiatives with other regulators, including the Canadian Securities Administrators, Bank of Canada, Office of the Superintendent of Financial Institutions, International Organization of Securities Commissions, federal Department of Finance and Financial Services Regulatory Authority of Ontario

Policy and Rule-Making Responsibilities

10. Oversee the provision of regulatory services that protect investors, enhance public confidence in Ontario's capital markets and contribute to the stability of the financial system and the reduction of systemic risk
11. Oversee the development of and implement the Ontario Securities Commission's strategic direction, including the annual [Statement of Priorities, Business Plan](#) and operating and capital budgets required to meet the strategic objectives as agreed with the Ontario Securities Commission and Minister of Finance
12. Oversee the development of securities policies and initiatives, support capital market growth and provide strong leadership in identifying emerging issues and trends in the capital markets
13. Ensure that stakeholders are consulted, as appropriate, on the Ontario Securities Commission's goals, objectives and strategic direction

Governance Responsibilities

14. Recommend Vice-Chair and part-time Member appointments and reappointments to the Minister of Finance
15. Oversee the management of the financial and other affairs of the Ontario Securities Commission in accordance with its statutory mandate and [Business Plan](#)

16. Oversee the establishment of effective risk management and appropriate control systems
17. Oversee compliance with legislation, regulations, directives, policies and the [Memorandum of Understanding](#)
18. Recommend to the Board significant operational changes and major capital expenditures where these are beyond the delegated authority of the Chair & CEO
19. In consultation with the Lead Director and Secretary to the Commission, manage the system of corporate governance and plan and organize related activities in accordance with the highest standards of corporate governance, including:
 - a. preparation for and the conduct of meetings
 - b. quality and timeliness of the information that is provided to Members
 - c. formation of committees and the integration of their activities with the work of the Board
 - d. recommendation to the Board regarding the appointment of Board committee chairs and committee members
 - e. recommendation to the Members regarding the appointment of Adjudicative Committee chair and committee members
 - f. evaluation of the Board's effectiveness and the implementation of improvements
 - g. Member recruitment, orientation and ongoing development

Vice-Chair

The Lieutenant Governor in Council designates up to three Members to serve as Vice-Chair. A Vice-Chair assists the Chair & CEO in carrying out his or her duties and responsibilities. While this position does not involve direct supervision of staff, it is the most senior advisory role within the Ontario Securities Commission. The Vice-Chair's responsibilities may be set forth in the [Securities Act](#), the regulations made under the [Securities Act](#), and the [by-laws](#). A Vice-Chair also carries out any other functions and duties under authority delegated by the Board. Vice-Chairs report to the Chair & CEO.

Leadership Responsibilities

1. Act as the Chair & CEO if the office becomes vacant or if the Chair & CEO is absent or unable to act for any reason

2. In the absence of the Chair & CEO, preside at Board and policy and rule-making meetings
3. At the request of the Chair & CEO, represent the Ontario Securities Commission publicly, including addressing conferences and giving speeches, and assist as required with the communication of policies, practices and initiatives that affect or have the potential to affect Ontario's capital markets
4. Collaborate with other Vice-Chairs
5. Support internal initiatives that promote diverse thinking, good decision-making and a supportive corporate culture
6. Support the Chair & CEO in building important regulatory relationships in Canada, including with the Canadian Securities Administrators, Bank of Canada, Office of the Superintendent of Financial Institutions, International Organization of Securities Commissions, federal Department of Finance and Financial Services Regulatory Authority of Ontario
7. Make decisions regarding the allocation of funds designated under the terms of an order or settlement.

Policy and Rule-Making Responsibilities

8. Act as executive sponsor for the development of securities policy and rule-making initiatives
9. Provide leadership in identifying emerging issues in securities regulation
10. Provide leadership in continuously identifying opportunities to reduce regulatory burden
11. Assist the Chair & CEO in providing direction and advice on the development, implementation and execution of Ontario securities law and policy
12. Represent the Ontario Securities Commission as required on national and international regulatory bodies and organizations, and participate actively with the Canadian Securities Administrators on policy matters and other initiatives
13. Consider applications for statutory exemptions and other relief that are novel or contain significant policy or other issues

Tribunal Responsibilities

14. Serve on adjudicative panels that preside over administrative law proceedings independently from other Member responsibilities

15. As a sole member panel, or as one member of a panel, provide leadership with respect to novel or significant matters

Lead Director

The Board has established the position of Lead Director. The Lead Director is a part-time Member who represents the part-time Members and provides leadership and oversight of the governance obligations of the Board and its committees.

Upon a vacancy of the Lead Director position, the part-time Members select a Lead Director in closed session. The Lead Director is selected for a term having the same duration as the balance of his or her term of appointment as a part-time Member, including any reappointment or pending reappointment, and is not expected to serve for a period of more than three years in the absence of exceptional circumstances. The part-time Members may select another part-time Member to fill any interim vacancy occurring in the Lead Director position.

The Lead Director is entitled to notice of and the agenda and materials for all meetings of the Board committees and to attend all Board committee meetings, but shall not be entitled to vote unless he or she is a committee member.

For the sole purpose of discharging the Lead Director's duties, and subject to the prior approval of the Board, the Lead Director may retain any outside advisor at the expense of the Ontario Securities Commission and determine the terms of retention.

Leadership Responsibilities

1. Work with the Chair & CEO and the Secretary to the Commission to promote Board cohesion and an understanding of Board and committee responsibilities, and ensure Members work together in a spirit of cooperation
2. In the absence of the Chair & CEO and the Vice-Chairs, chair Board and policy and rule-making meetings
3. Set the agenda for and chair, or designate another part-time Member to chair, meetings of only the part-time Members and ensure that these meetings are scheduled in every Board and policy and rule-making meeting on the initiative of the Lead Director or at the request of a part-time Member
4. Ensure that Board, committee and policy and rule-making meetings have adequate information and provide adequate time for discussion of relevant issues, and that matters identified by the Members for further consideration or ongoing development are raised appropriately with the Secretary to the Commission

5. Before the expiry of the Lead Director's final term of appointment, consult with each part-time Member on the selection of a successor Lead Director and makes a recommendation to the part-time Members

Governance Responsibilities

Annually and as needed:

6. Review with the Secretary to the Commission and each committee chair the committee's deliverables for the upcoming fiscal year and make any recommendations to the committee chair or the Chair & CEO
7. Meet with each part-time Member to discuss the effectiveness of the Board and its committees and report these findings to the Board

Quarterly and as needed:

8. Review with the Secretary to the Commission the agenda for each Board meeting and make any recommendations to the Chair & CEO

As needed:

9. Consult with the Governance and Nominating Committee about suitable candidates for recommendation by the Chair & CEO for appointment as part-time Members
10. Regarding part-time Member reappointment, consult with the Governance and Nominating Committee, eligible part-time Members and each of the other part-time Members to make a recommendation to the Chair & CEO
11. If the Lead Director is the part-time Member being considered for reappointment, request the chair of the Governance and Nominating Committee to carry out the responsibilities in the above paragraph with respect to the Lead Director's reappointment
12. Consider whether the Board's committee structure is appropriate and make any recommendations to the Chair & CEO
13. Together with the Chair & CEO, recommend to the Board the appointment of the Secretary to the Commission

Secretary to the Commission

The [Securities Act](#) provides that the Ontario Securities Commission shall appoint a Secretary as an officer. The Secretary to the Commission is responsible for the oversight and leadership of the governance framework and Tribunal. The Secretary provides strategic governance advice, guidance and support to the Members,

advances communications between the Board and management, records the corporate minutes, safeguards tribunal integrity and procedural fairness and provides governance and tribunal education to Members and other stakeholders. The Secretary reports to the Chair & CEO.

Policy and Rule-Making

The Ontario Securities Commission regulates Ontario's capital markets by making rules that have the force of law and by adopting policies that influence the behaviour of capital markets participants. The Ontario Securities Commission exercises its regulatory oversight function through the administration and enforcement of the Ontario [Securities Act](#) and [Commodity Futures Act](#) and administration of certain provisions of the Ontario [Business Corporations Act](#).

Members attend regular policy and rule-making meetings with staff to review and approve regulatory initiatives, priorities, policies and rules and to discuss general oversight of the capital markets. In addition, meetings of two Members (excluding the Chair & CEO) are held twice weekly to consider applications for exemptive relief from Ontario securities law.

The policy and rule-making function of Members includes:

- Setting the regulatory strategic priorities that guide ongoing operations through the annual [Statement of Priorities](#) published by the Ontario Securities Commission
- Providing input to staff with respect to policy and rule-making and other regulatory initiatives, including initiatives with other securities regulators
- Assessing progress in implementing priorities and initiatives
- Guiding staff on emerging trends and issues in the capital markets

Board and Board Committees

The Board is composed of the Members. The Board is responsible for the overall stewardship of the Ontario Securities Commission, including strategic planning and annual budgets, financial review, reporting and disclosure, risk assessment and internal controls and board governance. The Board exercises its corporate oversight through regular and special meetings of the full Board and its four standing committees. Board meetings are held at least quarterly and special meetings are held as required. The Board also conducts strategic planning and priorities setting meetings with senior management.

The Board has delegated certain oversight responsibilities to its standing committees while retaining decision-making authority. The Board's four standing committees are the Audit and Finance Committee, Governance and Nominating Committee, Human Resources and Compensation Committee, and Risk Committee.

The Board directly:

- Oversees adherence to the principles established by the Government of Ontario, the [Memorandum of Understanding](#), the [Public Service of Ontario Act, 2006](#) and the Ontario Securities Commission [Code of Conduct](#) relating to ethical behaviour, accountability, excellence in management, wise use of public funds, high quality service to the public and fairness in the marketplace
- Approves the Business Plan
- Monitors management's implementation of the Business Plan
- Monitors the effectiveness of the Business Plan
- Approves significant expenditures that exceed threshold amounts set by the Board
- Provides guidance to management on emerging trends and issues
- Adopts a communications policy for the Ontario Securities Commission
- Approves appropriate Board committees
- Approves changes to this "Board and Board Committees" section of the Charter of Governance
- Holds closed sessions of the Board at regularly scheduled meetings with and without the Secretary to the Commission
- Engages advisors as necessary to provide independent advice to the Board at the expense of the Ontario Securities Commission
- Appoints an Executive Director and Secretary to the Commission
- Approves the Annual Report

Board Committees

Committee Establishment

Each Board committee is established pursuant to the [Securities Act](#) and [By-law No. 1](#) to assist the Board in fulfilling its oversight responsibilities.

Committee Membership

Each Board committee is comprised of three or more part-time Members. Committee members are appointed by the Board on the recommendation of the Chair & CEO.

The Board reviews each committee's membership and considers renewing membership or making any changes in appointments as recommended by the Chair & CEO at the first Board meeting immediately following March 31 of each year. The Board may also appoint one or more part-time Members to fill committee vacancies or make additional committee appointments throughout the year.

Some committees have additional membership requirements:

- Audit and Finance Committee – All members of the Audit and Finance Committee shall be financially literate, and at least one member shall have auditing, accounting or other related financial management expertise, as the Board shall determine. Financial literacy includes the ability to read and understand financial statements that present the breadth and complexity of the issues raised by the Ontario Securities Commission's financial statements.
- Governance and Nominating Committee – The Chair & CEO serves as a non-voting member of the Governance and Nominating Committee.
- Risk Committee – The members of the Risk Committee shall include the Committee Chairs of the Audit and Finance Committee, Governance and Nominating Committee, Human Resources and Compensation Committee and Adjudicative Committee.

Committee Chair

The committee chair is appointed by the Board on recommendation of the Chair & CEO and is rotated amongst qualified Members, as deemed appropriate.

The committee chair shall:

- Chair all committee meetings or otherwise designate a committee member as acting committee chair
- Confirm whether quorum is present at committee meetings
- Meet with the Lead Director annually to review the committee's deliverables and any other matters that the Lead Director or committee chair considers appropriate
- For each meeting, review the committee's agenda with the Secretary to the Commission

- Report to the Board on the activities and recommendations of the committee
- Monitor the fulfillment of the committee's responsibilities

Secretary to the Commission

The Secretary to the Commission acts as the secretary of and counsel to each Board committee. The Secretary to the Commission, or his or her designate, records and maintains minutes of all proceedings of each committee and provides minutes of all committee meetings to be made available to the Board, following their approval by each committee. The Secretary to the Commission may designate a counsel of the Office of the Secretary to further support each Board committee.

Committee Meetings

Each Board committee shall meet as frequently as necessary, but not less than quarterly.

The committee chair of each committee may call additional meetings and shall call a meeting when requested to do so by a member of the committee, the Chair & CEO, Executive Director, Chief Administrative Officer or Lead Director.

The Lead Director is entitled to attend all Board committee meetings, but is not considered a committee member and does not have voting power, unless appointed as a voting committee member.

The Chair & CEO, Executive Director and Chief Administrative Officer are entitled to attend all Board committee meetings.

Each committee may hold closed sessions with individuals as determined by the committee. The committee shall hold a closed session with the Lead Director, if present. The Secretary to the Commission and legal counsel who support each Board committee may attend closed sessions. Each meeting shall end with a closed session at which only committee members are present.

Notice of any committee meeting must be given to committee members, the Chair & CEO, Executive Director, Chief Administrative Officer, Secretary to the Commission and the Lead Director not less than 48 hours prior to the time of the meeting, absent exceptional circumstances.

Committee Quorum

A majority (more than half) of the voting committee members will constitute a quorum of each committee. Any powers of a committee to approve items or make recommendations to the Board can only be exercised at a meeting at which quorum is present and by a majority vote. Such committee powers may also be exercised by written resolution approved by all voting committee members.

If quorum is not present or is lost during a meeting, the minutes shall reflect the absence of quorum, but the committee may continue to discuss agenda items. No powers of the committee may be exercised after quorum is lost, but may be exercised if quorum is returned.

Committee Powers

Each committee may make recommendations to the Board, but does not have approval authority unless provided by this Charter of Governance.

As needed, Board committees may approve changes to documents, policies or procedures where changes are mandated, minor, stylistic or grammatical in nature.

With the Board's approval, each committee may retain any outside advisor at the expense of the Ontario Securities Commission and on terms and conditions approved by the Board.

Committee Governance Review

Each committee shall conduct an annual review of the adequacy of the committee's purposes and responsibilities and the content in common to all committees under the Board Committees section of this Charter, and shall submit any proposed amendments to the Governance and Nominating Committee for consideration.

Committee Reporting

The Committee Chair shall report orally to the Board on the activities of the committee, including any approvals or recommendations made by the committee, at the next Board meeting following each committee meeting. Each committee shall report in writing to the Board annually.

Audit and Finance Committee

Purpose

The Audit and Finance Committee is responsible for the oversight of the Ontario Securities Commission's financial affairs, including the review and reporting of financial statements and public disclosure, financial reporting, budget and analysis, internal controls and the external audit process.

Management is responsible for the preparation, presentation and integrity of the financial statements and for maintaining appropriate accounting and financial reporting principles and policies, and internal controls and procedures designed to ensure compliance with generally accepted accounting principles and applicable laws and regulations.

Responsibilities

Financial Statements and Public Disclosure

Annually:

1. Review with management and the external auditor:
 - a. the draft annual financial statements and make a recommendation regarding the draft financial statements to the Board, including:
 - the accounting treatment of significant risks and uncertainties
 - key estimates and judgments of management that may be material to the Ontario Securities Commission's financial reporting
 - management's explanation of all significant variances between comparative reporting periods and approved operating and capital budgets
 - b. management's discussion and analysis

Quarterly:

2. Review with management the draft quarterly financial statements and related reports as required to be reported under the Ontario Securities Commission's financial policies and procedures and make a recommendation regarding the draft quarterly financial statements and related reports by the Board. The review should include:
 - the accounting treatment of significant risks and uncertainties
 - key estimates and judgments of management that may be material to the Ontario Securities Commission's financial reporting
 - management's explanation of all significant variances between comparative reporting periods and approved operating and capital budgets
3. Receive confirmation from management that the financial statements, along with all other financial information, fairly present in all material respects the financial condition, results of operations and cash flows as of the date or periods presented in the statements

Financial Reporting

Annually:

4. Review reports on any litigation matters that could significantly affect the financial condition of the Ontario Securities Commission and make recommendations with respect to such matters to the Board
5. Review the assumptions to be used in preparing the actuarial calculations for the unfunded defined benefit pension plan for the current and former Chairs & CEOs and Vice-Chairs
6. Review the actuary's report on the performance of the former Chairs & CEOs and Vice-Chairs pension plan and any other issues relevant to such plan

Quarterly:

7. Review and make a recommendation to the Board on reports from management that include:
 - a. a Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Surplus and Statement of Cash Flows
 - b. the status and performance of investments in the Ontario Securities Commission's reserve fund
 - c. a detailed analysis of expenditure and revenue variances
 - d. the status of the reconciled general ledger balance sheet accounts
 - e. the status and performance of the Ontario Securities Commission's line of credit
8. Review reports from management on the Ontario Securities Commission's procurement and contracting activities

As needed:

9. Review with management significant financial reporting matters arising during the fiscal period and the method of resolution, and make recommendations to the Board

Budget and Analysis

Annually and as needed:

10. Review with management the Business Plan and make a recommendation to the Board regarding the annual operating and capital budgets

11. Review with management and make a recommendation to the Board regarding financial projections as part of the fee rule development exercise
12. Review and a make a recommendation to the Board regarding the Executive Director's recommendations relating to the expenditures from the Designated Fund and any funds to be held back for projects in future years

Oversight of Internal Controls

Annually and as needed:

13. Monitor and review with management the appropriateness of, and compliance with, policies and procedures relating to accounting and financial controls, including:
 - a. guidelines and policies for the investment of the reserve fund
 - b. the signing policy, including approving changes to signing authorities or approval levels, and make a recommendation to the Board with respect to the adoption or approval of the signing policy, regardless of whether an amendment has been made
 - c. management proposals for changes to existing financial policies and practices and make a recommendation to the Board on any changes proposed
14. Review policies and procedures relating to procurement and contract management and where significant changes are made, make a recommendation to the Board
15. Review policies for the receipt, retention and disposition of complaints received by the Ontario Securities Commission regarding accounting, internal accounting controls, submissions by employees of concerns regarding questionable accounting or auditing matters and the protection from retaliation of those who report such complaints in good faith
16. Review the adequacy of the system of internal controls over financial reporting through discussions with management and the internal and external auditors
17. Review the limit and terms of the Ontario Securities Commission's line of credit and make a recommendation to the Board on the limit and terms, as necessary

Quarterly:

18. Review the amounts to be transferred from the Designated Fund to the operating account to reimburse the Ontario Securities Commission for

expenses that it has incurred and approve the actual recoverable amount in accordance with the financial policies and procedures

As needed:

19. Review any changes to reporting recommended by management or the internal or external auditors
20. Review any proposed off-balance sheet arrangements by the Ontario Securities Commission and proposed indebtedness of and guarantees by the Ontario Securities Commission and make recommendations to the Board with respect to such matters
21. The committee chair shall review and approve the expenses incurred by the Chair & CEO

External Auditor

Annually:

22. Recommend to the Board the appointment of the external auditor
23. Review with the external auditor and management and approve the proposed audit plan and scope of the external audit
24. Review all other material written communications between the external auditor and management, including:
 - the post-audit management letter setting out the recommendations of the external auditor
 - management's response to the post-audit management letter
 - any follow-up
25. In the absence of management, review the external audit report with the external auditor, including:
 - the quality of accounting principles used, any alternative treatment of financial information that has been discussed with management, and the ramifications of their use and the external auditor's preferred treatment
 - any other material communications by the external auditor with management

26. In the absence of management, meet with the external auditor to discuss and review specific issues as appropriate, and ensure that any matter the external auditor seeks to bring to the attention of the Board has been given adequate attention

As needed:

27. Resolve any disagreements between management and the external auditor regarding financial reporting
28. Discuss matters with the external auditor, as considered appropriate

Governance and Nominating Committee

Purpose

The Governance and Nominating Committee is responsible for developing governance documents, policies and procedures that are consistent with the highest standards of corporate governance, ethics and integrity, considering appointments and reappointments of Members and evaluating the performance of the Board and its committees.

Responsibilities

Corporate Governance Documents

Annually and as needed:

1. Review and make any recommendations to the Board for changes to the:
 - a. governing documents, including any related policies and procedures
 - b. "Board and Board Committees" section of the Charter of Governance
 - c. Board committee responsibilities proposed by the Audit and Finance Committee, Governance and Nominating Committee, Human Resources and Compensation Committee and Risk Committee
 - d. responsibilities of the Chair & CEO, Vice-Chair and Lead Director
 - e. public disclosure of the governing documents, including any related policies and procedures

Board and Committee Evaluation

Annually and as needed:

2. Evaluate the performance of the Board and its committees

As needed:

3. Review and make any recommendations to the Board for changes to the process for evaluating the performance of the Board and its committees

Orientation and Education

Annually and as needed:

4. Review plans for the education of Members

As needed:

5. Review the orientation process for new Members
6. Assign mentors to new part-time Members from existing Members as determined by the committee chair

Member Competency

Annually and as needed:

7. Evaluate the size and composition of the Board, including the skills, attributes, qualifications and experience of Members that are appropriate for the effective oversight of the Ontario Securities Commission

As needed:

8. Review and make any recommendations to the Board for changes to the process for assessing the skills, attributes, qualifications and experience of Members that are appropriate for the effective oversight of the Ontario Securities Commission

Appointment of Part-time Members

As needed:

9. Review and make any recommendations to the Board for changes to the selection and screening process for new part-time Members to ensure that suitable nominees are identified
10. Approve the position listing with the Public Appointments Secretariat describing the duties of a part-time Member and the expected skills, attributes, qualifications and experience of candidates
11. Review and make any recommendations to the Chair & CEO with respect to the applications of candidates for part-time Member positions

Reappointment of Part-time Members

As needed:

12. Consult with the Lead Director with respect to the reappointment of part-time Members taking into consideration needed Member competencies, independent perspective, integrity, duty of care, professional or business judgment, commitment to allocate necessary time, valuing public service and collaboration within a team

Human Resources and Compensation Committee

Purpose

The Human Resources and Compensation Committee oversees human resources policies, procedures and programs. Its oversight of Member compensation, including remuneration, performance bonuses and benefits, is subject to the recommendations and comments of a committee jointly nominated by the Minister and the Chair & CEO ([External Compensation Committee](#)), if constituted pursuant to section 3.8 of [By-law No. 1](#).

Responsibilities

Executive Employment Contracts

As needed:

1. Review and oversee the negotiation of the Chair & CEO's and Vice-Chairs' proposed terms of employment, subject to the [Securities Act](#), including an evaluation of whether the proposed terms:
 - are competitive for attracting and retaining qualified executives
 - are reasonably related to personal and organizational performance
 - have the appropriate balance between short-term and long-term incentives
2. Make recommendations to the Board about the Chair & CEO's and Vice-Chairs' proposed terms of employment and compensation
3. Review the Chair & CEO's recommendations about the proposed appointments, terms of employment and compensation for the Executive Director, Chief Administrative Officer and Secretary to the Commission

Executive Performance and Compensation

Annually:

4. Review the goals and objectives of the Chair & CEO, Vice-Chairs, Executive Director, Chief Administrative Officer and Secretary to the Commission
5. Approve the goals and objectives of the Chair & CEO and Vice-Chairs
6. Review the mid-year achievement reports of the Chair & CEO, Vice-Chairs, Executive Director, Chief Administrative Officer and Secretary to the Commission, including evaluations of their achievements against their goals and objectives
7. Review the proposed year-end performance compensation for the Chair & CEO and Vice-Chairs, including evaluations of their achievements against their goals and objectives
8. Make recommendations to the Board about the proposed year-end performance compensation for the Chair & CEO and Vice-Chairs
9. Review the Chair & CEO's recommendations about the proposed year-end performance compensation for the Executive Director, Chief Administrative Officer and Secretary to the Commission, including evaluations of their achievements against their goals and objectives

Part-Time Member Remuneration

Annually and as needed:

10. Review and make recommendations to the Board about part-time Member remuneration, including an evaluation of whether the remuneration is competitive for attracting and retaining qualified part-time Members

Human Resources Policies, Procedures and Programs

Annually and as needed:

11. Oversee compliance with government requirements through a review of management's list of all current human resource policies, procedures, programs and contracts. For each item, the list will identify:
 - the date of adoption or execution
 - the last date of amendment, if any
 - the last date of management's review, if any
 - any related legislation, directives and policies

12. Review significant:

- a. human resource policies, procedures, programs and contracts,
- b. employee succession planning, and
- c. employee compensation policies,

and make recommendations to the Board about any significant proposed changes.

Risk Committee

Purpose

The Risk Committee is responsible for the oversight of risk management policy, the enterprise risk management framework, the internal audit process and risks related to the non-financial internal control systems, compliance with legislation and directives and with standards of ethics and integrity.

Responsibilities

Risk Management

Annually and as needed:

1. Assess through reports from management and make any recommendations to the Board for the Ontario Securities Commission's:
 - a. risk management framework and non-financial internal control culture
 - b. plans and procedures for business continuity and crisis preparedness
 - c. risks related to significant organizational projects
 - d. non-financial risk disclosures in audited financial statements and related reports
 - e. management's Risk Steering Committee terms of reference and risk policies
 - f. insurance program
 - g. oversight of systemic risk
 - h. compliance attestation required by the [*Agencies and Appointments Directive*](#)

Quarterly:

2. Assess through reports from management and make any recommendations to the Board for the Ontario Securities Commission's:
 - a. risk profile, appetite and tolerances, risk management strategy and framework, enterprise risk inventory and the systems adopted to manage risk
 - b. information security, cybersecurity, information technology systems and information recovery plans
 - c. non-financial risk disclosures in unaudited financial statements and related reports
 - d. legal matters, including litigation and claims for indemnification that may significantly affect the reputation of the Ontario Securities Commission
 - e. reputation risk
 - f. compliance with legislation, directives and policies

As needed:

3. Review any other material risks identified by or brought to the Risk Committee

Internal Audit

Annually and as needed:

4. Assess through reports from the internal auditor and management and make any recommendations to the Board for the:
 - a. internal auditor's mandate, staffing, plans, activities and results to gain reasonable assurance that they are appropriately comprehensive, effective and coordinated with the external auditor
 - b. communications to the Executive Director, Chief Administrative Officer and internal auditor regarding business needs and expectations for an internal audit plan, including directions on internal audit priorities
 - c. risk assessments, annual or multi-year internal audit plans, policies and procedures
 - d. report of the internal auditor on the oversight of non-financial internal controls, which may involve meeting privately with the internal auditor

Quarterly:

5. Assess through reports from the internal auditor and management and make any recommendations to the Board for the:
 - a. impact of any significant internal audit findings on the adequacy and effectiveness of the Ontario Securities Commission's system of non-financial internal controls
 - b. appropriateness of management's response to the significant internal audit findings
 - c. process for addressing outstanding internal audit findings

Quarterly and as needed:

6. Meet with the internal auditor in closed session

As needed:

7. In consultation with the Chair & CEO, appoint the internal auditor

Compliance with Standards of Ethics and Integrity

Annually and as needed:

8. Oversee the application of policies and processes designed to ensure compliance by the Members and staff with the highest standards of corporate governance, ethics and integrity
9. Oversee compliance by the Members with the [Public Service of Ontario Act, 2006](#) and the Ontario Securities Commission [Code of Conduct](#)

As needed:

10. Review and make any recommendations to the Board with respect to proposed amendments to the Ontario Securities Commission [Code of Conduct](#)

Adjudication

As adjudicators, Members (other than the Chair & CEO, who does not adjudicate due to involvement with enforcement activity) act independently of their other roles and preside over administrative proceedings brought before the Ontario Securities Commission Tribunal – the administrative tribunal that is assigned the power to conduct hearings under Ontario securities law and commodities futures law.

Proceedings before the Tribunal are governed by the Ontario [Statutory Powers Procedure Act](#), the Ontario Securities Commission [Rules of Procedure and Forms](#), the [Practice Guideline](#) and principles of law applicable to administrative tribunals.

The Ontario Securities Commission adopted the [Adjudication Guideline](#) to enhance the transparency of adjudicative processes and provide guidance on the professional and ethical standards expected of Members in the exercise of their adjudicative responsibilities.

The key responsibilities of Members acting as adjudicators include:

- Conducting hearings and rendering decisions in a fair, impartial and transparent manner, in accordance with administrative law principles and the [Adjudication Guideline](#)
- Respecting and promoting the independence of the Tribunal
- Valuing diversity and upholding the right to equal treatment without discrimination under the [Human Rights Code](#)
- Allocating and prioritizing time for hearings and preparing for hearings by reviewing all materials and asking appropriate questions
- Participating in panel deliberations and working collegially with panel members
- Preparing reasons that are clear, concise and justified within established timelines

Adjudicative Committee

Purpose

The Ontario Securities Commission has established the Adjudicative Committee subject to the provisions of the [by-laws](#) and to the applicable provisions of the [Securities Act](#). The Adjudicative Committee is responsible for assisting the Members in fulfilling their adjudicative duties and for promoting tribunal excellence.

Membership

The Adjudicative Committee shall include no fewer than three Members, at least one of whom shall be a Vice-Chair. In addition, the Secretary to the Commission shall be a non-voting member of the Adjudicative Committee. Committee members are appointed by the Members on the recommendation of the Chair & CEO. The Chair & CEO cannot be a member of the Adjudicative Committee or attend Adjudicative Committee meetings.

The Members review the Adjudicative Committee membership and consider any changes in appointments at the first policy and rule-making meeting immediately following March 31 of each year. The Members may also appoint one or more Members to fill vacancies or make additional appointments throughout the year, as the Members see fit.

Committee Chair

The committee chair shall be appointed by the Members on the recommendation of the Chair & CEO and shall be a Vice-Chair or a part-time Member, with significant expertise in adjudication.

The committee chair shall:

- Chair all committee meetings or otherwise designate a committee member as acting committee chair
- Confirm whether quorum is present at Adjudicative Committee meetings
- Meet with the Lead Director annually to review the Adjudicative Committee's deliverables and any other matters that the Lead Director or committee chair considers appropriate
- In consultation with the Secretary to the Commission, identify issues that should be considered by the Adjudicative Committee and develop the agenda for each meeting
- Report on the activities and recommendations of the Adjudicative Committee
- Monitor the fulfillment of the Adjudicative Committee's responsibilities

Secretary to the Commission

The Secretary to the Commission provides legal advice and leads adjudicative projects, as directed by the Adjudicative Committee. The Secretary may designate a legal counsel of the Office of the Secretary to support the Adjudicative Committee and to record and maintain minutes of all its meetings.

Meetings

The Adjudicative Committee shall meet as frequently as necessary, but not less than quarterly.

The Committee Chair may call additional meetings and shall call a meeting when requested to do so by a member of the Adjudicative Committee or the Lead Director.

The Lead Director is entitled to attend all meetings of the Adjudicative Committee, but is not considered a member of the Adjudicative Committee and does not have voting power unless appointed as a member of the Adjudicative Committee.

Notice of a meeting of the Adjudicative Committee must be given to committee members and the Lead Director not less than 48 hours prior to the time of the meeting, absent exceptional circumstances.

Quorum

A majority (more than half) of the voting Adjudicative Committee members will constitute a quorum. Any powers of the Adjudicative Committee to approve items or make recommendations can only be exercised at a meeting at which quorum is present and by a majority vote. Such committee powers may also be exercised by written resolution approved by all voting committee members.

If quorum is not present or is lost during a meeting, the minutes shall reflect the absence of quorum, but the committee may continue to discuss agenda items. No powers of the committee may be exercised after quorum is lost, but may be exercised if quorum is returned.

Powers

The Adjudicative Committee shall have the authority to make recommendations but shall have no decision-making authority.

With the Board's approval, the Adjudicative Committee may retain any outside advisor at the expense of the Ontario Securities Commission and on terms and conditions approved by the Board.

The Adjudicative Committee may identify research projects in administrative and adjudicative law and request that the Secretary to the Commission conduct such projects.

The Adjudicative Committee may recommend that the Ontario Securities Commission issue written policy statements with respect to any matter that has an impact on the adjudicative policies, procedures and practices.

The Adjudicative Committee may request that the Secretary to the Commission consult with the [Securities Proceedings Advisory Committee](#) and/or other relevant stakeholders, to seek comment on adjudicative issues.

The Adjudicative Committee may recommend that the Ontario Securities Commission direct that proposed amendments to the Ontario Securities Commission [Rules of Procedure and Forms](#) and [Practice Guideline](#) be published for comment, although such publication is not required by law.

Governance Review

The Adjudicative Committee shall conduct an annual review of the adequacy of this “Adjudicative Committee” section of the Charter of Governance and submit any proposed amendments to the Members for consideration.

Reporting

The committee chair shall report orally to the Members on the activities of the Adjudicative Committee and all recommendations made by the committee at the next policy and rule-making meeting following each Adjudicative Committee meeting.

The Adjudicative Committee shall report on its activities over the preceding year in writing to the Members annually. The written report should include the following:

- Adjudicative Committee member attendance
- adjudicative educational programs
- activities
- any recommendations made by the Adjudicative Committee

Responsibilities

Policies and Procedures

As needed:

1. Monitor and update the adjudicative policies, procedures and practices, and make recommendations for improvements to the Members
2. Identify matters arising from proceedings before the Tribunal that the Adjudicative Committee believes require consideration by the Members

Orientation and Continuing Education

As needed:

3. Support all Members who adjudicate, with respect to their adjudication-related education and practices through tribunal orientation and adjudicative roundtables. Additionally, a legal counsel of the Office of the Secretary may provide independent legal advice and assistance to a Panel, as determined by the Panel.

Tribunal Evaluation

Annually:

4. Evaluate the adjudicative policies, procedures and practices and report on this evaluation to the Members. The evaluation shall consider the following:
 - a. the extent to which the adjudicative function is independent, fair, accessible, professional, accountable and efficient
 - b. tribunal leadership and management
 - c. stakeholder satisfaction
 - d. the system of scheduling and conducting hearings and pre-hearing conferences
 - e. the effectiveness of the Office of the Secretary
 - f. the rules of procedure, forms, practice guidelines and adjudicative policies and procedures



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