

B.1.2 OSC Notice 11-798 – Statement of Priorities – Request for Comments Regarding Statement of Priorities for Fiscal Year 2024-2025

ONTARIO SECURITIES COMMISSION

OSC Notice 11-798 – Statement of Priorities

Request for Comments Regarding Statement of Priorities for Fiscal Year 2024-2025

Each year the Ontario Securities Commission (OSC) delivers a Business Plan to the Minister of Finance and publishes it on its website. The Business Plan includes the priorities the Commission will undertake in the upcoming fiscal year in connection with the OSC's mandate, and the legislation that the OSC administers.

Before finalizing the priorities included in the annual Business Plan, the priorities are summarized and published by the OSC in a proposed Statement of Priorities (SoP). The proposed SoP provides a listing of the priorities and associated activities, with a summary of the reasons for the adoption of these priorities. Stakeholder comment and feedback is requested on the priorities included in the proposed SoP.

This proposed SoP supports the OSC's commitment to be both effective and accountable in delivering on its mandate to provide protection to investors from unfair, improper or fraudulent practices; to foster fair, efficient and competitive capital markets and confidence in capital markets; to foster capital formation; and to contribute to the stability of the financial system and the reduction of systemic risk.

The proposed SoP for the fiscal year 2024-2025 has a 30-day comment period. The OSC will consider stakeholder comments and make any necessary revisions prior to finalizing and publishing its final 2024-2025 Statement of Priorities within the Business Plan for the Fiscal Years Ending 2025-2027.

Comments

Any comments should be made in writing by Monday, December 18, 2023 and sent to:

The Secretary
Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto Ontario M5H 3S8
E-mail: comments@osc.gov.on.ca

Comments received will be posted on the OSC website at www.osc.ca. Therefore, you should not include personal information directly in comments to be published. It is important that you state on whose behalf you are making the submission.

Content may be moderated so that all posts are respectful and professional.

[Editor's Note: The Statement of Priorities is reproduced on the following internally numbered pages. Bulletin pagination resumes at the end of the Statement of Priorities.]

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ONTARIO
SECURITIES
COMMISSION

OSC Statement of Priorities

for the fiscal year

2024-2025



Ontario

Introduction

OSC Statement of Priorities

The Ontario Securities Commission (OSC) is pleased to present the proposed Statement of Priorities for the fiscal year 2024-2025 (SoP). This proposed SoP supports the OSC's commitment to be both effective and accountable in delivering on its mandate to provide protection to investors from unfair, improper or fraudulent practices; to foster fair, efficient and competitive capital markets and confidence in capital markets; to foster capital formation; and to contribute to the stability of the financial system and the reduction of systemic risk.

The OSC regulates the largest capital market in Canada and our actions have impacts for Ontario and the rest of Canada. The OSC is committed to promoting fair, efficient and competitive capital markets in Ontario, a prerequisite for economic growth, and has identified a broad range of initiatives to improve the existing regulatory framework. We strive to anticipate changes in the market and act decisively to promote public confidence in our capital markets, protect investors, promote innovation, foster capital formation and support market integrity. While the OSC continues to streamline regulation and implement our expanded mandate to promote competition and foster capital formation, delivering strong investor protection remains a top priority in all initiatives and actions we undertake. We will continue to proactively identify and monitor emerging issues, trends, and risks in our capital markets.

The OSC is moving the regulatory agenda forward by improving the way we approach our work and engage with investors, industry participants and other regulators to understand the issues and their concerns. In addition to the statutory comment process for rules and policies, the OSC interacts extensively with stakeholders through various advisory committees, roundtables, and other means of consultation, to inform operational approaches and policy development. The OSC engages with investor advocacy groups and investors directly to gain insights to better understand investor needs and interests.

Our significant work in the international regulatory environment, such as our participation in the International Organization of Securities Commissions (IOSCO), our engagement with US federal regulatory agencies and the North American Securities Administrators Association (NASAA), is another key means to gain insights into emerging issues and standards that can be integrated into our policy development and oversight activities, as well as providing opportunities to influence and contribute to international initiatives and standard setting. These actions are essential to reach solutions that balance the inclusion of innovation and competition in the marketplace with the maintenance of appropriate investor safeguards.

The OSC works as part of the Canadian Securities Administrators (CSA) to harmonize rules and their application across the country. The OSC is also a member of the Heads of Regulatory Agencies (HoA), an important federal-provincial forum for cooperation on financial sector issues. Chaired by the Bank of Canada, the HoA brings together the Department of Finance Canada, the Office of the Superintendent of Financial Institutions (OSFI), as well as the Autorité des marchés financiers, the British Columbia Securities Commission, the Alberta Securities Commission and the OSC.

The Environment

Ontario's capital markets play a crucial role in fostering growth across all sectors of the economy and providing opportunities for investors to build financial wealth through savings. In supporting investment and capital allocation in our markets, we must monitor, assess, and respond to changes in the regulatory environment in which we operate.

That regulatory environment is influenced by many factors, including economic conditions, technological evolution, changing investor needs, and changes in the regulation of the broader domestic and global financial system. Below are some of the developments that we have considered in preparing this proposed SoP.

Economic Conditions

Changing macro-economic conditions will continue to be a central driver in financial decisions for firms and investors for the coming year. The post-COVID surge in economic activity was spurred on by a combination of the reopening of the economy and strong consumer spending. That led to much higher inflation than had been experienced in recent memory. In response, the Bank of Canada, and its global peers, increased interest rates significantly as a way of restraining rising prices.

For the coming period, tighter financial conditions are likely to slow capital raising activity. Higher interest rates are expected to last for some time, and this will impact financial decisions by firms and households. For example, already indebted firms may have challenges in refinancing that debt in the coming years and households with variable rate borrowing may need to reduce discretionary spending (and investing) to make ends meet.

Technological Evolution

The expanding and evolving offerings of financial products and services brought on by technological change is a focus for the OSC and other securities regulators. As market participants embrace innovative practices, the potential benefits of further innovation and more efficient markets need to be balanced with an understanding that there are potential risks that should be mitigated. The OSC continues to implement new approaches, invest resources and support a testing environment around new technologies to support responsible innovation and modernize our compliance oversight activities.

Despite declining valuations and several notable firm failures, crypto asset markets continue to be a focus for investors and therefore, regulators. In 2022, the OSC found that 13% of Canadians held crypto assets or crypto funds¹ and we have seen an expansion in the availability of retail investment funds that provide crypto-asset exposure. The growing interest in this asset class emphasizes the need for the OSC to ensure that participants in this market follow appropriate investor protection standards and that crypto asset markets are fair and efficient.

¹ https://www.osc.ca/sites/default/files/2022-10/inv_research_20220928_crypto-asset-survey_EN.pdf

The discussion of technological evolution has recently been dominated by Artificial Intelligence (AI) and, more specifically, generative AI applications (e.g., ChatGPT and others). As the OSC's research shows ([Artificial Intelligence in Capital Markets](#)), while adoption of these technologies in our capital markets remains at an intermediate stage, they have the potential for transformative change. Firms are looking to unlock value from efficiency gains by automating previously manual tasks and developing entirely new products and services. However, AI also has the potential for misuse in deceptive practices and fraud. Globally, regulators, industry and government are examining this technology to promote responsible adoption and assess the need for regulatory change and we are active participants in those discussions.

Changing Investor Needs

The make-up of investors in Ontario is also evolving. By the end of this fiscal year, Ontario's population is expected to reach 16 million people. Net migration will account for 85% of population growth and the share of seniors will soon surpass 20% of all Ontarians.² These changing demographics remain important factors in our research, education and outreach activities that inform our regulatory approach.

We also continue to see evolving investor demands in terms of the information used in their investment decision making. We continue to focus on the information investors receive about their investment products, the sales practices to which they are subject and their ability to make informed decisions about competing products and services.

Institutional and retail investors interest in environmental, social and governance (ESG) investing continues to grow. The OSC remains focused on promoting adoption of standards and increasing the extent of information disclosure in areas such as climate-related disclosure and corporate diversity.

Confidence, Cooperation and Coordination

Expectations of stakeholders on market regulators are heightened in the face of innovation and evolving risks to market integrity and investors. The landscape of risks – both within our regulatory perimeter and on the horizon – is always changing, with challenges including cyber security threats, geopolitical risks and personal data protections.

Trust-building with Ontario investors continues to be a key driver of OSC practices that support our credibility as an innovative, modern, and agile regulator. Effective cooperation and coordination with other agencies and across jurisdictions are key to consistent standards and practices while addressing common challenges. The OSC contributes to and shapes policy discussions among domestic and international counterparts on issues relevant to our regulatory remit.

² <https://www.ontario.ca/page/ontario-demographic-quarterly-highlights-first-quarter>

Strategic Direction

Over the last several years, the OSC has undergone significant change, including the separation of the regulatory and adjudicative functions, as well as several recommendations from the Value for Money Audit by the Ontario Auditor General (2021) and the Ontario Government's Capital Markets Modernization Taskforce (2021). Together, these changes have prompted the need for a new and refreshed strategic plan to ensure that we are well-positioned for the future.

Through consideration of current and potential future trends in capital markets and securities regulation, we are exploring options for our strategic direction, and defining our priorities for the next six years.

To gain a breadth and depth of perspective, we have consulted with key external stakeholders, including market participants, industry organizations, and government bodies. Their valuable input is an essential part of shaping our strategy and ensuring that we stay well-connected and aligned with our industry.

The strategic plan will inform our priorities over the next six years, and we look forward to completing this important work and publishing it in the Spring of 2024. While the strategic plan is not yet finalized, the analysis and critical thinking we have done throughout the strategic planning process has enabled us to establish this proposed SoP with a view to the future. We will continue to integrate strategic initiatives within our detailed business plans and our future Statement of Priorities as appropriate.

Comments provided on this proposed SoP will be an additional input in finalizing the strategic plan.

Core Regulatory Operations

The vast majority of OSC staff resources continue to be committed to its fundamental core regulatory operations, providing stability, transparency, and continuity in the regulation of Ontario's capital markets.

Our core regulatory operations encompass three main categories of activities:

Authorizations (receipting, registration, and recognition)

- Review and receipting of prospectuses in connection with corporate finance and investment funds and structured products public offerings
- Registration of firms and individuals in the categories of dealers, portfolio managers, investment fund managers and commodity categories
- Recognition and exemption of market infrastructure entities
- Exemptive relief applications by a range of market participants including issuers, investment funds, registrants, and market infrastructure entities.

Compliance/Oversight/Supervision

- Compliance reviews of registrants, including pre-registration reviews, topical sweeps and for cause reviews

- Ongoing compliance and oversight related to the implementation of the Client Focused Reforms
- Registrant conduct oversight including denials of registration, the imposition of terms and conditions and suspensions of registrations in appropriate cases and subject to first providing the applicant or registrant with an opportunity to be heard
- Outreach to market participants
- Continuous disclosure review programs for both corporate finance reporting issuers and investment fund issuers
- Ongoing compliance and monitoring of investment funds operational requirements
- Real time review programs to assess disclosures and compliance with applicable requirements for take-over bids and related party transactions, as well as staff participation in contested merger and acquisition (M&A) hearings before the Capital Markets Tribunal when necessary
- Compliance oversight of derivatives dealers and trade repositories
- Compliance reviews of issuer offering documents and registrants participating in the exempt market, including syndicated mortgages
- Designation and oversight of credit rating organizations
- Ongoing monitoring and compliance reviews of periodic filings with the OSC including insider reports on SEDI and reports of exempt distribution
- Activities to support systemic risk management and contribute to financial stability
- Market infrastructure oversight, including recognition, designation, exemption and ongoing oversight of various entities including self-regulatory organizations, exchanges, alternative trading systems, clearing agencies and designated entities that comprise the market infrastructure ecosystem
- Oversight of the listed issuer function for OSC-recognized exchanges
- Oversight of designated benchmarks and benchmark administrators
- Oversight of the Ombudsman for Banking Services and Investments (OBSI) to assess whether it continues to meet expected standards concerning, among other things, governance and transparency obligations.

Enforcement

- Assessment of matters that may constitute a breach of Ontario securities law and referrals for possible investigation and/or disruption activities
- Investigation and prosecution of regulatory enforcement matters, including market abuse matters
- The Quasi-Criminal Serious Offences Team (QSOT), in cooperation with policing partners, continues to focus on fraudulent behaviour and recidivism
- Administration of the Whistleblower program and coordinating international cooperation efforts with other regulators, including developing international disruption methods.

Key Priorities

The Plan sets out the priority initiatives on which the OSC intends to focus its resources and actions in fiscal 2024-2025, above and beyond the core regulatory operations mentioned above.

Many of these priority initiatives are multi-year initiatives continuing from the previous fiscal year. As certain prior year initiatives are completed or move to the implementation phase, they are no longer separately reflected as priority initiatives but are considered part of our core regulatory and operational work. This includes supporting the implementation of the total cost reporting amendments and monitoring the ongoing transition relating to the order-execution-only (OEO) ban and deferred sales charge ban.

All detailed initiatives and activities are included in the detailed business plans of relevant branches.

The following are the key priorities for the proposed SoP:

1. Develop and publish OSC Strategic Plan
2. Advance Work on Environmental, Social, and Governance Disclosures for Reporting Issuers
3. Consider Broader Diversity on Boards and in Executive Roles at Reporting Issuers
4. Assess implementation of Client Focused Reforms and consider impact of limited product shelves
5. Advance Initiatives to Strengthen the Short Selling Framework
6. Study the Limitation of Advice in the Order-Execution Only Channel
7. Advance Cooperation with Indigenous Peoples and Work to Understand and Integrate their Perspectives and Interests
8. Enhance Information Sharing with the Canadian Public Accountability Board
9. Conduct Initiatives for Retail Investors Through Specific Education, Policy, Research and Behavioural Science Activities
10. Strengthen the Dispute Resolution Framework of the Ombudsman for Banking Services and Investments and Modernize OSC's Disgorgement Framework
11. Strengthen Oversight and Enforcement in the Crypto Asset Sector
12. Modernize Delivery Options of Regulatory and Continuous Disclosure Filings for Issuers
13. Facilitate Financial Innovation
14. Further Initiatives that Promote Capital Formation and Foster Competition
15. Execute OSC's Inclusion and Diversity Strategy
16. Integrate Digital and Data Capabilities and Processes to Support Effective Decision Making, Risk Monitoring and Streamlined Operations

Reporting on Progress

The OSC reports on its accomplishments in various ways:

- We publicly report on regulatory operations through quarterly service standards reporting, which shows how we are tracking against our service commitment standards. If a target is not met, we provide an explanation
- Each year the OSC publishes a Report Card, within the OSC's Annual Report, which identifies the status of the key priorities included in the OSC's Statement of Priorities for the recently completed fiscal year, including performance highlights and success measures and highlights key accomplishments and statistics related to our core regulatory work
- Various branches within the OSC produce Summary, or Activity Reports, which are published on the OSC Website.

Current and Future Programs and Activities

1 Develop and Publish OSC Strategic Plan

As described above, our initial analysis undertaken as part of the development of our strategic plan has been considered when developing our proposed SoP. In the next year, we will focus our efforts on activities to launch our strategic plan. To support the launch of our six-year strategic plan we will focus our efforts on foundational and organizational enablers and early activities to ready us for implementation.

Actions in 2024-2025 will include:

- Publish OSC Strategic Plan
- Assess and align core organizational enablers to ensure organizational programs, including a talent strategy, the investment in technology and data analytics, and operating models are designed to support the implementation of the strategic plan
- Develop performance measurement frameworks with relevant KPIs to track progress against strategic goals and outcomes
- Finalize a detailed prioritization framework for strategic initiatives and begin implementing initiatives identified as first phase priorities.

Planned Outcomes:

- The OSC implements its six-year strategic plan and is positioned to deliver against our expanded statutory mandate within the evolving capital market and securities regulation ecosystem.

2 Advance Work on Environmental, Social, and Governance Disclosures for Reporting Issuers

The Spring 2021 Ontario Budget included a commitment for the government to publicly consult on environmental, social and governance (ESG) disclosures, and consider the recommendations of the Ontario Capital Markets Modernization Taskforce. The Taskforce recommended mandating disclosure by public companies of material ESG information, specifically climate-related disclosure that is compliant with the Task Force on Climate-Related Financial Disclosure (TCFD) recommendations. The Taskforce's final report highlighted that, globally and in Ontario, there is increased investor interest in issuers reporting on ESG-related information and creating a uniform standard of disclosure to level the playing field for all issuers.

In October 2021, the CSA published proposed [National Instrument 51-107 Disclosure of Climate-related Matters](#) (NI 51-107) for comment. The proposed instrument would require reporting issuers (other than investment funds) to disclose certain climate-related information in compliance with the TCFD recommendations (subject to certain modifications). Since publication of the CSA's proposed climate-related disclosure rule, important international developments have occurred. In March 2022, the United States Securities and Exchange Commission (SEC) proposed amendments to rules that would require registrants to provide certain climate-related information in their registration statements and annual reports.

In January 2022, the CSA published [CSA Staff Notice 81-334 ESG-Related Investment Fund Disclosure](#) (CSA Staff Notice 81-334) on the disclosure practices of investment funds as they relate to ESG considerations, particularly funds whose investment objectives reference ESG factors and other funds that use ESG strategies. The Notice also provides guidance on the types of investment funds that may market themselves as being focused on ESG. The OSC has also co-led IOSCO's Sustainable Finance Taskforce workstream aimed at promoting good practices among asset managers and ESG ratings and data providers.

On June 26, 2023, the International Sustainability Standards Board (ISSB) published IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures (the ISSB Standards). In addition, the Canadian Sustainability Standards Board (CSSB), which will support the uptake of the ISSB Standards in Canada and facilitate interoperability between the ISSB Standards and any forthcoming CSSB standards, announced achieving operational status on June 26, 2023, having appointed a quorum of members.

As announced on July 5, 2023, the CSA intends to conduct further consultations to adopt disclosure standards based on the ISSB Standards, with any necessary modifications for the Canadian context, and also looks forward to engaging and collaborating with the CSSB with respect to the ISSB Standards. OSC Staff have also been involved in the work of the IOSCO's Sustainable Finance Taskforce, including the Corporate Reporting Workstream, which assessed the ISSB Standards, leading to IOSCO's endorsement of the final ISSB Standards on July 25, 2023.

The OSC is completing a focused review of ESG disclosures by investment funds in accordance with CSA Staff Notice 81-334 and anticipate publishing an updated CSA Staff Notice 81-334 by March 2024.

Actions in 2024-2025 will include:

- Continue development of a revised climate-related disclosure rule for reporting issuers (other than investment funds), based on the ISSB Standards with any modifications considered necessary and appropriate in the Canadian context
- Develop a better understanding of the needs of, and the regulatory impacts on, Indigenous Peoples in relation to the climate-related disclosures initiative through engagement with Indigenous organizations
- Conduct further targeted consultations with stakeholders to support this work
- Continue leadership role on IOSCO's Sustainable Finance Taskforce's steering group, including co-leading the workstream on promoting good practices in the asset management industry and for ESG ratings and data providers.

Planned outcomes:

- Investors have access to the ESG information needed to inform their investment and voting decisions
- Reporting issuers have clarity on their ESG disclosure requirements.

3 Consider Broader Diversity on Boards and in Executive Roles at Reporting Issuers³

The OSC, together with other participating CSA jurisdictions, adopted disclosure requirements in 2014 related to the representation of women on boards and in executive officer positions at TSX-listed companies and other non-venture issuers. The objective of these disclosure requirements is to increase transparency for investors and other stakeholders on the representation of women on boards and in executive officer positions, and the approach that issuers take in respect of such representation. Since that time, there have been significant events in the U.S., Canada and around the world that have intensified the focus on racism, and that includes a heightened focus on the issue of racial diversity on boards and in executive roles.

In May 2020, the CSA announced further research and consultations in consideration of broader diversity on boards and in executive roles, including the representation of people who self-identify as Black, Indigenous, persons of colour, persons with disabilities, or LGBTQ2SI+. Work completed since that time included consultations with a wide range of stakeholders, research on the approaches taken in other jurisdictions, further reviews of the disclosures currently being provided by TSX-listed companies and a virtual OSC roundtable in October 2021 to discuss broader diversity (beyond gender) on boards and in executive officer positions, with a specific focus on targets, term limits and diversity data.

On April 13, 2023, the CSA published a [notice and request for comment](#) which set out proposed amendments to the corporate governance disclosure requirements in Form 58-101F1 *Corporate Governance Disclosure of National Instrument 58-101 Disclosure of Corporate Governance Practices* and changes to the corporate governance guidelines in National Policy 58-201 *Corporate Governance Guidelines* pertaining to board nominations, board renewal and diversity. The proposed amendments would require disclosure on aspects of diversity beyond the representation of women, while retaining the current disclosure requirements with respect to women.

Work completed since the publication of the proposed amendments include further one-on-one consultations with a wide range of stakeholders and a public OSC roundtable held in September 2023 to seek additional stakeholder input. Consistent with the OSC's commitment to broaden its engagement with Indigenous Peoples, the OSC developed a unique Indigenous engagement strategy to obtain feedback from Indigenous organizations in the fall of 2023.

Actions in 2024-2025 will include:

- Consider the feedback received on the proposed amendments (including those through our engagements), and work with the CSA to find an approach that meets the needs of Canadian investors and reporting issuers (other than investment funds)
- Consider approaches taken by other regulators with the goal of minimizing market fragmentation in this area.

³ For Corporate Finance Reporting Issuers only

Planned outcomes:

- Investors have access to the diversity, director nomination and board renewal information needed to inform their investment and voting decisions.

4 Assess implementation of Client Focused Reforms and Consider Impact of Limited Product Shelves

In August 2023, the CSA and CIRO published joint [Staff Notice 31-363 Client Focused Reforms: Review of Registrants' Conflicts of Interest Practices and Additional Guidance](#), a report on its sweep to determine the level of understanding and compliance with the conflict of interest provisions of the Client Focused Reforms (CFRs).

All material conflicts of interest are required to be identified and either avoided completely or their impact mitigated in the best interests of a firm's clients. As we have previously stated, additional measures will be considered if the CFRs are not attaining the desired outcomes for investors. Additionally, we are concerned about what impact predominantly proprietary products shelves may have on client outcomes (e.g., higher fees and inferior performance) and other possible negative outcomes may result if financial institutions offer predominantly proprietary products and independent products are not readily available for investors and their advisors to consider.

Actions in 2024-2025 will include:

- Conduct further investigation, in conjunction with CIRO and the CSA, to consider the shelf formulation approaches taken by registrants and the decisions to rely on predominantly proprietary products
- Conduct additional CFR sweeps, in conjunction with CIRO and the CSA, to determine understanding and compliance with the Know Your Client, suitability and Know Your Product requirements of the CFRs and communicate the outcome to stakeholders.

Planned Outcomes:

- Heightened awareness by firms of their CFR obligations including consequences for identified deficiencies
- Consideration of the need for additional measures to protect the goals of the CFRs and to enhance the competitive landscape for investment products.

5 Advance Initiatives to Strengthen the Short Selling Framework

We have recently completed our review of comments in response to the notice issued by the CSA and CIRO regarding regulation of short selling activity in Canada (Joint CSA/IIROC Staff Notice 23-329 Short Selling in Canada) and published CSA/CIRO Staff Notice 23-332 Summary of Comments and Responses to CSA/IIROC Staff Notice 23-329 Short Selling in Canada on November 16, 2023. CIRO is actively considering ways to strengthen and clarify its requirements to have a reasonable expectation to settle a short sale trade on settlement date. Additionally, Canada today lacks an affirmative investment dealer obligation to buy-in customers who "fail to deliver" securities to their firms or make arrangements to borrow the securities after a

defined period of time. We will continue to consider with CIRO and the CSA initiatives to strengthen the regulation of short selling, including whether mandatory close-out or buy-in requirements to address short sale settlement failures may be appropriate in the Canadian context. Additional accelerated “fail to deliver” reporting will also need to be considered.

Actions in 2024-2025 will include:

- Explore, together with the CSA and CIRO, the introduction of a mandatory buy-in requirement and enhanced fail to deliver reporting in Canada
- Support CIRO, with the CSA, in clarifying and strengthening the obligation to have a reasonable expectation to settle a short sale on the settlement date.

Planned Outcomes:

- Promote fair and efficient markets, and investor confidence that market developments are considered and responses are developed as appropriate
- Investor confidence that the regulatory regime governing short sales continues to be effective and appropriate.

6 Study the Limitation of Advice in the Order-Execution Only Channel

There is an increasing consensus that the present limitations on advice being provided by OEO firms are preventing important information from being provided to do-it-yourself (DIY) investors who are increasingly seeking advice from unregistered channels, including social media platforms. Information that is shared online may be incomplete or misleading, and in some cases may not comply with securities laws. In addition, these limitations may impede the communication of important warnings to investors concerning products or services, including leveraged products, meme stocks, options trading and margin.

Actions in 2024-2025 will include:

- Consider, in conjunction with CIRO, whether OEO firms can provide non-tailored advice to meet the needs of DIY investors while not diluting the value of robust established advice channels so the two are not confused.

Planned Outcomes:

- Investor protection is enhanced through access to quality information from verified sources.

7 Advance Cooperation with Indigenous Peoples and Work to Understand and Integrate their Perspectives and Interests

As part of our phased approach to develop an action plan for truth and reconciliation, the OSC will continue to work collaboratively with Indigenous Peoples and organizations. The OSC will work to understand and integrate their perspectives and interests, as appropriate, in relevant areas of securities regulation and policy work, and improve engagement with Indigenous Peoples and organizations.

Our work on truth and reconciliation is also linked to our broader internal inclusion and diversity priority.

Actions in 2024-2025 will include:

- Develop an OSC action plan for truth and reconciliation
- Integrate learnings to more meaningfully engage with Indigenous Peoples, including as part of its work on the climate-related disclosures and corporate diversity initiatives
- Contribute to the CSA Taskforce on Indigenous Peoples in the Capital Markets.

Planned outcomes:

- Establish and maintain mutually beneficial relationships with Indigenous Peoples and organizations
- OSC better understands the way its regulatory activities impact Indigenous Peoples
- Truth and reconciliation are promoted by the OSC by developing an action plan for truth and reconciliation in collaboration with Indigenous Peoples and organizations in Ontario.

8 Enhance Information Sharing with the Canadian Public Accountability Board

Information sharing between regulatory bodies, such as the Canadian Public Accountability Board (CPAB), helps enable the OSC to effectively oversee market participants, resulting in increased investor confidence. Currently the OSC and CPAB are updating their Memorandum of Understanding (MoU) concerning mutual cooperation and information sharing to identify additional information the two parties will share under existing legislation. The OSC and CPAB are continuing to discuss further opportunities to improve information sharing practices, which could include proposals that would need to be supported by amendments to the Ontario CPAB Act and/or amendments to CPAB's rules.

Actions in 2024-2025 will include:

- Continue discussion on potential improvements in information sharing protocols and, if required, propose amendments to the Ontario CPAB Act and/or CPAB rules to address information sharing restrictions
- Continue consultations with CPAB and CSA staff to finalize enhanced protocols for information sharing
- Develop systems and processes for receiving information from CPAB as part of the enhanced protocols for information sharing.

Planned Outcomes:

- Information sharing practices that improve the quality and timeliness of information sharing between CPAB and the OSC
- Protect investors from the risk of improper financial reporting practices by public companies.

9 Conduct Initiatives for Retail Investors Through Specific Education, Policy, Research and Behavioural Science Activities

Capital markets are evolving and becoming increasingly complex, with new investment opportunities and products continually being introduced. Investors are the lifeblood of our capital markets, and their interests must be top of mind to ensure that appropriate protections are in place, they have the information needed to make informed financial decisions and confidence in the capital markets is maintained. The OSC undertakes a broad range of operational and policy activities for the benefit of investors and to accomplish these outcomes.

In addition, the OSC will continue to identify ways to improve investor education and protection, responding to changing demographic profiles of investors and shifts in investing behaviour. The OSC will also continue expanding its applications of behavioural science to policy making and operations, to improve regulatory effectiveness and produce better investor outcomes. Through the Investor Office Research and Behavioural Insights Team (IORBIT), the OSC will continue applying the methods and techniques of behavioural science to policy and operational activities. The OSC will also continue to support the OSC's independent Investor Advisory Panel in fulfilling its mandate. Collectively, these and other efforts are intended to lead to greater investor protection and confidence in capital markets. A range of initiatives will be completed in support of this priority.

Actions in 2024-2025 will include:

- Continue programs to enhance investor education and financial literacy, including through the recently relaunched website [GetSmarterAboutMoney.ca](https://www.getsmarteraboutmoney.ca) that introduced artificial intelligence, enhanced accessibility, innovative design and behavioural science tools and insights
- Continue implementation and evolution of the [OSC Seniors Strategy](#)
- Conduct and publish timely and responsive investor research
- Pursue policy and regulatory initiatives that are responsive to investor research findings, such as with respect to the influence of gamification and other digital engagement practices.

Planned Outcomes:

- Investors continue to make more informed decisions using of the OSC's financial education resources and channels such as [GetSmarterAboutMoney.ca](https://www.getsmarteraboutmoney.ca)
- Enhance protection of seniors and vulnerable investors
- Improve effectiveness of OSC policies and programs through the application of behavioural science
- More policy projects incorporate behavioural science, improving policy effectiveness and resulting in better investor outcomes and registrant conduct
- Policy initiatives are evidence-based and reflect thoughtful consideration of research findings and investor perspectives

- Better informed investment decisions through continued investor education.

10 Strengthen the Dispute Resolution Framework of the Ombudsman for Banking Services and Investments and Modernize OSC's Disgorgement Framework

Investors can be at risk for potential loss, damage or harm because of an act or omission of a registered firm or individual. The OSC strives to improve investor access to redress in these types of situations, including by strengthening dispute resolution services. A fair, efficient and accessible dispute resolution service is an essential element of an investor protection framework. The OSC, together with our CSA partners, continues to develop a proposal for comment that contemplates providing an independent dispute resolution service, such as OBSI, with the authority to make binding compensation decisions. The proposal is intended to be responsive to reports and consultations that considered the benefits of, and recommended, granting OBSI binding authority, including the independent evaluations of OBSI, the Capital Markets Modernization Taskforce final report, and the International Monetary Fund's Financial Sector Assessment Program review of Canada in 2019.

On November 2, 2023, the Ontario government introduced legislation to provide a new statutory process for the distribution of money received by the OSC under disgorgement orders made under the *Securities Act* and *Commodity Futures Act*. The new process is intended to streamline the OSC's ability to distribute disgorged funds to eligible investors who have suffered direct financial losses in prescribed circumstances. The legislation remains subject to approval of the Ontario Legislature. If approved, it will come into force after the OSC develops and makes rules setting out conditions of eligibility and the details of the distribution process. The legislation and associated OSC rule would implement recommendations of the Ontario Auditor General and the Capital Markets Modernization Taskforce.

Actions in 2024-2025 will include:

- Consider stakeholder feedback in the development of a final framework and proposed legislative amendments to provide an independent dispute resolution service, such as OBSI, with the authority to make binding compensation decisions
- With other members of the Joint Regulators Committee and OBSI, continue to review, discuss and support progress of activities in response to the independent evaluation of OBSI's investment mandate
- Publish a proposed rule for public comment governing the distribution of disgorged amounts collected by the OSC and consider the feedback received on the proposed rule.

Planned Outcomes:

- Better results for retail investors in obtaining redress and dispute resolution, and enhanced oversight of an independent dispute resolution service, such as OBSI, which will foster investor confidence
- Investors do not experience undue pressure to accept offers to settle claims for less than they are entitled to receive
- Retail investors' need for an accessible procedure is balanced with the need for fairness, proportionality, efficiency and finality for all parties to an investment-related dispute

- Closer alignment of dispute resolution services in Canada with the services available to parties in many other comparable international jurisdictions which have implemented a binding ombudservice regime for investment-related disputes
- A more transparent and efficient framework for distributing disgorged funds to harmed investors designed to support better and timelier investor redress
- Enhance retail investor confidence in the capital markets.

11 Strengthen Oversight and Enforcement in the Crypto Asset Sector

The OSC continues to see a number of crypto asset trading platforms with different business models that offer a broad range of crypto assets to their clients in Ontario, including retail investors. Given the considerable risks of investing in this market segment, it is important to continue efforts to bring crypto asset trading platforms into compliance with securities laws. Recent insolvencies involving several crypto asset firms have highlighted the significant investor protection risks of trading crypto assets, particularly where such trading is conducted through unregistered platforms based outside of Canada. Appropriate regulatory oversight is critical for building investor confidence in this market segment.

The OSC continues to work with the CSA and CIRO (previously IIROC), to strengthen its approach to oversight of crypto asset trading platforms and to bring crypto firms engaging in dealer or marketplace activities into compliance with securities laws, as set out in both [Joint Canadian Securities Administrators/Investment Industry Regulatory Organization of Canada Staff Notice 21-329 Guidance for Crypto Asset Trading Platforms: Compliance with Regulatory Requirements](#) published in March 2021, and in [Joint CSA/IIROC Staff Notice 21-330 Guidance for Crypto-Trading Platforms: Requirements relating to Advertising, Marketing and Social Media Use](#) published in September 2021. Further to these Staff Notices, [CSA Staff Notice 21-332 Crypto Asset Trading Platforms: Pre-Registration Undertakings Changes to Enhance Canadian Investor Protection](#) (CSA Staff Notice 21-332) was published in February 2023, notifying firms that wish to continue to operate in Canada, while they seek registration, to file a Pre-Registration Undertaking (PRU) with the CSA. The PRU includes certain provisions including, but not limited to, requirements on custody and segregation of crypto assets held on behalf of Canadian clients; restrictions on offering margin, credit and leverage; restrictions on value-referenced crypto assets and proprietary tokens; and investment limits. In addition, the OSC has commenced compliance reviews of the registered crypto asset trading platforms.

In CSA Staff Notice 21-332, the CSA also reaffirmed its view that value-referenced crypto assets, some of which are commonly referred to as stablecoins, may constitute securities and/or derivatives. [CSA Staff Notice 21-333 Crypto Asset Trading Platforms: Terms and Conditions for Trading Value-Referenced Crypto Assets with Clients](#) was published in October 2023, setting out an interim framework for crypto asset trading platforms to continue trading certain value-referenced crypto assets with Canadian clients, as the CSA continues its work in this area.

In addition, in July 2023, [CSA Notice 81-336 Guidance on Crypto Asset Investment Funds](#) was published to help fund managers understand and comply with securities law requirements for public investment funds holding crypto assets.

Actions in 2024-2025 will include:

- Apply regulatory obligations to crypto firms that provided a PRU, pending completion of the registration or approval process
- Coordinate with CIRO in facilitating crypto firms becoming members
- Continue implementing and refining the program for ongoing oversight of crypto asset trading platforms, including conducting compliance reviews of registered firms
- Identify and address non-compliance with securities laws, including bringing enforcement actions in appropriate cases
- Further develop internal capabilities, including technology tools, and specialized skills in crypto asset trading platform oversight
- When warranted, continue to add crypto firms to investor warning lists
- Propose amendments to codify key operational safeguards when investment funds invest in crypto assets
- Help investors make informed decisions about investing in crypto assets by continuing to provide educational resources across all digital and social media channels, including getsmarteraboutcrypto.ca
- Continue development of a regulatory framework for value-referenced crypto assets.

Planned Outcomes:

- Crypto asset trading platforms operate with appropriate regulatory oversight and enforcement action is taken in appropriate cases
- Reduce misleading information in crypto asset trading platform advertising, marketing and social media
- Achieve an appropriate balance in supporting novel businesses and fostering innovation and competitive capital markets while promoting investor protection
- Increase public awareness of these complex products, platforms, and potential frauds/scams
- Provide a balanced and transparent framework for public investment funds to offer crypto asset exposure.

12 Modernize Delivery Options of Regulatory and Continuous Disclosure Filings for Issuers

Electronic access to documents facilitates more efficient communication with investors, reduces regulatory burden for issuers, and modernizes the way documents are made available for the benefit of investors and issuers.

In April 2022, the CSA published for comment [*CSA Notice Proposed Amendments and Proposed Changes to Implement an Access Equals Delivery Model for Non-Investment Fund Reporting Issuers*](#) to implement an access model for corporate finance issuers in connection with certain prospectuses, annual financial statements, interim financial reports and their related Management Discussion and Analysis. Under the proposed access model, investors retain the ability to receive paper copies of these documents on request or pursuant to standing instructions. To support proper implementation of the proposed access model in Ontario, the *Securities Act* (Ontario) (the Act) was amended in the fall of 2022 to permit a document that is required to be

delivered, forwarded, distributed or sent to a person or company under certain provisions of the Act to be made available in another way instead.

The proposed access model for prospectuses of corporate finance issuers was generally well received by commenters. The CSA is in the process of revising the proposed amendments to reflect certain of the comments received and to improve or clarify drafting. Provided all necessary approvals are obtained, final amendments to implement an access model for prospectuses, generally, are expected to be published by the end of fiscal 2023-2024. In response to stakeholder feedback, the CSA is considering ways to enhance the access model for continuous disclosure documents of corporate finance reporting issuers to address investor protection concerns, including potential negative effects on retail investors, and anticipates publishing for comment a revised access model for continuous disclosure documents by the end of fiscal 2023-2024.

The OSC also published [proposed amendments in September 2022](#) to replace the current investment fund delivery requirements for financial statements and management reports of fund performance, with an access instead of delivery model. The proposed model for investment funds requires investment funds to i) have a designated website for posting filings, ii) issue, file, and post a news release when filings are made, and iii) deliver filing documents to investors upon their request or based on their standing instructions. Fund Facts and ETF Facts will continue to be delivered to investors in accordance with current requirements. The comment period ended in December 2022 and 21 comment letters were received.

Actions in 2024-2025 will include:

- Consider stakeholder feedback in the development of the final amendments to implement an access model for certain continuous disclosure documents of corporate finance reporting issuers
- Consider stakeholder feedback in the development of the proposed access model for investment funds continuous disclosure filings.

Planned Outcomes:

- Alternate delivery models for corporate finance reporting issuers and investment fund issuers that modernize the way certain documents are made available to investors, reduces undue regulatory burden and related costs for issuers, and promotes a more environmentally friendly manner of communicating information, with paper delivery remaining optional.

13 Facilitate Financial Innovation

Innovation offers economic opportunities and choice for investors. The OSC aims to foster innovative and globally competitive capital markets in Ontario that put investors first, help innovative businesses succeed and attract investments from around the world. The OSC will continue to be proactive in responding to ongoing change and evolution in our capital markets through the work of our various branches.

The Office of Economic Growth and Innovation (the Innovation Office) is a dedicated office within the OSC with a mandate to foster innovation and growth in Ontario's capital markets through its businesses support, modernizing regulation, and outreach and engagement initiatives. Through OSC LaunchPad and OSC TestLab, the OSC creates onramps for responsible innovation in our markets. Our modernizing regulation initiatives help us evaluate the impacts of new technology and capital market trends and collaborate with other

regulators to research, adopt and advance leading practices. We use outreach and engagement with the innovation ecosystem to align our initiatives with evolving technology and capital market trends, and the needs of entrepreneurs, innovators, and market participants in Ontario.

Actions in 2024-2025 will include:

- Facilitate testing that supports capital formation for startups and small to medium sized business in Ontario through OSC TestLab
- Conduct research and engage with stakeholders for input into how we can better support innovation and modernize our regulations
- Develop testing theme(s) for future OSC TestLab cohort(s)
- Engage with stakeholders, including entities that can support Ontario's innovation ecosystem such as innovation hubs and accelerators, venture investors, academic institutions, and other regulators.

Planned Outcomes:

- Responsive and timely support for innovative businesses and business models
- Business support and modernizing regulation initiatives aligned with stakeholder priorities
- New relationships and strategic partnerships with key stakeholders in Ontario's innovation ecosystem
- Announce future testing theme for OSC TestLab.

14 Further Initiatives that Promote Capital Formation and Foster Competition

In April 2021, the Ontario government amended the OSC's legislative mandate to include fostering competitive capital markets and capital formation. This expanded mandate provides additional areas of focus for the OSC's operational and policy development activities, as well as our approach to regulatory decisions. In pursuing this expanded mandate, the OSC remains committed to all the components of the OSC's mandate which are assessed in totality to ensure their significance in any decision or recommendation is balanced. This balancing exercise is tailored to the facts and circumstances of each situation as the OSC seeks to act in the best interests of the capital markets in Ontario.

In particular, investor protection and fostering confidence in capital markets remain at the forefront to ensure that high standards of fitness and business conduct are in place and observed.

To demonstrate the OSC's efforts to promote capital formation in our capital markets and fostering competition, we have undertaken various multiyear initiatives, including:

- Creating the Innovation Office, which is dedicated to fostering innovation, supporting economic growth, and reducing regulatory barriers, fees, anti-competitive behaviour, and response times
- In October 2022, the OSC issued [Ontario Instrument 45-507 Self-Certified Investor Prospectus Exemption \(Interim Class Order\)](#) (OI 45-507) for an 18-month pilot ending on April 25, 2024. OI 45-507 provides a time-limited prospectus exemption that allows purchasers in Ontario, who may not meet the financial thresholds or other criteria required to qualify as an accredited investor, to invest in Ontario issuers provided that they meet other criteria intended to demonstrate financial knowledge, investment knowledge or relevant industry-specific experience

- In November 2022, the CSA issued a [consultation paper on Access to Real Time Market Data](#) seeking feedback on the overall feasibility and effectiveness of the proposed options for access to consolidated real-time market data (RTMD). Consolidated RTMD is key for market participants, investors, and their advisors to make informed investment, routing, and execution decisions
- In March 2023, the OSC published OSC Rule 44-502 Extension to Ontario Instrument 44-501 *Certain Prospectus Requirements for Well-known Seasoned Issuers*, which came into force in July 2023. The Rule extends the blanket relief to create a temporary well-known seasoned issuer (WKSII) regime in Canada.
- Introduced the Listed Issuer Financing Exemption (LIFE) prospectus exemption aimed at providing issuers listed on a Canadian stock exchange with a more efficient way to raise capital

Actions 2024-2025 will include:

- Monitor use of OI 45-507 and consider potential rule amendments that introduce a prospectus exemption based on relevant educational and business experience
- Consider need to issue a rule to extend OI 45-507 for an additional interim period
- Finalize recommendations for policy changes, based on the feedback obtained in response to consultation paper on access to RTMD
- Continue to support new entrants, innovation and novel business models
- Consider taking steps to reduce the length of the hold period applicable to securities distributed under the accredited investor exemption by seasoned reporting issuers
- Consider taking steps to allow exempt market dealers to participate as selling group members in prospectus offerings and be sponsors of reverse-takeover transactions, subject to reasonable conditions
- Consider exemptive relief for not-for-profit angel groups in order to support capital raising for startups and address the unique circumstances of angel groups, including a possible blanket order
- Consider and address registration regime and issues in connection with introducers/finders
- Consider consultations for a Long-Term Asset Fund regime similar to the programs found in the United Kingdom and European Union.

Planned Outcomes:

- Enhance access for businesses and financial services providers to Ontario's capital markets
- Enhance access for qualified investors to an enhanced range of investment opportunities
- Streamline regulatory requirements and processes to make it easier to participate in Ontario's capital markets
- Growth in Ontario's capital markets through increased capital formation and competition, which is carried out in a manner that is consistent with all components of our mandate.

15 Execute OSC's Inclusion and Diversity Strategy

The OSC is building and sustaining diversity in our OSC community and ensuring that the employee experience is equitable and inclusive for everyone. Ensuring an employee experience that is diverse, equitable, and inclusive contributes to recruitment, retention, and wellbeing at the OSC. By celebrating and recognizing our

employees' uniqueness and individuality, we foster an inclusive and accountable culture where everyone can contribute while feeling safe and having a sense of belonging.

This priority is also linked to our priority to advance cooperation with Indigenous Peoples and work to integrate their perspectives and interests to develop an action plan for truth and reconciliation. In that regard, the OSC's vision is to build a culturally aware and inclusive workforce that reflects the diversity of Indigenous communities and peoples in Ontario. We will work collaboratively with Ontario Indigenous Peoples and organizations, investors, and market participants to foster a culture of integrity and investor confidence for the benefit of all.

Actions in 2024-2025 will include:

- End-to-end review of talent acquisition process to identify opportunities and relevant areas for Inclusion and Diversity (I&D) process and policy enhancement to create a bias-free selection process to ensure equal opportunity, both in the intermediate term and longer term
- Take actions outlined in the BlackNorth Initiative (BNI) CEO pledge, which include continuing to strengthen the organization's I&D Strategy through data and measurement for all stages of the employee lifecycle and expanding external partnerships for attracting diverse candidates
- Implementing OSC's Inclusion & Diversity Learning Pathway, including cultural awareness training to better understand how to work effectively with Indigenous Peoples and to help build a workplace that actively thinks about inclusion and consciously creates spaces that allows all to feel comfortable, honoured, and valued regardless of their identity.

Planned Outcomes:

- Policies and practices that are equitable and inclusive for all employees, including in the areas of recruitment, talent development, secondment, promotion, code of conduct, and respectful workplace
- A workplace where employees experience inclusion, equality and engagement
- Achieve, measure and expand upon the goals and targets set out in the BNI CEO pledge
- Inclusion and Diversity policies and an OSC culture that reflect the spirit of truth and reconciliation, and greater engagement with and integration of ideas from Indigenous Peoples
- Build a culturally aware and inclusive workforce that reflects the diversity of Indigenous communities and peoples in Ontario
- Contributing to an inclusive workplace through attracting and retaining a diverse workforce.

16 Integrate Digital and Data Capabilities and Processes to Support Effective Decision Making, Risk Monitoring and Streamlined Operations

Ever increasing market complexity is generating greater reliance on data, analytics and digitally streamlined operations. It is important that the OSC has digital and data capabilities to operate in today's digital and data first environment, with a focus on (a) achieving operational efficiencies through modern tools, technologies,

and processes and (b) becoming a data driven regulator through data and analytics capabilities and an uncompromising data and analytics culture.

The OSC is investing in technology and infrastructure to enable the organization with the right digital and data capabilities. These capabilities will significantly improve our operational efficiencies, allowing for better identification of trends and risks to support decision-making, compliance and enforcement activities, systemic risk oversight and policy development.

With modern tools, technologies and a robust data and analytics framework, the OSC is prepared to deliver on our mandate and foster investors' confidence in the capital markets through innovative regulatory practices.

Actions in 2024-2025 will include:

- Continue to enhance and evolve OSC's enterprise data analytics and reporting capabilities to support core regulatory operations and policy work
- Continue to enhance our OTC Derivatives Datamart and analytics to support systemic risk monitoring and various policy objectives
- Continue the roll out of the platform supporting streamlined end-to-end regulatory activities and integrated case management
- Continue the roll out of OSC's external portal, to streamline participant's interaction with the OSC.

Planned Outcomes:

- Access to data that can be easily used for analysis and reporting purposes, supporting the OSC in data driven decision making and identification of emerging risks. Enable data driven policy development and regulatory responses
- Streamlined operations leading to efficient information sharing and increased collaboration between branches and industry stakeholders
- Effective systemic risk oversight supported by timely access and analysis of integrated derivatives OTC trade data to support risk identification and compliance.