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15 February 2010

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**Re: OSC Notice 11-753 (Revised)
Request for Comments Regarding Draft Statement of Priorities
for Fiscal Year Ending 31 March 2011**

http://www.osc.gov.on.ca/en/Publications_statement-priorities_index.htm

I am pleased to provide the following comments on the draft Statement of Priorities for the fiscal year 2010-2011 of the Ontario Securities Commission (OSC).

Background

I have been actively engaged as a retail investor advocate for the past five years, both independently and on behalf of the Small Investor Protection Association (SIPA). During this time, I have made numerous submissions to government and regulatory agencies on investor protection issues. In 2009, I made several submissions on behalf of SIPA in response to amendments proposed by IIROC (Investment Industry Regulatory Organization of Canada) and the MFDA (Mutual Fund Dealers Association) to their dealer complaint handling policies.

I was a member of the OSC's Investor Advisory Committee (2006-07) and participated in consultations held by the Expert Panel on Securities Regulation and, most recently, the Canadian Securities Transition Office. In February 2009, I testified to the Ontario Standing Committee on Government Agencies (SCGA) in connection with their review of the OSC. Retail investor consultation was a main focus of my testimony to this Committee and is also the focus of my present submission.

My comments will include a survey of past statements by the OSC relating to retail investor consultation, including statements that were made in the context of the review of the OSC by the Ontario Standing Committee on Government Agencies.

Retail Investors & the OSC Mandate

Investor protection is a primary element in the two-fold mandate of the Ontario Securities Commission, which is charged to “*Provide protection to investors from unfair, improper and fraudulent practices*”.

Retail investor issues have emerged into prominence at the Commission over the past five years. This followed the well-attended OSC Investor Town Hall in May 2005.

In commenting on the Town Hall in its 2005 Annual Report, the Commission recognized that the attention of investors was focused on several issues at the event, including “*the desire for timely and accessible restitution*” and “*the need for more consultation with investors by the OSC*” (p. 24).

http://www.osc.gov.on.ca/documents/en/About/rpt_2005-osc-en.pdf

Regarding the need for fair and timely redress, the revised complaint handling policies of the self-regulatory organizations (IIROC and the MFDA), which followed the public concerns expressed in May 2005, have only been implemented this month – February 2010 – *almost five years later*. My comments on the history of this policy development process are contained in a recent article in *Investment Executive* (“*New complaint process still flawed*”).

<http://www.investmentexecutive.com/client/en/News/DetailNews.asp?IdPub=191&Id=52377&cat=25&IdSection=25&PageMem=&nbNews=>

This is an unconscionable length of time to implement reforms aimed at strengthening investor protection for a segment of the population acknowledged by Commission staff as “*one of the most vulnerable classes in our society*” – “*the most vulnerable of market participants*” (OSC Vice-Chair Lawrence Ritchie – comments to the Standing Committee on Government Agencies).

There is something seriously wrong with a policy development process that takes this long. Moreover, this occurred in a regulatory environment where the need for improved consultation with investors was also clearly recognized. As indicated above, the two issues arose at the same time in the context of the OSC Investor Town Hall.

Following this event, the OSC has consistently highlighted retail investor issues in its Annual Reports. In 2006, it stated its commitment “*Take actions to better understand and address the needs of the retail investor*” (Goal 2).

The 2006 Report elaborated that “*The OSC’s challenge is to continue to improve our understanding of the needs of investors and seek opportunities for consultation,*” making reference to the Investor Advisory Committee as a key way of addressing this challenge:

To enhance consultations, the OSC established the Investor Advisory Committee (IAC) in November 2005. Its objective is to help address issues affecting investors and ensure that their views are accessible to the Commission” (p. 6).

http://www.osc.gov.on.ca/documents/en/About/rpt_2006-osc-en.pdf

The Investor Advisory Committee, which met from January 2006 to December 2007, was established to provide crucial input to the Commission on retail investor issues. In this context, the IAC commented on existing policies that were then underway such as the Point of Sale initiative as well as investor-related documents being developed by the Commission.

In its 2007 Annual Report, the OSC continued its emphasis on retail investor issues, stating that it would “*Champion investor protection, especially for retail investors*” (Goal 3).

As part of taking steps to achieve this goal, the Commission stated that it was “*Working with investors*”. Under this heading, the Commission detailed that

to better understand and address the needs of investors, particularly retail investors ... Senior OSC staff met five times last year with the Investor Advisory Committee.

Under the heading “*Responding to concerns*” the Commission stated that

The IAC has increased the level of consultation between the OSC and investors in the wake of the 2005 Investor Town Hall (p. 17).

The 2007 Report also acknowledged that

Effective communication with stakeholders is an essential part of the regulatory process and helps the OSC achieve the appropriate balance between protecting investors and fostering fair and efficient markets (p. 18).

http://www.osc.gov.on.ca/documents/en/About/rpt_2007-osc-en.pdf

There is, then, a clear, well-documented recognition by the Commission of the need to improve consultation – as part of its own need to receive information and advice about issues affecting investors and retail investors in particular.

This need for input by the Commission was also expressly acknowledged at the time it established the IAC, which is described in the November 2005 announcement as a mechanism to “*ensure that the views of consumers of financial services are accessible to the Commission.*”

The Committee’s stated mandate was “*to provide advice and guidance on any aspect of the OSC that has an impact on investors. IAC members will help identify and address issues affecting investors.*”

Mr. Wilson provided strong justification for the Committee, declaring that direct investor input is “*critical to the health of Ontario’s capital markets*”:

We believe that direct investor input is critical to the health of Ontario's capital markets and we are looking to the IAC to play a key role in our efforts to address issues of importance to retail investors. <http://www.osc.gov.on.ca/en/1643.htm>

This “critical” advice channel – representing the interests of “the most vulnerable of market participants” – has been closed since December 2007 and has not been reopened or replaced.

In the interim, over the past two years, financial markets and the holdings of retail investors have gone through a period of significant upheaval.

Also, during this time, a number of regulatory policies have been under consideration, which have a direct bearing on retail investor interests. These include the Point of Sale initiative, the SRO’s client-relationship model, and the amendments to their complaint handling policies mentioned above. In the latter case, it took almost five years for the revised policies to be implemented following public complaints heard at the May 2005 Investor Town Hall.

These policies and related issues had been under consideration by the IAC when it was disbanded. Without question, the interests of retail investors would have been better served if there could have been ongoing input on these issues from this Committee or an improved version following the initial two years.

Commenting on policy was one of the rationales for establishing the IAC in the first place, as per Mr. Wilson’s remark “We’re making it a priority to bring retail investors inside the circle of policy development” (17 Jan 2006). With the dissolution of the IAC, commenting on regulatory policy fell to unfunded, under-resourced investor advocates and organizations.

The IAC & Retail Investor Consultation: the Standing Committee on Government Agencies review – 2009

With the IAC having been disbanded, I brought forward a proposal to the Expert Panel on Securities Regulation in July 2008 recommending the establishment of a consumer/retail investor panel based on the model of the UK’s Financial Services Consumer Panel. My submission is posted at the following link:

http://www.expertpanel.ca/documents/submissions/Reeve_ExpertPanelSubmission_15jul08.pdf

Canada is by now 12 years behind the UK and Australia, which have had funded consumer/ investor panels since 1998. In fact, I understand the OSC reviewed the UK’s Financial Services Consumer Panel in 2005, following the Investor Town Hall, in preparation for establishing its own Investor Advisory Committee and in this context interviewed members of the UK panel in London.

Nevertheless, the IAC notably departed from the UK model. This departure is mentioned by then OSC Vice-Chair Susan Wolburgh Jenah in an *Investment Executive* interview in November 2005, “OSC set to give investors a voice”:

Wolburgh Jenah says the FSA consumer panel was not used as a model for the IAC. “It is an advisory committee,” Wolburgh Jenah says of the IAC. “I want to make it very clear this isn’t a committee that has [any] power. We’re not delegating to this committee our responsibility for carrying out our mandate.”

<http://www.investmentexecutive.com/client/en/News/DetailNews.asp?IdPub=122&Id=31150&cat=27&IdSection=27&PageMem=&nbNews=>

In fact, the stated rationale for not following the Consumer Panel model – that this would entail the delegation of responsibility for carrying out the regulatory mandate – is spurious.

The FSA does not delegate to the Consumer Panel its responsibility for carrying out its regulatory mandate.

Nevertheless, the FSA does, in certain important respects, empower the Consumer Panel to function effectively in the interests of the financial services consumer in the UK. The panel is provided with a research budget, its members are compensated for their time, and the panel is provided with a small secretariat. In contrast, the IAC received no funding or resources, not even a research budget.

In December 2007, *Investment Executive* published an article in which I compare the OSC's Investor Advisory Committee with the FSA's Consumer Panel, "*Consultation framework needs makeover*" – an article later reviewed by the Expert Panel on Securities Regulation.

<http://www.investmentexecutive.com/client/en/News/DetailNews.asp?IdPub=156&Id=42235&cat=25&IdSection=25&PageMem=&nbNews=>

In January 2009, the Expert Panel published its report recommending the establishment of an investor advisory panel, noting a clear deficiency regarding this advice channel in the Canadian context:

Our consultation process revealed that investors are not always adequately engaged and consulted in the development of securities regulatory policy. Securities commissions in Canada provide fewer opportunities for investor advocacy and engagement than other key capital markets jurisdictions. This is to the detriment of securities regulation in Canada and diminishes public confidence in regulatory accountability, integrity, and efficiency.

<http://www.expertpanel.ca/eng/reports/final-report/better.html>

The Expert Panel proposed that "*The independent investor panel would work to ensure that securities regulatory policy is developed in a manner that is more mindful of the considerations of investors.*" <http://www.expertpanel.ca/eng/reports/final-report/recommended.html>.

Nevertheless, the need for such a body has been clear to the OSC for several years and the original IAC was developed in view of this need. The OSC's own documents (quoted above) attest to the Commission's recognition of the need for improved consultation with investors.

In view of this, a main focus of my oral and written submissions to the Standing Committee on Government Agencies in 2009 concerned the dissolution of the Investor Advisory Committee in December 2007 without explanation, public comment or a self-study by the members to determine how the Committee could have been improved.

By that point, the OSC had access to an important study by Professor Julia Black of the London School of Economics, “*Involving Consumers in Securities Regulation*,” published as part of the IDA’s Task Force to Modernize Securities Legislation in Canada. This study compared the then-nascent IAC with the UK Consumer Panel as well as the Consumer Advisory Panel of the Australia Securities Commission and made recommendations that could have been used as a basis for improving the IAC.

The formation in April 2008 of the Joint Standing Committee on Retail Investor Issues (JSC) did not in any way replace the IAC – nor did it provide an effective substitute for the direct input the IAC had been providing – not only to the Commission, but also to the SROs and the Ombudsman for Banking Services and Investments (OBSI) whose senior staff attended several Committee meetings.

Retail investor advocates were not invited to provide input to the JSC on agenda items or process. In the past two years only two issues have been considered by the JSC.

In my opinion, retail investor engagement took a decisive step backwards with the dissolution of the IAC in 2007, hence the concerns I raised with the Standing Committee a year ago. What progress has there been since then?

In its current draft Statement of Priorities, the Commission laudably proposes a “*Deepening investor focus*” and admits

We recognize that new ways to effectively gauge and incorporate investor perspectives are necessary to achieve and enhance investor protection.

Nevertheless, no specific initiatives are proposed to achieve this outcome.

Ten months ago, in April 2009, the Commission gave assurance in its Response to Stakeholder Presentations that

We are actively engaged in a rigorous exercise to identify the most effective ways to obtain investor input and to address investor interests.

http://www.osc.gov.on.ca/documents/en/News/sp_20090407_dw_submission-standing-committee.pdf

In contrast, the mere admission in the current draft Statement of Priorities that “*new ways to effectively gauge and incorporate investor perspectives are necessary*” – without a concrete initiative to implement this recognition – is a step back from what was said a year ago.

The OSC assured the Government Agencies standing committee ten months ago – and through this Committee, the Ontario public – that it was *already actively engaged* in consulting with independent third parties to obtain input about the best way to engage investors. This will be clear from passages quoted from the OSC’s testimony below.

In the following testimony from the Government Agencies hearing on 23 February 2009, OSC Vice-Chair Lawrence Ritchie responds to a question from MPP Michael Prue (NDP), stating that consultation with retail investor groups and other third parties is already underway as part of an effort by the OSC to find a better way of getting input: “We’re talking directly to retail investors about how best to engage them”. This was in February 2009, nevertheless, to the best of my knowledge, no such discussions were underway and have not occurred subsequently:

One of the things that we are talking about in the context of the joint standing committee is a more effective or the most effective way to have ongoing input from retail investors. We have not closed the door to opening up a replacement committee for the retail investment community. We are very much aware that the Hockin committee report talked about a consumer panel or an investor panel. I know there has been a lot written about consumer panels. Many of us are quite taken with the idea, and we're exploring whether it can work as an Ontario-only initiative, whether it can work as a securities-only initiative, and, if it's better to get broad-based input from consumers dealing with all financial products, how best to facilitate that. So we're very open. The very issues that you have raised, Mr. Prue, are exactly the issues that we're talking about in the context of the joint standing committee. We have to find a better way of getting some input. So we're open for suggestions. We're talking directly to retail investors about how best to engage them and to find a more permanent mechanism to receive input from that perspective, from the retail investor perspective. We have to find a better way of getting some input. So we're open for suggestions. We're talking directly to retail investors about how best to engage them.

Comment. As above, to the best of my knowledge, there was no direct discussion with retail investor advocates at the time nor has there been since – about how best to engage investors in providing input on regulatory policy development. I have discussed this with several investor advocates, including Stan Buell, president of the Small Investor Protection Association. It appears that no one has been contacted for input on this issue, e.g., by the OSC’s Investor Secretariat.

Mr. Ritchie mentions the Joint Standing Committee (JSC) in the above passage. The members of the JSC include the MFDA and IIROC. In May and June of 2009, I sent correspondence to Mr. Larry Waite, CEO of the MFDA, regarding retail investor engagement in regulatory policy development. In an email to him in early May, I summarized the work done to date on the issue including my Expert Panel submission, *Investment Executive* article “*Consultation framework needs makeover,*” and Julia Black’s 2006 study, “*Involving Consumers in Securities Regulation.*” I offered to prepare a synopsis on alternative approaches to consultation for discussion between MFDA management and investor advocates.

I received no response or acknowledgement to this email nor a followup email in June raising the issue again and commenting that such a paper would have been an opportunity for investor advocates and regulatory staff to consider the policy development process, which is important “*for the achievement of high quality regulatory outcomes*”.

In June 2009, I corresponded with Susan Wolburgh Jenah, CEO of IIROC on behalf of SIPA regarding the current state of the amendments to the IIROC complaint handling policy. In this context, I wrote that

Given the significant investor protection dimension of regulatory policies presently under review, including the SRO complaint handling policies, IIROC's Client Relationship Model, and amendments to related MFDA rules, the OSC, CSA, IIROC, and the MFDA should immediately establish a funded working group of experienced and knowledgeable individuals including retail investor advocates to consider these policies from an investor protection standpoint and monitor further developments. This would be aligned with the recommendation of the Expert Panel that an investor advisory panel needs to be established to "to ensure that securities regulatory policy is developed in a manner that is more mindful of the considerations of investors" (p. 48).

I concluded by questioning whether Ms. Wolburgh Jenah was

willing to acknowledge that we have a problem on two levels – the policy and the process? We are available to assist, but we need to find an effective way to work together if we expect to attain a higher standard of regulatory output.

This memo was copied to IIROC policy staff as well as the IIROC general counsel, VP of public affairs, Mr. David Wilson and others. I received no acknowledgement or response.

On this basis, I would have to say that the alleged interest of the Joint Standing Committee in trying to find a way to best engage retail investors, referenced by Mr. Ritchie in the above comments, is demonstrably *nil*.

At the April 2009 Government Agencies hearing, Mr. Wilson gave assurance:

We're well on the way to developing better channels of communications with investors. For example, we're considering the establishment of an investor secretariat within the OSC.

Comment. The Investor Secretariat was subsequently mentioned in the OSC's 2009 Annual Report. Under this heading the Commission acknowledges that

In order to serve the interests of all investors, especially retail investors, the OSC understands how important it is to solicit and obtain their input and understand their concerns about regulatory matters. The OSC is developing better channels of communications with investors by building on the experience of earlier initiatives related to investor outreach and consultations.
http://www.osc.gov.on.ca/static/_/AnnualReports/2009/inv_pro.html

Nevertheless, it seems that nothing has been done to develop these communication channels. In fact, the OSC's Investor Secretariat webpage (link following and also appended) states that the Commission is still "working to establish an Investor Secretariat" – "The OSC Investor Secretariat is being created to help foster more effective communication..."

http://www.osc.gov.on.ca/en/Investors_secretariat_index.htm

Moreover, the (proposed) Secretariat is lacking in several essential attributes. I concur with the submission of the Foundation for the Advancement of Investor Rights (FAIR), that the Secretariat is deficient in the following respects (p. 3):

- No investor representative(s)
- Lack of transparency
- No resources
- No accountability

Again, like the JSC, the proposed Secretariat (if it is operational) seems to be yet another mechanism for the regulators to discuss retail investor issues internally among themselves. What assurance does the public have that these discussions are even occurring?

At the April hearing, Mr. Ritchie stated that the OSC was in the midst of several related initiatives in response to concerns raised in the preceding stakeholder testimony. One initiative, described as being underway at the time involved

efforts to establish a more effective means through which to receive input from retail investors. We've heard comments from stakeholders on this issue and, in principle, the OSC supports the concept of a funded, independent voice for retail investors. But we also recognize that the UK consumer panel model, which deals at a national level and on all financial matters which are much broader than the OSC's limited jurisdiction, does not fit neatly into our regulatory framework. However, some appropriate structure should and will be found. We're currently in the process of reaching out to third party organizations and universities to assist us with this initiative.

Comment. As above, I am unaware of any contact made by OSC staff regarding the exploration of a funded, independent voice for retail investors or “*some appropriate structure.*” I received no response to my own initiative in raising this issue with the senior management of the two SROs. No one I know of who is active in retail investor advocacy has been contacted by the OSC as part of an effort to find appropriate structure.

Questions about the timing of the OSC initiatives in this regard were raised by two MPPs – Mr. Michael Prue (NDP) and Mr. Lou Rinaldi (Lib).

In response to Mr. Prue’s question about how long it would take to establish such a structure, Mr. Ritchie responded

I would say that we're involved in the process now. We're talking to third parties. We're talking to academics and third party bodies that represent investor interests. We hope to be in a position to make significant progress within a matter of months, as opposed to years.

Comment. Nevertheless, to the best of my knowledge, there were no discussions underway at the time with third party bodies or established investor advocates to determine an appropriate structure for providing input on regulatory policies.

The OSC would have been well aware of my interest in this issue based on my written and oral testimony to the Standing Committee and past membership in the IAC. I have never been contacted by the Investor Secretariat and received no acknowledgement or response from either SRO to my correspondence about this issue.

With regard to the OSC making “*significant progress within a matter of months*” – to the best of my knowledge there has been no progress on this issue nor has input been solicited from investor advocates about operationalizing such a body.

At the April hearing Mr. Wilson commented:

We agree with you [Mr. Prue]. You say that there are people who are not going to go away, who want a voice and want input. Commissioner Ritchie here spent seven or eight minutes of his speaking time this morning describing our appetite for having investor input, both institutional investor and retail investor input, and mechanisms we're developing to make sure we get that input in a constructive way that's well-researched, thoughtful input that can help decide the direction of policy. So there's no objection to your point about making sure we listen to these people who do appear here and talk to this committee. We're more than open and anxious to do that, and we're working on specific things to do it better.

Based on available material at the OSC website and my knowledge of the situation, there appears to have been no progress made on this issue by the Commission nor contact with third parties representing retail investor interests to dialogue about the policy development process.

Meanwhile, as above, regulatory policies have been under development, which directly affect the interests of “*the most vulnerable of market participants*”. Apart from FAIR (which did not comment on the SRO complaint handling policies), the work of monitoring, researching, analyzing, and commenting on these policies has been left to unfunded, under-resourced volunteers. The OSC was well aware of these circumstances a year ago but does not appear to have take steps to operationalize a mechanism to strengthen retail investor engagement.

Mr. Lou Rinaldi (Lib) pursued the issue of implementation in his further comments and Mr. Ritchie responded:

First, I should say at the outset, as I said in my remarks, that we acknowledge that we have to find a better way, a more effective way, an easier way for investors to have input into policy and the things we do at the OSC. As I said earlier, that's one of the things that we're putting a significant amount of resource towards working on.

In the process of policy formulation, one of the major ways to get input is through our public comment period. One of the things that we are trying to do is to facilitate the gathering of the disparate views of retail investors in a sort of funnel so that there can be a way to gather and channel retail investor perspectives to comment directly and specifically on all of our policy initiatives. That really is the core of that third prong and that really is the core of what we're working on, that there can be a facility so that we can encourage the retail investors and

their advocates to comment constructively on policy initiatives. That is certainly one of the ways that we're doing it.

It is very unclear what Mr. Ritchie had in mind here. The public comment process is ineffective and unfair to retail investors who do not have the resources, staff, and funding of industry to make their views and needs known to the regulators. This is one reason why a funded body is necessary – as has long been recognized in the UK and Australia. To the best of my knowledge there was nothing under consideration by the Commission at the time aimed at remedying this deficiency.

Mr. Rinaldi pursues the point: *“Just to follow up on that a little bit, you're in the consultation process and you're looking for input. Can you give us some sense of what's next, or the process, I guess? When are we going to get somewhere?”*

Mr. Ritchie then falls back on the ineffective public notice and comment process, making reference to the gathering of input from retail investors – who are put in the position of having to monitor, research, analyze, and comment on complex regulatory policies – while the industry employs a cadre well-paid financial and legal professionals to ensure their interests are well represented.

Reference was made to the comment process involving the Point of Sale initiative. The following list of comments received in one phase of this initiative illustrates the preceding point: <http://www.osc.gov.on.ca/en/24754.htm>.

Yet, despite the undeniable evidence that this well-funded industry (whose funding derives in part from fees paid by retail investors) has overwhelming resources to ensure its interests are well represented in commenting on regulatory policies, the industry self-regulator IIROC persists in asserting that *“All Interested parties have an equal opportunity to comment on proposed IIROC Rules upon publication of proposals for public comment”*.

Overlooking the challenges faced by retail investors in the comment process *smooths over* their evident disadvantage vis-à-vis industry participants. The use of the term “public” in this context misrepresents the comment process, making it seem as though all have equal access.

The challenges faced by investors are acknowledged in the OSC's written response to the Stakeholder Presentations (7 April 2009), yet the following passage raises further concerns:

We are actively engaged in a rigorous exercise to identify the most effective ways to obtain investor input and to address investor interests. ... As part of this new [Investor] Secretariat, we are also assessing the best way to encourage and facilitate investor input recognizing the challenges investors face in commenting on regulatory proposals.(p. 2)

http://www.osc.gov.on.ca/documents/en/News/sp_20090407_dw_submission-standing-committee.pdf

This was published in April 2009. In the past ten months there has been no solicitation of input by the Commission on this issue. Nor is there any indication at the Investor Secretariat website of the outcome of this “*rigorous exercise*”. This again raises a question about the accountability of the Secretariat – and the OSC more broadly.

Conclusion

The Ontario Securities Commission has made repeated statements over the years that it *recognizes* the need to find an effective way of consulting with retail investors. Further statements to this effect are made in the current draft Statement of Priorities for fiscal 2010-2011:

We recognize that new ways to effectively gauge and incorporate investor perspectives are necessary to achieve and enhance investor protection.

No concrete measures to implement this recognition are proposed.

In February 2009, and again in April, the OSC gave on-the-record assurances to the Standing Committee on Government Agencies that it was actively engaged in talking about consultation with third parties representing retail investor interests. Assurances were given that the Commission was in the process of “*developing better channels of communications*” with investors, and was “*actively engaged in a rigorous exercise to identify the most effective ways to obtain investor input*”.

A year later, the OSC’s draft Statement of Priorities should be building on the outcome of this “*rigorous exercise*.” One would expect to see reference to the further development of the concrete initiatives that emerged from this exercise, aimed at remedying this acknowledged deficiency in the current structure: “*This is to the detriment of securities regulation in Canada and diminishes public confidence in regulatory accountability, integrity, and efficiency*” (Hockin report).

Yet, the draft Statement of Priorities contains only another statement of recognition that “*new ways to effectively gauge and incorporate investor perspectives are necessary*” – without proposing any concrete remedies.

Recommendations

I. The OSC should immediately undertake to hire a consultant from the UK – either a present or former member of the Financial Services Consumer Panel – to assist it in developing an independent, funded investor panel with a retail investor focus. In view of past concerns about the way the IAC was set up, and the ongoing delay in implementing a new communications channel, the OSC should seek advice from someone experienced with the structure and operation of this kind of body.

2. The focus of such a panel should be retail investor issues. There is an existing body representing shareholder rights: the Canadian Coalition for Good Governance – “The Voice of the Shareholder”. The CCGG has over 45 dues-paying members: <http://www.ccg.ca/>. This body already has a representative sitting on the OSC’s Continuous Disclosure Advisory Committee.

3. Like the UK Consumer Panel, the selection process should involve an open competition. As per the suggestion of the Expert Panel report, candidates could include “*investor advocates, journalists, academics, lawyers, and retired civil servants*”. In general, panel members should be able to comment knowledgeably on the kinds of considerations that arise in the context of regulatory policy development involving retail investor issues. For example, candidates should understand and be able to articulate perspectives on matters such as risk, investment suitability, disclosure, conflict of interest, etc. involving a range of investment vehicles and the client-advisor relationship. The panel could also review and comment on OSC documents, which have an investor focus and other practices, which have a bearing on retail investors.

4. Regarding the number of times such a panel should meet per year, this should be worked out with the advice and input of the UK consultant and others as it will reflect the panel’s mandate and the nature and extent of its work.

5. There should be provision for compensation of panel members modeled on the UK consumer panel or other appropriate system. The panel should be provided with a research budget in the event it needs to commission a study or conduct a survey on a matter relating to retail investor interests.

6. It has already been recognized by the Commission that the regulatory environment in Canada differs from that of the UK in that Canadian investment services are often provided by firms regulated by SROs. In view of this, it is important that provision should be made for retail investor consultation to occur as early as possible in the policy development process, hence the need to structure a consultation body, which can also engage with SRO staff and the Ombudsman for Banking Services and Investments (OBSI).

7. The panel should publish an annual report of its activities, although more extensive communications with the public would be desirable.

Sincerely,

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Appended following: OSC Investor Secretariat webpage as of 14 February 2010

Investors

OSC Investor Secretariat

The OSC is working to establish an Investor Secretariat to assist with identifying and addressing issues of interest and concern to investors. The OSC Investor Secretariat is being created to help foster more effective communication of investor concerns and issues to OSC staff so they can be reflected in our priorities and policies.

The OSC Investor Secretariat plans to focus on three areas:

- Internal activities – strengthening internal capability and enhancing sensitivity to investor issues and the impact of initiatives on investors by:
 - specifically focusing on the interests of investors in project selection and mandates, as well as in overall policy development
 - enhancing processes, procedures, programs and decision-making criteria to support an increased focus on investor issues and concerns
 - generally becoming more knowledgeable about investor issues and concerns
- Investor outreach – continuing to support investor education and outreach programs provided by the **Investor Education Fund**
- Investor input – soliciting comments from investors on Commission initiatives

Information on future initiatives and programs of the OSC Investor Secretariat will be posted on this website. You can also read about the latest OSC investor-focused initiatives in **OSC Investor News**.

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