

OSC

ONTARIO
SECURITIES
COMMISSION

Summary Report for Dealers, Advisers and Investment Fund Managers

Compliance
and Registrant
Regulation

OSC Staff Notice 33-751

September 14, 2020



CONTENTS

- 3 - Director's message

- 4 - Introduction

- 8 - Outreach

- 15 - Information for dealers, advisers and investment fund managers

- 47 - Initiatives impacting registrants

- 64 - Acting on registrant misconduct

- 72 - Staff directory

Director's message



We are pleased to continue our important outreach to you through this year's Summary Report for Dealers, Advisers and Investment Fund Managers (**Summary Report**). It provides an overview of our work during the 2019-2020 fiscal year.

As a result of the COVID-19 pandemic, and in order to protect the safety of our employees and the public, staff of the Compliance and Registrant Regulation Branch (**CRR**) and from across the Ontario Securities Commission (**OSC**, the **Commission**) have been working from home since mid-March. Just like the rest of the financial industry, we have adjusted to new ways of doing our work. Our compliance reviews are being conducted remotely through telephone or video conferencing and documents are being sent to us through our secure file transfer system. The Registration Team continues to process all registration applications and filings, albeit with delays in some instances, and the Registrant Conduct Team has transitioned to telephone and video conferencing for its work.

We appreciate that there may be ongoing challenges during this difficult time. We will continue to be flexible in our oversight of registered firms and individuals (collectively, **registrants**) compliance with their important regulatory obligations. Information on regulatory relief measures to assist registrants in response to the effects of the pandemic, can be found on the [OSC COVID-19 Update](#) webpage.

In addition to our operational work this year, we made significant progress on the CRR-specific Regulatory Burden Reduction initiatives. Section 3.1 of this Summary Report provides an update on our progress to date. Reducing regulatory burden is a continued priority for the OSC and we are doing our part to support this initiative.

Our Registrant Outreach program remains a priority. We engaged with our Registrant Advisory Committee and other stakeholders during the initial stages of the pandemic to gain an understanding of how registrants were managing as they transitioned to work from home. While in-person sessions have been postponed for the foreseeable future, we are offering educational webinars. Upcoming sessions are posted in the calendar of events on the OSC website. The Topical Guide for Registrants and a listing of Director's Decisions remains fully operational and available on our Registrant Outreach webpage.

One other change to highlight at the OSC is the establishment of the Office of Economic Growth and Innovation (**OEGI**). This new office includes the OSC LaunchPad team which has moved from CRR. This is the last year OSC LaunchPad information will be included in this Summary Report. CRR will continue to work very closely with the OEGI to foster innovation and economic growth for registrants.

Looking forward to the 2020-2021 fiscal year, we anticipate our compliance review activity will prioritize the following:

- COVID-19 impact on registrants
- complaint handling processes
- marketing practices, including environmental, social and governance (**ESG**) offerings
- suitability assessments, including concentration
- review of some firms to confirm their level of operational activities.

Finally, we have provided our team structure and staff directory again this year. If you have a question, comment, or would like to discuss regulatory matters, please feel free to reach out to us. As always, we look forward to engaging with our registrants.

Debra Foubert
Director, Compliance and
Registrant Regulation



Introduction

Who we are

The CRR Branch of the OSC is responsible for the registration and ongoing regulation of firms and individuals who are in the business of trading in, or advising on, securities or commodity futures and firms that manage investment funds in Ontario. The OSC’s mandate is to:

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



CRR’s activities are integral to the OSC’s vision of being an effective and responsive securities regulator, fostering a culture of integrity and compliance and instilling investor confidence in the capital markets.

The purpose of this report

This Summary Report prepared by staff of the CRR Branch is designed to assist registrants with information on the following:



- **Education and outreach**

Part 1 of this report provides links and information to the registration and ongoing educational resources and outreach opportunities available to current and prospective registrants.



- **Regulatory oversight activities and guidance**

Part 2 of this report can be used by registrants as a self-assessment tool to strengthen compliance with Ontario securities law and, as appropriate, to make changes to enhance their systems of compliance, internal controls and supervision.



- **Impact of upcoming initiatives**

Part 3 of this report provides insights into some of the new and proposed rules and other regulatory initiatives that may impact a registrant’s operations.



- **Registrant conduct activities**

Part 4 of this report is intended to enhance a registrant’s understanding of our expectations and our interpretation of regulatory requirements. This section also provides insight into the types of regulatory actions the CRR Branch may take to address non-compliance.

Organizational structure

The following page sets out the organizational structure of the CRR Branch. We encourage registrants to reach out to staff with any inquiries they may have. Contact information for directors, managers and staff within the branch can also be found in the [staff directory](#) presented at the end of this report.



DEBRA FOUBERT
DIRECTOR

416-593-8101



FELICIA TEDESCO
DEPUTY DIRECTOR
OPERATIONS

416-593-8273



ELIZABETH KING
DEPUTY DIRECTOR
REGISTRANT CONDUCT

416-204-8951



ELIZABETH TOPP
MANAGER
PORTFOLIO MANAGER
TEAM

416-593-2377



MICHAEL DENYSZYN
MANAGER
REGISTRANT CONDUCT

416-595-8775



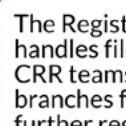
LOUISE BRINKMANN
MANAGER
DATA STRATEGY & RISK

416-596-4263



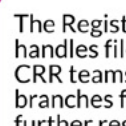
VERA NUNES
MANAGER
INVESTMENT FUND
MANAGER TEAM

416-593-2311



DENA STAIKOS
MANAGER
DEALER TEAM

416-593-8058



JEFF SCANLON
MANAGER
REGISTRATION

416-597-7239

The Operations Unit is comprised of three teams of lawyers and accountants and is responsible for conducting compliance field reviews, reviewing applications for exemptive relief and working on policy initiatives.

The members of this unit also act as subject matter experts in support of registration files.

If you have compliance questions, please contact the managers, based on your registration category, as follows:

- Portfolio Managers
- Elizabeth
- Investment Fund Managers
- Vera
- Exempt Market or Scholarship Plan Dealers
- Dena

The Registrant Conduct Team handles files referred from other CRR teams and other OSC branches for matters that require further regulatory action to remediate registrant misconduct.

Registrant misconduct may be addressed by applying terms and conditions to registration, suspension of registration, or being referred to the Enforcement branch.

This team is also responsible for working on policy initiatives.

If you have conduct matter questions, please contact Mike.

The Registration Team focuses on the initial registration of firms and individuals, subsequent changes to registration, including the surrender of registration, and ongoing maintenance of registration information.

This team is also responsible for processing registration-related applications for exemptive relief and working on registration-related policy initiatives.

If you have registration-related questions, please contact Jeff.

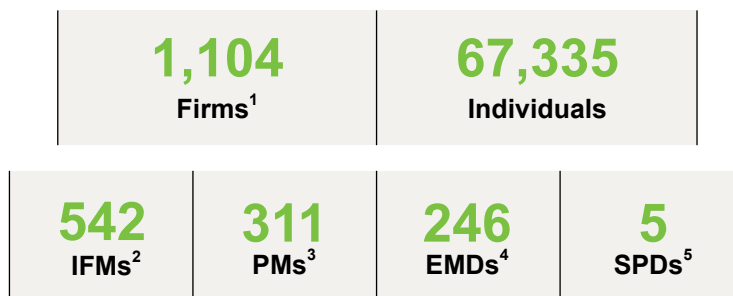
The Data Strategy & Risk Team is responsible for:

- supporting the branch's data requirements and conducting data analytics
- leading the business planning and financial reporting processes
- performing financial analysis of registrants' interim and annual financial statements and capital calculations
- leading the Capital Markets Participation Fee process and overseeing all fee matters
- working on policy initiatives
- maintaining CRR's risk register and conducting risk analysis
- coordinating all branch reporting.

If you have questions about CRR's data, reporting, fees or risk operations, please contact Louise.

Who this report is relevant to

This Summary Report provides information for registrants that are directly regulated by the OSC. These registrants primarily include investment fund managers (**IFMs**), portfolio managers (**PMs**), exempt market dealers (**EMDs**) and scholarship plan dealers (**SPDs**). At present, registrants overseen by the OSC include:



In general, firms must register with the OSC if they conduct any of the following activities in Ontario:

- are in the business of trading in, or advising on, securities (this is referred to as the “business trigger” for registration),
- act as an underwriter or as an IFM, or
- conduct trading and advising activities involving commodity futures contracts or commodity futures options.

Individuals must register if they trade, advise or underwrite on behalf of a registered dealer or adviser, or act as the Ultimate Designated Person (**UDP**) or Chief Compliance Officer (**CCO**) of a registered firm.

There are seven dealer and adviser categories for firms trading in or advising on securities, or acting as an underwriter, as applicable:

- EMD
- SPD
- restricted dealer
- PM
- restricted portfolio manager
- investment dealer (**ID**), who must be members of the Investment Industry Regulatory Organization of Canada (**IIROC**)
- mutual fund dealer (**MFD**), who must, except in Quebec, be members of the Mutual Fund Dealers Association of Canada (**MFDA**).

There are four dealer and adviser categories for firms trading in or advising on commodity futures:

- commodity trading adviser
- commodity trading counsel
- commodity trading manager
- futures commission merchant.

There is a separate category for firms that direct the business, operations, or affairs of investment funds:

- IFM.

¹ This number excludes firms registered solely in the category of: MFD, ID, commodity trading adviser, commodity trading counsel, commodity trading manager, futures commission merchant, restricted portfolio manager or restricted dealer.

² This number includes firms registered as sole IFMs and IFMs also registered in other registration categories (with the exception of SPD).

³ This number includes firms registered as sole PMs and PMs also registered in other registration categories (with the exception of IFM).

⁴ This number includes firms registered as sole EMDs and EMDs also registered in other registration categories (with the exception of IFM or PM).

⁵ This number includes firms registered as sole SPDs and SPDs also registered in other registration categories.

Although firms registered in the category of MFD or ID, and their registered individuals, are directly overseen by the self-regulatory organizations (**SROs**) (the MFDA and IIROC), the OSC approves the registration of:

- firms in the category of MFD
- individuals sponsored by a MFD
- firms in the category of ID.

While this report focuses primarily on registered firms and individuals directly overseen by the OSC, firms directly overseen by the SROs are encouraged to review Part 2 and Part 4 of the Summary Report as certain information is applicable to them as well.

Applications for firm registration are reviewed by CRR staff; but we remind firms seeking registration in the category of ID, MFD or futures commission merchant to also apply separately for membership with the relevant SRO.

Service standards

The CRR Branch is committed to accountability and transparency and to ensuring services are delivered in the most efficient and effective ways possible. For information about CRR's service standards and timelines, refer to the [OSC Service Commitment](#) webpage.

Part 1

OUTREACH

1.1 Outreach program and resources

1.2 Registration

1.3 OSC LaunchPad

1.4 Branch advisory committees

1.1 Outreach program and resources

Registrant Outreach since inception

66

In-person and webinar seminars held

6,080

Web replays viewed

13,350

Individuals that have attended outreach seminars

>12,000

Topical Guide for Registrants - page views annually

We continue to interact with our stakeholders through our Registrant Outreach program, which was launched in 2013. The objectives of our Registrant Outreach program are to strengthen communication with Ontario registrants that we directly regulate and with other industry participants (such as lawyers and compliance consultants), to promote strong compliance practices and to enhance investor protection.

Interested in attending an upcoming Registrant Outreach seminar?

Click [here](#) for our calendar of upcoming events.

Looking for information about regulation matters?

Take a look at our [Registrant Outreach](#) webpage or our [Topical Guide for Registrants](#) for help with key compliance issues and policy initiatives.

Want to be informed about newly released guidance?

Register to receive our e-mail blasts [here](#).

Looking for a listing of recent e-mail blasts and links to each?

Refer to the [OSC Compliance Reports, Staff Notices & E-mail blasts](#) webpage.

Interested in reading previously published Director's Decisions?

Refer to the [Director's Decisions](#) webpage.

If you have questions related to the Registrant Outreach program or have suggestions for seminar topics, please send an e-mail to RegistrantOutreach@osc.gov.on.ca.

1.2 Registration

Registration Outreach Roadshow

The Registration Team completed another successful round of the Registration Outreach Roadshow (the **Roadshow**) that began in the fall of 2019. As in previous years, the Roadshow was made available to participating firms as a means for the OSC to build working relationships with the registration staff of the firms we have the most interaction with.

The Roadshow is an initiative that was first introduced in 2016. The Roadshow allows us to get to know each other, share registration challenges and experiences, and provides the OSC an opportunity to impart useful information about trends, expectations and tips.

The seven firms that participated in the Roadshow this year were positive about the experience. They appreciated the opportunity to have informal sessions with the regulator to clarify what is required of them, discuss trends, and discuss how best to couple registration processes with business requirements.

We introduced several new elements to the Roadshow this year, including:

- **Scorecards:** Participating firms were provided an individualized summary scorecard setting out various registration-related metrics, which allowed for a data-driven discussion about trends and best practices.
- **Registration-conduct continuum process chart:** We provided a [process chart](#) that describes, in detail, how and when a file transitions from the Registration Team to the Registrant Conduct Team.
- **Post-meeting surveys:** We introduced a short five question post-meeting survey for participating firms to share their feedback and offer suggestions for future Roadshows.

We continue to see the significant value of the Roadshow and gained valuable feedback from our survey to the firms, which will be taken into consideration for future Roadshows.

1.3 OSC LaunchPad

Modernizing regulation to support fintech innovation

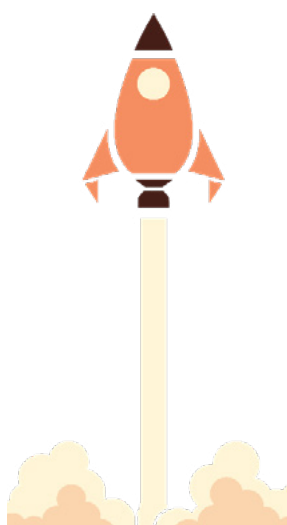
OSC LaunchPad seeks to support the development of innovative financial business models by deepening engagement with these businesses and creating flexible, timely and proportionate regulatory approaches. As of April 6, 2020, OSC LaunchPad is part of the newly created OEGI. The OEGI will support innovation leading to economic growth in the capital markets; and support the OSC in fulfilling its mandate on Burden Reduction, Outreach and Engagement, and OSC LaunchPad.

OSC LaunchPad is comprised of a [core team](#) and an extended team with members from the various branches at the OSC. Drawing on the expertise across the OSC, we bring together specialized working groups to respond quickly to emerging developments. The work of the OSC LaunchPad team focuses on three main areas:

Engaging with the fintech community	Providing direct support to eligible fintech businesses in navigating regulatory requirements	Taking learnings and applying them to similar businesses going forward
-------------------------------------	---	--

OSC LaunchPad's Direct Support Process

Our direct support process provides an opportunity for firms to discuss their business and proposed approaches as well as raise questions. We are interested in hearing from businesses that meet the following criteria:



- ✓ You are a fintech business that has not yet started operations or is in the process of applying to the OSC for registration or exemptive relief.
- ✓ You have a new innovation or significantly different product, service or application from those currently available.
- ✓ Your innovation will likely provide identifiable benefits to investors.
- ✓ You understand the necessity of investor protections and will invest time and energy in understanding and addressing them.
- ✓ You acknowledge the application of securities laws and have considered how it applies to your business.

For more information on [how to apply for direct support](#), please visit the OSC LaunchPad's webpage.



Key accomplishments of OSC LaunchPad to date

554

Meetings held with fintech businesses and stakeholders

276

Requests for support received and direct support provided to fintech businesses

168

Events that OSC LaunchPad has participated in or hosted

31

Collaborative reviews with the [CSA Regulatory Sandbox](#) of novel businesses that want to operate across Canada

Emerging trends

The industry focus has continued to be on crypto-asset related businesses, including crypto-asset investment funds, initial coin/token offerings, stablecoins and crypto-asset trading platforms.

In respect of crypto-asset trading platforms, we have provided direct support to businesses seeking additional guidance in this area and have continued to work with stakeholders in developing an appropriate framework for this novel business.

Other emerging industry trends include cross-border testing of financial products and services (e.g., the Global Financial Innovation Network cross-border trials), RegTech services (technology-facilitated regulatory compliance services), SupTech services (technology-facilitated regulatory supervision services), artificial intelligence, machine learning and open data.

For a complete list of [novel product offerings and services](#) that we have supported, please visit the OSC LaunchPad webpage.

Publications and resources

In January 2020, we published [CSA Staff Notice 21-327 Guidance on the Application of Securities Legislation to Entities Facilitating the Trading of Crypto Assets](#), which provides guidance on when securities legislation applies to entities facilitating transactions relating to crypto assets. The staff notice highlights situations where securities legislation does not apply and situations where it does.

In March 2019, we published [Joint CSA/IIROC Consultation Paper 21-402 Proposed Framework for Crypto-Asset Trading Platforms](#). We received varied responses from the fintech community, market participants, investors and other stakeholders. We are using the feedback provided and working with the Canadian Securities Administrators (**CSA**) and IIROC to develop a regulatory approach for crypto-asset trading platforms that provides regulatory clarity, supports innovation and addresses risks to investors.

While innovation can offer great investment opportunities, it also comes with risks. OSC LaunchPad continues to support the Investor Office in the publication of fintech-related [guidance and research](#) that can assist Canadians in making informed decisions. For a complete list of [publications and resources](#), please visit the OSC LaunchPad webpage.

OSC LaunchPad Survey

OSC LaunchPad sponsored two students from the Master of Financial Risk Management program at the University of Toronto's Rotman School of Management for a nine-week project that started November 24, 2019. A survey was issued in December 2019 to solicit feedback from industry on the regulatory and capital raising challenges faced by innovative businesses at various stages of development. We received over 70 survey responses from industry participants and are currently reviewing findings to inform our future work.

Co-operation with International Regulators

The OSC continues to play an active role in the [Global Financial Innovation Network \(GFIN\)](#). GFIN is a global network of financial regulators and organizations aiming to provide a more efficient way for innovative firms to interact with regulators. We participated in the first round GFIN cross-border testing pilot that allowed innovative firms to simultaneously trial and scale new technologies in multiple jurisdictions. On January 16, 2020, GFIN published [Cross Border Testing: Lessons Learned](#), summarizing the lessons learned from the cross-border testing pilot.

In December 2019, the OSC with other CSA members entered into a co-operation agreement with the Monetary Authority of Singapore that will enable innovative fintech businesses in Canada and Singapore to seek support from their regulators as they look to operate in the other's market.

More information about OSC LaunchPad's [international regulatory partnerships](#), including how to participate in future GFIN cross-border trials, can be found on the OSC LaunchPad webpage.

1.4 Branch advisory committees

The CRR Branch consults with its advisory committees to advise staff on matters related to a range of projects, policy initiatives and emerging trends and issues. CRR seeks applicants for its advisory committees in a news release approximately one to two months prior to the start of the next term.

Registrant Advisory Committee

Established in January 2013, the [Registrant Advisory Committee \(RAC\)](#) is in its fourth term. It is comprised of 11 external members and is chaired by the Director of CRR, Debra Foubert. The RAC meets quarterly, with members serving a minimum two-year term. We will be seeking new members for the RAC later this year.

The RAC's objectives include:

- advising on issues and challenges faced by registrants in interpreting and complying with Ontario securities law, including matters related to registration and compliance
- providing feedback on the development and implementation of policy and rule-making initiatives that promote investor protection, fair and efficient capital markets, and contribute to the stability of the financial system.

Topics of discussion over the past fiscal year included:

- various discussions on CRR's initiatives related to the OSC's Regulatory Burden initiative
- Client Focused Reforms
- approaches to ESG investing.

Fintech Advisory Committee

Established in 2017, the [Fintech Advisory Committee \(FAC\)](#) is comprised of 15 external members and is chaired by the Director of the OEGI, Pat Chaukos. The current FAC includes key players from a broad spectrum of the fintech community, ranging from start-ups, auditors, lawyers and representatives from regulated entities and industry organizations. The FAC meets quarterly, with members serving a minimum one-year term.

The objective of the FAC is to advise OSC staff on developments in the fintech space as well as the unique challenges encountered by innovative businesses in the securities industry.

Topics of discussion over the past fiscal year included:

- regulatory and capital raising challenges in Ontario
- crypto-asset trading platforms and custody of client assets
- resale of coins/tokens
- regulatory technology applications (RegTech)
- artificial intelligence in financial services.

Part 2

INFORMATION FOR DEALERS, ADVISERS AND INVESTMENT FUND MANAGERS

2.1 Annual highlights

2.2 Registration and compliance deficiencies

How to navigate Part 2 of the Summary Report

Part 2 of the Summary Report provides an overview of the key findings and outcomes from compliance reviews conducted during the 2019-2020 fiscal year.

The highlights in section 2.1 provide readers with a direct link between the key compliance reviews conducted, the guidance issued as a result of our findings and a list of the registration categories that the guidance applies to. Section 2.2 discusses key or novel issues, suggests best practices and specifies applicable legislation and relevant guidance to assist firms in addressing each of the topic areas. For ease of reference, registration categories are listed beside each deficiency heading to indicate that the information is relevant to firms registered in those categories.

We encourage registrants to review all the information set out in Part 2 of this report as the guidance presented may be helpful to registration categories other than those listed.

2.1

Annual highlights

- a) Suitability sweep**
- b) High-impact firms**
- c) High-risk firms**
- d) High-risk firms identified through “Registration as the First Compliance Review” program**
- e) Reliance on international exemptions**
- f) Firms with financial statement losses**
- g) IFMs that are SRO members**
- h) IFMs that completed acquisitions**

WHAT WE DID

REFERENCE

REGISTRANTS

a) SUITABILITY SWEEP

Know-your-client (**KYC**) and suitability obligations are among the most fundamental obligations owed by registrants to their clients and are the cornerstone of the investor protection regime. As part of our compliance reviews, we continue to assess registrants' compliance with these important regulatory requirements. In 2019, we conducted a sweep (the **suitability sweep**) of 44 firms registered as PMs and/or EMDs focusing on their KYC and suitability obligations.

The purpose of the suitability sweep was to:

- review and assess compliance with KYC and suitability obligations
- gather data on industry practices to inform us on how firms are complying with their KYC and suitability obligations
- assess the use and understanding of prospectus exemptions by registrants
- gather information to assess the need for further registrant outreach and what it could entail
- understand current practices to inform the ongoing Client Focused Reforms implementation efforts.

- [section 2.2.4 \(page 34-37\)](#)

✓ PM

✓ EMD

✓ SPD

b) HIGH-IMPACT FIRMS

As part of our risk-based approach to selecting firms for review, we include firms that, given the size of their assets under management (**AUM**), could have a significant impact on the capital markets if there were a breakdown in their compliance structure or key operations (**high-impact firms**).

In 2020, we commenced compliance reviews of six high-impact firms with a combined AUM of approximately \$1.062 trillion as at December 31, 2019.

This year we revised our approach to reviewing high-impact firms as part of our continued efforts to assess the most effective way to oversee our registrant population. Specifically, our reviews focused on assessing each firm's ability to identify and effectively manage its regulatory and compliance risks by reviewing the firm's:

- governance structure
- risk framework, including the risk identification and risk management process
- identified compliance issues during the review period, including how any non-compliance was remediated and what steps were put in place to prevent reoccurrence.

- [section 2.2.2 \(page 28-30\)](#)

✓ IFM

✓ PM

WHAT WE DID

REFERENCE

REGISTRANTS

c) HIGH-RISK FIRMS

In 2019, we continued the compliance reviews of firms that were risk-ranked as high based on information collected from the 2018 risk assessment questionnaire (the **RAQ**).

The information collected from the 2018 RAQ was analyzed using a risk assessment model. The analysis results in each firm's response being risk-ranked and assigned a risk score. A firm may be risk-ranked as high based on a variety of factors, including: the broad nature of the firm's business activities, a large amount of client AUM, the size of the firm, and the number of clients and/or the type of clients serviced by the firm.

Reviews of 30 firms were completed and as a result of our review findings, further regulatory action to remediate identified deficiencies was taken against two firms.

- [section 2.2.1 \(page 25\)](#) ✓ IFM
- [section 2.2.2 \(page 28-30\)](#) ✓ PM
- [section 2.2.3 \(page 31-33\)](#) ✓ EMD
- [section 2.2.4 \(page 34-38\)](#) ✓ SPD
- [section 2.2.5 \(page 39-44\)](#)
- [section 2.2.6 \(page 45\)](#)

d) HIGH-RISK FIRMS FIRST IDENTIFIED THROUGH "REGISTRATION AS THE FIRST COMPLIANCE REVIEW" PROGRAM

As part of our "Registration as the First Compliance Review" program, certain firms may be categorized as high-risk firms. Through the program, we gather information on the firms' proposed business operations, compliance systems and proficiency of the firms' individuals. As a result, targeted reviews of these firms may be scheduled to occur after 12 months of the firm commencing operations.

During the year, we conducted targeted compliance reviews of seven firms to assess their compliance with Ontario securities law.

For more information on the "Registration as the First Compliance Review" program, please refer to section 3.1 a) of OSC Staff Notice 33-745 *2014 Annual Summary Report for Dealers, Advisers and Investment Fund Managers (OSC Staff Notice 33-745)*.

- [section 2.2.4 \(page 34-37\)](#) ✓ IFM
- [section 2.2.5 \(page 39-41\)](#) ✓ PM
- [OSC Staff Notice 33-745](#) ✓ EMD
- [OSC Staff Notice 33-745](#) ✓ SPD

WHAT WE DID

REFERENCE

REGISTRANTS

e) RELIANCE ON INTERNATIONAL EXEMPTIONS

We conducted a desk review (the **international exemptions review**) of foreign firms relying on certain exemptions from the registration requirement found in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations (NI 31-103)*.

Specifically, the international exemptions review focused on firms relying on the following exemptions from the registration requirement (collectively, the **international exemptions**):

- international dealer - section 8.18 of NI 31-103
- international adviser - section 8.26 of NI 31-103
- non-resident investment fund manager - section 4 of Multilateral Instrument 32-102 *Registration Exemptions for Non-Resident Investment Fund Managers (MI 32-102)*.

The purpose of the desk review was to gain a better understanding of the firms' reliance on the international exemptions and to confirm that all of the conditions associated with a particular international exemption were being satisfied.

We selected 60 firms based in the United States to participate in the international exemptions review (20 firms in each of the IFM, PM and EMD registration categories). The firms selected in our sample were sent a short questionnaire along with a request to provide details of their Canadian activity for the review period.

- [section 2.2.1 \(page 26-27\)](#)

✓ IFM
✓ PM
✓ EMD

f) FIRMS WITH FINANCIAL STATEMENT LOSSES

We conducted a desk review of 60 firms that reported financial losses on their 2017 and 2018 annual audited financial statements.

The purpose of these reviews was to:

- obtain an understanding of the factors contributing to the firms' financial losses
- determine how the firms were addressing those factors
- assess the impact the continued losses had on the firms' ability to meet their solvency requirements for ongoing registration.

✓ IFM
✓ PM
✓ EMD
✓ SPD

WHAT WE DID

REFERENCE

REGISTRANTS

g) IFMs THAT ARE SRO MEMBERS

We conducted compliance reviews of IFMs that are also registered as members of an SRO (either the MFDA or IIROC) in the category of MFD or ID.

The purpose of these reviews was to assess the adequacy of the firms' compliance systems with respect to the firms' IFM-related business activities.

A sample of seven firms was selected for review.

- [section 2.2.3 \(page 31\)](#)

 IFM

h) IFMs THAT COMPLETED ACQUISITIONS

In 2019, we conducted compliance reviews of IFMs that had recently either acquired, or purchased the assets of, another IFM.

The purpose of these reviews was to understand how the acquiring firm had integrated the acquired firm or acquired assets into its existing business.

For IFMs that acquired another IFM, we focused our reviews on:

- how the two firms integrated their staff, technology, internal controls and processes to perform day-to-day operations
- identifying any post-acquisition issues that may have occurred as a result of the integration, and if any, how they were addressed.

For IFMs that acquired assets (specifically fund management contracts) of another IFM, we focused on how management of the funds was transitioned over to the new IFM. Areas reviewed included:

- changes in service providers for the acquired funds
- tailoring of procedures and controls to include the acquired funds
- changes in branding of the acquired funds
- identifying any post-acquisition issues that may have occurred as a result of the integration, and if any, how they were addressed.

- [section 2.2.3 \(page 29-30\)](#)

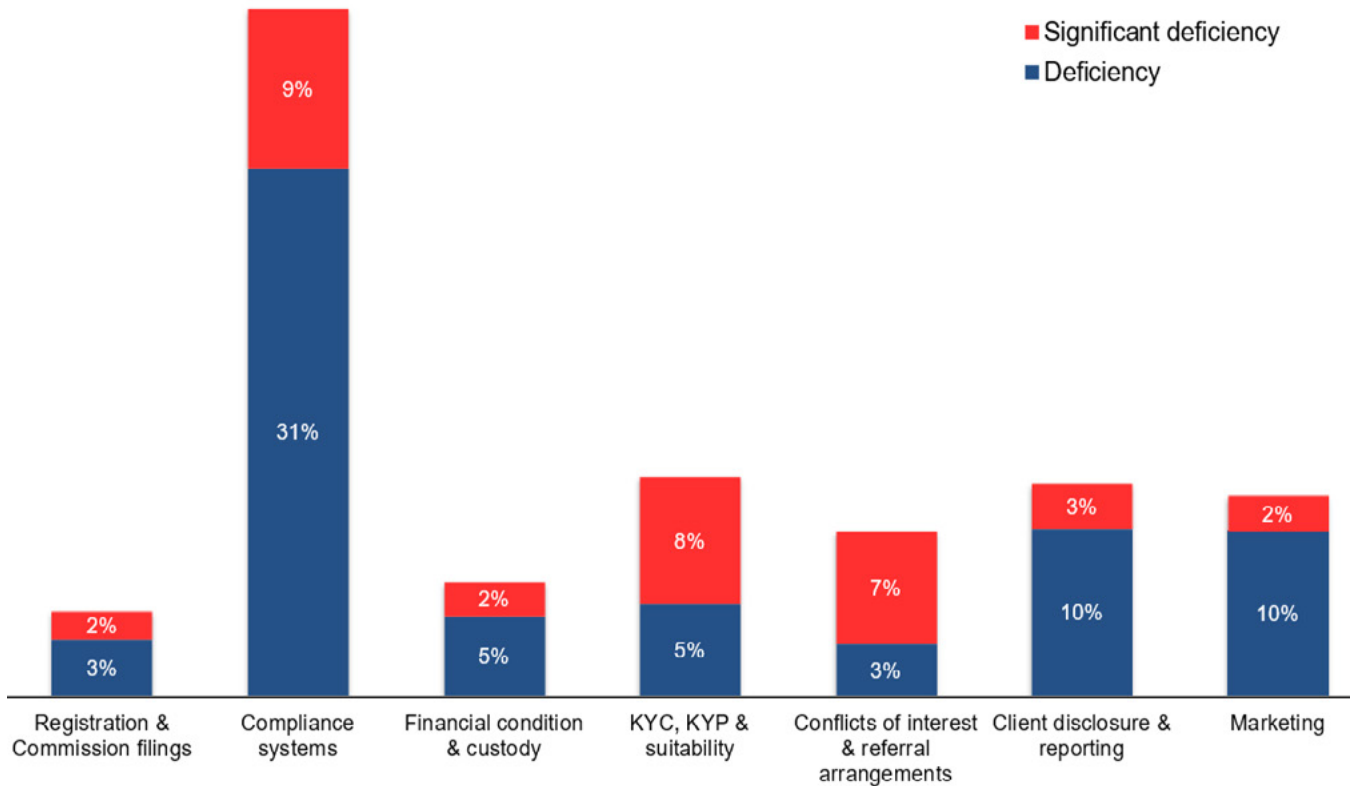
 IFM

2.1.1 Summary of deficiencies identified

The following chart summarizes our findings from reviews set out in the annual highlights section. Deficiencies we identify during the fiscal year are impacted by various factors including:

- CRR's planned reviews of specific aspects of a firm's operational activities
- the nature and complexity of the firms reviewed
- firms' compliance with securities law.

**Deficiencies by topic area
as a percentage of overall deficiencies**



2.2 Registration and compliance deficiencies

2.2.1 Registration & Commission filings

- Notice of termination required for internal firm suspensions
- Servicing non-Ontario clients without required registration
- Reliance on international exemptions
- Novel exemptive relief from dealer and adviser registration requirements

2.2.2 Compliance systems

- Inadequate or no annual compliance report
- Inadequate oversight of service providers

2.2.3 Financial condition & custody

- No written custodial agreement with funds
- Inadequate insurance coverage
- Impact of IFRS 16 *Leases* on excess working capital calculation

2.2.4 Know your client (KYC), know your product (KYP) & suitability

- Non-compliance with KYC and suitability obligations
- Inappropriate reliance on prospectus exemptions
- Contracting out KYC obligation
- Distribution of registered firm's shares and EMD obligations

2.2.5 Conflicts of interest & referral arrangements

- Financial conflicts of interest
- Captive dealers
- Personal trading
- Distribution of registered firm's shares and related conflicts of interest
- Prohibited security transactions

2.2.6 Client disclosure & reporting

- Inappropriate reliance on custodian to satisfy account statement delivery obligations
- Issuance of trade confirmations in connection with managed accounts

2.2.1 Registration & Commission filings

a) Notice of termination required for internal firm suspensions (All)

If an individual is suspended internally by his or her sponsoring firm, we expect that the firm submit a notice of termination (**NOT**) for that individual. NI 33-109 states that an NOT is required to notify us “that a registered individual or permitted individual has left their sponsoring firm or has ceased to act in a registerable capacity or as a permitted individual”.

If an NOT is not filed in these circumstances, the National Registration Database (**NRD**) reflects to the public that this individual is allowed to conduct registerable activities on behalf of the firm. Further, firms run the risk of being responsible for any registerable activity the individual conducts, even while under a firm-imposed suspension.

Firms have, in the past, been reluctant to submit NOTs for individuals they have internally suspended out of concern that the process to get the individual re-registered following the suspension is too time-consuming. To be responsive to that concern, and to encourage firms to file the NOT as required, we are committed to a streamlined review process for the purpose of assessing an individual’s suitability for registration after a firm-imposed suspension.

While we typically expect a Reactivation of Registration submission Form 33-109F4 *Registration of Individuals and Review of Permitted Individuals (Form 33-109F4)* to be made in the event of a registration request after internal suspension, we will allow a Reinstatement of Registration submission Form 33-109F7 *Reinstatement of Registered Individuals and Permitted Individuals* to be filed, and no new fee collected, if the following conditions are met:

- The firm notifies us ahead of time of the issue that led to the suspension and we are satisfied with the remedial actions that the firm has informed us it will take.
- The firm files an NOT in a timely manner to reflect that the individual has ceased to act in a registerable capacity for the firm.
- The firm notifies us at least five business days in advance of the intention to reinstate the individual.
- There is no new detrimental information from the time the NOT was submitted.
- There are no changes to information previously submitted in items 13 through 16 of Form 33-109F4.

Legislative reference and guidance

- National Instrument 33-109 *Registration Information* ([NI 33-109](#))
- Companion Policy [33-109CP](#) *Registration Information*

b) Servicing non-Ontario clients without required registration (PM / EMD)

We continued to see firms and their representatives not maintaining registration when trading in, or advising on, securities. When servicing clients in non-Ontario jurisdictions, we noted that firms and/or their representatives did not have an adequate basis to support their exemption from the registration requirements in the non-Ontario jurisdictions including the steps that were taken to ascertain if registration was required or not.

Staff also continued to see instances where firms and/or their representatives appeared to be relying on the client mobility exemption for Canadian clients outside of Ontario without taking all of the required steps to rely on the client mobility exemption for individuals in section 2.2 of NI 31-103, and for firms in section 8.30 of NI 31-103.

If the firm and/or its representatives are not in compliance with registration requirements in other jurisdictions, this may raise concerns regarding the adequacy of the firm's compliance system and may reflect poorly on the firm's continued fitness for registration. This may also raise concerns that the firm is not adequately supervising its advising and/or dealing representatives. Registered firms are responsible for the conduct of individuals acting on behalf of the firm.

If we find that a firm and/or the individuals acting on its behalf are trading in, or advising on, securities in another jurisdiction, without appropriate registration or the use of a valid registration exemption, we will provide this information to the applicable securities regulatory authority in the other jurisdiction, which may lead to further regulatory action by that authority.



PMs and EMDs should:

- take adequate steps to understand and comply with the registration requirements of other jurisdictions by consulting compliance and/or legal advisors before commencing registerable activity in the other jurisdictions
- take an inventory of the residency of the firm's existing clients, and if clients are located in jurisdictions where the firm and/or its registered individuals are not registered or do not have a valid registration exemption to rely upon, take immediate steps to come into compliance by registering in the applicable jurisdictions or discontinuing the offering of any advisory/dealing services to the applicable clients
- provide adequate training to employees on the limitations of conducting dealing/advising activities in other jurisdictions before servicing a client
- take adequate steps to confirm that all the requirements of the client mobility exemption are adhered to, including verifying that the individual and the firm do not exceed the allowable number of eligible clients in each jurisdiction, and submitting a completed Form 31-103F3 *Use of Mobility Exemption* to the local jurisdiction.

Legislative reference and guidance

- Section 25 *Registration of the Securities Act* (Ontario) ([the Act](#))
- Subsection 32(2) *Duty to establish controls, etc.* of [the Act](#)
- Section 11.1 *Compliance system* of [NI 31-103](#) and related Companion Policy 31-103CP *Registration Requirements, Exemptions and Ongoing Registrant Obligations* ([NI 31-103CP](#))
- Section 2.2 *Client mobility exemption - individuals* of [NI 31-103](#) and related [NI 31-103CP](#)
- Section 8.30 *Client mobility exemption - firms* of [NI 31-103](#) and related [NI 31-103CP](#)

c) Reliance on international exemptions (IFM / PM / EMD)

We conducted a desk review of 60 firms based in the United States that were relying on certain exemptions from the registration requirement.

The international exemptions review found that certain firms relying on an international exemption:

- did not file up to date forms with the Commission to properly rely on the exemption, and
- did not always provide clients with the required disclosure (or maintain evidence that the disclosure had been provided).

We wish to remind international firms and legal counsel acting on their behalf, of the requirements found in sections 8.18, 8.26 and 8.26.1 of NI 31-103 or section 4 of MI 32-102 when relying on an international exemption.

International adviser / Sub-adviser and incidental advice

As part of our desk review, we noted instances where certain international firms did not meet the criteria to use the international adviser exemption in section 8.26 of NI 31-103. Specifically, we noted international firms that provided advisory services to permitted clients that were registered as advisers in one or more Canadian jurisdictions. When an international firm acts as a sub-adviser, it must comply with section 8.26.1 of NI 31-103, which has different criteria than the international adviser exemption in section 8.26 of NI 31-103.

Another condition to reliance on the international adviser exemption is that any advice provided to Canadian clients on securities of Canadian issuers must be incidental to the advice on foreign securities. We remind international firms advising on Canadian securities that they must maintain evidence to demonstrate how they are meeting the “incidental” advice condition.



International dealers, advisers, sub-advisers and IFMs should:

- establish policies and procedures to verify that, on a regular basis, the firm continues to properly rely on an international exemption
- file a replacement Form 31-103F2 *Submission to Jurisdiction and Appointment of Agent for Service* or Form 32-102F1 *Submission to Jurisdiction and Appointment of Agent for Service for International Investment Fund Manager* as soon as possible through the OSC’s filing portal if there is any change to the information in the firm’s previously filed forms (including a change in CCO or Agent for Service)
- develop policies and procedures that the required written disclosure be provided to Canadian clients
- file an annual notice with the regulator in the local jurisdiction for as long as the firm continues to rely on the exemption
- confirm in writing if the firm is no longer relying on the registration exemption and has no intention of utilizing the exemption in the future, in order for the firm’s reliance to be removed from NRD.

Legislative reference and guidance

- Sections 8.18 *International dealer*, 8.26 *International adviser* and 8.26.1 *International sub-adviser* of [NI 31-103](#) and related [NI 31-103CP](#)
- Section 4 *Permitted clients* of [MI 32-102](#) and related Companion Policy [32-102CP](#) *Registration Exemptions for Non-Resident Investment Fund Managers*

d) Novel exemptive relief from dealer and adviser registration requirements (PM / EMD)

In November 2019, CRR staff finalized a novel application by a United States broker-dealer (the **Filer**) that was seeking relief to conduct trading and advising activities with “Additional Category Permitted Clients” on an exempt basis as if the Filer had relied on the international dealer and international adviser exemptions in NI 31-103. The requested relief has the effect of narrowly expanding the class of clients the Filer may deal with on an exempt basis to include spouses of individual permitted clients and certain family trusts and allows the Filer to deal with individual permitted clients and their immediate family members collectively as a family unit.

Staff would be willing to recommend similar relief for other international dealers and advisers that wish to apply. We would also be willing to consider applications by registered firms that wish to treat “Additional Category Permitted Clients” as equivalent to “permitted clients” when complying with their registrant obligations.

For more information, see [Re J.P. Morgan Securities LLC](#) dated November 18, 2019.

Before making a formal application for exemptive relief, firms may wish to first submit a pre-filing. The purpose of a pre-filing is to enable a firm to consult with staff on a specific issue to understand how securities legislation will be interpreted by the OSC. Staff will work with the firm and their counsel to assess whether exemptive relief is required in order to help the firm determine its next steps.

Legislative reference and guidance

- [National Policy 11-203](#) *Process for Exemptive Relief Applications in Multiple Jurisdictions*
- Section 1.1 *Definitions of terms used throughout this Instrument* of [NI 31-103](#)
- Sections 8.18 *International dealer* and 8.26 *International adviser* of [NI 31-103](#) and related [NI 31-103CP](#)

2.2.2 Compliance systems

a) Inadequate or no annual compliance report (All)

During the course of our reviews, we identified several instances where the CCO either did not prepare an annual compliance report for the firm's Board of Directors (or individuals acting in a similar capacity for the firm), or prepared a cursory report which lacked sufficient detail in support of the CCO's assessment of the firm's compliance function and individuals acting on its behalf with securities legislation.

Failure to submit an adequate annual compliance report to the firm's governance entity for the purpose of assessing compliance by the firm and its employees with securities legislation raises questions about the CCO's proficiency, and about the operating effectiveness of the firm's compliance function.

A reminder that the requirement to submit an annual compliance report to the firm's Board of Directors (or individuals acting in a similar capacity for the firm) applies to all registered firms. One-person firms and firms where the CCO is the sole member of the registered firm's Board of Directors should also document their assessment of their compliance function.



The CCO of a registered firm should:

- assess the overall compliance structure and internal controls of the firm at least annually
- conduct sufficient analysis to support their assessment of the firm's internal controls, including:
 - a description of the steps taken to perform the assessment
 - the result of the assessment, identifying any deficiencies and documenting what will be done to correct the deficiencies noted
 - maintaining adequate documentation to support that the assessment was made by the CCO
- prepare and submit the annual compliance report in a timely manner
- consider whether the report should be prepared more frequently than annually, depending on the size of the firm or the number of compliance issues identified during the year.

Legislative reference and guidance

- Section 5.2 *Responsibilities of the chief compliance officer* of [NI 31-103](#) and related [NI 31-103CP](#)
- [CSA Staff Notice 31-350](#) *Guidance on Small Firms Compliance and Regulatory Obligations*
- OSC Staff Notice 33-738 *2012 Annual Summary Report for Dealers, Advisers and Investment Fund Managers*, page 46 ([OSC Staff Notice 33-738](#))
- [Registrant Outreach seminar \(June 2015\)](#) - *Elements of an effective compliance system*

b) Inadequate oversight of service providers (IFM)

We continue to identify situations where IFMs perform no or limited oversight of their outsourced fund administration and portfolio management functions, or their custodian (collectively, the **service providers**).

Common deficiencies raised highlight that IFMs did not:

- obtain and review a Service Organization Controls (**SOC**) report, when one was available from the service provider
- appropriately evaluate the SOC report
- document and maintain evidence of the specific monitoring activities performed
- periodically validate the accuracy of prices used by the service provider in portfolio valuation
- review material and complex corporate actions to confirm they were accurately processed and recorded by the service provider.

Registered firms are responsible and accountable for all functions outsourced to service providers, this includes ensuring that controls at the outsourced operations are appropriately designed and operating effectively, as required by section 11.1 of NI 31-103. Further, registered firms are required to maintain records to accurately record their business activities, and to demonstrate compliance with applicable requirements of securities legislation, in accordance with subsection 11.5(1) of NI 31-103.



IFMs should:

- establish written policies and procedures for monitoring each outsourcing arrangement that:
 - describe the nature of each oversight control (e.g., objective, process, service provider reports used, escalation criteria)
 - specify the frequency of the oversight control performed
 - identify the control owners
- conduct oversight procedures on a frequent and as appropriate basis, taking into account the firm's business operations, including a review of operational reports prepared by the service providers. For example, reports received from:
 - Transfer agents: unitholder transaction reports, short-term trading and excessive trading reports, unitholders' account statements
 - Trust accountants: trust account reconciliations, trust account interest allocation reports
 - Fund accountants: cash reconciliations, security reconciliations, expense accrual reports, income accrual reports, corporate action reports, portfolio valuation reports (including pricing exception reports), distribution calculations, net asset value calculation reports
 - External PMs: reports on portfolios' compliance with their investment mandates and other regulatory requirements (e.g., NI 81-102, section 111 of the Act), portfolio risk monitoring reports, portfolio performance monitoring reports)
 - Custodians: if applicable, reports on compliance with a fund's security lending program requirements
- follow-up on any exceptions/variances identified when reviewing reports received from the service providers

b) Inadequate oversight of service providers (cont'd)



IFMs should:

- on a periodic basis, evaluate the service providers' controls to monitor enterprise-level risks in the following areas:
 - Controls environment: if available, review SOC reports to evaluate the design and operating effectiveness of controls at the service provider. If there is no third-party assurance over controls in place, firms should perform enhanced due diligence to obtain an understanding of the key controls in place at the service provider, and perform more extensive reviews of the service provider's operational reports.
 - Business resiliency: review the results of any Business Continuity Plan and/or Disaster Recovery Plan testing performed.
 - Data security: if available, review IT SOC reports, and Cyber Security Policy.
 - Data confidentiality: review Privacy Policy.
- maintain evidence to support the monitoring activities were performed.

Legislative reference and guidance

- Part 11, Division 1 - *Compliance* of [NI 31-103](#) and related [NI 31-103CP](#)
- OSC Staff Notice 33-749 *2018 Annual Summary Report for Dealers, Advisers and Investment Fund Managers, page 41* ([OSC Staff Notice 33-749](#))
- OSC Staff Notice 33-742 *2013 Annual Summary Report for Dealers, Advisers and Investment Fund Managers, pages 58-61* ([OSC Staff Notice 33-742](#))
- [OSC Staff Notice 33-738](#) *pages 70-71*
- [Registrant Outreach seminar \(June 2017\)](#) - *Effective Oversight of Service Providers and Modernization of Investment Fund Product Regulation - Alternative Funds*

2.2.3 Financial condition & custody

a) No written custodial agreement with funds (IFM)

During our compliance reviews, we noted several instances where IFMs did not have a written custodial or prime brokerage agreement in place between the custodian or prime broker and the prospectus-exempt fund(s) managed by them.

We expect IFMs to put in place a written custodial or prime brokerage agreement with the custodian or prime broker on behalf of the investment fund(s) managed by them. Written custodial or prime brokerage agreements are expected to provide for key matters such as the location of portfolio assets, any appointment of a sub-custodian, the method of holding portfolio assets, the standard of care of the custodian and the responsibility for loss.

The same deficiency was also noted when reviewing IFMs also registered as IDs. Specifically, many of the firms reviewed used the Type 2 Introducer/Carrier Broker agreement (**Type 2 agreement**) required under IROC rules to cover the custody of the fund's cash and securities. However, the Type 2 agreement did not always include all expected content as outlined in section 14.5.2 of NI 31-103CP.



IFMs should:

- have written custodial or prime brokerage agreements in place between the custodian or prime broker and the prospectus-exempt fund(s) managed by the firm
- if also registered as IDs and using the Type 2 agreement, verify that it includes key matters such as the location of the portfolio assets, any appointment of a sub-custodian, the method of holding portfolio assets, the standard of care of the custodian and the responsibility for loss. If these key matters are not included, we expect IFMs to work with their custodian or prime broker to update the agreement, create an addendum to the agreement, or enter a stand-alone agreement to incorporate these details.

Legislative reference and guidance

- Subsection 19(1) *Record-keeping* of [the Act](#)
- Section 11.5 *General requirements for records* of [NI 31-103](#) and related [NI 31-103CP](#)
- Section 14.5.2 *Restriction on self-custody and qualified custodian requirement* of [NI 31-103](#) and related [NI 31-103CP](#)
- OSC Staff Notice 33-750 *2019 Summary Report for Dealers, Advisers and Investment Fund Managers*, page 33 ([OSC Staff Notice 33-750](#))

b) Inadequate insurance coverage (All)

We continued to identify firms whose insurance bonding policies were not compliant with the prescribed insurance requirements. Specifically, during our reviews we noted a number of deficiencies as a result of:

- insufficient coverage amounts maintained by the firm
- insurance bonding policies that did not provide for a double aggregate limit or full reinstatement of coverage
- claims of other entities covered under a global policy reducing the limits or coverage available to the registered firm
- firms not having the right to claim directly against the insurer in respect of losses under a global policy.

We would like to remind firms to review their fidelity and insurance bonding policies in detail for compliance with the insurance requirements under Part 12, Division 2 of NI 31-103.



Registered firms should:

- review the adequacy of coverage limits regularly, and at a minimum at the time of policy renewal
- assess the impact on their insurance coverage when their clients' or investment funds' AUM increase during the year if they hold or have access to client assets
- if relying on global insurance and bonding policies:
 - review the language of their policies to confirm that they comply with the global bonding or insurance requirements (this includes the requirement that the firm can claim directly against the insurer, and that the individual or aggregate limits can only be affected by the registered firm or its subsidiaries)
 - carefully examine their policies to ensure that they do not contain contradictory language limiting their right to claim directly or otherwise affecting their limits inappropriately
- verify that their policies contain a provision for a double aggregate limit or full reinstatement of coverage.

Legislative reference and guidance

- Part 12, Division 2 - *Insurance* of [NI 31-103](#) and related [NI 31-103CP](#)
- [OSC Staff Notice 33-748](#) *2017 Annual Summary Report for Dealers, Advisers and Investment Fund Managers, page 21*
- [OSC Staff Notice 33-745](#), *page 44*
- OSC Staff Notice 33-736 *2011 Annual Summary Report for Dealers, Advisers and Investment Fund Managers, page 37* ([OSC Staff Notice 33-736](#))

c) Impact of IFRS 16 Leases on excess working capital calculation (All)

Effective for financial years beginning on or after January 1, 2019, International Financial Reporting Standards 16 *Leases* (IFRS 16) became the applicable lease accounting standard for those firms reporting under International Financial Reporting Standards (IFRS). The most significant change introduced by IFRS 16 is the requirement for lessees to recognize all leases (except leases of low-value assets and short-term leases) on their balance sheet. Under the new standard, the lessee will recognize a right-of-use (ROU) asset at cost and an associated lease liability. Leases will be accounted for as if the company had borrowed funds to purchase a leased asset. As a result, many firms are expected to see a reduction in their excess working capital as a greater proportion of leases and current lease liabilities are recognized.

During our ongoing compliance and financial desk reviews, staff noted that some firms had not adopted IFRS 16 correctly, or at all, in preparing their interim financial statements. Observed deficiencies included:

- ROU asset was inappropriately classified as a current asset
- lease liability was not classified into its current and non-current portions
- operating leases not being capitalized despite meeting the IFRS 16 criteria requiring it.

These deficiencies lead to incorrect calculations of a firm's excess working capital balance. In some cases, the deficiencies resulted in the registered firm being capital deficient.

Registered firms are reminded they must continue to meet their capital requirements to maintain their registration in good standing.

Further, firms are reminded that under subsection 3.2(1) of NI 52-107, all financial statements and interim financial information delivered by registered firms under NI 31-103 are required to be prepared in accordance with IFRS. All effective IFRS standards should be applied when preparing financial statements, subject to any specific exceptions allowed under section 3.2 of NI 52-107.



Registered firms should:

- prepare interim and annual financial statements and excess working capital calculations in accordance with all IFRS standards in effect during the reporting period, including IFRS 16
- consult with their auditors or financial reporting experts for guidance about correctly applying IFRS 16.

Legislative reference and guidance

- Section 3.2 *Acceptable Accounting Principles - General Requirements* of [National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards](#)
- Part 12, Division 1 - *Working Capital* of [NI 31-103](#) and related [NI 31-103CP](#)

2.2.4

Know your client (KYC), know your product (KYP) & suitability

a) Non-compliance with KYC and suitability obligations (PM / EMD / SPD)

While we generally noted improvement in firms' KYC and suitability processes as compared to prior suitability sweeps conducted, we continued to raise deficiencies in the following areas:

- inadequate collection and documentation of up-to-date KYC information
- failure to consider all components of the client profile when assessing the suitability of investments
- inadequate assessment of the concentration risk in client portfolios
- inappropriate use of client-directed trade instructions.

KYC information

We continued to see instances where the documentation of KYC information for clients was incomplete. In addition, many firms reviewed in the suitability sweep did not have up-to-date KYC information documented in their client files. Advisers and dealers are required to make reasonable efforts to have current KYC documentation when they are assessing client investments for suitability. An adviser or dealer requires a complete client profile to make a suitability assessment, including financial circumstances, investment time horizon, investment knowledge and experience, investment objectives and risk tolerance.

Advisers and dealers that have an ongoing relationship (e.g., a PM that has discretion over a client's managed account) should update KYC documentation at least annually, or at the time the client experiences a material life change (e.g., marriage, divorce, birth of a child, loss or change in employment, etc.). Dealers that do not have regular contact with clients must have up-to-date KYC information at the time of each new trade.

Suitability assessment

While many firms had a process for assessing suitability, we continued to note inadequate documentation maintained by firms to support their suitability assessment. Specifically, we noted instances where dealers were distributing a product with an investment objective that did not align with the investment objective stated in the client's profile, and did not maintain adequate documentation to support why the product was suitable. While the proposed trade taken in combination with all other components of the client's profile appeared suitable, the documentation failed to adequately demonstrate this. We appreciate that investments can meet more than one investment objective, however, where the investment objective of the product being distributed does not align with the client's investment objective, it is especially important to maintain adequate documentation to support how the firm determined the investment was suitable.

We also noted several managed accounts where the holdings in the clients' investment portfolios were not in compliance with the clients' target asset mix detailed in their KYC documentation. For example, we noted situations where clients' stated investment objectives were for an income portfolio with some growth, however, we found that the majority of the clients' investment portfolio was comprised of equity securities. A PM should have procedures in place to regularly review the suitability of their client's portfolio holdings and document their ongoing suitability assessment.

Concentration

While we continued to see issues with clients being concentrated in a single issuer/issuer group or industry/asset class, we were most concerned with findings of advisers and dealers that did not consider the clients' concentration in illiquid securities.

a) Non-compliance with KYC and suitability obligations (cont'd)

Concentration risk should be assessed using the client's total holdings in illiquid securities and not solely on the products distributed by the dealer. This will help dealers arrive at a suitable percentage of the clients' total financial assets that may be invested in illiquid securities or securities that have redemption restrictions.

Misuse of client-directed trade instructions

We continued to see client-directed trade instructions used inappropriately. In certain cases, firms were not conducting a suitability assessment on a particular investment decision but rather requesting that the client provide a signed client-directed trade instruction. We remind firms that each investment decision requires a suitability assessment to determine whether the particular investment product is suitable given the client's KYC information.

After performing a suitability assessment, if the adviser or dealer informs the client of its opinion that the proposed trade would not be suitable given their KYC information, the client may instruct the firm to proceed with the trade nonetheless. In this situation, the firm should obtain a signed client-directed trade instruction. However, in cases where the firm determines that the proposed trade would be suitable, the firm should not attempt to document the trade as a client-directed trade.



PMs, EMDs and SPDs should:

- maintain current and complete KYC information in client files
- assess the suitability of investments based on the complete profile of the client, including the client's investment needs and objectives
- have a meaningful discussion with the client to:
 - obtain a solid understanding of the client's KYC information, and
 - explain how a proposed investment strategy is suitable for the client given the client's KYC information
- maintain detailed and adequate documentation to support the suitability assessment for each trade
- establish and document reasonable concentration thresholds by issuer, industry, asset class and product type
- if a transaction is deemed to be unsuitable but the client wishes to proceed with the transaction, the firm should:
 - document the discussion with the client regarding the unsuitability of the transaction, and
 - obtain a signed client-directed trade instruction, which includes a specific explanation of the unsuitability of the transaction
- establish clear policies and procedures for all of the above.

Legislative reference and guidance

- Sections 13.2 *Know your client* and 13.3 *Suitability* of [NI 31-103](#) and related [NI 31-103CP](#)
- [OSC Staff Notice 33-750](#), page 34
- CSA Staff Notice 31-336 *Guidance for Portfolio Managers, Exempt Market Dealers and Other Registrants on the Know-Your-Client, Know-Your-Product and Suitability Obligations* ([CSA Staff Notice 31-336](#))
- [OSC Staff Notice 33-740](#) *Report on the Results of the 2012 Targeted Review of Portfolio Managers and Exempt Market Dealers to Assess Compliance with the Know-Your-Client, Know-Your-Product and Suitability Obligations*

b) Inappropriate reliance on prospectus exemptions (EMD)

Non-compliance with investment limits under the offering memorandum prospectus exemption

During our compliance reviews, we identified several instances of firms inappropriately relying on the offering memorandum prospectus exemption (the **OM exemption**) by failing to comply with the \$30,000 prescribed investment limit for eligible investors. Some firms did not adequately document their suitability analysis, so it was unclear whether the client received advice that the investment was suitable. In other cases, some firms assessed a proposed transaction as unsuitable, but nevertheless, proceeded with the transaction that exceeded the \$30,000 investment limit after obtaining a client-directed trade instruction from the eligible investor. We remind registered firms that eligible investors must first receive advice that the investment is suitable in order to exceed the \$30,000 investment limit. For eligible investors who receive advice from a PM, ID, or EMD, that an investment above the \$30,000 investment limit is suitable, the total cost of all securities purchased by the eligible investor under the OM exemption in the 12 months before the purchase cannot exceed \$100,000.

Insufficient documentation to rely on prospectus exemptions

We noted that some firms were not gathering sufficient information from investors during the KYC process to determine whether they could appropriately rely on prospectus exemptions such as the accredited investor prospectus exemption (the **AI exemption**).

Some firms relying on the AI exemption failed to collect information regarding the client's financial circumstances to ensure that the client qualified as an accredited investor (**AI**). In these cases, firms' KYC forms did not identify either the investor's total net worth or total net financial asset position based on financial information collected. Information regarding the investor's net worth and net financial asset position is required in assessing if an investor qualifies for the AI exemption under one of the AI definitions specified in section 1.1 of NI 45-106.

In other cases, we noted that KYC forms used by some firms included broad monetary ranges which did not allow the firms to collect sufficient financial information as part of the KYC process to determine the availability of a prospectus exemption. For example, using a range of "more than \$1,000,000" to determine a client's net assets is ineffective in assessing whether the client would meet the net asset test to be considered an AI. Similarly, using a range of "less than \$1,000,000" would be ineffective in assessing whether the client qualifies as an eligible investor based on the net asset test.



EMDs should:

- through the suitability analysis conducted, make a clear determination of whether an investor can invest greater than the \$30,000 investment limit for eligible investors under the OM exemption
- have measures in place to routinely monitor purchases for clients relying on the OM exemption to confirm investment limits are not exceeded
- collect complete KYC information, including detailed financial information, to assist in determining whether an investor qualifies for a prospectus exemption.

Legislative reference and guidance

- Section 1.1 *Definitions* of National Instrument 45-106 *Prospectus Exemptions* ([NI 45-106](#))
- Subsection 2.3(1) *Accredited investor* of [NI 45-106](#)
- Subsection 73.3(2) *Exemption, accredited investor* of [the Act](#)
- Subsection 2.9(2.1) *Offering memorandum* of [NI 45-106](#)
- Subsection 3.8(1.1) *Eligibility criteria and investment limits* of Companion Policy [45-106CP](#) *Prospectus Exemptions*

c) Contracting out KYC obligation (PM / EMD / SPD)

We noted instances where PMs or EMDs relied on third parties to collect KYC information for some clients without an advising representative or dealing representative of the registered firm meeting or speaking to these clients directly.

In these instances, the registrants relied on third parties to perform the following functions:

- meet with clients to understand their investment needs and objectives, financial circumstances and risk tolerance
- assist clients with the completion of documents, including investment management agreements (IMAs), subscription agreements and KYC forms
- explain the registrant's investment strategies and the features, risks and investment objectives of products offered by the registrant
- communicate any changes to the clients' KYC information
- maintain direct contact with the registrant on the clients' behalf.

PMs and dealers are required by section 13.2 of NI 31-103 to ensure they have sufficient and current KYC information for each client including the client's investment needs and objectives, financial circumstances and risk tolerance. By contracting out a registrant's KYC obligation to third parties, a registrant's ability to fully understand a client's investment needs and objectives, financial circumstances and risk tolerance is reduced, and can impact the registrant's ability to make an appropriate suitability assessment. KYC and suitability obligations are fundamental obligations owed by registrants to their clients.



PMs, EMDs and SPDs should:

- have a meaningful discussion with each client to obtain a complete understanding of their KYC information to enable an informed suitability assessment
- assist clients with completing documents such as IMAs, subscription agreements and KYC forms
- explain the registrant's investment process and strategies and/or investment products offered by the registrant
- maintain direct contact with clients
- verify that any agreements with third parties clearly define the roles and responsibilities of each party to the arrangement.

Legislative reference and guidance

- Section 13.2 *Know your client* of [NI 31-103](#) and related [NI 31-103CP](#)
- [OSC Staff Notice 33-742](#), page 51
- [OSC Staff Notice 33-736](#), page 43
- [CSA Staff Notice 31-336](#)

d) Distribution of a registered firm's shares and EMD obligations (EMD)

We noted registered firms that raised capital by issuing shares of themselves (i.e., the registered firm) to investors. In some instances, some of these firms are registered in multiple categories, including the EMD registration category. Most often, reliance was placed on the private issuer exemption from the prospectus requirement in section 2.4 of NI 45-106 when issuing these shares. As a result, some firms incorrectly assumed they were not engaging in registerable activity (i.e., activity for which registration or an exemption from registration is required) when distributing these shares to investors.

We remind EMDs that their registrant obligations, including KYC and suitability, apply in relation to any distribution of a security even when the registrant is relying on an exemption from the prospectus requirement.



EMDs should:

- establish policies and procedures to meet all registrant obligations, including KYC and suitability, in relation to the distribution of a security under an exemption from the prospectus requirement, including when distributing securities of the registered firm.

Legislative reference and guidance

- Section 2.4 *Private issuer* of [NI 45-106](#)
- Sections 13.2 *Know your client* and 13.3 *Suitability* of [NI 31-103](#) and related [NI 31-103CP](#)

2.2.5 Conflicts of interest & referral arrangements

a) Financial conflicts of interest (All)

Financial conflicts of interest refer to circumstances where financial benefits received by a registered firm are divergent from, or inconsistent with, its clients' interests. A registered firm that receives compensation in connection with an investment it recommends faces a conflict of interest as the firm has a financial incentive to recommend that security.

During our reviews we identified financial conflicts of interest such as the payment of consulting fees or placement fees to registered firms by companies their investment funds and/or managed accounts invested in. In these cases, conflicts of interest disclosure:

- was not provided to clients
- used standard boilerplate language that was vague
- lacked sufficient information to allow an investor to fully understand the existing conflicts of interest.

Where a conflict of interest is so contrary to clients' interests that it cannot be reasonably managed through implementation of internal controls or by disclosure, the registered firm should avoid the conflict of interest by ceasing the service or terminating the client relationship. If a registered firm does not avoid a conflict of interest (e.g., the financial arrangement is not material enough or there is a strong countervailing benefit to clients), it should take steps to control and/or disclose the conflict.



Registered firms should:

- establish written policies and procedures to identify each financial conflict of interest and describe how it will be mitigated
- establish effective internal controls to minimize the effects of financial conflicts of interest. For example, if a registered firm is paid by issuers of securities that it recommends to its clients, it should:
 - structurally segregate the corporate finance business (with the issuer relationships) from the advisory business (with the client relationships), and implement internal information barriers
 - enhance monitoring controls over clients' investment suitability assessments
 - provide full disclosure of the issuer relationships and compensation arrangements in offering documents and account opening documents
- disclose all conflicts of interest in the relationship disclosure information (**RDI**) as required by section 14.2 of NI 31-103
 - The disclosure should use plain language and should be clear and meaningful such that potential clients understand the nature and impact of each conflict and can make an informed decision about whether or not to purchase the product or service.
- obtain written acknowledgement from the client that they understand the nature and impact of each disclosed financial conflict of interest before selling the product or service to them.

Legislative reference and guidance

- Section 13.4 *Identifying and responding to conflicts of interest* of [NI 31-103](#) and related [NI 31-103CP](#)
- Section 14.2 *Relationship disclosure information* of [NI 31-103](#) and related [NI 31-103CP](#)

b) Captive dealers (EMD)

Firms registered solely as EMDs who distribute securities of a related or connected issuer with common mind and management (**captive dealers**) are required to manage or avoid material conflicts of interest. Registrants must comply with Part 13, Division 2 of NI 31-103, which requires them to take reasonable steps to:

- identify existing material conflicts of interest and those that the firm reasonably expects to arise between the firm and a client, and
- respond appropriately to existing or potential conflicts of interest.

The captive dealer business model creates a material conflict of interest between the EMD's financial incentive to sell its related or connected issuer's securities, and its regulatory obligations, including suitability and its fair dealing duty. During compliance reviews, we identified instances of captive dealers not adequately managing material conflicts of interest including:

- having conflict of interest policies and procedures that were general in nature and did not describe the conflicts of interest that existed or how the firm would respond to them
- believing that no conflict of interest existed because they did not earn fees for distributing related or connected issuers; however, management (comprised of the same individuals as management of the issuer) earned fees and other income from the issuer
- inadequate disclosure of conflicts of interest provided to clients, including the disclosure required under subsection 2.1(1) of NI 33-105. This section requires specific disclosure where there is a direct or indirect relationship between the issuer or selling securityholder and the underwriter. We noted instances of EMDs not being aware of these requirements or not providing disclosure that contained all the required information. An offering document must contain the information summarized in Appendix C of NI 33-105, which includes a statement on the front page of the offering document that summarizes the basis on which the issuer is a related and connected issuer of the EMD, as well as a cross reference to the applicable section in the body of the offering document where further information concerning this relationship is provided.



EMDs should:

- avoid, control and/or disclose (as appropriate) conflicts of interest that are contrary to the interests of investors
- develop policies and procedures that describe how conflicts of interest will be identified and responded to
- document an independent KYP assessment (e.g., by keeping a due diligence checklist demonstrating a review of key documents such as offering documents, business plans and financial statements)
- provide clients with meaningful disclosure such as:
 - the issuer's annual audited financial statements
 - a simplified document, with appropriate highlights and risk disclosure about the investment, including clear disclosure of the conflicts of interest and the concerns they raise
 - other material, in plain language

b) Captive dealers (cont'd)



EMDs should:

- where possible, assign a responsible individual (such as the CCO or UDP), who has not been directly involved in any way with the trade in question, to confirm that investors understand:
 - the relationship between the captive dealer and the related or connected issuer
 - the key features of the investment (e.g., that the security is sold under a prospectus exemption and therefore may be illiquid, the risks of the investment and the compensation received by the captive dealer for the trade)
 - the concentration risks associated with investing in a limited number of related or connected issuers
- provide training to registered individuals and other relevant staff in order to:
 - explain the nature of the material conflicts of interest inherent in the business model and the importance of avoiding, managing and/or disclosing them
 - outline their responsibility to meet their KYC, KYP and suitability obligations.

Legislative reference and guidance

- Section 13.4 *Identifying and responding to conflicts of interest* of [NI 31-103](#) and related [NI 31-103CP](#)
- Part 2 – *Restrictions on Underwriting* of National Instrument 33-105 *Underwriting Conflicts* ([NI 33-105](#)) and related Companion Policy NI 33-105CP *Underwriting Conflicts* ([NI 33-105CP](#))
- [CSA Staff Notice 31-343](#) *Conflicts of interest in distributing securities of related or connected issuers*
- [CSA Staff Notice 31-336](#)

c) Personal trading (All)

There is an inherent risk of investor harm when an “Access Person” places a trade in their personal account since they may put their personal interest above those of their clients. Individuals at a registered firm who have access to their clients’ trading and investment information, are involved in the investment decision making process or may have access to non-public information should be considered Access Persons. A registered firm should have clear policies outlining which employees are considered Access Persons and therefore subject to the firm’s personal trading policy. The firm’s policy should set out details of repercussions for non-compliance and outline procedures for escalation and reporting to senior management.

During our compliance reviews, we continued to raise a number of deficiencies as a result of registered firms not:

- maintaining personal trading policies and procedures
- enforcing the firm’s personal trading policy
- requiring written pre-approval for personal trades of Access Persons
- having complete information on the personal trading account(s) of all Access Persons (e.g., not requiring direct receipt of Access Persons’ personal trading records such as account statements and trade confirmations).



Registered firms should:

- clearly define who is an Access Person
- establish, maintain and apply written personal trading policies and procedures for their Access Persons
- appoint a qualified person, such as the CCO, to be responsible for monitoring the firm’s personal trading policy
- have complete information on the personal trading accounts of all Access Persons
- maintain records of personal trade pre-approvals and personal trading records of Access Persons
- receive Access Persons’ personal trading records (such as account statements and trade confirmations) from the Access Persons’ brokers
- review and reconcile Access Persons’ pre-approved trades to their personal trading records in a timely manner
- require that all Access Persons, at least annually, provide written acknowledgement to certify they understand and will comply with the firm’s personal trading policy
- assess compliance with the personal trading policy as part of the CCO’s annual compliance report to the Board of Directors.

Legislative reference and guidance

- Section 11.1 *Compliance system* of [NI 31-103](#) and related [NI 31-103CP](#)
- [OSC Staff Notice 33-742](#), page 46

d) Distribution of a registered firm's shares and related conflicts of interest (PM / EMD)

Registered firms that raise capital by issuing shares of themselves to their prospective and existing clients face inherent conflicts of interest as the activity combines the client relationship with the firm's own business arrangements. As noted in section 2.1 of NI 33-105CP, in staff's view, a situation where a registered firm is the issuer or selling securityholder "represents the relationship with the highest degree of conflict [of interest] recognized by [NI 33-105]".

The conflicts of interest arising from this business model include but are not limited to:

- when a registered firm issues shares of itself to its existing clients, it is unclear if the firm is acting in the capacity of an issuer or, as a registered firm, by advising or recommending an investment in the firm's shares to its existing clients (either as a PM through a managed account or as an EMD)
- as shareholders, some investors that are also clients of the registered firm may be provided with certain rights that are not available to other clients that are not investors. This may create the perception that investors who are also clients could be favoured over clients that are not investors (e.g., in relation to the allocation of investment opportunities or access to firm proprietary information).



PMs and EMDs should:

- disclose and explain the conflicts of interest to potential investors and obtain an appropriate acknowledgement from them
- provide disclosure regarding all risk factors related to the investment in the firm
- advise investors to seek independent advice in relation to the investment, and provide all necessary information to allow for this to occur
- develop and implement policies and procedures to:
 - identify and address all related conflicts of interest
 - address the fair allocation of investment opportunities amongst all clients
 - prohibit sharing of the registered firm's business information with shareholders of the firm that are also clients, in a manner that may prejudice other clients.

Legislative reference and guidance

- Section 13.4 *Identifying and responding to conflicts of interest* of [NI 31-103](#) and related [NI 31-103CP](#)
- Section 11.1 *Compliance system* of [NI 31-103](#) and related [NI 31-103CP](#)
- Subsection 2.1(1) *Relationships of Concern* of [NI 33-105CP](#)

e) Prohibited security transactions (IFM / PM)

During our compliance reviews, we identified instances where a registered adviser sold a security owned by the registered adviser's firm to an investment fund managed by the adviser.

Paragraph 13.5(2)(b) of NI 31-103 prohibits an adviser from knowingly causing an investment fund that it manages to purchase a security from a responsible person. "Responsible Person" is defined in subsection 13.5(1) of NI 31-103 as including the adviser.



IFMs and PMs should:

- establish policies and procedures to identify prohibited investment transactions, including the buying of a security from, or the selling of a security to:
 - a Responsible Person
 - an "Associate" of the Responsible Person
 - another investment fund managed by the adviser (i.e., an inter-fund transaction)
- put in place adequate pre-trade controls to identify and prevent prohibited trades from occurring.

Legislative reference and guidance

- Paragraph 13.5(2)(b) *Restrictions on certain managed account transactions* of [NI 31-103](#) and related [NI 31-103CP](#)

2.2.6 Client disclosure & reporting

a) Inappropriate reliance on custodian to satisfy account statement delivery obligations (PM)

We continued to identify PMs that had not delivered the required account statements to their clients. A number of PMs believed that they had met their statement delivery obligation (and therefore did not see a need to deliver statements) because their clients' custodian sent a statement with the required investment position and transactional information to each client quarterly (or monthly if requested by the client). PMs do not meet their statement delivery obligation by solely relying on the fact that their clients' custodians deliver account statements to them.

Many PMs enter into service arrangements with IIROC dealer members (**DMs**). As noted in CSA Staff Notice 31-347, under these Portfolio Manager – Dealer Member Service Arrangements (**PMDSAs**), a DM typically holds an investor's cash and securities in an account over which a PM has discretionary trading authority, and executes and settles the investor's trades in the account based on instructions from the PM. It is imperative that both a PM and DM participating in a PMDSA understand that each have a regulatory obligation to deliver statements to the shared client, in addition to maintaining their own records of each client's investment positions and trades.

A PM with a PMDSA can satisfy its own obligation to a client when that client's DM acting as custodian sends a DM statement to the client (for each of the client's accounts at the DM), provided that the PM:

- does not hold any of the investments it manages for the client, and verifies that the client's investments it manages are held at the DM on a fully-disclosed basis (i.e., in a separate account for the client where the DM knows the name and address of the client)
- confirms that, for each of the client's accounts at the DM, a DM statement is delivered to the client by the DM at the required frequency, and with the required content
- takes reasonable steps to verify that the content (transaction and investment position information including cost and market values) of the DM statements issued to its client is complete and accurate
- provides written disclosure to the client on the PMDSA consistent with the disclosure outlined in section 3 of CSA Staff Notice 31-347
- complies with client requests or agreements to receive PM statements from the PM, supplemental to a DM statement from the DM
- verifies that the market value data it uses in the preparation of the client's annual investment performance report is consistent with the data in the relevant DM statement delivered to the client.



PMs should:

- maintain their own record of clients' investment positions and trades, including maintaining evidence to support reconciliations between its own records and those of the custodian
- establish policies and procedures to verify that a DM statement is complete, accurate and delivered on a timely basis

a) Inappropriate reliance on custodian to satisfy account statement delivery obligations (cont'd)



PMs should:

- provide written disclosure to its clients on the PMDSA
- have a written agreement on the PMDSA in place which includes the key terms and the roles and responsibilities of the PM and DM.

Legislative reference and guidance

- Sections 14.14 *Account statements*, 14.14.1 *Additional statements* and 14.14.2 *Security position cost information* of [NI 31-103](#) and related [NI 31-103CP](#)
- [CSA Staff Notice 31-347](#) *Guidance for Portfolio Managers for Service Arrangements with IIROC Dealer Members*
- [CSA Staff Notice 31-345](#) *Cost Disclosure, Performance Reporting and Client Statements – Frequently Asked Questions and Additional Guidance*
- [OSC Staff Notice 33-749](#), page 64-65
- [Registrant Outreach seminar \(February 2017\)](#) - *CRM2 Reporting to Clients and Portfolio Manager - IIROC Dealer Member Service Arrangements (PMDSAs)*

b) Issuance of trade confirmations in connection with managed accounts (PM / EMD)

While staff have not identified deficiencies in this area, based on inquiries received from firms registered in the categories of IFM, PM and EMD, there is a perceived concern that the firm will be required to send trade confirmations to its managed account clients for each purchase and sale of a security of a proprietary fund made on behalf of the managed account clients when the firm has also acted as the registered dealer for the same trades.

In response to these inquiries, staff have generally advised that we do not interpret the trade confirmation requirement in section 14.12 of NI 31-103 as requiring this. As the firm is already subject to registrant obligations as a PM when it purchases on behalf of the managed account, staff do not see any additional obligations applying to the firm if it conducts the trades through its dealer registration. Staff note that section 14.12 of NI 31-103 provides that, if the client consents in writing, the registered dealer that has acted on behalf of a client in connection with the purchase or sale of a security, may deliver the trade confirmation to a registered adviser acting for the client.

Accordingly, as long as the firm is in compliance with its client reporting obligations as a PM to its managed account client, and the managed account client has consented to not receive trade confirmations for each trade made by the firm in the client's managed account, staff would not expect the firm to provide such real-time trade confirmations to the client.

Part 3

INITIATIVES IMPACTING REGISTRANTS

3.1 Burden reduction

3.2 Client Focused Reforms

3.3 Crowdfunding

3.4 Syndicated mortgages

3.1 Burden reduction

CRR staff participated in the Burden Reduction Task Force announced in [OSC Staff Notice 11-784 Burden Reduction](#) to identify ways to enhance competitiveness and to save time and money for registrants and other market participants, while protecting investors. Through the stakeholder consultations, the OSC received 69 comment letters and 199 suggestions on how the OSC could reduce regulatory burden. The OSC is taking action to address 34 concerns identified through the process by committing to 107 initiatives as outlined in the report on [Reducing Regulatory Burden in Ontario's Capital Markets](#) published on November 19, 2019 (the **Regulatory Burden Report**).

As highlighted in section 6.4 *Concerns, Decisions and Recommendations Affecting Registrants*, of the Regulatory Burden Report, CRR staff specifically identified 44 suggestions through the consultations about how to change requirements and processes, reflecting nine underlying concerns involving our registrants.

To address the nine concerns, CRR staff has committed to completing 30 initiatives (identified as **R-1** to **R-30** in the Regulatory Burden Report and within the remainder of this section). On May 27, 2020, the OSC provided a [Status Update](#) on its burden reduction initiatives. As noted in the update, to date, CRR staff have completed projects related to 21 of the 30 initiatives, while work and planning continues on the remaining nine. With respect to the outstanding initiatives, six are on track for completion within the timelines established and three have been delayed.

Information pertaining to each of the nine concerns and related projects based on comments received from interested stakeholders is discussed throughout this section and can be accessed using the links below. Initiatives marked with an asterisk (*) indicate that CSA participation is required.

1. [Registration information requirements](#)
2. [Compliance reviews](#)
3. [Risk Assessment Questionnaire \(RAQ\)](#)
4. [Registration of fintech firms](#)
5. [Client Relationship Managers \(CRMs\)](#)
6. [Chief Compliance Officers \(CCOs\)](#)
7. [Dual requirements and oversight of SRO members](#)
8. [Overlapping domestic and international requirements for registrants](#)
9. [General registrant obligations](#)

CONCERN 1: REGISTRATION INFORMATION REQUIREMENTS

Several requirements in NI 33-109 are unclear or complex, which increases the time required to complete the registration process. Other requirements impose burden that is disproportionate to, or does not achieve, the intended regulatory objective. Timelines to file amendments to registration information are too stringent.

DECISIONS AND RECOMMENDATIONS

#	Description	Start	Target Date	Status	Benefits
R-1	Develop and implement an expedited rule amendment to establish a moratorium on outside business activity (OBA) late fees	Complete	Complete	Complete	Reduced red tape
R-2	NI 31-103, s.13.4 - reassess OBA conflicts of interest and reporting obligations	Fall 2019	Fall 2021	In progress - on target	Reduced red tape
R-3	Modernize the registration information required by NI 33-109 and associated forms*	Fall 2019	Fall 2021	In progress - on target	More tailored and flexible regulation

Outside Business Activities - Fee Moratorium

On May 15, 2019, the OSC announced that it will not require registrants to pay fees for disclosing outside business activities (**OBAs**) past the required filing deadline during a time-limited moratorium.

The moratorium is time-limited because the OSC plans to clarify the current regulatory requirements while the moratorium is in place. However, registrants are reminded that they are still required to disclose OBA information in accordance with NI 33-109.

The moratorium began on January 1, 2019 and ends on December 31, 2021, at the latest. As a result, if your OBA began after January 1, 2019 and you submit a delayed filing, you will not incur a fee during the moratorium. If your OBA began before January 1, 2019 and you submit a delayed filing, you will only be charged a fee for the period that falls outside the moratorium.

Under NI 33-109, individual registrants are required to file OBA disclosure within 10 days of a new OBA or a change to an existing OBA. The OSC currently charges fees of \$100 per business day for filings received after that deadline, subject to applicable yearly caps. Based on fees charged in the last fiscal year, we anticipate this change will result in over \$830,000 in savings for Ontario registrants.

CONCERN 2: COMPLIANCE REVIEWS

Compliance reviews lack service standards and timelines, take too long to complete, and are insufficiently coordinated within the OSC and across the CSA.

DECISIONS AND RECOMMENDATIONS

#	Description	Start	Target Date	Status	Benefits
R-4	Review and revise documents used to communicate compliance review findings to registrants	Complete	Complete	Complete	Better and more accessible information
R-5	Commence communication with the industry on how guidance issued to the industry is used during our compliance reviews	Summer 2019	Summer 2020	Complete	Better and more accessible information
R-6	Enhance communications with registrants throughout the compliance review process to increase transparency	Fall 2019	Spring 2020	Complete	Better and more accessible information
R-7	Review and streamline compliance review books and records requests	Fall 2019	Spring 2020	Complete	More timely and focused reviews
R-8	Organize and provide a Registrant Outreach presentation explaining our oversight review processes and the elements of an effective compliance system, and make the presentation available as an ongoing resource for registrants' reference	Fall 2019	Spring 2020	Complete	Better and more accessible information
R-9	Reassess the classification of significant vs. non-significant deficiencies and communicate criteria to enhance transparency	Fall 2019	Spring 2020	Complete	Better and more accessible information
R-10	Improve coordination of compliance/desk reviews and other compliance related initiatives with other regulators (CSA and Non-principal regulators (NPRs), SROs)	January - March 2020	March 2020	Complete	More timely and focused reviews

CONCERN 2: COMPLIANCE REVIEWS (cont'd)

#	Description	Start	Target Date	Status	Benefits
R-11	Implement the use of a secure file transfer process used to collect registration information on a confidential basis during compliance reviews	Complete	Complete	Complete	More timely and focused reviews
R-12	Develop and implement a process for timely oversight of new rules and related compliance issues and a method to communicate related compliance review results in a clear and transparent manner to industry to enhance understanding and communication of compliance issues*	January - March 2020	March 2020	Complete	Better and more accessible information

Compliance review process

We routinely review and update our compliance review process to ensure our approach to compliance reviews remains effective and consistent between the registration categories. As part of our most recent update, and in conjunction with our Registrant Outreach program, all of the initiatives related to compliance reviews (R-4 to R-12) were completed.

In order to provide additional transparency on the compliance review process, in November 2019, we recorded a Registrant Outreach webinar on the [“OSC Compliance Review Process and Effective Compliance Systems”](#).

This Registrant Outreach webinar explains:

- the changes made to the compliance review process to enhance the efficiency of the process and reduce the time spent by registrants addressing staff requests, including the request for books and records and the secure file transfer process used to collect requested documents
- the criteria used to assess the categorization of deficiencies as significant versus non-significant
- the format of the compliance review report and other documents used to communicate compliance review findings to registrants
- the enhancements made to our communication with registrants during compliance reviews, such as holding exit meetings in-person, unless the registrant prefers otherwise (e.g., by conference call)
- the inclusion of specific language, differentiating rule requirements from our use of guidance during compliance reviews, in the cover letter to the compliance review report.

CRR’s coordination of compliance review initiatives with other regulators has been addressed by enhancing the existing process in place with the CSA and communicating this to various industry stakeholders through our advisory committees and other standing committee meetings.

To address comments on the timely oversight of rules, our usual practice is to, after implementation of a new rule and after allowing our registrants a reasonable amount of time to adopt the requirements, execute compliance reviews through a focused sweep on the topic (for example, as was done for the Client Relationship Model Phase 2). The focused sweeps give us the opportunity to assess how firms are complying with the new requirements. The process is already in place and will continue to be followed as new rules and regulations are created and implemented.

CONCERN 3: RISK ASSESSMENT QUESTIONNAIRE (RAQ)

Responding to and filing the RAQ consumes too much time and resources.

DECISIONS AND RECOMMENDATIONS

#	Description	Start	Target Date	Status	Benefits
R-13	Review the RAQ to determine if any questions can be removed based on information already received through other OSC filings and revise the RAQ accordingly	Summer 2019	Summer 2020	Complete	More timely and focused reviews
R-14	Evaluate the OSC's ability to pre-populate certain fields in the RAQ to reduce the number of times information is required to be submitted	Summer 2019	Winter 2020 (originally Summer 2020)	Complete	More timely and focused reviews
R-15	Enhance the existing support tools to assist firms with completing the RAQ, including FAQs and continuing to have staff available to respond to questions	Summer 2019	Winter 2020 (originally Summer 2020)	Complete	Better and more accessible information
R-16	Organize and provide a Registrant Outreach session on the RAQ after issuance of a revised Form	Summer 2019	Winter 2020 (originally Summer 2020)	Complete	Better and more accessible information

Modernizing the RAQ

In order to streamline the RAQ and reduce burden, we removed eight questions from the RAQ.

To further streamline the RAQ, we evaluated our ability to pre-populate certain fields in the RAQ to reduce the number of times information is required to be entered into the form. As a result, responses from a firm's 2018 RAQ submission were carried forward and pre-populated in the firm's 2020 RAQ. Pre-populated responses were only provided to questions that did not change, or did not change materially from the 2018 RAQ.

Enhancements were made to the support tools available, including the FAQs, User Guide and the Help Pages. The tools were readily available to the person completing the RAQ as they were accessible by clicking the corresponding icon located on each page of the RAQ.

Lastly, as in prior years, a Registrant Outreach webinar was held to respond to any questions pertaining to the completion of the RAQ. The Registrant Outreach webinar, "[Completing the 2020 Risk Assessment Questionnaire](#)" was available as a resource for registrants' reference. In addition, a team of dedicated staff was made available to respond to questions received throughout the submission period.

CONCERN 4: REGISTRATION OF FINTECH FIRMS

Fintech firms find the initial and ongoing registration requirements confusing and potentially inapplicable to their novel business models or the novel products or services they offer. They also do not understand how OSC staff assess compliance with any terms and conditions imposed on the registration.

DECISIONS AND RECOMMENDATIONS

#	Description	Start	Target Date	Status	Benefits
R-17	Through OSC LaunchPad, evaluate what additional tools may be developed to assist fintech firms	Summer 2019	Summer 2020	In progress - on target	More tailored and flexible regulation

Assisting fintech firms

OSC LaunchPad has undertaken several initiatives to better understand and support novel fintech businesses navigate securities regulation. In addition to directly assisting businesses through our direct support process, other efforts have included:

- revamping our website to include additional guidance for firms and how registration and securities regulation applies to their business
- joining the GFIN and actively participating in the GFIN cross-border pilot tests (for fintechs that have engaged LaunchPad and tested through our Sandbox, GFIN is an available avenue to test their innovation across borders)
- entering into additional international co-operation agreements with other regulators to share information and facilitate the expansion of businesses in those jurisdictions.

CONCERN 5: CLIENT RELATIONSHIP MANAGERS (CRMs)

The current experience requirements applicable to Advising and Associate Advising Representatives are outdated and restrict registration of otherwise qualified individuals to act as CRMs in large portfolio management firms.

DECISIONS AND RECOMMENDATIONS

#	Description	Start	Target Date	Status	Benefits
R-18	Develop a process to permit the registration of Advising and Associate Advising Representatives as CRMs through terms and conditions*	Summer 2019	Summer 2020	Complete	More tailored and flexible regulation

Registration of CRMs

Many PMs have adopted an operating model that divides responsibilities for registerable advising activities between:

- specialized client relationship managers (**CRMs**) who work directly with clients and develop the overall framework for their investments, and
- teams that select securities for clients' accounts (**stock-picking**).

To keep pace with this development, the CSA has updated its expectations for the assessment of Relevant Investment Management Experience (**RIME**) for advising representatives (**ARs**) wishing to act as CRMs. If an applicant for registration as an AR will be exclusively specializing as a CRM and will not select securities for clients, they will have to demonstrate CRM-related experience but we will not require them to demonstrate stock-picking experience when we assess whether they have sufficient RIME to satisfy the proficiency requirements for an AR.

Firms seeking CRM AR registration on behalf of individual applicants should include a statement in the "Current Employment" entry for the sponsoring firm, stating "Individual is seeking registration as CRM AR". This will facilitate efficiency in the review of the application.

We will impose standard terms and conditions on CRM specialist ARs in order to make clear the scope of registerable activities that they can undertake and ensure a level playing field. The terms and conditions:

- prohibit the CRM specialist AR from stock-picking for clients
- specify that they can determine asset allocations, select model portfolios etc. for clients
- specify that they can undertake certain activities involving individual securities under the supervision of an unrestricted AR
- specify that they can approve the CRM advice of associate advising representatives (**AARs**)
- impose title and RDI requirements designed to avoid client confusion.

For additional information refer to the OSC website.

We note that stock-picking experience is not part of the RIME required to become registered as an AAR. It is required if an AAR wishes to become an AR, unless their intention is to specialize as a CRM AR.

CONCERN 6: CHIEF COMPLIANCE OFFICERS (CCOs)

The registration requirements relating to CCOs do not sufficiently take into account different business models:

- The current requirement for one registered CCO per legal entity may not support the operating needs of businesses with multiple divisions.
- Current business experience requirements may limit the pool of qualified individuals who can register as a CCO for fintech firms.
- Certain business models may not transact often enough to support a full-time CCO.

DECISIONS AND RECOMMENDATIONS

#	Description	Start	Target Date	Status	Benefits
R-19	Facilitate multiple CCOs to be registered for a single legal entity where a business need is demonstrated*	Fall 2019	Fall 2021	Complete	More tailored and flexible regulation
R-20	For fintech firms in Ontario, accept broader business experience when assessing the sufficiency of a CCO applicant's qualifications*	Fall 2019	Ongoing	Complete	More tailored and flexible regulation
R-21	Permit Ontario registrants in the appropriate circumstances to have a CCO who also is CCO for other unaffiliated registrants*	Fall 2019	Ongoing	Complete	More tailored and flexible regulation

Guidance on registration requirements for CCOs

On July 2, 2020, the CSA published [CSA Staff Notice 31-358 Guidance on Registration Requirements for Chief Compliance Officers and Request for Comments](#) (CSA Staff Notice 31-358) concerning regulatory expectations regarding the registration requirements of CCOs under NI 31-103 for certain types of CCO arrangements.

Our aim was to make it easier for registrants to implement the CCO responsibilities in a manner that aligns with their operational needs and business models and does not detract from investor protection.

In CSA Staff Notice 31-358, guidance was provided on the following CCO arrangements:

- an individual applying to be the CCO for more than one firm (the **shared CCO model**),
- a firm applying to have multiple CCOs, each responsible for one or more business lines and/or different registration categories within the firm (the **multiple CCO model**), and
- an individual applying to be the CCO of a non-traditional or specialized firm, such as a fintech firm, where industry-specific experience may be considered as relevant experience for the purposes of assessing the individual's proficiency (the **specialized CCO model**).

CONCERN 6: CHIEF COMPLIANCE OFFICERS (cont'd)

Shared CCO model

Under this model, an individual can act as the CCO for more than one firm. Currently, some affiliated firms have been approved to use a shared CCO model. The notice states that staff is open to the possibility of unaffiliated firms using a shared CCO model as well.

This model does not contemplate a registered firm outsourcing its CCO to a third-party service provider. An individual acting as CCO of a registered firm must be an officer, partner or sole proprietor of the registered firm.

An individual acting as CCO for more than one firm must have the same authority that a traditional CCO would have to establish and maintain policies and procedures for the firm, including the authority to monitor and assess compliance by the firm and individuals acting on its behalf. At the firm's discretion, the CCO may also have authority to take action to resolve compliance issues.

Where an individual wants to act as the CCO for more than one firm, staff will review their application to determine if it is appropriate that they act as CCO for more than one registered firm.

Multiple CCO model

Under this model, a firm can designate multiple CCOs with each CCO responsible for one or more business lines and/or different registration categories within the firm. For example, a firm that is registered as an IFM, PM and EMD may apply to have three CCOs, one for each of the firm's three registration categories.

Any firm that believes the multiple CCO model is more appropriate for their compliance system is encouraged to apply for this exemptive relief.

In considering the appropriateness of granting the requested relief, staff may ask a variety of questions. Firms seeking this relief must demonstrate that the CCOs each have their own separate responsibilities and that no CCO delegates or transfers to another their responsibilities under section 5.2 of NI 31-103.

Specialized CCO model

Under this model, where an individual applies to be the CCO of a non-traditional or specialized firm, staff may consider the individual's business experience when assessing proficiency and experience requirements.

The experience demonstrated by the individual being considered for the CCO position should be relevant for both the category of registration and the business of the firm sponsoring the individual. Other business experience may be considered relevant for the purposes of assessing whether the individual meets the experience requirements set out for a CCO in NI 31-103 when a firm applying for registration demonstrates that it is engaged in a non-traditional or specialized business.

Request for comments

CSA Staff Notice 31-358 invites registrants to provide comments on how each of these models addresses their needs and how they may use these models in their operations. Comments should be sent to 31-358@acvm-csa.ca. The comment period ends on September 30, 2020.

CONCERN 7: DUAL REQUIREMENTS AND OVERSIGHT FOR SRO MEMBERS

In some circumstances, registrants are subject to dual requirements and oversight under Ontario securities law and SRO member rules that are cumbersome and duplicative.

DECISIONS AND RECOMMENDATIONS

#	Description	Start	Target Date	Status	Benefits
R-22	Develop expedited rule amendments to OSC Rule 13-502 to allow additional senior officers of a registrant firm to certify the annual participation fee calculation form	Complete	Complete	Complete	Reduced red tape; Harmonization
R-23	With the MFDA, clarify and streamline the application process to reactivate registration for MFDA member firms and their dealing representatives after conclusion of MFDA disciplinary proceedings	Fall 2019	Fall 2020	Complete	Better and more accessible information
R-24	Evaluate options to reduce duplication in the registration and membership processes for IIROC member firms	January - March 2020	Winter 2021 (originally Spring 2021)	Delayed	Reduced red tape; Harmonization
R-25	Evaluate options to reduce duplication in the review of notices required by sections 11.9 and 11.10 of NI 31-103 for IIROC member firms	January - March 2020	Winter 2021 (originally Spring 2021)	Delayed	Reduced red tape; Harmonization

Additional senior officers can certify participation fee calculation form

Currently under OSC Rule 13-502 *Fees* and OSC Rule 13-503 (*Commodity Futures Act*) *Fees* (the **Fee Rules**), firms registered under the Ontario Securities Act, the Commodity Futures Act, and unregistered capital markets participants are required, each year, to pay a participation fee to the Commission (by no later than December 31).

The fee amount is calculated by the firm in accordance with a Fee Form⁶ (the **Fee Form**) that must be certified for completeness and accuracy, and submitted to the Commission by no later than December 1 each year.

In prior years, the Fee Form was required to be certified only by the CCO of the firm (or, in the case of an unregistered capital markets participant without a CCO, an individual acting in a similar capacity).

⁶ Form 13-502F4 *Capital Markets Participation Fee Calculation*, under OSC Rule 13-502; and Form 13-502F1 *Capital Markets Participation Fee Calculation*, under OSC Rule 13-503.

CONCERN 7: DUAL REQUIREMENTS AND OVERSIGHT FOR SRO MEMBERS (cont'd)

Additional senior officers can certify participation fee calculation form (cont'd)

On October 18, 2019, amendments to the Fee Rules came into force. The amendments changed the Fee Rules to allow additional individuals identified in the amendments to certify in place of the CCO. The changes mean that a director or specified officer (such as the chief executive officer, chief financial officer, or chief operating officer (or an individual acting in a similar capacity) who might typically be responsible at the firm for preparing the fee calculation would be allowed to submit the Fee Form directly to the Commission, without requiring additional review by the CCO⁷ to certify the Fee Form. This flexibility will result in time savings for the submitting firm. Firms could have exercised this flexibility for the December 1, 2019 capital markets participation fee calculation deadline.

Firms that wish to continue their existing processes for Fee Form certification by their CCO⁷ will still be permitted to do so.

Reactivation of registration by individuals following MFDA discipline

On April 15, 2020, we issued an e-mail blast to UDPs, CCOs and those on the Registrant Outreach subscriber list that CRR staff formalized its process for reviewing applications to reactivate registration by individuals who are coming off a suspension by the MFDA as outlined in the Regulatory Burden Report. Generally, when staff receives applications such as these, provided certain criteria are met, staff will apply an expedited review process that does not re-examine the facts giving rise to the MFDA's disciplinary action, and that seeks to have the application processed within normal service standards for dealing representative applications being five business days of it being received by staff.

For further information, please see procedural guidance [here](#).

⁷Or, in the case of an unregistered capital markets participant without a CCO, an individual acting in a similar capacity.

CONCERN 8: OVERLAPPING DOMESTIC AND INTERNATIONAL REQUIREMENTS FOR REGISTRANTS

Registrants are subject to a broad spectrum of Canadian and international regulatory obligations, that can result in duplicative regulation or create inefficiencies and unnecessary costs:

- Registrants and exempt international firms have UN Suppression of Terrorism and Canadian Sanctions reporting obligations with FINTRAC, CSIS and the RCMP as well as the OSC.
- The *Commodity Futures Act* (CFA) is outdated and not harmonized with Ontario securities law.

DECISIONS AND RECOMMENDATIONS

#	Description	Start	Target Date	Status	Benefits
R-26	With appropriate departments of the Federal Government (Canada), eliminate the requirement for registrants and exempt international firms to submit duplicative information to securities regulators	Spring 2018	To be determined	In progress	Reduced red tape
R-27	Develop a rule that exempts international dealers, advisers and sub-advisers from registration under the CFA	Fall 2019	Winter 2020 (originally Fall 2020)	Delayed	Reduced red tape; More tailored and flexible regulation

Eliminating the requirement to submit duplicative information

After submitting a letter to the Department of Finance (Canada) requesting that registered firms and exempt international firms be removed from the reporting obligations under UN Suppression of Terrorism and Canadian Sanctions legislation (monthly reporting), amendments resulted in the elimination of five of the seven requirements. To build on these efforts, in March 2020, the OSC submitted letters to four departments of the Federal Government (Canada) requesting that monthly reporting to securities regulators be removed and we have received written acknowledgment of these requests. We will continue to advocate with the appropriate departments of the Federal Government for the requisite amendments.

CONCERN 9: GENERAL REGISTRANT OBLIGATIONS

Several ongoing registrant obligations in NI 31-103 and related regulatory processes should be evaluated for opportunities to reduce burden, such as:

- The current regulatory requirements and related process to file and execute the notices under sections 11.9 and 11.10 of NI 31-103, which are onerous, time consuming and inefficient.
- The process followed to lift close supervision terms and conditions once the terms and conditions have been satisfied, which lacks clarity.

DECISIONS AND RECOMMENDATIONS

#	Description	Start	Target Date	Status	Benefits
R-28	Evaluate changes to the percentage thresholds that trigger an 11.9 or 11.10 notice under NI 31-103*	January - March 2020	Spring 2022	In progress - on target	Reduced red tape
R-29	Improve processing of 11.9 and 11.10 notices under NI 31-103	January - March 2020	Spring 2021	In progress - on target	Reduced red tape
R-30	Review and enhance the current process followed to remove close supervision terms and conditions	Summer 2019	Winter 2020	Complete	Reduced red tape

Terms and conditions removal process

On April 15, 2020, we issued an e-mail blast to UDPs, CCOs and those on the Registrant Outreach subscriber list providing [procedural guidance](#) on the process for requesting the removal of close or strict supervision terms and conditions previously imposed on an individual's registration. The publication aimed at providing transparency and clarity around the process.

The published process sets out a five business day service standard for CRR staff to acknowledge receipt of the removal request. Firms are asked to submit requests for removal of terms and conditions through the OSC online portal.

The general evaluation criteria that, if attached to the initial submission, helps expedite the review, include:

- the firm's assessment of the registrant's compliance over the supervision period
- the volume of trades, including the number of leveraged trades, made by the registrant during the supervision period and the number of clients involved in the trading
- the firm's report on issues or client complaints identified and addressed over the course of supervision
- in cases where supervision terms and conditions were imposed as a result of solvency concerns:
 - a written explanation from the registrant on how the solvency matter arose, how it was discharged or satisfied, how the registrant's financial circumstances have improved and steps taken to ensure that issues won't reoccur
 - documents demonstrating that the solvency matter has been discharged
 - evidence of the registrant's current solvency status, such as a current credit report.

3.2 Client Focused Reforms

On October 3, 2019, the CSA published significant amendments to NI 31-103 and the accompanying companion policy. These amendments are known as the [Client Focused Reforms \(CFRs\)](#) and have been adopted in all CSA jurisdictions. The CFRs are relevant to all categories of registered dealer and registered adviser, with some application to IFMs.

The CFRs demonstrate a shared commitment by the CSA as well as the SROs, to changes that will require registrants to promote the best interests of clients and put clients' interests first. The CFRs are based on the fundamental concept that, in the relationship between registrants and their clients, the clients' interests must come first.

There are two fundamental changes:

- material conflicts of interest, including those resulting from compensation arrangements and incentive practices, will have to be addressed in the best interest of the client, and
- when making investment suitability determinations, registrants will have to put the client's interest first.

The rest of the CFRs support and build on that core. We have introduced among other things:

- steps to improve the KYC and KYP information gathering processes that underpin registrants' services; this includes explicitly requiring registrants to consider certain factors, including costs and their impact, and to make these determinations on a portfolio basis, and
- additional amendments to conflicts of interest that include stronger prohibitions on misleading marketing and advertising.

We also made corresponding changes to requirements and guidance concerning the training of representatives and maintenance of policies, procedures, controls and documentation to support the important role of registrants' internal compliance systems.

Firms will have to review their policies, procedures and controls and implement any changes necessary to reflect the requirements in the CFRs, including changes to their training programs for staff. In particular, we expect firms will need to implement a more rigorous process for testing for and addressing material conflicts of interest that arise at both firm and individual registrant levels to make sure that material conflicts of interest are being addressed in the best interests of their clients. We also expect firms will establish a framework to ensure that clients' interests are put first when making suitability determinations.

Firms may also have to make operational changes in the areas of KYC and KYP to support the enhanced suitability determination requirements, to ensure that complete and sufficient information is collected about a client, and that products and services made available to clients are assessed, approved and monitored for significant changes.

Operational changes may also be necessary to enable firms to assess the other factors set out in the suitability determination requirement, including:

- the impact of the action on the account, including its concentration and liquidity,
- the actual and potential impact of costs on the client's returns, and
- a reasonable range of alternatives available through the firm at the time the determination is made.

The CFRs Implementation Committee

To support the transition process, the CSA and the SROs have established the CFRs Implementation Committee that will consider operational challenges industry stakeholders are facing and how to respond to them to ensure implementation per the phased transition periods, including in due course communication with industry at large. For further information, please refer to the [CFRs Implementation Committee](#) webpage.

Client Focused Reforms (cont'd)

Transition

Some of the CFRs impose new conduct requirements on registrants, while others codify best practices set out in existing CSA and SRO guidance. Therefore, we expect that registrants that already follow best practices will be relatively less affected than others. The same is true for registrants such as PMs that conduct themselves as fiduciaries.

At the time the CSA published the CFRs, we provided for a phased transition period, with the reforms relating to conflicts of interest and the RDI provisions taking effect on December 31, 2020, and the remaining changes taking effect on December 31, 2021.

The CSA recognizes the significant work many registrants need to undertake to implement the CFRs. We also recognize that the effects of the COVID-19 pandemic will include disruptions to registrants' access to office facilities, personnel and other key resources, presenting them with serious challenges to their ability to implement the conflicts of interest CFRs by December 31, 2020. Under these circumstances, the CSA has decided to grant [relief](#) to postpone the effective date by which registrants will have to comply with the conflicts of interest CFRs by six months to June 30, 2021.

Since announcing the reforms last year, the CSA has been working with industry stakeholders through its CFRs Implementation Committee. Through these discussions, industry stakeholders have informed the CSA of operational challenges associated with changes that registrants will be required to make to their RDI pursuant to the CFRs. Accordingly, the CSA has decided to also grant [relief](#) to extend the time which registrants will have to comply with the RDI CFRs. The implementation of the RDI CFRs will be postponed until December 31, 2021, so that they will come into effect at the same time as the remaining reforms under the CFRs.

We note that when the conflicts of interest CFRs come into effect on June 30, 2021, registrants will be required to disclose material conflicts of interest to clients before opening an account or in a timely manner after they are identified. Registrants may provide this disclosure separately from any other disclosure using stand-alone documents in any form, be it electronic or paper, that meet the plain language requirements in the conflicts of interest CFRs.

All remaining CFRs will take effect on December 31, 2021, consistent with the notice published on October 3, 2019. The SROs will harmonize their implementation timelines for conforming changes to their member rules, policies and guidance with the timeline adopted by the CSA.

All registrants will have to comply with the CFRs after the expiration of the transition periods. No grandfathering provisions have been adopted by the CSA.

Next steps

The CSA is committed to ensuring these reforms are effective. Compliance review programs and processes in the CSA jurisdictions will reflect the new requirements for registrants as soon as the CFRs come into effect. Staff will test for compliance with these new requirements by the registrants and identify where processes need improvement. As with all registrant conduct requirements, the compliance review process will be supported by the appropriate actions along the compliance-enforcement continuum.

The CSA is working closely with the SROs to ensure that the CFRs are incorporated into SRO member rules and guidance, as well as in SRO compliance review programs and processes.

3.3 Crowdfunding

On February 27, 2020, the CSA published for comment a proposed national crowdfunding rule, [Proposed National Instrument 45-110 Start-up Crowdfunding Registration and Prospectus Exemptions](#) (Proposed **NI 45-110**). The original 90-day comment period was set to expire on May 27, 2020 but was extended 45 days to July 13, 2020 in light of the COVID-19 pandemic.

Proposed NI 45-110 would, if adopted, introduce a single, harmonized set of rules for crowdfunding across Canada and would increase the thresholds for capital-raising and investing over the existing thresholds in Multilateral Instrument 45-108 *Crowdfunding (MI 45-108)* and certain blanket orders in other jurisdictions.

Funding portals that are registered as IDs or EMDs in Ontario may also benefit from Proposed NI 45-110. Currently, 22 funding portals are registered under the EMD or restricted dealer categories in Canada. Of these, 15 funding portals are registered as EMDs in Ontario and two are registered as restricted dealers. These funding portals generally facilitate offerings made under the AI exemption (in section 73.3 of the Act and section 2.3 of NI 45-106) or the OM exemption (in section 2.9 of NI 45-106). CRR staff are also in discussions with a number of funding portals that are considering offering under the MI 45-108 regime.

CRR staff will consider the comments and perspective of Ontario registered dealers, including restricted dealers and dealers considering offering under the MI 45-108 regime, as part of our broader consideration of comments on Proposed NI 45-110.

3.4 Syndicated mortgages

On August 6, 2020, the CSA published [final amendments](#) to NI 45-106, NI 31-103 and the accompanying companion policies that substantially harmonize the regulatory framework for syndicated mortgages in Canada. Subject to receipt of necessary Ministerial approvals, these amendments will:

- remove the prospectus and registration exemptions that currently apply to certain syndicated mortgages in certain jurisdictions to substantially harmonize the regulatory framework for distributions of syndicated mortgages in Canada
- enhance investor disclosure through revisions to the OM exemption for offerings of syndicated mortgages under that exemption
- exclude syndicated mortgages from the private issuer exemption, ensuring they are offered under an exemption more appropriate for this type of security.

In conjunction with the CSA final amendments, the OSC published, for a 45-day comment period, [proposed local amendments](#) to its prospectus and registration rule, OSC Rule 45-501 *Ontario Prospectus and Registration Exemptions (OSC Rule 45-501)*, regarding syndicated mortgages. The proposed local amendments clarify the definition of qualified syndicated mortgage and include prospectus and dealer registration exemptions for distributions of syndicated mortgages to a permitted client by a person or company licensed under the *Mortgage Brokerages, Lenders and Administrators Act, 2006*.

The effective date of the CSA final amendments and the proposed local amendments is March 1, 2021. The amendments will result in certain firms requiring registration. Firms distributing syndicated mortgages are encouraged to e-mail registrations@osc.gov.on.ca with any registration-related questions. CRR staff will also be engaging in a series of outreach initiatives to help market participants during the transfer of regulatory oversight of certain syndicated mortgages to the OSC.

Part 4

ACTING ON REGISTRANT MISCONDUCT

4.1

Annual highlights and trends

4.2

Conduct concerns during the registration process

4.3

Guidance when engaging compliance consultants

4.4

Director's decisions and settlements

4.1 Annual highlights and trends

The Registrant Conduct Team is responsible for investigating conduct issues involving individual and firm registrants, recommending regulatory action where appropriate, and conducting Opportunity to be Heard (OTBH) proceedings before the Director.

Before a Director of the OSC imposes terms and conditions on registration, refuses an application for registration, or suspends a registration, an applicant or registrant has the right under section 31 of the Act to request an [OTBH](#) before the Director. A registrant or applicant may also request a hearing and review by the Commission of a Director's decision under section 8 of the Act.

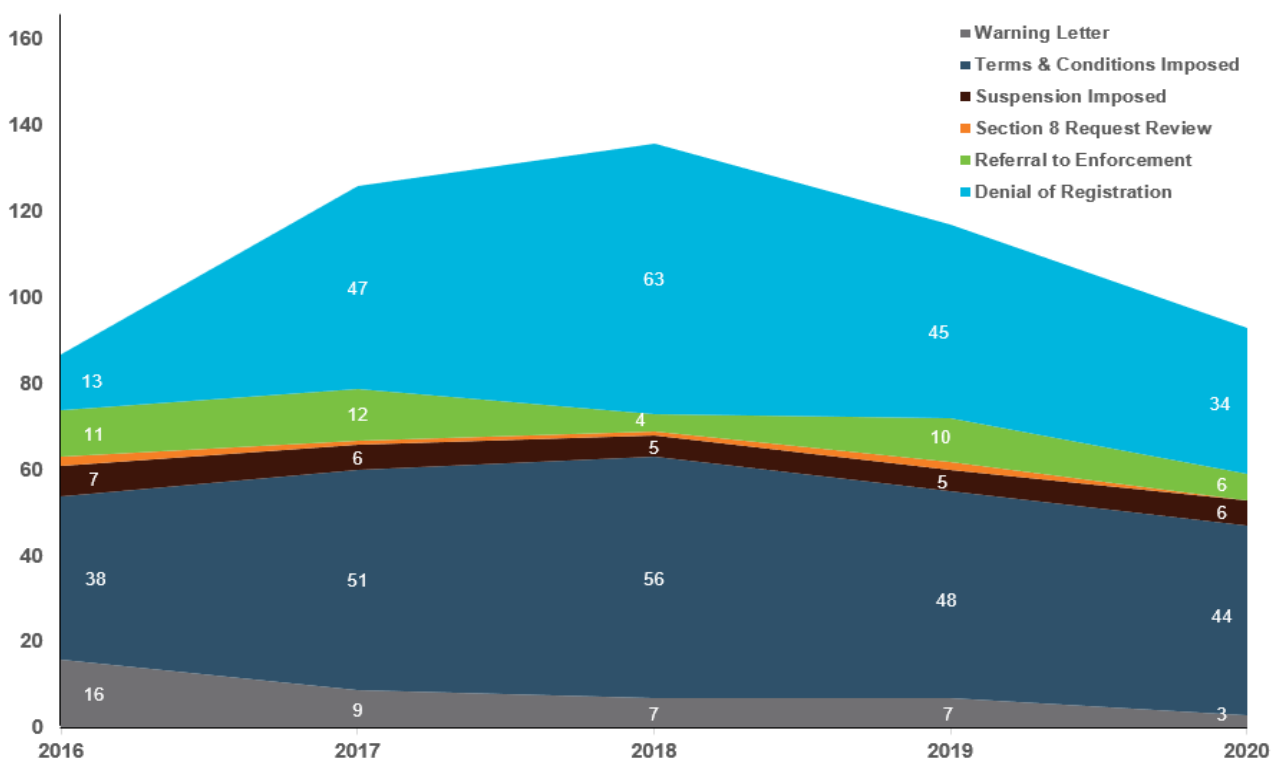
Identifying and acting on registrant misconduct

Potential registrant misconduct is identified through compliance reviews, applications for registration, disclosures on NRD, and by other means such as complaints, inquiries or tips. CRR staff also identifies registrant misconduct through background and solvency checks on individual registrants or individual applicants, responses to the RAQ, and referrals from SROs and other organizations.

Acting on registrant misconduct matters is central to effective compliance oversight. It also promotes confidence in Ontario's capital markets, both among the investing public and among the registrants who make best efforts to comply with Ontario securities law. Registrants must remain alert and monitor for potential misconduct by enacting and implementing appropriate policies and procedures, and ensuring that controls are in place to detect and address instances of misconduct.

The following chart summarizes the regulatory actions taken by CRR staff against firms or individuals engaged in registrant misconduct or serious non-compliance with Ontario securities law.

CRR Regulatory Actions FYE 2016 - 2020



The chart illustrates that CRR makes use of regulatory actions along the compliance-enforcement continuum, the action being commensurate with the magnitude of misconduct or non-compliance in a given situation. Terms and conditions, denials of registration and suspensions of registration are all tools available to CRR staff to address serious non-compliance.

As the chart demonstrates, while some categories of CRR regulatory actions have remained relatively constant, denials of registration have declined in the two most recent fiscal years. However, this does not reflect any reduced vigilance in CRR's exercise of its gatekeeper responsibilities when reviewing registration applications. We believe that the publication of [CSA Staff Notice 33-320 *The Requirement for True and Complete Applications for Registration*](#) has provided valuable guidance to registered firms performing due diligence on their individual applicants, and has been effective in deterring some non-disclosure by applicants for registration. In addition, Staff has been conducting early-stage conference calls with firms' CCOs (or their delegates) where material non-disclosure or other concerns have been identified, which has led to firms reviewing and, in 17 cases this year, withdrawing a number of applications that might otherwise have resulted in denial of registration. Notwithstanding the success of these measures, CRR continues to identify material non-disclosure of regulatory, criminal and/or financial information in registration applications, and this concern still comprises a substantial number of the cases reviewed by CRR where registration is ultimately denied.

Referrals are made to the Enforcement Branch in cases where the appropriate tool is a power that can only be exercised by the Commission. In fiscal 2019-2020 there were six referrals to the Enforcement Branch.

One example of a previous referral made by CRR that was concluded in fiscal 2019-2020 was in the matter of [Caldwell Investment Management Ltd. \(CIM\)](#) in which the Commission issued an order on July 19, 2019 approving a settlement agreement with this firm. In the settlement agreement, CIM admitted that over a period of four years, during which time it executed equity and bond trades for its clients using the firm's related ID, the firm had inadequate policies and procedures in place to ensure that it sought best execution of these trades. CIM agreed to pay a \$1.8 million administrative penalty, \$250,000 in costs, and to have terms and conditions imposed on its registration requiring that it retain a compliance consultant to work with the firm in relation to its best execution obligation.

When approving the settlement agreement, Commissioner Moseley emphasized that best execution is an important obligation that protects investors and fosters confidence in our capital markets. He added that firms must give this obligation the necessary attention and ensure that they prefer their clients' interests over their own interests. Commissioner Moseley made clear that not meeting this obligation is viewed as a serious breach of trust and a serious violation of Ontario securities law.⁸

⁸ *Caldwell Investment Management Ltd. (Re)*, 2019 ONSEC 25, para. 5.

4.2 Conduct concerns during the registration process

When the Registration Team receives an application for registration by an individual or a firm, we endeavor to complete our review of it within our usual service standards. If, however, there appears to be issues with an application that could bear on the applicant's suitability for registration, such as past misconduct or untrue or misleading information given in the application itself, the file may be referred to the Registrant Conduct Team for further investigation, requiring a longer review time.

Each phase in the registration process when applications transition from the Registration Team to the Registrant Conduct Team are illustrated in the process chart below:

REFERRAL

After accepting a referral, the Manager of the Registrant Conduct Team and a Supervisor of the Registration Team contact the sponsoring firm's CCO to inform them that the application has been referred to the Registrant Conduct Team, and that as a result, the normal service standard will not apply. Where possible, the Manager and Supervisor share their initial regulatory concerns with the CCO.

INVESTIGATION

The Registrant Conduct Team will review the application and will often take investigative steps including collecting and reviewing documents, interviewing third parties who may have relevant information, and interviewing the applicant themselves.

RECOMMENDATION

The Registrant Conduct Team could recommend that: (1) the registration application be granted, (2) the application be granted but terms and conditions be applied to the registration, or (3) the registration be refused. If the Registrant Conduct Team recommends that an application be granted subject to terms and conditions, or that it be refused, the applicant is entitled to an OTBH. In rare occasions, the Registrant Conduct Team may determine that an applicant has engaged in conduct that warrants a referral to the Enforcement Branch, and such a referral is not subject to an OTBH.

OUTCOME

Prior to the commencement of a requested OTBH, the applicant can decline to exercise its OTBH and instead accept the terms and conditions proposed by the Registrant Conduct Team, provided that the applicant's sponsoring firm agrees. In cases where an OTBH is held, the Director will make a decision on the application, and will give written reasons for their decision. If the Director refuses the application, or grants the application subject to terms and conditions, the applicant can ask an OSC panel to review the Director's decision.

4.3 Guidance when engaging compliance consultants

In August 2019, the CSA published [CSA Staff Notice 31-356 Guidance on Compliance Consultants Engaged by Firms Following a Regulatory Decision](#) to provide guidance for registered firms when they are required by a regulatory decision (such as terms and conditions on their registration or a Commission Order) to hire an independent compliance consultant to help remediate the firm's significant compliance deficiencies identified from a compliance review or investigation. The purpose of the notice is to:

- help firms identify, evaluate and engage appropriate consultants to assist them in effectively addressing their compliance deficiencies
- provide transparency on our process and criteria for approving consultants (when required by the regulatory decision)
- outline our expectations for a consultant's engagement, including their role, and the format and content for reporting
- improve the oversight and remediation processes of firms subject to a regulatory decision.

The notice may also be useful for any registered firms that want to voluntarily engage a compliance consultant to help them improve or assess their compliance systems, including guidance on a firm's due diligence for hiring a consultant.

4.4 Director's decisions and settlements

Director's decisions on OTBH proceedings are published in the OSC Bulletin and on the OSC website at [Director's Decisions](#), where they are presented by topic and by year. Director's decisions can be used as an important resource for registrants, as they highlight matters of concern to the OSC, as well as the regulatory action that may be taken as a result of misconduct and non-compliance. The publication of Director's decisions also ensures that CRR's response to serious misconduct is visible to market participants and investors.

Eight Director's decisions were published in the fiscal year 2019-2020 on registrant conduct issues. Two decisions followed contested OTBHs, three decisions were issued in cases where the registrant did not request an OTBH, and three decisions approved settlement agreements between staff and the registrant. A settlement agreement typically contains an agreed statement of facts in addition to a joint recommendation to the Director. Therefore, proceeding by way of a settlement agreement with staff allows the registrant to participate in setting out the factual narrative that becomes the basis for the Director's decision.

In three of the decisions from fiscal 2019-2020, staff took regulatory action against a registrant based in another province to reciprocate substantially identical action taken by the registrant's principal regulator. This cooperative approach with our CSA partners reflects staff's view that a registrant's compliance with its local securities laws should generally inform our assessment of whether it is suitable for ongoing registration, and whether its registration would be otherwise objectionable.

A summary of all Director's decisions and settlements by topic for fiscal 2019-2020 follows.

RWS Capital Services Inc. (Mar 10, 2020)

Topics: Late delivery of financial statements; Financial condition - Firm (including requirement to report capital deficiencies)

The firm was an EMD. Despite repeated requests by staff for the firm's annual audited financial statements and Form 31-103F1 *Calculation of Excess Working Capital (Form 31-103F1)* for the years ending December 31, 2017 and December 31, 2018, the firm did not deliver those materials until December 9, 2019. The documents showed that although the firm appeared to have sufficient working capital, they incorrectly included an amount among the firm's current assets which should have been excluded. When the firm's working capital was recalculated without this amount, it was less than zero.

In a settlement agreement approved by the Director, the firm admitted that: (i) it failed to deliver its annual audited financial statements and Form 31-103F1 within 90 days of the end of the financial year, contrary to section 12.12 of NI 31-103, (ii) it failed to notify staff that its working capital was less than zero, contrary to subsection 12.1(1) of NI 31-103, (iii) its working capital was less than zero for two consecutive days, contrary to subsection 12.1(2) of NI 31-103, and (iv) because its working capital was less than zero, it did not have the requisite solvency for ongoing registration. The firm agreed to a suspension of its registration.

Arie Papernick (February 24, 2020)

Topics: Commissions and fees (including churning); Misleading staff or sponsor firm

Mr. Papernick was an investment dealing representative. From late 2015 until February 2017, Mr. Papernick acted as dealing representative on several corporate finance transactions in which his firm acted as a broker in placements by issuers in the resource sector, and where investment funds managed by another firm (**Firm M**) invested in these issuers. In some cases, prospectuses of funds managed by Firm M restricted Firm M or any of its affiliates or associates from accepting commissions or finder's fees. Nevertheless, in those cases, Mr. Papernick worked with an individual formerly registered with Firm M to pay 80% of the revenue to Firm M, without disclosing these fees to the public. Instead, Mr. Papernick arranged with this individual to create "strategic advisory" invoices that Mr. Papernick's firm paid in order to capture this improper fee revenue.

Eventually, Firm M and Mr. Papernick's firm stopped facilitating payments of these misleading "strategic advisory" invoices. When interviewed by staff, Mr. Papernick denied knowing about the restriction set out in prospectuses of funds managed by Firm M, but staff later reviewed e-mails that showed that Mr. Papernick was aware of the restriction and was assisting in arranging these improper payments. Mr. Papernick settled with staff on the basis of:

- a revocation of his registration
- a prohibition on reapplying for registration until two years have elapsed
- a requirement to re-take the Conduct and Practices Handbook Course and the Applied Investment Dealer Compliance Course
- an agreement to cooperate with securities regulatory authorities and SROs as they further investigate this matter.

Jonathan Covello (February 7, 2020)

Topic: Financial condition - Individual

Mr. Covello, a registered mutual fund dealing representative, was the subject of a staff investigation. In February 2019, staff received information suggesting that Mr. Covello may have outstanding financial obligations which could impugn his suitability for registration. While staff was investigating the matter, Mr. Covello's sponsoring firm reported that he was the subject of a Requirement to Pay issued by the Canada Revenue Agency (**CRA**), in an amount over \$10,000. Staff's investigation confirmed that Mr. Covello did in fact have a number of significant financial obligations, all in excess of \$10,000, not all of which had been disclosed in accordance with Ontario securities law. These debts related to two awards issued against him by the Landlord and Tenant Board, and two default judgments. Mr. Covello consented to terms and conditions being imposed on his registration, which required him to complete the Ethics and Professional Conduct Course, and to be strictly supervised.

Merit Valor Capital Asset Management Corporation (January 27, 2020)

Topics: Late delivery of financial statements; Financial condition - Firm (including requirement to report capital deficiencies)

This EMD failed to deliver annual audited financial statements and Form 31-103F1 for its year ended September 30, 2018 within the required timeframe. Staff made repeated requests to the firm to establish a date when the missing annual audited financial statements and Form 31-103F1 would be filed, but the firm failed to honour any of the response dates to which it had committed. As a result, staff recommended that the firm's registration be suspended, and the firm requested an OTBH to dispute staff's recommendation.

The Director held that the requirements to file annual audited financial statements and the Form 31-103F1 are serious regulatory obligations, and that by failing to meet those obligations, the firm did not comply with Ontario securities law. The Director also held that the firm's submission that it was not able to get the appropriate response from its accountant, or find a new accountant to complete the annual audited financial statements on account of the firm's small size, did not rise to the level of an extremely rare circumstance warranting additional time to meet its regulatory obligations. Therefore, the Director suspended the firm's registration, stating that should the firm reapply for registration it must remedy its non-compliance and have the 2018 and 2019 annual audited financial statements and corresponding Form 31-103F1s available for staff's review, and that the firm should expect that terms and conditions to monitor the firm's financial situation will be recommended.

Ontario Wealth Management Corporation (December 20, 2019)

Topics: Compliance system and culture of compliance; KYC, KYP and suitability; Reliance on prospectus exemptions

This EMD sought to surrender its registration in order to resolve an outstanding OTBH. The firm had voluntarily ceased operations due to staff's ongoing concerns respecting the firm's compliance with certain of its registrant obligations, including KYC, suitability, and reliance on prospectus exemptions. While the firm did not agree with some of staff's concerns, the firm recognized that it was in the interest of its clients that it no longer operate as an EMD. Therefore, the firm entered into an agreement with staff to resolve the outstanding OTBH where staff and the firm agreed that the commencement of the surrender process would be an appropriate way to address staff's compliance concerns. This agreement was subsequently approved by the Director.

Paul Wenden (October 4, 2019)

Topic: Compliance with securities laws of foreign jurisdictions

Mr. Wenden is a mutual fund dealing representative based in Alberta. The Alberta Securities Commission, which is his principal regulator, imposed strict supervision terms and conditions on Mr. Wenden's registration after he became the subject of a significant Requirement to Pay issued by the CRA. Staff recommended to the Director that the same terms and conditions be imposed in Ontario, and Mr. Wenden consented.

Wells Asset Management Inc. (May 3, 2019)

Topic: Compliance with securities laws of foreign jurisdictions

The Alberta Securities Commission is the principal regulator of this IFM, PM and EMD. Due to serious compliance issues with the firm, the Alberta Securities Commission entered into an agreement with the firm and its principal, Dale Wells, which resulted in both registrations being suspended as of January 30, 2019.

Subsequently, staff recommended to the Director that the firm and Mr. Wells should also be suspended in Ontario due to the regulatory action against them by their principal regulator. Mr. Wells and the firm requested an OTBH to contest staff's recommendation. The Director suspended both the firm and Mr. Wells, finding that it was otherwise objectionable for them to be registered in Ontario when they had been suspended in their principal jurisdiction.

Sterling Bridge Mortgage Corporation (April 24, 2019)

Topic: Compliance with securities laws of foreign jurisdictions

The Alberta Securities Commission, the principal regulator of this EMD, suspended the firm's registration following a compliance review.

Subsequently, staff recommended to the Director that the firm should be suspended in Ontario due to the regulatory action against it by its principal regulator. The firm did not oppose staff's recommendation and the Director suspended the firm's registration, stating that it would be inconsistent with the OSC's mandate and objectionable if the firm remained registered in Ontario after being suspended in its principal jurisdiction and all other Canadian jurisdictions.



STAFF DIRECTORY

Director's Office

Debra Foubert, Director	416-593-8101	dfoubert@osc.gov.on.ca
Elizabeth King, Deputy Director, Registrant Conduct	416-204-8951	eking@osc.gov.on.ca
Felicia Tedesco, Deputy Director, Operations	416-593-8273	ftedesco@osc.gov.on.ca
Ranjini Srikantan, Branch Administrator	416-593-2320	rsrikantan@osc.gov.on.ca

Team 1 - Portfolio Manager

Elizabeth Topp, Manager	416-593-2377	etopp@osc.gov.on.ca
Sabrina Philips, Administrative Assistant	416-593-2302	sphilips@osc.gov.on.ca
Andrea Maggisano, Senior Legal Counsel	416-204-8988	amaggisano@osc.gov.on.ca
Chris Jepson, Senior Legal Counsel	416-593-2379	cjepson@osc.gov.on.ca
Kat Szybiak, Senior Legal Counsel	416-593-3686	kszybiak@osc.gov.on.ca
Rachel Keane, Legal Counsel	416-263-7681	rkeane@osc.gov.on.ca
Ilona Larionova, Articling Student	416-593-8171	ilarionova@osc.gov.on.ca
Carlin Fung, Senior Accountant	416-593-8226	cfung@osc.gov.on.ca
Daniel Panici, Senior Accountant	416-593-8113	dpanici@osc.gov.on.ca
Scott Laskey, Senior Accountant	416-263-3790	slaskey@osc.gov.on.ca
Eugenie Chung, Accountant	416-597-7223	echung@osc.gov.on.ca
Gemma Coppins, Accountant	416-597-7226	gcoppins@osc.gov.on.ca
Mark Delloro, Accountant	416-597-7225	mdelloro@osc.gov.on.ca
Tai Mu Xiong, Accountant	416-263-3797	txiong@osc.gov.on.ca
Vanesa Pavlovski, Accountant	416-597-7207	vpavlovski@osc.gov.on.ca

Team 2 - Investment Fund Manager

Vera Nunes, Manager	416-593-2311	vnunes@osc.gov.on.ca
Margot Sobers, Administrative Assistant	416-593-8229	msobers@osc.gov.on.ca
Erin Seed, Senior Legal Counsel	416-596-4264	eseed@osc.gov.on.ca

Maye Mouftah, Senior Legal Counsel	416-593-2358	mmouftah@osc.gov.on.ca
Robert Kohl, Senior Legal Counsel	416-593-8233	rkohl@osc.gov.on.ca
Faustina Otchere, Legal Counsel	416-596-4255	fotchere@osc.gov.on.ca
Alizeh Khorasanee, Senior Accountant	416-593-8129	akhorasanee@osc.gov.on.ca
Estella Tong, Senior Accountant	416-593-8219	etong@osc.gov.on.ca
Merzana Martinakis, Senior Accountant	416-593-2398	mmartinakis@osc.gov.on.ca
Teresa D'Amata, Senior Accountant	416-595-8925	tdamata@osc.gov.on.ca
Awais Ullah, Accountant	416-263-7715	aullah@osc.gov.on.ca
Catherine Muhindi, Accountant	416-597-7808	cmuhindi@osc.gov.on.ca
Daniel Brown, Accountant	416-593-2353	dbrown@osc.gov.on.ca
Daniela Schipani, Accountant	416-263-7671	dschipani@osc.gov.on.ca
Lisa Piebalgs, Accountant	416-593-8147	lpiebalgs@osc.gov.on.ca
Paul Bertucci, Accountant	416-593-8159	pbertucci@osc.gov.on.ca
Saleha Haji, Accountant	416-593-2397	shaji@osc.gov.on.ca

Team 3 - Dealer

Dena Staikos, Manager	416-593-8058	dstaikos@osc.gov.on.ca
Linda Pinto, Administrative Assistant	416-595-8946	lpinto@osc.gov.on.ca
Gloria Tsang, Senior Legal Counsel	416-593-8263	gtsang@osc.gov.on.ca
Paul Hayward, Senior Legal Counsel	416-593-8288	phayward@osc.gov.on.ca
Adam Braun, Legal Counsel	416-593-2348	abraun@osc.gov.on.ca
Brendan Smith, Legal Counsel	416-263-7746	bsmith@osc.gov.on.ca
Jeff Sockett, Senior Accountant	416-593-8162	jsockett@osc.gov.on.ca
Stratis Kourous, Senior Accountant	416-593-2340	skourous@osc.gov.on.ca
Susan Pawelek, Senior Accountant	416-593-3680	spawelek@osc.gov.on.ca
George Rodin, Accountant	416-263-3798	grodin@osc.gov.on.ca
Jason Brito, Accountant	416-263-7716	jbrito@osc.gov.on.ca

Keveion Barker, Accountant	416-593-8311	kbarker@osc.gov.on.ca
Louise Harris, Accountant	416-593-2359	lharris@osc.gov.on.ca
Matthew Andreacchi, Accountant	416-204-8977	mandreacchi@osc.gov.on.ca
Michael Man, Accountant	416-593-8145	mman@osc.gov.on.ca
Vincent Chow, Accountant	416-593-8127	vchow@osc.gov.on.ca

Team 4 - Registrant Conduct

Michael Denyszyn, Manager	416-595-8775	mdenyszyn@osc.gov.on.ca
Judy Ross, Administrative Assistant	416-593-8284	jross@osc.gov.on.ca
Joyce Taylor, Senior Legal Counsel	416-596-4273	jtaylor@osc.gov.on.ca
Mark Skuce, Senior Legal Counsel	416-593-3734	mskuce@osc.gov.on.ca
Marlene Costa, Legal Counsel	416-593-2192	mcosta@osc.gov.on.ca
Trevor Walz, Senior Accountant	416-593-3670	twalz@osc.gov.on.ca
Allison McBain, Compliance Examiner	416-593-8164	amcbain@osc.gov.on.ca
Rita Lo, Registration Research Officer	416-593-2366	rlo@osc.gov.on.ca

Team 5 - Data Strategy and Risk

Louise Brinkmann, Manager	416-596-4263	lbrinkmann@osc.gov.on.ca
Andrea Gochuico, Administrative Assistant	416-593-2386	agochuico@osc.gov.on.ca
Kian Sleggs, Senior Business & Data Analyst	416-593-8142	ksleggs@osc.gov.on.ca
Tanvir Taher, Business Analyst	416-264-7692	ttaher@osc.gov.on.ca
Anita Chung, Registration Accountant	416-593-8131	achung@osc.gov.on.ca
David Tong, Accountant	416-593-8120	dtong@osc.gov.on.ca
Isabelita Chichioco, Financial Analyst	416-593-8105	ichichioco@osc.gov.on.ca
Cheryl Pereira, Registration Officer	416-593-8149	cpereira@osc.gov.on.ca
Lucy Gutierrez, Registration Support Officer	416-593-8277	lgutierrez@osc.gov.on.ca

Team 6 - Registration

Jeff Scanlon, Manager	416-597-7239	jscanlon@osc.gov.on.ca
Linda Pinto, Administrative Assistant	416-595-8946	lpinto@osc.gov.on.ca
Feryal Khorasanee, Registration Supervisor	416-595-8781	fkhorasanee@osc.gov.on.ca
Kamaria Hoo, Registration Supervisor	416-593-8214	khoo@osc.gov.on.ca
Colin Yao, Legal Counsel	416-593-8059	cyao@osc.gov.on.ca
Adrienne Chao, Corporate Registration Officer	416-597-7201	achao@osc.gov.on.ca
Amy Fraser, Corporate Registration Officer	416-593-3674	afraser@osc.gov.on.ca
Anthony Ng, Corporate Registration Officer	416-263-7655	ang@osc.gov.on.ca
Edgar Serrano, Corporate Registration Officer	416-593-8331	eserrano@osc.gov.on.ca
Jane Chieu, Corporate Registration Officer	416-593-3671	jchieu@osc.gov.on.ca
Jenny Tse Lin Tsang, Corporate Registration Officer	416-593-8224	jtselintsang@osc.gov.on.ca
Kipson Noronha, Corporate Registration Officer	416-593-8258	knoronha@osc.gov.on.ca
Pamela Woodall, Corporate Registration Officer	416-593-8225	pwoodall@osc.gov.on.ca
Zeeshan Mukaddam, Corporate Registration Officer	416-263-7689	zmukaddam@osc.gov.on.ca
Azmeer Hirani, Individual Registration Officer	416-596-4254	ahirani@osc.gov.on.ca
Dana Gold, Individual Registration Officer	416-263-7664	dgold@osc.gov.on.ca
Dianna Cober, Individual Registration Officer	416-593-8107	dcober@osc.gov.on.ca
Linda Tam, Individual Registration Officer	416-204-8957	ltam@osc.gov.on.ca
Michael John Egerdie, Individual Registration Officer	416-597-7806	megerdie@osc.gov.on.ca



OSC

ONTARIO
SECURITIES
COMMISSION

CONTACT US

Ontario Securities Commission
Inquiries and Contact Centre
8:30 a.m. to 5:00 p.m. Eastern Time - Monday to Friday
1-877-785-1555 (Toll-free)
416-593-8314 (Local)
inquiries@osc.gov.on.ca
www.osc.gov.on.ca/en/contactus_index.htm

www.osc.gov.on.ca

If you have questions or comments about this report, please contact:

Daniel Panici
Senior Accountant
Compliance and Registrant Regulation
dpanici@osc.gov.on.ca
416-593-8113

Daniela Schipani
Accountant
Compliance and Registrant Regulation
dschipani@osc.gov.on.ca
416-263-7671

