

Notices

1.1 Notices

1.1.1 OSC Notice 11-786 – Notice of Statement of Priorities for Financial Year to end March 31, 2020

OSC NOTICE 11-786

NOTICE OF STATEMENT OF PRIORITIES FOR FINANCIAL YEAR TO END MARCH 31, 2020

The *Securities Act* (Act) requires the Ontario Securities Commission (OSC or Commission) to deliver to the Minister of Finance by June 30th of each year a statement from the Commission setting out its priorities for its current financial year in connection with the administration of the Act, the regulations and rules, together with a summary of the reasons for the adoption of the priorities.

In the Notice published by the Commission on March 28, 2019, the Commission set out its draft 2019-2020 Statement of Priorities (SoP) and invited public input. Sixteen responses were received, and we thank the commenters for their input.

The main themes of our 2019-2020 SoP support the Ontario Government's priorities to make Ontario "Open for Business" and to "Build more Efficient Regulators" and specifically focus on delivering the objectives outlined in the Five-Point Capital Markets Plan contained in the April 2019 Budget. Accordingly, the OSC has added the following three additional priorities to the SoP:

- Enhance economically-focused rule-making
- Establish the Office of Economic Growth and Innovation
- Ensure competitiveness and clear service standards.

The SoP also includes additional initiatives under existing priorities to address specific Government focus areas.

On balance, the feedback was broadly supportive of the overall direction of our new OSC goals and proposed priorities. A high-level summary of key comment areas is set out below:

1. There was overwhelming support for our planned initiatives to reduce regulatory burden. This is a key goal for the OSC and we continue to believe that our markets are better able to compete, innovate and flourish with regulation that is proportionate to the regulatory objectives sought. The OSC is committed to re-examining its rules and processes to ensure they are appropriate, necessary and relevant, to identify opportunities to reduce undue burden and streamline regulation, and confirm that the regulations are appropriate and necessary, while maintaining appropriate safeguards for investors.
2. Our proposed priorities to "Continue Consulting on Client Focused Reforms" and "Continue CSA Policy Consultations on Mutual Funds Embedded Commissions" attracted the most comments. While there was consistent support for the identified broad outcomes, some respondents favoured more consultation while others wanted us to reach decisions and move forward. Respondents generally favoured a harmonized CSA approach; however, others noted that they would support the OSC moving forward on its own if a consensus could not be reached in a timely manner. Some respondents requested more clarity on the process and potential timing of any key milestones or decisions as they believed this would be useful in developing their own implementation requirements and plans. The OSC will address this request where practical.
3. Various respondents expressed support and the need for action to address advisor titles and proficiency standards. This issue was also recently highlighted in the April 2019 Ontario Budget. Implementation of this initiative will be led by the Financial Services Regulatory Authority (FSRA).
4. Respondents continue to be supportive of the focus areas and work of the OSC Investor Office including expanding stakeholder engagement, investor research and education, and financial literacy. The OSC and its Investor Office will be undertaking a range of initiatives to address these and other key investor protection issues including execution of the action items set out in our OSC Seniors Strategy to protect older investors.

5. Respondents continue to view regulatory harmonization, both across the CSA and internationally, as an important outcome.
6. Respondents expressed support for action to address environmental, social and governance (ESG) factors including the need for enhanced ESG disclosure by companies and continued focus on the Women on Boards and Executive Positions and diversity issues. Although the OSC did not add a specific priority related to these issues, these issues will continue to be very important and the OSC will continue to monitor developments in this area and work with the CSA to identify opportunities to improve ESG related disclosure.
7. There was strong support for OSC plans to continue to work with Fintech entities as they seek to bring innovative solutions into our capital markets. We will work to strengthen our efforts in this area as we establish the Office of Economic Growth and Innovation.
8. Respondents remain supportive of efforts to increase our use of data and evidence based decision-making and wider use of cost benefit analysis including post-implementation reviews. The OSC is strongly committed to achieving these outcomes.
9. Respondents highlighted the growing importance of cyber resilience and data security to protect our capital markets. Although not set out as a priority, these areas will remain a key area of focus and the OSC will continue to work with the CSA to periodically update and conduct testing of the CSA Market Disruption Coordination Plan, which includes steps for information sharing and coordination in the event of a market disruption including one that stems from a large-scale cybersecurity incident.
10. Some respondents recommended adding shareholder democracy issues such as “say on pay”, and proxy voting as a priority. We will continue to monitor shareholder democracy activities and issues to determine whether there is a need for further action in these areas.

Most comments related to the planned establishment of the Cooperative Capital Markets Regulatory System (CCMR) were supportive of the initiative. However, among the respondents who supported CCMR, a few stated that, unless CCMR would be truly national in scope, it may be prudent to shift our focus to improving CSA harmonization, including the adoption of the Passport system. The OSC will continue to work collaboratively with Ontario’s Ministry of Finance, other participating provincial and territorial jurisdictions and the federal government, to further the implementation of the CCMR. At the same time, we will maintain an engaged and effective regulatory presence including a cooperative interface with the CSA.

The OSC remains committed to policy development that balances the desire to be timely with the need to achieve harmonized outcomes that best meet the needs of Ontario investors and market participants. The OSC’s core regulatory work will always be its primary area of focus. The SoP sets out our highest priority areas, what we will deliver during the year under those priorities and how we will measure our performance. The other important initiatives and issues identified for inclusion by various respondents will be provided to staff for consideration and many of these are already addressed within our branch business plans or will be considered for future work.

All comment letters received are available on our website www.osc.gov.on.ca. The SoP will serve as the guide for the Commission’s operations. Following delivery of the SoP to the Minister of Finance, we will also publish on our website a report on our progress against our 2018-2019 priorities.

[Editor’s note: The Statement of Priorities for Financial Year to end March 31, 2020 follows on separately numbered pages. Bulletin pagination resumes at the end of the Statement.]

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2019-2020

OSC
Statement of
Priorities

INTRODUCTION

OSC Statement of Priorities

We are pleased to present the OSC Chair's Statement of Priorities for the Ontario Securities Commission for the year commencing April 1, 2019. The *Securities Act* (Ontario) requires the OSC to publish the Statement of Priorities in its Bulletin and to deliver it to the Minister by June 30 of each year. This Statement of Priorities also supports the OSC's commitment to be both effective and accountable in delivering its regulatory services.

The OSC regulates the largest capital market in Canada and our actions have impacts for Ontario and the rest of Canada. The OSC remains committed to promoting fair and efficient markets in Ontario and has identified a broad range of initiatives to improve the existing regulatory framework. We strive to anticipate problems in the market and act decisively to promote public confidence in our capital markets, protect investors, and support market integrity. We will continue to proactively identify emerging issues, trends, and risks in our capital markets.

Confidence in fair and efficient markets is a prerequisite for economic growth. Investor protection is always a top priority for the OSC. The OSC engages with investor advocacy groups to gain insights to better understand investor needs and interests.

The OSC continues to move the regulatory agenda forward, improving the way we approach our work and engage with industry participants and other regulators to understand the issues and their concerns. The OSC interacts broadly with all stakeholders through various advisory committees, roundtables and other means of consultation to inform operational approaches and policy development.

Our significant work in the international regulatory environment will continue as another key means to gain insights into emerging issues and standards that can be integrated into our policy development and oversight activities. These actions are essential to reach solutions that balance the inclusion of innovation and competition in the marketplace while maintaining appropriate investor safeguards.

The OSC works as part of the Canadian Securities Administrators (CSA) to harmonize rules and their application across the country. The OSC is working with the Ontario government and the OSC's counterparts in other participating jurisdictions to develop a harmonized regulatory approach and seamless transition to the proposed Cooperative Capital Markets Regulatory System (CCMR).

INTRODUCTION

Vision, Mandate and Goals

Our Vision

To be an effective and responsive securities regulator – fostering a culture of integrity and compliance and instilling investor confidence in the capital markets.

Our Mandate

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

Our Organizational Goals

PROMOTE

Confidence in Ontario’s Capital Markets

- Promote confidence in Ontario’s capital markets among market participants and investors

REDUCE

Regulatory Burden

- Enhance access for businesses and financial services providers to Ontario’s capital markets

FACILITATE

Financial Innovation

- Cultivate an environment that supports development of innovative financial business models



Strengthen Our Organizational Foundation

People

Technology

Information

INTRODUCTION

Key Priorities

Our 2019-2020 Statement of Priorities (SoP) sets out the priority areas on which the OSC intends to focus its resources and actions in 2019-2020. The OSC has identified four regulatory goals. This SoP sets out the priority initiatives that the OSC will pursue in support of each of these strategic goals including delivering the objectives outlined in the Ontario Government's Five-Point Plan to create confidence in the capital markets in the April 2019 Ontario Budget "Protecting What Matters Most" (Five-Point Plan).

The SoP also describes the environmental factors that the OSC has considered in setting these goals. It is important to note that the majority of OSC resources are focused on delivering the core regulatory work (authorizations, reviews, compliance, enforcement and the systems and infrastructure to support that work) undertaken by the OSC to maintain high standards of regulation in Ontario's capital markets.

Promote Confidence in Ontario's Capital Markets

Promote confidence in Ontario's capital markets among market participants and investors

- Continue Consulting on Client Focused Reforms
- Continue CSA Policy Consultations on Mutual Funds Embedded Commissions
- Improve the Retail Investor Experience
- Expand Systemic Risk Oversight of Derivatives
- Timely and Impactful Enforcement Actions
- Enhance Economically-Focused Rule-Making
- Support Transition to the Cooperative Capital Markets Regulatory System (CCMR)

Reduce Regulatory Burden

Enhance access for businesses and financial services providers to Ontario's capital markets

- Engage with Stakeholders on Burden Reduction Opportunities
- Initiate OSC Website Redevelopment

Facilitate Financial Innovation

Cultivate an environment that supports development of innovative financial business models

- Engage with the Fintech/Start-Up Sector
- Establish the Office of Economic Growth and Innovation
- Implement Alternative Funds Regime

Strengthen Our Organizational Foundation

- Implement Strategic Workforce Planning (SWP)
- Continue National Systems Renewal Program (NSRP)
- Implement First Phase of Market Analysis Platform (MAP)
- Modernize OSC Technology Platform
- Build a Data Driven, Evidence Based and Risk Focused Organization
- Ensure Competitiveness and Clear Service Standards

THE ENVIRONMENT

Scan and Impact

Environmental factors influence securities regulators in their operations and regulatory oversight. Key challenges and issues that may influence the OSC's policy agenda, its operations, and the way it uses its resources, are as follows.

Globalization

The potential impact of continuing geopolitical events, such as Brexit implementation, decisions by the US government and changing trade relationships could have profound impacts on financial regulation globally. The global interconnectedness of markets and mobility of capital create a strong need for harmonization and coordination of regulation. However, the potential for increased protectionism and de-regulation could inhibit global harmonization and create opportunities for regulatory arbitrage.

The markets, products, and participants that the OSC regulates and oversees continue to grow in size and complexity. Globalization of financial markets, products and services adds another layer to these challenges. The sustained growth of cross-border activities raises challenges to regulatory supervision, magnifies the value of cooperation between regulators and increases the benefit of achieving consistent standards and requirements both domestically and internationally.

The OSC works as part of the CSA to harmonize rules and their application across the country to facilitate business needs. Through these efforts, the OSC strives to achieve effective cross-jurisdiction enforcement and gain timely insight, understanding and input into emerging regulatory issues to achieve better regulatory outcomes.

Our international involvement informs how we regulate Ontario's capital markets. The OSC continues to play an active role in international organizations such as the International Organization

of Securities Commissions (IOSCO) to influence and promote changes to international standards for securities regulation and share new ideas and learnings that will benefit Ontario markets and participants.

Regulatory Burden

A more competitive environment demands that securities regulators must balance pressures to respond to market issues while avoiding over-regulation. Regulatory costs should be proportionate to the regulatory objectives sought. Regulatory burden, along with the associated costs, is a key focus for many market participants and the Ontario government. The thrust to reduce the regulatory burden on business may require the need to simplify, remove and/or re-engineer our processes and systems. The need for a cost-effective regulatory framework, with proportionate regulation that supports innovation and competition – while maintaining appropriate investor protections – is critical. By re-examining our processes and rules or guidance, as well as implementing a cost-benefit analysis, to identify opportunities to reduce undue burdens and streamline regulation, the OSC can confirm they are appropriate and necessary while maintaining appropriate safeguards for investors.

Technology and Innovation

The pace of technological evolution and innovation creates challenges to develop and maintain a responsive and aligned regulatory framework. Market participants continue to expand their product and service offerings. Fintech (technology facilitated financial services) and Regtech (technology facilitated regulatory compliance services) innovation continues to advance and is a key disruptive force in the financial services industry. Complexity driven by financial innovation offers many potential benefits and risks to the market. Fintech is leveraging new technology

and creating new business models in the financial services industry such as providing new product offerings (e.g. blockchain-based crypto assets) and disrupting service channels (e.g. online advisors). Financial services firms are using technological innovation, digitalization and growth in the use of the distributed ledger technology to reduce operational costs and improve efficiency.

The breadth and pace of innovation in the financial sector could result in gaps in regulation or become a source of non-compliance. For example, the potential applications and impacts of Artificial Intelligence (AI) are significant but are not well understood.

Modernize Financial Regulation

The Government of Ontario has identified initiatives to modernize the financial services regulatory framework. These policy priorities and changes in regulatory authority will impact the OSC and its operations including:

- Changes to the regulatory oversight of syndicated mortgage investments by the Financial Services Commission of Ontario and the OSC
- Title reform for financial planners and financial advisors
- Working with CCMR partners on the transition of the OSC to the proposed CCMR.

Growing Importance of Investor Education

As the responsibility for investing shifts to individuals, they are challenged to achieve the returns needed to finance future needs. There are wide gaps in the levels of investment experience and financial literacy among investors. Investor education has the potential to contribute to improved financial outcomes for investors and is an important component of investor protection.

The OSC is actively involved in providing investor education tools and resources to help investors achieve improved financial outcomes. The ability to achieve meaningful progress in financial literacy levels will be a key to strengthening investor protection. Investors with a greater level of understanding of financial concepts are better able to make informed investment decisions and avoid

fraud. The OSC will seek new and innovative ways to deliver investor education and support retail investors in today's complex investing environment.

Changing Demographics and Investor Needs

Demographics are critical to understanding investor needs and are a key driver of most investor-focused issues. Different investor segments (e.g. seniors versus millennials) have unique characteristics and present different challenges in terms of investment objectives and horizons. Their preferences can vary in terms of products (ETFs versus mutual funds) and service channels. Automated financial advice is redefining the delivery of client wealth management services and the fees charged for advice.

Investor Redress

Investors can be at risk for potential losses from improper or fraudulent interactions. Regulators are seeking ways to improve investor access to redress in these types of situations. Avenues to obtain investor redress, including an effective and fair dispute resolution system, are increasingly being included as part of investor protection frameworks. To achieve better results for investors, the OSC will continue its support for OBSI in its role as the independent dispute resolution service made available to investors.

Enforcement and Compliance Tools

Strong compliance oversight and enforcement are essential to maintaining the integrity and attractiveness of our capital markets. Disruption of illegal activity and deterrence are key strategies to prevent or limit harm to investors. Our actions against firms and individuals who do not comply with the rules need to be strong and visible to achieve the desired deterrent effect and enhance public confidence in our markets. Effective deterrence is better achieved through partnering with law enforcement agencies responsible for investigating criminal misconduct. The OSC continues to work with our policing partners to apply our combined expertise to tackle complex white-collar crime.

As securities fraud and misconduct become increasingly complex, regulators must evolve their compliance and enforcement approaches and

expand their tools. Technology is enabling growth in cross-border activities that are detrimental to investors and very difficult to address. This creates challenges in supervision, surveillance and enforcement. If regulatory approaches are not aligned, cross-border supervision and enforcement efforts can be impeded.

Systemic Risk and Financial Stability

The OSC works with many domestic and international regulators to monitor financial stability risks and trends, improve market resilience, and reduce the potential risk of global systemic events. The OSC is continuing to build out a domestic derivatives framework and to operationalize the necessary compliance and investigation tools required to achieve a practical and effective regime.

As part of their review of market stability issues, financial system regulators are examining the need for companies to disclose exposure to economic, environmental and social sustainability risks, including climate change. The Financial Stability Board (FSB) has established a Task Force on Climate-related Financial Disclosures to develop a set of recommendations for consistent, comparable, reliable, clear and efficient climate-related disclosures by companies. The OSC will continue to monitor developments in this area.

Cybersecurity Resilience

Cyber-attacks that have the potential to disrupt our markets and market participants are likely to occur. Growing dependence on digital connectivity is raising the potential for digital disruption in our financial services and markets and creating a strong imperative to raise awareness about cyber-attacks and strengthen cybersecurity resilience. This is a growing challenge as more businesses, services and transactions span national and international borders. The OSC, working with other regulatory partners, has an important role to play in assessing and promoting readiness and supporting

cybersecurity coordination and resilience within the financial services industry and raising awareness of cybersecurity risks.

Data Management

Ever increasing market complexity is generating greater availability and reliance on data. The OSC is adding new tools and processes to support staff in delivering their responsibilities. A key element will be addressing challenges in managing growing volumes of data, including information security. The OSC is investing in information technology and infrastructure to support an integrated data management program that will improve access to information to identify trends and risks and support analysis and decision-making. This will also allow easier filings and access for market participants.

Workforce Strategy

The ability to meet the identified goals and strategic objectives is dependent upon obtaining sufficient and appropriate resources. To meet evolving needs, the OSC will strengthen its capabilities through its people. While attracting, motivating and retaining top talent in a competitive market environment continues to be challenging, the OSC is building its capabilities and skills by recruiting staff across a range of disciplines, and by developing the skills and experience of our internal talent.

THE ENVIRONMENT

Major Planning Themes

The OSC is committed to fostering confidence in Ontario's capital markets, supporting an environment where capital is available on competitive terms, streamlining regulation with a strengthened focus on reducing regulatory burden and maintaining Ontario's financial services sector as a world leader and significant contributor to the province's economy. The main themes of our 2019-2020 OSC Statement of Priorities support the Ontario government's priorities to make Ontario "Open for Business" and to "Build more Efficient Regulators" and specifically focus on delivering the objectives outlined in the Five-Point Plan.

Reduce Regulatory Burden

Delivering responsive regulatory oversight includes being mindful of the impact of regulatory burden on market participants. Reducing red tape will boost productivity, competitiveness and investment. The OSC is re-examining its rules and processes to ensure they are appropriate, necessary and with its CSA partners has identified and is pursuing opportunities to reduce undue burdens and streamline regulation without impeding the ability of the OSC to fulfill its responsibility to protect investors. Together with reducing red tape, the OSC is looking at ways to improve the investor experience, by seeking to modernize the information provided to investors or other interactions that investors have with issuers and registrants. The OSC continues to seek opportunities to make its interface with market participants easier and less costly, including the implementation of electronic solutions to make submission of data easier for market participants.

Support Innovation to Attract Investment in Ontario

The April 2019 Ontario Budget identified the Ontario government's plans to propose amendments to capital markets legislation to facilitate greater economic growth through

innovation in Ontario's capital markets and more economically focused rule-making. The OSC will work to meet this commitment by actively supporting business innovation through initiatives such as the establishment of the Office of Economic Growth and Innovation and ongoing work in the OSC LaunchPad, the CSA Regulatory Sandbox and globally through the Global Financial Innovation Network (GFIN), to support fintech businesses seeking to offer innovative products, services and applications in Canada. These initiatives are critical to creating a globally competitive, efficient and strong capital markets regulatory system that attracts investments from around the world, streamlines capital raising for businesses and protects investors from financial system risk and misconduct.

Invest in Technology to Support a More Data Driven OSC

The OSC supports the government's broader efforts to ensure services are delivered in the most efficient and effective ways possible. The OSC needs to invest in technology, systems infrastructure and expertise to expand and modernize its technology platform. These investments will be used to replace outdated systems and build the foundation to allow the OSC to become a data driven, evidence based, risk focused organization. Agile organizations make data-driven rather than subjective decisions. The OSC will strive to simplify, modernize and enhance the data that it collects. Development of a robust data and analytics framework for decisions will allow the OSC to deliver service outcomes that clearly demonstrate value for money to all stakeholders.

Support Transition to the CCMR

As set out in the April 2019 Ontario Budget, Ontario's Minister of Finance plays a leadership role and works collaboratively with other participating

provincial and territorial jurisdictions and the federal government, to further the implementation of the CCMR. The CCMR would make capital markets in Canada stronger, more efficient and more globally competitive. It would also better protect investors from financial system risk and misconduct. It would offer real benefits for Ontario businesses by streamlining the requirements associated with the raising of capital, which in turn allows individuals and families to save and invest with confidence, while helping to create jobs and boost economic growth.

The OSC will support the proposed transition to CCMR by committing resources to support workstream activities to develop effective legislation, regulations and efficient regulatory oversight processes and support implementation of the CCMR as a streamlined capital markets regulatory system.

OUR GOALS

Promote Confidence in Ontario's Capital Markets

The OSC shares the Ontario government's commitment to making Ontario's capital markets globally competitive and making Ontario the most attractive place in North America in which to invest, grow businesses and create jobs. We will promote confidence in Ontario's capital markets among market participants and investors by engaging and educating investors; exercising effective compliance oversight; and pursuing timely and vigorous enforcement. To achieve globally competitive, efficient and strong capital markets and a regulatory system that attracts investment from around the world will require the OSC to effectively balance the need to streamline capital raising for businesses, while protecting investors from financial system risk and misconduct.

OUR KEY PRIORITIES

Continue Consulting on Client Focused Reforms

Advance amendments to registrant conduct requirements to better align the interests of securities advisers, dealers and representatives (registrants) with the interests of clients and improve outcomes for clients.

Actions will include:

- Implement recommendations based on the review of comment letters
- Publish rule amendments and Companion Policy Guidance
- Determine next steps in consultation with the CSA and other stakeholders on other identified initiatives

Planned Outcomes

- Better disclosure on product and service offerings reduces information asymmetry for investors
- Client outcomes enhanced when conflicts of

interest are addressed in the client's best interest.

- Improved suitability determinations for clients when client's interests are put first.

Continue CSA Policy Consultations on Mutual Funds Embedded Commissions

With the CSA, develop responses to the proposals published for comment in September 2018.

Planned Outcomes

- Revised proposals developed and published for comment.

Improve the Retail Investor Experience

Investors need the tools to make informed investment decisions. The OSC will undertake efforts to improve the investor experience and investor protection. Efforts will focus on engaging stakeholders, identifying appropriate areas for improvement, and taking steps to help investors to be better-informed when making investment decisions.

Actions will include:

- Improve effectiveness of OSC policies and outcomes for retail investors through integration of behavioural insights
- Seek ways to improve the investor experience through disclosure innovations, plain language initiatives, improving investor tools and resources, and adopting customer-centric principles in a variety of work areas
- Advance investor protection through financial literacy and investor education programs
- Increase partnerships with stakeholders and community groups interested in investor education initiatives
- Collaborate with the Ministry of Education to enhance the financial literacy curriculum.

The OSC will continue to work toward our vision of a stronger and more secure financial future for all Ontario Seniors.

Actions will include:

- Continue to implement the OSC Seniors Strategy, which includes addressing issues of financial exploitation and cognitive decline
- Continue to evolve strategy to address emerging challenges facing older and vulnerable investors
- Provide educational and regulatory tools to registrants to help them meet the needs and priorities of older and vulnerable investors.

Planned Outcomes

- Greater use of educational resources by investors, including online access
- Delivery of outreach sessions and resources for seniors and new Canadian community groups
- Consultation with stakeholders on ways to improve the investor experience
- Existing partnerships strengthened and new external relationships created to inform and advance investor focused initiatives
- Publication of a staff notice and rule amendments for comment to address financial exploitation of seniors and vulnerable investors.

Expand Systemic Risk Oversight of Derivatives

The OSC will continue to build out its regulatory framework through various policy and operational initiatives.

Actions will include:

- Publish a proposed business conduct rule and develop a registrant regulation framework
- Develop a compliance review program for derivatives market participants
- Establish a monitoring regime for data relevant to the applicability of a proposed margin rule for uncleared derivatives to Ontario entities
- Improve quality and completion of trade reports to improve systemic risk monitoring and enforcement
- Propose amendments to Trade Reporting rule to accommodate internationally adopted data standards
- Publish final amendments to Clearing rules regarding applicability to affiliates.

Planned Outcomes

- Framework for analyzing OTC derivatives data for systemic risk oversight and market conduct purposes is in place and provides improved awareness of potential systemic vulnerabilities

that can impact or be impacted by Ontario's capital markets

- Higher quality trade reports and measurable improvement in trade reporting completion statistics improves our ability to meet policy setting, systemic risk monitoring and enforcement assistance objectives
- Canadian regulatory framework keeps pace with global regulatory developments. Harmonized regulatory approaches (internationally and within the CSA) reduce regulatory burden on our market participants
- Monitoring regime for data relevant to the applicability of proposed margin rule for uncleared derivatives to Ontario entities established.

Timely and Impactful Enforcement Actions

The OSC will promote confidence in Ontario's capital markets by increasing the deterrent impact of OSC enforcement actions and sanctions by actively pursuing timely and consequential enforcement cases to address serious securities laws violations.

Actions will include:

- Ensuring investigative and litigation resources are focused on cases expected to have a strong regulatory impact and are aligned with our strategic priorities
- The Joint Serious Offences Team (JSOT), that works in cooperation with policing partners, will continue to focus on fraudulent behaviour and recidivism
- Identifying ongoing harmful misconduct and take timely, proactive disruptive action to stop the misconduct at the earliest stage and minimize investor harm
- The Whistleblower group will triage tips to focus action on impactful enforcement proceedings with effective regulatory messages.

Our aim is to achieve fair and just outcomes in response to misconduct and ensure compliance with securities laws.

Planned Outcomes

- Implementation of new tools supports increased use of data to support case selection and investigation decisions

- Enhanced profile for the OSC Whistleblower Program increases the number of credible tips
- Increased number of visible, effective disruption actions completed
- Increased visibility of priority case outcomes with strong regulatory messages aligned with OSC strategic priorities.
- Improved use of data analytics in market conduct cases to strengthen the detection of harmful conduct.

Enhance Economically Focused Rule-Making

The Five-Point Plan included economically-focused rule-making, noting that rule-making must weigh the economic costs against benefits to stakeholders.

Actions will include:

- Ensure proposed rules are supported by publicly available qualitative and quantitative analysis of the anticipated costs and benefits.

Planned Outcomes

- Improved transparency and understanding of the expected impacts of proposed rules.

Support Transition to the Cooperative Capital Markets Regulatory System

The OSC will be committing resources to support implementation of the CCMR as a streamlined capital markets regulatory system will make our capital markets more efficient and competitive relative to other countries, facilitate more effective monitoring and responses to systemic risk on a national basis and provide investors timely and uniform protections across jurisdictions.

The proposed transition to CCMR will require the OSC to re-prioritize, mobilize resources and adopt change management activities once workstreams are activated to prepare for the CCMR launch. The OSC will need to participate with other CCMR partners to complete work to develop effective legislation, regulations and efficient regulatory oversight processes.

Planned Outcomes

- OSC is ready and able to seamlessly transition to the proposed CCMR.

OUR GOALS

Reduce Regulatory Burden

The Ontario government is promoting a stronger environment for Ontario business and investors by cutting red tape and reducing regulatory burden. The government plans to systematically review Ontario's stock of regulations, then streamline, modernize and, in some cases, eliminate unnecessarily complicated, outdated or duplicative regulations. The OSC will support this goal by assessing policies and processes to streamline regulatory requirements and processes to make it easier to participate in Ontario's capital markets.

OUR KEY PRIORITIES

Engage with Stakeholders on Burden Reduction Opportunities

Regulatory Burden Task Force

In November 2018, the OSC announced the creation of a Regulatory Burden Task Force. The Task Force will develop a strategy to implement regulatory burden reduction in policy development and operational activities, identify areas that would benefit from a reduction of any undue regulatory burden and develop proposals to streamline those requirements without reducing investor protection or efficiency of the markets. The Task Force was also highlighted in the Ontario government's 2019 budget as part of the government's Five-Point Plan for creating confidence in Ontario's capital markets and fostering economic growth through burden reduction.

The Task Force has taken the following key actions:

- (a) Stakeholder consultation – On January 14, 2019, the OSC published OSC Staff Notice 11-784: *Burden Reduction*, which outlined the Task Force's plans to broadly consult Ontario market participants on ways to further reduce regulatory burden and improve the investor experience. Stakeholder engagement, particularly with those most impacted by

regulatory burden, is essential to the success of this initiative. Since launching the Task Force, the OSC has encouraged input from investors, market participants, SROs, government and staff, resulting in more than 70 comments and suggestions, as well as the participation of more than 400 people at the first of three public roundtables on the subject. This input will inform the Task Force's priorities and activities. Key themes and common suggestions from the feedback include:

- Invest in technology systems to improve functionality, reliability and use of data
- Improve harmonization with CSA, SROs and other jurisdictions
- More rigorous regulatory impact analysis and evidence-based policy-making
- Improve transparency of decision making, service standards and interactions with staff
- Improve exemptive relief process including the use of blanket orders
- Streamline and simplify duplicative information in various requirements
- Simplify and expedite registration within CSA and between CSA and IIROC
- Review and revisit fees and deadlines around specific filings.

- (b) Identification of burden reduction initiatives – The Task Force has identified potential burden reduction initiatives through stakeholder consultation and internal staff engagement. The Task Force is developing quantitative and qualitative criteria to measure the impact of burden reduction initiatives and will work with the Ministry of Finance to select and prioritize the most impactful initiatives, including those that may be of particular benefit to small and medium sized businesses. Where initiatives potentially require changes to harmonized national rules, the OSC will work with the CSA.

The Task Force will continue to gather and assess feedback from all stakeholders through online comment forms, internal engagement efforts, stakeholder outreach, consultation papers and additional roundtables. These collaborative discussions will allow market participants and investor representatives the opportunity to provide real time feedback on the OSC's approach to reducing regulatory burden. These sessions are attended by a broad cross-section of industry participants and other stakeholders and provide very useful insights, including the differences in issues and opportunities faced by larger participants versus small and medium-sized businesses.

Regulatory Burden Initiatives

The following initiatives are planned or underway by the OSC with the CSA:

- Develop a CSA agreed interpretation of what would trigger primary business financial statement requirements in an IPO
- Propose amendments to streamline, eliminate duplication among, and potentially consolidate into one report (both annual and interim), the financial statements, MD&A and, where applicable, AIF
- Consider modifications to the Business Acquisition Report (BAR) requirements
- Codify exemptive relief routinely granted to facilitate at-the-market offerings and consider whether other changes to liberalize the current approach are appropriate
- Identify opportunities to enhance electronic delivery of documents
- Seek to harmonize the prospectus and registration exemptions for securities-based crowdfunding by adopting a start-up crowdfunding exemption as a national instrument
- Research and identify an alternative and streamlined offering regime for reporting issuers.
- The Task Force to publish a report in Fall 2019, setting out short, medium and longer term initiatives and action plans to implement them
- Implement the plan set out in the CSA Staff Notice 81-329 *Reducing Regulatory Burden for Investment Fund Issuers*

- Review NI 33-109 *Registration Information* (including considering relevant stakeholder comments from the Burden Reduction Task Force) to identify options to modernize its requirements. Any amendments to the rule will require a CSA initiative.

Regulatory Impact Analyses

The OSC will continue to enhance the regulatory impact analyses it conducts for policy initiatives with a view to improving stakeholder engagement and increasing transparency. The OSC will also conduct more post implementation reviews to confirm achievement of identified expected benefits and that no major impacts were missed from the initial analysis.

Planned Outcomes

- Streamlined regulatory requirements and processes save participants in Ontario's capital markets time and money
- Proposed solutions are tailored to address the different characteristics and needs of businesses of various sizes
- Timely alignment with international regulatory changes results in reduced reporting burden for market participants
- Investor protection is maintained or strengthened
- Proposed policy initiatives are informed by impact analysis
- Improved efficiency and effectiveness of operations results in cost savings and improved resource usage.

Initiate OSC Website Redevelopment

The Commission is faced with an aging communications systems infrastructure. Updates to systems and processes are needed to realize efficiencies, comply with accessibility standards, and adapt to increasing volumes. The OSC will undertake a redevelopment of the OSC website to overhaul service delivery to market participants. The redevelopment will improve stakeholder communications by streamlining content, dramatically enhancing search capability, improving usability and efficiency, and meeting accessibility standards in line with the Accessibility for Ontarians with Disabilities Act web content accessibility guidelines.

Actions will include:

- Complete discovery for content revision and website redevelopment, including a user engagement survey
- Develop and begin implementation of a content revision plan
- Develop a technical strategic plan for design and build of the new website.

Planned Outcomes

- Identify content to be revised and removed, with an aim to decrease the size of the OSC website by 50%
- Engage vendors in content revision and website redevelopment.

OUR GOALS

Facilitate Financial Innovation

Rapid changes in financial technology have impacted regulators and the sale/distribution of financial products. Regulators are expected to create an environment that supports emerging financial technology, ensuring investor protection, while creating flexible and proportionate regulatory approaches.

The OSC will continue to develop flexible regulatory approaches to help support fintech innovation in Ontario. This includes creating flexible regulatory frameworks for crypto-asset business models, including initial coin and token offerings; crypto-asset investment funds; corporate finance issuers investing in crypto-assets, digital tokens and/or distributed ledger technology-related businesses; and crypto-asset trading platforms.

OUR KEY PRIORITIES

Engage with the Fintech/Start-Up Sector

Assist Fintech businesses to understand and meet regulatory requirements to accelerate time-to-market and improve attractiveness of Ontario capital markets.

Actions will include:

- Identify issues and opportunities and integrate learnings gained by working with innovative businesses to modernize regulation, reduce burden, improve regulatory alignment and better support emerging businesses
- Publish a CSA/IIROC consultation paper on the regulatory framework for crypto-asset trading platforms
- Examine the role of the unit creation and redemption process in the secondary market trading of ETFs units. Assess disclosure of the unit creation and redemption process.
- Incorporate regulatory developments in global ETF markets as input in developing a tailored Canadian regulatory approach.

Planned Outcomes

- OSC LaunchPad and the CSA Regulatory Sandbox support development of novel business models, facilitate more timely registration and exemptive relief processes for emerging firms and support fintech businesses to operate in Ontario and other Canadian jurisdictions
- Greater use of creative regulatory approaches (e.g. limited registration and other exemptive relief) provides an environment for innovators to test their products, services and applications
- Time-to-market of novel fintech businesses is reduced while maintaining appropriate investor safeguards
- Capital formation and innovation supported through OSC LaunchPad as Ontario is viewed as a fintech innovation hub with a positive and supportive environment for investment
- Timely updates on the OSC LaunchPad website reflect any fintech-related notices, news releases or guidance
- Enhanced disclosure relating to the ETF unit creation and redemption process, as relevant for investors and other market participants.

Establish the Office of Economic Growth and Innovation

Under the Five-Point Plan the OSC will create an Office of Economic Growth and Innovation. This office is intended to foster fair and efficient capital markets and support innovation in capital markets, which would lead to economic growth. The office will work with market participants to ensure that the OSC receives balanced insights into the perspectives of stakeholders and prioritizes the update of existing rules to reduce regulatory burden.

Actions will include:

- Create and launch an Office of Economic Growth and Innovation

- Collaborate with businesses and other regulators to gain insights on how to support innovation, facilitate competition and reduce regulatory burden.

Planned Outcomes

- Increased capital formation within the province
- Accelerated innovation in financial services through proliferation of technology, reduced costs and increased competition
- Impacts of regulatory actions are assessed in the context of small or medium-sized market participants
- Office of Economic Growth and Innovation is fully operational and delivering on its mandate.

Implement Alternative Funds Regime

Expand investment choices for Ontario investors by supporting and facilitating industry stakeholders to develop and launch funds with alternative strategies and innovative structured investment products (e.g. foreign structured notes, ADR-type products) and enable portfolio managers to manage fund assets with more flexibility and efficiency.

Planned Outcomes

- Reduction in routine alternative fund related exemptive relief requests
- Increased numbers and types of new alternative funds and structured products improves investor choice.

OUR GOALS

Strengthen Our Organizational Foundation

The OSC regulates and supports an ever-changing and highly competitive financial sector. The OSC faces challenges to regulate behaviour in a rapidly changing and technology-driven environment. To meet these challenges and regulate in a manner that is both sound and efficient requires a strong organizational foundation of people, systems and data management and analytics.

The OSC needs to enhance its workforce by seeking staff with strong data-gathering, intelligence, and analytic capabilities who can proactively identify emerging problems, especially when those problems do not fit established patterns. The OSC faces significant challenges to attract and retain staff with these skills as it operates in a competitive market where demand for people is high.

The OSC needs robust systems to manage high volumes of data and support advanced data analytical techniques to uncover patterns and detect non-compliance. Well organized data combined with the right regulatory approach, can help the OSC prevent and detect non-compliance, define where future resources should be focused and ultimately shape future regulatory strategy. Successfully addressing these challenges will position the OSC to provide efficient and effective regulation that delivers better outcomes.

OUR KEY PRIORITIES

Implement Strategic Workforce Planning

The OSC will conclude the Strategic Workforce Planning (SWP) Project Pilots.

Actions will include:

- Measure the outcomes against success criteria
- Make recommendations to be incorporated into a broader SWP Framework
- In the framework, integrate multiple sources of

workforce, employee, position and financial information to enable improved planning and decision making to support OSC operations.

Planned Outcomes

- Strategic workforce planning is integrated into OSC business operations
- Employment relationships are aligned with organizational and employee needs
- Lower turnover of staff with sought-after skillsets, time to staff critical roles is reduced
- Staffing tactics and work structures reflect evolving approaches to policy and file work that draws upon multiple skills and expertise.

Continue National Systems Renewal Program (NSRP)

Redevelopment of the CSA national systems is a critical foundation for the OSC to become a more data analytic focused and evidence-based regulator.

Actions will include:

- Support the CSA initiative to replace the CSA national systems with a modern, accessible, integrated, searchable, secure, robust database and system to deliver capabilities that support existing regulatory requirements and can be easily modified to support the future needs of market participants and regulators
- Amend the systems rule, plus a new CSA Systems Fee Rule
- Complete work on OSC local systems and related processes, workflows and policies to ensure they are aligned with the NSRP national systems when they are launched.

Planned Outcomes

- Successful launch of the NSRP system that meets the needs of the users and is aligned with the OSC local systems

- Improved operational functions and more efficient service delivery to market participants.

Implement First Phase of Market Analysis Platform (MAP)

MAP implementation creates enhanced internal analytical capacity to better conduct insider trading and market manipulation investigations and focused policy research. Access to improved analytical resources reduces investigation timelines and creates capacity to complete more cases.

Actions will include:

- Complete Phase I implementation of MAP.

Planned Outcomes

- Automation of multiple data management processes, thereby increasing data quality accuracy and reliability
- Increased ability to detect market misconduct
- Increased efficiency in terms of quality, reliance and usage of automated reports and queries
- Ability to store a wider breadth and depth of trade related data on a timelier and more standardized basis.

Modernize OSC Technology Platform

The OSC has planned several strategic initiatives to modernize its technology platforms and safeguard information to support new approaches to its regulatory work and improve efficiency in delivering regulatory outcomes.

Data Management Program

The OSC will continue to pursue its Data Management Program (DMP) with integrated NSRP local system requirements. As part of the program, new business systems will be developed that support new approaches to regulatory work and improve efficiency in delivering regulatory outcomes.

Actions will include:

- A new centralized review and case management system for improved regulatory business work-flow management
- A right-sized framework for on-going data governance

- A data management technology stack that includes tools for improved data management and analytics.

Systems Modernization & IT Resilience

Significant IT modernization investments on infrastructure services and enterprise software are planned.

Actions will include:

- New OSC Compliance System
- Enforcement E-Discovery System replacement
- Additional data management and analytics tools
- On-going platform currency upgrades and improvements to various internal operational systems.

Information Security Program

The OSC will continue to implement an Information Security Program that is aligned with the National Institute of Standards and Technology cybersecurity framework.

Actions will include:

- Improve information security governance
- Improve on-going information security operations and remediation of information security risks
- Implement additional information security tools and technology
- Develop additional policy, procedures and controls
- Continue on-going information security awareness training for all staff.

Planned Outcomes

- Successful implementation of the OSC Data Management Program enables improved management, usage and quality of OSC data
- Implementation of additional tools and technologies facilitates improved data management and analytics
- On-going platform currency and upgrade activities completed as required
- Successful implementation of the Information Security Program results in secure operations of OSC systems and more reliable OSC system up-time.

Build a Data Driven, Evidence Based, Risk Focused Organization

Implementation of a data-driven, evidence-based, risk focused organization will require a clearly defined data strategy, policies and procedures, standards, skilled resources and a shift in culture; as well as visible and active senior management support. The OSC will build its capability to be a data driven, evidence based, risk focused organization.

Actions will include:

- Establish and launch an Enterprise Data Management Office to support a data-driven, evidence-based and risk-focused organization
- Develop and implement a fit-for-purpose data governance framework and approach to data management to enhance the collection, management and analysis of data
- Promote use of enhanced data management and analytics at the OSC to support and inform OSC policy and operations
- Further develop staff expertise to assemble and analyze relevant, reliable, comparable and timely data in a systematic manner.

Planned Outcomes

- Integrated vision, strategy and governance of OSC data management initiatives
- Consistent cross-Commission compliance with data policies, standards and procedures
- Improved data management processes and more focused data collection

- Improved staff efficiency through timely access to accurate, complete and quality data that supports business needs
- Demonstrated use of data in support of priority setting and policy and operational decision-making

Ensure Competitiveness and Clear Service Standards

The Ontario Government and the OSC are committed to making Ontario's capital markets globally competitive. The OSC will continue to strive to achieve a global standard of excellence in securities regulation.

Actions will include:

- Report on metrics that track the competitiveness of Ontario's capital markets relative to other jurisdictions
- Service standards will be tracked relative to securities regulators in leading jurisdictions
- Create clarity for market participants on the processes for interacting with the OSC
- Review and update OSC Customer Service Standards.

Planned Outcomes

- Improved understanding of relative competitiveness of Ontario capital markets
- Better service and trend analysis.

BUDGET

Financial Outlook

The OSC is proposing a balanced budget net of recoveries and exclusion of \$1.7 million interest charge under IFRS16. The total budgeted revenue of \$126.8 million is \$2.5 million below actuals but is an increase of \$6.8 million over the prior year's budget. Chargeable filing volumes are expected to decline as a result of the regulatory burden initiative. As plans crystalize, the impact to revenues will be determined. Overall operating expenses are expected to increase \$7.7 million from actuals primarily driven by incremental

salaries and benefits costing \$2.3 million and IT maintenance of \$2.0 million. The remaining variance is due to an increase in Professional Services expense from delayed projects.

Capital spending on projects is expected to increase \$1.6 million from the forecast for new and on-going projects. A non-cash right of use asset for \$56.7 million is to be recorded for financing lease arrangements under IFRS16.

\$000's	2018-2019 Budget	2018-2019 Actual	2019-2020 Proposed Budget	Proposed Budget to 2018-19 Budget		Proposed Budget to 2018-19 Actual	
				\$	%	\$	%
				<i>Favourable / (Unfavourable)</i>			
Revenues	119,990	129,353	126,839	6,849	6%	(2,514)	(2%)
Operating Expenses	129,446	121,787	129,443	3	0%	(7,656)	(6%)
Finance costs (IFRS 16)	-	-	1,729	(1,729)	(100%)	(1,729)	(100%)
Recoveries of insurance proceeds, enforcement and investor education costs	(2,530)	(4,163)	(2,587)	57	2%	(1,576)	(38%)
Expenses (Net of Recoveries and Finance Costs)	126,916	117,624	128,585	(1,669)	(1%)	(10,961)	(9%)
Operating Surplus/(Deficit)	(6,926)	11,729	(1,746)	5,180	75%	(13,475)	(115%)
Capital Additions	9,948	5,657	7,244	2,704	27%	(1,587)	(28%)