

OSC

ONTARIO
SECURITIES
COMMISSION

2019-2020

OSC STATEMENT OF PRIORITIES

REPORT CARD



R C

2019-2020 Report Card

Each year, the OSC publishes a Statement of Priorities that sets out the OSC's strategic goals, priorities and specific initiatives for the year.

This section reports on the OSC's performance against the priorities set out in the 2019-2020 Statement of Priorities.

Our 2019-2020 OSC Goals are:



**Promote Confidence in
Ontario's Capital Markets**



Reduce Regulatory Burden



**Facilitate Financial
Innovation**



**Strengthen Our
Organizational Foundation**

2019-2020 Report Card

Executive Summary

Statement of Priorities set out the OSC's strategic goals and the specific initiatives that the OSC will pursue in support of each of these goals in a given year. This document reports on the OSC's performance against the priorities set out in the 2019-2020 Statement of Priorities.

The following is a summary highlighting the OSC achievements for the past fiscal year in support of organizational priorities. These are specific initiatives that the OSC completed in support of each of the OSC goals.

Promote Confidence in Ontario's Capital Markets

- Published final amendments to NI 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations and its related companion policy, to implement Client Focused Reforms across Canada. Established an implementation committee to respond to questions and help registrants operationalize the reforms.
- Consulted with other CSA jurisdictions on proposals related to two specific types of embedded fees: fees embedded in the deferred sales charges (DSC) model; and embedded trailing commissions for order execution only (OEO) dealers.
- Published CSA Staff Notice 81-332 *Next Steps on Proposals to Prohibit Certain Investment Fund Embedded Commissions*, announcing that the CSA (without Ontario) will proceed with final amendments for a DSC ban and with Ontario will also proceed with an OEO trailing commission ban.
- Published for comment proposed OSC Rule 81-502 *Restrictions on the Use of the Deferred Sales Charge Option for Mutual Funds*, its related companion policy, and proposed amendments to NI 81-105 *Mutual Funds Sales Practices*.
- Published OSC Staff Notice 11-787 *Improving Fee Disclosure through Behavioural Insights*, which identifies behaviourally-informed ways to improve how investment fees are communicated to investors.
- Conducted stakeholder and OSC advisory committee consultation that explored ways to improve the investor experience.
- Attracted 5.8 million visits to the OSC's online investor resource hub.
- Delivered 104 investor outreach events with 7,224 participants.
- Published for comment proposed amendments to NI 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* to address issues of financial exploitation and diminished mental capacity among older and vulnerable investors.
- Published multilateral CSA Staff Notice 91-306 *Compliance Review Findings for Reporting Counterparties*.
- Finalized proposed amendments to NI 94-101 *Mandatory Central Counterparty Clearing of Derivatives*, which are expected to be published for comment this fall. Consultation was delayed due to COVID-19.
- As part of our ongoing commitment to protecting investors and our markets, we actively pursued, investigated and sanctioned violators of securities law to send a strong message of deterrence.

- Assessed 732 cases, with 42 cases transferred for further investigation and another 52 investigations completed. New algorithms were developed to better assess potential cases of market manipulation and insider trading.
- Received 145 tips through our OSC Whistleblower Program and awarded \$525,000 to a company outsider who used their industry expertise to identify irregularities.
- Completed regulatory impact analyses on various regulatory proposals to ensure proposed rules are supported by qualitative and quantitative analysis of the anticipated costs and benefits.
- Continue to collaborate with our government and other participating jurisdictions on the proposed transition to a cooperative capital markets regulatory system.

Reduce Regulatory Burden

- Published *Reducing Regulatory Burden in Ontario's Capital Markets - 2019*, setting out 107 initiatives to reduce burden for market participants while maintaining investor protection.
- Reviewed NI 33-109 *Registration Information* to identify options to modernize requirements and considered relevant stakeholder comments from the Burden Reduction task force, consulted with the OSC's Registrant Advisory Committee, industry groups, behavioural and plain language analysts regarding the information requirements.
- With the CSA, published for comment eight sets of proposed amendments and changes to reduce regulatory burden for investment funds.
- Published for comment proposed amendments, including cost benefit analysis, to NI 51-102 *Continuous Disclosure Obligations and Changes to Certain Policies Related to the Business Acquisition Report (BAR) Requirements*.
- Progressing towards the 2020-21 launch of our new corporate website with streamlined, accessible content and significantly improved user experience.

Facilitate Financial Innovation

- OSC LaunchPad hosted or participated in close to 40 events with individuals operating in the fintech space and attended 210 meetings with external stakeholders, including Canadian and global regulators, fintech businesses and services providers.
- Provided regulatory support to 37 fintech companies during the year through LaunchPad.
- Closed the consultation period for the Joint CSA/IIROC Consultation Paper 21-402 *Proposed Framework for Crypto-Asset Trading Platforms*.
- Published CSA Staff Notice 21-327 *Guidance on the Application of Securities Legislation to Entities Facilitating the Trading of Crypto Assets* to provide further clarification on which types of crypto-asset trading platforms are not subject to securities legislation.
- Announced the appointment of a Director for the new Office of Economic Growth and Innovation and will be building out the business plan and team for this new office to identify ways to collaborate with businesses and other regulators.
- Received the first bitcoin exchange-traded closed-end fund in Canada.
- Issued exemptive relief decisions to several alternative funds to facilitate new alternative investment strategies (e.g., short selling government bonds up to 300 per cent and short selling equities up to 100 per cent).
- Permitted cross-trading of European-listed structured notes on a Canadian exchange.

Strengthen Our Organizational Foundation

- Developed and embedded a strategic workforce planning tool within our annual business and budget planning process and our in-year position management process, enabling improved enterprise decision-making.
- Increased access to talent with sought-after skillsets through academic partnerships and direct outreach, which has reduced reliance on, and cost of, external recruitment support for select critical roles.

Strengthen Our Organizational Foundation *(continued)*

- Continue to support the work of the CSA to modernize the shared CSA national systems in phases.
- Launched the new centralized review and case management system and implemented several OSC regulatory business workflows.
- Continued with the execution of the OSC information security program.
- Implemented a right-sized framework for ongoing data governance.
- Launched the My Compliance Office solution to support OSC Code of Conduct staff compliance reporting.
- Launch of the first phase of a market analysis platform to help us identify, assess and investigate potential cases of market abuse is scheduled for summer 2020.
- Implemented various analytical tools that support staff in compiling and analyzing data to meet the needs of business and decision makers.

GOAL: PROMOTE CONFIDENCE IN ONTARIO'S CAPITAL MARKETS



The OSC will promote confidence in Ontario's capital markets among market participants and investors

Priority

Continue consulting on Client Focused Reforms

Why it's important

We work to make Ontario an attractive place for investors. When rules are clear, fair and align the interests of registrants with the interests of their clients, investor outcomes improve. Client Focused Reforms establish a higher level of protection for investors and a higher standard of care for the investment industry.

Success measures

- Client outcomes enhanced when material conflicts of interest are addressed in the client's best interest
- Improved suitability determinations for investors when the client's interests are put first
- Better disclosure on product and service offerings reduces information asymmetry for investors

PLANNED ACTIONS

Publish rule amendments to registrant conduct requirements and Companion Policy guidance to better align the interests of securities advisors, dealers, and representatives (registrants) with the interests of clients and improve outcomes for clients.

PROGRESS AND KEY OUTCOMES

Completed: Following extensive consultations, final amendments were published to Canadian Securities Administrators (CSA) National Instrument (NI) 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and its related companion policy, to implement Client Focused Reforms across Canada.

Under these reforms, registrants are required to address material conflicts of interest in the best interest of their clients and to put clients' interests first when determining suitability of investments.

1

PROMOTE CONFIDENCE IN ONTARIO'S CAPITAL MARKETS

PLANNED ACTIONS

Implement recommendations for registrant conduct requirements based on a review of comments received.

PROGRESS AND KEY OUTCOMES

Completed: Established an implementation committee to respond to questions and help registrants operationalize the reforms.

Ongoing: Working with the Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Fund Dealers Association of Canada (MFDA and together with IIROC, the SROs), the CSA is actively consulting with industry stakeholders through the implementation committee to consider operational challenges industry stakeholders are facing and how to respond to them to ensure a phased implementation as planned.

Recognizing the significant work many registrants need to undertake to implement the reforms and in response to the unique challenges associated with the COVID-19 pandemic, the CSA granted relief by postponing the effective date by which registrants will have to comply with the conflicts of interest requirements by six months to June 30, 2021.

Through the implementation committee, industry stakeholders informed the CSA of operational challenges associated with implementing the relationship disclosure (RDI) provisions of the reforms. Accordingly, the CSA extended the time for registrants to comply with the RDI reforms, postponing the implementation deadline to December 31, 2021, so that they will come into effect at the same time as all remaining reforms.

Despite the delay, the CSA is encouraging registrants to follow the original implementation timing wherever possible.

Determine next steps in consultation with the CSA and other stakeholders on other identified initiatives.

Ongoing: Continue to engage with stakeholders.

1

PROMOTE CONFIDENCE IN ONTARIO'S CAPITAL MARKETS

Priority

Continue CSA policy consultations on mutual funds embedded commissions

Why it's important

When investors understand the costs of their investments, they are better positioned to make decisions that support their overall financial goals. A more transparent fee model better balances the interests of investors with those of advisors and mitigates any potential conflicts of interest.

Success measures

- Revised proposals developed and published for comment

PLANNED ACTIONS

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

PROGRESS AND KEY OUTCOMES

Completed: Consulted with other CSA jurisdictions on proposals related to two specific types of embedded fees: fees embedded in the deferred sales charges (DSC) model; and embedded trailing commissions for order execution only (OEO) dealers.

Ongoing: Published CSA Staff Notice 81-332 *Next Steps on Proposals to Prohibit Certain Investment Fund Embedded Commissions*, announcing that the CSA (without Ontario) will proceed with final amendments for a DSC ban and with Ontario will also proceed with an OEO trailing commission ban.

Published for comment proposed OSC Rule 81-502 *Restrictions on the Use of the Deferred Sales Charge Option for Mutual Funds*, its related companion policy, and proposed amendments to NI 81-105 *Mutual Funds Sales Practices*. The proposed rule would restrict the use of the DSC option in the sale of mutual funds and is intended to address negative investor outcomes by limiting the circumstances in which mutual funds with the DSC option can be sold and by giving clients greater flexibility to redeem these investments without penalties. We anticipate that the proposed OSC rule will become effective in 2022.

Another proposed rule related to NI 81-105 *Mutual Funds Sales Practices* would prohibit payment of trailing commissions payments by fund organizations to dealers who do not make a suitability determination, such as OEO dealers. These amendments are planned to be published later in 2020.

1

PROMOTE CONFIDENCE IN ONTARIO'S CAPITAL MARKETS

Priority**Improve the retail investor experience****Why it's important**

Financial markets are evolving and becoming increasingly complex with new investment opportunities and products continually being introduced. Investors are the lifeblood of our capital markets, and it is essential that they have the information they need to make informed financial decisions.

Success measures

- 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

PLANNED ACTIONS**PROGRESS AND KEY OUTCOMES**

Improve effectiveness of OSC policies and outcomes for retail investors through integration of behavioural insights.

Completed: Published OSC Staff Notice 11-787 *Improving Fee Disclosure through Behavioural Insights*, which identifies behaviourally-informed ways to improve how investment fees are communicated to investors.

In Progress: Undertook behavioural insights research to identify ways to protect older investors from financial exploitation and diminished mental capacity. A report, *Protecting Older Investors through Behavioural Insights*, will be published in 2020.

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.

Completed: Conducted stakeholder and OSC advisory committee consultation that explored ways to improve the investor experience. Feedback to inform OSC activities and possible future consultation.

1

PROMOTE CONFIDENCE IN ONTARIO'S CAPITAL MARKETS

PLANNED ACTIONS

PROGRESS AND KEY OUTCOMES

Advance investor protection through financial literacy and investor education programs.

Completed: Developed resources and educational programs for our online investor hub to enhance the financial literacy of investors, attracting 5.8 million visits to our Investor Office resources, including [GetSmarterAboutMoney.ca](https://www.getsmarteraboutmoney.ca), during the fiscal year.

Highlights include:

- Created a series of Financial Literacy 101 videos to make financial literacy information more engaging for new investors.
- Launched the InvestingFundamentals.ca website to provide a clear introduction to the core concepts of retail investing.
- Developed six new calculators on [GetSmarterAboutMoney.ca](https://www.getsmarteraboutmoney.ca) to help investors with key aspects of their finances.
- Launched enhanced online resources in 22 languages on [InvestingIntroduction.ca](https://www.investingintroduction.ca)
- Delivered and participated in various Fraud Prevention Month activities with key stakeholders.
- Published a new information hub for investors on [GetSmarterAboutMoney.ca](https://www.getsmarteraboutmoney.ca) related to COVID-19 and its impact on personal finances.
- Published *Financial Literacy: A Foundation of the Investor Experience* research report. This research tested investor knowledge of key topics including diversification, inflation and interest.

Ongoing: Regular improvements to tools and resources to align with investor sentiments.

Launched a survey to capture the impact of the COVID-19 market volatility on the investor experience. Results are expected to be published in 2020.

Increase partnerships with stakeholders and community groups interested in investor education initiatives.

Completed: Delivered 104 investor outreach events with 7,224 participants. For example, we partnered with the Canadian Anti-Fraud Centre and North Bay stakeholders on an OSC in the Community event that included local police and officials, including former Minister of Finance Vic Fedeli, to provide local seniors with information on how to avoid fraud and make informed investment decisions.

Ongoing: Continue to deliver outreach (in person and virtually) and strengthen relationships with stakeholders and community groups during COVID-19.

Collaborate with the Ministry of Education to enhance the financial literacy curriculum.

Ongoing: Our Investor Office met with the Ministry of Education to discuss collaborative efforts to enhance the financial literacy curriculum.

1

PROMOTE CONFIDENCE IN ONTARIO'S CAPITAL MARKETS

PLANNED ACTIONS

PROGRESS AND KEY OUTCOMES

Continue to implement the OSC Seniors Strategy, which includes addressing issues of financial exploitation and cognitive decline.

Completed: Published for comment, with the CSA, proposed amendments to NI 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* to address issues of financial exploitation and diminished mental capacity among older and vulnerable investors.

Published CSA Staff Notice 31-354 *Suggested Practices for Engaging with Older or Vulnerable Clients* to respond to concerns raised by registrants regarding how to address the changing needs and issues they may encounter when working with older or vulnerable clients, including responding to potential financial exploitation and diminished mental capacity.

Partnered with Elder Abuse Prevention Ontario to deliver training and education to staff who interact with older individuals, such as when receiving inquiries and complaints, or when conducting compliance reviews or enforcement matters.

Published a Personal Information Inventory document, which is a fillable form, that can be used to collect and store relevant information for a trusted person, including details of relevant legal documents, insurance information, professional advisors, medical professionals, assets, debts, utilities and services, and digital accounts.

Promoted Seniors Month in Ontario with a series of activities, including providing 70 in-person investor education and anti-fraud presentations to older and vulnerable investors and conducting a telephone town hall, reaching 380 Ontarians.

Continue to evolve strategy to address emerging challenges facing older and vulnerable investors.

Ongoing: Continue to advance our strategy with respect to older and vulnerable investors.

Collaborated with the Ministry for Seniors and Accessibility.

Provide educational and regulatory tools to registrants to help them meet the needs and priorities of older and vulnerable investors.

Completed: Added a new Resource for Seniors hub on [GetSmarterAboutMoney.ca](https://www.getsmarteraboutmoney.ca), which provides links to resources for older Ontarians and their families and caregivers in a central online location.

1

PROMOTE CONFIDENCE IN ONTARIO'S CAPITAL MARKETS

Priority

Expand systemic risk oversight of derivatives

Why it's important

The derivatives market is growing in Ontario and appropriate safeguards are necessary to protect market participants and investors and to allow the derivatives market to flourish.

Success measures

- A framework for analyzing Over-the-Counter (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 enhance our ability to meet policy setting, systemic risk monitoring and enforcement assistance objectives
- The Canadian regulatory framework keeps pace with global regulatory developments. Harmonized regulatory approaches (internationally and within the CSA) reduce regulatory burden on our market participants
- A monitoring regime for data relevant to applicability of proposed margin rule for uncleared derivatives to Ontario entities is established

PLANNED ACTIONS

PROGRESS AND KEY OUTCOMES

Publish a business conduct rule and develop a registrant regulation framework.

Delayed: CSA Derivatives Committee work on NI 93-101 *Business Conduct* and NI 93-102 *Registration* was delayed due to COVID-19. Publication of proposed revisions is now expected in fall 2020.

Develop a compliance review program for derivatives market participants.

Completed: Published multilateral CSA Staff Notice 91-306 *Compliance Review Findings for Reporting Counterparties*.

Delayed: Work on the OTC 2019-2020 compliance reviews was delayed due to COVID-19-related challenges and is expected to be completed this summer.

Establish a monitoring regime for data relevant to the applicability of a proposed margin rule for uncleared derivatives to Ontario entities.

Completed: Established a quarterly monitoring program using trade repository data to assess the applicability of the proposed margin rule for Canadian entities.

1

PROMOTE CONFIDENCE IN ONTARIO'S CAPITAL MARKETS

PLANNED ACTIONS

PROGRESS AND KEY OUTCOMES

Improve quality and completion of trade reports to improve systemic risk monitoring and enforcement.

Completed: Automated ingestion, validation and storage of data from two trade repositories and one reference data source.

Ongoing: User acceptance testing is in progress for one trade repository and one reference data source.

Completed requirements gathering and data mapping for the 3.0 consolidated layer for one asset class. Development expected to be complete for this asset class in 2020-2021.

Propose amendments to trade reporting rule to accommodate internationally adopted data standards.

Ongoing: Work to develop proposed amendments to OSC Rule 91-507 *Trade Repositories and Derivatives Data Reporting* is underway, including a review of the Commodity Futures Trading Commission's proposed rules on swap data requirements and project scope discussions with the CSA.

Publish final amendments to clearing rules regarding applicability to affiliates.

Completed: Finalized proposed amendments to NI 94-101 *Mandatory Central Counterparty Clearing of Derivatives* which are expected to be published for comment this fall. Consultation was delayed due to COVID-19.

1

PROMOTE CONFIDENCE IN ONTARIO'S CAPITAL MARKETS

Priority

Timely and impactful enforcement actions

Why it's important

Securities misconduct doesn't just hurt the investors who lose money, it threatens the trust people have in our markets.

Success measures

- The 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 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
-

PLANNED ACTIONS

Ensure investigative and litigation resources are focused on cases expected to have a strong regulatory impact and are aligned with our strategic priorities.

PROGRESS AND KEY OUTCOMES

Completed: Assessed 732 cases, with 42 cases transferred for further investigation and another 52 investigations completed. New algorithms were developed to better assess potential cases of market manipulation and insider trading.

The Joint Serious Offences Team (JSOT), that works in cooperation with policing partners, will continue to focus on fraudulent behavior and recidivism.

Completed: Completed 21 cases during the year. Charges were laid and prosecutors recovered \$639,500 for investors, in full repayment of their investments in certain fraudulent securities.

1

PROMOTE CONFIDENCE IN ONTARIO'S CAPITAL MARKETS

PLANNED ACTIONS

Identify ongoing harmful misconduct and take timely, proactive disruptive action to stop the misconduct at the earliest stage and minimize investor harm.

PROGRESS AND KEY OUTCOMES

Completed: We actively pursued, investigated and sanctioned violators of securities law to send a strong message of deterrence.

Below are some of the more significant cases pursued this year:

- Reached settlement agreements totalling \$22.8 million plus \$1.6 million in costs with two of the major Canadian banks related to inappropriate foreign exchange trading practices.
- Reached another settlement agreement with a major investment firm for failing to meet its best execution obligations as an advisor, collecting \$1.8 million in administrative penalties and another \$250,000 in costs.
- Convicted fraudster ordered to pay \$14.5 million in restitution and sentenced to nine years in prison at criminal trial.
- Collected \$3.5 million in administrative penalties and \$500,000 in costs from a major accounting firm for its failure to comply with generally accepted auditing standards.

Ongoing: Initiated a proactive case identification (PCI) pilot to identify potential illegal insider trading. PCI analyzes market data associated with material events to detect potential patterns as well as potential “one-off” instances of illegal insider trading.

The Whistleblower group will triage tips to focus action on impactful enforcement proceedings with effective regulatory messages.

Completed: Our OSC Whistleblower Program received 145 tips, a 24 per cent increase over the last fiscal year.

Ongoing: During the year, \$525,000 was awarded to a company outsider who used their industry expertise to identify irregularities. Since its launch, the OSC Whistleblower Program has awarded more than \$8 million to four whistleblowers for providing timely, specific and credible information that initiated or advanced enforcement matters.

1

PROMOTE CONFIDENCE IN ONTARIO'S CAPITAL MARKETS

Priority**Enhance economically focused rule making****Why it's important**

Part of our role as a regulator is to be transparent about what we are doing, why it matters, and the impact we expect it to have. We are working to ensure that proposed rules are supported by a robust, publicly available analysis of the anticipated benefits and costs for stakeholders.

Success measures

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

PLANNED ACTIONS

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

PROGRESS AND KEY OUTCOMES

Completed: Regulatory impact analyses were completed on various regulatory proposals including:

- Start-up crowdfunding exemptions
- Proposed amendments to address the financial exploitation and diminished mental capacity of older and vulnerable clients
- Ontario's approach to restricting the use of deferred sales charges

1

PROMOTE CONFIDENCE IN ONTARIO'S CAPITAL MARKETS

Priority

Support transition to the cooperative capital markets regulatory system

Why it's important

The proposed cooperative capital markets regulatory system (CCMR) is intended to give Canadians a straightforward and uniform approach to capital markets regulation. We view the proposed CCMR as an opportunity to enhance investor protection, foster efficient rulemaking and promote globally competitive markets in Canada.

Success measures

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

PLANNED ACTIONS

Collaborate with other CCMR partners to complete work to develop effective legislation, regulations and efficient regulatory oversight processes.

PROGRESS AND KEY OUTCOMES

Ongoing: Continue to collaborate with our government and other participating jurisdictions on the proposed transition to a cooperative capital markets regulatory system.



GOAL: REDUCE REGULATORY BURDEN



The OSC will enhance access for businesses and financial services providers to Ontario's capital markets

Priority

Engage with stakeholders on burden reduction opportunities

Why it's important

Our stakeholders provide critical perspectives that help inform our policies, direction and approach. With their input, we are better able to understand where our rules and processes may be adding burden, duplication, or other impacts to their business so we can address and make it easier for them to do business.

Success measures

- 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

PLANNED ACTIONS

Develop a CSA agreed interpretation of what would trigger primary business financial statement requirements in an IPO.

PROGRESS AND KEY OUTCOMES

Delayed: We are finalizing the draft rule and companion policy materials for Form 41-101F1 *Information Required in a Prospectus* and its related companion policy. Publication is targeted for fall 2020.

2

REDUCE REGULATORY BURDEN

PLANNED ACTIONS

PROGRESS AND KEY OUTCOMES

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.

In Progress: Along with the CSA, we are drafting proposed amendments to NI 51-102 *Continuous Disclosure Requirements*. Publication for comment is targeted for late 2020.

Consider modifications to the Business Acquisition Report (BAR) requirements.

Completed: Published for comment proposed amendments, including cost benefit analysis, to NI 51-102 *Continuous Disclosure Obligations and Changes to Certain Policies Related to the Business Acquisition Report (BAR) Requirements*. The proposed amendments aim to reduce regulatory burden and change the requirements for companies to file reports detailing significant acquisitions.

After reviewing all public comments, we are in the process of finalizing the rule amendments with an anticipated implementation date in the fall of 2020.

Codify exemptive relief routinely granted to facilitate at-the-market offerings and consider whether other changes to liberalize the current approach are appropriate.

In Progress: Published for comment proposed amendments to NI 44-102 *Shelf Distributions* and its related companion policy.

After reviewing all public comments, we are in the process of finalizing the rule amendments with an anticipated implementation date in the summer of 2020.

Identify opportunities to enhance electronic delivery of documents.

Completed: Published for comment CSA Consultation Paper 51-405 – *Consideration of an Access Equals Delivery Model for Non-Investment Fund Reporting Issuers*.

Seek to harmonize the prospectus and registration exemptions for securities-based crowdfunding by adopting a start-up crowdfunding exemption as a national instrument.

In Progress: Published for comment CSA Notice Proposed NI 45-110 *Start-up Crowdfunding Registration and Prospectus Exemptions*.

Research and identify an alternative and streamlined offering regime for reporting issuers.

Completed: Published CSA Staff Notice 43-310 *Confidential Pre-File Review of Prospectuses (for non-investment funds issuers)*.

In Progress: Developing proposals for public consultation.

Publish a report in fall 2019, setting out short-, medium-, and longer-term burden-reduction initiatives and action plans to implement them.

Completed: Published *Reducing Regulatory Burden in Ontario's Capital Markets – 2019*, setting out 107 regulatory and process changes to reduce burden for market participants while maintaining investor protection.

To date, approximately 27 per cent of the burden reduction initiatives are complete, 36 per cent are on track for completion within the timelines established last year, and 37 per cent are delayed.

2

REDUCE REGULATORY BURDEN

PLANNED ACTIONS

Implement the plan set out in 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.

PROGRESS AND KEY OUTCOMES

Ongoing: With the CSA, published for comment eight sets of proposed amendments and changes to reduce regulatory burden for investment funds.

As part of the *Reducing Regulatory Burden in Ontario's Capital Markets – 2019* report, 24 initiatives were announced related to reducing regulatory burden for investment fund issuers.

Completed: Considered relevant stakeholder comments from the Burden Reduction task force, consulted with the OSC's Registrant Advisory Committee, industry groups, behavioural and plain language analysts regarding the information requirements.

Announced amendments to OSC Rule 13-502 Fees and OSC Rule 13-503 (*Commodity Futures Act*) Fees to implement a moratorium on late fees associated with late disclosures of outside business activities. The moratorium will provide estimated savings of \$700,000 to Ontario registrants and will apply while the OSC considers streamlining the disclosure regime for outside business activities.

We also conducted focused compliance reviews of seven firms registered in different categories to assess their supervision of outside business activities.

Ongoing: With the CSA, IIROC and the MFDA, we are drafting proposed amendments to NI 33-109 – *Registration Information* and NI 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations* related to outside business activity. Publication for comment is targeted for fall 2020.

2

REDUCE REGULATORY BURDEN

Priority**Initiate OSC website redevelopment****Why it's important**

Our corporate website is critical to how we interact with the public and those we regulate. We are redesigning the site to make it easier for investors and market participants to quickly find the information they need.

Success measures

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

PLANNED ACTIONS**PROGRESS AND KEY OUTCOMES**

Complete discovery for content revision and website redevelopment, including a user engagement survey.

Completed: Discovery for content revision and website redevelopment is complete.

In Progress: A user engagement survey that will inform and improve site structure and navigation is planned for fiscal 2020-21.

Develop and begin implementation of a content revision plan.

Completed: Implementation of content revision (underway with expected completion summer 2020) will result in streamlined, accessible content and an improved user experience.

Develop a technical strategic plan for design and build of the new website.

In Progress: A technical strategic plan is being finalized and work on design and build is underway. We expect to launch the new website in fiscal 2020-21.

GOAL: FACILITATE FINANCIAL INNOVATION

3

The OSC will cultivate an environment that supports development of innovative financial business models

Priority

Engage with the fintech/start-up sector

Why it's important

Innovation offers economic opportunity and choices for investors. We support the creation of a globally competitive and efficient capital markets regulatory system that helps innovative businesses succeed and attracts investments from around the world.

Success measures

- 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
- 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 Exchange-Traded Funds (ETF) unit creation and redemption process, as relevant for investors and other market participants

3

FACILITATE FINANCIAL INNOVATION

PLANNED ACTIONS

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 approach.

PROGRESS AND KEY OUTCOMES

Completed: OSC LaunchPad hosted or participated in close to 40 events with individuals operating in the fintech space and attended 210 meetings with external stakeholders, including Canadian and global regulators, fintech businesses and services providers.

In addition, OSC LaunchPad provided regulatory support to 37 fintech companies during the year.

Along with certain jurisdictions from the CSA, we entered into a fintech co-operation agreement with the Monetary Authority of Singapore.

Ongoing: OSC LaunchPad, in collaboration with two students from the University of Toronto's Rotman School of Management, developed a survey and obtained feedback from 71 industry participants on the capital raising challenges faced by innovative businesses at various stages of development.

Participated in the Global Financial Innovation Network's (GFIN) cross-border pilot testing, considered learnings and implemented solutions intended to improve the process for future cohorts to test their innovations and scale new technologies in multiple jurisdictions.

Completed: The consultation period for the Joint CSA/IIROC Consultation Paper 21-402 *Proposed Framework for Crypto-Asset Trading Platforms* closed during the year.

Published CSA Staff Notice 21-327 *Guidance on the Application of Securities Legislation to Entities Facilitating the Trading of Crypto Assets* to provide further clarification on which types of crypto-asset trading platforms are not subject to securities legislation.

Delayed: With the onset of COVID-19, staff have actively engaged with ETF providers to understand how they managed their challenges. Our regulatory analysis will be delayed six months until fall 2020 so that we can incorporate COVID-19 impacts.

Delayed: Given the impact of COVID-19 to the ETF market and day-to-day operations of fund managers, policy discussion with stakeholders will be delayed six months until fall 2020.

3

FACILITATE FINANCIAL INNOVATION

Priority**Establish the Office of Economic Growth and Innovation****Why it's important**

We have established a dedicated office to lead our efforts in reducing burden, supporting innovation and facilitating capital formation to drive competitiveness in our markets. Our Office of Economic Growth and Innovation will be our link to those we regulate to identify their needs and listen to their ideas.

Success measures

- 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

PLANNED ACTIONS

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.

PROGRESS AND KEY OUTCOMES

In Progress: The launch of the new office was delayed. We announced the appointment of a Director for this new office in April 2020.

In Progress: We will be building out the business plan and the team in 2020-2021 to identify additional ways to collaborate with businesses and other regulators.

3

FACILITATE FINANCIAL INNOVATION

Priority**Implement alternative funds regime****Why it's important**

As markets continue to evolve, new investment products are emerging that are more complex, pose higher risk, and require regulation.

Success measures

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

PLANNED ACTIONS

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.

PROGRESS AND KEY OUTCOMES

Completed: Received the first bitcoin exchange-traded closed-end fund in Canada.

Issued exemptive relief decisions to several alternative funds to facilitate new alternative investment strategies (e.g., short selling government bonds up to 300 per cent and short selling equities up to 100 per cent).

Observed significant growth in alternative funds. Of the 120 alternative mutual funds managed by 38 different fund managers, 76 of the funds are newly established and 11 of the managers are new entrants to retail investment funds management.

Permitted cross-trading of European-listed structured notes on a Canadian exchange.

GOAL: STRENGTHEN OUR ORGANIZATIONAL FOUNDATION

4

The OSC will provide efficient and effective regulation that delivers better outcomes

Priority

Implement strategic workforce planning (SWP)

Why it's important

We recognize that our people are the foundation for our long-term success. We are building for the future by investing in the recruitment and development of a diverse team that can support our modernization.

Success measures

- 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, reduced time to staff critical roles
- Staffing tactics and work structures reflect evolving approaches to policy and file work that draw upon multiple skills and expertise

PLANNED ACTIONS

Measure the outcomes against success criteria.

PROGRESS AND KEY OUTCOMES

Completed: Developed and embedded a strategic workforce planning tool within our annual business and budget planning process and our in-year position management process, enabling improved enterprise decision-making.

Increased access to talent with sought-after skillsets through academic partnerships and direct outreach, which has reduced reliance on, and cost of, external recruitment support for select critical roles.

Strategic workforce plan resources were fully utilized and contributed to workforce productivity and a reduced requirement to recruit to fill short-term vacancies.

In Progress: Expanding access to professional, specialized and leadership resources, beyond traditional employment relationships, through the development of strategic external arrangements aligned with organizational needs.

4

STRENGTHEN OUR ORGANIZATIONAL FOUNDATION

PLANNED ACTIONS

PROGRESS AND KEY OUTCOMES

Make recommendations to be incorporated into a broad Strategic Workforce Planning (SWP) framework.

Ongoing: Given the current environment, the focus of SWP is being adjusted to support an expanded corporate approach (as opposed to individual Branch approach) to strategic workforce and resource management that is responsive to the needs of the business and the impacts of the COVID-19 pandemic.

In the framework, integrate multiple sources of workforce, employee, position and financial information to enable improved planning and decision making to support OSC operations.

Complete: Developed business requirements for a technology solution that will replace and integrate the current separate and manual process, tools and information sets.



4

STRENGTHEN OUR ORGANIZATIONAL FOUNDATION

Priority

Continue national systems renewal program (NSRP)

Why it's important

The redevelopment of the CSA national filing systems is in direct response to feedback received from market participants. We are working together to provide users with a single, easy to use, integrated information and filing system that will seamlessly include all the CSA's national systems.

Success measures

- A successful launch of the NSRP system (known as SEDAR+) that meets the needs of the users and is aligned with OSC local systems
- Improved operational functions and more efficient service delivery to market participants

PLANNED ACTIONS

PROGRESS AND KEY OUTCOMES

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.

Ongoing: Continue to support the work of the CSA to modernize the shared CSA national systems in phases.

The first phase of SEDAR+ (formerly "The Renewed System") will replace SEDAR, the CTO Database, the Disciplined List, and certain filings made in the local OSC electronic filing system. This first phase of the program is expected to commence in 2021.

Amend the systems rule, plus a new CSA systems fee rule.

Ongoing: In preparation for the transition to SEDAR+, the CSA published a Notice and Request for Comment related to instruments 13-102 *System Fees for SEDAR and NRD*, and 13-103 *Proposed National Systems Renewal Program Rule and Related Amendments*.

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.

Ongoing: Completion of work on impacted OSC applications remains aligned with the SEDAR+ program.

4

STRENGTHEN OUR ORGANIZATIONAL FOUNDATION

Priority

Implement first phase of market analysis platform (MAP)

Why it's important

The implementation of a market analysis platform will enhance oversight of our capital markets and help us identify, assess and investigate potential cases of market abuse.

Success measures

- 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
-

PLANNED ACTIONS

PROGRESS AND KEY OUTCOMES

Complete Phase 1 implementation of MAP.

Ongoing: Launch of MAP Phase 1 is planned for summer 2020.

4

STRENGTHEN OUR ORGANIZATIONAL FOUNDATION

Priority

Modernize OSC technology platform

Why it's important

Strong technology systems support us in providing efficient and effective regulation. We are modernizing our OSC technology platform to enhance our operations and better serve those we regulate.

Success measures

- 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
- Ongoing 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

PLANNED ACTIONS

PROGRESS AND KEY OUTCOMES

Data Management Program:

Implement a new centralized review and case management system for improved regulatory business work-flow management.

Completed: Launched the new centralized review and case management system and implemented several OSC regulatory business workflows.

Ongoing: Additional business work-flows will be implemented in alignment with the CSA SEDAR+ program and other OSC initiatives.

Implement a right-sized framework for ongoing data governance.

Completed: Implemented a right-sized framework for ongoing data governance.

Ongoing: Data governance activities will continue as an ongoing operational activity.

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

Completed: Implemented a data management technology stack with several tools for improved data management and analytics.

Ongoing: We will continue to rollout and operationalize existing tools for data management and analytics and add new tools as required.

4

STRENGTHEN OUR ORGANIZATIONAL FOUNDATION

PLANNED ACTIONS

PROGRESS AND KEY OUTCOMES

Systems Modernization & IT Resilience:

Launch a new OSC compliance system.

Complete: Launched the My Compliance Office solution to support OSC Code of Conduct staff compliance reporting.

Replace enforcement e-discovery system.

In Progress: Enforcement acquired a new platform for e-discovery and training has been completed. Migration to the new platform and the decommissioning of the current system is expected to be completed by fall 2020.

Introduce additional data management and analytics tools.

In Progress: IIROC provided historical data on corporate bond market transactions for a three-year period. We are currently analyzing the data to assess market trends and the extent of retail investor participation.

Make ongoing platform currency upgrades and improvements to various internal operational systems.

In Progress: We have multiple technology solutions, which require security, functional, and obsolescence updates at various intervals. To maintain platform currency, we implemented multiple solution updates and upgrades, or completely replaced obsolete solutions.

Delayed: We were unable to complete the refresh of all our solution portfolio as planned due to resourcing and COVID-19 challenges.

Information Security Program:

Improve information security and governance.

Ongoing: Continue to develop information security policies and standards to support our evolving enterprise architecture.
Continue to perform security risk assessments and contract reviews for new initiatives.
Continue to support various audits and remediate the audit findings.

Improve ongoing information security operations and remediation of information security risks

Completed: An external and internal vulnerability scan was completed.
Ongoing: Continue with a vulnerability management program.
Continue with security events monitoring, incident response and incident investigations.

Implement additional information security tools and technology.

Ongoing: Continue with the execution of the OSC information security program and implement additional tools and technology as required.

Develop additional policy, procedures and controls.

Completed: Introduced a new information security incident escalation process to provide a clear process and workflow for handling and escalating incidents.

Continue ongoing information security awareness training for all staff.

Ongoing: Continue to provide information security awareness training to staff, including developing COVID-19-related security guidelines.

4

STRENGTHEN OUR ORGANIZATIONAL FOUNDATION

Priority**Build a data-driven, evidence-based and risk-focused organization****Why it's important**

As capital markets continue to evolve and generate large volumes of data, market and reference data is important for regulators to support effective market surveillance.

Success measures

- 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

PLANNED ACTIONS**PROGRESS AND KEY OUTCOMES**

Establish and launch an enterprise data management office to support a data-driven, evidence-based and risk-focused organization.

Delayed: The establishment of an enterprise data management office has been delayed due to resource constraints.

Develop and implement a fit-for-purpose data governance framework and approach to data management to enhance the collection, management and analysis of data.

Ongoing: Continue to build a fit-for-purpose data governance framework and approach to data management to enhance the collection, management and analysis of data. Progress has been made developing various systems and applications to access and analyze data and information to better inform operational decisions.

Promote use of enhanced data management and analytics at the OSC to support and inform OSC policy and operations.

Ongoing: Initial activities for the master data management system are complete. A Request for Proposal for the next phase of master data management work was issued and responses received. Procurement is delayed due to COVID-19.

Further develop staff expertise to assemble and analyze relevant, reliable, comparable and timely data in a systematic manner.

Completed: Implemented various analytical tools that support staff in compiling and analyzing data to meet the needs of business and decision makers.

4

STRENGTHEN OUR ORGANIZATIONAL FOUNDATION

Priority**Ensure competitiveness and clear service standards****Why it's important**

Maintaining effective and transparent service standards is integral to strengthening accountability and building trust with our stakeholders.

Success measures

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

PLANNED ACTIONS**PROGRESS AND KEY OUTCOMES**

Report on metrics that track the competitiveness of Ontario's capital markets relative to other jurisdictions.

Ongoing: Continue to conduct research on peer markets and regulators in order to identify indicators of market competitiveness.

Service standards will be tracked relative to securities regulators in leading jurisdictions.

In Progress: Reviewed our OSC service standards and other publicly committed service standards of securities regulators in leading jurisdictions. We are in the process of updating, and improving, the OSC service standards based on our analysis.

Create clarity for market participants on the processes for interacting with the OSC.

In Progress: Reviewed our core activities and processes involving OSC stakeholders and work is underway to identify opportunities to streamline our processes, identify internal quality control enhancements and communicate with stakeholders about our processes for interacting with us.

Review and update OSC customer service standards.

In Progress: We are reviewing our OSC customer service standards and will be updating them concurrently with the jurisdictional benchmarking exercise noted above.