

INVESTOR ADVISORY PANEL

February 28, 2019

The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor
comments@osc.gov.on.ca

Re: OSC Staff Notice 11-784 - Burden Reduction

The Investor Advisory Panel (IAP) welcomes this opportunity to provide the Ontario Securities Commission (OSC or the Commission) with our comments on *Staff Notice 11-784 – Burden Reduction* (the Notice). The IAP is an initiative by the Ontario Securities Commission to enable investor concerns and voices to be represented in its rule development and policymaking process. Our mandate is to solicit and represent the views of investors on the Commission’s policy and rule making initiatives.

We fully support this burden reduction effort. Reviewing rules and processes to identify and eliminate unnecessary regulations and needless red tape is, in our view, a very worthwhile project. If well executed, it will save time and money for all market participants, including investors – but needless to say, there will be no true public interest benefit if this review must be conducted as a zero-sum exercise in which burdens are reduced at the expense of investor protection or market integrity. All parties instead should seek improvement in the existing regulatory system through “smart” burden reduction that does not compromise the OSC’s mandate to promote fair and efficient markets and protect investors.

We recommend taking a phased approach to rooting out unnecessary regulations, with the first phase focusing on those rules, policies and procedures that are purely administrative in nature (i.e., not designed to be investor protection measures or mechanisms to foster fair and efficient capital markets). We anticipate that a review of this category of policies and procedures will yield early and meaningful opportunities for redundancy elimination, purging of outdated rules and streamlining. By prioritizing and focusing on eliminating administrative red tape, the OSC will be able to achieve significant savings and efficiencies without disadvantaging any stakeholder group.

Once the red tape review is completed, the OSC can turn to the issues identified in the *Enhancing investor experience and outcomes* section of the Notice – namely, the interface between regulatory requirements and investors, and suggestions for improving the investor experience by modernizing the information provided to investors. We are confident that a deliberate and informed review of both these regulatory frameworks can yield cost savings and efficiency gains that will not harm, and may actually enhance, investor experiences and outcomes.

Examination of policies and procedures that are specifically designed to support efficient and effective marketplaces, or to provide investors and businesses with vital protections, should be undertaken only after all other sources of efficiency gains and cost savings have been exhausted. We believe the policies and procedures in this category require a more fulsome and considered assessment because of their inherent public interest nature. The identification of legitimate burden reduction candidates in this category will require the performance of detailed cost-benefit analyses. Due allowance will need to be made for the fact that the benefits of regulation (particularly in the area of investor protection and harm reduction) are not often as readily quantifiable as the costs. Therefore, a more subtle and refined calculus will be needed to assess whether the policies and procedures that fall within this category are too burdensome.

Some matters, in our view, should be entirely excluded from this exercise. In particular, the CSA's proposed Client Focused Reforms and amendments regarding embedded commissions for investment funds already have been exposed to a protracted and thorough review process that, in no small part, sought to achieve a fair balance between industry cost and investor benefit.

Finally, as a forward-looking aspect of this burden reduction initiative, we urge the Commission to examine and update its own process of policy development and rulemaking to bring matters through to completion and implementation more swiftly. The current process is too time-consuming and resource-draining for everyone involved. It also tends to be too tolerant of repetition of arguments and, despite (or perhaps because of) good intentions to "get things right", it sometimes fails to reflect a sense of appropriate urgency.

A slow-moving policy process is burdensome for both investor advocates and investment firms. The former lack the resources to wage protracted campaigns while the latter must bear the opportunity costs associated with uncertainty as well as the operational distractions that come from prolonging debate or deferring regulatory decisions. But it's the investing public who bear the greatest burden when reforms aimed at safeguarding them are delayed – they remain at risk, and in the interim some get harmed. That is a burden we believe the Commission can minimize by taking a more resolute approach when developing policies and rules.

We appreciate this opportunity to comment on the Notice. Please let us know if you require any further information or clarification from us.

Yours truly,



Neil Gross
Chair, Investor Advisory Panel