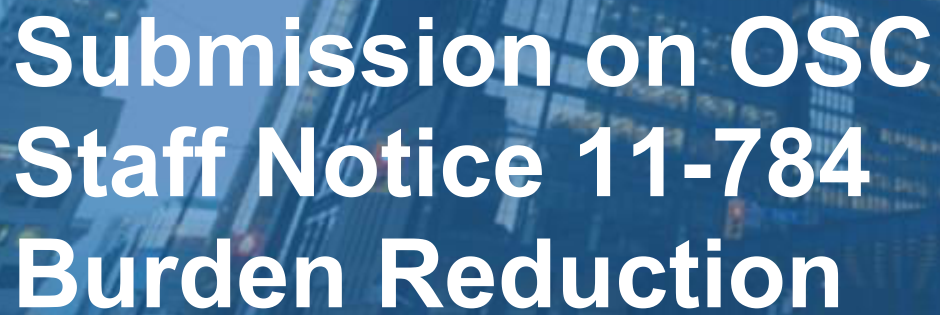

Submission on OSC Staff Notice 11-784 Burden Reduction

03/01/2019

Submission to the Ontario Securities Commission

ASSOCIATION DES BANQUIERS CANADIENS
CANADIAN BANKERS ASSOCIATION

Delivered via email

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The Canadian Bankers Association (CBA)[1] appreciates the opportunity to comment on the Ontario Securities Commission's (OSC) Staff Notice 11-784 *Burden Reduction*. We support the OSC's efforts to reduce regulatory burden while protecting investors and the integrity of Ontario's markets. In order for these efforts to be truly successful, we encourage other Canadian Securities Administrators (CSA) members to undertake similar exercises and for the CSA to implement reforms in a harmonized manner across Canada. We have set out below our comments on lessening the burden for market participants in four key areas: market regulation; over-the-counter (OTC) derivatives; bank securities issuances and continuous disclosure; and bank retail investment products.

Market Regulation

Supervisory Cooperation in Respect of Regulating Financial Market Infrastructures (FMIs)

Concerns with the OSC's Approach to Regulating FMIs

Currently, the OSC requires *each* foreign trading venue or central counterparty (CCP and collectively with trading venues, FMIs) that provides access to Ontario-based market participants to apply to the OSC to be either recognized in Ontario or exempt from the recognition requirements,[2] notwithstanding that foreign FMIs, such as those in the US and EU, are subject to rigorous regulation in their home jurisdictions by their respective regulators. We are concerned that the OSC application process for foreign FMIs consumes numerous resources and is both expensive (local counsel is required to be retained) and time consuming.

The requirement to be recognized or exempt from recognition arises if FMIs "carry on business … in Ontario"[3] which we understand OSC staff interpret broadly to include foreign branches of Canadian banks

[1] The CBA is the voice of more than 60 domestic and foreign banks that help drive Canada's economic growth and prosperity. The CBA advocates for public policies that contribute to a sound, thriving banking system to ensure Canadians can succeed in their financial goals. www.cba.ca.
[2] See Part 2 of National Instrument 24-102 *Clearing Agency Requirements*; OSC Staff Notice 21-707 *Swap Execution Facilities;* CSA Staff Notice 21-322 *Applicability of Regulation to the Operation of MTFs or OTFs in Canada*; and OSC Staff Notice 21-711 *Multilateral Trading Facilities.*
[3] *Securities Act* (Ontario), ss. 21(1) and 21.2(0.1).

and trading activity carried on by staff in such branches. As a result, FMIs are required either to be recognized in Ontario or to obtain an exemption from these recognition requirements even if they are only conducting business with the foreign branches of Canadian financial institutions and trading activity is conducted by staff in such branches. This is the case even if there is no other nexus to Ontario, which frequently arises because staff and trading activity are often entirely located in a foreign jurisdiction. Our understanding is also that this requirement applies based on either the head office or principal place of business of the bank. For example, if a UK based FMI wishes to provide access to a trader at the London branch of a Canadian bank with a head office in Quebec and a principal place of business in Ontario, the FMI would be required to submit separate uncoordinated applications both to the OSC and to Quebec's Autorité des marchés financiers, in addition to complying with the FMI's existing European requirements. We expand on our concerns with the OSC's extraterritorial approach to regulatory supervision in "Supervision of Foreign Branches of Canadian Banks" below.

Many foreign FMIs have been unaware that by providing access to foreign branches of Canadian banks, they are considered by OSC staff to be carrying on business in Ontario and are therefore required to apply to be recognized or exempt from recognition in Ontario. This has resulted in market confusion, caused market disruptions and threatened market stability. For instance, Canadian banks' access to the largest EU FX trading platform came perilously close to being revoked while that platform was negotiating with the OSC to obtain an interim exemption. Canadian banks are heavily dependent on this platform to provide access to liquidity to their clients and hedge their FX risks. More recently, another trading platform revoked access to all Canadian banks for approximately two months while they were negotiating a similar recognition or exemption from recognition with the OSC. It is inefficient and disruptive for Canadian banks to be subject to the threat of revocation of trading access pending sufficient evidence of liquidity impact for each existing FMI.

Supervisory Cooperation Framework in the US and EU

We recommend that the OSC adopt a supervisory cooperation approach with foreign regulators regarding the supervision of foreign FMIs. Under this approach, which was adopted by regulators in the US and EU, the OSC and the applicable foreign regulators would enter into a regulator-to-regulator supervisory cooperation framework to identify FMIs that should be recognized or exempt in each other's jurisdiction, based on the principles of comity and deference to competent regulators. This approach is consistent with the *Principles for Financial Market Infrastructure*, in which the Bank for International Settlements encourages regulator cooperation and deference with regards to regulating FMIs:

> "Authorities are encouraged to cooperate with each other to reduce the probability of gaps in

regulation, supervision, and oversight that could arise if they did not coordinate and to minimise the potential duplication of effort and the burden on the FMIs or the cooperating authorities"[4].

In our view, the EU and US frameworks provide the right balance to ensure that FMIs are properly regulated, avoid duplication, and minimize market disruption and instability. These frameworks have been developed in keeping with the spirit of supervisory cooperation and we believe they are the appropriate model for the OSC to follow.

The EU's "Equivalence Decisions" framework sets out the process for EU regulators to recognize that the regulatory or supervisory regime of a non-EU country is equivalent to the corresponding EU regime.[5] A notable example of the Equivalence Decisions framework is the mutual recognition of derivatives trading venues between the European Commission (EC) and the Commodities Futures Trading Commission (CFTC) adopted in December 2017. The EC and CFTC determined that the EU's Multilateral Trading Facilities (MTFs) and Organized Trading Facilities (OTFs) satisfied the CFTC's trade execution requirements, and that the US's Designated Contract Markets and Swap Execution Facilities (SEFs) satisfied the EU's derivatives trading obligations.[6] This joint decision exempted a number of identified trade venues and allowed market participants in the EU and US access to the liquidity on all of these venues.

US regulators have also embraced the cooperative and deferential approach regarding foreign FMIs. When additional EU MTFs and OTFs were exempted by the CFTC in December 2018, the CFTC worked with the EC once again to determine which of these new trading venues should be covered by the existing exemption order.[7] The EC, on behalf of certain MTFs and OTFs, submitted a formal request for exemption. The EC represented that such facilities are in good standing in an EU member state and provided supporting data and evidence on behalf of the MTFs/OTFs. The CFTC's decision to expand the exemption order was based on the representations of the EC and assurances that the EC would notify the CFTC within ten business days if an MTF or OTF is no longer authorized as a trading facility. It is

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[4] Bank for International Settlements, Principles for Financial Market Infrastructure (2012), page 134: https://www.bis.org/cpmi/publ/d101a.pdf

[5] European Commission, *Recognition of non-EU financial frameworks (equivalence decisions)*: https://ec.europa.eu/info/business-economy-euro/banking-and-finance/international-relations/recognition-non-eu-financial-frameworks-equivalence-decisions_en

[6] European Commission, EU and CFTC: Mutual Recognition of Derivatives Trading Venues 2017: https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/171205-joint-statement-ec-cftc_en.pdf

[7] Commodities Futures Trading Commission, In the Matter of the Exemption of Multilateral Trading Facilities and Organised Trading Facilities Authorized Within the European Union from the Requirement to Register with the Commodity Futures Trading Commission as Swap Execution Facilities (December 2018): https://www.cftc.gov/sites/default/files/2018-12/MTF_OTF_AmendmentOrderExemption120318.pdf

important to note that these are not blanket orders in that only certain named SEFs, MTFs and OTFs are recognized as satisfying the EU's and CFTC's derivatives trading obligations, respectively.

US and UK regulators have also embraced supervisory cooperation to ensure the continuity of derivatives trading and clearing post-Brexit.[8] On February 25, 2019, the CFTC and Bank of England (BoE) jointly announced that they have put in place information sharing and cooperation arrangements to support cross-border oversight of derivatives markets and FMIs after the UK's withdrawal from the EU. The CFTC will extend existing regulatory relief granted to EU firms to the UK post-Brexit and work towards issuing new substituted compliance/exemption orders for these UK firms. Further, UK CCPs that are currently registered with the CFTC through the EU will be able to continue providing services to the US on the same basis post-Brexit. The BoE confirmed that US trading venues, firms and CCPs that have been recognized by the EU can continue to provide services in the UK on the same basis post-Brexit.

OTC Derivatives

Supervision of Foreign Branches of Canadian Banks

As mentioned above, we understand that OSC staff consider foreign branches of Canadian banks with a head office or principal place of business in Ontario to be Ontario-based market participants, even where the regulated trading activity and trading staff are entirely located in a foreign jurisdiction. This approach may be appropriate in some limited areas of regulation, such as prudential regulation, or regulation that is designed to protect Canadian markets from systemic risks in foreign trading. For example, we believe it is appropriate that the Office of the Superintendent of Financial Institutions' (OSFI) margin and clearing requirements apply to a bank's global trading, as these rules are primarily designed to regulate systemic risks which could spread into Canada through trading activity at a bank's foreign branch. We also appreciate that applying Canadian trade reporting requirements to foreign branches of Canadian banks was necessary to ensure transparency and regulatory oversight in relation to such risks. However, outside of these limited areas, in respect of trading activity that occurs outside Ontario with foreign market participants, and where the primary purpose of a regulation is to protect market participants, to regulate trading practices, or to ensure the integrity of the market (such as business conduct, registration, and regulation of FMIs), we believe that the OSC's resources would be more effectively directed at issues having a direct and significant impact on Ontarians. Regulators in foreign markets typically regulate

[8] Bank of England: Joint statement by UK and US authorities on continuity of derivatives trading and clearing post-Brexit: https://www.bankofengland.co.uk/news/2019/february/joint-statement-and-press-conference-on-the-continuity-of-derivatives-trading-and-clearing

activities of foreign branches of Canadian banks and they are best positioned to determine which conduct and gate keeping requirements are appropriate in their own markets.[9]

In the US, CFTC Chairman J. Christopher Giancarlo has acknowledged the harm caused by having an expansive definition of who is considered to be a "US person" and therefore subject to CFTC rules. Chairman Giancarlo has noted publicly that the CFTC's broad extraterritorial reach is problematic and that the agency has misdirected scarce resources to supervising activity that has no "direct and significant" impact on the US:

> "…[T]he CFTC's current cross-border approach of applying its regulations to each and every overseas swap transaction by a U.S. Person whether or not such activity actually has a "direct and significant" impact on the United States is a flawed and over-expansive assertion of its Dodd-Frank Title VII jurisdiction. *For an agency with perennially restrained funding, the overreach of CFTC jurisdiction is untenable. Worse, the impact of this overreach has contributed to fragmenting global markets into a complex series of ever more shallow pools of trading liquidity that, in a market crisis, may present significant global systemic risk.* Therefore, I believe the CFTC must move forward to replace its over expansive assertion of regulatory jurisdiction with an approach based on regulatory deference to third country regulatory jurisdictions that have adopted the G-20 swaps reforms."[10] (emphasis added)

Similarly, we are concerned that the OSC's broad extraterritorial reach could cause foreign market participants to not trade with Canadian banks in order to avoid the reach of bespoke Ontario requirements. We have expressed these concerns in the context of the CSA's proposed National Instrument 93-102 *Derivatives: Registration* and proposed National Instrument 93-101 *Derivatives: Business Conduct* (together, the Derivatives Rules). Currently, we understand that the CSA interprets the Derivatives Rules as applying to foreign branches and staff of Canadian banks when trading with foreign counterparties, and consequently to those foreign counterparties trading with foreign branches of Canadian banks. The CBA's position is that Canadian banks should be excluded from the Derivatives Rules because of OSFI's comprehensive supervision of banks' derivatives dealing activities. We also

[9] This approach was advocated by CFTC Chairman J. Christopher Giancarlo in the CFTC's recent White Paper entitled *Cross-Border Swaps Regulation Version 2.0: A Risk-Based Approach with Deference to Comparable Non-U.S. Regulation*, October 1, 2018. As Chairman Giancarlo noted: "The alternative is a world in which every regulator asserts global jurisdiction over swaps trading abroad by their home-domiciled institutions, leading to a completely untenable state of overlapping and conflicting rules. This is not the right approach to cross-border, financial market regulation." https://www.cftc.gov/sites/default/files/2018-10/Whitepaper_CBSR100118.pdf

[10] January 25, 2019 Keynote Address of Chairman J. Christopher Giancarlo Before the ABA Business Law Section, Derivatives & Futures Law Committee Winter Meeting: https://www.cftc.gov/PressRoom/SpeechesTestimony/opagiancarlo63

question the application of these rules to foreign branches of Canadian banks, and consequently to their counterparties, both because it represents an inefficient use of Ontario's regulatory resources and because it risks *creating* systemic risk by fragmenting market liquidity.

Duplication of Existing Rules

The CBA's position on the Derivatives Rules and CSA Consultation Paper 95-401 *Margin and Collateral Requirements for Non-Centrally Cleared Derivatives* has been that these rules are largely duplicative on an outcomes basis of existing laws and regulations applicable to Canadian banks. The rules duplicate OSFI's robust regulatory framework, which addresses all risks arising from banks' OTC derivatives activities. This regime has been effective in its oversight and has not been challenged as deficient. We recommend that the OSC re-evaluate, together with the CSA, the appropriateness of applying these rules to Canadian banks.

Derivatives Trade Reporting

Trade reporting commenced in Ontario, Manitoba and Québec on October 31, 2014 and most of the remaining provinces and territories on July 29, 2016. In the months leading up to the fall of 2014 and since that time, members of the CBA have made considerable efforts and invested significant resources preparing for and complying with the trade reporting rules.[11] Notwithstanding these efforts and the resources committed, Canadian banks and their counterparties continue to face challenges in respect of the trade reporting rules. In this section, we highlight a few of these ongoing challenges and our proposed solutions. We ask that these proposals be reviewed through the CSA to ensure harmonized treatment across Canadian trade reporting rules.

SEF Trades

Under the CFTC's trade reporting rules, parties to a trade on a SEF do not have a reporting obligation. Rather, the SEF has the reporting obligation. This allocation of responsibility is appropriate because the SEF onboards its counterparties and therefore has the information required to perform this reporting. In order for Canadian banks to report SEF trades, they must obtain Canadian-specific information from their SEF counterparties and (in certain situations) their counterparty's consent to report the trade. These are Canadian-specific obligations that hinder the ability of Canadian banks to achieve the full benefits of trade

[11] References in this letter to trade reporting rules refer to OSC Rule 91-507 *Trade Repositories and Derivatives Data Reporting*, Manitoba Securities Commission Rule 91-507 *Trade Repositories and Derivatives Data Reporting*, Autorité des marches financiers Regulation 91-507 - *respecting Trade Repositories and Derivatives Data Reporting* and MI 96-101 *Trade Repositories and Derivatives Data Reporting*.

execution venues.

This concern is particularly compelling with respect to swaps that are executed on a SEF and are intended to be cleared (ITBC). Once an ITBC trade clears (typically within minutes) each counterparty faces the clearing house. Unlike a "typical" alpha trade which may or may not successfully clear (and if not cleared may be subject to a deemed International Swaps and Derivatives Association Master Agreement), SEF executed ITBC swaps that are not accepted for clearing are void ab initio (as if they never existed). As a result, there is no credit risk or other economic consequence associated with these SEF executed ITBC alpha trades. Put another way, the market perceives an ITBC alpha trade in this context as an agreement to trade on a cleared basis (failing which it is void) rather than a transaction that carries credit and other risks. Counterparties do not assume specific rights and obligations in relation to each other since the trade is entirely contingent until it is accepted for clearing. Consequently, counterparties do not need to onboard each other. All onboarding is typically completed by the SEF. In contrast, the Canadian trade reporting rules require Canadian banks to onboard SEF ITBC counterparties, for the sole purpose of obtaining bespoke Canadian trade reporting information. Further, from a policy perspective, there is little if any benefit to obtaining data on ITBC alpha trades in this situation because the clearing house will report the cleared trade and it would be impossible for the ITBC alpha trade to continue as an uncleared bilateral trade. Requiring Canadian banks to onboard their counterparties in this situation places them at a considerable disadvantage relative to their global peers who have no reporting obligation and consequently no bespoke information to collect from their counterparties.

This issue becomes particularly problematic in the context of SEF trades that are anonymous. In this situation, it is simply impossible for Canadian banks to report these trades as they have no knowledge of the identity of the counterparties with whom they are transacting. Industry participants raised similar issues regarding anonymous trades in response letters to proposed National Instrument 93-101 *Derivatives: Business Conduct*.[12]

We ask that the OSC weigh the negligible benefits of obtaining trade data on inconsequential ITBC alpha trades relative to the substantial burden of imposing a particular obligation on Canadian banks that may impede their use of trading venues, which were intended as a G20 commitment to foster transparent and open derivatives markets.

[12] The CFTC has also taken further action to alleviate the regulatory burden on Swap Dealers that trade on registered SEFs or where the Swap Dealer does not know the identity of the counterparty prior to execution, including codifying the exclusion of certain external business conduct requirement obligations on the part of Swap Dealers.

Local Counterparty Determinations

It would be helpful if the trade reporting rules could permit reporting parties to make reasonable assumptions about the provinces and territories in which a counterparty is a local counterparty based on the jurisdictions in its Legal Entity Identifier (LEI) and their own data, unless informed otherwise. We believe that the LEI has reached a level of maturity where it should be possible to rely on it in this manner. Trade reporting rules should also permit parties, through a negative affirmation mechanism, to determine if a foreign counterparty's liabilities are guaranteed by a local counterparty such that the foreign counterparty is subject to Canadian trade reporting rules. Reporting parties could inform non-reporting parties of these assumptions and provide them with an opportunity to make any required corrections. In the absence of any response indicating additional jurisdictions, the reporting counterparties' assumptions would prevail. This would mean that, for a counterparty with an LEI in a jurisdiction where the counterparty's consent is not required, no feedback from the counterparty would be required for trade reporting purposes.

We suggest that, in the alternative, the trade reporting rules be amended to provide that non-reporting parties must provide the jurisdictions where they are a local counterparty to a reporting counterparty. We support the requirement that non-reporting local counterparties are explicitly required to obtain an LEI, and we believe a similar provision requiring non-reporting local counterparties to provide their jurisdictions would also be helpful.

These proposed changes reflect the reality that it is still extremely difficult and requires a lot of painstaking and time-consuming follow up to obtain local counterparty information from certain counterparties, in particular foreign market participants who are unwilling to invest in understanding the Canadian rules and meeting Canada-specific requirements. We do not believe these changes would cause any material negative impact on the quality of trade data, but they would reduce the burden associated with onboarding counterparties and obtaining this Canadian-specific information.

Consent to Disclosure to Regulators and Trade Repositories

Section 38(3) of the trade reporting rules provides that each counterparty to a transaction is deemed to have consented to the release of all derivatives data required to be reported or disclosed under the rules. This section should be amended to provide that counterparties are deemed to consent to the release of derivatives data when a reporting party makes a reasonable determination that such release is required. This amendment is necessary given ambiguities in trade reporting requirements and would mitigate Canadian legal risk in the event that a reporting party, based on its reasonable determination, discloses

data to a jurisdiction where its counterparty is not a local counterparty. While the trade reporting rules allow Canadian banks to make internal determinations regarding the jurisdictions in which their counterparty is a local counterparty, not only would they face potential regulatory risk if they were to make an incorrect determination, but they would face potential legal risk from their counterparty in disclosing data to an incorrect jurisdiction. This proposed change is intended to address the latter concern, which will facilitate the ability of banks to make reasonable determinations that will further the objective of trade reporting while limiting its regulatory burden.

Bank Securities Issuances and Continuous Disclosure

Annual Information Form (AIF)

Under Part 6 of National Instrument 51-102 *Continuous Disclosure*, reporting issuers are required to file an AIF that provides business and financial information about the issuer. In our view, the OSC should re-visit whether the AIF is a useful, relevant document. The AIF overlaps considerably with information in the financial statements and Management's Discussion and Analysis (MD&A). Much of the information in the AIF is required to be provided on corporations' websites. Further, the AIF typically incorporates a significant amount of information by reference and therefore does not add much in terms of disclosure. An evaluation of the utility of the AIF could be an opportunity to reduce regulatory burden for market participants.

Personal Information Form (PIF)

When an issuer files a prospectus, certain individuals are required to complete a PIF that sets out detailed information about the individual, such as their employment history, education and offences.[13] In our view, it would be less burdensome if PIFs were only required to be refreshed upon a change in a response to questions 6 – 10 of the PIF (i.e., the sections regarding offences, bankruptcy, proceedings, civil proceedings and involvement with entities). This change would help to reduce the burden on market participants, particularly those that regularly file prospectuses, while ensuring that the OSC is informed of key changes to PIFs.

Participation Fees

[13] See Part 9 of National Instrument 41-101 *General Prospectus Requirements*, Part 4 of National Instrument 44-101 *Short Form Prospectus Distributions* and Part 2 of National Instrument 81-101 *Mutual Fund Prospectus Disclosure*.

Under OSC Rule 13-502 *Fees*, reporting issuers are required to pay annual participation fees based on their participation in Ontario's capital markets. Payment of the participation fee is accompanied by a form that requires the issuer to disclose information about its various classes of securities, including the market value and the number of securities in the class. Banks typically reach the maximum participation fee based on their common shares alone. Nonetheless, they are required to provide information on other categories of securities. In our view, if the maximum has been reached with respect to a certain class of shares, there should not be an obligation to provide information on other share classes, as the form is a fee document not a disclosure document. Further, share information is readily available on issuers' websites or otherwise publicly available. We believe that streamlining the form in this manner would reduce the burden on market participants.

Semiannual vs. Quarterly Disclosure

Pursuant to parts 4 and 5 of National Instrument 51-102 *Continuous Disclosure*, reporting issuers are required to prepare and file financial statements, prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises, and MD&A on a quarterly basis. We recommend that the OSC consider allowing reporting issuers to report semiannually (i.e., every six months) rather than quarterly. This change would align with the approach in other jurisdictions, including Australia, the UK and the EU, that do not require quarterly reporting. Further, the US Securities and Exchange Commission is considering seeking public comment on how to ease the quarterly reporting burden. This change would significantly reduce the compliance burden on reporting issuers, free up corporate time and resources to focus on the business, and encourage companies to concentrate on long-term value instead of short-term results. We note that reporting issuers would still be required to immediately disclose any material changes to their business, operations or capital, so the move to semiannual reporting would not eliminate timely disclosure about key changes to the issuer's affairs.

Bank Retail Investment Products

Mutual Fund Prospectuses and AIFs

Under Part 2 of National Instrument 81-101 *Mutual Fund Prospectus Disclosure*, a mutual fund that files a prospectus must also concurrently file an AIF and a fund facts document for each class or series of the securities of the mutual fund. Much of the information in the AIF duplicates the information required under Form 81-101F1 *Contents of Simplified Prospectus*. To avoid this duplication and reduce regulatory burden, we recommend that the OSC delete the requirements under Form 81-101F2 *Contents of Annual*

Information Form.

Management Report of Fund Performance (MRFP)

Part 4 of National Instrument 81-106 *Investment Fund Continuous Disclosure* requires investment funds to file annual and interim MRFPs. The MRFP was intended to provide investors with information about the performance of a fund during a fiscal period. We encourage the OSC to evaluate the necessity of MRFPs in light of other information that investors receive regarding their investment funds. Under the Client Relationship Model - Phase 2 (CRM2) amendments to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*, investors receive personalized rates of return, which has decreased the relevance of the MRFP. Further, investors appear to have little interest in the MRFP, as evidenced by the low investor request rates across the industry. Lastly, the MRFP was meant to augment the financial statements, much like the MD&A does for public companies. However, unlike public companies that issue MD&As, mutual funds are required to prepare and issue other reporting documents (e.g., client statements with personalized rates of return and CRM2 cost disclosures), which provide ample information to investors. We note that if the obligation to provide MRFPs is removed, then the requirement to provide quarterly portfolio disclosure under part 6 of NI 81-106 should also be eliminated, as it is a quarterly portfolio update to the MRFP.

Section 117 of the Ontario *Securities Act* (OSA)

Section 117 of the OSA requires every management company to file a monthly report in respect of each investment fund to which it provides services or advice regarding transactions between the fund and any related person or company. In our view, the section 117 reports are unnecessary because of the requirements under National Instrument 81-107 *Independent Review Committee for Investment Funds*. The conflicts of interest disclosure under section 117 is now addressed through the oversight of a fund's independent review committee. To avoid this duplication and alleviate the burden of the section 117 reporting, we recommend that this section of the OSA be repealed. We note that this amendment would also require the repeal of section 169 of Regulation 1015 under the OSA, which specifies that reports under section 117 of the OSA must be prepared in accordance with Form 38.

Electronic Delivery of Documents

We recommend that National Instrument 11-201 *Electronic Delivery of Documents* be reviewed and updated. With the expanded use of the internet and the continued shift away from paper-based

documents, firms should be allowed to send electronic documents as the default option, subject to certain exceptions where paper is a statutory requirement, while giving clients an option for paper documents. Such a move would be beneficial to both clients and the industry: it would allow clients to promptly and securely access these documents and reduce costs for the industry.

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Thank you for considering our comments on reducing regulatory burden for Ontario market participants. We look forward to further engagement on this issue.