Introduction:
You're listening to a Toronto Centre podcast. Welcome. The goal of TC podcasts is to spread the knowledge and accumulated experience of global leaders, experts, and world renowned specialists in financial supervision and regulation. In each episode, we'll delve into some of today's most pressing issues as it relates to financial supervision and regulation, the financial crisis, climate change, financial inclusion, Fintech, and much more. Enjoy this episode.

Ilana:
Hello everyone and welcome. I'm Ilana Singer, chair of the Toronto Centre Securities Advisory Board. Today we'll be discussing initiatives undertaken by the Ontario Securities Commission, also known as the OSC in Canada, to promote gender diversity, climate change, and how they are encouraging new innovations while protecting investors.

Ilana:
The Ontario Securities Commission is responsible for regulating the capital markets in Ontario, which is Canada's largest province by population. And joining me today is Maureen Jensen, the chair and CEO of the OSC. Prior to her appointment as the OSC's chair and CEO, Maureen was the executive director and chief administrative officer at the OSC.

Ilana:
And before joining the OSC, she was the senior vice president, surveillance and compliance, at the Investment Industry Regulatory Organization of Canada, also known as IIROC. Maureen has also held senior positions on the regulatory and business sides at the Toronto Stock Exchange, and had a 20 year career in the mining business, holding both executive and technical management positions with a number of resource companies.

Ilana:
It's really great to have you here Maureen. Let's begin with a broad question. The OSC has a threefold mandate. First encompassing investor protection. Second, the fostering of fair and efficient capital markets. And third, contributing to the stability of the financial system, and the reduction of systemic risk.

Ilana:
So Maureen, I'd like to start with a question that is top of many regulators minds, financial technology, or Fintech. Can you describe the challenges that you faced as chair and CEO of the OSC when you've been promoting new innovations in Fintech while staying true to the mandate of the commission. And given current circumstances, and just ahead of your response, I would imagine the COVID-19 crisis adds to the complexity of this question.

Maureen:
Hello Ilana, I'm thrilled to be here. Thank you very much for inviting me. So first thing is this pandemic obviously has really galvanized the entire globe, and we're all looking at the impact that it's having. Not just on us personally, and the health of nations, but also what's happening in the marketplace. And so I have to say that regulation is important, regardless of market conditions, because companies and investors must have confidence in our markets, such that any negative impact and a crisis like this is a
big negative impact, is absorbed as much as possible. And so that information is absorbed into the market.

Maureen:
So no matter what the market conditions and what kind of opportunities exist, if investors don't have confidence, they will not invest, and they will escape as fast as possible. So it's very important that information remains in the marketplace and the market actually stays working. So as regulators, we have a very critically important role in building this market confidence, in protecting investors, and protecting the integrity of our markets, and regulating our capital markets alongside government decisions and our regulatory partner decisions.

Maureen:
So in tough times, such as the one that we're facing due to COVID-19, we must find ways to keep our market open, to enforce the rules so that the markets remain fair, and ensure that current information flows to investors, so they can keep making informed decisions for themselves and for their future.

Maureen:
So now I'd like to go back to your question. You talked about the three pronged mandate of the OSC. That we must have fair and efficient markets. We must protect investors. And we also have to look towards the stability of the markets. And you have to do that even as markets and technology change. So capital markets are very important to economies around the world, and it's our responsibility as regulators, to ensure that these investors are protected, and that businesses can compete fairly.

Maureen:
So for several years now, we've all seen the emergence of new financial solutions and new business models. And we've also seen a complete change, and new ways to access capital, such as peer to peer lending, initial coin offerings, and token offerings. And much of this is occurring on some unregulated markets and off market. So this has really created huge challenges for regulation because crypto doesn't fit into our traditional categories.

Maureen:
Fintech offers a full suite of products that requires us to look at regulation differently. And for many, many years, we've had quite static business models in the Fintech market, and in the financial market. And these new products are really challenging the way we look at regulation. So we need to be open to different regulatory approaches, and to be flexible in overseeing these novel businesses, but they're not just novel, they are constantly evolving businesses.

Maureen:
And that's a real difficult thing for regulators who really focus on registration and then oversight. So it's important that we enable these new companies to grow, and that our existing companies can evolve. So at the same time, we have to take this fair and balanced approach to both innovation in the market, and the current registrants in the market.
Maureen:
So innovations in digital finance are very promising, and it's important that we allow these things to occur, because it allows us to expand financial services into rural, or remote, or really under-serviced areas. And so this is important to the majority of people, certainly in a country like Canada. It's very important because we have great financial services in our urban centers, but we need much more access to better services in our rural areas. And that's important in many countries in the world.

Maureen:
So in 2016, we realized that we can't just continue as status quo. And we launched something called OSC LaunchPad, where we engage directly with these novel businesses, and help them navigate securities regulation, understand what it is like to be a registrant in the capital markets. We've heard from the Fintech community that it is very difficult to build these technology solutions in Canada. Number one, they don't understand what it means to be a regulated entity. But second of all, they are building solutions that require data, and we have very limited access to open data. So it's something that regulation can't necessarily solve, but we must tackle open data and address digital identity issues. And that's the only way we're going to be able to really build for Fintech innovation.

Maureen:
So as our marketplace becomes increasingly data-driven, we need to focus on reforming privacy laws, and keeping pace with evolving cybersecurity trends, all of these things. And while that is not really the role of the regulator, it is the role of the regulator to really highlight these limitations, and assist these companies in trying to deal with these limitations. So I truly believe that Fintech is important for our future. So I think we must continue to evolve and innovate to support this development.

Ilana:
Thanks, Maureen. Another topic that is of great interest to Toronto Centre listeners is gender diversity. Under your leadership, the OSC has been a front runner in promoting diversity on boards and in senior management positions for companies listed on the Toronto Stock Exchange.

Ilana:
A report issued by the CSA in 2017 shows that there was an increase in issuers with at least one woman on their boards from 49% in 2015, to 61% in 2017. The progress in this area under your leadership has been notable. I'm curious, what do you believe are areas that still need work from both the securities regulatory and public policy perspective?

Maureen:
Thank you Ilana. The first thing that I should do is update your numbers, because we've just compiled the numbers for 2019. And what we see now is 73% of boards have at least one woman on their board, but I think we still have a long way to go. So from our perspective at the OSC, we look at diversity at the board and management tables in the context of what is good governance.

Maureen:
We have a good dialogue on diversity in business here in Canada, but it has been slow in coming, and more could be done, and should be done. Because diversity on our boards and certainly diversity at the executive levels is vital to our economy. This issue requires that both men and women understand that
we must promote greater diversity of people into leadership positions. Diversity is enhanced when leadership roles are filled with individuals who have different professional experience. They have different education, skills, perspectives, and attributes, including gender.

Maureen:
When business discount women, they are really only tapping into half of the available talent pool, and they may be missing out on other styles of leadership that would be important for their business. We have found that different leadership styles help businesses identify, and address different risks and opportunities. And so without diversity at the board, and without diversity in senior management, quite often you’re missing important voices and perspectives.

Maureen:
So with this greater pool of talent, and expertise, and viewpoints from which to draw, companies can avoid groupthink and really have much more meaningful and relevant dialogue. And we have seen that here in Canada and around the world. Monumental mistakes in decision making at board level, which only looks at one side of an issue. And so we put in comply or explain model of disclosure for TSX listed companies. That's the large board, or the senior board of listed companies.

Maureen:
We have supported this ongoing dialogue, and this comply or explain model of disclosure has provided us with measurable trends. And so that's where you see, we now know that since 2015 to today, we've had a big increase in the number of women sitting around the board table, but we still have a long way to go.

Maureen:
But this focus on disclosure puts the discussion right to the board, and to the management of these companies. And they have to engage with their shareholders, with their communities, and with investors. And they have to talk about the policies, about why they have women on their board or why not. And so we think that there should be measurable targets. There needs to be clear pipeline for women to advance in these businesses. And that could include anything from recruitment, ongoing training, development. But one of the biggest issues for development of a pipeline in any particular company is seeing someone that looks like them right at the top. That is the most visible and inspiring way to change the dynamic in your company.

Maureen:
So to do that, of course you need room on your board. And so therefore you need some shorter term limits for board members, to provide more opportunities to have diversity around the table. And we need to focus on functional and transferable skills and competencies, rather than direct experience when recruiting board members. However, this is not a supply problem. This is a demand problem. And because people for too long have thought that there's only one style of leadership that gets success. And what we're finding is diversity at the board table proves that wrong.

Maureen:
There are different ways to lead, and different ways to perceive problems. And it's really important that people have diversity at their table. So in addition, governments can continue to address larger systemic issues like affordable childcare, which is important for women to stay in business during their
childbearing years. And so that has been an impediment to some women's advancement, but in today's day and age, women and all types of diversity should be sitting around the board table.

Ilana:
Thank you. Another area of focus for the commission in recent years has been on ESG, Environmental, Social, and Governance reporting. More specifically in 2019, the CSA issued helpful guidance for boards and management with respect to reporting of climate change related risks.

Ilana:
So what advice do you have for policymakers to make sure that we continue to move in a positive direction on these important issues?

Maureen:
Thank you Ilana. This is an important subject for the OSC, and we've actually been engaged in the subject since the early 2000's. But really it's being driven by investors. Investors' expectations are evolving and they're putting more and more of a demand on issuers for better environmental, social, and governance related information, as you said, ESG.

Maureen:
So as regulators, what's our role in this? Our objective really is to help these issuers with their disclosure in these areas. So we can create hard binding rules where they must disclose under a certain type of disclosure regime, or like we have in Canada, we can create a rule that says, "If it's a material risk to your business, then you should disclose, and you should disclose in a way that your shareholders understand the risks and the impact to your business." And so most jurisdictions have these disclosure requirements related to material risks.

Maureen:
And in Canada, our continuous disclosure regime means that if you have a material risk, at least once a year in your disclosure documents, that's the MD&A or AIF, that you disclose this so your shareholders understand the risks, but these practices are not standardized. We have about a half a dozen frameworks that you can report under. And standardization would be the goal if you ever wanted to write a hard and fast rule.

Maureen:
So as this disclosure of risks evolves, we're thinking more and more that these regimes will come together. So underpinning all of this work, we have looked to four areas. One is the TCFD disclosure, the Task Force on Climate-related Financial Disclosure, and the regime that they propose. The IMF Global Financial Stability Report, Central Banks and Supervisors Network for Greening the Financial System, and the Green Bond Principles. So those four areas, they have really been global initiatives and they have generated some very interesting disclosure formats that people can look at, but truly businesses need to understand what their risks are.

Maureen:
And as we continue to monitor the developments, I think over time, the different types of reporting regimes will come together. And maybe at that point, we would look at a rule, but right now we're just
looking at this as talk to your shareholders in a way that they understand what your risks are, and what those risks are to your business. So we'll continue to monitor.

Ilana:
Thanks Maureen. Now let's shift gears. I wanted to discuss investor research. The investor office at the commission has conducted significant amounts of investor research in recent years. How has this impacted the policy making process at the commission? And did you encounter notable challenges in bringing the investor perspective to the policy-making table?

Maureen:
Well, thanks Ilana. As you know, investor protection is a critical component really, of what we do. And you can't just talk about that in a vacuum. You have to really understand that investors are not one type of investor. It's not one profile. And so you really have to understand, just like you have to understand when you're talking about registrants or issuers. Really who is investing in your market? What are their profiles? And really what are they looking for? And what's their experience been?

Maureen:
So we've taken a lot of time, and a lot of thought to really see how we could ensure that at the top line of the OSC investor needs are discussed and understood. So what we've done is we have created an investor office that is ranked the same as the other regulatory functions in the organization, that really focuses on what investors do, what do they understand, what's their experience when they're investing. Everything from institutional investors right down to the smallest retail investor that's investing in a mutual fund.

Maureen:
And so they do a lot of testing and surveys, including research and consultation, and a lot of community outreach to get those answers. We also have an independent investor advisory panel, that really focuses on looking at what investors views are of our policy agenda, and what's happening in the market. And twice a year they do a very formal presentation with significant recommendations to our commission, to tell us what they think is going right in the market, and what they think needs addressing. And so I think these have really informed us at the most senior levels at the OSC, about policy initiatives that we have to undertake, and rules that we have to fix, because they're not achieving what they were meant to achieve.

Maureen:
So the investor office really has allowed us to explore the diversity of our investing public, and has brought some very interesting insights to us, including behavioral insights. How our rules are written in such a way that they actually don't deliver what they need to deliver, because the way the rule is written is really not helping investors with the right experience.

Maureen:
Most recently, our investor office published a study that identified practical applications of behavioral insights to make our disclosures more engaging, to the point, and effective. And so we now use this in every rule that we publish. We've also looked at how investors look at crypto assets and Bitcoin and Ether. And that was quite funny because we found that the largest investor of course, was men under the age of 27. And so they were by far the people who were investing in crypto assets early on.
Maureen:
That has changed now, that profile, but that’s an interesting profile, and it really tells you how you have
to shift your disclosure to investors when you know exactly what cohort is investing in something. So I
would say that our work with both the investor office, and the investor advisory panel has been very,
very successful so that we ensure we get the right balance between fair and efficient markets and
investor protection.

Ilana:
This has been incredibly insightful. A final question for you before we wrap up our podcast today, what
would you say have been the top three initiatives that you led, and are most proud of as chair of the
OSC?

Maureen:
Well, it's going to be difficult to just cite three, because it's been such an incredible experience. But
there are several initiatives that I've undertaken while I've been chair that are quite close to my heart.
So it's not just me, of course, that has done this, but these initiatives involve so many people and so
much effort across, not just only the OSC, but broader in Canada with the other jurisdictions.

Maureen:
Also, I have to say that it's included so many people on the outside as well. People in the regulated
communities, investors, everyone to get a really good policy initiative to move forward. But I'll just start
with my first one, and that is our client focused reforms. And so these reforms are really about setting a
higher standard for financial advisors to put their client's interests ahead of th

Maureen:
And so the client focused reforms are all about that. And so that means not only advisors have to work
in their client's best interest, but the firms have to establish rules and compensation that incent the
right behavior, and not the wrong behavior. So this has been something that we have been working on
for many years. The final rule was passed last year, I'm thrilled to say, and it's going to be implemented
later this year, and next year. And this is a huge leap forward for investors. And I'm very proud to have
manned the helm while this was being delivered.

Maureen:
Second, as someone who came from business, it was very important to me that the OSC focused on
reducing unnecessary burden for market participants. Burdens that do not add, just subtract from the
bottom line, and effectively those extra costs just get passed on to investors. So it's a lose lose scenario.

Maureen:
So it was really important to look at, could we achieve the controls that we needed by changing the
rules and lightening the load for business, but it's also ensuring that investors don't end up paying more,
simply because the business is regulated. And so we really focused on looking at reducing regulatory
burden. And we published a report last year that outlined 107 different things that we could do to really
lighten the load on regulated entities. And I think that is very important. It's going to take two to three, maybe four years to deliver this, but it is very important. And it's going to focus on putting the rules where they will make the most difference, and not having burdened simply to go through a process. And I think that's very important.

Maureen:
And third, I would say that we really focused on enforcement tools, because you cannot have confidence in a market that doesn't punish wrongdoers, because this is a very lucrative business to be in. And if wrongdoers never get taken to task, people will not have confidence in the market. And so we put in a whistleblower program, a paid whistleblower program, to help us identify securities infractions. And to protect investors from misconduct, which we do see.

Maureen:
The vast majority of people in this marketplace are good actors, but there is always some that are not. And so this paid whistleblower program has been extremely effective. It's been in place now for roughly two and a half years. To date we've paid out $8 million to whistleblowers. And we have taken some extraordinarily difficult cases forward, that we would never have seen if we didn't have the insight or expert knowledge. And so that has been really important to me. And it has been very effective.

Maureen:
And you asked for three, but I'm going to do one more. What we just talked about is about disclosure around board diversity. I think we've really changed the needle, and we're going to continue to push on that. I'm very proud of what we've achieved.

Ilana:
Thank you Maureen. I think you have a lot to be proud of as I'm sure all of our Toronto Centre podcast listeners will agree. In terms of what you've achieved as chair and CEO of the OSC, together with your team and those other stakeholders that you mentioned, congratulations.

Ilana:
I would also note that you've accomplished a great deal as vice chair of the Toronto Centre Board. I wondered if there was anything else you'd like to add with respect to your role as vice chair of that board.

Maureen:
First of all, thank you. Thank you for the question. But I have to say that working at the OSC has certainly added to my capacity being on the board of directors at Toronto Centre. It gives me like a front row seat, and then I can actually bring that seat to the board table at Toronto Centre.

Maureen:
The mission of providing these high quality capacity building programs is amazing. And it's something that I have heard from my colleagues at IOSCO, about how important these programs are, because they are so focused on the front line regulators, and that's where you need the efforts. That's where you need to inspire people. And that is where you need to give them the tools so that they can ask those tough questions.
Maureen:
And as a regulator, you get tough questions that you have to ask every single day. So I really look forward to continuing to sit on the Toronto board, and I’m really privileged to have the opportunity to work with this board as they deliver these incredible programs. So thank you for asking.

Ilana:
Thank you Maureen. I really wish we had more time to talk, but even in the short time we've spent together, I'm taking away three key points. First, the OSC has been a leader in the capital market space as a responsive regulator to novel and constantly evolving businesses.

Ilana:
Second, with respect to diversity, it is enhanced with leaders who have different skills, perspectives, and attributes. It's good business. And under your leadership, there have been great strides made. There is still a lot of work to be done in the future.

Ilana:
Third, and finally, with respect to looking at the markets and at regulation for many different perspectives, the OSC together with its regulatory partners, has succeeded in moving forward a significant number of investor protection initiatives, including the creation of the investor office, and a notable number of client focused reforms.

Ilana:
Maureen we really want to applaud everything that has been accomplished under your leadership, while you've been at the helm. It has been a great privilege for me as chair of the Toronto Centre Securities Advisory Board, to have spoken with you today. We'd like to thank you for taking time out of your busy schedule to provide us with your valuable insights.

Maureen:
Thank you Ilana. It's been a real treat for me. Thank you.

Ilana:
I would also like to thank all the listeners of this podcast. The Toronto Centre Securities Advisory Board is currently working on a number of different podcasts and webinars, regarding current initiatives relevant to the capital markets.

Ilana:
To catch Toronto Centre's webinars and podcasts, visit their website at torontocentre.org. You can also listen to their podcasts on Apple podcasts, Spotify and Google podcasts. Thank you again for joining us today and thank you Maureen, for an inspiring podcast.