



# Ontario Securities Commission 2016 – 2019 Business Plan

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# Executive Summary

The OSC Business Plan sets out the Ontario Securities Commission's (OSC or the Commission) key strategies for the years 2016 to 2019 and how it plans to accomplish those strategies. The first part of the plan documents the *Mandate and Operating Principles* for the OSC. It also provides background information about the Commission and its governance framework, and an overview of the role of the Members of the Commission and their responsibilities.

The *Operating Environment* provides an overview of the context for the overall plan and notes important issues affecting the plan. It provides an outline of the role of the Canadian Securities Administrators (CSA) and describes some of the more important national policy initiatives. This section also describes the roles and responsibilities of the OSC regarding the oversight of self-regulatory organizations (SROs), exchanges, clearing agencies as well as the regulation of issuers, dealers and advisers.

Taken together, these two sections establish the regulatory context in which the OSC operates.

An outline of the strategic goals along with the Commission's key 2015 – 2016 priorities is detailed in the *Vision & Strategic Goals and Priorities* section of the plan. An organizational chart and details of the core activities for the operational and supporting branches is presented in the section *Organization, Structure and Core Activities*. Strategic goals and initiatives of the OSC, together with the organizational core activities, drive OSC resource requirements and allocations.

The *Financial Summary* outlines the revenues, expenses, surplus/deficit and a five year forecast. Selected performance measures are detailed in the *Performance Measurement* section of the plan.

Key components of the risk approach are described under *Risk Identification and Management*. Under *Risks and Uncertainties*, key operational and infrastructure risks are described, along with the business continuity plan.

Various strategies, objectives and plans for human resources and communications are described in *Human Resource Plan* and *Communications Plan*.

The appendices include additional information about our 2015-2016 OSC Statement of Priorities and OSC Service Commitment.

## Illustrative Recent OSC Accomplishments

The OSC remains focused on providing responsive regulation that provides protection to investors and fosters confidence in the capital markets. Some of the key OSC progress and accomplishments achieved towards this objective during 2014-15 are highlighted below.

1. Created a new Office of Investor Policy, Education and Outreach to integrate all of our existing investor-related activities, previously under the Investor Education Fund and Office of the Investor, to better focus and coordinate efforts and make more efficient use of our resources
2. Partnered with our Investor Advisory Panel (IAP) to hold an inaugural roundtable discussion with seniors' advocacy groups that focused on addressing unique financial issues and challenges facing senior investors
3. Led international efforts in investor education as Chair of the International Organization of Securities Commissions (IOSCO) Committee on Retail Investors
4. Enhanced cost disclosure for investors by requiring dealers and advisors to disclose charges paid. Another new requirement will soon mandate dealers and advisors to deliver a plain-language Fund Facts document to investors before, rather than within two days of, purchasing a mutual fund
5. Undertook third-party research to inform regulatory policy-making on whether embedded mutual fund fees influence advisors' sales recommendations
6. Advanced the ongoing debate on the best interest duty issue by gathering valuable insight from advisors throughout Ontario to inform our policy choices
7. Supported capital raising in Ontario's exempt market by adopting two new prospectus exemptions – namely, the existing security holder and family, friends and business associates prospectus exemptions – that will give investors more flexibility in making investments and companies more alternatives in raising capital in a more efficient way
8. Introduced new disclosure requirements regarding the representation of women on boards and in executive officer positions for non-venture issuers
9. Expanded engagement with issuers and registrants with proactive guidance and outreach to help them comply with their regulatory requirements. OSC staff engaged more directly with retail investors through OSC in the Community
10. Contributed to improved transparency in the fixed income market by publishing a report on the current state of Canada's fixed income market
11. Increased the number of enforcement matters concluded before the courts from three quasi-criminal matters in 2013-14 to five quasi-criminal and criminal matters in 2014-15
12. Completed our first two no-contest settlements, which resulted in multi-million dollar payments allocated toward compensation for respondents' clients
13. Expanded partnerships with law enforcement agencies to enable more efficient and effective collaboration in combatting serious financial crime
14. Proposed a whistleblower program designed to encourage individuals to come forward and report serious misconduct in the marketplace
15. Helped shape international securities regulation through our leadership role on the IOSCO Board
16. Reduced regulatory burden by simplifying our fee model for market participants and improving access for market participants to make all regulatory filings electronically

# Introduction

The Commission is a regulatory agency of the Ontario government which operates on a cost recovery basis. The OSC is required under the *Agencies & Appointments Directive* (which is the key government directive setting out governance and accountability) to annually provide a multi-year business plan to the Minister. This Business Plan sets out the OSC's core strategy for the years 2016 through 2019 including how it envisages this strategy being accomplished.

The OSC has overall accountability for the effective administration of the *Securities Act* (Ontario)(Act) as well as the *Commodity Futures Act* (Ontario)(the Acts). While the OSC oversees securities regulation for Ontario, capital markets in Canada are highly integrated. Accordingly, much of the OSC's activity is often coordinated with the activities of other provincial and territorial securities regulators, primarily through the CSA.

Since financial services in general and securities markets in particular are increasingly global in their conduct, influence and evolution, developments outside Canada also affect operational activities of the OSC as well as the ability to achieve its mandate.

The financial summary in this plan outlines forecast costs and revenues over a five year period. Other aspects of this plan focus on current period initiatives. Since business planning is not a discrete one time exercise, modification to various aspects should be anticipated in response to emerging issues and changing market conditions, although material changes to our strategic goals, values, and the nature of overall operations are not expected.

## *Mandate and Operating Principles*

The mandate of the OSC is set out in the Act and is dual in nature – to provide protection to investors from unfair or fraudulent practices, and to foster fair and efficient capital markets and confidence in those markets. The primary means for achieving this mandate consist of:

- Setting/defining requirements for accurate and timely disclosure of information necessary for investors to make informed decisions
- Establishing restrictions on fraudulent and unfair market practices and procedures
- Fair, efficient and transparent market structures
- Establishing requirements for the maintenance of high standards of fitness and business conduct for market participants, and
- Timely, open and efficient administration of enforcement, compliance and adjudication activities under the Act.

Other considerations in achieving its mandate include:

- Controlled delegation of specific oversight to SROs (subject to appropriate OSC supervision)
- Responsible harmonization and coordination of regulatory practices with other jurisdictions (through the CSA and IOSCO for example), and
- Balancing the costs or other impacts on market participants with the significance of the regulatory objectives the OSC seeks to realize.

The mandate and principal means for achieving it are set out in the Act. There are strong links between the priorities of the Ministry of Finance, as identified in the Ministry's *Results-Based Plan 2015-2016*, and the OSC's mandate. Some of those links are:

Ministry of Finance Priority	OSC Support
<p>Providing strong oversight of Ontario's regulatory system for pensions, insurance, financial services and capital markets. Our goal is to ensure that the financial system is modern, affordable, protects investors and consumers, and supports economic growth.</p>	<p>Ontario's financial services sector is a world leader and a significant contributor to the province's economy. It provides thousands of jobs and creates significant economic activity. Firms need access to capital if they are to create jobs and achieve sustainable economic growth. By fostering confidence in Ontario's capital markets, the OSC supports an environment where capital is available on competitive terms.</p>
<p>Taking a leadership role in developing a co-operative capital markets regulatory system that will ensure consistent, fair and transparent rules for investors, issuers and other capital market participants.</p>	<p>While working with the participating jurisdictions to create a new organization and achieve a smooth transition to the CMRA, it will be critical for the OSC to retain high standards of regulation and to keep stakeholders informed and engaged throughout the transition period.</p>

## Positioning and Stakeholder Accountability

### Primary Enabling Legislation – Securities Act (Ontario)

The OSC is accountable to the Minister of Finance who is in turn accountable to the Legislature for the Commission's fulfilment of its mandate and its compliance with government policies, and for reporting to the Legislature on the affairs of the Commission. The OSC annually provides the Minister with the following key reports:

- Audited Financial Statements
- Annual Business Plan
- Annual Statement of Priorities (SoP) (forward looking, also a retrospective progress report)
- Annual Report

In addition, the Ministry is informed on operational matters through a series of ongoing scheduled work-in-progress meetings.



## Key Stakeholders

Key market participants most directly affected by the OSC include the following:

- Investors, both retail and institutional, are directly affected by the policy setting, compliance monitoring and enforcement activities of the OSC
- Investor advisory and advocacy groups (e.g. IAP, FAIR Canada)
- Issuers (public/private companies and investment funds) seeking to raise capital or whose securities trade on recognized markets in Ontario and investment funds, rely on fair and efficient markets and are affected by our policies, compliance monitoring and enforcement programs
- Self-regulatory organizations (SRO), such as the Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Fund Dealers Association of Canada (MFDA), operate under the direct oversight of the OSC
- Investment Fund Managers who offer investment funds in Ontario
- Directors and Officers of reporting issuers are directly affected by OSC regulation
- Portfolio Managers not otherwise subject to oversight by a recognized self-regulatory body, are subject to registration and monitoring programs of the OSC
- Registrants, both at the firm level and the individual level, operating in Ontario are affected by the rules and policies of the OSC either directly or indirectly through the delegation of OSC authority to appropriate SROs
- Exchanges and alternative trading systems are subject to operational reviews and monitoring
- Designated ratings organizations, and
- Clearing agencies (such the Canadian Depository for Securities) are recognized and subject to reviews and monitoring

In addition, other important stakeholders affected by the OSC's operations include:

- The Ontario public, since healthy securities markets have a beneficial impact on the overall health of the Ontario economy
- Other provincial and territorial securities regulators, principally through the CSA, and
- Other financial service regulators, such as the Financial Services Commission of Ontario (FSCO), and the Office of the Superintendent of Financial Institutions (OSFI), the Bank of Canada and the Department of Finance (Canada) with whom the OSC interacts on various areas of common concern in financial services regulation.

# Commission Governance

The Commission, as the regulatory body responsible for overseeing the capital markets in Ontario, administers and enforces the Acts. The Act establishes the Commission as a corporation without share capital with a Board of Directors consisting of the members of the Commission (Members). The Commission is composed of at least nine and not more than sixteen Members, each of whom is appointed by the Lieutenant Governor in Council.

The OSC Board of Directors oversees the management of the financial and other affairs of the Commission. Currently, the Board is composed of 15 members. Two are full-time Members of the Commission and 13 are part-time Commissioners. The full-time Members are Howard Wetston Q.C., Chair and Monica Kowal, Vice-Chair. The part-time Members are: James D. Carnwath, Mary G. Condon, William J. Furlong, Sarah Kavanagh, Edward P. Kerwin, Deborah Leckman, Janet Leiper, Alan Lenczner, Timothy Moseley, Christopher Portner, Judith Robertson, Garnet Fenn and AnneMarie Ryan.

Members are appointed for a fixed term by the Lieutenant Governor in Council upon the recommendation of the Minister of Finance and Cabinet. Candidates for appointment are recommended to the Minister by the Chair following a rigorous internal process led by the Governance and Nominating Committee of the Board. The Committee regularly reviews the individual qualifications, attributes, skills and experience of the Members to ensure that Members, individually and collectively, meet the standards necessary to exercise their responsibilities effectively. The Committee uses the Member Profile to identify any gaps in attributes, skills and qualifications that might arise as a result of an upcoming vacancy on the Commission.

Appointments are made according to the procedures of the Public Appointments Secretariat, which is responsible for overseeing public appointments to provincial agencies, and are subject to the Act and the Agencies & Appointments Directive. In making its recommendations to the Minister, the Commission supports the government's diversity policy set out in every position posted to the website of the Public Appointments Secretariat, that government appointees reflect the diversity of the people of Ontario and deliver services and decisions in a non-partisan, professional, ethical and competent manner with a commitment to the principles and values of public service.

## *Governance Framework*

Although structured as a corporation, the Commission is a regulatory body and its purpose is mandated by statute. The Act establishes the Commission's role in regulating capital markets, sets out the fundamental principles that the Commission shall have regard to in overseeing the administration and enforcement of the Act, and outlines the basic governance and accountability structure for the Commission.

The Commission, unlike a business corporation, does not have shareholders to whom the Board of Directors report. Instead, the Commission is accountable to the Minister responsible for securities regulation and, through the Minister, to the Ontario Legislature.

The Commission is required to enter into a Memorandum of Understanding (MOU) with the Minister. The MOU sets out the accountability relationship between the Commission and the Minister, the Board of Directors and the Minister, and the Chair and the Minister; and describes the respective roles and responsibilities of the Minister, the Deputy Minister, the Chair, the Members, and the Executive Director. The MOU also specifies that the Commission is required to provide the Minister with an Annual Report and an Annual Business Plan. The MOU can be found on the Commission’s website.

## The Role of Members

### Overview

The Members of the Commission discharge their responsibilities under the Acts through two independent but related roles: as regulators of Ontario capital markets; and as members of the Board of Directors of the Commission. A brief outline of these two primary roles follows.

### The Role of Members as Regulators of Ontario Capital Markets

A high level outline of the roles of the Commission and Board of Directors is set out in the table below.

COMMISSION MEMBERS AS REGULATORS	
POLICY FUNCTION	ADJUDICATIVE FUNCTION
Policy Strategy	Conducting Hearings
Regulatory Initiatives	Oversight of Adjudicative Processes and Procedures
Administration of Ontario Securities Act	
SRO Oversight	

The Commission’s regulatory responsibilities are exercised through the Commission’s rule and policy-making function and the Commission’s adjudicative function. While these functions are distinct, in both cases the Commission’s powers are exercised in furtherance of investor protection and in aid of fostering fair and efficient markets, while having regard to the fundamental principles described earlier.

#### Policy function

The Commission regulates the Ontario capital markets by making rules that have the force of law (and granting exemptions where appropriate) and by adopting policies that influence the behaviour of capital market participants. The Commission exercises its regulatory oversight functions to achieve the objectives of the Acts. The Commission sets regulatory priorities on an annual basis and oversees their implementation by Commission staff. The Commission meets every two weeks to deal with regulatory matters.

## **Adjudicative function**

In regulating Ontario's capital markets the Commission also performs an adjudicative function.

Panels of Members, acting independently, hear enforcement matters (including proceedings involving alleged violations of the Acts, regulations and rules; and proceedings involving conduct contrary to the public interest), conduct hearings involving regulatory policy issues, and appeals of adjudicative decisions of SRO's and review decisions of Commission staff. The Commission, as a whole, also has a responsibility to oversee the Commission's adjudicative processes and procedures generally. Members perform their adjudicative function by serving on adjudicative panels that conduct hearings and render decisions *independently* of the Commission as a whole.

## **Conducting hearings**

Adjudicative panels of the Commission, composed of one or more Members, conduct hearings on proceedings brought before the Commission. In these hearings, the panel may be asked, for example, to issue an order imposing a sanction in the public interest, to issue an order freezing assets, to review a decision made by Commission staff, or to review a decision of an SRO. The way in which these proceedings are conducted is governed by the *Statutory Powers Procedure Act (Ontario)*, the Commission's *Rules of Practice* and principles of administrative law. The Act provides for appeal of final decisions of the Commission to the Divisional Court.

## **Oversight of adjudicative processes and procedures**

The Commission is responsible for the conduct of proceedings in a fair, independent and transparent manner, and the bringing of matters before the Commission in a timely fashion. To assist it in the discharge of this responsibility, the Commission established a standing policy committee, the Adjudicative Committee.

## **The Role of Members as the Board of Directors of the Commission**

The Members comprise the Board of Directors of the Commission. Acting in that capacity, the Members oversee the management of the financial and other affairs of the Commission, including the Commission's strategic planning, resource allocation, risk management, financial reporting policies and procedures, management information systems and the effectiveness of internal controls.

The Board exercises its oversight through regular, quarterly meetings of the full Board and regular meetings of the three standing committees of the Board: Audit and Finance Committee; Governance and Nominating Committee; and Human Resources and Compensation Committee. A fourth standing committee of the Members, the Adjudicative Committee, advises the Commission on adjudicative policy issues. From time to time the

Board has established other temporary committees or retained consultants or other advisors to advise it on specific matters.

#### COMMISSION MEMBERS AS BOARD OF DIRECTORS

Strategic Planning

Financial Review, Reporting and Disclosure

Risk Assessment and Internal Controls

Board Governance

Executive and Management Oversight

Appointment of Members

Integrity and Ethical Standards

The OSC has adopted the Commission Charter of Governance Roles and Responsibilities ("Charter") to delineate its role and responsibilities and to ensure transparency in its governance structure. Members, either directly or through committees of the Board, are responsible for performing the duties set out in the Charter, and will perform further duties as may be necessary or appropriate for the Members to fulfil their governance and regulatory responsibilities.

### Commission and Board Support

The Commission appoints the Secretary to the Commission, who reports directly to the Board and the Chair. The Office of the Secretary provides independent legal and administrative support to the Members in the discharge of their various statutory obligations. The Commission/Board, as well as the Executive, are supported in their roles by staff from the OSC operating and support branches.

### Investor Advisory Panel

The Commission created the IAPs to provide it with advice on investor perspectives on OSC priorities, draft rules and policies. Funding for the IAP is provided from the OSC budget. Nominees for the panel (up to nine members) are recommended by a committee of Part-time Commissioners for appointment by the Chair of the Commission. The IAP functions as an independent advisory committee to the Commission.

The IAP has a mandate to represent the views of investors by providing the Commission with written comments on proposed rules and policies, the OSC Statement of Priorities and concept papers and will consider specific issues at the request of the Commission.

## OSC Consultative Committees

The Executive and staff of the OSC operating branches are supported by various consultative committees that have been established for one or more of the following purposes:

- To seek a broad range of ideas and expertise as new policy initiatives are developed
- To understand how a specific, recently implemented policy is affecting capital market participants; and
- To improve our understanding of the concerns and issues faced by a particular stakeholder group on an ongoing basis.

A list of the key consultative committees includes:

- Market Structure Advisory Committee (MSAC) – serves as a forum to discuss issues associated with market structure and marketplace operations in the Canadian and global capital markets. The MSAC also acts as a source of feedback to OSC staff on the development of policy and rule-making initiatives that promote investor protection, fair and efficient capital markets and confidence in those markets.
- Small and Medium Enterprises Committee (SMEC) – advises OSC staff on a range of projects, including the planning, implementation and communication of the OSC’s review program, as well as policy and rule-making initiatives relevant to small issuers. The SMEC also serves as a forum to advise OSC staff on the emerging issues and unique challenges faced by small issuers.
- Investment Funds Product Advisory Committee (IFPAC) – advises OSC staff on emerging product developments and innovations occurring in the investment fund industry. The IFPAC discusses the impact of these developments, as well as emerging issues.
- Continuous Disclosure Advisory Committee (CDAC) – serves as a source of information, advice and commentary to the OSC relating to the review of continuous disclosure filings made by reporting issuers, and policy issues related to continuous disclosure.
- Mining Technical Advisory and Monitoring Committee (MTAMC) – provides advice to the CSA on technical issues relating to the mining industry.
- Securities Advisory Committee (SAC) – provides advice to the OSC on a variety of matters, including regulatory and policy initiatives and important capital markets trends.
- Registrant Advisory Committee (RAC) – discusses and recommends solutions regarding registration related issues. The RAC is also joined by regulators from the SROs on a quarterly basis in order to discuss issues.
- Securities Proceedings Advisory Committee (SPAC) - an advisory committee to the Office of the Secretary that provides comments and advice on policy and procedural initiatives relating to the Commission’s administrative tribunal proceedings.

More information about OSC Advisory Committees and their members is available at [www.osc.gov.on.ca](http://www.osc.gov.on.ca).

## Core Values

The OSC has a Code of Conduct that builds on its existing policies and procedures that support accountability, transparency and ethical behaviour at the OSC. The following core values are reflected in the OSC Code of Conduct:

### **Ethical Values**

We act at all times to uphold public trust with a commitment to honesty and integrity consistent with both our legal and ethical obligations.

### **Professional Values**

We serve with competence, excellence, efficiency, objectivity and impartiality.

### **People Values**

We demonstrate respect, fairness and courtesy in our dealings with the public and our employees and colleagues.

## Operating Environment

### *Our Environment*

Each year, the OSC develops its business plan and sets goals and priorities to promote the achievement of its vision and the fulfillment of its mandate. The OSC does this in the context of current and forecast economic conditions, evolving market practices, developing trends and issues, as well as changes in public expectations.

### Risks and Challenges

Economic conditions both globally and locally inevitably impact capital markets activity in Canada through a number of channels, including issuer valuations, capital raising activity, trading volumes and investor behaviour.

For Canada, moderating global growth and lower oil prices are negatively impacting the economic outlook, while consumer spending remains its key driver. Despite softer growth abroad, firm U.S. demand and the weaker Canadian dollar are underpinning a rise in non-energy exports.

In late 2014, lower oil prices hit Canadian equity markets heavily. As oil markets stabilized in early 2015, the index began to retrace its steps, approaching its 2014 high. Junior energy companies, however, have yet to recover from this oil price shock. As such, the TSXV remains near record low levels as soft commodity prices had already impacted junior mining

stocks. Falling oil prices also dampened inflation and trimmed bond yields, both of which have moved back up this spring prompted by the partial recovery of the oil market.

High and rising house prices are fueling an increase in household indebtedness. Low prevailing interest rates may encourage investors to shift out of safer asset classes and into riskier higher yielding financial products. However, even safer asset holders face risks, since the normalization of interest rates would impair bond valuations. Greater bond issuance may pose some financial risks, although most corporate balance sheets are quite strong.

Regulators need to evolve and adapt to ever-changing economic and market conditions. The OSC must ensure that its regulatory provisions and disclosure requirements keep pace with new developments and shifting trends in investment fund, retail product and hybrid security issuance. Derivatives markets are now subject to greater oversight than ever before, with mandatory reporting for over-the-counter transactions.

Technological innovation and the ongoing digital revolution is empowering investors and market participants and integrating markets across provincial and national boundaries. These changes present new opportunities and challenges, ranging from data management to cyber security. Mobile technology and social media are underpinning the growth of crowdfunding, but this potentially important source of capital needs a robust regulatory regime to protect the interests of investors. For individuals saving for retirement, online advisers lower the cost of financial advice, but they also present investor suitability and know-your-client challenges that must be addressed.

Notwithstanding these digital trends, the importance of traditional face-to-face financial advice will likely continue to grow, since fewer Ontarians have employer pension plans and defined-benefit plans in particular. The OSC must ensure that advisor conflicts are well managed and that the advice provided is suitable to the client's needs. Higher financial-advice standards and greater transparency requirements will better align the interests of advisors and their clients, while fostering confidence in our capital markets.

Market structure continues to evolve with the addition of new trading platforms. The OSC must adapt to this changing environment in a way that fosters competition, while preserving market efficiency and integrity.

To ensure the ongoing competitiveness and attractiveness of Ontario's capital markets, the OSC will remain actively engaged internationally, with organizations such as IOSCO. The OSC will be involved in the evolution of international regulatory standards with a view to aligning these standards and tailoring their implementation to the unique features of Ontario's capital markets. Furthermore, the OSC will work with the Canadian Securities Administrators (CSA) to harmonize rules and minimize the burden of regulation throughout Canada.

Rising financial complexity, increasing digitization and globalization are creating new regulatory challenges. While continuing to address its core responsibilities including



registration, disclosure review, compliance monitoring, enforcement and policy development, the OSC must identify markets and institutions that could have systemic consequences and take the appropriate measures to ward against them.

As the OSC's work continues to expand, new tools and resources with specialized skills will be required to meet the evolving demands that it faces. The OSC has the additional challenge of trying to address these issues while adhering to the Ontario government's fiscal constraints. As the OSC moves to meet these challenges, it will continue to pursue process efficiencies aggressively, do more with its existing resources and report on its progress.

The OSC faces a fast-changing environment and rising stakeholder and public expectations. As the regulator of the largest share of Canada's capital markets, the OSC must take these challenges seriously and demonstrate leadership. The OSC is contributing to developing a harmonized regulatory approach, integrating operations and driving toward a seamless transition to the Capital Markets Regulatory Authority (CMRA) for market participants and other stakeholders. While engaging in the considerable work required to transition to the CMRA, the OSC will maintain an engaged and effective regulatory presence. The OSC will remain committed to working with the jurisdictions in the delivery of effective securities regulation across Canada by maintaining an effective and cooperative interface with the CSA.

## *Market Context*

### Ontario's Financial Wealth

- As of February 2015, Canada had the ninth largest stock market by domestic market capitalization<sup>1</sup> and Toronto ranked eleventh globally as a financial centre.<sup>2</sup>
- 62% of the equity capital raised globally for mining was raised on a Canadian exchange<sup>3</sup>, and the TSX and TSXV have the largest number of listed oil and gas companies globally<sup>4</sup>. The TSX listed 85 foreign international mining, oil and gas companies from 18 countries with a combined market value of CAD\$23.1 billion on the exchange<sup>5</sup>.
- 63.7% of IIROC dealer members have their Canadian head office in Ontario<sup>6</sup>

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<sup>1</sup> World Federation of Exchanges (February 2015)

<sup>2</sup> Z/Yen Group (April 2015)

<sup>3</sup> TMX Group (December 2014) <http://www.tsx.com/resource/en/193>

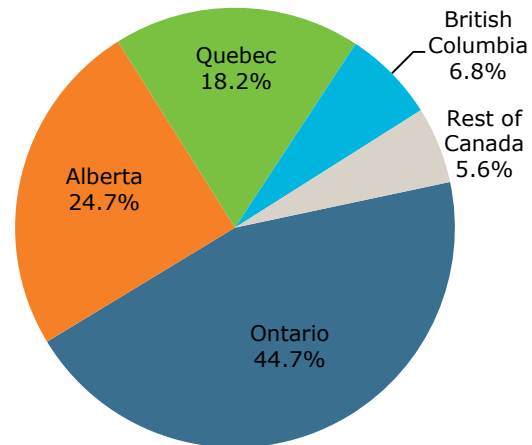
<sup>4</sup> TMX Group (December 2013) <http://www.tsx.com/resource/en/194>

<sup>5</sup> TMX MIG report (March 2015)

<sup>6</sup> IIROC (April 2015) [www.IIROC.ca](http://www.IIROC.ca)

- 66.4% of Mutual Fund Dealers have their Canadian head office in Ontario<sup>7</sup>
- 85% of investment fund assets are held by fund companies based in Ontario<sup>8</sup>
- Ontarians hold approximately 45.6% of all financial wealth in Canada (\$1.56 trillion)<sup>9</sup>.
- Of the top 1000 pension funds, Ontario's pension assets totalled \$521.9 billion, representing 34.5% of the total across Canada<sup>10</sup>
- The average household in Ontario owns more investment funds (\$92,031) than the average household nationally (\$74,047), or the average household in any other province<sup>11</sup>.
- Ontario residents account for 40.2% of Canadians with incomes of \$100,000 per year and above<sup>12</sup>
- 366,100 people are employed in the financial services sector in Ontario, accounting for 47% of financial services employment nationally<sup>13</sup>
- Ontario is home to 42.0% of Canada's full-service brokerage advisors, who manage \$420 billion (41.8%) of the total wealth managed by brokers nationally<sup>14</sup>
- As of April 2015, there are 23 separate securities marketplaces in Canada for trading of equities, debt, derivatives and securities lending<sup>15</sup>

### Market Capitalization by Province (Canadian Issuers)



As of March 2015, 39.4% of the Canadian issuers listed on the TSX and TSXV were based in Ontario. These OSC-regulated firms accounted for 44.7% of the total market value.

<sup>7</sup> MFDA Membership Statistics (April 2015) [www.MFDA.ca](http://www.MFDA.ca)

<sup>8</sup> Investor Economics w/ OSC calculations (Assets as of December 2014)

<sup>9</sup> Investor Economics Household Balance Sheet 2014 Update and Rebased Forecast (Assets as of December 2013). Note: Financial Wealth does not include nondiscretionary items such as contributions to CPP, QPP & DB Plans

<sup>10</sup> Canadian Institutional Investment Network An Overview of Pension Plans in Canada 2014 (Assets as of December 31, 2013)

<sup>11</sup> Investor Economics Household Balance Sheet 2014 Update and Rebased Forecast (Assets as of December 2013)

<sup>12</sup> Income Statistics Division, Statistics Canada, CANSIM table 202-0408 (As of 2011 Census)

<sup>13</sup> The Labour Statistics Division, Statistics Canada, CANSIM table 282-0007 (March 2015)

<sup>14</sup> Investor Economics Retail Brokerage and Distribution Advisory Service Winter 2015 (Data as of December 2014)

- As of March 2015, 80% of total trading volume (14.5 billion shares) and 99.5% of the total value (\$205.3 billion) traded on Canadian equity markets was traded on Ontario based market places<sup>16</sup>

## *Securities Regulation in Canada – Overview*

Securities regulation in Canada is a matter of provincial jurisdiction. Securities regulation may be a provincial responsibility but provincial decisions can affect the national capital markets as well as Ontario’s capital markets. The CSA jurisdictions also have similar mandates to protect investors and foster fair and efficient capital markets. Canadian securities regulatory authorities currently work together through the CSA.

### The Role of the CSA

The CSA’s key objective is to coordinate and harmonize regulation of the Canadian capital markets. CSA members work cooperatively to develop and implement harmonized securities laws, and to administer, monitor and enforce laws in a consistent and coordinated manner.

### Harmonized Policies and Processes

The CSA has achieved a significant level of harmonization and uniformity in securities laws and the implementation of those laws across Canada. As a result of the cooperative efforts of the CSA, most regulatory requirements are set out in national instruments and multilateral instruments and policies. National instruments and policies are adopted with virtually uniform wording in all jurisdictions. In addition to harmonized instruments, the passport system and accompanying interface with the OSC provides a streamlined filing and review procedure for prospectuses and exemptive relief applications among multiple securities regulators across Canada. The system is designed to enable one CSA jurisdiction to rely on the analysis and review undertaken by the staff of another CSA jurisdiction.

### National Filing and Disclosure Systems

The CSA has developed four national electronic databases for issuers and registrants to file documents with all Canadian regulators through a single electronic submission. These CSA databases include:

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<sup>15</sup> IIROC, OSC. Note: Aequitas Neo Book, Lit Book and Crossing Book are counted as three separate marketplaces

<sup>16</sup> Investment Industry Regulatory Organisation of Canada (March 2015)

- System for Electronic Document Analysis and Retrieval (SEDAR) – a central national electronic filing system that facilitates electronic filing of, and public access to, all offering and continuous disclosure documents of reporting issuers.
- System for Electronic Disclosure by Insiders (SEDI) – a central national filing system that facilitates the filing and public dissemination of insider reports in electronic format via the internet.
- National Registration Database (NRD) – a central national web-based filing system and database for all registered firms and their representatives.
- Cease Trade Order (CTO) Database – a central repository that collects information on individuals and companies that are subject to cease trade orders issued by the CSA.

A Request for Proposals (RFP) for the re-development of SEDI, SEDAR and NRD was issued in October 2014. These national systems will be updated to modernize the technology and to improve functionality and usability. The OSC will work closely with the CSA in order to reflect the needs of its market participants in these initiatives. Effective May 1, 2015 the CSA is evaluating the responses to the RFP to select the successful vendor to implement the new national systems with support from the OSC and other CSA jurisdictions.

## Enforcement

The OSC and the other members of the CSA have broad investigative and enforcement powers, including the ability to prohibit trading, ban persons from the market, impose financial penalties and freeze assets. By identifying contraventions of securities laws or conduct in the capital markets that is contrary to the public interest and by imposing appropriate sanctions, the OSC and CSA deter wrongdoing, provide protection to investors and foster fair and efficient capital markets and confidence in their integrity.

The OSC/CSA, SROs, governments and police forces work together to achieve complementary goals. Cooperation among these groups takes several forms, including intelligence sharing, assisting other jurisdictions with investigations, joint enforcement actions, and reciprocal enforcement. CSA members work closely together and may conduct joint investigations on matters that involve multiple jurisdictions. In addition, CSA enforcement staff work with IOSCO, the Council of Securities Regulators of the Americas, and the North America Securities Administrators Association to enhance global cooperation in enforcement matters. Securities Commissions in British Columbia, Alberta, Ontario and Quebec are signatories to the IOSCO Multilateral Memorandum of Understanding.

## Capital Markets Regulatory Authority (CMRA)

Within the context of today's capital markets, the OSC continues to believe that a national securities regulator will enhance investor protection, foster efficient rulemaking and globally competitive markets in Canada, strengthen capacity to identify and manage systemic risk and solidify Canada's international reputation for regulating its financial system. The OSC is contributing to developing a harmonized regulatory approach, integrating operations and driving toward a seamless transition to the CMRA for market participants and other

stakeholders and will work with the Ontario Government and other participating jurisdictions to transition smoothly to the CMRA. The OSC will advise the Ontario Government on legislation/regulations and work with the CMRA participating jurisdictions to develop recommendations to participating governments on transition and integration.

While engaging in the considerable work required to transition to the CMRA it will be critical for the OSC to retain high standards of regulation and to keep stakeholders informed and engaged throughout the transition period. Stakeholders can be assured that the OSC will maintain an engaged and effective regulatory presence. The OSC will also remain committed to working with the jurisdictions in the delivery of effective securities regulation across Canada by maintaining an effective and cooperative interface with the CSA.

## *Oversight of Self-Regulatory Organizations, Exchanges and Clearing Agencies*

### Self-Regulatory Organizations (SROs)

The CSA has developed a coordinated approach to the regulation of SROs. Recognized SROs play a significant role in promoting investor protection and market integrity. They have the authority to impose sanctions on their members – i.e. fines, reprimands, suspensions and permanent membership bans. As front-line regulators, SROs discharge their responsibilities, subject to oversight by the applicable securities regulatory authorities known as “recognizing regulators”.

There are two recognized and industry-funded SROs in Canada: the MFDA and IIROC, which was formed by the merger of the Investment Dealers Association of Canada and Market Regulation Services Inc. Most CSA jurisdictions rely on the SROs to conduct the day-to-day regulation of mutual fund dealers and investment dealers with IIROC also responsible for market regulation.

The recognizing regulators have formal oversight programs, consisting of regular reporting on activities, periodic oversight reviews, processes to review proposed rule and by-law amendments and regular meetings with the SROs to discuss issues and emerging trends. Since multiple jurisdictions are involved in SRO oversight, the programs are coordinated. A principal regulator model is used for this purpose; each recognizing jurisdiction is actively involved in oversight, but a single regulator (i.e. the principal regulator), coordinates the process. The OSC is the principal regulator for IIROC and BCSC is the principal regulator for the MFDA.

The CSA SRO Oversight Standing Committee is responsible for dealing with high-level issues and initiatives that affect all SROs. The day-to-day oversight of SROs is performed by sub-committees set up for each SRO. These sub-committees also act as forums for the discussion of issues related to each individual SRO.

## Exchanges

Exchanges that have been recognized in various jurisdictions in Canada are the TMX Group Inc. (and TSX Inc. that operates the exchange), TSX Venture Exchange, Canadian Securities Exchange (CSE), Alpha Exchange, Aequitas Neo Exchange, the Bourse de Montreal, Natural Gas Exchange (NGX) and ICE Futures Canada. These exchanges offer services in multiple provinces and territories and are subject to regulation by the securities regulatory authorities in the jurisdictions in which they operate. The CSA relies on a “lead” regulator model for the oversight of each recognized exchange, whereby one jurisdiction recognizes the exchange while the others exempt the exchange from recognition based on principles of mutual reliance.

The OSC is the lead regulator for TSX Inc., Alpha Exchange, Aequitas Neo Exchange Inc. and CSE. The ASC and the BCSC are joint lead regulators for the TSX Venture Exchange. On the derivatives side, the AMF is the lead regulator for the Bourse de Montreal, the ASC for NGX and the Manitoba Securities Commission is responsible for oversight of ICE Futures Canada Inc. As of March 31, 2015, the following marketplaces (both exchanges and alternative trading systems) carried on business in Ontario for the trading of equities, debt and/or derivatives:

TSX Inc.	TSX Venture Exchange Inc.
Alpha Exchange	CNSX Markets Inc.
Chi-X Canada ATS /CX2 Canada ATS	Aequitas Neo Exchange Inc.
Omega ATS/Lynx ATS	CBID Markets Inc.
MatchNow	LiquidNet Canada Inc.
Bloomberg Tradebook Canada Company	EquiLend Canada Inc.
CanDeal.ca Inc.	MarketAxess Canada Limited
Instinet Canada Cross (ICX)	TMX Select
Bourse de Montreal Inc.	ICE Futures Canada Inc.
ICE Futures Europe	ICE Futures U.S. Inc.
Natural Gas Exchange Inc.	CME Group Exchanges
Nodal Exchange LLC	

There are also 18 swap execution facilities that have been exempted by the OSC from the requirement to be recognized as an exchange.

## Clearing Organizations

Since March 1, 2011, clearing agencies carrying on business in Ontario are required to be recognized by the OSC or have obtained an exemption from the requirement to be recognized as clearing agencies in Ontario. The following clearing agencies are recognized by the OSC:

- The Canadian Depository for Securities Limited and CDS Clearing and Depository Services Inc. (together, CDS), which operate the settlement system (CDSX) for clearing and settling equity and debt transactions: CDS has been recognized by the OSC since 1987. In addition to the OSC, the regulators of CDS are the AMF (Quebec) and BCSC, at the provincial level, and the Bank of Canada at the federal level. CDS is recognized by the AMF and the BCSC under their respective securities legislation.

The Bank of Canada has designated CDSX as a systemically important clearing and settlement system under the *Payment Clearing and Settlement Act* (PCSA) which allows the Bank of Canada to oversee such designated systems that may pose a risk to the financial system. Staff of the OSC, AMF, BCSC and Bank of Canada coordinate their oversight of CDS, and such coordination was formalized in a MOU Governing the Oversight of Certain Clearing and Settlement Systems that came into effect on June 9, 2014 (CSA-BOC MOU).

- Canadian Derivatives Clearing Corporation (CDCC), which operates the CDCS system that provides central counterparty (CCP) clearing services for derivatives products traded on the Bourse de Montreal, fixed income products and certain OTC derivatives products. CDCC has been recognized by the OSC since April 2014; prior to that it was exempted from the recognition requirement. CDCC is also recognized by the AMF under its derivatives legislation and by the BCSC under its securities legislation.

CDCC's CDCS system has also been designated by the Bank of Canada as a systemically important clearing and settlement system under the PCSA. As with CDS, OSC, AMF, BCSC and Bank of Canada staff also coordinate oversight through the CSA-BOC MOU.

- LCH.Clearnet Limited (LCH), which operates CCP clearing services for multiple asset classes, and is currently offering the following services in Ontario: SwapClear, RepoClear, ForexClear, EnClear and LCH Nodal: the OSC has recognized LCH since 2013, prior to which it was exempted from the recognition requirement. LCH is based in the UK and is regulated by the Bank of England. The OSC places reliance on the Bank of England for day-to-day oversight of LCH, and focuses our direct oversight on matters that impact Ontario participants (e.g. launching of new services in Ontario). LCH's SwapClear system has also been designated by Bank of Canada under the PCSA. OSC and Bank of Canada

staff informally coordinate oversight.

- FundSERV Inc. (FundSERV), which provides an electronic system for the mutual fund industry to place and reconcile orders and also offers a centralized payment exchange facilities for settlement of mutual fund trades: it has been recognized by the OSC since 2012.

As a result of the mandatory recognition requirement, the OSC has also issued exemption orders for the following clearing agencies that operate in Ontario on the basis that these entities are already subject to regulation in another jurisdiction and do not pose significant risk to Ontario capital markets:

- Chicago Mercantile Exchange Inc.
- CLS Bank International and its affiliate CLS Services Ltd.
- CME Clearing Europe Limited
- ICE Clear Canada Inc., which is the designated clearing house for ICE Futures Canada, Inc. (formerly Winnipeg Commodity Exchange)
- ICE Clear Credit LLC
- LCH.Clearnet LLC
- Omgeo Canada Matching Ltd., which carries on business as a matching service utility (MSU) in Ontario, and is regulated as a MSU under National Instrument 24-101 Institutional Trade Matching and Settlement (NI 24-101)
- SS&C Technologies Canada Corp., which carries on business as a MSU in Ontario and is also regulated under NI 24-101
- Options Clearing Corporation

The CSA is in the process of establishing an MOU to coordinate the oversight of financial market infrastructure, specifically clearing agencies and trade repositories (TR) (FMI MOU). This MOU will supplement the CSA-BOC MOU, and the objective is to facilitate coordination and information sharing among the securities regulators. The CSA plans to have the MOU finalized for approval within 2014/2015.

## Trade Repositories

As part of Canada's commitment to the G20 initiative to reform the practices in the OTC derivatives markets, the OSC has made OSC Rule 91-506 *Derivatives: Product Determination* and OSC Rule 91-507 *Trade Repositories and Derivatives Data Reporting* (TR Rule). The purpose of the TR Rule is to improve transparency in the OTC derivatives market by requiring participants in the market to report certain trade information to a designated TR and to impose certain minimum standards on designated TRs to ensure that they operate in a manner that promotes the public interest. The TR Rule became effective on October 31, 2014. As a result, three TRs have been designated in Ontario, including Chicago Mercantile Exchange Inc. (CME), DTCC Data Repository (U.S.) LLC (DDR) and ICE Trade Vault, LLC (ICE TV). These TRs are based in the US and regulated by the CFTC. The OSC places reliance on the CFTC for day-to-day oversight and focuses direct oversight on



matters that impact the Ontario capital markets (e.g., access by Ontario participants). In addition, the three TRs have also been designated by the AMF and MSC. Future on-going oversight of the designated TRs by AMF, OSC and MSC will be coordinated under the FMI MOU discussed above. In addition, the OSC is building a framework to manage and analyze data received under the TR Rule for its policy objectives.

## *Regulation of Issuers – Offerings and Continuous Disclosure*

Subject to certain specified exemptions, issuers are required to prepare and file a preliminary and final prospectus prior to any distribution of securities to the public. The prospectus must contain full, true and plain disclosure of all material facts relating to the securities offered under the prospectus.

Public issuers (referred to as reporting issuers) must comply with periodic and timely continuous disclosure obligations. Those obligations include periodic financial reporting (annual and interim) material change reports and business acquisition reports.

## *Registration of Dealers, Advisers and Investment Fund Managers*

The underlying principle of regulation for dealers, advisers and investment fund managers is based on registration and ongoing registrant obligations. Registration entails demonstrating that the person or company meets the fit-and-proper requirements of proficiency, integrity and financial solvency. Once registered, a dealer, adviser or investment fund manager must meet ongoing registrant obligations. For example, registered firms must meet certain business conduct requirements (including know-your-client (KYC), know-your-product (KYP), suitability, conflict management and client relationship requirements), and financial reporting, working capital, insurance and bonding requirements.

Unless an exemption exists or a discretionary exemption is granted, firms must register in each jurisdiction where they are:

- in the business of trading;
- in the business of advising;
- holding themselves out as being in the business of trading or advising;
- acting as an underwriter; or
- acting as an investment fund manager.

Individuals must register if they trade, underwrite or advise on behalf of a registered dealer or adviser, or act as the ultimate designated person or chief compliance officer of a registered firm. To facilitate registration and filing in multiple jurisdictions, the CSA developed the NRD and has harmonized the registration regime.

### **International Harmonization**

The OSC is actively engaged at the international level, promoting cooperation, information sharing and the development of principles, standards and best practices in securities regulation. The OSC Chair is a Vice-Chair of the Board of IOSCO, which is the leading international policy forum for securities regulators and is recognized as the global standard setter for securities regulation.

## Vision and Strategic Priorities

The OSC vision is to be an effective and responsive securities regulator – fostering a culture of integrity and compliance and instilling investor confidence in the capital markets. Its mandate is to provide protection to investors from unfair, improper or fraudulent practices and to foster fair and efficient capital markets and confidence in those markets.

### *Strategic Outlook*

The OSC's Strategic Outlook for 2015-2017 articulates our vision for meeting the challenges and seizing the opportunities confronting us over the next two years as we seek to effectively regulate Ontario's capital markets in the best interests of investors and market participants. The course the OSC set in its 2012-2015 Strategic Plan is the path the OSC will continue to follow over the next two years, with adaptations that reflect changes in the capital markets and in the domestic and global regulatory environment that have occurred since 2012.

Our Strategic Outlook will inform how we achieve the OSC's goals to deliver responsive regulation, effective compliance and enforcement, strong investor protection and to be an innovative, accountable and efficient organization. There are many environmental factors that impact the OSC's strategic outlook. Important themes emerge around globalization, technology, the changing investor population and economic conditions that impact how the OSC does its work.

#### *Globalization*

Capital markets are not constrained by borders and globalization of the markets continues to be a dominant theme that must be accommodated. Capital is mobile, and we must recognize that to maintain strong capital markets in Ontario and remain competitive with other markets, we must do everything we can to instill confidence and demand the highest degree of integrity in our markets. Although our markets represent a small percentage of the global capital markets universe, we must nevertheless always remain vigilant that our regulatory approaches align with global standards.

#### *Changing demographics, featuring a growing proportion of seniors*

Demographics indicate that the proportion of individuals aged 65 or over is expected to grow from 14.6% in 2012 to 24% by 2031. The changing needs of investors as they enter retirement will drive changes in the investment products offered, the types of advice sought and the methods through which investors interact with the financial markets. More than

ever, investors are facing complex investment choices and assuming greater responsibility for their investments and retirement savings. The OSC knows that it must work hard to understand the needs of investors through outreach, strive to educate investors about important areas such as fraud prevention, and to incorporate investor needs into our work.

### *Harmonization and cooperation with other regulators*

The regulatory environment we operate in creates complex jurisdictional and operational challenges for regulators and market participants. We will work with the members of the CSA to deliver effective securities regulation across Canada by maintaining an effective and cooperative interface. Regulatory cooperation is also essential to achieving success in investigations and actions involving activity beyond Ontario's borders. Continuing to play an active role in international organizations such as IOSCO is key to help influence and promote changes to international securities regulation that are most beneficial to Ontario markets and participants.

Concurrently, the OSC is working with the Ontario Government and other participating jurisdictions to launch the CMRA that will deliver more effective regulation of the Canadian capital markets and enhanced oversight of sources of systemic risk in our markets.

### *Technological innovation*

The effects of rapidly evolving technology are being felt everywhere in the markets, especially on the trading side and throughout the infrastructure that supports the markets, but also in the way that market participants are offering fundamental services to investors, for example, through automated advice platforms. The degree to which technology permeates the operation of the capital markets will fundamentally impact how we are able to regulate them. It is important to understand these impacts and evolve our approaches accordingly. Cyber-security is an area over which we will need to be increasingly vigilant because our markets must remain resilient in the face of the increased persistence and sophistication of the threats they face. The use of social media to do financial transactions and communicate to the market and investors means we need to adjust how we look at disclosure and compliance.

### *The compliance and enforcement toolkit*

Compliance and enforcement activities continue to play a central role in maintaining and enhancing trust in Ontario's capital markets. In addition to using a multitude of compliance tools with effective registration and compliance oversight regimes to help deter misconduct and non-compliance by registrants and market participants, we have also developed new tools and will continue to experiment to find ones that are effective, such as whistleblower and mystery shops.

The direction we are defining for ourselves is grounded in the OSC's five strategic goals:

- 1. Deliver strong investor protection*
- 2. Deliver responsive regulation*
- 3. Deliver effective compliance, supervision and enforcement*

4. *Promote financial stability through effective oversight*
5. *Be an innovative, accountable and efficient organization*

## **Deliver Strong Investor Protection**

### *New Office of Investor Policy, Education and Outreach*

The OSC has strengthened its education, outreach and advocacy programmes for investors by integrating the Investor Education Fund with the OSC Office of the Investor to create a new Office of Investor Policy, Education and Outreach, effective April 1, 2015.

This new expanded Office will concentrate expertise and resources to support and influence investor-related policy development that reflects the different needs and experiences of various investor segments. The Office will lead the OSC's investor education strategy, allowing us to reach more investors. These activities will enable the OSC to improve its understanding of, and responses to, investor issues.

### *Compliance and enforcement activities in support of investor protection*

The OSC's fundamental work of monitoring compliance and pursuing enforcement with securities laws will reflect its commitment to identify and address areas that are most crucial to upholding strong investor protection. In doing this work, we focus on disclosure but also the expected standards of conduct of market participants. The OSC will continue to emphasize the suitability of advice (KYC, KYP), management of conflicts in its oversight of registrants. In its reviews of retail investment fund disclosure, the OSC will carefully monitor product innovations and the reviews will focus on asset classes that may be susceptible to liquidity issues, as well as fee structures, sales practices and marketing and distribution models. For corporate issuers, the focus will be on reviews that can improve the quality of disclosure in prospectuses and financial statements. The OSC will monitor industry trends and innovations that may impact on retail investors. It will also be crucial to continue identifying potential scams and frauds and alerting investors about them.

### *Policy agenda focused on investors*

A significant portion of the OSC's policy agenda will be focused on initiatives that put the interests of investors first. The OSC will develop and evaluate regulatory provisions to create a best interest duty for advisors, along with regulatory reforms under National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (NI 31-103) aimed at improving the adviser/client relationship. The OSC will complete research on the impact of mutual fund compensation models on adviser behaviour and make recommendations about embedded commissions and other types of compensation arrangements.

The OSC will continue to interact with and seek input from advisory bodies and other organizations focused on investor protection, advocacy and education in order to share information to achieve mutual objectives.

## **Deliver Responsive Regulation**

### *Capital raising in Ontario*

The OSC has examined its exempt market regulatory regime with the objective of addressing the capital raising needs of small and medium-sized enterprises at different stages of their growth and business cycle, while maintaining an appropriate level of investor protection. The OSC introduced two new prospectus exemptions:

- an existing security holder exemption that would allow public companies listed on specified Canadian exchanges to raise capital from their existing security holders based on their public disclosure record, and
- a family, friends and business associates exemption that is intended to enable start-ups and early stage businesses to raise capital from investors within the personal networks of the principals of the business.

In addition, the OSC continues to develop an offering memorandum exemption that would allow businesses to raise capital based on a comprehensive disclosure document being made available to investors and a crowdfunding exemption that would allow businesses to raise capital from a potentially large number of investors through an online platform registered with the securities regulators.

These new capital raising tools have the potential to transform Ontario's exempt market. To support effective regulatory oversight of the expanded exempt market, the OSC is considering the information it needs regarding exempt market activity obtained through reports of exempt distribution.

## **Deliver Effective Compliance, Supervision and Enforcement**

### *Strong and visible enforcement presence*

Our enforcement activities will increasingly centre on delivering credible deterrence through the use of various detection tools, information and actions. The OSC Joint Serious Offence Team (JSOT) will use the broader array of tools available to it to respond faster and more effectively to serious securities-related misconduct with better outcomes for investors and the capital markets. The use of electronic data gathering and e-hearings will add to this efficiency.

The OSC will continue to pursue the establishment of an Office of the Whistleblower to augment the information available to detect and deter impactful cases of misconduct and serious breaches of securities laws. These actions should result in the OSC bringing forward to the courts more cases involving fraudulent activity that harms investors and affects the integrity of the capital markets, and seeking penalties commensurate with those activities, including jail terms.

## **Promote Financial Stability through Effective Oversight**

### *Financial stability and derivatives reform*

Ontario's capital markets must remain resilient in the face of challenges posed by the global interconnectedness of markets. These challenges pose risks to the capital markets which need to be recognized and managed. In Ontario, a critical contribution the OSC can make to the resilience of our markets is to complete the establishment of a regulatory framework for derivatives and to effectively oversee activity in that market. These are transformative changes. So far, the OSC has implemented elements of the regulatory framework to regulate OTC derivatives through the creation of a trade reporting system and the designation of trade repositories. The OSC will work to complete the regulatory framework and build the infrastructure and commit the necessary resources to effectively oversee and supervise activities in the OTC derivatives markets.

### *Debt market reform*

The OSC recently completed and published a report of its review of the fixed income market, in which we noted that this market is a large and important source of market-based financing in Canada, and that it is a negotiated market where there is a trade-off between market transparency and liquidity. The OSC also noted that data on the fixed income market are limited which hinders the ability to assess market efficiency, particularly when it comes to pricing in the retail market.

The OSC will pursue enhancements to fixed income regulation by increasing transparency, improving market integrity and evaluating access. In particular, the OSC will publish a regulatory plan to pursue ways to enhance fixed income regulation including increasing post-trade transparency in the market.

## **Be an Innovative, Accountable and Efficient Organization**

The OSC will enhance its work processes and tools and pursue operational excellence to demonstrate that it is an efficient and effective regulatory agency. The OSC will develop systems to capture, analyze and disseminate information for more timely identification of compliance issues and trends. It will implement electronic solutions to facilitate submission of data for market participants, continue to apply enhanced research, data and risk management approaches, and utilize new electronic tools that will enable the OSC to detect misconduct and achieve resolution of matters faster.

### *Data*

The OSC's data collection, management and analysis mechanisms will be improved so that it can better identify and respond to issues and keep pace with market developments and investor concerns. Access to a broader array of data (for example, derivatives trade reporting data, equity trading data, fixed income data), and more sophisticated methods of analyzing it, will allow the OSC to gain knowledge, insights and different perspectives regarding market trends and emerging issues to better inform policy development, detect misconduct and resolve matters faster and more effectively.

### *Risk*

Going forward, the OSC risk management framework will be applied to help identify and assess risks early and respond quickly where appropriate. An enhanced risk-based approach will be utilized to identify registrants and issuers whose operations or structures may pose risks to retail investors. A focus on risk will contribute to the OSC's understanding and response to emerging market, product and systemic risks in a timely manner.

### *Accountability*

All policy initiatives will be aligned with OSC goals and risk assessments. Greater rigor will continue to be imposed on the completion of regulatory impact and data analyses to support informed decision making and prioritization of initiatives.

The OSC is committed to being accountable and will report on how it is progressing against its strategic plan and goals. It will use performance indicators to measure the success and effectiveness of its work and demonstrate its accountability to deliver against its mandate and goals.

### *Investment in people*

The OSC will also continue to focus on attracting and retaining top talent. It will also make investments in training and tools for staff to help them do their work, become leaders and sustain the OSC's high level of commitment to being a 21st century regulator.

## *OSC 2015 - 2016 Priorities*

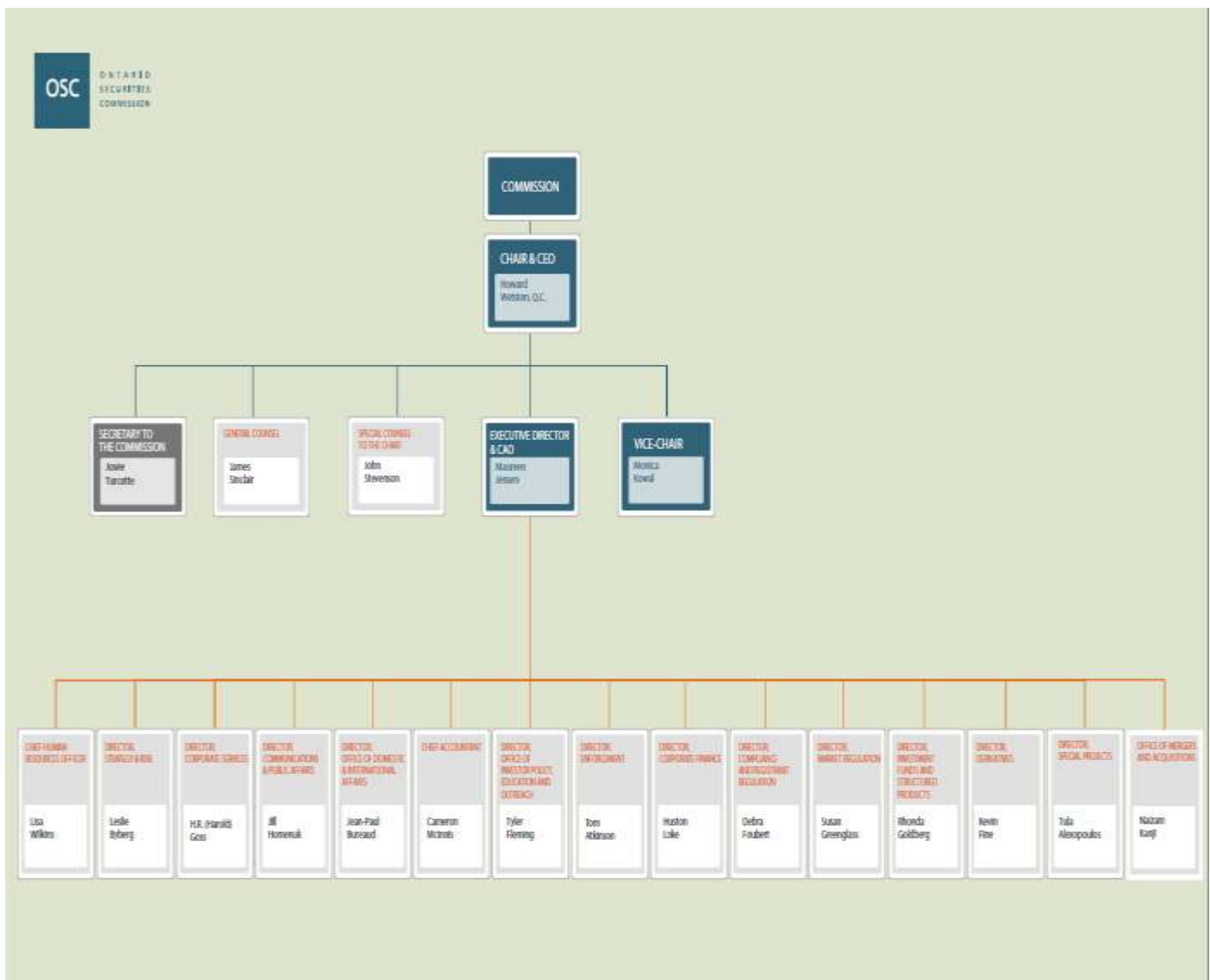
The OSC Statement of Priorities is an annual document required under the *Securities Act*. The Commission's key 2015 – 2016 priorities, along with specific initiatives, are set out in Appendix A.

# Organization, Structure and Core Activities

The OSC is organized into 17 branches and offices, seven of which are outwardly facing (i.e. operational branches) in that their main activities are directed towards defined segments of the Ontario securities markets. For the most part, the remaining branches/offices provide advice or generally support the activities of the operating branches, the Commissioners and the Executive.

## Organizational Chart

An organizational chart is set out below followed by a discussion of the core activities of each branch.





## Operational Branches

**Compliance & Registrant Regulation** – responsible for regulating firms and individuals who are in the business of advising or trading in securities or commodity futures, and firms that manage investment funds in Ontario.

**Corporate Finance** – responsible for regulating reporting issuers other than investment funds and for leading issuer-related policy initiatives. The OSC establishes the regulatory framework for securities offerings in the public and exempt markets, as well as take-over bids, and Corporate Finance monitor compliance through ongoing reviews.

**Derivatives** – responsible for developing a regulatory framework for over-the-counter derivatives trading in Ontario.

**Enforcement** – responsible for investigating and litigating breaches of the Acts and seeking orders in the public interest before the Commission and the courts.

**Investment Funds and Structured Products** – responsible for regulating investment products that offer securities for sale to the public in Ontario, including mutual funds, exchange-traded funds, structured products and scholarship plans.

**Market Regulation** – responsible for regulating market infrastructure entities (including exchanges, alternative trading systems, self-regulatory organizations and clearing agencies) in Ontario and for developing policy relating to market structure and clearing and settlement.

**Office of Mergers & Acquisitions** - responsible for matters relating to take-over bids, issuer bids, business combinations, related party transactions and significant acquisitions of securities of reporting issuers.

## Advisory Offices/Branches

**Office of the Chief Accountant** – supports the OSC in creating and promoting a high-quality framework for financial reporting by market participants.

**Office of Domestic & International Affairs** – provides advice and support to the OSC in its dealings with other regulators and governments, both in Canada and internationally.

**General Counsel’s Office** – an in-house legal, policy, strategy and risk-management resource to the OSC. It also oversees organizational integrity and ethical conduct.

**Office of Investor Policy, Education and Outreach** – leads the effort to identify and understand investor issues and concerns through investor outreach and research initiatives, and ensures investor issues and concerns are considered and addressed in the policy and operational activities of the OSC. This includes working with the IAP and OSC’s consumer site, [GetSmarterAboutMoney.ca](http://GetSmarterAboutMoney.ca), to support their efforts.

**Office of the Secretary to the Commission** – supports the Members of the Commission in their statutory mandate as regulators and as a board of directors by providing counsel on adjudicative matters and administrative law, corporate law and corporate governance.

**Strategy and Operations** – assists the OSC in the delivery of its strategic goals and priorities through policy advice, research and project planning, and by leading the OSC’s business planning, policy prioritization and risk management processes.

## Supporting Branches

**Communications & Public Affairs** – supports and facilitates timely and effective communications to keep stakeholders informed of OSC priorities, policies and actions.

**Corporate Services** – supports the effective operation of the OSC through a diverse set of systems and services, including financial management (including planning, reporting and treasury), administration and office services, facilities management, information technology, library and knowledge management, procurement, and records and information management.

**Human Resources** – provides strategic and operational advice and services relating to the planning, acquisition, development and engagement of OSC talent, and the planning and administration of the OSC’s total compensation plan, performance management and overall organization development.

**Chief Internal Auditor** - conducts risk-based internal audits to evaluate the quality and effectiveness of OSC processes and systems, including compliance with policies and procedures.

## Staff Summary

<b>Total approved permanent positions as at April 1, 2015</b>	
<b>Operational Branches</b>	
Compliance and Registrant Regulation	85
Corporate Finance	58
Derivatives	13
Enforcement	145
Investment Funds and Structured Products	34
Market Regulation	26
Office of Mergers and Acquisitions	6
<b>Advisory Branches</b>	
Office of the Chief Accountant	7
Office of Domestic and International Affairs	8
General Counsel's Office	16
Office of Investor Policy, Education and Outreach	12
Strategy and Operations	33
Sub-total	<b>443</b>
<b>Supporting Branches</b>	
Communications & Public Affairs	13
Corporate Services	57
Human Resources	15
Sub-total	<b>85</b>
Offices of the Chair, Executive Director and Corporate Secretary, Internal Auditor	29
<b>Total</b>	<b>557</b>

# Financial Summary

## 2015 – 2016 Financial Outlook

### OSC Revenues and Surplus

The OSC is forecasting 2015–2016 revenues to increase by 11.4% from 2014–2015 actual revenues. The forecast reflects fee rates set out in the OSC’s fee rules (13-502 and 13-503), which became effective April 6, 2015. The key change to the new fee rules is the return to the previous method of calculating participation fees. Under the new rules, we will use the most recent financial year information, as opposed to a reference fiscal year. As a result, fees due to the OSC will become less predictable as the amount payable by market participants will increase or decrease based on actual changes in business conditions and performance. Under the new fee rules, the OSC expects to generate a surplus of \$6.6 million in 2015 – 2016 to add to its expected 2014 - 2015 ending surplus of \$14.3 million, for a total surplus of \$20.9 million as at March 2016. When the new fee rules were developed and published, the OSC advised that they would be relatively revenue neutral over the three-year period, with an expected surplus in 2015-2016, a smaller surplus in 2016-2017 and a deficit in 2017-2018. This is because revenues are expected to be relatively flat over the term of the rule, while expenses are expected to increase each year. The budget approved by the OSC Board for 2015-2016 is in line with this expectation. As a result, the above-noted ending general surplus is expected to be \$19.2 million by the end of 2017 – 2018.

### 2015 – 2016 Budget Approach

Our regulatory framework needs to remain current and responsive to the continuing evolution of market structures and products and supportive of capital formation in Ontario. The OSC must carefully balance the desire to improve access to capital with the need to retain appropriate investor protections. The 2015-2016 SoP sets out the OSC’s key priorities to meet these challenges. Achievement of these priorities is a key driver of the proposed increases to the 2015 -2016 OSC Budget as this will require focused investments in the following four areas:

- *improving education, outreach and advocacy through creation of the new Office of Investor Policy, Education and Outreach*
- *development of a new regulatory framework (including supervision and oversight) for the derivatives market*
- *enhanced oversight of the exempt market*
- *improving the OSC’s information technology, in particular to support a greater reliance on data and research.*

The budget reflects an increase of 6.0% from the 2014–2015 budget. Salaries and benefits, which comprise \$80.7 million or 73.9% of the budget, represent an increase of \$4.8 million or 5.9% over 2014–2015 spending. The key reasons for this increase are:

- *approval of new positions to support the investments noted above*
- *under-spending in 2014-2015 by maintaining vacancies for longer than planned as a cost control measure and due to some shifting or deferring of priorities as a result of the*

CMRA initiative. Therefore, budgeting of full-year costs for vacancies and staff hired throughout 2014–2015 also contributes to the increase.

The OSC will maintain fiscal responsibility in its other operating areas as evidenced by the fact that budget amounts will decrease, or remain flat in approximately 40% of its operating branches. The budget also includes resources for work toward the successful implementation of the CMRA.

The capital budget primarily reflects the build-out of recently acquired additional space, as well as the cost to support the OSC's information technology needs, including a data warehouse to support Derivatives oversight.

Excess/Deficiency of Revenues over Expenses (in thousands)	2014-15 Actual	2015-16 Budget	Year Over Year Change +/-	
<b>Revenues</b>	\$103,936	\$115,782	\$11,846	11.4%
<b>Expenses</b>	\$95,875	\$109,182	\$13,307	13.9%
<b>Excess of Revenues over Expenses</b>	\$8,061	\$6,600	(\$1,461)	(18.1%)
<b>Capital Expenditure</b>	\$1,616	\$3,101	\$1,485	91.9%
<b>Staff</b>	513	557	44	

<b>OSC Budget and Staff Allocation</b> 2015 – 2016 Budget Expenses - \$115.8 Million 2015– 2016 Budget Capital - \$3.1 Million Total 557 Staff			
<b>Executive Offices</b>	<b>Policy and Operations - Regulatory</b>	<b>Policy and Operations - Advisory</b>	<b>Supporting Branches and Corp. Expenses*</b>
Budget - \$7.6 Million	Budget - \$51.9 Million	Budget - \$9.7 Million	Budget - \$40.0 Million
29 Staff	379 Staff	64 Staff	85 Staff

\*Includes occupancy costs, supplies, amortization, etc.

## Five Year Financial Forecast

(\$\$\$ thousands)	2015-16 Budget	2016-17 Forecast	2017-18 Forecast	2018-19 Forecast	2019-20 Forecast
<b>Total Revenues</b>	115,782	116,131	117,177	120,000	120,000
<b>Total Expenses**</b>	109,182	114,641	120,373	126,392	132,712
<b>Surplus/(Deficit)</b>	6,600	1,490	(3,196)	(6,392)	(12,712)
<b>Opening Surplus</b>	14,274	20,874	22,364	19,168	12,776
<b>Closing Surplus</b>	<b>20,874</b>	<b>22,364</b>	<b>19,168</b>	<b>12,776</b>	<b>64</b>

\*\* Net of Recoveries of Enforcement costs

The table above reflects the forecast as at the date the business plan was written. The forecast uses OSC cost increases of 5% annually which allows for some increase in general inflation and some room to address expected increased oversight of the markets, including the derivatives and exempt markets, as well as expected ongoing investments in information technology. Revenue forecasts for fiscal years 2016 to 2018 are based on those expected as a result of the recently implemented fee rule. For fiscal years 2019 and 2020, revenues are forecast at amounts required to eliminate our accumulated surpluses. The OSC will monitor fees collected and consider on an on-going basis any adjustments to its fees that are needed to balance the Commission's costs and revenues.

# Performance Measurement

## *Overview*

Effective performance measurement provides insights into operations, supports planning and promotes a culture of accountability through a combination of quantitative measures and qualitative discussion. It is an ongoing process to monitor and report on the progress towards achieving established goals. A sound framework for performance measurement and management helps determine when adjustments are needed to the goals, strategies and programs established at the OSC. The OSC is committed to performance measurement as a vital process to help us to better understand, manage and improve what we do.

## *Development of Regulatory Performance Measures*

### *Activity Measures*

The OSC continues to track its performance against a series of performance measures. Developing meaningful performance measures in a regulatory context is a challenging but necessary undertaking. Current performance measures are predominantly activity-based. These measures reflect measurable results that demonstrate progress towards goals, objectives and output targets. These measures include volume measures, transaction turnaround times and project initiative completion and are used in monitoring quarterly performance of most core activities of the OSC operating branches. These measures, while providing limited insight into regulatory impact, are relevant at the branch-level and play an important role in providing context for or overviews of regulated activities and the work done by staff as part of the OSC's oversight role. Tracked over time, these measures allow for trend detection, workload management and resource realignment.

### *Outcome Measures*

The OSC uses a range of approaches to demonstrate its accountability to its stakeholders. The OSC relies extensively on consultation with stakeholders in developing its proposed regulatory approaches. The frequency, quality and interactive nature of these processes, and the feedback obtained, is a good proxy for measuring the effectiveness of OSC policy making.

While businesses focus on measures tied to the impact of their initiatives on sales and profit, the impact of regulation is often less immediately tangible, making it difficult for regulators to implement a meaningful and feasible performance measurement framework. Currently, the OSC has a limited number of measures that focus on regulatory impact. The clearest examples are improvements in issuer disclosure and registrant compliance following regulatory intervention.

The OSC is increasing its use of post implementation impact analysis to assess the degree to which targeted regulatory outcomes are being achieved. For example, a reduction in the

number of certain applications for relief can confirm progress against an outcome of improved regulatory alignment and be a good indicator of the impact achieved by a specific rule.

The OSC is becoming more data-driven and this will be a fundamental component in achieving more effective performance measurement. For example, closer tracking of various exempt market statistics will provide insights into the effectiveness and impacts arising from the recently introduced capital raising policy initiatives.

## Selected Performance Measures

The OSC has developed management dashboards and scorecards, with a focus on visual representations to provide context and highlight key measures. A sample of selected performance measures from the Corporate Finance branch is presented in the dashboard subset on the following page. These measures are being refined over time.

In addition to activity measures, the OSC utilizes financial measures such as the variance of current expenditure and revenue forecasts vs. full year plan, which assists in forecasting and budgeting activities.

## Performance Reporting and Accountability

In 2014-2015 the OSC revised its service charter. The *OSC Service Commitment* is a detailed performance report against a broad range of service targets. This document is published in a central and easily accessible location on the OSC [website](#) and the metrics for 2014-2015 are presented in Appendix B.

The OSC has an annual process where it publishes its proposed priorities for the coming year and seeks comments from stakeholders. After considering this feedback, the OSC finalizes and publishes its *OSC Statement of Priorities* setting out its top priorities. The OSC annually publishes its *Report on OSC Statement of Priorities* to report on its progress and accomplishments related to the identified priorities.

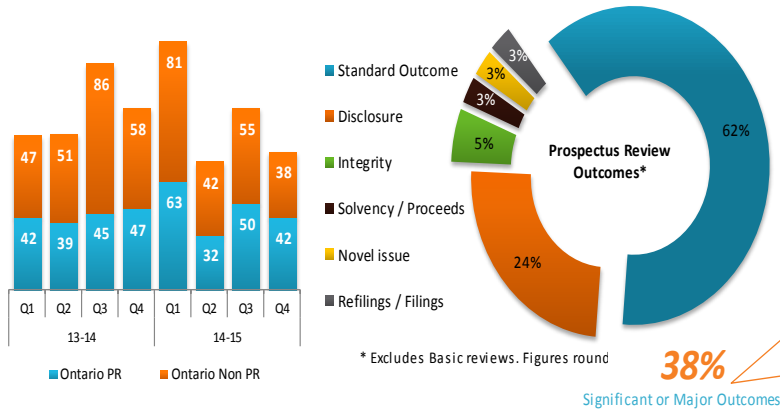
## Next steps

The OSC's goal is to continue to develop, implement and report on a more fulsome set of performance measures. The OSC will continue to evaluate activity measures that are currently internal or published for a limited audience and determine which ones should be published more broadly. As part of this process the OSC will consider which current activity measures could be improved. The OSC is committed to developing outcome measures that better reflect the regulatory impact of its work. The goal is to develop a set of outcome-based performance measures that, while limited in number, provide a reasonably comprehensive assessment of the Commission's regulatory impact.



# Corporate Finance

## Incoming Prospectuses



## Key Issues - Prospectuses

- Concerns re: adequate disclosure (e.g. significant acquisition, description of business, corporate structure, promoter, risk factors and use of proceeds)
- Concerns re: sufficiency of proceeds to achieve stated business objectives and milestones
- One prospectus was withdrawn due to staff concerns over market integrity

## Notes:

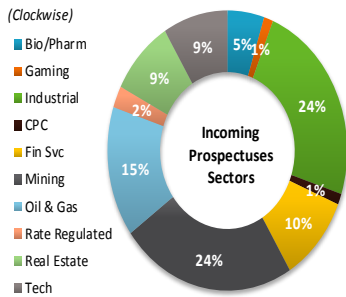
Excluding 44 basic reviews, 37 non-basic reviews were completed. 14 of these (38%) resulted in significant or major outcomes (Q3:33%, Q2:35%, Q1:41%). The prospectuses volume for 2014-15 where Ontario is PR: 187 (2013-14: 173); total CSA: 403 (2013-14: 415).

**Significant:** Reviews result in a notable change to the original document or transaction (e.g. inadequate disclosure, governance, or filer representations).

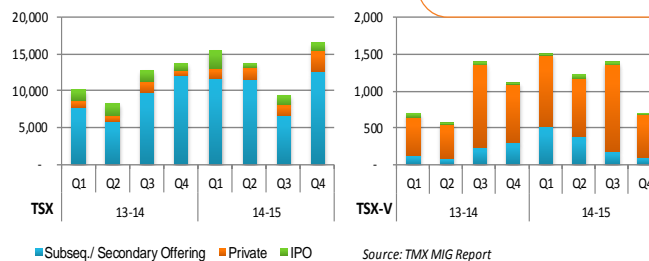
**Major:** Serious receipt refusal, transaction, or exemptive relief concerns result in substantive disclosure or structural changes, transaction restructuring, or withdrawal of the offering document or exemptive relief application.

Where more than one major/significant outcome is observed, staff select the most significant outcome for categorization purposes.

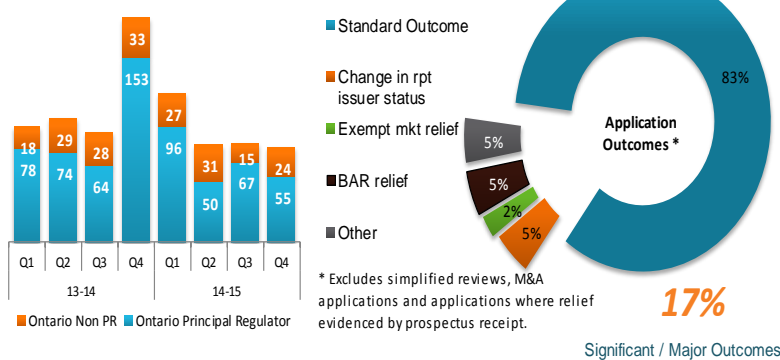
(Clockwise)



## Capital Raised (\$ Millions)



## Incoming Applications for Exemptive Relief



## Key Issues - Applications

- Applications for relief from status as a reporting issuer
- Applications for relief from Ontario Business Corporations Act requirements
- Applications for relief from business acquisition report (BAR) requirements

## Notes:

42 applications for exemptive relief were closed in Q4 (48 in Q3). Seven of these (17%) resulted in a significant or major market impact, five as a result of significant modifications to the relief requested following staff engagement and two as a result of being withdrawn following staff engagement (Q3:17%, Q2:13%, Q1:8%).

# Risk Identification and Management

## *Background*

The OSC must manage a growing range of risks arising from the pace of change and the continuing globalization of financial entities and their operations. Understanding those we regulate is necessary to manage known risks and respond to emerging risks in a more timely and appropriate way. The OSC applies International Risk Management Standard ISO 31000 to its enterprise risk management. We do this through a Risk Management Framework which was adopted November 2012.

## *Key components of the OSC Risk Management Framework*

The goal of the framework is to embed risk management at key strategic decision points and within all elements of our operations and through all levels of staff. The framework sets out a process for identifying and assessing risks, and highlighting and reviewing controls. The key advantages of the framework are to:

- Promote a risk awareness culture within the OSC;
- Align the OSC risk appetite with its strategic direction;
- Identify and manage enterprise-wide risks (reputational, strategic, financial, operational and people);
- Provide the necessary context for setting the OSC's strategic direction and business planning;
- Facilitate proactive management of risk, improvements to performance measures and prioritization of initiatives and allocation of resources.

The OSC Risk Management Framework adapts to our ever-changing environment. It enhances our decision-making processes and supports the development of a risk-based culture within the organization. Decision making within the organization is informed by quarterly risk reporting and involves consideration of risks and the application of risk management.

## Strategic Risks

Risk can relate to threats to the OSC's strategy or operations, or failure to take advantage of opportunities. The OSC seeks to fully address or mitigate the strategic and business risks that are most likely to impair achievement of our mandate. The OSC's Strategic Risk Inventory is a key input to our risk management and business planning processes.

### **Strategic Risk Inventory**

Information gathered through the risk management process is captured in the OSC's Strategic Risk Inventory. It includes a "top-down" and "bottom-up" view of the risks and controls within the OSC. The top-down portion describes the environment in which the OSC

works and the bottom-up portion deals with day-to-day operational risks that affect our ability to do our work. The OSC's Risk Committee reviews the Strategic Risk Inventory each quarter to identify significant changes in the OSC's risk profile, including any new or emerging risks. This information is reported to Senior Management, the Audit and Finance Committee, and the Board of Directors.

## Business Risks

The OSC has established policies and processes to identify, manage and control operational and business risks that may impact our financial position and our ability to carry out regular operations. Management is responsible for ongoing control and reduction of operational risk by undertaking appropriate procedures, internal controls, processes and compliance measures.

Operational risk can include risk to the OSC's reputation. Reputational risk is addressed by the OSC's Code of Conduct and governance practices established by its Board of Directors (details available at [www.osc.gov.on.ca](http://www.osc.gov.on.ca)), as well as other specific risk management programs, policies, procedures and training.

The following are key business risks that the OSC has identified and actively manages.

### **Systems Risk**

The OSC's Information Services group regularly monitors and reviews the OSC's systems, data and infrastructure to maintain optimal operation. The OSC also performs extensive security and vulnerability assessments to highlight potential areas of risk. The results of these assessments are reported to the Audit and Finance Committee and are used to improve security of the OSC systems and data.

The OSC relies on CSA National Systems (i.e. SEDI, SEDAR and NRD), which are operated by CGI on behalf of the CSA IT Project Office, to collect most of its fee revenue. CGI is required to provide an annual third-party audit report (CSAE 3416 – Type II) that reviews and evaluates the internal controls design and effectiveness of each system. CGI is also required to have an operating disaster recovery site for these systems and to test it annually.

The OSC could be contingently liable for claims against, or costs related to, the national systems. No material change is expected in the volume of fees collected through these systems. During 2015 the CSA will be evaluating RFP responses to select a vendor to implement the new national systems with support from the OSC and other CSA jurisdictions.

## **Business Continuity**

The OSC has a detailed Business Continuity Plan (BCP) to ensure critical regulatory services can continue if an external disruption occurs. The BCP is continually reviewed and refined, and includes strategies to effectively address various market disruption scenarios.

## **Financial Risk**

The OSC maintains strong internal controls, including management oversight to provide reasonable assurance of financial reporting reliability and preparation of financial statements for external purposes consistent with IFRS. These controls are tested annually through our internal control over financial reporting (ICFR) program.

The current fee structure under the Securities Act and the Commodity Futures Act was established in 2003. The current fee rules became effective April 6, 2015. The amended rules address concerns expressed by participants but will reduce our ability to accurately predict revenues. There will be increased financial risk because market volatility limits our ability to forecast revenue and the amount of revenues we will receive. Should there be a market decline, OSC revenues will decline, however, any variances are not expected to impair our operations.

## **Legal Risk**

Occasionally, the OSC is involved in legal actions arising from the ordinary course of business. Settlements from these actions are accounted for when they occur. The outcome and ultimate disposition of these actions cannot currently be determined. However, management does not expect the outcome of any legal actions, individually or in aggregate, to have a material impact on the OSC's financial position.

## **Internal Audit**

OSC Internal Audit is an assurance and advisory service to the Board of Directors and to management. Internal Audit helps the OSC develop, evaluate and improve effective risk management practices, risk-based internal controls, good governance and sound business practices.

The internal audit function is governed by a Charter approved by the OSC's Board of Directors and by an annual internal audit plan that is approved by the Board. The Chief Internal Auditor reports, and provides quarterly updates to, the Audit and Finance Committee. In addition, the Chief Internal Auditor provides an annual report on the results of internal audit engagements to the Board of Directors.

# Human Resources Plan

OSC’s people strategy is to build an attractive, modern, high performing workplace where every manager is a great talent manager and every employee is fully engaged. This supports the six key strategies to reposition OSC as a more proactive, agile and effective securities regulator, set out in the OSC’s Strategic Plan. The OSC Human Resources Plan has four main goals.

Area of Focus	Strategies/Plans
Build an attractive, modern and high performing workplace	<p>Sustain and build on strong employee engagement through focused employee survey response initiatives</p> <p>Administer compensation processes to ensure the ongoing effectiveness and credible outcomes</p> <p>Continue to build a healthy and inclusive OSC community</p>
Develop great talent managers	Continue to develop current and emerging leaders through the OSC's leadership development program, which includes coaching, classroom training and self-directed learning, peer learning sessions, and management tools
Support successful organizational change and continuity	<p>Continue to build bench strength in all functions and at all levels in the organization, and manage succession related to OSC leadership and specialist positions.</p> <p>Provide employees with access to information, tools and resources that support them in adapting to change and contribute to effective organizational transition</p> <p>Improve transactional business processes and realize efficiencies through the implementation of an upgrade to the current payroll delivery arrangement and the replacement of the human capital management system</p>
Provide first class fundamental HR services	<p>Increase capacity to respond to emerging issues and organizational complexity by increasing knowledge and ability to provide executive and manager clients with reliable, accurate, timely and trusted advisory services</p> <p>Continue to monitor and report on an “OSC People” dashboard with metrics to guide decision-making</p>

Continue to apply modern recruitment practices to source best candidates for OSC positions, to enhance the application and decision-making process for applicants and maximize efficiencies for all stakeholders in the recruitment and on-boarding process

# Communications & Public Affairs

## Strategic Focus

- Build on communications strategy in continuing to clearly and consistently articulate OSC priorities and outcomes
- Focus strategy on key priority areas (e.g. investor, enforcement, market structure, access to capital, international) and ensure relevant, proactive messaging that positively informs and shapes stakeholder engagement
- Engage investors and other stakeholders through community meetings and outreach such as OSC in the Community
- Use multiple channels to deliver accessible and transparent communications so that stakeholders understand what we do and how we do it; ensure consistent delivery of key messages across all channels and stakeholder groups
- Ensure maximum reach for all activities by delivering proactive, integrated communications strategies leveraging all tools, resources and possible channels, including digital communications such as social media

## Target Audiences

- Investors
- Industry/Market Participants
- Employees and Commissioners
- Governments
- Other Canadian and International Regulators and Law Enforcement Partners
- Exchanges/Marketplaces/SROs
- Media

## Message Themes

<b>Organization</b>	Strategic, agile, outcomes-based securities regulator
<b>Compliance</b>	Setting and supervising high standards of compliance and disclosure
<b>Enforcement</b>	Vigorous, focused, timely enforcement
<b>Investor</b>	Investor protection at the core of everything we do
<b>Market Structure</b>	Fair and robust markets; participants confident in market quality and integrity
<b>International Strategy</b>	Active and influential voice in the international arena
<b>Access to Capital</b>	Foster access to capital, while protecting investor needs
<b>People</b>	Attractive, modern, high-performing workplace

## 2015-2016 Focus

### **Media Outreach Strategy**

Build on OSC media strategy and continue to show improvement in proactive story development and strong, positive key messages; arm OSC spokespeople with the tools they need to successfully deliver at the industry expert level. Continue to enhance OSC social media program to support OSC reputation as proactive, accessible regulator.

### **Executive Visibility Program**

Deliver EMC speeches and OSC events that demonstrate Canadian and international issues leadership and drive the discussion around OSC priorities and strategic initiatives.

### **OSC in the Community**

Continue to strengthen OSC in the Community program and create new opportunities to foster effective engagement with investors, law enforcement agencies, the business community, civic leaders and media. Extensive media outreach campaign to expand reach of consistent OSC messages on fraud awareness and investor education.

### **Stakeholder Communications**

Deliver a comprehensive stakeholder communications strategy with emphasis on integrated communications and relationship development. Desired outcome: stakeholders who respect the OSC's willingness to engage and who know what we're doing and why.

### **OSC Dialogue 2015**

"Advance the Dialogue" on topical and timely regulatory issues with emphasis on plenary discussions highlighting OSC and external expertise (including international partners); attract senior industry, investor and regulatory audience.

### **Consultations and Outreach**

Support Operating Branches with successful events (e.g. policy roundtables) through content development and event management expertise.

### **Internal Communications**

Deliver an integrated internal communications strategy with desired outcome being a more aware, engaged workforce helping to deliver OSC positioning to external stakeholders.



# Appendix A – OSC 2015 - 2016 Statement of Priorities

## OSC Priorities

The OSC Statement of Priorities is an annual document required under the *Securities Act*. The Commission’s key 2015–2016 priorities, along with specific initiatives, are set out below:

Deliver strong investor protection	
Issue/Priority	Proposed Actions
<b>Putting the Interests of Investors First</b>	<ul style="list-style-type: none"> <li>• Develop and evaluate regulatory provisions to create a best interest duty</li> <li>• Develop and evaluate targeted regulatory reforms and/or guidance under NI 31-103 to improve the advisor/client relationship</li> <li>• Finalize analysis of advisor compensation practices and address those practices that are inconsistent with current regulatory requirements</li> </ul>
<b>Reviewing Compensation Arrangements in Mutual Funds and Empowering Investors through Better Disclosure</b>	<ul style="list-style-type: none"> <li>• Complete third-party research to determine how mutual fund compensation models may influence advisor behaviour</li> <li>• Review and evaluate with the CSA the research results and publish the findings</li> <li>• Support implementation of pre-sale delivery of Fund Facts for mutual funds and continue to work with the CSA to implement the Point of Sale initiative; specifically, publish rules for comment:               <ul style="list-style-type: none"> <li>• to introduce a mandated CSA risk classification methodology to improve the comparability of risk ratings of mutual funds in the Fund Facts</li> <li>• to introduce a new summary disclosure document for ETFs (ETF Facts) and require it to be delivered</li> </ul> </li> </ul>
<b>Improve Education, Outreach and Advocacy for Investors</b>	<ul style="list-style-type: none"> <li>• Improve the OSC’s investor focus by integrating the OSC Office of the Investor with the OSC Investor Education Fund to create the new Office of Investor Policy, Education and Outreach, to:               <ul style="list-style-type: none"> <li>• establish and implement the OSC’s investor education strategy</li> <li>• better inform investors about market events, product innovations and key OSC regulatory and supervisory activities by publishing alerts and bulletins and working with investor networks and organizations on education and outreach</li> </ul> </li> </ul>

- campaigns
- refresh and expand outreach programs, such as OSC in the Community, with a focus on potentially vulnerable investors
- Obtain a better understanding of investor issues and needs through targeted research, seminars and roundtables
- Respond to the issues identified at the 2014/15 seniors roundtable by:
  - completing targeted research to improve the OSC's understanding of seniors' financial needs and challenges
  - collaborating with SROs and investor and industry associations to identify ways to be more responsive to seniors

### Deliver responsive regulation

Issue/Priority	Proposed Actions
<b>Women on Boards and in Executive and Senior Management Positions</b>	<ul style="list-style-type: none"> <li>• Receive and review issuer disclosures on representation of women on Boards and in executive and senior management positions</li> <li>• Publish results of the disclosure review</li> <li>• Hold consultation roundtable to discuss results</li> </ul>
<b>Improve Access to Capital</b>	<ul style="list-style-type: none"> <li>• Develop and publish rules to implement the following:           <ul style="list-style-type: none"> <li>○ offering memorandum exemption from prospectus requirements</li> <li>○ crowdfunding regime</li> <li>○ modernized prospectus-exempt rights offering regime</li> <li>○ new reporting requirements regarding exempt market distributions</li> </ul> </li> <li>• With the CSA, develop an enhanced and harmonized report of exempt distributions to facilitate better monitoring of new prospectus exemptions</li> <li>• Conduct compliance and pre-registration reviews focussing on these new exemptions and EMD portal business models. Meet with SROs to ensure our approaches to oversight are consistent and opportunities for regulatory arbitrage are minimized</li> </ul>
<b>Market Structure Evolution</b>	<ul style="list-style-type: none"> <li>• a. OPR framework amended in response to comments received from publication in 2014/2015, including finalizing approaches for dealing with trading fees and market data fees</li> </ul>

## Deliver effective compliance, supervision and enforcement

Issue/Priority	Proposed Actions
<p><b>Enhance Compliance through Effective Inspections, Supervision and Oversight</b></p>	<ul style="list-style-type: none"> <li>• Develop and implement programs to effectively oversee an expanded exempt market in Ontario including a risk based supervision program for issuers and registrants and tailored pre-registration reviews and compliance examination programs</li> <li>• Implement data analysis for systemic risk oversight and market conduct purposes including the development of analytical tools and the creation of snapshot descriptions of the Canadian OTC derivatives market</li> </ul>
<p><b>Earlier Identification of Fraud and Other Violations</b></p>	<ul style="list-style-type: none"> <li>• Complete consultations on proposed OSC whistleblower program</li> <li>• Respond to comments and publish OSC whistleblower policy, if appropriate</li> </ul>
<p><b>Enhance Enforcement and Adjudicative Processes</b></p>	<ul style="list-style-type: none"> <li>• a. Improve technological support to Enforcement staff, including the Joint Serious Offences Team, through enhanced computer forensics and the capacity to conduct e-discoveries and e-hearings</li> </ul>
<p><b>Timely, Fair and Efficient Adjudication</b></p>	<ul style="list-style-type: none"> <li>• Continue the implementation of its Electronic Case Management System and Hearing system and use of technology to enhance accessibility for respondents and the public by holding electronic hearings</li> <li>• Implement and monitor adherence to its internal guideline for the timely release of decisions within six months</li> <li>• Adhere to newly adopted Case Management Practice Directive regarding a new Case Management Timeline for Enforcement Proceedings</li> </ul>

## Promote financial stability through effective oversight

Issue/Priority	Proposed Actions
<b>Promote Financial Stability through Effective Oversight</b>	<ul style="list-style-type: none"> <li>• Develop rules for the clearing of OTC derivatives</li> <li>• Develop a registrant regulation framework for derivatives market participants</li> <li>• Implement rules and a compliance program for OTC derivatives trade reporting</li> <li>• Implement rule/policy framework for clearing agencies to incorporate CPMI/IOSCO revised standards</li> <li>• Develop recommendations to implement Principle 14 Segregation and Portability under the CPMI IOSCO Principles for Financial Market Infrastructures</li> </ul>
<b>Regulation of the Fixed Income Market</b>	<ul style="list-style-type: none"> <li>• a. Publish a regulatory plan, working with IIROC, that addresses key issues identified in the fixed income review, including requirements to increase post trade transparency</li> </ul>

## Be an innovative, accountable and efficient organization

Issue/Priority	Proposed Actions
<b>Effectively Influence the International Regulatory Agenda</b>	<ul style="list-style-type: none"> <li>• Enhance our ability to influence and shape the international standard setting process by seeking leadership roles within IOSCO (e.g., Chair committees and task forces)</li> <li>• Perform greater proactive analyses of risks/issues identified by other jurisdictions globally by participating in bi-lateral meetings with key regulatory partners</li> </ul>
<b>Proactive use of Data and Research</b>	<ul style="list-style-type: none"> <li>• Continue to develop data collection, management and assessment practices</li> <li>• Demonstrate enhanced use of economic analysis, research and data analysis within the OSC including completing a regulatory impact analysis for proposed policy projects</li> </ul>

## Appendix B – OSC Service Commitment Metrics

Early in the fiscal year 2014-2015, the OSC published "OSC Service Commitment -Our Service Standards and Timelines" as part of its focus on accountability and transparency. The document outlines what stakeholders can expect when dealing with the OSC by summarizing target timelines for answering questions, responding to requests for information and submitting for review offering documents, applications, and other filings.

The following tables outline how the OSC performed against the target timelines. The status section displays a green box where the targets have been met for the entire year, and a yellow box where the target has not been met through the entire year. The notes section provides an explanation where a target has not been met. In some cases the data for specific activities have been restated to reflect changes in business practices during the course of the year and those adjustments are detailed below the table.

### Inquiries and Contact Centre

Activity	Target	2014-2015				Status	Notes
		Q1	Q2	Q3	Q4		
Telephone inquiries	On contact	0.3 days	0.3 days	0.3 days	0.7 days		
Mail and e-mail inquiries	Within 3 bus days	2.6 days	2.3 days	2.6 days	3.6 days		Leaves, secondments
Mail and e-mail complaints	Within 10 bus days	1.5 days	1.3 days	1.7 days	1.0 days		

### Corporate Finance Branch

Activity	Target	2014-2015				Status	Notes
		Q1	Q2	Q3	Q4		
Prospectus Comment Letters (Long Form) PR	80% within 10 bus days	100%	100%	100%	100%		
Prospectus Comment Letters (Long Form) NPR	80% within 5 bus days	100%	100%	100%	100%		
Prospectus Comment Letters (Short Form) PR	80% within 3 bus days	100%	100%	100%	100%		
Prospectus Receipts*	80% within 40 bus days	95%	89%	96%	90%		Of the 40 completed prospectuses for which Ontario was principal regulator, two were impacted by filer delays and one involved novel or complex issues
Exemption Applications*	80% within 40 bus days	93%	64%	82%	75%		Of the 28 simplified and non-simplified applications for which Ontario was principal regulator, four were impacted by filer delays and three involved novel or complex issues
Final prospectus receipts	100% of materials filed by noon	100%	100%	100%	100%		
Amendments - Comment Letters	80% within 3 bus days	Not Tracked	Not Tracked	Not Tracked	100%		
Amendments - Receipts	80% within 40 bus days	Not Tracked	Not Tracked	Not Tracked	100%		
Rights-offering Circulars - Comment Letters	80% within 10 bus days	100%	100%	100%	100%		
Rights-offering Circulars - Receipts	80% within 40 bus days	100%	100%	100%	100%		

\*Metrics for Prospectus Receipts and Exemption Applications reflect reporting only on files where Ontario is the principal Regulator and include applications due to filer delays or delays caused by novel or substantive new elements.

### Compliance and Registrant Regulation Branch

Activity	Target	2014-2015				Status	Notes
		Q1	Q2	Q3	Q4		
New Business Applications - acknowledge receipt	95% within 5 bus days	79%	79%	100%	100%		
New Business Applications - evaluate application	80% within 90 bus days	100%	100%	100%	100%		
New individuals - dealing reps - evaluate application	80% within 5 bus days	92%	95%	96%	95%		
New individuals - advising reps & CCO - evaluate application	80% within 20 bus days	82%	77%	88%	77%		An amnesty period was provided for registrants who submitted long-outstanding outside business activity disclosure up to March 27. As a result, we received an influx of over 1,000 filings, necessitating their prioritized review and impacting day-to-day activities such as the review of applications of advising representatives and CCO's.
Notice of Employment Termination	95% within 5 bus days	100%	99%	100%	99%		
Applications for exemptive relief	80% within 40 bus days	100%	60%	100%	100%		Scheduling of resources (in Q2) resulted in longer time for completion of some applications. The issue does not impact future service commitment metrics related to applications for exemptive relief.

### Investment Funds and Structured Products

Activity	Target	2014-2015				Status	Notes
		Q1	Q2	Q3	Q4		
Prospectus Comment Letters - PR	80% within 10 bus days	84%	94%	91%	96%		
Prospectus Comment Letters - NPR	80% within 5 bus days	84%	100%	87%	93%		
Prospectus Receipts	80% within 40 bus days	90%	90%	93%	88%		
Exemption Applications	80% within 40 bus days	88%	82%	86%	68%		Filer delay and novel/substantive new elements in applications
Amendments - Comment Letters	80% within 3 bus days	Not Tracked	Not Tracked	91%	98%		
Amendments - Receipts	80% within 40 bus days	Not Tracked	Not Tracked	100%	95%		

### Records & Information Management

Activity	Target	2014-2015				Status	Notes
		Q1	Q2	Q3	Q4		
OSC record request acknowledgement	Issued by end of next bus day	100%	100%	100%	100%		
OSC record request fulfillment	Within 5 bus days	100%	100%	100%	100%		
Registration record request acknowledgement	Issued by end of next bus day	100%	100%	100%	100%		
Registration record request fulfillment	Within 5 bus days	100%	100%	100%	100%		