



ONTARIO  
SECURITIES  
COMMISSION

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For the fiscal years ending

2021 - 2023

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**OSC**  
**Business Plan**

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# TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY</b> .....	1
<b>INTRODUCTION</b> .....	3
Background	
Vision, Mandate and Goals	
<b>THE ENVIRONMENT</b> .....	6
Scan and Impact	
Securities Regulation	
OSC Consultative Committees	
<b>GOVERNANCE</b> .....	15
The Commission	
<b>OPERATIONS</b> .....	18
Organization, Structure and Resources to Meet Objectives	
<b>STRATEGIC DIRECTION</b> .....	23
OSC Statement of Priorities	
Current and Future Programs and Activities	
<b>RISKS</b> .....	33
Key Risks and Mitigation Strategies	
<b>HUMAN RESOURCES</b> .....	38
Human Resources Plan	
<b>COMMUNICATIONS</b> .....	40
Communications and Public Affairs Plan	
<b>METRICS</b> .....	42
Performance Measurement	
Service Commitment	
<b>BUDGET</b> .....	46
Financial Summary	

# EXECUTIVE SUMMARY

## Business Planning

The Ontario Securities Commission (“OSC” or “Commission”) has set out its 2021-2023 Business Plan (the “Plan”) in accordance with the Agencies and Appointments Directive of the Government of Ontario and in alignment with the Commission’s **Vision, Mandate and Goals**.

This Plan is reflective of the ongoing effort to modernize the OSC and to support the OSC’s capacity to keep pace with changes in the capital markets and government plans, including Ontario’s ‘*Creating Confidence in Ontario’s Capital Markets - Five-Point Plan*’ outlined in the April 2019 Ontario Budget ‘*Protecting What Matters Most*’.

The work of the OSC has become more complex, multi-faceted and multi-jurisdictional. The OSC is being entrusted with greater responsibilities and more oversight and is continually responding to new operational risks and regulatory challenges arising out of novel sectors and emerging technologies.

This context has been laid out in the first part of the Plan that overviews **The Environment** within which the OSC operates by providing an environmental scan, describing the securities regulation environment, and the **third-party** committees that support the OSC Executive and staff.

Complementing the overview of the environment, the next section provides a summary of the **Governance** structure at the OSC, including the framework and the role of the Members of the Commission and their responsibilities.

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

The Plan also provides a section on **Operations**, including a discussion on **Resources to Meet Objectives**, which outlines the recently announced new management structure that will be put in place to modernize and support the OSC’s capacity to deliver on its objectives, mandate and evolving list of priorities.

The **Strategic Direction** section is based on the OSC’s modified 2019-2020 Statement of Priorities that sets out the four strategic goals. This section provides an overview of **Current and Future Programs and Activities** including initiatives with **third parties**, with details around the proposed actions to implement the objectives, and the planned outcomes.

The **Risk** section offers a discussion on the key components of the OSC’s risk approach and provides details on the current top 10 risks, including examples of mitigating controls in place.

Various strategies, objectives and plans for human resources and communications are described in the **Human Resources Plan** and **Communications & Public Affairs Plan**.

The **Metrics** section covers the OSC’s approach to **performance measurement and reporting** and provides a summary of OSC Service Commitment metrics.

The **Budget and Financial Summary** outlines the revenues, expenses, surplus/deficit and a three-year forecast.

The information about the OSC included in the Business Plan is reflective of the organization as at March 1, 2020.

## **Impact of COVID-19**

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At the time of writing this Business Plan, the status of the global COVID-19 pandemic is still evolving and the full human and economic impact is not yet known.

The current unprecedented environment resulting from the COVID-19 pandemic poses significant challenges for stakeholders and has resulted in considerable economic and financial market uncertainty.

The OSC remains committed to its core regulatory work but will also remain flexible given the unprecedented environment and market conditions as it responds to challenges due to COVID-19. As such, the OSC anticipates adjusting and re-aligning priorities throughout the year to accommodate changes due to the impact of the COVID-19 pandemic.

# INTRODUCTION

## Background

The Commission is a regulatory agency of the Ontario government which operates on a cost recovery basis. The OSC is required under the Agencies and Appointments Directive (which is the key government directive setting out governance and accountability) to annually provide a multi-year Business Plan to the Minister of Finance. This Business Plan sets out the OSC's core strategy for the fiscal years 2020-2021 through 2022-2023 including the initiatives for the upcoming year that will be undertaken toward this strategy.

The OSC has overall accountability for the effective administration of the *Securities Act* (Ontario) (the "Act") as well as the *Commodity Futures Act* (Ontario) (together, 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 Canadian Securities Administrators (CSA). Coordinating with the CSA helps to reduce the regulatory complexity faced by market participants.

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 forecasted costs and revenues over a three-year period. Other aspects of this Plan focus

on current period initiatives. 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.

### 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
- Multi-year Business Plan
- Annual Statement of Priorities (SoP)
- SoP Report Card (a progress report against the prior year SoP)
- Annual Report.

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

The OSC is required to affirm or sign a new Memorandum of Understanding with the new Minister of Finance within six months of the Minister's appointment. The new Memorandum of Understanding (MOU) was completed in December 2019.

# INTRODUCTION

## Vision, Mandate and Goals

### Our Vision

To be an effective and responsive securities regulator – fostering a culture of integrity and compliance and instilling investor confidence in the capital markets.

### Our Mandate

To provide protection to investors from unfair, improper or fraudulent practices, to foster fair and efficient capital markets and confidence in capital markets and to contribute to the stability of the financial system and the reduction of systemic risk.

## Our Organizational Goals

### PROMOTE

Confidence in Ontario's  
Capital Markets

*Promote confidence in Ontario's capital markets among market participants and investors*

### REDUCE

Regulatory Burden

*Enhance access for businesses and financial services providers to Ontario's capital markets*

### FACILITATE

Financial Innovation

*Cultivate an environment that supports development of innovative financial business models*

## Strengthen Our Organizational Foundation

**People**

**Technology**

**Information**

## **Mandate and Operating Principles**

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The mandate of the OSC as set out in the Act is to provide protection to investors from unfair, improper or fraudulent practices; to foster fair and efficient capital markets and confidence in capital markets; and to contribute to the stability of the financial system and the reduction of systemic risk. The principal means for achieving this mandate consist of:

- Setting/defining requirements for accurate and timely disclosure of information necessary for investors to make informed decisions
- Dedicated focus on reducing unnecessary regulatory burden on market participants while upholding investor protection
- 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
- Timely, open and efficient administration of enforcement, compliance and adjudication activities
- Controlled delegation of specific oversight to Self-Regulatory Organizations (SROs) (subject to appropriate OSC supervision)
- Responsible harmonization and coordination of regulatory practices with other jurisdictions (e.g. through the CSA), Heads of Agencies and the International Organization of Securities Commissions (IOSCO).

The OSC is committed to fostering confidence in Ontario's capital markets, supporting an environment where capital is available on competitive terms, streamlining regulation with a strengthened focus on reducing regulatory burden and maintaining Ontario's financial services sector as a world leader and significant contributor to the province's economy.

The main themes of the OSC Statement of Priorities support the Ontario government's priorities to make Ontario "Open for Business" and to "Build more Efficient Regulators" and focus on delivering the objectives outlined in the April 2019 Ontario Budget "Protecting What Matters Most" (Five-Point Plan).

The OSC will continue to seek opportunities to make its interface with market participants easier and less costly. Efforts to streamline regulation, improve operational efficiencies and lower regulatory burden are expected to have a significant impact on reducing compliance costs, including for development-stage and innovative businesses.

As these changes are made, individuals and businesses regulated by the OSC can expect to see enhanced service levels, less duplication and a more tailored regulatory approach.

## **Response to Expectations Set Out in the Agency Mandate Letter**

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The OSC will continue to work closely with the Ministry of Finance pursuant to the mandate letter from the Minister of Finance to the Chair of the OSC, dated November 20, 2019, and will coordinate with stakeholders as appropriate to deliver on expectations.

# THE ENVIRONMENT

## Scan and Impact

Environmental factors influence securities regulators in their operations and regulatory oversight. Key challenges and issues that may influence the OSC's policy agenda, its operations, and the way it uses its resources, are as follows.

### Globalization

Continuing geopolitical events could have profound impacts on financial regulation globally. The global interconnectedness of markets and mobility of capital create a strong need for harmonization and coordination of regulation.

The markets, products, and participants that the OSC regulates and oversees continue to grow, both in size and complexity. Globalization of financial markets, products and services adds another layer to these challenges. The sustained growth of cross-border activities raises challenges to regulatory supervision, magnifies the value of cooperation between regulators and increases the benefit of achieving consistent standards and requirements both domestically and internationally.

The OSC works as part of the CSA to harmonize rules and their application across the country to facilitate business needs and investor protection. Through these efforts, the OSC strives to achieve effective cross-jurisdictional regulation and gain timely insight, understanding and input into emerging regulatory issues to achieve better regulatory outcomes.

Our international involvement informs how we regulate Ontario's capital markets. The OSC continues to play an active role in international organizations such as the International Organization of Securities Commissions (IOSCO) to influence and promote changes to international standards

for securities regulation and share new ideas and learnings that will benefit Ontario markets and participants.

### Technology and Innovation

The pace of technological evolution and innovation creates challenges to develop and maintain a responsive and aligned regulatory framework. Market participants continue to expand their product and service offerings. Fintech (technology facilitated financial services) and Regtech (technology facilitated regulatory compliance services) innovation continues to advance and is a key disruptive force in the financial services industry. Complexity driven by financial innovation offers many potential benefits and risks to the market. Fintech is leveraging new technology and creating new business models such as providing new product offerings (e.g. blockchain-based crypto assets) and disrupting service channels (e.g. online advisors). Financial services firms are using technological innovation, digitalization and distributed ledger technology to reduce operational costs and improve efficiency.

The breadth and pace of innovation in the financial sector could result in gaps in regulation or become a source of non-compliance. For example, the potential applications and impacts of Artificial Intelligence (AI) are significant but are not yet well understood.

### Modernize Financial Regulation

The Government of Ontario has identified initiatives to modernize the financial services regulatory framework. These policy priorities and changes in regulatory authority will impact the OSC and its operations including:

- Changes to the regulatory oversight of syndicated mortgage investments by the



Financial Services Regulatory Authority (FSRA) and the OSC

- Title reform for financial planners and financial advisors
- Working with Cooperative Capital Markets Regulatory System (CCMR) partners on the transition of the OSC to the proposed CCMR.

## **Growing Importance of Investor Education**

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As the responsibility for investing shifts to individuals, they are challenged to achieve the returns needed to finance future needs. There are wide gaps in the levels of investment experience and financial literacy among investors. Investor education has the potential to contribute to improved financial outcomes for investors and is an important component of investor protection.

The OSC is actively involved in providing investor education tools and resources to help investors achieve improved financial outcomes. The ability to achieve meaningful progress in financial literacy levels will be a key to strengthening investor protection. Investors with a greater level of understanding of financial concepts are better able to make informed investment decisions and avoid fraud. The OSC will seek new and innovative ways to deliver investor education and support retail investors in today's complex investing environment.

## **Regulatory Burden Reduction**

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The OSC published the *Reducing Regulatory Burden in Ontario's Capital Markets* report in November 2019. The OSC is moving forward with 107 specific actions to reduce burden for market participants doing business in Ontario's capital markets.

## **Changing Demographics and Investor Needs**

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Demographics are critical to understanding investor needs and are a key driver of most investor-focused issues. Different investor segments (e.g. seniors versus millennials) have unique characteristics and present

different challenges in terms of investment objectives and horizons. Their preferences can vary in terms of products (ETFs versus mutual funds) and service channels. Growing interest in environmental, social and governance (ESG) factors means that regulators need to consider how best to support investors in getting the information they reasonably need to make informed investment and voting decisions and encourage public companies to consider the direct and indirect effect of climate change on their businesses and disclose any related material risks. Automated financial advice is redefining the delivery of client wealth management services and the fees charged for advice.

## **Investor Redress**

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Investors can be at risk for potential losses from improper or fraudulent interactions. Regulators are seeking ways to improve investor access to redress in these types of situations. Avenues to obtain investor redress, including an effective and fair dispute resolution system, are increasingly being included as part of investor protection frameworks. To achieve better results for investors, the OSC will continue its support for the Ombudsman for Banking Services and Investments (OBSI) in its role as the independent dispute resolution service made available to investors.

## **Enforcement and Compliance Tools**

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Effective compliance and enforcement are essential to maintaining the integrity and attractiveness of our capital markets. Disruption of illegal activity and deterrence are key strategies to prevent or limit harm to investors. Our actions against firms and individuals who do not comply with the rules need to be timely and visible to achieve the desired deterrent effect and enhance public confidence in our markets.

As securities fraud and misconduct become increasingly complex, regulators must evolve their compliance and enforcement approaches and expand their tools. Technology is enabling growth in cross-border activities that can generate investor

benefits through reduced friction and cost but can also be detrimental to investors by enabling cross-border fraud and misconduct that can be very difficult to address. This creates challenges in supervision, surveillance and enforcement. If regulatory approaches are not aligned, cross-border supervision and enforcement efforts can be impeded. Regulators will need greater access to data and more sophisticated surveillance and analysis tools to more effectively evaluate compliance with regulatory requirements and identify misconduct.

### **Systemic Risk and Financial Stability**

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The OSC works with many domestic and international regulators to monitor financial stability risks and trends, improve market resilience, and reduce the potential risk of global systemic events. The OSC is continuing to build out a domestic derivatives framework and to operationalize the necessary compliance and oversight tools required to achieve a practical and effective regime.

The OSC responds to potential risks arising from investment management activities through its work on investment funds liquidity risk and risk monitoring.

### **Cybersecurity Resilience**

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Cyber-attacks that have the potential to disrupt our markets and market participants are likely to occur. Growing dependence on digital connectivity is raising the potential for digital disruption in our financial services and capital markets and creating a strong imperative to raise awareness about cyber-attacks and strengthen cybersecurity resilience. This is a growing challenge as

more businesses, services and transactions span national and international borders. The OSC, working with other regulatory partners, has an important role to play in assessing and promoting readiness and supporting cybersecurity coordination and resilience within the financial services industry and raising awareness of cybersecurity risks.

### **Data Management**

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Ever increasing market complexity is generating greater availability and reliance on data. The OSC is adding new tools and processes to support staff in delivering on their responsibilities. A key element will be addressing challenges in managing growing volumes of data, including information security.

The OSC is investing in information technology and infrastructure to support an integrated data management program that will improve access to information to identify trends and risks to support analysis and decision-making. This will also allow easier filings and access for market participants.

### **Workforce Strategy**

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The OSC's ability to meet the identified goals and strategic objectives is dependent upon it having both sufficient and appropriate resources. To meet the evolving needs, the OSC will continue to strengthen its capabilities through its people. While attracting, motivating and retaining top talent in a competitive market environment continues to be challenging, the OSC is building its capabilities and skills by recruiting staff across a range of disciplines, and by developing the skills and experience of our internal talent.

# THE ENVIRONMENT

## Securities Regulation

Securities regulation is a provincial responsibility, but provincial decisions can affect the capital markets across Canada as well as Ontario's capital markets. The other CSA members also have similar mandates to protect investors and foster fair and efficient capital markets. All Canadian securities regulatory authorities currently work together through the CSA. The CSA is not a legal entity but a cooperative body.

### Canadian Securities Administrators (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 to minimize regulatory duplication.

### 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. Currently most regulatory requirements are set out in national instruments and multilateral instruments and policies that 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 resulting in reduced regulatory burden on market participants. The system is designed to enable one CSA jurisdiction to rely on the analysis and review undertaken by the staff of another CSA jurisdiction. The OSC is not a

member of the passport system but in many cases it relies on other jurisdictions' decisions.

### 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 prescriptive rules, compliance staff and an enforcement function which includes the authority to impose sanctions on their dealer members or employees – i.e. fines, reprimands, suspensions and permanent membership bans. The Ontario government passed amendments to the *Securities Act* (Ontario) which provides SROs with the ability to pursue the collection of disciplinary fines directly through the courts. As front-line regulators, SROs discharge their responsibilities, subject to oversight by the applicable provincial securities regulatory authorities known as "recognizing regulators".

There are two recognized and industry-funded SROs in Canada: the Mutual Fund Dealers Association of Canada (MFDA) for registered mutual fund dealers and the Investment Industry Regulatory Organization of Canada (IIROC), which was formed by the merger of the Investment Dealers Association of Canada and Market Regulation Services Inc. for investment dealers and market members. Most CSA jurisdictions rely on the applicable SRO to conduct the day-to-day regulation of mutual fund dealers and investment dealers with IIROC also responsible for registering individuals and monitoring trading on equity and debt

marketplaces in Canada. Each SRO is the sole sponsor of an investor protection fund (IPF) which protects client assets in the event of an SRO member insolvency. The approved funds are the Canadian Investor Protection Fund (CIPF) for IIROC members and the MFDA Investor Protection Corporation (MFDA IPC) for MFDA members.

The recognizing regulators have formal oversight programs, consisting of regular reporting on activities, oversight reviews, processes to review proposed rule and by-law amendments and regular meetings with the SROs to discuss issues and emerging trends. Similar programs are in place for the IPFs. Since multiple jurisdictions are involved in SRO / IPF 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, CIPF and the MFDA IPC; and the British Columbia Securities Commission (BCSC) is the principal regulator for the MFDA.

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

## **Exchanges**

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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), TSX Alpha Exchange (Alpha), Aequitas Neo Exchange (Aequitas), Nasdaq CXC Limited (Nasdaq), Natural Gas Exchange (NGX) and the Bourse de Montréal. 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 reliance.

The OSC is the lead regulator for TSX Inc., Alpha, Aequitas, and Nasdaq, and is co-lead regulator of CSE with the BCSC. The Alberta Securities Commission (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 Montréal and the ASC for NGX.

## **Clearing Agencies**

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

## **Trade Repositories**

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As part of Canada's commitment to the G20 initiative to reform the practices in the OTC derivatives markets, the OSC has implemented a Trade Repository Rule (TR Rule) 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. Market participants began reporting under the TR Rule in October 2014.

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

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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 and must be receipted by the Commission.

Public companies (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. Requirements that contribute to fair and efficient markets, such as insider trade reporting, corporate governance requirements, and minority shareholder protection requirements also form part of public company regulation.

Issuers that rely on a prospectus exemption must comply with the applicable conditions. Depending on the exemption, conditions relate to the nature of the purchasers, limits on the amounts that may be distributed, prescribed disclosure, and limited ongoing reporting.

Prospectus-exempt distributions do not require prior approval or staff review. Compliance and oversight of issuers in the exempt market is focused on creating awareness of our requirements, monitoring the use of the prospectus exemptions and identifying material non-compliance that may require regulatory intervention.

Investment funds that offer securities to the public must prepare and file a preliminary and final prospectus before distributing their securities. In addition, conventional mutual funds must prepare a Fund Facts document that is required to be delivered to a purchaser prior to the purchase of mutual fund securities. The document provides key information about a fund in plain language and cannot exceed two pages in length. Similarly, exchange-traded funds (ETFs) are required to deliver an ETF Facts document to investors who purchase ETF securities on an exchange.

Publicly offered investment funds are subject to continuous disclosure obligations similar to those applicable to public companies. These investment funds must also comply with product regulations that contribute to investor protection, including investment restrictions, asset custody requirements and security holder voting requirements. Investor protection is further promoted by requiring every publicly offered investment fund to have a fully independent body, an Independent Review Committee (IRC), whose role is to consider all decisions

referred to the IRC by the fund manager

involving an actual or perceived conflict of interest faced by the fund manager in the operation of the fund.

The OSC also regulates structured products that are securities and sold to retail investors. These structured products are also known as linked notes. Linked notes generally provide investment exposure to public indices and can have various degrees of downside protection and pay-out. Linked note issuers file base-shelf prospectuses and prospectus supplements to distribute these notes. Any novel linked note is subject to the OSC's review before any distribution of the note.

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

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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
- Acting as an investment fund manager.

The OSC registers firms in all categories of registration (this function is not delegated to SROs in Ontario).

Individuals must become registered with the OSC 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.

The OSC has delegated to IIROC the registration of their member firm dealing representatives. To facilitate registration and

filing in multiple jurisdictions, the CSA developed the National Registration Database and has harmonized the registration regime. Oversight reviews of registrants and derivatives market participants are conducted to assess compliance with applicable securities legislation and rules. Registrants are selected for reviews by using a risk-based approach, for issue-specific compliance reviews, or when registrant-specific concerns are identified.

# THE ENVIRONMENT

## OSC Consultative Committees

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

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

A list of the key consultative committees includes:

***The Investor Advisory Panel (IAP)*** – is an independent advisory panel to the Commission. The IAP's mandate is to solicit and represent the views of investors on the Commission's policy and rule-making initiatives.

***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 the development, implementation and communication of policies and practices to address issues affecting small issuers in the pursuit of capital market efficiency, investor protection and economic growth. The SMEC also serves as a forum to advise OSC staff on

the emerging issues and unique challenges faced by small issuers.

***Investment Funds Technical Advisory Committee (IFTAC)*** – advises staff on technical compliance challenges in the investment funds product regulatory regime, and opportunities for improving alignment between investor, industry and regulatory goals.

***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 and disclosure requirements 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 and provides advice and comments on the legal, regulatory and market implications of Commission rules, policies, and related matters.

***Registrant Advisory Committee (RAC)*** – serves as a forum to discuss compliance and registration-related matters with representatives from our registrant population. The RAC also acts as a source of feedback to OSC staff on the development of policy and rule-making initiatives.

***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.

***Seniors Expert Advisory Committee***

***(SEAC)*** – provides staff with expert opinions and input on securities-related policy, operational, education and outreach activities that are designed to meet the needs of older investors.

***Financial Reporting Advisory Committee***

– provides advice to the CSA's Chief Accountants Committee on relevant policy initiatives and various technical accounting and auditing issues that relate to financial reporting requirements and guidance in securities legislation in Canada. The committee also serves as a forum to discuss financial reporting practices and trends in the Canadian and global capital markets.

***Fintech Advisory Committee*** – advises OSC staff on developments in the fintech space as well as the unique challenges faced by fintech businesses in the securities industry.

***International Harmonization***

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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 member of the governing Board of IOSCO, which is the leading international policy forum for over 100 securities regulators and is recognized as the global standard-setting body. OSC staff routinely take leadership roles on IOSCO policy committees and actively cooperate with other regulators under IOSCO's multilateral MOUs to facilitate cross border investigations and enforcement matters.



# GOVERNANCE

## The Commission

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. If there are fewer than nine but at least two Members in office, the Act deems the Commission to be properly constituted for up to 90 days.

Members are appointed for a fixed term by the Lieutenant Governor in Council upon the recommendation of the Minister of Finance and Cabinet. The Lieutenant Governor in Council also designates one Member as Chair & CEO of the Commission and may designate up to three Members as Vice Chairs of the Commission. The Chair & CEO and the Vice-Chairs are full-time Members and devote their full time to the work of the Commission. The other Members are part-time Members, are independent of management, and devote as much time as necessary to perform their duties.

Currently, the Commission is composed of ten Members, three full-time and seven part-time. The full-time Members are Maureen Jensen, Chair & CEO, and D. Grant Vingoe and Timothy Moseley, Vice-Chairs. The part-time Members are: Mary Anne De Monte-Whelan, Garnet W. Fenn, Lawrence P. Haber, Craig Hayman, Raymond Kindiak, M. Cecilia Williams and Heather Zordel.

Candidates for appointment are recommended to the Minister by the Chair following a recruitment process led by the Governance and Nominating Committee of the Board. The Committee regularly reviews the 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 applies a competency matrix to identify any gaps in attributes, skills and qualifications that may arise due to an upcoming vacancy on the Commission.

Appointments and reappointments to the Commission are made in accordance with the Agencies and Appointments Directive, the Memorandum of Understanding with the Minister of Finance and the procedures of the Public Appointments Secretariat of Ontario. In accordance with the Agencies and Appointments Directive, government appointments will respect the needs of the entity to which they have been appointed but will also respect the diversity of the people in Ontario and the need to deliver services and decisions in a professional, ethical and competent manner.

The Agencies and Appointments Directive provides that a person appointed to a regulatory agency, such as the Commission, will serve an initial appointment for a period of two years, and may be eligible for reappointment for a second term of up to three years and a third term of up to five years. The Commission has adopted a policy to recommend the reappointment of an eligible part-time Member for up to two additional terms of two years each, resulting in a possible overall term of six years.

### 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 of Finance and, through the Minister, to the Ontario Legislature. The Commission is required to sign a Memorandum of Understanding with the Minister. The Memorandum of Understanding sets out: (a) the accountability relationship between the Commission and the Minister, the Board of Directors and the Minister, and the Chair and the Minister; (b) the respective roles and responsibilities of the Minister, the Deputy Minister, the Chair, the Members, and the Executive Director; and (c) the requirement for the Commission to provide the Minister with an Annual Report and an Annual Business Plan. The current Memorandum of Understanding can be found on the Commission's website.

## **The Role of Members**

### **Overview**

Members of the Commission perform three distinct functions in support of the Commission's mandate – policy and rule-making, acting as a Board of Directors and adjudication. As policy and rule-makers, Members approve and oversee the implementation of the Commission's regulatory initiatives and priorities. As the Board, Members oversee the management of the financial and other affairs of the Commission. As adjudicators, Members (other than the Chair & CEO who does not adjudicate) act independently of their other roles and preside over administrative proceedings brought before the Commission's Tribunal – the administrative tribunal that is assigned the power to conduct hearings under Ontario securities law. A brief outline of these three primary roles follows.

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

The Commission regulates Ontario's capital markets by making rules that have the force

of law and by adopting policies that influence the behaviour of capital market participants. The Commission exercises its regulatory oversight function through enforcement of the Acts and administration of certain provisions of the Ontario *Business Corporations Act*. The Commission exercises its powers in a manner that furthers investor protection, fosters fair and efficient markets, and contributes to the stability of the financial system and reduces systemic risk. The Commission does so while having regard to the fundamental principles described earlier, including minimizing regulatory burden.

The Commission sets regulatory priorities on an annual basis and oversees their implementation by Commission staff. Members attend regular meetings with staff to review and approve the Commission's regulatory initiatives, priorities, policies and rules. In addition, meetings of two Members (excluding the Chair & CEO) are held twice weekly to consider applications for exemptive relief or other relief.

### **The Role of Members as the Tribunal of the Commission**

As adjudicators, Members (other than the Chair & CEO, who does not adjudicate due to involvement with enforcement activity) act independently of their other roles and preside over administrative proceedings brought before the Commission's Tribunal.

Proceedings before the Tribunal are governed by the Ontario *Statutory Powers Procedures Act*, the Commission's Rules of Procedure and Forms, the Commission's Practice Guideline and principles of law applicable to administrative tribunals.

The Commission adopted an Adjudicative Guideline to enhance the transparency of the Commission's adjudicative processes and provide guidance to Members and employees on the professional and ethical standards expected of them in the exercise of their adjudicative responsibilities. The Commission established the Adjudicative Committee as a standing advisory committee to assist Members in fulfilling their

adjudicative duties and promoting tribunal excellence.

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

The Members act as the Board of Directors of the Commission. 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 and special meetings of the full Board and its standing committees. Meetings of the Board are held at least quarterly and special meetings are held as required. The Board also conducts strategic planning and priorities-setting meetings with senior management.

The standing committees of the Board hold meetings at least quarterly and special meetings as required. There are four standing committees of the Board: Audit and Finance Committee, Governance and Nominating Committee, Human Resources

and Compensation Committee and Risk Committee. From time to time the Board may establish other temporary committees or retain advisors or consultants to advise it on specific matters.

The OSC has adopted the *Commission Charter of Governance Roles and Responsibilities* 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 perform further duties as may be necessary or appropriate for the Members to fulfil their governance and regulatory responsibilities.

### **Commission and Board Support**

The Board appoints the Secretary to the Commission, who reports directly to the Chair & CEO. The Office of the Secretary provides independent legal and professional support to the Members in the discharge of their statutory obligations. Staff from the OSC's regulatory operations, advisory and business operations departments provide information and submissions to the Members performing their policy and rule-making and governance functions.

# OPERATIONS

## Organization, Structure and Resources to Meet Objectives

Earlier this year, the OSC announced a new management structure to modernize and support its capacity to keep pace with changes in the capital markets and to deliver on the mandate and evolving list of priorities. Refer to the next page for the new Organizational Chart.

Effective December 16, 2019, key structural and reporting changes include splitting the Executive Director (ED) role into two positions:

- a new Chief Administrative Officer (CAO) role to assume oversight of business operations, and
- an ED role with responsibility for the oversight and leadership of the regulatory operations.

With the change to the ED and CAO positions, branches and offices will be structured into three main areas:

### ***Regulatory Operations Branches reporting to the ED***

Compliance and Registrant Registration, Corporate Finance, Derivatives, Enforcement, Investment Funds and Structured Products, Investor Office, Market Regulation, Office of the Chief Accountant, Office of Mergers and Acquisitions, a new Office of Economic Growth and Innovation (including OSC LaunchPad), and the Regulatory Strategy and Research Branch.

### ***Business Operations Branches reporting to the CAO***

Business Planning and Corporate Performance, Financial Management and Reporting, Human Resources and Corporate Services, Information Security, Information Services, and administrative oversight of the CSA IT Systems Office (CSA-ITSO).

Internal Audit will report to the Chair and the Board Risk Committee.

### ***Executive, Governance and Regulatory Advisory functions reporting to the Chair and CEO***

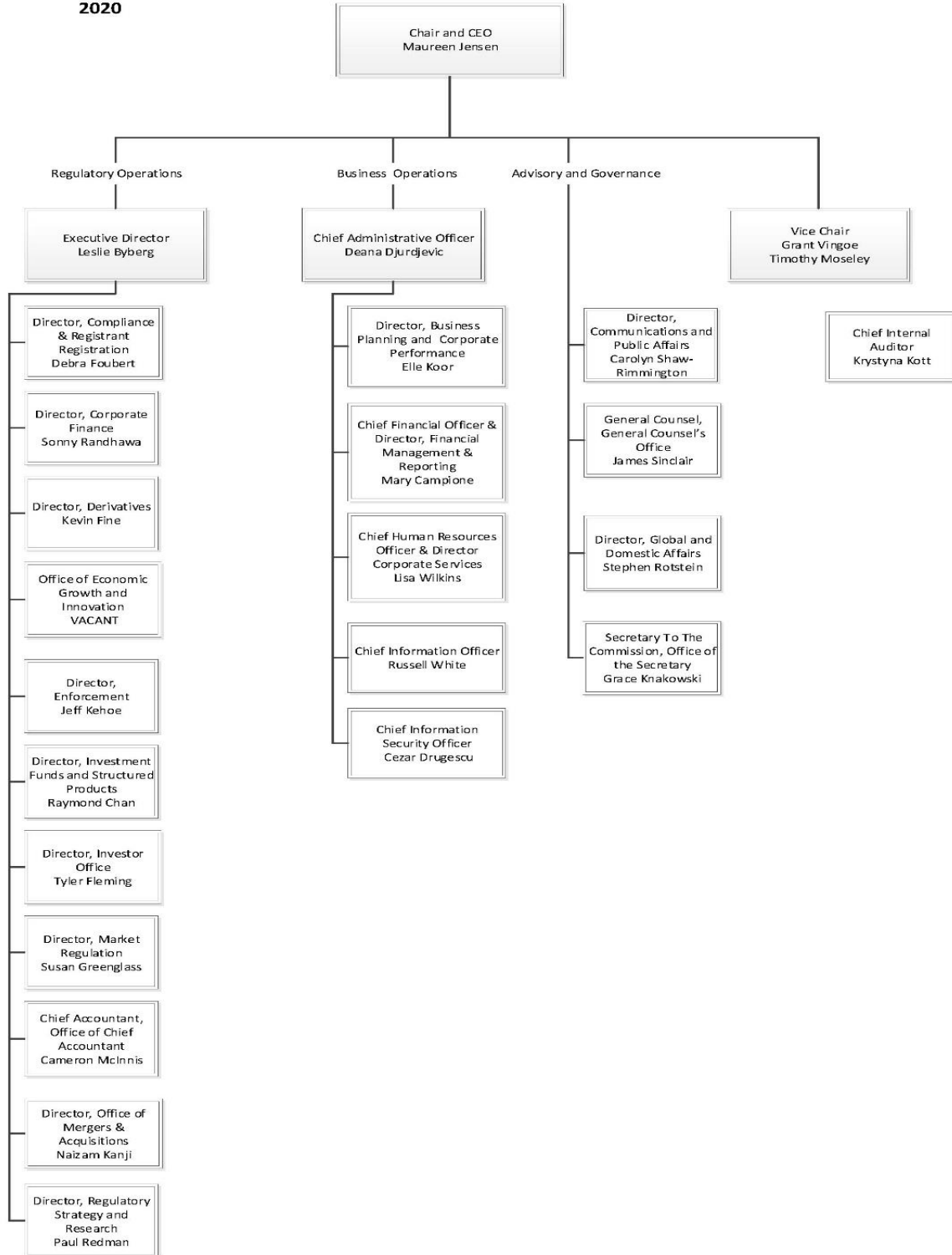
Communications and Public Affairs, General Counsel's Office, a new Global and Domestic Affairs Branch, and the Office of the Secretary.

New Executive positions were created:

- Director, Global and Domestic Affairs
- Director, Office of Economic Growth and Innovation
- Director, Regulatory Strategy and Research.

To implement this new structure, the OSC will increase its staff complement from 615 approved permanent positions as of April 1, 2019 to 628 approved permanent positions as of April 1, 2020.

**OSC Organization Structure  
2020**



Note: The above represents the OSC organizational structure as at March 1, 2020. The most current OSC organizational structure, can be found at [https://www.osc.gov.on.ca/en/About\\_our-structure\\_index.htm](https://www.osc.gov.on.ca/en/About_our-structure_index.htm)

## Regulatory Operations Branches and Offices

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**Office of Economic Growth and Innovation** – responsible for collaborating with businesses and other regulators to support innovation, through OSC Launchpad, facilitating capital formation and regulatory burden reduction, and promoting the implementation of technology to reduce costs and accelerate innovation in financial services.

**Investor Office** – sets the strategic direction and leads the OSC’s efforts in investor engagement, education, outreach and research. The Office also has a policy function, plays a key role in the oversight of the OBSI, and provides leadership in the area of behavioural insights and improving the investor experience.

**Regulatory Strategy and Research** – responsible for the delivery of economic, regulatory and financial research and analysis that supports the development of OSC regulatory strategy and policy recommendations. The Branch advises on and informs the OSC’s strategy, priorities, regulatory operations decisions and discussions with other regulatory bodies and agencies concerned with financial stability. The branch also supports both investors and market participants through the Inquiries and Contact Centre.

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

**Compliance and 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, as well as developing policy relating to registrants and their obligations.

**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.

**Corporate Finance** – responsible for regulating issuers (other than investment funds) in the public and exempt markets. The branch reviews public distributions of securities, exempt market activities and continuous disclosure of reporting issuers, and leads issuer-related policy initiatives. The branch is also responsible for supervising insider reporting, regulating credit rating agencies and overseeing the listed issuer function for OSC recognized exchanges.

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

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

**Derivatives** – responsible for developing a regulatory framework for over-the-counter derivatives trading in Ontario, implementing and reviewing compliance with that framework and contributing to systemic risk monitoring of the Ontario capital markets.

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

## Executive, Governance and Regulatory Advisory Branches and Offices

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**General Counsel’s Office** – an in-house legal, policy, strategy and risk-management resource to the OSC, is also responsible for the collection of unpaid monetary sanctions and leads the defence of proceedings brought against the Commission. GCO also supports the OSC Ethics Executive in the oversight of organizational integrity and

ethical conduct. Provides advice and support to the OSC in its dealings with the Ministry of Finance, other regulators and governments.

**Office of the Secretary to the Commission** – supports the Members of the Commission in their statutory mandate as regulators, adjudicators for the Commission’s Tribunal and as the Board of Directors by providing administrative law and corporate governance legal advice and professional support.

**Global and Domestic Affairs** – responsible for developing and implementing a strategic relationship and engagement strategy for domestic and international governments and regulating bodies and establishing engagement protocols and processes that result in effective working stakeholder relationships.

**Communications and Public Affairs** – provides strategic advice and services to ensure timely and effective communication of OSC priorities, policies and actions to external and internal stakeholders.

## **Business Operations**

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**Financial Management and Reporting** – provides financial management and analysis, reporting and treasury services to allow the OSC to continue carrying out its regulatory responsibilities. Assurance over financial reporting is provided through the design and maintenance of effective controls.

**Business Planning and Corporate Performance** – responsible for the delivery of corporate-wide processes which result in an OSC Strategic Plan, an annual Statement of Priorities and OSC Business Plan; the

identification and mitigation of current and emerging enterprise-wide risks; quarterly business reporting; measures for public and internal reporting on OSC performance; and the development and ongoing management of OSC enterprise data governance.

**Human Resources and Corporate Services Branch** – this branch includes the following functions: Human Resources, Organizational Development, Administration (Facilities, Procurement, Office Services), Knowledge Services, Records and Information Management, and Business Continuity. The Branch provides procurement and stewardship of OSC resources to support the achievement of OSC priorities, ensures compliant program and service delivery and leads the design and implementation of a positive employee experience.

**Information Services (IS)** – is responsible for establishing, monitoring and maintaining the information technology systems and services for the OSC in support of its mandate. The group includes Client Services, Application Services, Technology Services, Enterprise Architecture and IS Project Management.

**Information Security** – is responsible for the design, implementation and ongoing maintenance of the OSC’s information security program to achieve and sustain the organization’s security posture.

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

## Total Approved Permanent Positions for Fiscal Year Starting April 1, 2020

<b>Branches and Offices</b>	<b># of Staff</b>
<b>Regulatory Operations Branches / Offices</b>	
Office of Economic Growth and Innovation	12
Investor Office	13
Regulatory Strategy and Research, including the Inquiries and Contact Centre	21
Enforcement	162
Compliance and Registrant Regulation	91
Investment Funds and Structured Products	35
Corporate Finance	58
Office of the Chief Accountant	7
Office of Mergers and Acquisitions	7
Derivatives	14
Market Regulation	30
<b>Executive, Governance &amp; Regulatory Advisory Branches / Offices</b>	
General Counsel's Office	18
Corporate Secretary's Office	16
Global and Domestic Affairs	8
Communications and Public Affairs	15
<b>Business Operations Branches / Offices</b>	
Financial Management and Reporting	11
Business Planning and Corporate Performance	13
Human Resources & Corporate Services	41
Information Services	41
<b>Executive Offices</b>	
Offices of the Chair, Executive Director, Internal Auditor, Chief Administrators Office	13
<b>Strategic Workforce Positions</b>	
Strategic Workforce Positions	2
<b>Total Approved Permanent Positions</b>	<b>628</b>



# STRATEGIC DIRECTION

## OSC Statement of Priorities

Our 2019-20 Statement of Priorities (SoP) is the foundation for the priority areas on which the OSC will continue to focus its resources and actions in fiscal year 2020-2021 and beyond.

The SoP sets out the priority initiatives that the OSC will pursue in support of each of the OSC's four strategic goals, including delivering the objectives outlined in the April 2019 Ontario Budget "Protecting What Matters Most" 'Five-Point Plan' to create confidence in the capital markets.

### GOAL 1: Promote Confidence in Ontario's Capital Markets

Promote confidence in Ontario's capital markets among market participants and investors

- Implement Client Focused Reforms
- Continue CSA Policy Consultations on Mutual Funds DSC and OEO Embedded Commissions
- Improve the Retail Investor Experience and Protection
- Continue to Expand Systemic Risk Oversight
- Bring Timely and Impactful Enforcement Actions
- Enhance Economically-Focused Rule-Making
- Support Transition to the Cooperative Capital Markets Regulatory System (CCMR).

### GOAL 2: Reduce Regulatory Burden

Enhance access for businesses and financial services providers to Ontario's capital markets

- Complete Actions Identified in the OSC Burden Reduction Report.

### GOAL 3: Facilitate Financial Innovation

Cultivate an environment that supports development of innovative financial business models

- Develop Multi-Year Plan for the Office of Economic Growth and Innovation
- Engage with Fintech and Support Innovation in Capital Markets.

### GOAL 4: Strengthen Our Organizational Foundation

- Continue Re-development of CSA National Systems
- Modernize OSC Technology Platform
- Ensure Competitiveness and Clear Service Standards
- Improve Efficiency and Regulatory Responsiveness through Internal Innovation.

# STRATEGIC DIRECTION

## Current and Future Programs and Activities

The OSC Statement of Priorities sets out four strategic goals along with the proposed actions to implement the objectives and planned outcomes. The 2019–2020 OSC priorities, along with specific actions and expected outcomes, have informed the 2020-2021 to 2022-2023 Business Plan process, and are set out below. Many of these priorities include input from, and consultation with, third parties.

### GOAL 1: Promote Confidence in Ontario’s Capital Markets

The OSC shares the Ontario government’s commitment to making Ontario’s capital markets globally competitive and making Ontario an attractive place in North America in which to invest, grow businesses and create jobs. We will promote confidence in Ontario’s capital markets among market participants and investors by engaging and educating investors; exercising effective compliance oversight; and pursuing timely and vigorous enforcement. To achieve globally competitive, efficient and strong capital markets and a regulatory system that attracts investment from around the world will require the OSC to effectively balance the need to streamline capital raising for businesses, while protecting investors from financial system risk and misconduct.

#### Key Priorities to Achieve this Goal

##### 1.1 Implement Client Focused Reforms

Regulatory reforms to NI 31-103 to improve the client/registrar relationship were published in final form in 2019. There will be a phased transition period. Amendments relating to conflicts of interest and the associated relationship disclosure take effect on December 31, 2020, and the remaining changes take effect on December 31, 2021.

Under the amendments, registrants will be required to:

- Address material conflicts of interest in the best interest of the client
- Put the client’s interest first when making a suitability determination
- Do more to clarify what clients should expect from registrants.

#### Actions will include:

The OSC, with other CSA jurisdictions, will establish an implementation committee to provide guidance, respond to questions and otherwise assist registrants to operationalize the client focused reforms.

#### Planned Outcomes:

- Investors will benefit from registrants addressing material conflicts of interest in their best interest
- Registrants have to consider specific factors when deciding whether an investment product is suitable and their recommendations “put the client’s interest first”
- Investors will receive greater clarity around the products and services they can expect from their registrants. Registrants will need to:
  - explain the potential impact on a client’s investment returns from management expense fees or other ongoing fees connected with the investment product (and their effect of compounding over time)
  - provide investors with more information about any restrictions on a client’s ability to liquidate or resell an investment product
- Increased investor confidence in the industry by better aligning industry

conduct with investors' expectations, as reflected by fewer compliance review information collection, inadequate KYP due diligence and unsuitable investment recommendations

### **1.2 Continue CSA Policy Consultations on Mutual Fund DSC and OEO Embedded Commissions**

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The OSC, with our CSA colleagues, will work to finalize CSA and OSC policy proposals on the payment of mutual fund deferred sales charges (DSC), and embedded commission when no suitability assessment determination is made on Order Execution Only dealer platforms (OEO).

#### **Actions will include:**

- Working with the CSA on next steps
- Continuing the dialogue and discussion with key stakeholders

#### **Planned Outcomes:**

- Mitigation of DSC sales practices that are harmful to investors
- A reduction in Series A sold on OEO platforms.

### **1.3 Improve the Retail Investor Experience and Protection**

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As described in the Five-Point Plan, the OSC will identify ways to improve the investor experience and investor protection. Efforts will focus on engaging stakeholders, identifying appropriate areas for improvement, and acting to make changes that would ensure investors have a positive experience and are better-informed when making investment decisions. Collectively, these efforts are intended to lead to greater investor protection and help reduce fraud. A range of initiatives will be completed in support of this priority:

#### **Actions will include:**

- Stakeholder consultations on ways to improve the investor experience, including opportunities to streamline disclosure and make it easier to comprehend and act on; applying behavioural insights and user testing to

findings related to inadequate KYC

improve the design of disclosures and investor interfaces; enhancing the OSC's investor education efforts; and, facilitating innovations in the financial sector

- Expanded investor education and financial literacy activities
- Continued implementation of the OSC Seniors Strategy, including the development of a regulatory framework to address issues of financial exploitation and cognitive decline among older and vulnerable investors
- Continued expansion of the use of behavioural insights in OSC policy work
- Collaboration on financial literacy initiatives with the Government of Ontario, including the Ministry of Finance, Ministry of Education, and Ministry of Seniors and Accessibility.

#### **Planned Outcomes:**

- Consultation paper on ways to improve the investor experience published for comment
- Regulatory framework to address issues of financial exploitation and cognitive decline among older and vulnerable investors published for comment
- Timely and responsive investor research conducted and published
- Effectiveness of OSC policies and programs improved through integration of behavioural insights
- OSC expertise informs enhancements to the financial literacy curriculum.

### **1.4 Continue to Expand Systemic Risk Oversight**

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The OSC will continue to build its regulatory framework for systemic risk oversight through various policy and operational initiatives.

**Actions will include:**

- Subject to Ministerial pre-approval, publish amendments to the Business Conduct Rule for derivatives dealers, limiting the scope of rule and outlining jurisdictions that will be granted equivalency
- Work with CSA on the next version of the proposed Derivatives Dealer Registration Rule
- Establish a monitoring regime for data relevant to the applicability of proposed margin rule for uncleared derivatives to Ontario entities
- Propose amendment to the Trade Reporting rule with respect to internationally adopted data standards
- Subject to Ministerial pre-approval, publish a revised version of the Clearing Rule and Companion Policy, for comment.

**1.4.1 Ongoing Clearing Related Developments**

Identify and assess clearing developments to determine the need for regulatory responses.

**Actions will include:**

- Revised incident management framework for clearing agencies in place
- Continue to monitor developments regarding segregation and portability for exchange traded derivatives.

**1.4.2 Conduct Compliance Reviews of OTC Derivatives Rules (Trade Reporting, Clearing, Segregation & Portability)**

Improve quality of trade reports to enhance ability to meet systemic risk monitoring and enforcement assistance objectives.

**Actions will include:**

- Develop compliance review program for Clearing Rule
- Complete Central Counterparty (CCP) compliance review
- Create data quality reports to inform which reporting counterparties to review and to evaluate data quality
- Complete targeted compliance reviews of five Canadian banks

- Conduct ad hoc compliance reviews in response to the receipt of non-compliant data.

**1.4.3 Enhanced data analytics to support Systemic Risk Oversight**

Design and implement a framework for analyzing over-the-counter (OTC) derivatives data for systemic risk oversight and market conduct purposes including development of analytical tools and the creation of snapshot descriptions of the Canadian OTC derivatives market.

**Actions will include:**

- Design and build an enhanced derivatives data mart that ingests and relates data from multiple reporting entities
- Design and operationalize reports to support systemic risk analysis and market conduct and compliance reviews
- Publish network analysis on credit markets
- Provide inter-provincial data support and analytics.

**1.4.4 Market Disruption Plan**

Continue to operationalize the market disruption plan including testing and updating.

**Actions will include:**

- Conduct oversight on key risk or critical areas for infrastructure entities (including cyber resilience and preparedness).

**Planned Outcomes:**

- Amendments to the Business Conduct Rule for derivatives dealers published
- Measurable improvement in trade reporting completion statistics
- Expanded database development completed
- Operational procedures for new compliance and oversight processes documented
- New templates for systemic risk analysis operationalised
- Increased use of analytical support for internal reporting, presentations,

research, inter-agency projects and policy development.

### **1.5 Bring Timely and Impactful Enforcement Actions**

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The OSC will promote confidence in Ontario's capital markets by increasing the deterrent impact of OSC enforcement actions and sanctions by actively pursuing timely and impactful enforcement cases to address serious securities laws violations. This work requires greater access to data and more sophisticated surveillance and analysis tools to more effectively evaluate compliance with regulatory requirements and identify misconduct. The OSC is proactively seeking out and engaging entities involved in harmful misconduct and taking action to disrupt or stop these activities at the earliest stage to reduce investor harm.

#### **Actions will include:**

- Focus investigative and litigation resources on cases that are expected to have a strong regulatory impact and are aligned with our strategic priorities
- Continue to identify and develop surveillance and analytical tools
- The quasi-criminal team will work in cooperation with policing partners and continue to focus on fraudulent behaviour and recidivism
- Proactive and timely disruption activities that mitigate or stop investor harms
- The Whistleblower team will triage tips to focus action on impactful enforcement proceedings with effective regulatory messages.

#### **Planned Outcomes:**

- Implementation of new tools supports increased use of data to support case selection and investigation decisions
- Enhanced profile for the OSC Whistleblower Program increases the number of credible tips
- Increased number of visible, effective disruption actions completed
- Increased visibility of priority case outcomes with strong regulatory

messages aligned with OSC strategic priorities

- Improved use of data analytics in market conduct cases to strengthen the detection of harmful conduct.

### **1.6 Enhance Economically Focused Rule-Making**

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As indicated in the Five-Point Plan, the OSC will support economically focused rule-making through the performance of rigorous cost-benefit analysis which weighs the economic costs against benefits to stakeholders.

#### **Actions will include:**

- Apply a more comprehensive and structured approach to conducting robust cost-benefit analysis for all OSC rule-making initiatives that includes qualitative and quantitative analysis of anticipated costs and benefits
- Provide analytical support and advice on impact analyses for regulatory initiatives
- Conduct retrospective reviews of past regulatory changes to assess if intended impacts were achieved.

#### **Planned Outcomes:**

- High quality analyses are delivered within agreed timelines
- Rule-making is supported by impact analyses that confirms that the costs of the proposed changes are proportionate to the benefits sought are aligned with the OSC's mandate
- Post-implementation reviews confirm that no major potential impacts were missed in the initial analysis
- Reviews will confirm whether the intended benefits have been achieved and if further policy change should be considered
- Published analysis generates positive feedback from internal and external stakeholders.

### **1.7 Support Transition to the Cooperative Capital Markets Regulatory System (CCMR)**

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The OSC will continue to commit resources to support implementation of the CCMR as a streamlined capital markets regulatory system to make our capital markets more efficient and competitive relative to other countries facilitate more effective monitoring and responses to systemic risk on a national basis and provide investors timely and uniform protections across jurisdictions.

#### **Actions will include:**

- Re-prioritize, mobilize resources and adopt change management activities once workstreams are activated to prepare for the CCMR launch
- Participate with other CCMR partners to complete the work to develop effective legislation, regulations and efficient regulatory oversight processes.

#### **Planned Outcomes:**

- OSC is ready to seamlessly transition to the CCMR.

### **GOAL 2: Reduce Regulatory Burden**

The OSC formed a Burden Reduction Task Force in November 2018, in coordination with the Ontario government. The Task Force's mandate was to identify ways to enhance competitiveness for Ontario businesses by saving time and money for issuers, registrants, investors and other capital market participants. Its work is a major component of the Five-Point Plan for creating confidence in Ontario's capital markets.

#### **Key Priorities to Achieve this Goal**

##### **2.1 Complete Actions Identified in the OSC Burden Reduction Plan**

In November 2019, the OSC published the report: "Reducing Regulatory Burden in Ontario's Capital Market" ("Report") noting concerns raised by stakeholders and the planned actions the OSC will undertake to address them.

#### **Actions will include:**

- Complete the burden reduction items identified in the Report for completion by the planned dates
- Engage in further study on the items identified for follow up in the Report
- Issue regular status updates on the progress against the actions promised in the Report.

#### **Planned Outcomes:**

Visible and tangible results of burden reduction efforts will include:

- New tools and use of technology to assist with navigating the regulatory process
- More transparency around our processes
- More manageable timelines for certain filings
- Greater clarity and flexibility on what is required to fulfill regulatory requirements
- Less duplication of requirements and form filings
- Improved coordination of reviews
- A more tailored regulatory approach that takes into account the size and type of businesses
- Clearer communication from staff
- Enhanced service levels
- Improved coordination between the OSC and our regulatory partners
- Rules and guidance that are easier to read and understand
- Information that will be easier to find and better organized on our website.

### **GOAL 3: Facilitate Financial Innovation**

The OSC will continue to develop flexible regulatory approaches and improved access to services and support for investors looking to establish or expand their businesses in Ontario. These efforts will build on the progress to date supporting fintech innovation in Ontario. This includes creating

an environment that supports emerging financial technology, ensuring investor protection, while creating flexible and proportionate regulatory approaches.

## **Key Priorities to Achieve this Goal:**

### **3.1 Develop Multi-Year Plan for the Office of Economic Growth and Innovation**

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Under the Five-Point Plan the OSC created an Office of Economic Growth and Innovation. This office will collaborate with businesses and other regulators to support innovation, through OSC Launchpad, facilitate capital formation and regulatory burden reduction, and promote the implementation of technology to reduce costs and accelerate innovation in financial services.

#### **Actions will include:**

- Identify and recommend improvements to processes, programs and decision-making at the OSC that will contribute to economic growth and innovation and develop performance measures that can be used to show evidence of successful delivery
- Oversee the process for ongoing identification of opportunities to reduce regulatory burden including conducting outreach programs with market participants to solicit their insight and input
- Develop and implement innovation programs for the OSC to test innovative ideas
- Monitor innovation and economic growth initiatives and engage actively with innovation hubs and similar groups within relevant, domestic and global regulatory organizations.

#### **Planned Outcomes:**

- The Office of Economic Growth and Innovation is fully operational and delivering on its mandate
- Accelerated innovation in financial services through proliferation of

technology, reduced costs and increased competition

- Impacts of regulatory actions are assessed in the context of small or medium-sized market participants
- Increased innovation supports capital formation and economic growth within Ontario.

### **3.2 Engage with Fintech and Support Innovation in Capital Markets**

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The OSC will continue to engage with the fintech community to better understand their needs and help them understand the regulatory requirements that apply to their businesses. In addition, through LaunchPad, the OSC will provide direct support to innovative fintech businesses in navigating the regulatory requirements and potentially provide flexibility in how they meet their obligations (e.g. give exemptive relief, provide guidance in how to comply within new business models).

#### **Actions will include:**

- Evaluate additional tools to assist fintech firms that want to test novel products and services
- Identify issues and potential regulatory gaps relating to fintech developments and integrate learnings from working with innovative businesses
- Issue guidance and notices on key issues affecting these businesses
- Work with the OSC Fintech Advisory Committee to ensure we are responsive to unique issues faced by innovative businesses
- Engage with other international regulators that have similar innovation initiatives to better understand international trends and developments
- Establish and maintain a dedicated webpage to provide the fintech community with important insights and information into securities law requirements including information for

start-ups on whether and how securities regulations may apply to their business

- Work with the CSA Sandbox to issue timely approvals for Ontario fintech businesses to operate in Canada as registered firms (offering novel products and services) or marketplaces.

#### **Planned Outcomes:**

- Costs and time to market for innovations are reduced
- Potential tools are identified, assessed and implemented
- Learnings from working with innovative businesses are used to modernize regulation for the benefit of Ontario businesses
- Positive feedback from stakeholders regarding guidance issued and support provided to fintech businesses
- OSC LaunchPad website launched. Updates reflect new fintech-related notices, news releases or guidance.

### **GOAL 4: Strengthen Our Organizational Foundation**

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The OSC regulates and supports an ever-changing and highly competitive financial sector. To meet these challenges the OSC requires a strong organizational foundation of people, systems and data management and analytics.

The OSC continues to enhance its workforce by seeking staff with strong data-gathering, intelligence, and analytic capabilities who can proactively identify emerging issues, especially when those issues do not fit established patterns. The OSC, like many other businesses, faces significant challenges to attract and retain staff with these skills as it operates in a competitive market where demand for talent is high. The OSC also needs robust systems to manage high volumes of data and support advanced data analytical techniques to uncover patterns and detect non-compliance. Successfully addressing these challenges will position the OSC to provide efficient and effective regulation that delivers better outcomes.

## **Key Priorities to Achieve this Goal**

### **4.1 Continue Redevelopment of CSA National Systems**

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Redevelopment of the CSA national systems (now labelled as 'SEDAR+') is a critical foundation for the OSC to become a more data analytic-focused and evidence-based regulator.

#### **Actions will include:**

- Support the CSA initiative to implement SEDAR+, a modern, accessible, integrated, searchable, secure, robust database and system to deliver capabilities that support existing regulatory requirements and can be easily modified to support the future needs of market participants and regulators
- Amend the CSA Systems Rule and CSA Systems Fee Rule
- Complete work on OSC local systems and related processes, workflows and policies to ensure they are aligned with SEDAR+ when it is launched.

#### **Planned Outcomes:**

- Launch of SEDAR+ meets the needs of users and is aligned with the OSC local systems
- Improved operational functions and more efficient service delivery to market participants
- CSA Systems Rule and CSA Systems Fee Rule are completed within applicable timelines.

### **4.2 Modernize OSC Technology Platform**

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The OSC has planned several strategic initiatives to modernize its technology platforms and safeguard information to support new approaches to its regulatory work and improve efficiency in delivering regulatory outcomes.



#### **4.2.1 Data Management Program**

The OSC will continue to pursue its multi-year Data Management Program (DMP) to support new business systems, new approaches to regulatory work and improve efficiency in delivering regulatory outcomes.

##### **Actions will include:**

- Continued development of OSC business workflow applications that are integrated with SEDAR+
- Improved data reporting and analytics
- Continuation of OSC Data Governance activities with additional data elements added
- Enhanced derivatives database developed with improved reporting and analytics.

#### **4.2.2 Systems Modernization and IT Resilience**

Significant IT modernization investments for infrastructure services and enterprise software are planned.

##### **Actions will include:**

- E-Forms Portal and E-Hearing system replacement
- OSC Website redevelopment
- On-going platform currency upgrades and improvements to various internal operational systems.

#### **4.2.3 Information Security Program**

The OSC will continue to implement an Information Security Program that is aligned with the National Institute of Standards and Technology cybersecurity framework.

##### **Actions will include:**

- Improve ongoing information security operations and remediation of information security risks
- Implement additional information security tools and technology
- Continue on-going information security awareness training for all staff.

##### **Planned Outcomes:**

- Successful implementation of the OSC DMP enables improved quality

management and usage of OSC data

- Implementation of additional tools and technologies facilitates improved data management and analytics
- Ongoing platform currency and upgrade activities completed as required
- Successful implementation of the Information Security Program results in secure operations of OSC systems.

#### **4.3 Ensure Competitiveness and Clear Service Standards**

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The OSC will continue to strive to achieve a global standard of excellence in securities regulation.

##### **Actions will include:**

- Report on metrics that track the competitiveness of Ontario's capital markets relative to other jurisdictions
- Enhanced and expanded service standards will be introduced covering a broader range of regulatory processes and services
- Results against those standards will be tracked relative to securities regulators in leading jurisdictions.

##### **Planned Outcomes:**

- Improved understanding of relative competitiveness of Ontario capital markets
- Better service and trend analysis
- Improved transparency for stakeholders.

#### **4.4 Improve Efficiency and Regulatory Responsiveness through Internal Innovation**

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The OSC recognizes and believes in the value to be gained by reforming internal processes and deliver better services. The OSC will undertake internal reviews of its regulatory processes to identify opportunities to improve accessibility, save time or money and make interactions with businesses easier and more efficient.

**Actions will include:**

- Provide a framework, shared standards and tools to effectively adapt to complex change and realize business benefits
- Support staff to proactively identify and remove barriers to change
- Assess OSC internal regulatory processes and address key process inefficiencies
- Increase the use of on-line applications that save time and reduce the occurrence of missing information.

**Planned Outcomes:**

- Interactions with businesses are easier and more efficient
- Enhanced service/innovation culture in the OSC
- The OSC demonstrates the ability and capacity to deliver transformational change on complex projects and initiatives.

# RISKS

## Key Risks and Mitigation Strategies

The OSC must manage a growing range of risks arising from the pace of change and the continuing evolution and 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 in November 2012.

### Key Components of the OSC Risk Management Framework

The goal of the framework is to embed risk management 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 that it:

- Promotes a risk awareness culture within the OSC
- Aligns the OSC's risk appetite with its strategic direction
- Identifies and manage enterprise-wide risks
- Provides important input into setting the OSC's strategic direction and business plan
- Allows for proactive management of risk, improvements to performance measures, prioritization of initiatives and more strategic allocation of resources.

### Strategic Risks

Strategic risks can relate to threats to the OSC's reputation, strategy, regulatory operations or failure to take advantage of opportunities. The OSC seeks to sufficiently

mitigate the strategic and business risks that are most likely to impair achievement of our mandate. The OSC's Enterprise Risk Inventory is a key input to our risk management and business planning processes.

### Enterprise Risk Inventory

Information gathered through the risk management process is captured in the OSC's Enterprise 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 could affect our ability to do our work. The Risk Steering Committee, comprised of OSC senior and executive management, reviews the Enterprise Risk Inventory each quarter to identify any significant changes in the OSC risk profile, including any new or emerging risks. This information is reported to the Risk Committee of the Board, 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 monitoring ongoing control of operational risks by ensuring appropriate procedures, internal controls and processes, other necessary actions and compliance measures are undertaken.

The OSC's *Code of Conduct* and governance practices were established by its Board of Directors and are available at [www.osc.gov.on.ca](http://www.osc.gov.on.ca).

### **Internal Audit**

OSC Internal Audit is an assurance and advisory service to the Board of Directors and to management. The internal audit function is governed by an Internal Audit Charter approved by the OSC's Board of Directors and by an annual internal audit plan that is approved by the Board. Quarterly reports and updates are given to the Risk Committee of the Board and an annual report on the results of all internal audit engagements is given to the Board of Directors.

### **Operational Risks**

#### **Systems Risk**

The OSC's Information Services group regularly monitors and reviews the OSC's systems and infrastructure to maintain optimal operation. The OSC also performs regular security and vulnerability assessments to highlight potential areas of risk. All key recommendations are tracked and the progress to address these findings is reported to the Risk Committee of the Board. The OSC has an Information Security Office and a Chief Information Security Officer responsible for designing, implementing and maintaining the OSC's information security program.

The OSC relies on the CSA national systems for many regulatory filings and some fee collection services. These systems are operated by CGI. The CSA requires CGI to provide an annual third-party audit report (CSAE 3416 – Type II) that reviews and evaluates the internal controls design, the effectiveness of the national systems and CGI's outsourcing operations. CGI is also

required to have an operating disaster recovery site for operating these systems and to test it annually.

#### **Business Continuity**

The OSC has a detailed Business Continuity Plan (BCP) to ensure critical regulatory services can continue if internal or external disruptions occur. The BCP is continually reviewed and refined and includes strategies to effectively address various market disruption scenarios. The most recent OSC Disaster Recovery test was performed in April 2019.

#### **Financial Risk**

The OSC maintains strong internal financial 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. Market fluctuations continue to affect our ability to precisely forecast revenue; however, this risk is not expected to impair our operations.

#### **Legal Risk**

Occasionally, the OSC is involved in defending legal proceedings arising in the ordinary course of business.

### **Key Risks and Mitigating Controls**

The key risks sorted by risk category, along with the mitigating controls, are listed in the following table.

## Key Risks and Mitigating Controls

Risk Category	Risk	Risk Description	Mitigating Controls
<b>Strategic</b>	Data Management and Analytics	Management is unable to access sufficient/appropriate data, or analyze it to achieve market intelligence and increase productivity and efficiency which may significantly affect the management of the organisation's core operations and achievement of strategic plans	<ul style="list-style-type: none"> <li>Increased use of metrics and performance in internal and external reporting.</li> <li>OSC Data Management Program (DMP) underway to build a fit for purpose data governance framework and approach to data management including establishment of an Enterprise Data Management Office.</li> </ul>
<b>Regulatory Effectiveness</b>	Regulatory Burden	OSC regulations, processes and/or operational systems impede fair and efficient markets and inhibit capital formation	<ul style="list-style-type: none"> <li>Regulatory impact analyses completed for all new policies to assess different policy-making options, including maintaining the status quo</li> <li>Dedicated regulatory burden reduction initiative in place to reduce burden while promoting investor protection.</li> </ul>
<b>Regulatory Effectiveness</b>	Enforcement Effectiveness	Case management and execution procedures fail to identify critical issues, are significantly misaligned with strategic priorities and have undue delays in the investigation and prosecution of cases	<ul style="list-style-type: none"> <li>Triage process identifies key issues for investigation</li> <li>Office of the Whistleblower in place to enhance sources of credible cases.</li> </ul>
<b>Regulatory Effectiveness</b>	Quasi Criminal and Criminal Activity	Criminal and quasi criminal misconduct involving securities law violations occurs on a scale that could cause significant harm to investors or the integrity of the markets	<ul style="list-style-type: none"> <li>Dedicated staff with law enforcement investigation and prosecution experience identify, investigate and prosecute criminal and quasi-criminal misconduct within the mandate of the OSC</li> <li>Strict internal protocols in place to ensure required integrity of evidence and processes separate from regulatory enforcement work.</li> </ul>
<b>Regulatory Effectiveness</b>	Securities Frauds & Scams by Market Participants	A large-scale securities fraud is perpetrated by a market participant	<ul style="list-style-type: none"> <li>Controls in place for oversight, compliance and enforcement activities involving market participants</li> <li>Timely review of all complaints and tips received by the OSC about potential regulatory violations</li> <li>Whistleblower program incentivizing reporting of fraudulent activities.</li> </ul>

<b>Regulatory Effectiveness</b>	Oversight of Registrants	Oversight of registrants fails to timely detect and address significant non-compliance with regulation	<ul style="list-style-type: none"> <li>• Robust registration process in place with pre-registration reviews conducted on all applicants</li> <li>• Registrant guidance and outreach programs reinforce expectations for KYC/KYP and suitability among other topics</li> <li>• Review and analysis of all financial statements and capital calculations filed by registrants</li> <li>• Co-ordination with SROs to promote consistent compliance oversight</li> <li>• Participation in CSA Sandbox and other regulatory bodies focused on fintech.</li> </ul>
<b>Operational</b>	CSA Project Delivery	OSC is unsuccessful in delivering on major CSA projects (objectives, scope, budget or schedule)	<ul style="list-style-type: none"> <li>• CSA Policy Coordination Committee (PCC) reviews and prioritizes all new potential policy initiatives</li> <li>• Robust project management in place for key initiatives</li> <li>• Identification of resource allocations and cross-CSA dependencies</li> <li>• Ongoing engagement and monitoring of policy work by CSA Chairs, CSA Executive Directors, OSC and PCC.</li> </ul>
<b>Operational</b>	OSC Project Delivery	OSC is unsuccessful in delivering on major business projects (objectives, scope, budget or schedule)	<ul style="list-style-type: none"> <li>• Project management in place for key initiatives</li> <li>• Identification of resource allocations and cross-Commission dependencies.</li> <li>• Budgets, forecasts are developed and maintained</li> <li>• Scope management tightly maintained</li> <li>• Projects reviewed, assessed and ranked based on well-defined business cases aligned to the OSC strategic objectives</li> <li>• Regulatory impact analyses performed at early stages to assess if policy solution is appropriate.</li> </ul>
<b>Operational</b>	Data Protection and Privacy	OSC's data protection and privacy controls are compromised or ineffective in protecting confidentiality, integrity and availability of data	<ul style="list-style-type: none"> <li>• Dedicated information security Office with policies, procedures and controls in place</li> <li>• Multi-year information security operations roadmap formulated.</li> </ul>

<b>Operational</b>	Cyber Security	A significant cyber security incident occurs at the OSC	<ul style="list-style-type: none"><li>• Dedicated Information Security Office with policies, procedures and controls in place</li><li>• Multi-year information security operations roadmap formulated, adhering to the National Institute of Standards and Technology (NIST) cybersecurity framework.</li></ul>
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# HUMAN RESOURCES

## 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. The OSC Human Resources Plan has four main goals.

Area of Focus	Strategies/Plans
Build an attractive, modern and high-performing workplace	<ul style="list-style-type: none"> <li>• Sustain and build on strong employee engagement through focused employee survey response initiatives</li> <li>• Establish and administer compensation practices that support attraction and retention of employees with the skills and experience required to effectively regulate the capital markets and deliver on the OSC mandate and priorities; including benchmarking against the talent market from which we recruit (a blend of public, private and financial services organizations in the GTA)</li> <li>• Continue to build a healthy and inclusive OSC community</li> <li>• Continue to advance Benefits Sustainability Strategy.</li> </ul>
Develop great talent managers	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
Support successful organizational change and continuity	<ul style="list-style-type: none"> <li>• Develop and implement a strategic workforce plan that addresses current and emerging talent needs:               <ul style="list-style-type: none"> <li>○ Identifying, monitoring, and managing talent risks to mitigate impact on operations</li> <li>○ Expanding staffing approaches and employment relationships to increase the OSC's ability to attract, retain and leverage staff with specialized skills and experience</li> <li>○ Continuing to strengthen and build on succession planning and talent mapping practices to ensure a robust talent pipeline for critical roles across the organization</li> <li>○ Continuing to deliver targeted talent development programs including leadership, coaching and skills-based learning, thereby strengthening organizational performance. The focus for this year will be on data analytics and change management.</li> <li>○ Continue to develop a culture of learning and development that provides professional and career growth and enables delivery of effective regulation.</li> </ul> </li> <li>• Implement change management programs and practices that enable employees to effectively achieve business outcomes in a complex business environment, including:               <ul style="list-style-type: none"> <li>○ Provide employees with training and access to information, tools and resources that support them in adapting to and leading change</li> <li>○ Incorporate a consistent change methodology across key initiatives to support successful project planning and execution.</li> </ul> </li> </ul>



Area of Focus	Strategies/Plans
Provide first class fundamental HR services	<ul style="list-style-type: none"> <li>• 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</li> <li>• Continue to monitor and report on an “OSC People” dashboard with metrics to guide decision-making</li> <li>• 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.</li> </ul>

# COMMUNICATIONS

## Communications and Public Affairs Plan

### Strategic Focus

- Prioritize consultation, communication and interaction with stakeholders about the OSC's ongoing work to reduce regulatory burden
- Build on current listening strategies to understand stakeholders' preferred communications channels and develop tailored approaches in response
- Clearly and consistently articulate OSC priorities and outcomes to both internal and external audiences
- Focus on key priority topic areas (specifically, reducing burden, modernizing regulation, promoting market confidence, facilitating innovation, financial stability) and ensure consistent delivery of key messages across all channels
- Deliver transparent and measurable communications such that investors and other stakeholders understand what we do, how we do it and are actively engaged in our work
- Ensure maximum reach by delivering integrated communications strategies, leveraging all tools, resources and channels (including digital communications and enterprise social media).

### External Communications and Outreach

The OSC is open to stakeholder feedback and works to ensure market participants and investors are familiar with our processes, points of contact, priorities and practices. The OSC has a comprehensive stakeholder communications strategy with emphasis on integrated communications and relationship development with industry and stakeholder groups.

The Communications Branch organizes and oversees corporate events and roundtables that demonstrate thought leadership, engage stakeholders and drive the discussion around OSC priorities and strategic initiatives. They advise regulatory branches on corporate outreach (e.g. policy roundtables, webinars, one-on-one meetings) to ensure communications objectives are achieved, through content development and executive remarks that clearly articulate OSC key messages and priorities.

### OSC Dialogue

Each year, OSC Dialogue attracts 400 senior market participants and garners significant media coverage. The event features plenary discussions with internationally recognized thought leaders and leading policy experts from around the world.

The theme of Dialogue 2019 was Regulation for Confidence and Growth and the event explored how confidence in capital markets underpins the ability to create value, build wealth and fuel innovation in Ontario. Speakers included the Hon. Rod Phillips, Minister of Finance, Stephen S. Poloz, Governor of the Bank of Canada; OSFI Superintendent Jeremy Rudin; and Robert Cook, FINRA President and CEO.

Planning is underway for OSC Dialogue 2020.

### Public Affairs

The Communications Branch also develops and implements communications strategies to ensure the OSC's priorities, policies and initiatives are clearly communicated to market participants and investors, and aligned with government priorities, including burden reduction. They seek out

opportunities to maximize visibility on burden reduction using all available channels and platforms, including media, digital communications tools and social media. They also develop communications strategies to mitigate issues that pose risks to public confidence in Ontario's capital markets.

### **Internal Communications**

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OSC internal communications focuses on continued improvements in staff engagement. The focus this year will be on engaging staff in burden reduction efforts and other OSC priorities (e.g. town hall meetings and Q&A sessions with executives) and intranet enhancements that will enable greater collaboration, streamline communication, enhance productivity and increase stakeholder usability.

### **OSC Website Redevelopment**

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Updates to systems, processes, and content are needed to realize efficiencies, comply with accessibility standards, and adapt to changing stakeholder needs. The redevelopment of OSC's website, [www.OSC.ca](http://www.OSC.ca), will replace aging technology, improve security, streamline content, enhance search capability, improve usability and meet accessibility standards. The OSC will address high priority fundamental improvements and build capacity to support new content formats in the future. The redevelopment will focus on improved service delivery to market participants and investors by streamlining and simplifying online communications.

# METRICS

## Performance Measurement

Effective performance measurement provides insights into operations, supports planning and decisions, promotes a culture of accountability and allows for the monitoring of performance.

### Performance Measures

The OSC tracks performance against a series of measures. These measures include input, activity, output, and outcome measures (as noted in the Strategic Direction section of this Plan).

Examples of input, activity and output measures includes volume measures such as the number of prospectus filings reviewed, number of compliance reviews completed, transaction turnaround times, service standards and project progress. Tracked over time, these measures support trend detection, identification of issues and emerging risks, project management, workload management and more effective resource allocation.

Outcome measures indicate whether the OSC's statutory objectives, strategies and goals are being achieved. The impact of regulation, supervisory activity and interventions are more complex to quantify as they occur over time and are often less tangible and the result of multiple factors. For market-facing activities, outcomes are measured for example in terms of compliance rates (e.g. as measured by the number of significant findings in compliance reviews and number and type of misconduct cases identified), number and type of investor complaints, changes in investor literacy rates and successful enforcement outcomes. For internal operations, the OSC measures outcomes for example in terms of employee retention and satisfaction rates and adherence to budget.

In addition, the OSC conducts regulatory impact studies. These involve qualitative and quantitative analysis of the benefits and costs of regulation and are conducted in advance of the introduction of a new rule and increasingly post-implementation to assess medium to long-term impact of implemented rules. In line with the Five-Point Plan, the OSC is expanding its efforts in this area with a view to improving stakeholder engagement and increasing transparency of the impacts of new rules.

Complementary to these measures, the OSC tracks a wide range of indicators pertaining to the economic and market environment (e.g. composition of the regulated population, levels of market activity). These indicators provide critical contextual information that help explain trends and variances in relation to input, activity, output and outcome measures. The OSC also tracks various information relating to investor outreach, education and the impacts achieved through the Investor Office.

### Performance Reporting

The OSC produces regular performance reporting both internally and externally. Internally, the OSC has management and corporate reporting to the Executive and the Board on a quarterly basis. OSC Branches have defined indicators for the quarterly management reports. Reports are continually refined to support focused and insightful discussion of both policy and operations. Externally, the OSC is committed to accountability and transparency to stakeholders and uses a range of approaches and reporting tools to support this objective.

Each year the OSC publishes its Statement of Priorities which sets out the OSC's priorities and specific initiatives in connection with the administration of the *Securities Act* (Ontario). Stakeholders are given an opportunity to comment on the draft document before it is published and delivered to the Minister of Finance. The Statement of Priorities also identifies specific activities and key planned outcomes for each priority. The key activities and planned outcomes from the 2019-2020 Statement of Priorities are found in the "Strategic Direction – Current and Future Programs and Activities" section of this Business Plan.

The OSC also publishes an online report on its progress against the matters identified in

the Statement of Priorities from the previous fiscal year.

The OSC publishes an Annual Report on its operations. This is complemented by other Branch-specific annual reports, such as the Compliance & Registrant Regulation Annual Report, the Corporate Finance Annual Report and the Investment Funds Practitioner.

The OSC annually publishes the "OSC Service Commitment - Our Service Standards and Timelines", a detailed performance report against a broad range of service targets. This document is available on the OSC [website](#). Refer to the next section for discussion regarding metrics for Service Commitment.

# METRICS

## Service Commitment


### OSC Service Commitment Metrics

The OSC reports annually against its "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 has performed against the target timelines during the first three quarters of the 2019-2020 fiscal year. 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 throughout the entire year. The notes section provides an explanation where a target has not been met.

As part of the government's Five-Point Plan and the OSC's "Reducing Regulatory Burden in Ontario's Capital Market" ("Report"), the OSC has committed to enhance and expand on service standards. The results against those standards will be tracked relative to securities regulators in leading jurisdictions. The OSC will be undertaking the review of its service standards over the next year. Progress on this review will be included as part of the regular status updates on the progress against the actions promised in the Report.





#### Status Legend

Service indicator met  Service indicator not met 

### Investment Funds and Structured Products

Activity	Target	Q1	Q2	Q3	Q4	Status	Notes
Prospectus comment letters completed	80% within 10 business days	100%	100%	100%			
Prospectus reviews completed	80% within 40 business days	100%	95%	100%			
Exemption applications completed	80% within 40 business days	92%	100%	96%			
Amendments to comment letters completed	80% within 3 business days	98%	100%	100%			
Amendments to receipts completed	80% within 40 business days	100%	100%	100%			

### Human Resources & Corporate Services – Records and Information Management

Activity	Target	Q1	Q2	Q3	Q4	Status	Notes
Incoming OSC record requests acknowledged	100% by end of the next business days	100%	100%	100%			
OSC record requests completed	100% within 5 business days	100%	100%	100%			
Incoming registration record requests acknowledged	100% by end of the next business days	100%	100%	100%			
Registration record requests completed	100% within 5 business days	100%	100%	100%			

### Regulatory Strategy and Research - Inquiries and Contact Centre

Activity	Target	Q1	Q2	Q3	Q4	Status	Notes
Telephone inquiries addressed	Within the same day / on the spot	96%	97%	96%			<ul style="list-style-type: none"> <li>Quarterly results exceed industry standards</li> <li>3% of calls abandoned &lt;10 seconds and are out of the Contact Centres control (e.g. robocalls, lost signal)</li> <li>1% of calls abandoned due to unpredictable variable spikes in call volumes that can occur during the day.</li> </ul>
Written inquiries/complaints addressed	Within 3 business days	95%	97%	98%			<ul style="list-style-type: none"> <li>98% completed within 3 business days. A small percent of written inquiries was completed after three days due to complexity or novel issues.</li> </ul>

## Corporate Finance

Activity	Target	Q1	Q2	Q3	Q4	Status	Notes
Prospectus (long form) comment letters completed	80% within 10 business days	100%	100%	100%			
Prospectus (short form) comment letters completed	80% within 3 business days	93%	100%	100%			
Prospectus receipts completed	80% within 40 business days	100%	100%	100%			
Exemption applications completed	80% within 40 business days	100%	94%	100%			
Final prospectuses received	100% of materials filed by noon	100%	100%	100%			
Amendments to comment letters completed	80% within 3 business days	100%	100%	100%			
Amendments to receipts completed	80% within 40 business days	100%	100%	100%			

## Compliance & Registrant Regulation

Activity	Target	Q1	Q2	Q3	Q4	Status	Notes
New business applications acknowledged	95% within 5 business days	100%	100%	100%			
New business applications evaluated	80% within 90 business days	100%	100%	100%			
New individual (dealing representatives) applications evaluated	80% within 5 business days	88%	91%	99%			
New individual (advising representatives, CCOs) applications evaluated	80% within 20 business days	82%	90%	90%			
Notices of employment termination completed	95% within 5 business days	100%	100%	100%			
Exemption applications completed	80% within 40 business days	80%	100%	80%			

# BUDGET

## Financial Summary

### 2019 – 2020 Financial Summary

Total forecasted 2019-2020 revenues of \$131.4 million are \$4.6 million (3.6%) higher than the 2019-2020 budget primarily due to higher revenues from participation fees. Total forecasted expenses of \$125.1 million are lower than budget by \$3.4 million (2.7%) mainly due to higher enforcement cost recoveries, insurance proceeds from a 2018 flooding incident, lower administrative and professional services expenses. These savings are partially offset by higher salaries mainly as a result of a lower vacancy rate experienced to date compared to the planned vacancy allowance. A vacancy allowance is included in the budget based on historical trending over the past few years.

The surplus in fiscal 2019-2020 is forecasted to be \$93.8 million, representing an anticipated increase of \$6.3 million from fiscal 2018-2019. This surplus has slowly accumulated to undertake necessary system and premises changes which are underway and are multi-year projects.

### Fee Rule Amendments

Fee rates remain unchanged from 2018-2019 as set out in the OSC's fee rules (13-502 and 13-503). Participation fee rates, representing the most significant source of revenues, have not changed since April 2014.

Higher capital markets growth and lower expenditures are expected to result in a higher excess of revenues over expenses and lower capital spending compared to the OSC's original financial projections for the fiscal year ending March 31, 2020.

The OSC plans to maintain the existing Fee Rules for a further three-year period up to March 2024.

As the fee structure is designed to recover costs, the existing surplus, projected level of revenue and expenses, capital spending and the level of cash resources required to fund operations through market downturns are considered when determining appropriate fee rates.

### 2020 – 2021 Budget Approach

The 2019-2020 OSC Statement of Priorities sets out the OSC key priorities which are a key driver of the increase to the 2020-2021 OSC operating and capital budgets including investments focused in the following areas:

- Dedicated resources to deliver on the Ontario government's Five-Point Plan. The OSC is undergoing a reorganization to provide the resources and the focus necessary to carry out the plan, including the establishment of an Office of Economic Growth and Innovation
- Higher administrative costs, primarily from higher information technology costs. As the organization continues to invest in technology to support a more data driven OSC, more applications and infrastructure are moving to the cloud. The move to the cloud is expected to shift costs away from the traditional capital spend model
- Facilities rehabilitation (including additional space leased within the current facility) to optimize space utilization and accessibility
- Higher depreciation and amortization, primarily attributed to the capital spending on the OSC's following multi-year projects: Data Management Program to build out new systems with improved data management, data governance and reporting analytics; and the aforementioned facilities rehabilitation



Budgeted revenues keep pace with the overall forecast, reflecting moderate growth based on historical trends, partially offset by a reduction in chargeable filing volumes from planned regulatory burden initiatives.

The operating expense budget is 5.1% above the 2019-2020 budget and 8.0% over the 2019-2020 forecast. Salaries and benefits, which comprise \$97.6 million or 72.3% of the budget, represent an increase of \$3.6 million or 3.8% over the 2019-2020 forecast. The increase in the budget is necessary to support the investments noted above.

The increase in the capital budget primarily reflects expenditures deferred from 2019-2020 towards facilities rehabilitation.

### Cash Flow Requirements

The OSC's cash balance is projected to be \$101.0 million (including reserves) as of

March 31, 2020. The OSC will begin drawing down on its cash position in fiscal 2020-2021, due to: (a) focused multi-year capital programmes; and (b) additional operating costs to support the government's Five-Point Plan. These initiatives are expected to reduce our cash position to \$69.5 million by March 2023, representing approximately 6 months of operating expenses. The OSC's revenues generated from participation fees (85% of total revenues) are directly tied to changes in firm, industry and general market growth. Given the lack of control over most revenues, an adequate cash reserve is necessary to continue to carry out the OSC mandate should unfavourable market driven events occur.

<b>Excess/Deficiency of Revenues over Expenses</b> (in millions)	<b>2019-2020 Forecast</b>	<b>2020-2021 Budget</b>	<b>Change Favourable/ (Unfavourable)</b>	<b>Change Favourable/ (Unfavourable)</b>
Revenues	\$131.4	\$130.3	(\$1.1)	(0.8%)
Expenses**	\$125.1	\$135.1	(\$10.0)	(8.0%)
Excess of Revenues over Expenses	\$6.3	(\$4.8)	(\$11.1)	
Capital Expenditure	\$4.7	\$9.9	(\$5.2)	(110.6%)

\*\* Net of Recoveries and Finance Costs

	<b>2019-2020 Approved</b>	<b>2020-2021 Approved</b>	<b>Change</b>
Staff Resources	615	628	2.1%

**OSC Operating Budget and Staff Allocation 2020 - 2021**

Budget Expenses - \$135.1 Million\*

Total 628 Staff (507 Front Office Staff)

Policy & Operations – Regulatory Operations <b>Budget - \$114.8 Million</b> <b>452 staff</b>	Policy & Operations – Regulatory Advisory <b>Budget - \$14.3 Million</b> <b>42 staff</b>	Executive Offices <b>Budget - \$6.0 Million</b> <b>13 staff</b>
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\* Back office costs have been re-allocated to front office activities.

**Three Year Surplus Forecast**

(in millions)	2020-2021 Budget	2021-2022 Forecast	2022-2023 Forecast
Total Revenues	\$130.3	\$130.7	\$131.3
Total Expenses**	\$135.1	\$137.5	\$140.6
Surplus/(Deficit)	(\$4.8)	(\$6.8)	(\$9.3)
Opening Surplus	\$93.8	\$89.0	\$82.2
Closing Surplus	\$89.0	\$82.2	\$72.9

\*\* Net of Recoveries of Enforcement costs and Recoveries of Investor Education costs

The revenue forecast assumptions in 2021-2022 and 2022-2023 are comparable to the 2019-2020 revenue forecast.

The increase in forecasted expenses in 2021-2022 and 2022-2023 are primarily due to general inflation.