

OSC NOTICE AND REQUEST FOR COMMENT

CANADIAN INVESTOR PROTECTION FUND (CIPF)

PROPOSED AMENDMENTS TO THE OVERSIGHT OF CIPF

A. Background

Staff of the Ontario Securities Commission (Staff) are publishing for public comment certain proposed changes to the Approving Regulators' oversight of CIPF. These proposed changes are composed of the following:

- Proposed amendments to the terms and conditions of CIPF's approval as an investor protection fund;
- Proposed amendments to CIPF's reporting requirements; and
- Proposed new Memorandum of Understanding (MOU) between the Approving Regulators governing their oversight of CIPF.

CIPF contributes to the security of investors and confidence in Canada's capital markets. CIPF is approved as a protection plan to provide protection within prescribed limits to eligible clients of Investment Industry Regulatory Organization of Canada (IIROC) member firms suffering losses if client property comprising securities, cash, and other property held by such IIROC member firms is unavailable as a result of the insolvency of the IIROC member firm.

Given the passage of time since the current (i) terms and conditions of CIPF's Approval Order and (ii) Memorandum of Understanding between CIPF and its Approving Regulators were first put in place, Staff initiated a review to streamline and modernize the documents as they were no longer consistent with current oversight practices. Therefore, Staff are proposing to update CIPF's oversight regime to:

- Require prior approval for amendments CIPF proposes to make to its Coverage Policies,
- Make CIPF's reporting requirements a condition of its approval as an investor protection fund,

- Ensure that CIPF's appeals process can continue to operate efficiently and effectively in the event of a large and complex insolvency by enabling CIPF's board to appoint appeals adjudicators who are not CIPF board members,
- Improve efficiencies and reduce the number of ad hoc requests from the Approving Regulators by amending and reorganizing CIPF's reporting requirements, and
- Update and sign a new MOU between the Approving Regulators to govern our oversight of CIPF.

A more detailed overview of the various proposed amendments is included below.

B. Key Proposed Amendments to CIPF's Approval Order

Terms & Conditions

- CIPF will be required to seek prior approval for proposed changes to its Coverage Policies.
- CIPF's board will be granted the ability to appoint adjudicators to conduct appeals who are not CIPF directors.
- Instead of CIPF's reporting requirements being described in a memorandum of understanding between CIPF and the Approving Regulators, the reporting requirements will be a part of the Approval Order.

Reporting Requirements

- Reporting requirements will be removed from the current MOU and revised reporting requirements will be appended to CIPF's Approval Order.
- Reporting requirements will be categorized as:
 - regular reporting; or
 - notification only.
- Multiple date specific reporting requirements will be combined and amended into one semi-annual and one annual report.
- Events for which notification is required will be divided into 3 separate sub-categories: (1) prior, (2) immediate, and (3) prompt.

- A few specific new reporting requirements will be added including:
 - an annual certification of compliance with CIPF's terms and conditions of approval as an investor protection fund;
 - notification of information security breaches; and
 - prior notice before publication of any document expected to have a significant impact on CIPF's mandate.
- Certain other information will be required upon Staff request.

C. Key Details of the Proposed New MOU

- Each Approving Regulator will withdraw from the current MOU with CIPF and a new MOU will be concluded among the Approving Regulators.
- Protocols will be appended to the MOU to:
 - clarify that oversight reviews will be risk-based and that oversight review reports will be published; and
 - provide guidance on the Approving Regulators' approval process for proposed changes to documents for which prior approval is required (including guidance on whether proposed changes will be deemed housekeeping or should be published for public comment).

D. Comment Process

Staff are seeking comment on all aspects of the documents listed below:

- [Amended and restated CIPF Approval Order \(blackline\)](#);
- [Amended and restated CIPF Approval Order \(clean\)](#);
- [New Memorandum of Understanding among the Approving Regulators governing their oversight of CIPF](#).

You are asked to provide your comments in writing, via e-mail and delivered on or before June 24, 2019 addressed to the attention of the Secretary of the Commission, Ontario Securities Commission, 20 Queen Street West, Toronto, Ontario, M5H 3S8, e-mail: comments@osc.gov.on.ca.

The confidentiality of submissions cannot be maintained as comments received during the comment period will be published.

Questions may be referred to:

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