



"Co-operative Enforcement from the Global Marketplace to Main Street"

Opening Remarks: Securities Investigators Training Course

Maureen Jensen

Executive Director, Ontario Securities Commission

Innisfil, Ontario

June 10, 2013

Good morning.

On behalf of the OSC, I want to welcome all of you to the 2013 Securities Investigators Training Course. It's my privilege to be the opening speaker for the 19th biennial Kempenfelt conference.

I really enjoyed yesterday's reception and had the pleasure of meeting some of you at the dinner. Last night, OSC Enforcement Director Tom Atkinson described the international profile of this audience, which has always contributed to the value of this event.

Indeed, we have some 70 delegates here, from about a dozen countries, representing North America, the Caribbean, Europe and Asia. This speaks to how securities law enforcement is increasingly international in its scope, and also how collaborative responses are necessary in areas such as cyber-crime.

We may all represent specific jurisdictions, but in reality, we're all international enforcement professionals.

The globalization of the capital markets has been rapid and dramatic. Your markets are interconnected to our markets. A proliferating array of securities can be bought and sold by investors around the world. Multi-jurisdictional trading desks and sophisticated automated trading systems are changing the markets at an astonishing rate. High frequency trade execution is moving towards nine milliseconds, which is faster than the blink of your eye.

While globalization creates new opportunities for investors, market participants and marketplaces, it also facilitates opportunities for abuse. To stay ahead of the misconduct

game, we have to leverage a broader perspective in developing new methods to police the markets, both internationally and domestically. This is why you have gathered for this training course.

Increasingly, the matters we investigate and prosecute transcend geographic and political boundaries. This is the reality that we share as regulators, investigators and law enforcement professionals. At the OSC, we're seeing more and more investigative files that have an international element. About one third of our investigations and enforcement actions involve international activity.

To confront the challenge of cross-border misconduct – and other enforcement challenges – we must be strategic and responsive to how markets are changing. We have to be willing to change and adapt our processes. We have to push the boundaries of the cases we investigate.

One way that we can do this is through proactive collaboration with international agencies, domestic partners and local authorities. Policing the capital markets requires a co-operative enforcement presence that extends from the Main Streets of our respective jurisdictions all the way to the global marketplace.

International Co-operation

Supporting international co-operation has long been a commitment of the OSC. We've made it a priority to build relationships with our partners around the world because we increasingly depend on each other to do our jobs well. The OSC has hosted this training course since 1980 because it believes in the value of co-operation to support what we all do to protect investors and markets.

I know this is a priority for other regulators and agencies, as well. An article in the April 2013 edition of *National Law Review* noted the increase in coalitions among securities regulators, adding that “international co-operation among regulators [is] at an all-time high”.

Last night, Tom mentioned one of the best examples of that co-operation – the participation in IOSCO’s Multilateral Memorandum of Understanding on Cooperation and Exchange of Information, the M-M-O-U. As an original signatory of the MMOU, the OSC has advocated for more international collaboration on enforcement matters. We’ve encouraged and practiced reciprocity in our dealings with IOSCO members. OSC Enforcement staff have close ties with their counterparts at the SEC and CFTC and we’re pleased to see a growing number of requests for assistance from other IOSCO members in Asia and Europe. We were also delighted when IOSCO recognized the commitment of our Chair, Howard Wetston, to international co-operation by appointing him as an IOSCO Vice-Chair. Howard was also appointed the Chair of the MMOU Decision-Making Group, which makes final decisions on applications to sign the MMOU.

A recent example of co-operation is the settlement we reached with Richard Bruce Moore. He’s a Canadian investment banker who admitted to engaging in illegal insider trading in contravention of Ontario securities law and conduct contrary to the public interest. The OSC settlement followed a parallel investigation with the U.S. Securities and Exchange Commission (SEC), which reached a settlement in respect of Moore. After the settlement was announced, Scott Friestad, the SEC’s Associate Director of Enforcement, said:

“In today’s interconnected markets, the cooperative relationships among securities regulators mean that those who choose to engage in international insider trading should expect to face consequences across the globe.” [*Source: SEC Press Release, April 16, 2013*].

I couldn't agree more. But international enforcement files can be complex and demand significant resources. It's up to all of us to work together in areas of common interest and to overcome mutual challenges, such as geography, access to records and language.

We've learned that first-hand through our investigations related to certain issuers based in emerging markets, such as the Sino-Forest case, a proceeding that's currently before the Commission. By taking on this type of international enforcement files, we are telling issuers and their gatekeepers – in no uncertain terms – that they have responsibilities to protect investors and to foster fair markets, regardless of geography. We're also demonstrating to investors that we will act decisively if market participant's actions impair investor protection or damage market integrity.

National Co-operation

While international enforcement co-operation must be conducted efficiently across borders, it needs to be supported by domestic collaboration that leverages the strengths and resources of internal agencies. On the national level, the OSC has productive relationships with our provincial and territorial counterparts through the Canadian Securities Administrators (CSA). Our staff also work with the RCMP's Integrated Market Enforcement Teams and the Joint Securities Intelligence Unit.

I'm delighted that some of our CSA partners are here to present and you'll hear from them this week. The CSA has made it a priority to fight fraud on many fronts. In 2012, CSA members, as a group, concluded matters against a total of 66 respondents who faced allegations of fraud – or about 20% of all respondents in concluded matters.

The CSA also commissioned a survey of the investment knowledge, investor behavior and incidence of investment fraud among Canadians. The "CSA Investor Index" was published last October. Its findings emphasize the need to promote fraud awareness to help Canadians protect themselves and to assist authorities. The survey found that:

- Almost five per cent of Canadians believed they have been victimized by fraud – which is about the same estimated incidence since 2006.
- About 27% of Canadians believe they have been approached with a *possible* fraudulent investment at some point – but only about one third of those Canadians said they reported the most recent occurrence to the authorities, either police or a securities regulator.

As enforcement investigators, you know the potential value of tips from the public. So we need to hear from more of those investors who think they've been approached with fraudulent schemes as information is useful to case assessors and investigators.

Like many other enforcement agencies, we encourage investors to report suspected fraudulent investments. We have a Contact Centre that accepts investor inquiries and complaints and, in addition, we use Facebook and Twitter to reach out to retail investors. Social media is becoming increasingly important to all regulators. This connection with investors by enforcement allows us to and collect more information, and you will hear more about this later in the conference.

We're also helping investors to protect themselves by recognizing the warning signs of fraud. Staff from Enforcement and the Office of the Investor have been doing a great job of talking directly to investors as part of a new roadshow called "OSC in the Community". We launched this series of meetings in February and staff have visited cities across Ontario to meet with retail investors, community leaders and police services.

At the six “OSC in the Community” events held, our staff talked to investors about fraud awareness and how to protect themselves, including how to report suspicious investments. Staff are also building relationships with local police services and showing them how the OSC can assist in certain areas.

“OSC in the Community” has helped us increase our engagement with investors, police and civic leaders, and we hope it will improve the flow of information between the public and all of the authorities.

Local Co-operation

“OSC in the Community” is one of our *provincial* initiatives, which brings me to the last part of my remarks – the importance of enforcement co-operation at the local level.

We believe that delivering responsive enforcement requires us to change how we approach investigations and prosecutions within our own organizations. At the OSC, our Enforcement Branch identified a need to enhance how we deter illegal distributions and unregistered trading. In particular, recidivist boiler room respondents continue to be a problem. Our objective is to direct more of these types of “street crime” cases to the criminal courts, which can send a strong deterrence message through sentencing. Currently, we have eight cases before the court, and bringing more cases forward has been a key part of the intensification of the OSC’s Enforcement presence.

So we’re working on a new initiative to specifically target serious securities offences. This initiative will leverage the experience of OSC staff, police and the Ministry of the Attorney General. Our staff will bring their specialized skills in areas such as forensic accounting, litigation, markets and cross-border investigations. We’re also looking at coordinating the

OSC's regulatory authority to seek cease trade orders and freeze orders with police powers of arrest. Our hope is that this strategy will fully utilize the tool-kits of the police and the OSC to identify, investigate and bring more strong cases before the courts, and to seek jail terms, where warranted.

This initiative shows how we are adapting to meet the new challenges of policing the capital markets. Another recent example of effective local co-operation involves our work with Toronto Police in the prosecution and eventual conviction of Weizhen Tang. Mr. Tang was accused of fraud over in connection with a Ponzi scheme that lost more than \$60 million of investors' money.

OSC staff testified at the criminal hearing and were instrumental in providing assistance to the police and the Crown. Mr. Tang was convicted in February and is currently serving a six-year prison term. You'll hear from the Crown attorneys that prosecuted Mr. Tang later this week.

Having mentioned efforts that leveraged the different tools of regulators and police, I now want to talk about expanding our enforcement tool-kit. The OSC is considering some new policy initiatives to help us strengthen our enforcement regime to resolve enforcement matters more quickly and effectively.

The OSC has proposed four initiatives for public consideration:

1. A program for explicit "no-enforcement action agreements";
2. The introduction of no-contest settlements;
3. A clarified process for self-reporting under the OSC credit for co-operation program;
and
4. Enhanced public disclosure of the credit granted for co-operating with the OSC.

These policy initiatives are intended to:

- Enhance the flow of information provided to the OSC;
- Facilitate the timely and effective resolution of enforcement matters; and
- Contribute to a higher volume of protective orders made in the public interest.

The Commission will convene a public policy hearing next Monday (June 17) to hear oral submissions from parties who submitted written comments on these initiatives. The hearing is part of our engagement with the public to explore other ways to protect investors and promote their confidence in the fairness of Ontario's markets.

We believe that international cooperation, national partnerships, the leveraging of local enforcement expertise and the expansion of our enforcement tool-kit... all align with our efforts to intensify the OSC's enforcement program. These international, national and local commitments have improved our efficiency and effectiveness in taking action to protect investors from serious securities-related misconduct.

Conclusion

In conclusion, I want to thank you and commend all of you for your dedication to protecting investors, market participants and the capital markets from serious misconduct. Your professionalism helps to protect investors not only in your jurisdictions, but across all borders.

You all have a difficult job to do. But your work is essential to safeguard investors and promote confidence in the global markets. I know it can be daunting at times to be a securities investigator, but always remember that we are in this together. The challenges

facing the OSC Enforcement team are very similar to those of you from the United States, Europe, Asia and the Caribbean.

The importance of co-operation among regulators and law enforcement agencies cannot be underestimated. Not only because we can share information and best practices, but also because, increasingly, we rely on each other to police our own markets. This is why we must keep learning from each other. All of you bring ideas and insights that can help the rest of us. It's in the interests of everyone here to ensure that the principles that underpin regulation of markets at the local and national levels – fairness, integrity, efficiency and transparency – are translated to how markets work at the international level. While we may have different ways of defining or measuring those principles, I think they guide us as enforcement professionals.

With this in mind, I hope this course will help you forge relationships with your counterparts. You've been freed from your offices and daily routines for this week, so this is a great opportunity to exchange ideas and insights about the global markets.

In the long term, the quality of your relationships will go a long way towards better coordination of our activities and delivering strong enforcement coordination of efforts in the interests of investors around the world.

Thank you. Have a great conference.