



# Report on Statement of Priorities for Fiscal 2015-2016

## Introduction

The 2015-2016 Statement of Priorities sets out a series of specific priorities and projects that the Ontario Securities Commission (OSC) plan undertook to progress towards the OSC's five strategic goals. For each of these goals the OSC identified a series of initiatives, some multi-year, in support of achieving each particular goal. This document reports on the OSC's performance against the priorities set out in the 2015-2016 Statement of Priorities and its commitment to Quality Service.

Highlights and accomplishments for each of the 2015-2016 priorities are presented in table format. *Annex A - OSC Service Commitment Summary*, outlines how the relevant OSC Branches performed against the target timelines for providing services such as answering inquiries, responding to requests for information, reviewing offering documents, applications and other filings. Summarized survey results from the various outreach and consultation sessions held over the year are presented in Annex B.

A broader discussion of OSC accomplishments during the year is available in the 2016 OSC Annual Report, to be published on the OSC website ([www.osc.gov.on.ca](http://www.osc.gov.on.ca)).

## Goal 1: Deliver Strong Investor Protection

The OSC continued to support strong investor protection through awareness, education and outreach activities across Ontario. A re-launched Investor Office strengthened and expanded stakeholder partnerships with government, advisory bodies, law enforcement and investor advocates (including senior focused organizations) to extend its reach and further its goals.

Significant progress was made on the best interest standard, embedded fees and point of sale initiatives. The OSC and Canadian Securities Administrators (CSA) finalized a Consultation Paper seeking comment on a set of targeted amendments to NI 31-103 as well as a potential best interest standard. Third party research to assist in advancing a policy decision on mutual fund fees was completed with the release of the Brondesbury Group's literature review and a research paper by Professor Douglas Cumming. The CSA published proposed rules aimed at introducing a new summary disclosure document for ETFs (ETF Facts) in June 2015 and amendments relating to the CSA Mutual Fund Risk Classification Methodology for Use in the Fund Facts and ETF Facts in December, 2015.

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| <p><b>Putting the Interests of Investors First</b></p> <p>Advance regulatory reforms that put the interests of investors first</p>   |   |
| <p><b>Success Measures/Expected Outcomes:</b></p> <ul style="list-style-type: none"> <li>a. Analysis of approaches for creating a best interest duty completed</li> <li>b. Proposals developed to amend NI 31-103</li> <li>c. Staff Notice of compensation review findings including expectations for compliance and best practices</li> </ul> |   |
| <p><b>Action Plan</b></p>  | <p><b>Progress against Action Plan/Target Outcomes</b></p>  |
| <ul style="list-style-type: none"> <li>a. Develop and evaluate regulatory provisions to create a best interest duty</li> <li>b. Develop and evaluate targeted regulatory reforms under NI 31-103 to improve the advisor/client relationship</li> </ul>   | <p>CSA Consultation Paper 33-404 - <i>Proposals to Enhance the Obligations of Advisers, Dealers, and Representatives Toward Their Clients</i> was published on April 28, 2016, seeking comment on a set of targeted amendments to NI 31-103 as well as a potential best interest standard, accompanied by guidance that may be adopted in certain jurisdictions</p> |
| <ul style="list-style-type: none"> <li>c. Finalize analysis of advisor compensation practices and address those practices that are inconsistent with current regulatory requirements</li> </ul>  | <ul style="list-style-type: none"> <li>c. Work on the CSA staff notice regarding advisor compensation practices progressed, with an anticipated publication in the next fiscal year</li> </ul>  |
| <p><b>Reviewing Compensation Arrangements in Mutual Funds and Empowering Investors through Better Disclosure</b></p> <p>Determine what regulatory action is needed to address embedded commissions and other types of compensation arrangements and improve retail investment product disclosure</p>   |   |

| <b>Success Measures/Expected Outcomes:</b>  |   |
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| <p>a. Third-party research completed and Staff Notice setting out key findings published</p> <p>b. Actionable results identified by the OSC including a recommendation made about embedded commissions and other types of compensation arrangements</p> <p>c. Rules to introduce a mandated CSA risk classification methodology and to introduce a new summary disclosure document for ETFs published for comment</p>   |   |
| <b>Action Plan</b>  | <b>Progress against Action Plan/Target Outcomes</b>   |
| <p>a. Complete third-party research to determine how mutual fund compensation models may influence advisor behaviour</p>  | <p>a. The third party research to assist in advancing a policy decision on mutual fund fees was completed. In Q1, the Brondesbury Group completed its literature review evaluating the extent to which the use of fee-based vs. commission-based compensation changes the nature of advice and impacts investor outcomes over the long term</p> <p>In Q2, Professor Douglas Cumming completed empirical research, using data sourced directly from Canadian investment fund managers, that evaluated the extent to which sales and trailing commissions influence sales</p> |
| <p>b. Review and evaluate with the CSA the research results and publish the findings</p>  | <p>b. In February, 2016 an FAQ was published on the OSC and CSA websites setting out questions and responses to Professor Cumming's research together with an updated version of the paper which sets out the results of additional robustness checks intended to support his findings</p> <p>The CSA expect to publish a CSA Staff Notice to communicate the CSA's chosen policy direction by the end of June 2016</p>   |
| <p>c. Support implementation of pre-sale delivery of Fund Facts for mutual funds and continue to work with the CSA to implement the Point of Sale initiative; specifically, publish rules for comment:</p> <p>i. to introduce a mandated CSA risk classification methodology to improve the comparability of risk ratings of mutual funds in the Fund Facts</p> <p>ii. to introduce a new summary disclosure document for ETFs (ETF Facts) and require it to be</p> | <p>c. The CSA published proposed amendments to introduce a CSA Mutual Fund Risk Classification Methodology for Use in the Fund Facts and ETF Facts on December 10, 2015. The comment period closed on March 9, 2016 and 25 comment letters were received and reviewed. Staff expect to introduce the risk methodology by December 2016</p> <p>The CSA published proposed rules aimed at introducing a new summary disclosure document for ETFs (ETF Facts) in June 2015. The comment period closed in September and 20 comment letters were received and reviewed</p>       |

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| <p><b>Improve Education, Outreach and Advocacy for Investors</b></p> <p>Advance investor protection and support to retail investors by expanding the OSC's investor engagement, education and outreach</p>   |   |
| <p><b>Success Measures/Expected Outcomes:</b></p> <ul style="list-style-type: none"> <li>a. Existing partnerships strengthened and new external relationships created to inform and advance investor focused issues</li> <li>b. Specific recommendations from the seniors roundtable addressed</li> <li>c. Relationships with key senior stakeholder organizations and networks established and strengthened</li> </ul>  |   |
| <p><b>Action Plan</b></p>  | <p><b>Progress against Action Plan/Target Outcomes</b></p>  |
| <ul style="list-style-type: none"> <li>a. Improve the OSC's investor focus by integrating the OSC Office of the Investor with the OSC Investor Education Fund (IEF) to create the new Office of Investor Policy, Education and Outreach, to: <ul style="list-style-type: none"> <li>i. establish and implement the OSC's investor education strategy</li> <li>ii. better inform investors about market events, product innovations and key OSC regulatory and supervisory activities by publishing alerts and bulletins and working with investor networks and organizations on education and outreach campaigns</li> <li>iii. refresh and expand outreach programs, such as OSC in the Community, with a focus on potentially vulnerable investors</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>a. The OSC Office of the Investor and IEF officially merged on April 1, 2015. The IEF's school-based assets (lesson plans, InspireFinancialLearning.ca) were transferred to the Ontario Teachers' Federation</li> </ul> <p>On October 30, 2015, the OSC re-launched its Investor Office. The Office is modernizing investor engagement, education, outreach and research while bringing new perspectives to policy-making. To effectively establish and implement the OSC's investor education strategy, in conjunction with the Investor Office relaunch, staff created a new InvestorOffice.ca portal, relaunched and expanded its newsletter (<i>Investor News</i>), published OSC staff Notice 11-773 (the <i>Investor Perspective</i>), launched <i>Re:Investing</i> (a website that receives, answers and publishes questions from the public about investing) and published information for investors in seventeen different languages. Overall, visits to education resources, including GetSmarterAboutMoney.ca, increased by 30% over the previous fiscal year</p> <p>Since the launch, staff have also published an interactive equity crowdfunding guide, created a new TFSA calculator, created and launched embeddable Fact Cards on topics such as working with advisors and fraud prevention information</p> <p>The Investor Office also delivered a number of OSC in the Community events in different cities. The number of attendees doubled over the previous year to almost 650, expanding the event's outreach to potentially vulnerable investors. In addition, in seeking to reach a diverse audience of investors across the province, including vulnerable investors, the Investor Office introduced a new</p> |

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|  | <p>teletownhall format, which is similar in format to a call-in radio show. The first two teletownhalls were part of OSC's Fraud Prevention Month activities and almost 1,000 people participated</p>  |
| <p>b. Obtain a better understanding of investor issues and needs through targeted research, seminars and roundtables</p>   | <p>b. The Investor Office completed a key research study using focus groups and online polling to examine several topics, including investors' understanding of certain investment industry and regulatory terminology being considered as part of a proposed best interest standard and targeted reforms to enhance the advisor/client relationship, as well as awareness and familiarity with OSC education and outreach activities</p> <p>The Investor Advisory Panel (IAP) commissioned a comprehensive research study on risk profiling that identified potential areas of response for regulators, the investment industry and academics. The Investor Office has begun discussions for a jointly organized roundtable with the IAP on the research findings</p> |
| <p>c. Respond to the issues identified at the 2014/15 seniors roundtable by:</p> <ul style="list-style-type: none"> <li>i. completing targeted research to improve the OSC's understanding of seniors' financial needs and challenges</li> <li>ii. collaborating with SROs and investor and industry associations to identify ways to be more responsive to seniors</li> </ul> | <p>c. A research report commissioned by the OSC and produced by the Brondesbury Group, <i>Financial Life Stages of Older Canadians</i>, was released in June 2015</p> <p>Investor Office participated on the Investment Funds Institute of Canada's (IFIC) task force on vulnerable investors, whose members include dealers, regulators and investor advocates. The Office was also involved in the Canadian Network for the Prevention of Elder Abuse and the City of Toronto's Accountability Table for the implementation of its seniors strategy</p>  |

## Goal 2: Deliver Responsive Regulation

The OSC advanced its commitment to disclosure requirements on gender diversity by completing a comprehensive review of TSX listed reporting issuers, publishing the results in a multilateral staff notice and hosting a roundtable discussion of the findings. The OSC moved forward on its efforts to improve access to capital by introducing an offering memorandum and crowdfunding prospectus exemption for issuers as well as a registration framework for funding portals. As part of its commitment to provide greater transparency on data to market participants, the OSC announced that data on capital raising deals would be published regularly on its website.

There were notable changes in the market structure as the OSC with its CSA colleagues finalized the amendments to the Order Protection Rule that would address intentional order processing delays.

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| <b>Women on Boards and in Executive and Senior Management Positions</b>  |   |
| Continue efforts to promote transparency and representation of women on Boards and in executive and senior management positions for senior exchange-listed issuers   |   |
| <b>Success Measures/Expected Outcomes:</b>   |   |
| <ul style="list-style-type: none"> <li>a. Disclosure review completed and results are published</li> <li>b. Continued improvement in the transparency of Board selection and composition for senior exchange-listed issuers</li> </ul> |   |
| <b>Action Plan</b>   | <b>Progress against Action Plan/Target Outcomes</b>   |
| a. Receive and review issuer disclosures on representation of women on Boards and in executive and senior management positions   | <p>a. Staff completed a review of 722 of the 886 reporting issuers listed on the Toronto Stock Exchange (TSX) with a year-end between December 31, 2014, and March 31, 2015</p> <p>Staff plan to review the disclosure of the remaining TSX listed issuers subject to the Rule with year-ends between April 1 and December 31, 2015 early in 2016-17 followed by publication of the data relating to this review</p>  |
| b. Publish results of the disclosure review  | <p>b. On September 28, 2015 staff published CSA Multilateral Staff Notice 58-307 <i>Staff Review of Women on Boards and in Executive Officer Positions - Compliance with NI 58-101 Disclosure of Corporate Governance Practices</i>. The Notice summarized the findings of the review of the corporate governance disclosure of issuers as it relates to compliance with the rule amendments regarding representation of women on boards and in executive officers positions</p> <p>Staff subsequently published the raw data file on November 12, 2015</p> |
| c. Hold consultation roundtable to discuss results   | <p>c. On September 29, the OSC hosted a roundtable discussion of the findings identified in the review. Roundtable participants included Commissioners, stakeholders from law firms, shareholder services firms, banks, advocacy/policy groups and IIROC, as well as representatives from the Ontario Women's Directorate and Ministry of Finance</p>   |
| <b>Improve Access to Capital</b>   |   |
| Foster capital formation in Ontario while maintaining appropriate investor safeguards  |   |
| <b>Success Measures/Expected Outcomes:</b>   |   |
| a. Rules, companion policy and guidance for the proposed new exemptions published for comment  |   |

| <p>and delivered to the Minister for approval</p> <p>b. Significant areas of non-compliance identified are appropriately addressed by registrants.<br/>Reduction in non-compliance by registrants</p> <p>c. Improved ability to monitor exempt market activity more efficiently</p>  |   |
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| Action Plan  | Progress against Action Plan/Target Outcomes  |
| <p>a. Develop and publish rules to implement the following:</p> <ul style="list-style-type: none"> <li>i. offering memorandum exemption from prospectus requirements</li> <li>ii. crowdfunding regime</li> <li>iii. modernized prospectus-exempt rights offering regime</li> <li>iv. new reporting requirements regarding exempt market distributions</li> </ul> | <p>a. Final rules to implement the following exemptions were published:</p> <ul style="list-style-type: none"> <li>i. Offering memorandum prospectus exemption - Final rules were published on October 29, 2015 and came into effect in Ontario on January 13, 2016</li> <li>ii. Crowdfunding regime exemption - Final rules were published on November 5, 2015 and came into effect on January 25, 2016</li> <li>iii. Modernized prospectus-exempt rights offering regime - Final rules were published on September 24, 2015 and came into effect on December 8, 2015</li> <li>iv. see b. below</li> </ul> |
| <p>b. With the CSA, develop an enhanced and harmonized report of exempt distributions to facilitate better monitoring of new prospectus exemptions</p>   | <p>b. A proposed enhanced and harmonized report of exempt distributions was published for comment on August 13, 2015. A final harmonized report was published by the CSA on April 7, 2016 and, subject to Ministerial approval, the rules will come into effect on June 30, 2016</p>  |
| <p>c. Conduct compliance and pre-registration reviews focusing on these new exemptions and EMD portal business models. Meet with SROs to ensure our approaches to oversight are consistent and opportunities for regulatory arbitrage are minimized</p>  | <p>c. Staff developed programs to review firms seeking registration as crowdfunding portals to facilitate the distribution of securities in reliance on the crowdfunding prospectus exemption</p> <p>Compliance review programs were updated to incorporate new procedures to oversee activity relating to the new capital raising exemptions</p>   |
| <p><b>Market Structure Evolution</b></p> <p>Respond to issues (market data fees, trading fees) arising from the implementation of the Order Protection Rule (OPR)</p>  |   |
| <p><b>Success Measures/Expected Outcomes:</b></p> <p>a. Final changes to update the OPR framework, including approaches for dealing with trading fees and market data fees, are published</p>  |   |



| Action Plan  | Progress against Action Plan/Target Outcomes   |
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| <p>a. OPR framework amended in response to comments received from publication in 2014-2015, including finalizing approaches for dealing with trading fees and market data fees</p> | <p>a. National Instrument 23-101 - <i>Trading Rules</i> was published on April 7, 2016 and subject to ministerial approval, will come into effect on July 6, 2016. Provisions regarding protected markets will come into effect October 1, 2016</p> <p>At the same time the rule was published, a request for comment was issued on a proposed lower trading fee cap for Canadian-listed securities that are not inter-listed in the US. The comment period expires July 6, 2016</p> |

### Goal 3: Deliver Effective Compliance, Supervision and Enforcement

In October, the OSC published for public comment the proposed policy for the Whistleblower Program. In developing the proposed policy, staff considered comments received on a consultation paper published in February 2015 as well as discussions at a roundtable held in June.

The OSC approved the largest amount of investor compensation to date in an OSC no-contest settlement in which harmed investors will receive approximately \$156.1 million. The OSC report on 2015 Enforcement activities was published in March 2016, highlighting how a combination of new tools and stronger partnerships with law enforcement agencies resulted in improved enforcement outcomes including more cases commenced.

| <b>Enhance Compliance through Effective Inspections, Supervision and Oversight</b>  |   |
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| Protect investors and foster confidence in our markets by confirming compliance with our regulatory framework   |   |
| <b>Success Measures/Expected Outcomes:</b>  |   |
| <p>a. New supervision programs in place and initial results of programs and reports on exempt market activity developed and published</p> <p>b. Systems for oversight and to facilitate systemic analysis of the Ontario derivatives markets will be in place</p> <p>c. Compliance program for the trade reporting rule in place. Reviews of largest derivatives participants commenced</p> |   |
| Action Plan   | Progress against Action Plan/Target Outcomes  |
| <p>a. Develop and implement programs to effectively oversee an expanded exempt market in Ontario including a risk based supervision program for issuers and registrants and tailored pre-registration reviews and compliance examination programs</p>   | <p>a. Compliance and Registrant Regulation (CRR) has updated the compliance review program to incorporate new procedures with respect to the new capital raising initiatives. Training sessions were held for staff to discuss the changes to the compliance program</p> <p>OSC staff commenced reviews on derivatives dealer compliance with the data reporting requirements in Part 3</p> |

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|  | of OSC Rule 91-507 <i>Trade Repositories and Derivatives Data Reporting</i>  |
| b. Implement data analysis for systemic risk oversight and market conduct purposes including the development of analytical tools and the creation of snapshot descriptions of the Canadian OTC derivatives market                                | b. Staff have made progress in a number of areas, including data intake and quality, data analysis, data storage and loading and creating snapshot descriptions of the Canadian OTC derivatives market. In addition, staff have developed a master list of all reporting/non-reporting counterparties in OSC data files, a Legal Entity Identifier (LEI) database and a dashboard that allows for the visual display of every Ontario participants' counterparties in notional and mark to market valuation on a given date. The dashboard also shows the geographical location of all Ontario counterparties globally |
| <p><b>Earlier Identification of Fraud and Other Violations</b></p> <p>Deter misconduct by seeking more timely, actionable information that will allow the OSC to pursue impactful cases of misconduct and serious breaches of securities law</p> |  |
| <p><b>Success Measures/Expected Outcomes:</b></p> <p>a. OSC whistleblower program launched, if appropriate</p>   |  |
| <b>Action Plan</b>   | <b>Progress against Action Plan/Target Outcomes</b>  |
| a. Complete consultations on proposed OSC whistleblower program  | a. Staff reviewed comment letters on OSC Consultation Paper 15-401 – <i>Proposed Framework for an OSC Whistleblower Program</i> and consulted with nine OSC Advisory Committees, including the IAP, and participated in three external conferences. On June 9, staff hosted a roundtable discussion on the proposed Whistleblower framework which featured 12 panellists and over 100 attendees  |
| b. Respond to comments and publish OSC whistleblower policy, if appropriate  | b. Proposed OSC Policy 15-601 – <i>Whistleblower Program</i> was published on October 28, 2015. The comment period closed in January 2016 and 19 comment letters were received and reviewed<br><br>OSC expects to launch the Whistleblower Program in summer 2016  |
| <p><b>Enhance Enforcement and Adjudicative Processes</b></p> <p>Achieve better outcomes from OSC enforcement and adjudicative processes by introducing better tools, analytics and approaches</p>  |  |
| <p><b>Success Measures/Expected Outcomes:</b></p> <p>a. The OSC's e-hearing directive and applicable case management guidelines result in reduced case</p>   |  |

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| Action Plan   | Progress against Action Plan/Target Outcomes   |
| <p>a. Improve technological support to Enforcement staff, including the Joint Serious Offences Team (JSOT) through enhanced computer forensics and the capacity to conduct e-discoveries and e-hearings</p>   | <p>a. Enforcement Technology and Evidence Control (TEC) staff continue to assist the Joint Serious Offences Team (JSOT) in the execution of search warrants and conduct forensic analysis. Forensic Specialists have been working closely with Enforcement TEC staff, JSOT and the Ministry of the Attorney General to prepare electronic hearing briefs that comply with the eHearing directive. Three e-hearings were held during the fiscal year</p> <p>Enforcement Staff participated in the CSA's E-Discovery Working Group which was formed to facilitate regular, cooperative information sharing on electronic evidence issues. The Group is identifying trends and issues which may impact how electronically stored information (ESI) is created, stored, collected, and presented, and will be working towards standards for obtaining, reviewing, disclosing, and managing ESI. The Group met with the Canadian Bankers Association which agreed to work closely with them to improve data delivery standards and create efficiencies</p> <p>In addition, the Enforcement Branch acquired a large-scale file storage solution to support increased computer forensic analysis and evidence storage</p> |
| <p><b>Timely, Fair and Efficient Adjudication</b></p> <p>The OSC will improve its case management and adjudicative processes through more transparent policies, practices and procedures and more timely issuance of its orders, decisions and reasons</p>  |  |
| <p><b>Success Measures/Expected Outcomes:</b></p> <p>a. The Electronic Case Management and Hearing System will be implemented and monitoring of issues and enhancements to the newly designed system will be made as appropriate</p> <p>b. Improved access to the tribunal. The efficiency and timeliness of tribunal adjudicative hearing and deliberation processes will be improved. Decisions will be released within six months</p> <p>c. The Tribunal will monitor the implementation of its newly adopted Case Management Timeline for Enforcement proceedings, and address arising issues</p> |  |
| Action Plan   | Progress against Action Plan/Target Outcomes   |
| <p>a. Continue the implementation of its Electronic Case Management System and Hearing system and use of technology to enhance accessibility for respondents and</p>  | <p>a. In April 2015, the OSC began a pilot phase for e-hearings using a new electronic case management system and have held three e-hearings</p>   |

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| the public by holding electronic hearings  |  |
| b. Implement and monitor adherence to its internal guideline for the timely release of decisions within six months                 | b. The Secretary's Office continued to monitor the implementation of the Commission's guideline for the release of decisions within six months of the hearing, and report to the Adjudicative Committee. Ninety-three percent (93%) of decisions released this year were released within six months of the hearing |
| c. Adhere to newly adopted Case Management Practice Directive regarding a new Case Management Timeline for Enforcement Proceedings | c. The Secretary's Office continued to monitor the implementation of the recently adopted Case Management Timeline for Enforcement Proceedings and report to the OSC Adjudicative Committee  |

**Goal 4: Promote financial stability through effective oversight**

The OSC continued making significant progress in advancing the regulation of OTC derivatives. A number of proposed rules and amendments were published this year including Mandatory Central Counterparty Clearing of Derivatives, Segregation and Portability, Clearing Agency Requirements and amendments to the Trade Repositories and Derivatives Data Reporting Rule. In April, the OSC released its report on the Canadian fixed income market and subsequently published two Staff Notices outlining the steps that OSC and CSA staff would take to identify opportunities to improve market transparency as well as proposals for enhanced fixed income regulation.

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| <b>Promote Financial Stability through Effective Oversight</b>  |  |
| Advance OSC systemic risk oversight and analytic capabilities   |  |
| <b>Success Measures/Expected Outcomes:</b>  |  |
| <ul style="list-style-type: none"> <li>a. Clearing and reporting rules for OTC derivatives that align with international standards and meet G20 commitments will be in place</li> <li>b. National Instrument for Registration of Derivatives Dealers published for comment</li> <li>c. Notice that outlines recommendations for implementation of segregation and portability (other than for OTC derivatives) published</li> </ul> |  |
| <b>Action Plan</b>  | <b>Progress against Action Plan/Target Outcomes</b>  |
| a. Develop rules for the clearing of OTC derivatives  | <ul style="list-style-type: none"> <li>a. Proposed NI 94-101 <i>Mandatory Central Counterparty Clearing of Derivatives</i> and Proposed Companion Policy was published on February 24, 2016 for comment. Staff expect to publish the Rule in final form in January, 2017</li> <li>NI 94-102 <i>Segregation and Portability</i>, Companion Policy and Notice were published on January 21, 2016. Staff expect to publish the Rule in final form in January, 2017</li> </ul> |

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| b. Develop a registrant regulation framework for derivatives market participants   | b. OSC staff continued to work with the CSA on developing an OTC registration regime   |
| c. Implement rules and a compliance program for OTC derivatives trade reporting  | <p>c. OSC Staff Notice 91-704 was published on June 29, 2015 and set out how the OSC would review compliance with reporting requirements of OSC Rule 91-507 <i>Trade Repositories and Derivatives Data Reporting</i> (the TR Rule)</p> <p>Staff developed a derivatives data reporting compliance program for OSC Rule 91-507 and commenced its first compliance audit of a derivatives dealer</p> <p>As part of its continued efforts to promote financial stability, the OSC published proposed amendments to OSC Rule 91-507 <i>Trade Repositories and Derivatives Data Reporting</i> for comment. Staff plan to publish the Notice of Amendments, Summary of Public Comments and Amending Instrument early in fiscal 2016-17</p> |
| d. Implement rule/policy framework for clearing agencies to incorporate CPMI/IOSCO revised standards   | d. NI 24-102 - <i>Clearing Agency Requirements</i> was published in final form on December 3, 2015 and came into effect on February 17, 2016   |
| e. Develop recommendations to implement Principle 14 Segregation and Portability under the CPMI IOSCO Principles for Financial Market Infrastructures  | e. Following an industry workshop in November 2015, OSC staff continued to facilitate the coordination of key stakeholders with the goal of identifying and making implementation recommendations before the end of 2016   |
| <p><b>Regulation of the Fixed Income Market</b></p> <p>Enhance regulation in the fixed income market by increasing transparency, improving market integrity and evaluating access</p>  |  |
| <p><b>Success Measures/Expected Outcomes:</b></p> <p>a. Plan published and implementation of proposed changes underway</p> <p>b. Improved post-trade transparency allowing more informed decision-making among all market participants</p> |  |
| <b>Action Plan</b>   | <b>Progress against Action Plan/Target Outcomes</b>  |
| a. Publish a regulatory plan, working with IIROC, that addresses key issues identified in the fixed income review, including requirements to increase post trade transparency  | a. On September 17, 2015, CSA staff published CSA Staff Notice and Request for Comment 21-315 <i>Next Steps in Regulation and Transparency of the Fixed Income Market</i> . The notice described the steps that CSA staff would take to enhance regulation in the fixed income market and identify opportunities to improve market   |

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|  | <p>transparency and better protect investor interests. The comment period ended November 1, 2015. Staff reviewed and responded to 14 comment letters</p> <p>CSA Staff Notice 21-317 <i>Next Steps in Implementation of a Plan to Enhance Regulation of the Fixed Income Market</i> outlining the proposals for enhanced fixed income regulation was published on April 21, 2016</p> |
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**Goal 5: Be an Innovative, Accountable and Efficient Organization**

In October, the OSC hosted 103 delegates from 34 jurisdictions at the IOSCO Board Meeting in Toronto. The OSC continued to engage with its regulatory partners, key industry representatives and senior leaders through its leadership on various committees such as the IOSCO Task Force on Derivatives and IOSCO Policy Committee and participation in key bi-lateral meetings. The OSC held its largest ever *OSC Dialogue* event with more than 300 participants. Attendees praised the international perspective and calibre of panelists, which included three CEOs and five chairs of regulators from around the world. The panel discussions received positive coverage in the national media as well as on social media.

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| <b>Effectively Influence the International Regulatory Agenda</b>   |  |
| Influence the international regulatory agenda to reflect the needs of Ontario’s markets  |  |
| <b>Success Measures/Expected Outcomes:</b>   |  |
| <ul style="list-style-type: none"> <li>a. Other regulators seek our views and advice in developing regulatory standards because of the value we bring</li> <li>b. Ontario’s interests are reflected in international initiatives that relate to issues affecting our markets</li> <li>c. Canadian regulatory framework keeps pace with global regulatory developments. Harmonized regulatory approaches internationally and within the CSA, where applicable, reduce regulatory burden on our market participants</li> </ul> |  |
| <b>Action Plan</b>   | <b>Progress against Action Plan/Target Outcomes</b>  |
| <ul style="list-style-type: none"> <li>a. Enhance our ability to influence and shape the international standard setting process by seeking leadership roles within IOSCO (e.g., Chair committees and task forces)</li> </ul>   | <ul style="list-style-type: none"> <li>a. The OSC influenced the international standard setting process through its multilateral engagement on working groups, committees and task forces. Specifically, the OSC: <ul style="list-style-type: none"> <li>• contributed to the development of IOSCO’s strategic plan to the year 2020 through its participation on the IOSCO 2020 Working Group;</li> <li>• hosted the IOSCO Board and related Committee and Task Force meetings in Toronto in Q3, organizing keynote addresses for the IOSCO Board members by the Ontario Minister of Finance and the Senior Deputy</li> </ul> </li> </ul> |



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|  | <p>Governor of the Bank of Canada;</p> <ul style="list-style-type: none"> <li>• chaired the OTC Derivatives Regulators' Forum (ODRF) and the OTC Derivatives Regulators Group (ODRG) Cross Border Group, hosting both in Toronto in Q2 and Q3 respectively;</li> <li>• co-chaired the IOSCO Task Force on Derivatives where new work on ISDA credit default determinations was approved by IOSCO Board;</li> <li>• acted as Vice-Chair of IOSCO's Policy Committee on Regulation of Secondary Markets, which is currently examining the liquidity of corporate bond markets;</li> <li>• steered the work to update and revise the assessment methodology for the IOSCO Principles relating to enforcement, supervision, and cooperation among regulators</li> <li>• participated in IOSCO Standing Policy Committees and key task forces, and on the IOSCO-Committee on Payments and Market Infrastructures (CPMI) Policy Steering Group and Data Harmonization Working Group and the Legal Entity Identifier (LEI) Committee on Evaluation and Standards</li> </ul> |
| <p>b. Perform greater proactive analyses of risks/issues identified by other jurisdictions globally by participating in bi-lateral meetings with key regulatory partners</p> | <p>b. The OSC arranged and participated in a number of bilateral meetings, including with the IOSCO Secretariat, the Securities and Exchange Commission (SEC), the Securities &amp; Futures Commission of Hong Kong (HK SFC), Australia Securities and Investments Commission (ASIC), and the United Kingdom's Financial Conduct Authority (FCA). These meetings enabled staff to share and leverage work on a range of topics, including knowledge management initiatives, proposed changes to the IOSCO Principles and assessment methodology, and enforcement matters</p>   |

|  |   |
|--|---|
| <b>Proactive use of Data and Research</b>  |   |
| Improve policy development and regulatory outcomes by increasing the integration of economic and quantitative analysis, including regulatory impact analyses, in the development of policies and rules |   |
| <b>Success Measures:</b>   |   |
| <ul style="list-style-type: none"> <li>a. Use of research reflected in OSC policy initiatives and OSC publications</li> <li>b. Completion of one major research project</li> </ul>                     |   |
| <b>Action Plan</b>   | <b>Progress against Action Plan/Target Outcomes</b>   |
| a. Continue to develop data collection, management and assessment practices  | a. In October 2015, the OSC began publishing on its website summary information about reports of exempt distributions filed in Ontario. The information is updated on a monthly basis   |
| b. Demonstrate enhanced use of economic analysis, research and data analysis within the OSC including completing a regulatory impact analysis for proposed policy projects                             | <p>b. Staff conducted impact analyses on a number of major policy initiatives including proposed amendments to NI 81-102 – <i>CSA Mutual Fund Risk Classification Methodology</i>, proposed NI 94-101 – <i>Mandatory Central Counterparty Clearing of Derivatives</i> and proposed NI 94-102 – <i>Derivatives: Customer Clearing and Protection of Customer Collateral and Positions</i></p> <p>In April 2015, the OSC published its report on the Canadian Fixed Income market and in September 2015, published (along with IIROC and MFDA) the results of the mystery shopping research. In October 2015, the OSC published Professor Douglas Cumming's report, entitled "<i>A Dissection of Mutual Fund Fees, Flows and Performance</i>"</p> |



## Annex A - OSC Service Commitment Summary

### Service Standards and Timelines

In 2014-2015 fiscal year, the OSC introduced its “OSC Service Commitment - Our Service Standards and Timelines” as part of its focus on accountability and transparency. The document outlined 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 explain how the OSC has performed against the target timelines. The status section displays a green box where the targets have been met for the entire year, and a yellow box where the target has not been met through the entire year. The notes section provides an explanation where a target has not been met.

#### Records and Information Management Branch

| Activity                                    | Target                      | 2015-2016 |      |      |      | Status | Notes   |
|---|-----------------------------|-----------|------|------|------|--------|---|
|   |                             | Q1        | Q2   | Q3   | Q4   |        |   |
| OSC record request acknowledgement          | By end of next business day | 100%      | 100% | 100% | 100% |        |   |
| OSC record request fulfillment              | Within 5 business days      | 100%      | 100% | 93%  | 98%  |        | Q3: One request required six days due to volume of requests<br>Q4: One request required review by business owners and lifting of confidentiality prior to release |
| Registration record request acknowledgement | By end of next business day | 100%      | 100% | 100% | 100% |        |   |
| Registration record request fulfillment     | Within 5 business days      | 100%      | 100% | 100% | 100% |        |   |

#### Inquiries and Contact Centre

| Activity                   | Target                       | 2015-2016 |     |     |     | Status | Notes   |
|----------------------------|------------------------------|-----------|-----|-----|-----|--------|---|
|                            |                              | Q1        | Q2  | Q3  | Q4  |        |   |
| Telephone inquiries        | On contact                   | 95%       | 94% | 91% | 92% |        | A spike in volumes during Q4 impacted service standards due to a spill over from registration inquiries from Q3 and the annual filings from reporting issuers in March 2016 |
| Mail and e-mail inquiries  | 100% within 3 business days  | 72%       | 77% | 79% | 70% |        |   |
| Mail and e-mail complaints | 100% within 10 business days | 91%       | 90% | 95% | 88% |        |   |

#### Compliance and Registrant Regulation Branch

| Activity   | Target                      | 2015-2016 |      |      |      | Status | Notes  |
|--|-----------------------------|-----------|------|------|------|--------|--|
|  |                             | Q1        | Q2   | Q3   | Q4   |        |  |
| New business applications - acknowledge receipt              | 95% within 5 business days  | 92%       | 100% | 100% | 90%  |        | Q1: Acknowledgement of one file delayed 2 days due to staffing transition<br>Q4: One application delayed due to unusual circumstances. Business processes have since be adjusted to accommodate similar applications |
| New business applications - evaluate application             | 80% within 90 business days | 67%       | 89%  | 100% | 100% |        | Q1: Changes to resource allocation caused a small delay in the review of one firm application.   |
| New individuals - dealing reps - evaluate application        | 80% within 5 business days  | 94%       | 99%  | 93%  | 80%  |        |  |
| New individuals - advising reps & CCO - evaluate application | 80% within 20 business days | 80%       | 85%  | 82%  | 88%  |        |  |
| Notice of employment termination                             | 95% within 5 business days  | 98%       | 100% | 100% | 100% |        |  |
| Applications for exemptive relief                            | 80% within 40 business days | 83%       | 100% | 100% | 80%  |        |  |

**Corporate Finance Branch**

| Activity                                    | Target                          | 2015-16 |      |      |      | Status | Notes |
|---|---------------------------------|---------|------|------|------|--------|-------|
|   |                                 | Q1      | Q2   | Q3   | Q4   |        |       |
| Prospectus comment letters (Long Form)      | 80% within 10 business days     | 100%    | 100% | 100% | 100% |        |       |
| Prospectus comment letters (Short Form)     | 80% within 3 business days      | 100%    | 100% | 100% | 100% |        |       |
| Prospectus receipts                         | 80% within 40 business days     | 100%    | 96%  | 100% | 100% |        |       |
| Exemption applications                      | 80% within 40 business days     | 100%    | 100% | 100% | 100% |        |       |
| Final prospectus receipts                   | 100% of materials filed by noon | 100%    | 100% | 100% | 100% |        |       |
| Amendments - Comment letters                | 80% within 3 business days      | 89%     | 100% | 100% | 100% |        |       |
| Amendments - Receipts                       | 80% within 40 business days     | 100%    | 100% | 100% | 100% |        |       |
| Rights-offering circulars - Comment letters | 80% within 10 business days     | 100%    | 100% | 100% | 100% |        |       |
| Rights-offering circulars - Receipts        | 80% within 40 business days     | 100%    | 100% | 100% | 100% |        |       |

**Investment Funds and Structured Products Branch**

| Activity                     | Target                      | 2015-16 |     |     |      | Status | Notes   |
|------------------------------|-----------------------------|---------|-----|-----|------|--------|---|
|                              |                             | Q1      | Q2  | Q3  | Q4   |        |   |
| Prospectus comment letters   | 80% within 10 business days | 94%     | 94% | 93% | 93%  |        |   |
| Prospectus receipts          | 80% within 40 business days | 87%     | 90% | 88% | 90%  |        |   |
| Exemption applications       | 80% within 40 business days | 71%     | 90% | 79% | 74%  |        | NPR files were included as were files containing novel/substantive issues or delayed due to filer |
| Amendments - Comment letters | 80% within 3 business days  | 97%     | 96% | 91% | 87%  |        |   |
| Amendments - Receipts        | 80% within 40 business days | 92%     | 82% | 87% | 100% |        |   |

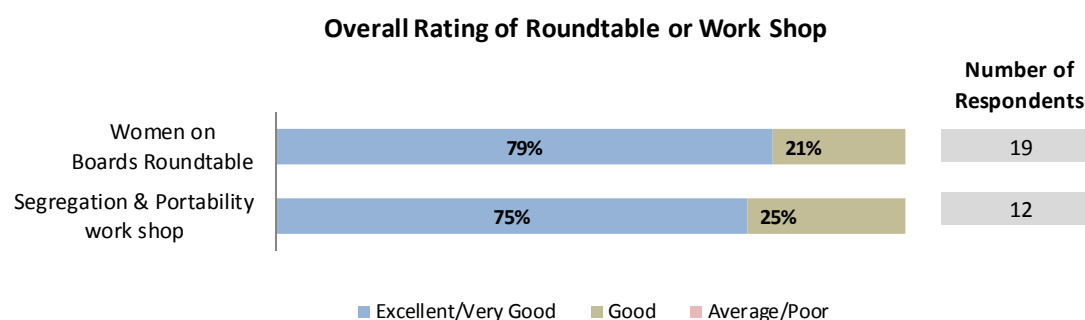
## Annex B – Summary Survey Results from Consultation Sessions and Outreach Events

### Policy Related Consultation Sessions, Guidance and Outreach Events

The OSC organized a number of roundtable discussions, work shops and seminars throughout the year. Some sessions were policy related consultations with stakeholders and others were educational outreach events. Consultation topics included:

- Women on Boards
- Segregation & Portability: exchange-traded derivatives markets

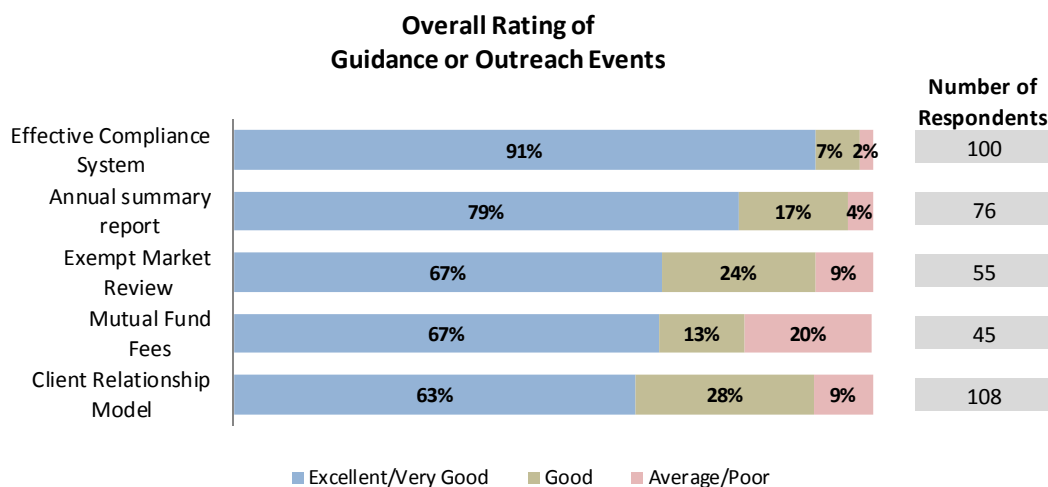
The OSC hosted a Whistleblower Roundtable on June 9, 2015 but a survey was not conducted.



Guidance & Outreach topics covered:

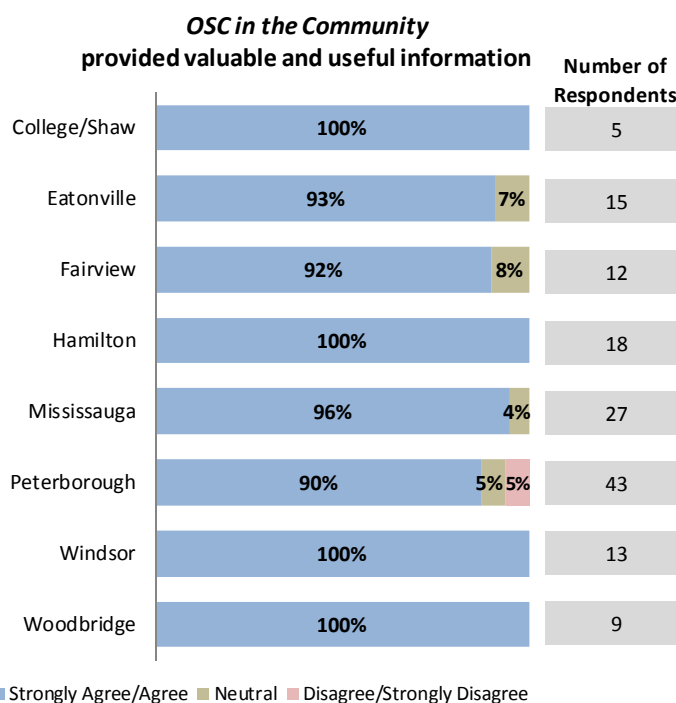
- Elements of an Effective Compliance System
- Annual summary report for dealers, advisers and investment fund managers
- Exempt Market Review
- Mutual Fund Fees
- Registrant Outreach – Client Relationship Model

Attendees were surveyed after each event to gauge the effectiveness of the session. All surveys requested feedback on content, delivery, the perceived usefulness of the discussions and supporting information in the form of quantitative ratings and qualitative comments.



## OSC in the Community Events

The OSC continued to increase its visibility and awareness amongst key stakeholders across Ontario through the outreach program *OSC in the Community*. Events were held in multiple cities including Fergus, Hamilton, Mississauga, Peterborough, Stratford and Windsor as well as venues throughout Toronto. The events featured educational seminars about fraud awareness and included staff speakers from various Branches as well as members from CARP, the Competition Bureau and Toronto Police Services.



Feedback from attendees indicated that the vast majority of respondents thought the sessions were valuable and useful. The overall ratings are based on the perceived clarity and value of the presentations, as well as respondents' understanding of the OSC's role. The impact of these events on visibility and awareness can be gauged by the proportion of attendees that had not known about the OSC, relative to those previously aware.

