

ONTARIO SECURITIES COMMISSION (“OSC” or “Commission”)

Statement of Priorities for Financial Year to end March 31, 2023 and Response to Stakeholder Comments

The Statement of Priorities (SOP) sets out the proposed priorities of the Commission in connection with its responsibilities under the Acts and related legislation, and related rules and regulations. The Statement of Priorities forms the core of the OSC’s Business Plan which is submitted annually to the Minister of Finance for approval.

The final Statement of Priorities for Financial Year to end March 31, 2023 can be found within the [Business Plan for the Fiscal Years Ending 2023-2025](#), available on our website.

As part of the OSC’s commitment to transparency and accountability, the OSC solicited stakeholder feedback on the priorities outlined in its 2022-2023 Statement of Priorities – Draft for Comment on November 18, 2021. The OSC received 10 comment letters. All [comment letters received](#) are available on our website.

The comments were generally supportive of the overall direction of the OSC goals and proposed priorities, including support for the:

- decision to implement the ban on the use of Deferred Sales Charges and of trailing commissions where no suitability determination is made, thereby harmonizing the rules across Canada
- implementation of a new Self-Regulatory Organizations (SRO) framework
- development of total cost reporting disclosure for mutual fund investors and segregated fund holders, and
- strengthening oversight over crypto asset trading platforms.

Some respondents expressed concern with the number of initiatives identified, which, coupled with the OSC’s expanded mandate and pending structural changes upon proclamation of the *Securities Commission Act, 2021*, could constrain the OSC’s ability to achieve its priorities.

The OSC will integrate, across all relevant activities, its expanded mandate to foster competitive capital markets and capital formation while ensuring this is carried out in a manner consistent with our mandate of investor protection, as well as to complement our mandate to foster fair and efficient capital markets and investor confidence, and contribute to the stability of the financial system and the reduction of systemic risk. The environment in which we operate and the markets we regulate are undergoing profound change and it is of paramount importance that the OSC stay in step with these changes. The number and scope of our priorities reflect this expanded focus and the agility required of a modern securities regulator. For some time, the OSC has been building up our staff resource capacity, technology solutions and programs to be able to address these changes and we are confident we can execute on our plan.

We received a significant volume of feedback from our stakeholders and we thank them for their valued input. A high-level summary of key comment areas and the OSC’s responses are set out below:

1. *Respondents view the need to monitor and enforce the implementation of Client Focused Reforms (CFRs) as a critically important priority for the OSC to ensure that firms are complying with and properly interpreting the rules.*

The OSC continues to prioritize its core regulatory operations, which includes ongoing compliance and oversight related to the implementation of the CFRs. We continue to work with our Canadian Securities Administrators (CSA) and SRO colleagues to ensure that the implementation of the CFRs, as well as the compliance and enforcement of the new rules, are harmonized across all jurisdictions and type of registrant. It is anticipated that, as the OSC, CSA and SROs conduct compliance reviews, we will publish best practices and further guidance to assist registrants with meeting these important regulatory requirements.

2. *Commenters continue to express support and highlight the need for action to address advisor titles and proficiency standards.*

The Financial Services Regulatory Authority (FSRA) is leading the initiative to regulate the titles of “financial advisor” and “financial planner” and set minimum education standards for the use of these titles. The OSC continues to monitor progress on the FSRA initiative.

Through the CFR project, the OSC and CSA considered how to address client confusion over titles used by registrants. As a first step, the CFR requirements include provisions on misleading communications, which prohibits the use of titles that may reasonably be expected to deceive or mislead clients. In addition, the OSC, with the CSA, is conducting research and consulting with stakeholders regarding the client-facing titles used by registrants, to formulate recommendations for future consideration.

3. *Recommendations raised by the Capital Markets Modernization Taskforce (Taskforce), that support enhanced shareholder democracy, such as “say on pay”, were recommended for inclusion as a priority for the OSC.*

The OSC supports enhanced shareholder democracy and we continue to consider each of the Taskforce’s proposals in this area and related regulatory developments.

4. *The Ontario government published a draft Capital Markets Act (CMA) in October 2021 for stakeholder consultations. Respondents expressed concern over the proposed reduction in the time period for rulemaking consultation from 90 days to 60 days, as contemplated in the draft. They highlighted the need to balance expedited rule and policymaking with providing enough time for stakeholders to provide valuable feedback.*

The OSC will continue to support the government with the ongoing work related to the CMA consultation, including review of stakeholder comments received as part of the consultation process.

5. *It was recommended that the OSC add a key priority to establish a modern client complaint handling system that requires the fair and timely resolution of complaints.*

The OSC believes that fair and effective resolution of complaints is a key element of investor protection, including timely complaint handling and accessible redress mechanisms, which underlies our existing processes and enhancement initiatives currently underway.

The OSC monitors complaint handling processes of registrants through our risk-based compliance program and evaluates complaints received through the OSC Inquires and Contact Centre that pertain to the registrants we directly oversee.

The CSA position paper for the new SRO framework sets out streamlining the SRO complaint process, including a review of existing regulatory processes across the SROs to centralize

complaint reporting processes, apply a consistent complaint handling process and review service standards.

In addition, we are committed to strengthening the external dispute resolution system and continuing our efforts to establish a framework for binding decisions of a dispute resolution service, such as the Ombudsman for Banking Services and Investments.

6. *Respondents noted the importance of investors having access to fair and efficient dispute resolution services and avenues of redress.*

We continue to strive to achieve better results for investors and strengthen investor redress, including by continuing our efforts to establish a binding authority framework for a dispute resolution service such as OBSI. Fairness, efficiency and accessibility, and international best practices, among other considerations, are informing our work.

7. *Respondents highlighted the continued importance of timely and visible enforcement actions in order to achieve the desired deterrent effect and enhance public confidence in our markets. They indicated that investor compensation should be prioritized and funds paid directly to harmed investors, where possible.*

The OSC is committed to its core regulatory operations, which include pursuing timely and vigorous enforcement. The Enforcement Branch works to deter wrongdoing, protect investors, and foster investor confidence in fair and efficient capital markets by identifying breaches of Ontario securities law or conduct that is contrary to the public interest, and by:

- disrupting the misconduct before investors are harmed or to mitigate further harm, and
- when relevant, prosecuting and seeking appropriate sanctions.

In circumstances where monetary sanctions can be recovered, OSC staff consider whether any investors suffered financial losses as a direct result of the misconduct giving rise to the payment, and if so, whether a distribution of those funds to investors can be reasonably made. For further information see <https://www.osc.ca/en/enforcement/osc-sanctions/allocation-and-use-funds-sanctions>.

The consultation draft of the CMA contemplates rules related to the distribution of disgorged funds to harmed investors by a court-appointed administrator or the Commission.

8. *There continues to be support for environmental, social and governance (ESG) disclosures to address investor needs for information to make decisions and contribute to efficient capital markets. Respondents noted that the CSA's consultation on climate change-related disclosures is an important first step, but indicated there is a continued need for material ESG disclosures beyond climate change, as well as enforceable standards applicable to investment funds.*

The OSC, with the CSA, continues to focus on climate-related disclosures, in keeping with the Taskforce recommendations, with broader environmental factors and other sustainability topics to be considered in the future.

The CSA published guidance in January 2022 for investment funds on their disclosure practices that relate to ESG considerations, particularly funds whose investment objectives reference ESG factors (and other funds that use ESG strategies). As part of the ongoing continuous disclosure review program, the OSC, with the CSA, will continue to monitor the ESG-related disclosure of funds.

9. *Respondents were supportive of the introduction of an access equals delivery model (AED model), highlighting a number of benefits but noting the need to maintain more traditional delivery options to those who prefer receiving paper materials, as well as encouraging the OSC to adopt an AED model for investment fund issuers (including ETF issuers).*

The OSC continues to review ways to modernize disclosure requirements and the delivery of disclosure documents to increase the quality, usability, and accessibility for investors, while maintaining options for investors who wish to receive delivery of information in paper form.

10. *Respondents requested additional transparency into the development of the CSA National Systems, including timelines, milestones, and insight into the functionality once completed.*

Development of SEDAR+ is an ongoing and important CSA project and remains a top priority. For further information please see the CSA website <https://www.securities-administrators.ca/about-sedar/> where you can subscribe to the SEDAR+ Connection for the latest updates, including key project dates, training information and can learn about important process changes.

11. *Respondents were supportive of the OSC's initiative to foster and improve inclusion, equity and diversity, but noted that Indigenous reconciliation was not mentioned specifically.*

Indigenous reconciliation is a key part of OSC's Inclusion and Diversity strategy. As such, the OSC intends to develop inclusion and diversity policies and foster an OSC culture that reflect the spirit of reconciliation, and greater engagement with and integration of ideas from Indigenous communities.

In addition to feedback on the specific identified priorities, respondents highlighted a range of noteworthy items and issues including:

12. *Ensuring that investor protection is not compromised in the process of embedding a culture of burden reduction into our core operational work and policymaking activities.*

As the OSC continues to strive to streamline and modernize regulation, delivering strong investor protection remains a top priority in all initiatives and actions we undertake.

13. *The need for a clearer understanding of the implications of the OSC's expanded mandate to foster competitive capital markets and capital formation and the potential impact on investor protection and OSC's other mandates.*

The OSC will integrate, across all relevant activities, the OSC's expanded mandate to foster competitive capital markets and capital formation while ensuring this is carried out in a manner that is consistent with our mandate of investor protection, as well as to complement our mandates to foster fair and efficient capital markets and investor confidence, and contribute to the stability of the financial system and the reduction of systemic risk.

14. *The addition of more specific milestones and key dates on its priorities would assist stakeholders in preparing for upcoming consultation opportunities, as well as hold the OSC more accountable for its performance.*

The OSC reports every year in its Annual Report on its performance against the priorities set out in the SOP.

In addition, various branches within the OSC produce Summary or Activity Reports, which are published on the OSC Website.

We also report quarterly on regulatory operations through our service standards reporting, which tracks progress against our service commitment standards and is published on our website.

We understand the need for further transparency of the underlying timelines and milestones associated with the key priorities and are considering potential changes to address these concerns.

15. Respondents highlighted the importance of OSC's goal to modernize regulation, but noted that it was unclear how the enhanced framework would benefit stakeholders.

The framework will improve how we prioritize policy projects and advance rulemaking in a manner that is consistent with our mandates. We will consider stakeholder inputs, data, and alternatives in decision-making which, in turn, will achieve better policy outcomes to benefit our stakeholders and capital markets.

The SoP has been updated to address some of the issues raised by respondents and updated as a result of the finalization of the OSC's business planning process. Further clarifications have been added throughout the SOP, including the following material changes to priorities and actions:

- Reprioritization of the key priorities under the goal to 'Facilitate Financial Innovation' to reflect where the OSC intends to focus its available resources and actions in support of this strategic goal for 2022-2023.
- New key priority to clarify how we balance the importance of each of our mandates in our work and regulatory decision-making.
- Explicit actions to engage in further targeted consultations, including with Indigenous organizations, as part of the development of rules setting out climate -related disclosures and in consideration of broader diversity on corporate boards and in executive roles.
- Highlighting actions the OSC is taking internally towards a culture that reflects the spirit of reconciliation, including greater engagement with, and integration of, ideas from Indigenous communities.

The SoP will serve as the guide for the Commission's operations. While the 2022-2023 SoP includes our highest priority areas, we will consider the other important initiatives and issues identified for inclusion by various respondents. Many suggestions are already addressed within our branch business plans or will be considered for future work.

The OSC remains committed to policy development that balances the desire to be timely with the need to achieve harmonized outcomes that best meet the needs of Ontario investors and market participants. The OSC remains focused on its core regulatory work, but we must continue to be flexible and respond to emerging issues and changing market conditions, particularly in light of the COVID-19 pandemic and advancement of the recommendations of the Taskforce as adopted by the government. As such, the OSC anticipates adjusting and re-aligning priorities throughout the year to accommodate changes where appropriate.