

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

OSC Notice 11-798 – Statement of Priorities

Response to Stakeholder Comments on the Statement of Priorities for fiscal year ending March 31, 2025

The Statement of Priorities (SoP) sets out the annual priorities of the Commission in connection with the OSC’s mandate, and the legislation that the OSC administers. It forms the core of the OSC’s Business Plan which is submitted annually to the Minister of Finance for approval. The Business Plan is reflective of the organization as at February 8, 2024.

The final Statement of Priorities for Financial Year ending on March 31, 2025, can be found within the [Business Plan for the Fiscal Years Ending 2025-2027](#), 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 proposed 2024-2025 Statement of Priorities published on November 16, 2023. The OSC would like to thank stakeholders for their time and effort to provide comment on the proposed SoP. A total of [23 comment letters](#) were received and are available on our website.

We have considered these stakeholder comments as part of the development of the OSC’s upcoming six-year strategic plan and in consideration of other ongoing projects, beyond those listed in the SoP.

The comments were generally supportive of the OSC’s proposed priorities, including an emphasis by respondents on the importance of:

- Advancing work on environmental, social, and governance disclosures
- Considering broader diversity disclosure requirements
- Incorporating Indigenous Peoples’ issues and perspectives into securities regulation
- Studying the limitation of advice in the Order-Execution Only channel
- Strengthening the Ombudsman for Banking Services and Investments (OBSI) as an independent dispute resolution service
- Strengthening oversight and enforcement in the crypto asset sector

The SoP has been updated to provide clarifications for certain items raised by commenters to reflect the finalization of the OSC’s business planning process and to provide updates to initiatives since publication of the proposed SoP. Key changes incorporated into the final SoP for the upcoming fiscal year include:

- Clarifying that the OSC consulted on its strategic plan with representation from key external stakeholders, including representation from market participants, industry organizations, investor advocacy groups and government bodies

- Providing additional detail on the actions for the OSC Seniors Strategy within priority 9 *“Conduct Initiatives for Retail Investors Through Specific Education, Research and Behavioural Science Activities”*
- Clarifying our consultative activities in the development of a regulatory framework for value-referenced crypto assets in priority 11 *“Strengthen Oversight and Enforcement in the Crypto Asset Sector”*
- Adding a new action to reflect the activities we are currently undertaking on the responsible adoption of Artificial Intelligence systems in Ontario in priority 13 *“Facilitate Financial Innovation”*
- Clarifying the stakeholder groups that we engaged with to support Ontario’s innovation ecosystem priority 13 *“Facilitate Financial Innovation.”*

A summary of key comment areas and the OSC’s responses are set out below:

1. *Investor advocates indicated that communicating the outcomes of the OSC’s compliance sweeps in relation to client focused reforms (CFRs) may not provide sufficient action to enhance investor protection and suggested that the OSC increase its oversight and monitoring of industry implementation. Commenters also suggested that the OSC provide additional guidance to firms on their CFR obligations, including the requirement to demonstrate that a reasonable range of alternative products were considered as part of the suitability analysis.*

The CFRs are intended to enhance investor protections by requiring registrants to address material conflicts of interest in the best interest of the client and when making a suitability determination to put the client’s interest first. We communicate the outcome of our sweeps to assist the industry in ensuring compliance with the CFRs and to highlight suggested best practices. We also require firms that were part of the reviews to remediate deficiencies found, and where appropriate, we refer firms with significant deficiencies for further regulatory action.

In conjunction with the Canadian Securities Administrators (CSA) and the Canadian Investment Regulatory Organization (CIRO), the OSC is currently conducting the second Phase of the CFR reviews which focuses on Know Your Client (KYC), Know Your Product (KYP) and Suitability Determination requirements. This phase includes a review of how firms are complying with their KYP obligations, how they ensure that a reasonable range of alternative products is considered as part of their suitability determination obligations and how firms have implemented the requirement to assess clients’ risk profiles. Once the reviews are complete, we will assess the overall effectiveness to determine if the intended outcomes of the reforms have been achieved and if further regulatory work is required. We will publish our findings and further guidance, including suggested practices to assist registrants with meeting the requirements of the CFRs.

2. *Investors generally noted that short selling and naked short selling of financial securities, and failure to deliver (FTD) should be prohibited. If short selling is allowed, the OSC should implement immediate mandatory buy-in for FTD, short transparency, bans for participants that repeatedly FTD and issuance of fines.*

The CSA and CIRO have formed a working group to more broadly examine short selling issues in the Canadian market context, beginning with an analysis of potential mandatory close-out or buy-in requirements. Any proposed CSA or CIRO rule changes that result from the working group's recommendations or otherwise, including regulatory responses to international developments, will be published for public comment in the normal course.

- 3. There was general support for Order-Execution Only (OEO) firms providing non-tailored advice. Investor advocates suggested additional measures for investor protection, including building an accountability framework within OEO firms. Industry participants recommended considering flexibility to provide information that may further enable do-it-yourself investors to make better informed investment decisions, including reviewing and providing clarity on the definition of what constitutes 'a recommendation.'*

We appreciate the input and will consider the suggestions provided as part of the upcoming study which will be conducted alongside CIRO.

- 4. We received a number of comments on strengthening OBSI's dispute resolution framework, including recommendations to increase the compensation limit.*

On November 30, 2023, the OSC, together with our CSA partners, published a [proposal](#) for comment that contemplates providing an independent dispute resolution service, anticipated to be OBSI, with the authority to make binding compensation decisions.

We welcomed comments on all aspects of the proposal, including a specific consultation question on the compensation limit. The comment period closed on February 28, 2024, and a total of 42 comment letters were received. We are currently reviewing the comments. A summary of written comments received and responses to significant issues and concerns raised during the consultation period will be published on the OSC website and Bulletin as part of our usual rule-making process.

- 5. Investor advocates have raised concerns around the timeliness of crypto asset platforms obtaining full registration. Industry groups requested additional transparency and the need for public consultation in the development of regulatory requirements for the crypto asset sector. They also recommended monitoring and alignment with international bodies on crypto regulation.*

Registration

The OSC, together with the CSA, has been working diligently to bring crypto asset trading platforms into compliance with securities laws. The CSA has regulatory oversight over the crypto trading platforms (CTPs) that continue to operate in Canada while they seek registration. The regulatory framework applicable to CTPs includes requirements that address key investor protection concerns, in addition to quarterly reporting on certain trading activity.

Until such time that a CTP becomes a member of CIRO, these existing regulatory requirements will be applied in a tailored approach to address the specific risks raised by the CTPs' activities.

Unregistered CTPs that continue to operate while their applications for registration are completed have provided pre-registration undertakings to the Commission. These undertakings are generally consistent with requirements currently applicable to registered CTPs and are intended to address investor protection and level-playing-field concerns until registration is completed.

Consultation

We have consulted with stakeholders on certain emerging areas of crypto. If we determine that new rules are required then the OSC, together with the CSA, would follow the typical rule making process which includes a consultation period.

On January 18, 2024, the CSA published [CSA Notice and Request for Comment – Proposed Amendments to National Instrument 81-102 Investment Funds Pertaining to Crypto Assets](#) seeking comments on proposed amendments in the second phase of a project to implement a Canadian regulatory framework for public investment funds holding crypto assets. The 90-day comment period ends on April 17, 2024.

International Engagement

The OSC, along with CSA jurisdictions, participate in several international forums on the topic of crypto regulation, including through the International Organization of Securities Commissions (IOSCO), where we share information and use information from the international landscape to inform our work. As part of the IOSCO Fintech Task Force and the related Crypto and Digital Assets (CDA) and Decentralized Finance (DeFi) Working Groups, the OSC has played a key role in developing policy recommendations for these working groups with a focus on market integrity, investor protection and financial stability.

6. *Concern was expressed that the access equals delivery proposed amendments are at the expense of investor protection.*

At this time, we are continuing to consider ways to enhance the access model for continuous disclosure (CD) documents to address investor protection concerns, including potential negative effects on retail investors. We have proceeded with implementing an access model for prospectuses, for which final rule amendments and changes were published on January 11, 2024.

The access model offers benefits for both issuers and investors by providing a more cost-efficient, timely and environmentally-friendly manner of communicating information to investors than paper delivery. However, the access model is not mandatory; it is an option available for issuers. The final access model for prospectuses maintains the ability for investors to request electronic or paper copies of documents, or provide standing instructions to their intermediaries, in accordance with their preferences. The proposed access model for CD documents will maintain the same abilities and preferences for investors.

Furthermore, on December 3, 2023, the CSA implemented a new feature on SEDAR+ allowing a person to sign-up to receive email alerts that contain direct links to financial statements and

related management, discussion and analysis when companies (other than investment funds) file the documents on SEDAR+.

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

7. *Concern that the OSC's expanded mandate, to foster competitive capital markets and capital formation, conflicts with its mandate for investor protection and that the SoP does not reflect enough priorities focused on investor protection.*

Investor protection remains a top priority in all initiatives and actions we undertake, including within our day-to-day core regulatory and operational work.

Consistent with the *Ontario Securities Act*, all components of the OSC's mandate are assessed on a holistic basis. This ensures that the significance of the mandate components in any decision or recommendation is balanced. This balancing exercise is tailored to the facts and circumstances of each initiative under consideration.

8. *A request that the OSC include more specific milestones and key dates in its priorities to gauge progress and to hold the OSC more accountable for its performance.*

Many of our initiatives span multiple years and are often dependent on a number of factors, including consultation and collaboration with the CSA, consultations with stakeholders, etc. As such, we are not always able to provide detailed timelines and milestones but where possible we have provided this information within the priority detail. We recognize that further transparency was requested with respect to underlying timelines and milestones associated with the key priorities and we will continue to make efforts to provide this information, where reasonably possible.

The OSC tracks and measures its performance on an ongoing basis and communicates with its stakeholders on its operational activities and other key highlights by publishing on our website the following: key accomplishments against our SoP in our Annual Report, quarterly performance reporting against the OSC's service commitment standards and various branch-specific summary or activity reports.

9. *We received a number of comments regarding client facing titles, in particular, industry groups expressed concerns with the interpretation of sufficient relevant investment management experience (RIME) to establish proficiency for an advising representative (AR). There is concern that it is adding regulatory burden for registrants.*

The CFRs include a prohibition on misleading communications, and we continue to review and analyze, with the CSA and CIRO, whether the use of certain client facing titles across all registered firm categories raises concerns in light of that prohibition.

Registration involves an important gatekeeping function, and it is imperative that proficiency requirements, such as RIME, are met. We assess whether an individual has acquired RIME on a case-by-case basis and strive to make consistent decisions in line with published guidance. Together with the CSA, we published additional instructions for documenting experience requirements (see Form 33-109F4, Schedule F, Proficiency Item 8.4 Relevant securities experience).

10. *Increase enforcement resources, powers and fines and increase enforcement actions in relation to other priorities, including short-selling, client focused reforms and senior investor protection.*

The OSC is committed to its core regulatory operations, which include pursuing timely and vigorous enforcement. Effective enforcement of Ontario securities laws is fundamental to our mission to protect investors and instill confidence in the capital markets. As part of our ongoing activities, we will be implementing a tougher, and more visible response to capital markets misconduct.

11. *Comments received concerning the lack of reference in the SoP to the results and recommendations of the 2021 Value-for-Money Audit by the Office of the Auditor General of Ontario.*

The OSC's [progress](#) towards the recommendations from the Value-for-Money Audit as at November 14, 2023, was published on the website of the Auditor General.

The 2024-2025 SoP includes specific high priority initiatives. We will continue to consider other important initiatives and issues identified by various stakeholders. Many suggestions are already addressed within our branch business plans or will be considered for future work. As noted in the SoP, we will also focus our efforts on supporting the launch our six-year strategic plan, including implementing initiatives identified as first phase priorities.

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. We continue to focus on our core regulatory work, but as business needs evolve, we may take on additional priorities or reprioritize initiatives during the year in response to emerging issues and changing market conditions.