

December 17, 2024

The Secretary
Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto, Ontario M5H 3S8

Re: OSC Statement of Priorities for Fiscal Year 2025-2026

Dear Secretary,

I appreciate the opportunity to provide comments on the Ontario Securities Commission's (OSC) Statement of Priorities (SoP) for Fiscal Year 2025-2026. While the OSC is now required to balance multiple statutory mandates, including fostering capital formation and reducing regulatory burdens, I am concerned that its foundational responsibility to protect investors has been compromised.

In this submission, I address concerns regarding slow progress on key investor protection initiatives, the absence of measurable outcomes, and the need for the OSC to enhance transparency and accountability. Additionally, I urge the OSC to embrace the strategic adoption of technology to modernize regulatory approaches and strengthen systemic issue resolution.

1. Prioritizing Investor Protection

Investor protection is foundational to the OSC's mandate. Yet, it appears to be increasingly overshadowed by initiatives focused on fostering innovation and reducing compliance burdens. These new priorities cannot be allowed to detract from safeguarding retail investors, particularly vulnerable populations.

Complaint Handling: The current complaint-handling mechanisms remain overly adversarial and complex, disproportionately disadvantaging retail investors. A more modern, transparent system is needed—one that leverages centralized digital platforms to track complaints in real time and simplifies resolution processes. Such improvements need to be prioritized to strengthen accountability and substantiate efforts to treat investors more fairly.

Senior Investor Protections: Protecting senior investors needs to be a top priority. Seniors face unique risks, including cognitive decline, susceptibility to undue influence, and a lack of time to recover from financial losses. Specific actions—such as enhanced oversight of advisors working with seniors, targeted suitability rules, and updates to the Trusted Contact Person (TCP) framework—are urgently

required. A Seniors Hotline could provide an additional layer of support, offering a direct resource for advice and reporting potential abuse.

Binding Authority for OBSI: The lack of binding authority for the Ombudsman for Banking Services and Investments (OBSI) undermines fairness and accountability. A straightforward binding decision mandate would ensure validated compensation claims are honoured, promoting trust in the financial system. This reform would benefit both investors and industry participants by reducing costly litigation and fostering confidence in the dispute resolution process.

2. Increasing Transparency and Accountability

Initiatives without clear timelines, measurable milestones, and performance metrics are not priorities, they are hopes. The SOP needs to incorporate observable indicators if the OSC is committed to enhance transparency and enable stakeholders to hold it accountable.

Restricted Product Shelves: Conflicts of interest arising from restricted product shelves must be addressed transparently. The OSC should release any existing analyses on this issue and set out a clear action plan for mitigating conflicts and improving client outcomes going forward.

Disgorgement Framework: While the statutory disgorgement framework is a positive development, its current implementation appears cumbersome and overly bureaucratic. Adopting innovative solutions, such as blockchain tracking, could streamline the process and improve the distribution of recovered funds to harmed investors.

3. Leveraging Technology for Modern Regulation

The OSC should prioritize technological adoption as a tool for advancing its mandate in areas such as disclosure, compliance, and enforcement.

Modernizing Disclosure: Traditional disclosure methods often fail to engage investors effectively. Digital tools, including real-time alerts for high-risk trades and enhanced delivery mechanisms, could make disclosures more accessible and actionable, especially for less technologically savvy investors.

Systemic Issue Reporting: Mandating systemic issue reporting by relevant stakeholders and ensuring transparent follow-up by regulators would represent a significant improvement in investor protection. Publishing findings and actions taken to resolve systemic issues would demonstrate accountability and drive continuous improvement in market practices.

4. Balancing Innovation with Investor Safeguards

While fostering innovation is important, it must be approached with caution and a clear focus on investor protection.

Complex, Illiquid Products: Proposals to introduce long-term asset funds to retail markets must be carefully evaluated. Such products carry significant risks and require stringent suitability assessments, robust disclosure requirements, and targeted investor education to mitigate potential harm. Their approval should be contingent on unambiguous evidence of their value to retail investors and lessons learned from comparable markets.

Metrics for Innovation Initiatives: Innovation-focused initiatives should include measurable metrics to evaluate their success, with a strong emphasis on transparency. This will ensure that these efforts align with investor interests and deliver tangible benefits to market participants.

5. Recommendations for Improvement

To strengthen its commitment to investor protection, I recommend the OSC:

- **Accelerate Key Investor Initiatives:** Implement a clear timeline for granting OBSI binding authority and prioritize reforms to improve complaint-handling mechanisms.
- **Enhance Protections for Seniors:** Update and implement the OSC's Seniors Strategy with measures addressing cognitive decline, advisor conflicts, and suitability challenges.
- **Improve Transparency and Accountability:** Publish reports on restricted product shelves and systemic issues and establish a public dashboard to track progress on key priorities.
- **Adopt Technological Solutions:** Invest in digital tools to modernize disclosure delivery, improve complaint tracking, and address systemic issues.
- **Strengthen Enforcement:** Consider increasing monetary sanctions to enhance deterrence and ensure that enforcement actions are meaningful and impactful.

Conclusion

While the OSC's expanded mandate inevitably increases its workload, this must not dilute its primary responsibility to protect investors. A balanced approach, emphasizing measurable outcomes, transparency, and technological innovation, will reinforce the OSC's role as a trusted regulator and strengthen Ontario's capital markets.

Thank you for considering these comments. I would welcome the opportunity to discuss these recommendations further and hope they contribute meaningfully to enhancing the OSC's priorities.

Yours sincerely,

Harvey Naglie

Harvey S. Naglie