

B.1.2 OSC Staff Notice 33-758 2025 – Examination Priorities for the Registration, Inspections and Examinations Division**OSC STAFF NOTICE 33-758
2025 EXAMINATION PRIORITIES FOR THE REGISTRATION, INSPECTIONS AND EXAMINATIONS DIVISION****Introduction**

The Registration, Inspections and Examinations Division (**RIE**) of the Ontario Securities Commission (**OSC**) is responsible for the ongoing supervision of firms and individuals who are in the business of trading in, or advising on, securities or commodity futures and firms that manage investment funds in Ontario. RIE's focus remains on operating a robust, yet balanced, gateway for Ontario's capital markets, and providing efficient and effective compliance oversight of our market participants.

On May 3, 2024, the OSC published its 2024-2030 Strategic Plan (**Strategic Plan**¹), that builds on the work that has been done in recent years to modernize and strengthen the organization. To promote the Strategic Plan, RIE is publishing its 2025 examination priorities, which are informed by the six goals of the Strategic Plan, as well as risk identification from different sources, including consultation with other divisions within the OSC, prior years' examinations, market events and interactions, and open dialogue with market participants, advisory committees, industry groups and other regulators, both Canadian and international.

RIE's 2025 examination priorities is not an exhaustive compilation of the initiatives that RIE will be focused on in fulfilling its important responsibilities. RIE will be proactive in its response to new and emerging risks, evolving products and service offerings, market events and investor concerns, which may impact its 2025 examination priorities.

RIE will continue examining high impact firms and high-risk firms, as determined by the data collected from the risk assessment questionnaire (**RAQ**). The RAQ is used to gather information about the business operations, practices and procedures of firms registered with the OSC and is used to apply a risk ranking to a firm. The information collected is used to support our oversight activities and evidence-based decision making, which allows us to allocate resources more effectively and efficiently. Firms may also be selected for an examination for reasons including: a focused examination on a particular topic of interest or issue; if RIE receives complaints about a firm; or if RIE receives a referral from another OSC division or regulator.

RIE will continue to conduct pre-registration examinations of firms seeking to become registered with the OSC. RIE will also review participation fee filings and excess working capital filings to ensure that firms are paying their required fees and that they are meeting their capital obligations.

In the upcoming year, RIE will expand its examination mandate to include other regulated entities, such as exchanges, designated rating organizations and clearing agencies, in close coordination with the OSC's Corporate Finance and Trading and Markets Divisions.

Additionally, RIE's expanded examination mandate will include direct examinations of Canadian Investment Regulatory Organization (**CIRO**) member firms. Following the delegation of certain powers and duties to CIRO (the **Delegation Order**²) effective March 5, 2025, the OSC implemented an enhanced framework of ongoing oversight of the delegated powers and duties and intends to perform risk-based direct compliance examinations of CIRO member firms. These reviews may take on one of several different forms, including co-reviews with CIRO, thematic sweeps, such as those described below, by line of business, desk reviews or comprehensive assessments. We will be coordinating with CIRO to avoid duplication in scheduling where possible to lessen potential burden.

Examination initiatives**Artificial Intelligence (AI)**

RIE will examine the prevalence of AI within registrants' operations. Registrants are rapidly designing, developing, and deploying AI systems in ways that may affect their compliance with business conduct rules. RIE will examine how registrants are responding to the Canadian Securities Administrators (**CSA**) Staff Notice and Consultation 11-348 *Applicability of Canadian Securities Laws and the use of Artificial Intelligence Systems in Capital Markets* to provide reasonable assurance that the firm and each individual acting on its behalf comply with securities legislation.

Cybersecurity

RIE will examine policies and procedures that registrants have in place to protect against and respond to cybersecurity incidents, and protect records, assets and investor information. The cybersecurity risks associated with registrant businesses are continuously evolving, as are the prudent business practices that registered firms are expected to establish. We anticipate these examinations may identify areas of cybersecurity risks and we expect to provide our market participants with further guidance in this area.

Financial Institution Sales Practices Examination

In collaboration with CIRO, RIE will continue its examination into the sales practices within Canadian bank branches. The review commenced following a public report of potential investor harm due to alleged high-pressure sales practices for

¹ https://www.osc.ca/sites/default/files/2024-05/pub_20240503_OSC-strategic-plan.pdf

² <https://www.osc.ca/en/securities-law/orders-rulings-decisions/canadian-investment-regulatory-organization-s215-osa-s20-cfa>

mutual funds at some Canadian banks. The purpose of the review is to build an understanding of the sales culture, environment and sales practices within banks branches to be able to identify and assess the scale of any potential issues and determine whether further work is needed.

The Exempt Market

In collaboration with the OSC's Corporate Finance Division, RIE will examine exempt market dealers that distribute securities in reliance on the offering memorandum exemption in section 2.9 of National Instrument 45-106 *Prospectus Exemptions*. The examination will consider the know-your-product practices of registrants when distributing securities of issuers that are in default of their reporting obligations under the offering memorandum exemption.

Firms will be selected for these reviews by our data driven approach and market research. To the extent that we gather intelligence that suggests that this subject matter may not be applicable to the registrant, they will not be selected. However, outreach may be required in order to inform our planning processes and apply our resources as effectively as possible.

How to prepare for an examination

RIE directs you to the following useful resources available through the OSC website, that will assist in preparing for an examination:

- OSC compliance reviews
<https://www.osc.ca/en/industry/registration-and-compliance/ongoing-requirements/osc-compliance-reviews>
- Navigating an OSC compliance review
<https://www.osc.ca/en/industry/registration-and-compliance/ongoing-requirements/osc-compliance-reviews/navigating-osc-compliance-review>

In addition, RIE will continue to provide resources to registrants, market participants and stakeholders, such as the Registrant Outreach programs³ and the Topical Guide for Registrants, to promote strong, proactive compliance practices that foster confidence in the capital markets and promote increased investor protection. As part of the OSC's new operating structure, RIE will work closely with our Investment Management, Corporate Finance, Trading and Markets and Enforcement Divisions to advance the OSC's mandate by predominantly focusing on inspections, targeted sweeps, and examinations to support a timely and agile response to emerging issues. RIE's renewed focus will proactively promote compliance through more frequent external communications to prevent and course correct problematic practices through analysis of data, market trends and input from other regulatory divisions to identify areas of heightened risk. For more details of RIE's operations, we encourage you to review RIE's most recent *Summary Report for Dealers, Advisers and Investment Fund Managers*^{4,5}.

Questions

If you have any questions regarding Staff Notice 33-758, please refer them to any of the following:

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³ <https://www.osc.ca/en/industry/registration-and-compliance/registrant-outreach-program>

⁴ <https://www.osc.ca/en/securities-law/instruments-rules-policies/3/33-756/osc-staff-notice-33-756-registration-inspections-and-examinations-division-summary-report-dealers>

⁵ Since the publication of last year's RIE's *Summary Report for Dealers, Advisers and Investment Fund Managers*, the OSC appointed Matthew Onyeaju, LL.M, FRM, CAMS, as the Senior Vice President, RIE.