

Ontario Securities Commission



**Report on the Statement of Priorities
for Fiscal 2010 – 2011**

The Ontario Securities Commission (OSC) published four goals and five priorities in its 2010 – 2011 Statement of Priorities. The primary objective of the Statement of Priorities was to communicate a series of specific priorities and projects for the OSC to address in fiscal 2010 – 2011, focused on achieving progress against each of the goals. For each of these goals the OSC identified a series of initiatives, some multi-year, in support of achieving each particular goal. A summary of accomplishments and highlights for each goal is presented in this progress report on the Statement of Priorities. Following each summary narrative, detailed accomplishments and the current status for each of the specific 2010 – 2011 priorities are presented in table format. This document is focused on OSC performance against the priorities set out in the Statement of Priorities. A broader discussion of OSC accomplishments during the past year is contained in the 2010-2011 OSC Annual Report at www.osc.gov.on.ca.

Priority 1 – Deepen Our Focus on Investor Protection

The primary focus of the OSC is to protect the interests of the investors and capital markets of Ontario. The regulatory tools that the OSC employs to achieve this objective include conducting prospectus and continuous disclosure reviews, imposing requirements through rules and assessing ongoing compliance, and directing corrective action through outreach programs and providing staff guidance to market participants.

The OSC is continuing its efforts to assist in ensuring that the voice of the retail investor is heard just as clearly as the voice of the more formally organized market participants. In August 2010, the OSC established the Investor Advisory Panel as a forum to gain better insight into investor issues and communicate the concerns of retail investors. . The panel consists of seven members representing a broad range of investors. It has held a number of meetings to gather feedback from investors and has provided comments on several proposed OSC rules.

Priority 1: Deepen Our Focus on Investor Protection

Build on the work undertaken in response to the Standing Committee on Government Agencies by focusing on issues relevant to investors at specific stages of the investment process as follows:

Specific initiatives in support of this priority:	Status
<p>1. At the investment decision-making stage:</p> <p>(a) promote clear and informative disclosure that allows investors to make informed investment decisions; and</p> <p>(b) leverage the work of the OSC Investor Steering Committee through the OSC website.</p>	<p>The OSC objective is to promote clear and informative disclosure that will allow investors to make informed investment decisions. The accomplishments relating to this objective are summarized below.</p> <p>The CSA Point of Sale (POS) project is a continuation of the project begun by securities and insurance regulators to provide investors with more meaningful and effective disclosure. In June 2010 the OSC with members of the CSA published CSA Staff Notice 81-319 <i>Status Report on the Implementation of Point of Sale Disclosure for Mutual Funds</i> which outlined the CSA's decision to implement the point of sale disclosure framework in three stages.</p> <p>Stage 1 was completed on January 1, 2011 when amendments to National Instrument (NI) 81-101 <i>Mutual Fund Prospectus Disclosure</i> came into force. These amendments require mutual funds to produce and file a Fund Facts for each class or series of the mutual fund and to make it available on the mutual fund's or mutual fund manager's website. The Fund Facts document must also be delivered or sent to investors free of charge upon request.</p> <p>Stage 2, now underway, will propose amendments to NI 81-101 to require delivery of the Fund Facts to satisfy the current prospectus delivery requirements under securities legislation to deliver a prospectus within two days of buying a mutual fund. Once the CSA has completed its review and consideration of the issues related to point of sale delivery, in stage 3 the OSC with members of the CSA will publish for further comment proposed requirements that would implement point of sale delivery for mutual funds. The OSC will also be considering point of sale delivery and documents similar to Fund Facts for other types of publicly offered investment funds.</p>

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Build on the work undertaken in response to the Standing Committee on Government Agencies by focusing on issues relevant to investors at specific stages of the investment process as follows:

Specific initiatives in support of this priority:	Status
	<p>The OSC with members of the CSA published proposed amendments to Form 51-102F6 – <i>Statement of Executive Compensation</i> in November 2010 for comment. The amendments reflect recent developments in the U.S. and the findings from a targeted compensation disclosure review. The proposed amendments clarify existing requirements and respond to recent market events and concerns raised by investors. The amendments are intended to enhance transparency of the company's compensation policies and practices so that investors are provided with more meaningful executive compensation disclosure. It is expected that these new rules will be finalized and in effect by fall 2011.</p> <p>In March 2011, the OSC published OSC Staff Notice 81-714 <i>Compliance with Form 41-101F2 – Information Required In An Investment Fund Prospectus</i> setting out specific disclosure issues identified in the course of prospectus reviews of investment funds. Specifically, this notice lists examples of disclosure that departed from the general requirements related to the use of plain language, brevity and the ordering of information and use of headings. This notice also provided guidance to investment fund issuers of the types of comments staff will generally raise as part of the prospectus review to ensure that investors are presented with information about the product in a clear, concise and comparable format that assists them in making informed investment decisions.</p> <p>The OSC's Investment Funds Branch also continued its publication of the Investment Funds Practitioner, an on-line news letter intended to make investment fund issuers and their advisers more broadly aware of some of the issues raised in connection with staff reviews of investment funds filed with the OSC and reviewed by staff.</p> <p>The OSC published CSA Staff Notice 51-333 <i>Environmental Reporting Guidance</i>. The staff notice clarifies existing disclosure requirements relating to environmental matters and provides guidance on compliance with disclosure rules in the following areas: environmental risks and related matters, environmental risk oversight and management, forward-looking information requirements as they relate to environmental goals and targets, and the impact of adoption of IFRS on disclosure of environmental liabilities.</p> <p>The OSC published OSC Staff Notice 52-719 <i>Going Concern Disclosure Review</i> which summarizes the results of our review around the timeliness and adequacy of disclosures in financial statements and management's discussion and analysis related to the going concern assumption. The notice also provided guidance to issuers on going concern disclosures to assist them with future filings.</p> <p>The OSC proactively selected reporting issuers based on a particular risk profile and alerted them to certain disclosure enhancements that should be considered in their next Continuous Disclosure filing (e.g. IFRS MD&A Disclosure, first IFRS interim financial reports). OSC staff further assisted issuers in understanding their disclosure obligations through in-house seminars and the publication of staff guidance on disclosure matters.</p> <p>The OSC allocated close to \$2 million in settlement money from enforcement proceedings to help advance financial literacy education in Ontario schools. Financial literacy is an important part of investor protection and the OSC supports educational efforts to help Ontarians develop the skills and knowledge needed to succeed in an increasingly complex financial world. This settlement money will assist the Ministry of Education in integrating its new financial literacy program into the curriculum for Grade 4 to 12 students across Ontario, starting in September 2011. This funding is in addition to the ongoing funding from settlement money the OSC provides to the Investor Education Fund (IEF). The IEF is a non-profit organization established in 2000 by the OSC to develop and promote independent financial information, programs and tools to help consumers make better financial and investing decisions. The OSC supports the work of the IEF in providing and expanding outreach initiatives to investors, and strengthening the financial literacy of Ontarians.</p>

Priority 1: Deepen Our Focus on Investor Protection

Build on the work undertaken in response to the Standing Committee on Government Agencies by focusing on issues relevant to investors at specific stages of the investment process as follows:

Specific initiatives in support of this priority:	Status
	<p>The OSC Investor Steering Committee members continued working with branch staff to: focus on the interests of investors in policy development; identify and recommend improvements to processes, procedures, and programmes that would benefit investors; and generally increase our familiarity with and improve our understanding of investor concerns. The OSC is making efforts to establish a more robust program of investor warnings, including enhancements to the OSC website to make the information more accessible and user-friendly. The OSC issues Investor Alerts to warn the public about possible harmful activity in progress and maintains an Investor Warning List, which includes individuals and companies that may be carrying out activities without meeting regulatory requirements. The OSC also contributes to the Disciplined Persons List on the CSA website, which includes information about individuals sanctioned by the OSC and other Canadian regulators. Articles on fraud-related topics and related policy activity are regularly included in the OSC investor newsletter, OSC Investor News.</p>
<p>2. Related to transaction or trade execution:</p> <p>(a) implement the order protection rule; and</p> <p>(b) implement new complaint handling, conflicts and referrals regime for registration.</p>	<p>The Order Protection Rule (OPR), contained in NI 23-101 <i>Trading Rules</i>, was published in January 2010 and came into effect in February 2011. The OPR requires marketplaces to have policies and procedures that are reasonably designed to prevent trade-throughs.</p> <p>The amendments to the new regime for registrants have been published. The amendments address many areas that bolster investor protection and concerns relating to registrant proficiency requirements, referrals, complaint handling, conflicts and client relationship disclosure.</p>
<p>3. For investors who own securities:</p> <p>(a) review protections for shareholders rights and corporate governance;</p> <p>(b) define guidelines or standards for performance and cost reporting information, including electronic delivery; and</p> <p>(c) updating the early warning disclosure regime for takeover bids and proposing revised Commission policy on defensive tactics.</p>	<p>The OSC published OSC Staff Notice 54-701 <i>Regulatory Developments Regarding Shareholder Democracy Issues</i> to obtain feedback on what corporate governance initiatives the OSC should be focusing on. In particular, OSC staff sought feedback on majority voting, say-on-pay and the proxy voting infrastructure. The comment period ended in March 2011 and OSC staff is reviewing the comments. OSC staff also focused on seeking disclosure enhancement relating to corporate governance practices, through an issue-oriented corporate governance disclosure review of 31 issuers and their compliance with NI 58-101 <i>Disclosure of Corporate Governance Practices</i>. The results of this review were published in CSA Staff Notice 58-306 <i>2010 Corporate Governance Disclosure Compliance Review</i>. This notice also provided guidance on compliance with the existing corporate governance disclosure requirements in the areas of concern identified during the review.</p> <p>The OSC worked with the CSA, the Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Funds Dealers Association to develop harmonized standards for cost disclosure and performance reporting to investors. The proposed rules will apply to all dealers and advisers in relation to all securities and investment products they sell and will, if adopted, dramatically change the account reporting many investors currently receive. The OSC expects to publish these rules for comment during fiscal 2012.</p> <p>The OSC together with CSA Bid Committee, are undertaking a significant review of the Canadian bid regime with the intention of proposing reforms relating to (i) the private agreement exemption, (ii) the early warning regime and (iii) the defensive tactics regime. The private agreement initiative is led by the Autorité des marchés financiers (AMF). The OSC and the AMF are leading the early warning initiative and the OSC is leading the defensive tactics initiative. The Bid Committee concluded its analysis of the early warning regime and will be seeking Commission and CSA approvals to begin the drafting stage. The Bid Committee completed significant research on reforming the defensive tactics regime and expect to present proposals for approval by fall 2011.</p>

Priority 2 – Respond to Market Developments

Ontario's capital markets have changed dramatically in the wake of evolving market structures, new trading technology and the rapid proliferation of products. The OSC is responding to the changing environment by modernizing Ontario's regulatory system, where appropriate, to reflect the realities of the market.

The OSC, in its capacity as the lead regulator of the TSX and its parent, TMX Group, published the application of the TMX Group and London Stock Exchange on May 13, 2011 in relation to their proposed transaction. The Commission's goal will be to ensure a transparent public consultation process and determine whether it is in the public interest to make the requested orders.

The evolution of the capital markets reinforces the OSC's ongoing support for the creation of a national securities regulator for Canada. The OSC continued to support the Ontario Government, the Canadian Securities Transition Office (CSTO) and participating provincial regulators to make the implementation of a national securities regulator a reality. The OSC provided significant input during the development of the draft federal securities act and has been actively engaged with CSTO's Participating Regulators Committee. The OSC committed a number of OSC executives and staff to assist the CSTO, including secondments.

Priority 2: Respond to Market Developments	
<i>Review and analyze market developments to develop or modernize regulatory responses related to:</i>	
Specific initiatives in support of this priority:	Status
1. The implementation of International Financial Reporting Standards (IFRSs) in 2011.	<p>All revisions to National Instruments, policies, and notices that impact reporting issuers, other than investment funds, have been made to accommodate Canada's changeover to IFRS took effect on January 1, 2011.</p> <p>In March 2011, the OSC with members of the CSA published CSA Staff Notice 81-320 (Revised) <i>Update on IFRS for Investment Funds</i> to update the industry on the extension of the IFRS deferral for investment companies. The staff notice set out that the IFRS mandatory changeover date for investment funds in Canada has been deferred to January 1, 2013 from January 1, 2012.</p> <p>The OSC developed a comprehensive IFRS preparedness outreach plan directed at both reporting issuers (other than investment funds) and other market participants. Staff published an <i>IFRS Issuer Guide - Top 10 Tips for Public Companies filing their First IFRS Interim Financial Report</i> (the Guide). This Guide summarizes the significant IFRS transition rule amendments and provides additional practical guidance to issuers. In March 2011, to increase investors' and analysts' awareness about the transition to IFRS, the OSC published <i>Investing in the New Era – What Investors Need to Know About IFRS Transition</i> for retail investors and <i>Deciphering IFRS – What Analysts Need to Know About IFRS Transition</i> for analysts.</p> <p>OSC staff held a series of free IFRS seminars for approximately 300 issuers and their advisors that covered a broad range of topics, including securities rules changes, IFRS implications for MD&A disclosure requirements and useful tips for filing their first IFRS financial statements.</p> <p>The OSC with members of the CSA published CSA Staff Notices updating reporting issuers on the status of implementation of IFRS, results of targeted reviews of the disclosures made by reporting issuers about the impact of changeover to IFRS and responses to specific questions CSA staff have received on disclosure about accounting policies in the year of changeover to IFRS.</p>

Priority 2: Respond to Market Developments

Review and analyze market developments to develop or modernize regulatory responses related to:

Specific initiatives in support of this priority:	Status
<p>2. Methods of trading (such as direct market access) and new structures (new order types and facilities such as dark pools) that may impact transparency, access and fairness.</p>	<p>In November 2010, the OSC with IIROC and other members of the CSA published for comment Joint CSA-IIROC Position Paper 23-405 <i>Dark Liquidity in the Canadian Market</i>. This position paper set out the CSA and IIROC's position regarding a number of issues relating to dark liquidity such as usage of dark pools and dark orders, as well as price improvement and sub-penny pricing. Staff is reviewing the comments and will issue a notice addressing the various issues discussed in the paper.</p> <p>In April 2011, the OSC with members of the CSA published proposed NI 23-103 <i>Electronic Trading and Direct Electronic Access to Marketplaces</i> (NI 23-103) and the proposed companion policy for a 90-day comment period. Proposed NI 23-103 will introduce provisions governing electronic trading by marketplace participants and their clients and will also provide a regulatory regime for direct electronic access.</p>
<p>3. Regulations of alternative trading systems (ATSS) and exchanges and update rules as necessary.</p>	<p>The CSA proposed amendments to the Marketplace Rules (NI 21-101 <i>Marketplace Operation and National Instrument</i> and NI 23-101 <i>Trading Rules</i>), their companion policies and forms. These amendments were published for comment in March 2011, for a 90 day comment period. The purpose of these proposed amendments is to update and harmonize as appropriate the regulatory and reporting regime applicable to ATSS and exchanges.</p>

Priority 3 – Address Adequacy of Regulatory Coverage

Domestic and international policy agendas continued to be influenced by the G20 and the Financial Stability Board. This included continued focus in the areas of over the counter (OTC) and commodity derivatives, market integrity, and systemic risk. The pace of reforms, as well as the level of implementation of reforms to date, continued to dominate international discussions. During 2011, the OSC was actively engaged at the international level. The OSC co-chaired the International Organization of Securities Commissions (IOSCO) Working Group on Systemic Risk which was set up to enhance the understanding of sources of potential instability and assess ways to bolster the financial system's resilience to future shocks. The OSC also worked domestically through the CSA Systemic Risk Committee to develop processes to identify, analyse and monitor systemic risks within the Canadian capital markets. The OSC participated on the IOSCO technical committee focusing on assessing the systemic importance of hedge funds. Domestically, the OSC continued to participate in hedge fund initiatives with the Heads of Agencies members (the Office of the Superintendent of Financial Institutions Canada, Bank of Canada, Department of Finance) focusing on whether hedge funds pose systemic risk to the Canadian financial system. Further work is planned on these issues for 2012.

Priority 3: Address Adequacy of Regulatory Coverage

We plan to review and assess the regulation of both products and distribution practices with an emphasis on areas where jurisdiction is shared on needs to be confirmed. Specific areas to be addressed include:

Specific initiatives in support of this priority:	Status
<p>1. Establishing a new group within the OSC to focus on regulation of over the counter (OTC) derivative products.</p>	<p>The OSC is focused on developing a regulatory framework for the OTC derivatives market in Ontario. During 2011 the OSC increased its focus on derivatives by establishing a new Derivatives branch responsible to consider and address related regulatory issues. Given the breadth of these issues, more resources are planned for this area in 2012.</p>

Priority 3: Address Adequacy of Regulatory Coverage

We plan to review and assess the regulation of both products and distribution practices with an emphasis on areas where jurisdiction is shared on needs to be confirmed. Specific areas to be addressed include:

Specific initiatives in support of this priority:	Status
<p>2. Risks related to products and distribution of securities in the exempt market.</p>	<p>In April 2011, the OSC with members of the CSA published for comment proposed rules and rule amendments relating to securitized products. The proposed securitized product rules: (i) set out a new framework for the regulation of securitized products in Canada; (ii) set out enhanced disclosure requirements for securitized products issued by reporting issuers; (iii) define a more narrow class of investors who can buy securitized products on a prospectus-exempt basis (in the "exempt market"); and (iv) require that issuers of securitized products provide disclosure at the time of distribution, as well as on an on-going basis. The comment period for the proposals ends in August 2011. The OSC co-leads the securitization work stream for the Joint Forum on Risk and Capital Assessment that is reviewing how incentives in securitization value chains lead to the credit crisis and analyzing the impact of global reform proposals on these incentives.</p>
<p>3. The regulatory framework for trading over-the-counter derivatives.</p>	<p>The global financial crisis brought the OTC derivatives market into the limelight, and highlighted the risks that OTC derivatives can pose to the financial system. For the past year, the CSA Derivatives Committee (the Committee) has been closely following international regulatory proposals and legislative developments, consulting with Canada's OTC derivatives market participants and collaborating with other Canadian regulators to determine the most appropriate approach to enhancing the regulatory framework for Canada's markets.</p> <p>The Committee released a consultation paper 91-401 <i>Over-the-Counter Derivatives Regulation in Canada</i> in November 2010. The consultation paper reviews the G20 Commitments and outlines the Committee's high level recommendations for regulating OTC derivatives. The options and recommendations outlined by the Committee are intended to strengthen Canada's financial markets and manage specific risks related to OTC derivatives, implement G20 commitments in a manner appropriate for Canadian markets, and harmonize regulatory oversight to the extent possible with international jurisdictions, while avoiding undue harm to the Canadian market. The Committee is preparing a series of eight consultation policy papers which provide recommendations for rules regarding the different components of the regulatory framework for derivatives. The OSC drafted the first of these papers on Trade Repositories that is targeted for publication in the Q1 2011 – 2012.</p> <p>In December 2010, Ontario's Bill 135, the <i>Helping Ontario Families and Managing Responsibility Act 2010</i>, received Royal Assent. The Act amends the <i>Securities Act</i> and, among other things, provides for the establishment of a regulatory framework for OTC derivatives, regulation of credit rating organizations and regulation of alternative trading systems. Some aspects of the framework will be proclaimed into force at a later date.</p>
<p>4. Regulatory requirements applicable to non-conventional investment funds.</p>	<p>In June 2010, the OSC with members of the CSA published proposed amendments to NI 81-102 <i>Mutual Funds</i> and NI 81-106 <i>Investment Fund Continuous Disclosure</i>. These amendments focused on Phase 1 of the CSA's proposals to modernize investment fund product regulation. Phase 1 is aimed at updating the operational rules for mutual funds to accommodate product development and trends, particularly the proliferation of Exchange-Traded Funds. The amendments also propose new liquidity and term restrictions on investments by money market funds in short-term debt, including asset backed commercial paper. The OSC will continue to review and consider all of the comments received.</p> <p>Phase 2, now underway, will assess whether there are any investor protection, market efficiency and fairness issues that arise out of the differing regulatory regimes that apply to different types of investment funds. Specifically, the OSC expects to introduce certain key restrictions and operational requirements for non-redeemable investment funds (also referred to as 'closed-end funds'), consistent with requirements for mutual funds.</p>

Priority 3: Address Adequacy of Regulatory Coverage

We plan to review and assess the regulation of both products and distribution practices with an emphasis on areas where jurisdiction is shared on needs to be confirmed. Specific areas to be addressed include:

Specific initiatives in support of this priority:	Status
<p>5. Disclosure and operational rules applicable to scholarship plans.</p>	<p>The OSC continues to work with members of the CSA to develop proposals to update the regulatory framework that governs scholarship plans. In March 2010 the CSA published proposed amendments to NI 41-101 <i>General Prospectus Requirements</i> which introduces a new prospectus form specifically tailored for scholarship plans. The OSC continues to consider and review all the comments received on the new form.</p> <p>This is an important investor-focused initiative intended to help investors understand the unique features and complexities of scholarship plans. Central to this new prospectus form is the Plan Summary document. It is in plain language, will generally be no more than three pages, and highlights the potential benefits, risks and costs of investing in a scholarship plan.</p>
<p>6. The appropriate regulation of credit rating agencies.</p>	<p>NI 25-101 <i>Designated Rating Organizations</i>, which is aimed at introducing securities regulatory oversight of credit rating organizations, was republished for comment in March 2011. OSC staff is seeking feedback on revisions to NI 25-101 stemming from developments in the U.S. (Dodd-Frank Act) as well as from the need to address the “equivalency” concerns raised by the European Union (most notably the proposed mandating of full compliance with the IOSCO Code of Conduct for credit rating organizations, rather than a “comply or explain” model). The comment period for the re-published materials ended in May 2011 and OSC staff is currently reviewing the comments.</p>

Priority 4 – Maintain a Strong and Visible Enforcement Presence

The OSC is intensifying its efforts to detect, prevent and disrupt abuse that harms investors, especially fraud, illegal distributions of securities and illegal insider trading. Enforcement staff commenced more proceedings before adjudicative panels of the Commission, especially in matters related to fraud. The Enforcement Branch’s goal is to bring cases forward faster. In 2010 – 2011, OSC staff launched three times the number of enforcement proceedings compared to the number in 2007-08. Enforcement staff is also committed to making more use of the OSC’s authority to pursue cases before the Ontario Court of Justice and seek court-imposed sanctions for breaches of securities law. OSC staff continues to vigorously uphold high standards of compliance with regulatory requirements and obligations by market participants, which is an important part of the OSC’s regulatory oversight.

Priority 4: Maintain a Strong and Visible Enforcement Presence

Our work to improve the effectiveness of our enforcement will focus on the following areas:

Specific initiatives in support of this priority:	Status
<p>1. Continuing to refine our processes to reduce timelines for completing investigations and bringing regulatory proceedings forward.</p>	<p>The Enforcement branch uses an integrated, team-based approach to assess, investigate and litigate cases. The branch takes a strategic approach to cases, focusing on files that pose a higher risk to investors and the capital markets. A number of criteria are applied to determine whether to pursue a case in a proceeding before the Commission or to bring the case to provincial court.</p> <p>In 2010 – 2011, the Enforcement Branch assessed a total of 348 matters for evidence of potential breaches of which 25 were transferred for further investigation. A total of 56 investigations of alleged breaches of provincial securities law were completed of which 35 were transferred for litigation. During the course of these investigations, the Commission issued 11 temporary cease trade orders against 71 respondents. In</p>

Priority 4: Maintain a Strong and Visible Enforcement Presence

Our work to improve the effectiveness of our enforcement will focus on the following areas:

Specific initiatives in support of this priority:	Status
	<p>addition, staff obtained nine freeze directions from the courts freezing in excess of \$7.8 million. A total of 32 proceedings were commenced before the Commission, involving a total of 170 respondents.</p> <p>Enforcement staff is also committed to making more use of the OSC's authority to pursue cases before the Courts. During the fiscal year, three proceedings were commenced before the Courts involving a total of four defendants. As at March 31, 2011, 79 open cases were under assessment, 36 cases were under active investigation and 49 cases were in the litigation phase.</p> <p>During the fiscal year, a total of 36 adjudicative proceedings were concluded involving a total of 109 respondents. These proceedings resulted in administrative penalties, disgorgement orders and settlement amounts totalling in excess of \$82.3 million as well as 82 cease trade orders, 56 director and officer bans and 45 registration restrictions. Staff refer all outstanding settlement/penalty amounts to a collection process (private or government), based on the individual circumstances of each case and each respondent. In addition, two quasi-criminal proceedings were concluded.</p>
<p>2. Improving deterrence by pursuing increased collaboration with other regulators and law enforcement agencies, including the provincial Office of the Attorney General, to identify more cases for prosecution in criminal court and seek stronger sanctions.</p>	<p>The Enforcement branch continues to work proactively with other regulators and law enforcement agencies and share information. During this fiscal year, staff responded to 15,714 information requests from Canadian regulators, foreign regulators and law enforcement agencies as well as 60,237 requests from OSC Branches.</p> <p>The branch worked to protect investors by making more entries to the Investor Warning List on both the OSC website and the IOSCO Investor Alert portal. During the fiscal year, a total of 30 entries were added to the Investor Warning List. In addition, the OSC issued 3 reciprocal orders involving six individuals and four companies.</p> <p>In September 2010, Abel Da Silva was sentenced to 75 days in jail and 2 years of probation for violating the terms of an OSC cease trade order made against him in 2006 and, in February 2011, Peter Robinson was sentenced to 30 days in jail, 240 hours of community work service and two years of probation for violating the terms of an OSC order made against him in 2009. These types of outcomes protect investors by acting as a deterrent to potential offenders. Further information on Enforcement results and case details are contained in the <i>OSC 2010 Enforcement Activity Report</i>, available from the OSC website.</p>
<p>3. Addressing information leakage relating to trading events by focusing on market participants and their advisors holding positions of substantial influence or trust.</p>	<p>The Enforcement branch continued its efforts to work more closely with the IIROC in order to streamline insider trading referrals. Staff resources have become more focused and are prioritized on issues that pose a threat to investor interests or to market efficiency or fairness.</p>
<p>4. Improving our regulatory surveillance and analysis by making greater use of automated tools to identify data anomalies.</p>	<p>The Enforcement branch is updating its automated tools to improve the efficiency of staff conducting trading reviews and improve staff's ability to detect trading irregularities. In addition, OSC staff continues to use the Summation software tool and have adopted the Autonomy suite of analysis tools to increase the effectiveness of reviewing large volumes of electronic documents.</p>

Priority 5 – Improve the Way We Work

The OSC remains committed to improving its business capability and accountability to stakeholders. Operational performance was enhanced through process improvements and greater use of technology. The OSC improved how it works by automating various tasks. This has reduced the effort required and the time taken to pull relevant information together for people as they make decisions. For example, the new evidence review system provides advantages by reducing the number of documents to review and making analysis of the information easier. Another example is the continuous net settlement delivery failure database which tracks a specific type of settlement issue as a measure of the health of the market for particular securities. Through these initiatives the OSC has gained a better understanding of risks in the marketplace.

In appropriate circumstances, Compliance and Registrant Regulation staff is adopting the use of a negotiated settlement as a means of resolving matters with registrants or applicants for registration. Settlement improves the way we work because it reduces the number of contested opportunities to be heard (OTBHs), thereby using scarce resources more efficiently. On May 20, 2011, we published Staff Notice 34-701 to announce that negotiated settlement agreements will be released on our website and published in the OSC Bulletin.

Additionally, our adoption of "term suspensions" (i.e., suspensions for a predetermined period of time) is critical to developing a settlement process. Previously, the only remedies sought by Staff on an OTBH were indefinite suspensions or terms and conditions. Now, term suspensions add a new flexibility when crafting remedies.

The Compliance and Registrant Regulation branch underwent a reorganization that supported the operationalization of the new regime for registrants. The reorganization involved the creation of multi-disciplinary teams that focus on specific registration categories, and resulted in a more flexible and efficient branch that is better able to respond to a significant increase in registration applications and other ongoing filings as a result of the new regime. For example, by March 31, 2010, the OSC received 355 applications for registration from investment fund managers (IFMs) and had registered 80% of them. OSC staff expects to complete their review and render registration decisions on the remaining applications by Q2-Q3 of 2011.

In June, 2010, the OSC along with the CSA published for comment amendments to the new regime for registrants which became effective in September 2009. These amendments reflect issues and frequently asked questions arising from the implementation of the new regime, and also address a few unintended consequences. The amendments address many areas that bolster investor protection and concerns relating to registrant proficiency requirements, referrals, complaint handling, conflicts and client relationship disclosure. Subject to Ministerial approval, the amendments will come into force in July 2011. Technical amendments to the registration requirements designed to ensure that enforcement powers under the Act are available for breaches of SRO by-laws were approved by the Commission and published for comment in May 2011.

The OSC worked to enhance its ability to identify, assess and report on risks affecting the efficiency and fairness of Ontario's capital markets, as well as its ability to enhance investor protection, by:

- developing a consistent understanding of risk
- establishing clear accountability for its management
- setting out a framework for ongoing monitoring, and
- reporting on specific risk management activities across the organization.

Continued focus on integrating risk management as part of OSC business planning and its strategy process is planned for 2012. The broadening and deepening of risk management programs in the OSC's day-to-day operations is a key business priority.

Priority 5: Improve the Way We Work	
<i>We plan to improve our operational performance through process improvements and greater use of technology, including:</i>	
Specific initiatives in support of this priority:	Status
1. Making changes to OSC tribunal case management processes to accelerate the adjudication process;	<ul style="list-style-type: none"> ▪ The <i>Practice Directive on Disposition of Matters other than Contested Hearings on the Merits</i> (published in mid-2009) is now fully operational. Internal policies and practices have been adopted. All non-contested matters heard in first quarter were presided over by a single Panel Member.

Priority 5: Improve the Way We Work

We plan to improve our operational performance through process improvements and greater use of technology, including:

Specific initiatives in support of this priority:	Status
	<ul style="list-style-type: none"> ▪ The Percentage of sitting-days allocated to interlocutory (non-merits) hearings was reduced to 30% from approximately 70%. ▪ A new Case Management System was fully implemented and is operational. Staff training has been completed. ▪ Draft policy for disclosure of information in compliance with privacy legislation to be approved by Adjudicative Committee in Q2 of 2011 – 2012 ▪ The <i>Guide to Proceedings for Self Represented</i> has been submitted and approved by Adjudicative Committee. ▪ The Proposed legislative amendment to Section 3.5(3) of the Act passed and is now in effect. Most hearings on the merits can now be presided over by a single Commissioner.
<p>2. Making greater use of e-delivery of specific reporting documents, including enhanced web access to information; and</p>	<p>The OSC with the members of the CSA published for a 60-day comment period proposed amendments to National Policy 11-201 <i>Delivery of Documents by Electronic Means</i>. The CSA recognize that the use of electronic communications can enable securities industry participants to disseminate information in a more cost-efficient, timely and widespread manner than by paper. The proposed amendments aim to simplify the existing policy and recognize changes to provincial and federal corporate legislation.</p>
<p>3. Continuing to develop more comprehensive internal performance reporting and measurement.</p>	<p>Internally the OSC tracks and reports on progress relating to key policy developments and operational changes to enhance overall efficiency and effectiveness. In addition, the OSC enhanced its external reporting in the areas of Enforcement (through the CSA Enforcement Report), Investment Funds and Market Regulation (both through the publication of their first Annual Branch Reports).</p> <p>The OSC is continuing to address challenges in developing performance measurements relating to regulatory outcomes beyond simple measures of activity and service level achievement. The OSC began to track specific market metrics (efficiency and quality) with the assistance of an external provider. Reports from this work will take time to develop to the point where they can be communicated externally, but the findings are useful and are being used in the OSC's internal assessment of program efficiencies. The effort to build a useful outcomes performance report will continue and enhanced reporting will accompany its ongoing development.</p>