

May 29, 2020

VIA EMAIL

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Dear Sirs/Mesdames:

**Re: OSC Notice 11-788 – Statement of Priorities – Request for Comments  
Regarding Statement of Priorities for Financial Year to End March 31, 2021  
(the “Consultation”)**

The Canadian Advocacy Council of CFA Societies Canada<sup>1</sup> (the “CAC”) appreciates the opportunity to provide the following general comments on the Consultation.

In OSC Notice 11-786 *Notice of Statement of Priorities for Financial Year to end March 31, 2020* (“**Existing Priorities**”), it is noted that a key goal of the OSC is to reduce regulatory burden and identify opportunities to streamline regulation. We are strongly supportive of these Existing Priorities, particularly while balancing the need to avoid any negative impact on investor protection.

Regulation and legislation play a pivotal role in our economy and fostering economic growth. We support targeted regulation and legislation which, in general, should be risk and principles based. It is important that market participants have less fragmented regulation and clarity with respect to regulatory expectations, and thus duplication between various rules and legislation should be eliminated. More frequent updates on the status of larger legislative and regulatory projects such as the CMRA would help registrants and issuers plan for potential future regulatory change. We understand that there are different positions in the marketplace on major regulatory and legislative initiatives but would appreciate continued efforts and advocacy toward transparency.

Some of the burdens placed on registrants seem to be excessive relative to risks mitigated. Staff should facilitate the reduction of regulatory burdens faced by smaller registrants and make it easier to share common compliance infrastructure and best

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<sup>1</sup> The CAC is an advocacy council for CFA Societies Canada, representing the 12 CFA Institute Member Societies across Canada and over 18,000 Canadian CFA charterholders. The council includes investment professionals across Canada who review regulatory, legislative, and standard setting developments affecting investors, investment professionals, and the capital markets in Canada. Visit [www.cfacanada.org](http://www.cfacanada.org) to access the advocacy work of the CAC.

CFA Institute is the global association of investment professionals that sets the standard for professional excellence and credentials. The organization is a champion of ethical behavior in investment markets and a respected source of knowledge in the global financial community. Our aim is to create an environment where investors' interests come first, markets function at their best, and economies grow. There are more than 175,000 CFA charterholders worldwide in 164 markets. CFA Institute has nine offices worldwide and there are 158 local member societies. For more information, visit [www.cfainstitute.org](http://www.cfainstitute.org).

practices, and explicitly permit part time Chief Compliance Officers (CCOs) for risk-appropriate registrants. It should also be possible to allow an individual to qualify as a CCO based on alternative experience without requiring costly and unpredictable exemptive relief. Staff could publish their exemptive registration decisions and refusals anonymously, which would provide implicit guidance and make the registration process less costly and potentially timelier. While the moratorium on certain late fees has been helpful to registrants, the frequency of having to file Outside Business Activity reports (OBAs) is also a burden and could be lowered based on a risk and materiality approach.

Keeping with the theme of burden reduction, proposed rules and guidance that are disproportionate in their benefits to their costs of development and implementation should be further critiqued. In addition, consideration should be given to whether routine exemptive relief should be replaced quickly with blanket orders (followed by rule changes), and where relief is still required, it should be available on predictable timelines.

The Investor Office of the OSC has set out important information about the potential application of behavioural insights in OSC Staff Notice 11-778 – *Behavioural Insights – Key Concepts, Applications and Regulatory Considerations*. Future regulation should also be specifically informed by this research, including for example, with respect to the readability of investor reports. Staff should continue to identify opportunities to apply the information in the report in policy development.

We continue to support the SEDAR Plus project so that all investors can more readily access important documents on a consistent and usable basis. It is important that the OSC quickly embrace emerging technologies and realities for investors such that issuer filings become much more readily accessible to their users. Issuer and registrant supervision should also be digitally enabled and made more efficient through use of technology. On a larger scale, the OSC and its CSA colleagues could use structured data (i.e. XBRL) as a strategic enabler. It should examine high quality non-primary data sources that satisfy regulatory objectives, and utilize the data it receives directly from registrants and issuers to enhance and empower the information held in the CRR and Corporate Finance branches and reduce redundant requests for information from the aforementioned registrants and issuers.

Like many global counterparts, the OSC should further develop and strongly consider publishing its service standards in a transparent manner. In the spirit of transparency, staff should also be expected to indicate response times at the start of every individual registration file thus assisting potential registrants in their timing expectations and business planning processes. Issuers and registrants should be told how long any sought exemption applications or receipt processes will take, which will help provide certainty to applicants in planning items such as transactions, registration or fund formations. Investors and the public would also benefit from increased assurance on timelines when making inquiries or otherwise interacting with staff.

We reiterate prior comments that we support any concrete measures that can be taken by the OSC to further strengthen OBSI's decision making authority. We believe that OBSI has an important role as an independent dispute resolution service and that it helps to foster investor protection and confidence in the Canadian capital markets. It is

important that OBSI be permitted to share information across regulatory bodies, which will not only assist in regulatory investigations but help registrants achieve best practices and potentially reduce regulatory burdens. If supervisory bodies dealing with complaints or other compliance matters worked with the same data set, it could reduce the number of questions and information requests made of the subject of the investigation. Further, consideration should be given to giving OBSI powers to make information public about its investigative findings in aggregate or specifics if it meets a public-interest/public-benefit test.

Finally, we are of the view that the OSC should continue an examination of the conflicts of embedded compensation as part of its continued work as the client focused reforms are phased in. While we understand that the conflicts that arise from embedded commission products cannot currently be addressed in Ontario by banning deferred sales charges as in the rest of the country, clear guidance must be provided to registrants in Ontario with respect to how they can meet the requirement to put client interests first when still recommending a DSC product (even under the circumscribed conditions in which the OSC is proposing they be allowed).

### **Concluding Remarks**

We thank you for the opportunity to provide these comments. We would be happy to address any questions you may have and appreciate the time you are taking to consider our points of view. Please feel free to contact us at [cac@cfacanada.org](mailto:cac@cfacanada.org) on this or any other issue in future.

(Signed) *The Canadian Advocacy Council of  
CFA Societies Canada*

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CFA Societies Canada**