

ONTARIO SECURITIES COMMISSION

OSC Notice 11-794 – Statement of Priorities

Request for Comments Regarding Statement of Priorities for Financial Year to End March 31, 2023

The *Securities Act* (Act) requires the Ontario Securities Commission (OSC or Commission) to deliver to the Minister of Finance and publish in its Bulletin each year a statement of the Chair setting out the proposed priorities of the Commission for its current fiscal year in connection with the administration of the Act, the regulations and rules, together with a summary of the reasons for the adoption of the priorities.

The 2022-2023 SoP reflects our new mandate to promote competition and foster capital formation. This mandate is integrated into all of our work and is reflected in our policymaking. The 2022-2023 SoP reflects the OSC's current views on the priority actions that the OSC will take in 2022-2023 to address each of the goals and its related priorities.

The 2022-2023 SoP has a 30-day comment period. The Commission will consider stakeholder comments and make any necessary revisions prior to finalizing and publishing its 2022-2023 Statement of Priorities.

Comments

Any comments should be made in writing by December 20, 2021 and sent to:

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OSC

ONTARIO
SECURITIES
COMMISSION

2022-2023

OSC Statement of Priorities

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INTRODUCTION

OSC Statement of Priorities

We are pleased to present the Ontario Securities Commission (OSC) Chair's Statement of Priorities (SoP) for the OSC for the year commencing April 1, 2022. This SoP supports the OSC's commitment to be both effective and accountable in delivering its regulatory mandate which has been expanded to include fostering competitive markets and capital formation.

The OSC regulates the largest capital market in Canada and our actions have impacts for Ontario and the rest of Canada. The OSC is committed to promoting fair, efficient and competitive markets in Ontario and has identified a broad range of initiatives to improve the existing regulatory framework. We strive to anticipate problems in the market and act decisively to promote public confidence in our capital markets, protect investors, promote innovation, foster capital formation and support market integrity. We will continue to proactively identify emerging issues, trends, and risks in our capital markets. Confidence in fair, efficient and competitive markets is a prerequisite for economic growth. Investor protection is always a top priority for the OSC.

The OSC continues to move the regulatory agenda forward, improving the way we approach our work and engage with investors, industry participants and other regulators to understand the issues and their concerns. The OSC interacts extensively with stakeholders through various advisory committees, roundtables, and other means of consultation, to inform operational approaches and policy development. The OSC engages with investor advocacy groups and investors directly to gain insights to better understand investor needs and interests.

Our significant work in the international regulatory environment, taking into consideration the constraints imposed by the COVID-19 pandemic, will continue as another key means to gain insights into emerging issues and standards that can be integrated into our policy development and oversight activities. These actions are essential to reach solutions that balance the inclusion of innovation and competition in the marketplace with the maintenance of appropriate investor safeguards.

The OSC works as part of the Canadian Securities Administrators (CSA) to harmonize rules and their application across the country. The OSC is also a member of the Heads of Regulatory Agencies (HoA), an important federal-provincial forum for cooperation on financial sector issues. Chaired by the Bank of Canada, the HoA brings together the Department of Finance Canada, the Office of the Superintendent of Financial Institutions (OSFI), as well as the Autorité des marchés financiers, the British Columbia Securities Commission and the Alberta Securities Commission.

Key Priorities

Our 2022-2023 SoP sets out the four strategic goals on which the OSC intends to focus its resources and actions in 2022-2023. It also lays out the priority initiatives that the OSC will pursue in support of each of these strategic goals.

We continue to work to embed our new mandate to promote competition and foster capital formation into our work and reflect those objectives in our policymaking.

Reflecting the updated OSC Mandate, we have included a new Goal titled “Modernizing the Regulatory Environment” to capture priorities that continue to modernize regulatory oversight practices by continually focusing on service improvements and the potential for regulatory burden on market participants.

We have also removed Reducing Regulatory Burden as a specific Goal within the SoP. We are embedding a culture of burden reduction across the OSC, and many of our activities captured under this goal have become integrated into our core operational work and policymaking activities. The OSC continues to strive to streamline regulation without compromising investor protection.

The Goals included in the Statement of Priorities (SoP) and Business Plan for 2022 are:

GOAL 1 – Promote Confidence in Ontario’s Capital Markets

Promote confidence in Ontario’s capital markets among market participants and investors

- Sustain Strong Core Regulatory Operations
- Support Implementation of the Mutual Fund Embedded Commissions Rules Banning the use of Deferred Sales Charges (DSC Ban) and Trailing Commission where no Suitability Determination is Required (OEO Ban)
- Improve the Retail Investor Experience and Protection
- Expand Behavioural Insights and Policy Testing Capabilities
- Strengthen Dispute Resolution Services for Investors, such as the Ombudsman for Banking Services and Investments (OBSI), through Policy and Oversight Activities
- Continue Efforts to Implement a New Single Enhanced Self-Regulatory Organization (New SRO), and Consolidate the Current Two Investor Protection Funds Independent from the New SRO
- Strengthen Oversight of Crypto Asset Trading Platforms and other Dealers
- Develop a Rule Setting out Climate Change-Related Disclosures for Reporting Issuers*
- Continue Consideration of Diversity on Boards and in Executive Roles at Reporting Issuers*
- Monitor the Listing Function of Recognized Exchanges and Identify Areas for Improvement
- Develop Total Cost Reporting Disclosure for Investors

* For Corporate Finance / Business Issuers only

GOAL 2 – Modernizing the Regulatory Environment

Continue to evolve the regulatory environment in line with Ontario’s changing capital markets and investor needs.

- Implement an Enhanced Framework for Modernizing Regulation
- Continue Work on Streamlining Periodic Disclosure Requirements for Reporting Issuers
- Work to Modernize Delivery Options of Regulatory and Continuous Disclosure Filings for Issuers
- Strengthen the Framework and Capability to Identify, Assess and Respond to Emerging Regulatory Issues
- Continue to Enhance Systemic Risk Oversight

GOAL 3 – Facilitate Financial Innovation

Cultivate an environment that supports development of innovative financial business models that benefit investors and capital market participants.

- Engage and Support Novel and Innovative Businesses in our Capital Markets
- Support and Enable the Use of Technology and Open Data in our Capital Markets
- Expand OSC TestLab
- Foster New Methods of Engagement with the Innovation Community

GOAL 4 – Strengthen Our Organizational Foundation

People, Technology, and Information

- Redevelop CSA National Systems
- Continue Technology Modernization, Digital Transformation and Data and Analytics Enablement at the OSC
- Foster/Improve Inclusion, Equity and Diversity
- Implement Hybrid Work Pilot

THE ENVIRONMENT

Lasting Impact of COVID-19

The COVID-19 pandemic, and the associated responses by market participants and governments, will continue to impact capital markets in Ontario and across the world for the foreseeable future.

The recovery efforts have fuelled significant growth in many parts of the economy, but its pace remains uneven across sectors and dependent on the stability of virus containment measures. Governments continue to provide large-scale fiscal and monetary support for the economy and financial markets, with some programs – including wage subsidies to businesses – expected to wind down in the near term.

While levels of household savings have increased over the pandemic, mounting inflationary pressures may increase consumer expenses. At the same time, employment remains below pre-pandemic levels in some sectors with signs of labour shortages. Central banks around the world will be deciding over the coming months when to begin raising interest rates and tapering their monetary expansion, which may impact market liquidity, financial firm performance, product offerings as well as retail investor risk tolerance and behaviour. At present, a number of central banks are expected to start the process of gradually normalizing monetary policy during fiscal year 2023. The OSC will monitor these developments that may impact the fair and efficient functioning of capital markets in Ontario.

As the shift toward remote work in much of the financial sector matures to more permanent hybrid arrangements, the OSC will continue to assess how it interacts with its regulated population through improved digital channels and integrated virtual and on-site compliance reviews. Pandemic-related restrictions drove a move towards online sales channels across a variety of industries. Greater consumer comfort with these sales channels may further a shift towards online advisers and direct marketing of investment products. The OSC will continue to monitor how these developments support fair, efficient and competitive markets.

Enhanced Regulatory Environment

Implementation of certain recommendations of the Capital Markets Modernization Taskforce (Taskforce) related to OSC governance and structure, as outlined in the Spring 2021 Ontario Budget, will be supported through legislative amendments by the Ontario government. These actions will strengthen the OSC organizationally by further separating the Board from the Tribunal and by separating OSC Chair and CEO roles, and will provide scope to implement its new mandates. The OSC will also continue advancing a number of policy initiatives recommended by the Capital Markets Modernization Task Force and highlighted in the Spring 2021 Budget and in the 2021 Ontario Economic Outlook and Fiscal Review.

In October 2021, the Ontario government published a draft Capital Markets Act for stakeholder consultations. The Capital Markets Act would update and streamline the OSC's legislative framework and provide additional clarity for capital markets participants. The OSC will continue to support the government with the ongoing work

related to the CMA consultation. These efforts will assist in supporting legislative harmonization with other provinces and territories.

Ontario's capital markets are influenced by national and international developments, from macroeconomic factors to policy changes to financial innovation. The OSC actively engages with domestic and international counterparts to monitor developments and contribute to and shape policy discussions relevant to our regulatory remit.

Evolution of the Investing Landscape

The pace of technological evolution and innovation in financial markets creates challenges to develop and maintain a responsive and aligned regulatory framework. Market participants continue to expand product and service offerings. Fintech and other market innovation are key disruptive forces in the financial services industry. Fintech is leveraging technological innovation, digitalization, and distributed ledger technology to create new product offerings and platforms to trade them on, including blockchain-based crypto assets and crypto asset trading platforms. The OSC must understand the impacts of these disruptive forces and respond to them in a manner consistent with our overall mandate.

The speed at which crypto assets and the firms that trade them have advanced indicate how quickly capital markets are changing, but also affirms the need for balanced regulatory approaches. During 2021, the global crypto asset market increased from US\$1 trillion in capitalization in January to over US\$2.3 trillion in August. Growth in speculative interest from both retail and institutional investors have boosted prices, but has also signalled the desire of crypto asset owners to transact and lend such assets through decentralized finance (DeFi). The OSC will continue to focus on bringing crypto asset trading platforms into compliance and taking enforcement action where necessary.

To meet these challenges, we will need to:

- continue efforts to identify and monitor emerging regulatory issues
- balance our multiple mandates to foster innovation, facilitate investor choice, foster competition and capital formation and protect investors while maintaining fair and efficient markets and contributing to financial stability
- cultivate capabilities to have a deep understanding of new technologies to ensure that we can deliver on our multiple mandates
- in coordination with our regulatory colleagues, identify and manage potential regulatory gaps or regulatory arbitrage

Increased retail investor participation in capital markets has been driven by a recent period of increased household savings, strong equity market performance, and lower cost trading opportunities. For some, a desire for return has led to herding activity toward speculative investments, such as the meme stocks, while others are seeking alternative assets, such as crypto assets. This activity highlights the importance of our investor education efforts and identifying opportunities for the design of messages to evolve along with investors' sources of information. Regulators will need to remain vigilant about products promising higher returns and enable investors to have the necessary tools to make informed decisions.

Public market financing has accelerated in Ontario, with an unprecedented volume of prospectus filings. Notably, between January and June 2021, \$4.11 billion in proceeds were raised across 31 IPOs in Ontario; supported strongly through Private Equity-based offerings, as well as an increase in the number of Special Purpose Acquisition Companies (SPACs). The OSC continues to monitor and assess new forms of capital raising to ensure our regime facilitates new, cost-effective options for issuers, and supports investor confidence and their ability to make informed investment decisions.

Part of this growth has been through the maturation of purpose-driven investing, evidenced in the surge of investor interest in environmental, social and governance (ESG) finance and supporting BIPOC businesses and communities. The advent of climate finance and related issuer disclosures has prompted growth of financial instruments to fund low-carbon transitions. Specialized investment funds for BIPOC businesses increase their access to capital and growth. These developments underscore the importance of disclosure and monitoring conduct.

OUR GOALS

GOAL 1 – Promote Confidence in Ontario’s Capital Markets

The OSC shares the Ontario government’s commitment to making Ontario’s capital markets globally competitive and an attractive place in which to invest, grow businesses and create jobs. One of the ways we uphold that commitment is by promoting confidence in Ontario’s capital markets through a balanced policy framework, by engaging and educating investors, exercising effective compliance oversight, and pursuing timely and vigorous enforcement.

To achieve globally competitive, efficient and strong capital markets and a regulatory system that attracts investment from around the world, the OSC is required to effectively balance the need to streamline capital raising for businesses, while seeking to protect investors from financial systemic risk and misconduct.

Our Key Priorities

1.1 Sustain Strong Core Regulatory Operations

The OSC continues to adapt to the impacts of the COVID-19 pandemic, pursuing implementation of structural changes and policy items stemming from the Spring 2021 budget and deliver policy responsive to the changes in the marketplace. Throughout these environmental, structural, and regulatory changes, the OSC continues to be committed to its fundamental core regulatory operation work, to provide stability and continuity in the regulation of Ontario’s capital markets.

As a result, the OSC considers sustaining strong core regulatory operations an overarching priority that contributes to confidence in Ontario’s capital markets.

Our core regulatory operations encompass three main categories of activities:

- Authorizations (receipting, registration, and recognition)
- Compliance/Oversight/Supervision
- Enforcement

Examples of these activities are:

Authorizations

- Review of prospectuses in connection with reporting issuer public offerings and issuance of a prospectus receipt
- Registration of firms and individuals in the categories of dealers, portfolio managers, investment fund managers and commodity categories
- Exemptive relief applications by a range of market participants including issuers, investment funds, registrants, and market infrastructure entities

Compliance/Oversight/Supervision

- Compliance reviews of registrants, including initial registration examinations, topical sweeps and for cause reviews

- Ongoing compliance and oversight related to the implementation of the Client Focused Reforms
- Registrant conduct oversight including the imposition of terms and conditions and suspensions of registrations in appropriate cases
- Outreach to market participants
- Continuous disclosure review programs for both corporate issuers and investment funds
- Real time review programs to assess disclosures and compliance with applicable requirements for take over bids and related party transactions, as well as staff participation in contested merger and acquisition (M&A) hearings before the Commission when necessary
- Compliance oversight of derivatives dealers and trade repositories
- Compliance of issuer offering documents and registrants participating in the exempt market, including syndicated mortgages
- Designation and oversight of credit rating organizations
- Ongoing monitoring and compliance reviews of periodic filings with the OSC including insider reports on SEDI and reports of exempt distribution
- Activities to support systemic risk management and to contribute to financial stability
- Market infrastructure oversight, including recognition, designation, exemption and ongoing oversight of various entities including self-regulatory organizations, exchanges, alternative trading systems, clearing agencies and designated entities that comprise the market infrastructure ecosystem
- Oversight of the listed issuer function for OSC recognized exchanges
- Oversight of OBSI to assess whether it continues to meet the standards it is expected to on, among other things, governance and transparency obligations

Enforcement

- Assessment of matters that may constitute a breach of Ontario's securities law and referrals for possible investigation and/or disruption activities
- Investigation and prosecution of regulatory enforcement matters, including market abuse matters
- The quasi-criminal team will work in cooperation with policing partners and continue to focus on fraudulent behaviour and recidivism
- Administer the Whistleblower program and coordinate international cooperation efforts with other regulators, including developing international disruption methods

The OSC continues to streamline regulation with a focus on reducing regulatory burden without compromising investor protection. In undertaking our core regulatory operations, the objective of reducing regulatory burden remains essential, and integrated into all of our activities.

The OSC reports on its operational accomplishments in various ways:

- We publicly report on regulatory operations through our quarterly service standard reporting, which shows how we are tracking against our service commitment standards. If a target is not met, we provide an explanation
- The OSC also publishes the OSC Annual Report every year, including the Report Card on our Statement of Priorities, which highlights key accomplishments and statistics related to our core regulatory work
- Various branches within the OSC produce Summary, or Activity Reports, which are published on the OSC Website

1.2 Support Implementation of the Mutual Fund Embedded Commissions Rules Banning the use of Deferred Sales Charges (DSC Ban) and Trailing Commission Where No Suitability Determination is Required (OEO Ban)

The OSC will focus on addressing implementation issues relating to the DSC Ban and the OEO Ban prior to the two bans taking effect on June 1, 2022. The OSC will assess fund managers' compliance readiness with the bans and will monitor for compliance.

Actions will include:

- Provide appropriate accommodation allowing flexibility for investors to be switched to different fee options when implementing the bans
- Obtain mutual fund sales, new products, and new services data for trend analysis, and follow up if the trends raise any concerns
- Inquire into fund managers' implementation plans and readiness

Planned Outcomes:

- Harmful DSC sales practices are removed in Ontario
- Instead of embedded fees, investors are charged applicable direct fees for mutual fund trades on order execution only (OEO) platforms
- Improved transparency and experience for investors with their dealers and advisors when investing in mutual funds

1.3 Improve the Retail Investor Experience and Protection

The OSC will continue to improve the retail investor experience and expand investor protection through a range of initiatives.

Phenomena such as the emergence of meme stocks, the increased gamification of investing, and the proliferation of social media channels have highlighted the diversity of sources of information that drive investor decisions. The aging population has been a focus of the OSC for many years and this will continue. Younger investors also have unique issues in investing and potential investor vulnerability has no age boundaries. As a result, the OSC addresses these developments in its activities and intends to continue to be agile by meeting people where they are in order to better educate and protect them.

Actions will include:

- Expanded focus on investor education and financial literacy activities, including:
 - increased paid media
 - expanded use of investor social media channels
 - the redevelopment of the OSC's investor website, GetSmarterAboutMoney.ca
- Continued implementation of the OSC Seniors Strategy and ongoing stakeholder consultation on additional tools, resources and strategies to support older investors
- Broadened consideration of investor perspectives early in the policy-making process
- Timely and responsive investor research conducted and published

Planned Outcomes:

- Financial education resources and channels, such as GetSmarterAboutMoney.ca, continue to be used by more investors and the OSC is seen as a leader in Canada and internationally
- Enhanced protection of seniors and vulnerable investors
- Policy initiatives reflect thoughtful consideration of research findings and investor perspectives
- More informed investment decisions through continued investor education

1.4 Expand Behavioural Insights and Policy Testing Capabilities

Since 2017, the Investor Office has enhanced the OSC's capacity to apply behavioural insights to securities regulation. Through expanding the Investor Office Research and Behavioural Insights Team (IORBIT), the OSC will continue applying the methods and techniques of behavioural science to policy and operational activities. IORBIT uses surveys, testing and experimentation to support evidence-based decision making throughout the Commission.

There are numerous factors that influence the decisions that people make. Behavioural Insights (BI) is an approach to understanding human decision-making that draws on the behavioural sciences including psychology, economics, and several others. Since the Global Financial Crisis, regulators around the world have been using BI to address financial market issues and improve investor outcomes.

Actions will include:

- Continue to strengthen the OSC's capacity and resources to apply BI to securities regulation through its policy making and operational programs
- Utilize behavioural science research methods to test the effectiveness of policy interventions
- Conduct experiments to study how emerging trends in capital markets are affecting retail investor behaviour
- Enhance OSC staff understanding of behavioural science to aid in the identification of investor protection risks and the development of effective solutions

Planned Outcomes:

- Improved effectiveness of OSC policies and programs, through the application of behavioural insights

1.5 Strengthen Dispute Resolution Services for Investors, such as the Ombudsman for Banking Services and Investments (OBSI), through Policy and Oversight Activities

Investors can be at risk for potential losses in cases where registered firms or individuals have acted unfairly, made an error or given bad advice. The OSC strives to improve investor access to redress in these types of situations. Avenues to obtain investor redress, including an effective and fair dispute resolution system, are now regarded as an essential element of investor protection frameworks. To achieve better results for investors and strengthen investor redress, the OSC will continue its efforts to establish a binding authority framework for a dispute resolution service such as OBSI.

Actions will include:

- Provide analysis of a framework for binding decisions of a dispute resolution service, such as OBSI, in Ontario within increased claim limits
- Engage with our CSA partners on strengthening OBSI

Planned Outcomes:

- Better results for investors regarding redress and dispute resolution, which will also foster investor confidence

1.6 Move Forward to Establish a New Single Enhanced Self-Regulatory Organization (SRO), and Consolidate the Current Two Investor Protection Funds (IPF) Independent from the New SRO

Focus on implementing a new SRO framework consistent with CSA Position Paper 25-404.

Actions will include:

- Establish an integrated working committee to coordinate and engage with existing SRO and IPF staff, as well as other stakeholders
- Implement the integration of the existing SROs, and separately, the current two investor protection funds under the new framework
- Adopt and move forward to implement issue specific solutions detailed in the CSA Position Paper 25-404 that:
 - Enhance governance and accountability to all stakeholders
 - Promote the development, interpretation and application of consistent regulatory requirements
 - Include formal investor advocacy mechanisms to ensure that investor perspectives are factored into the development and implementation of regulatory policies

- Contain mechanisms to improve the robustness of enforcement and compliance processes
- Ensure regulatory alignment with the CSA through appropriate oversight mechanisms
- Increase regulatory efficiencies, accommodate innovation and deliver effective and efficient regulation
- Do not impose barriers to registrants providing access to advice and products for investors of different demographics, including less affluent or rural investors
- Recognize and incorporate regional considerations and interests from across Canada

Planned Outcomes:

- Establish a new SRO framework by executing an approved implementation strategy to integrate the existing SROs, and separately, consolidating the current two investor protection funds

1.7 Strengthen Oversight of Crypto Asset Trading Platforms and Other Dealers

With the CSA and Investment Industry Regulatory Organization of Canada (IIROC), continue efforts to bring crypto firms engaging in dealer or marketplace activities into compliance with securities laws, as set out in both Joint Canadian Securities Administrators/Investment Industry Regulatory Organization of Canada Staff Notice 21-329 *Guidance for Crypto Asset Trading Platforms: Compliance with Regulatory Requirements* published on March 29, 2021 and in Joint CSA/IIROC Staff Notice 21-330 *Guidance for Crypto-Trading Platforms: Requirements relating to Advertising, Marketing and Social Media Use* published on September 23, 2021.

Actions will include:

- Engage with crypto firms to complete the registration or approval process
- Identify and address non-compliance with securities laws
- Develop in-house capabilities in crypto asset trading platform oversight

Planned Outcomes:

- Crypto asset trading platforms operate with appropriate regulatory oversight
- Reduction of misleading information in crypto asset trading platform advertising, marketing and social media
- An appropriate balance is achieved in supporting novel businesses and fostering innovation and competitive capital markets while promoting investor protection

*1.8 Introduce Proposed Rule for Climate Change-Related Disclosures**

The 2021 Budget included a commitment for the government to publicly consult on environmental, social and governance (ESG) disclosures, and consider the recommendations of the Taskforce. The Taskforce recommended mandating disclosure

* For Corporate Finance / Business Issuers only

by public companies of material ESG information, specifically climate-related disclosure that is compliant with the Task Force on Climate-Related Financial Disclosure (TCFD) recommendations. The Taskforce's final report highlighted that, globally and in Ontario, there is increased investor interest in issuers reporting on ESG-related information and creating a uniform standard of disclosure to level the playing field for all issuers. The 2021 Budget stated that the OSC will begin policy work to inform further regulatory consultation on ESG disclosure later this year. In October 2021, the CSA published proposed National Instrument 51-107 *Disclosure of Climate-related Matters* for a 90-day comment period. The proposed instrument would require reporting issuers (other than investment funds) to disclose certain climate-related information in compliance with the TCFD recommendations (subject to certain modifications). The comment period will close in January 2022.

Actions will include:

- Consider comments received on the proposed National Instrument and finalize instrument

Planned outcomes:

- Investors have access to the climate-related information needed to inform their investment and voting decisions
- Public companies have clarity on their climate-related disclosure requirements

*1.9 Reconsider Diversity on Boards and in Executive Roles at Reporting Issuers**

The OSC, together with other participating CSA jurisdictions, adopted disclosure requirements in 2014 related to the representation of women on boards and in executive officer positions at TSX-listed companies. Since that time, there have been significant events in the U.S., Canada and around the world that have intensified the focus on racism, and that includes a heightened focus on the issue of racial diversity on boards and in executive roles. In May 2020, the CSA announced further research and consultations in consideration of broader diversity on boards and in executive roles. In October 2021, the OSC held a virtual roundtable to discuss broader diversity (beyond gender) on boards and in executive officer positions, with a specific focus on targets, term limits and diversity data. All of this work will help determine whether, and how, the disclosure needs of Canadian investors and corporate governance practices among public companies have evolved since 2014 and what changes are warranted to the securities regulatory regime.

Actions will include:

- Consider and publish the feedback from stakeholders regarding the current diversity regime under securities legislation
- Develop proposals for enhancing that regime, as appropriate

* For Corporate Finance / Business Issuers only

Planned outcomes:

- Transparency regarding stakeholder feedback from consultations and research conducted
- Proposals developed to address the information needs of investors, while taking into account the business needs of public companies (following completion of consultations, as appropriate)

1.10 Monitor the Listing Function of Recognized Exchanges

Exchanges provide companies with access to equity capital through the listing function. There are a variety of options to raise public capital through an exchange listing, including an initial public offering, a reverse takeover, various qualifying transactions, a special purpose acquisition corporation or a direct listing. The exchanges are responsible for the development of appropriate policies for listings and for regulating and enforcing issuer compliance and other market participant conduct consistent with the established requirements. Recognized exchanges are subject to the terms of a recognition order between the OSC and the exchange. The OSC will continue to assess whether the recognized exchanges are conducting the listing process in accordance with the terms of the exchanges' policies and in a manner consistent with the terms of their recognition order and securities law. Exchanges operating in Ontario that are exempt from recognition by the OSC are typically party to a similar recognition order and are subject to oversight by one or more provincial securities regulators consistent with the OSC's oversight of recognized exchanges.

Actions will include:

- Review and comment on proposals for new or amended policies relating to the exchanges listings business
- Perform on-site or other compliance reviews relating to the practices of the exchanges in carrying out their listing functions, as necessary and appropriate, and liaise with other provincial securities regulators conducting oversight of exchanges
- Monitor domestic and international developments relating to blind-pool vehicles, such as SPACs
- Oversee the implementation of new or pilot listing programs being offered by exchanges on a temporary or "sandbox" basis
- Continue to assess whether there are opportunities for regulatory arbitrage as a result of differing listing rules, with a particular focus on reverse takeover transactions
- Engage in dialogue with the recognised exchanges on listing issues relating to emerging industries and new public entrants that may raise public interest concerns

Planned Outcomes:

- Development of compliance recommendations relating to listing standards, including:
 - requiring amendment to, or adoption of, new exchange listing policies
 - preparation of reports evaluating the adequacy of listing standards and related oversight programs executed by the exchanges

- Responding to proposed new or amended listing standards on a timely basis, raising material issues consistent with the OSC's oversight role and protocols
- Proactive identification and response to emerging listing issues and industries

1.11 Develop Total Cost Reporting Disclosure for Investors

In collaboration with the Self-Regulatory Organizations (SROs), the Canadian Council of Insurance Regulators (CCIR) and the regulatory bodies in the CCIR, develop total cost reporting disclosure for mutual fund investors and segregated fund holders to make them more aware of the ongoing costs of owning investments, such as the impact of management fees charged by mutual funds and segregated funds. OSC will focus on requirements for securities registrants (dealers and advisors) to provide periodic reporting to clients showing the total amount of such fees after the initial sale of the investment.

Actions include:

- Develop a form of total cost reporting disclosure for securities registrants that will build on existing disclosure documents rather than adding net new requirements.
- Recommend disclosure solutions that:
 - draw upon behavioural insights and the results of testing sample documents with investors
 - reflect an understanding of costs and practical considerations based on advance consultations with industry associations and back-office service providers
 - adopt an approach as consistent as possible under both securities and insurance regimes

Planned Outcomes:

- Investors will benefit from enhanced regular reporting on the ongoing costs of investments
- Address information asymmetry between dealers/advisers and their clients
- Increase investor confidence in the industry and lead to better investment outcomes

GOAL 2 – Modernizing the Regulatory Environment

The OSC seeks to adapt and evolve the regulatory framework to respond to the changing market environment and anticipate changing market conditions and investor needs. Modern, efficient and effective regulation enables firms and other market participants to comply with requirements in a way that reflects current business practices. Such efforts include modernizing regulatory oversight practices in a responsive and forward-looking manner and focusing on service improvements and the potential for undue regulatory burden on market participants.

Capital markets are always evolving and the OSC will strive to sustain a regulatory environment that continues to meet the evolving needs of Ontario businesses and investors. A modern regulatory environment adapts to changing technology and investor needs while also ensuring that investor protections keep pace with evolving potential harms that investors may face.

The OSC will continue to pursue a modernization agenda that promotes confidence in Ontario’s capital markets through effective investor protection, policies that foster fair, efficient and competitive capital markets, and the promotion of capital formation to help Ontario grow. To do this effectively, the OSC will continue to identify, understand, and adapt to emerging trends and novel business models, and will remove barriers to innovation and capital formation, while reducing regulatory burden.

We will ensure the integration, across all relevant activities, of the OSC’s expanded mandate on fostering capital formation and competitive markets that aims to provide greater access to capital markets in Ontario.

Our Key Priorities

2.1 Implement an Enhanced Framework for Modernizing Regulation

The OSC is focused on building a culture of continuous improvement that will modernize the OSC and the regulatory regime it oversees. The OSC will implement an enhanced organization-wide framework that will ensure a systematic and streamlined approach to projects aimed at modernizing our regulatory environment.

Actions will include:

- Implement the enhanced framework for modernizing our regulatory environment
- Coordinate policy projects within the new framework to ensure a streamlined process to achieve desired policy outcomes on high priority issues

Planned Outcomes:

- Enhanced, centralized, and streamlined process for all regulatory projects that reflect careful consideration of all aspects of our mandate
- Contribute to expedited rule and policy making, balancing the need to achieve harmonized outcomes that meet the needs of Ontario investors and market participants
- Strengthen regulatory processes by enhancing consideration of stakeholder views and impacts in:

- the implementation of the OSC's investor protection, capital formation and competition mandates
- the OSC's efforts to facilitate financial innovation

2.2 *Continue Work on Streamlining Periodic Disclosure Requirements for Reporting Issuers*

With our CSA colleagues, continue work on proposed changes to streamline and clarify annual and interim filings by reporting issuers published in May 2021, including proposals to:

- Streamline and clarify certain disclosure requirements in the management's discussion & analysis (MD&A) and the annual information form (AIF)
- Eliminate certain requirements that are redundant or no longer applicable
- Combine the financial statements, MD&A and, where applicable, the AIF into one reporting document called the annual disclosure statement for annual reporting purposes, and the interim disclosure statement for interim reporting purposes
- Introduce a small number of new requirements to address gaps in disclosure

Actions will include:

- Review of stakeholder feedback on the proposed changes and finalization of the continuous disclosure requirements
- Seek stakeholder feedback in reviewing non-IFRS content in Investment Fund issuers' financial statements

Planned outcomes:

- The modernized disclosure requirements will reduce regulatory burden, simplifying and streamlining reporting and increasing reporting efficiency for reporting issuers
- The quality and usability of the disclosures provided to investors will be increased

2.3 *Work to Modernize Delivery Options of Regulatory and Continuous Disclosure Filings for Issuers*

The OSC will develop a framework to introduce an access equals delivery model (AED model) in the Canadian market for various documents that issuers are required to deliver to investors.

Actions will include:

- Publish proposed amendments to implement an AED model for non-investment fund reporting issuers in connection with certain prospectuses, annual financial statements, interim financial reports and their related MD&A
- Review stakeholder feedback on the proposed amendments to implement an AED model for certain prospectuses and continuous disclosure documents
- Publish proposed amendments to remove certain delivery obligations for investment funds related to annual financial statements, interim financial reports, and annual and interim management reports of fund performance

- Publish a consultation paper seeking stakeholder feedback on modernizing and exploring alternative delivery requirements, including an AED model, for investment funds in connection with other disclosure documents such as Fund Facts, ETF Facts and long form prospectuses

Planned Outcomes:

- Develop an AED model that will modernize the way documents are made available to investors, reduce undue regulatory burden and related costs for issuers, and promote a more environmentally friendly manner of communicating information, with paper delivery remaining optional

2.4 Develop a Framework for Identifying and Monitoring Emerging Regulatory Issues

The OSC is responsible for the oversight and regulation of dynamic markets. As markets evolve, so must the regulatory environment. The OSC will develop a framework that will better enable the process of identifying developments that have the potential impact and influence future regulatory policy, operational activities or resources.

Actions will include:

- Develop and implement a framework for identifying and monitoring trends and emerging regulatory issues that may impact future OSC priorities

Planned Outcomes:

- Publish a horizon scan report that will support OSC priority setting

2.5 Continue to Expand Systemic Risk Oversight

The OSC works with many domestic and international regulators to monitor financial stability risks, improve market resilience, and reduce the potential risks arising from global systemic events. The OSC continues to enhance the domestic derivatives oversight framework and to operationalize the necessary compliance and oversight tools required to achieve a practical and effective OTC derivatives oversight regime.

The OSC will also continue to strengthen the regulatory framework to better assess liquidity risk and leverage associated with investment funds. To assess liquidity, leverage, and other risks in funds, the OSC continues to expand its data collection efforts, including an annual investment fund survey.

Actions will include:

- Subject to Ministerial approval, finalize amendments to the proposed Derivatives Dealer Business Conduct Rule being consulted on, limiting the scope of the rule and specifying which jurisdictions will be granted equivalency
- Finalize amendments to the Clearing Rule to further clarify which entities and products are subject to the rule
- Finalize amendments to the Derivatives Trade Reporting Rule to reflect changes to internationally adopted data standards for derivatives trade reporting

- Design a framework for collecting and analyzing data relating to OTC derivatives, the ultimate goal of which is a data warehouse that fully integrates data for all derivative products traded in Ontario
- Implement annual surveys, in a scalable manner, of private and public investment funds about their portfolio exposure to assess relevant systemic risks, with a focus on aggregated asset classes and leverage information

Planned Outcomes:

- Business Conduct Rule in place establishing fundamental obligations for OTC derivatives dealers and advisers
- Successful completion of Phase 1 of the Derivatives Data Warehouse Project, i.e., creation of a system that ingests and amalgamates credit derivatives data for each trade repository, so that the data can be easily used for analysis and to generate reports
- Publish summary statistics and research using data collected via the investment funds survey

GOAL 3 – Facilitate Financial Innovation

The OSC will continue its efforts to strengthen Ontario’s innovation ecosystem through flexible and proportional regulatory approaches and enhanced support for novel and innovative businesses looking to establish or expand in Ontario. Through the Innovation Office, the OSC seeks to foster new methods of engagement with the innovation community to tailor business support services to align with stakeholder priorities, support and enable the use of technology and open data, and expand OSC TestLab to foster capital formation to help support Ontario businesses and promote competition and consumer choice.

Our Key Priorities

3.1 *Engage with Novel Businesses and Support Innovation in our Capital Markets*

The Innovation Office continues to expand the OSC LaunchPad support program through deeper engagement with key stakeholders and an increased service offering focused on helping innovative businesses navigate regulatory requirements, granting conditional exemptive relief or time- or activity-limited approvals. The Innovation Office will build out its testing environment (OSC TestLab) to test innovative products, services and other solutions to test with capital market participants in Ontario.

Actions will include:

- Identify, understand, and facilitate emerging business models, services and products that benefit investors and our capital markets and help modernize regulation and foster innovation in Ontario’s capital markets
- Work with external stakeholders that support the innovation ecosystem, such as law firms, advisors, incubators and accelerators, venture capital and angel investors to improve educational resources and other supports provided to novel and innovative businesses
- Assess the effectiveness of the Innovation Office Directory in meeting the needs of eligible firms in the LaunchPad program and consider further enhancements to this resource
- Promote OSC TestLab, share insights gained from first testing cohort, conduct research, and consult stakeholders to determine additional testing themes
- Leverage research and increase engagement with stakeholders in the innovation ecosystem to help promote innovation and capital formation in our markets
- Work with the CSA Sandbox to issue timely approvals and/or exemptive relief for Ontario businesses offering novel products or services to operate in Canada as registered firms or marketplaces

Planned Outcomes:

- Reduce costs and “time to market” for innovative businesses and new businesses seeking to raise capital
- Increase awareness of OSC TestLab and announce future testing cohort(s)
- Positive feedback from stakeholders regarding guidance issued, surveys conducted, and support provided to innovative businesses
- Create new educational resources and enhance other supports provided to novel and innovative businesses

3.2 *Support and Enable the Use of Technology and Open Data in our Capital Markets*

The OSC will strive to influence and enable the use of novel technology in our capital markets. This includes being more responsive to stakeholder needs (e.g., considering data standards and data sharing rules) and further understand the benefits of open data to create efficiencies and as a basis for business and services to offer better technology to customers, while enhancing investor safeguards.

Actions will include:

- Consider how an open data framework could be applied to Ontario’s capital markets
- Identify opportunities and new ways to share data (e.g., through APIs or sharing of data sets)
- Develop OSC strategy to consider RegTech and SupTech solutions
- Support and influence open banking/open data initiatives that could facilitate innovation in Ontario’s capital markets

Planned Outcomes:

- Adoption of new technologies that support a better investor outcome and enhance investor protection
- Improved accessibility to data that can benefit research, policy making, and help market participants to reduce cost

3.3 *Expand OSC TestLab*

The Innovation Office developed a testing environment in Ontario to enable eligible firms to test novel products, services and solutions in our capital markets, subject to appropriate testing parameters.

OSC TestLab seeks to achieve the following objectives:

- Provide opportunities for collaborative testing with partners in a connected innovation ecosystem
- Engage with experts on regulatory challenges and barriers, collaborate on solutions and obtain guidance on regulatory requirements
- Allow the OSC to consider new solutions and remove barriers to innovation
- Drive the development of policy and modernize regulation

OSC TestLab is operated on a cohort basis offering testing during specific periods based around problem statements. Testing themes are identified and refined through research and stakeholder consultations, taking into account emerging trends and technologies, OSC priorities and the insights gained through our engagement with stakeholders and experience supporting innovative businesses through OSC LaunchPad. We are developing future test themes that will focus on enhancing capital formation, in line with our expanded mandate.

Actions will include:

- Conducting research to gather data, insights and other key information about the capital raising process in private markets and current funding landscape for start-ups and other small businesses
- Seeking stakeholder feedback from target audience groups to more deeply understand the nature of the financing challenges faced by businesses in Ontario's capital markets
- Designing and implementing a testing theme related to enhancing capital formation that is fully informed by the results of the research and stakeholder feedback received

Planned outcomes:

- Conduct research and obtain stakeholder feedback to inform future TestLab test themes
- Design and implement new tools to support emerging trends and benefit capital market participants

3.4 Foster New Methods of Engagement with the Innovation Community

The Innovation Office is focused on deepening engagement with the innovation community to build a stronger innovation ecosystem. The Office uses insights from its engagement with the innovation community to tailor programs and services to foster innovation and facilitate capital formation while furthering the OSC's efforts to modernize regulation. Through stronger engagement and collaboration, the Innovation Office aims to ensure that stakeholder input is considered in OSC policy making and operational programs and that business support services align with stakeholder priorities.

Actions will include:

- Experimenting with new methods for outreach and engagement including interactive communication to inform research and develop policies and practices that align with stakeholder priorities
- Implementing a systematic approach to research and data analysis to identify emerging trends and share insights with internal and external stakeholders to promote innovation, facilitate capital formation and modernize regulation
- More proactive outreach with stakeholders, including entities that can support Ontario's innovation ecosystem such as innovation hubs and accelerators, academic institutions, and other regulators

Planned Outcomes

- Clear and visible connections to innovation hubs, accelerators, academic institutions, and other regulators
- Implement interactive digital solution(s) to engage with a broader group of stakeholders
- TestLab testing themes and other business support services aligned with stakeholder priorities

- Publish research and thought leadership that contributes to financial innovation and modernizing regulation in Ontario’s capital markets
- Increase the OSC’s visibility as an innovative and agile regulator

GOAL 4 – Strengthen Our Organizational Foundation

The OSC regulates and supports an ever-changing and highly competitive financial sector. The COVID-19 pandemic, global discussion about systemic racism, ongoing review of our capital markets, and resulting stakeholder commentary about modernizing securities regulation have increased the need and urgency for the OSC to have a strong and adaptable organizational foundation, including people, policies, systems and data.

Our Key Priorities

4.1 Redevelopment of CSA National Systems

The OSC, along with the other CSA jurisdictions, will continue to work toward replacing the legacy CSA national systems with SEDAR+. Development of this new CSA system is an ongoing process. Once the system is launched, it will be the common platform for all filings, disclosure, payments, and information searching for the Canadian capital markets.

The Market Analysis Platform (MAP) is the newly launched CSA market activity analytics platform and one of the critical OSC enforcement tools. Initially focused on equity trades, MAP will continue to evolve to integrate additional data sets such as exchange-traded derivatives and more sophisticated analytics.

Actions will include:

- Continue to participate with the CSA to develop SEDAR+ and MAP systems that meet the needs of internal and external stakeholders
- Work with other CSA jurisdictions to complete a controlled transition to the new system for market participants and internal users
- Work with the CSA to complete development of CSA Systems Fee Rule in time for Phase 1 launch of SEDAR+

Planned Outcomes:

- SEDAR+ is launched as an online national system that is more responsive to current and future needs of market participants
- Regulatory processes are more efficient and service delivery to market participants is improved, reducing overall regulatory burden
- MAP supports increased ability to analyze complex market abuse cases, across markets and related parties and provides a platform for conducting research into Canadian markets

4.2 *Technology Modernization, Digital Transformation and Data and Analytics Enablement*

The OSC will continue to transform its operations for the digital age and improve efficiencies through modern tools, technologies, and processes. This will include building skill sets and facilitating the cultural changes required for the organization to adapt and transform for the digital age. The digital transformation program will also enable the OSC to fully transform into a data-driven regulator by provisioning tools, technologies, data and analytics capabilities and by nurturing and growing the data and analytics culture within the organization. All of this technological change and digital transformation work will be supported through a resilient and secure technology infrastructure, applications and platforms.

Actions will include:

- Continue implementing OSC's platforms strategy, including rollout of an Enterprise Resource Planning solution, optimization of regulatory operations through integrated processes and data flows, automation of manual tasks using robotic process automation technology and employee enablement through various modern tools and technologies
- Implement the Enterprise Data and Analytics Platform – a unified, scalable, secure, and governed platform that will offer enterprise data, analytics and reporting capabilities across the OSC
- Build skill sets and facilitate the cultural changes required for the organization to adapt and transformation for the digital age
- Continue to support legacy applications and implement any modifications and enhancements required on the OSC local systems and related processes, workflows, and policies to ensure they are aligned with Phase 1 of SEDAR+ when it is launched
- Continue to execute on the IT resiliency, IT lifecycle management platform currency and Information Security programs

Planned Outcomes:

- Increased efficiency of internal regulatory operations and corporate services supported by inter-operable modern platforms, tools, technologies and streamlined processes
- Accelerated transition from stand-alone, legacy systems to modern integrated enterprise platforms
- Improved insights, efficient information sharing and increased collaboration between branches and with industry stakeholders, enabling data driven policy development and decision making
- Digital-first culture leading to modern workplace and future proofing

4.3 Foster/Improve Inclusion, Equity and Diversity

The OSC is focused on building and sustaining diversity in our OSC community and ensuring that the employee experience is equitable and inclusive for everyone.

Actions will include:

- Continue to implement the OSC Inclusion and Diversity Strategy to remove barriers to inclusion at the OSC, and to achieve equitable opportunities and a consistent employee experience for all
- Provide and promote opportunities for learning and dialogue to develop a better understanding of bias, racism, and barriers to inclusion
- Take actions outlined in the BlackNorth Initiative (BNI) CEO pledge

Planned Outcomes:

- Updated and new policies and practices that are equitable and inclusive for all employees, including in the areas of recruitment, talent development, secondment, promotion, code of conduct, and respectful workplace
- Increased understanding leading to individual and organizational change in practices and behaviours to support equity and inclusion
- A workplace where employees experience inclusion and psychological safety
- Achieve the goals and targets set out in the BNI CEO pledge

4.4 Implement Hybrid Work Model

The OSC will continue to adapt work practices and the workplace to support effective and efficient delivery of regulation and business operations in a hybrid work model, where employees are working both on-site and remote.

Actions will include:

- Establish and adjust work policies and practices to support a hybrid workforce, contributing to collaboration and organizational culture in a hybrid workplace model
- Develop policies and practices that support flexibility in hours and place of work
- Implement physical space design features to ensure employee health and safety, and to support a hybrid workplace
- Implement a digital solution to support the return to office/ Hybrid workplace plan

Planned Outcomes:

- Updated and new policies and practices and tools that address employment practices in a hybrid workplace and flexible work arrangements
- Alignment of office space design with effective hybrid work practices



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