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August 31, 2011

Dear Mr. Wetston,

Please find attached our first Annual Report as required by our mandate.

We would like to indicate at the outset that we are a group of seven (appointed) individuals who care deeply about investors' concerns. Our commitment to the mandate of the Investor Advisory Panel will be evident from the words we have written. We are keen to continue with the project of representing the interests of investors in Ontario which we believe to be central to the policy making process.

We would like to take a moment to note, as you know, that we are the first Investor Advisory Panel of its kind in Canada. We applaud the Commission for taking the initiative to establish the Panel, which is a development consistent with other jurisdictions including the United States and the United Kingdom. We have certain suggestions relating to the operation of the Panel, which are contained in the attached Report.

Our Chair, Anita Anand, would very much like to meet with you to discuss the Report on our behalf. We look forward to hearing from you in response.

Yours very truly,

The Investor Advisory Panel

Anita Anand, Nancy Averill, Paul Bates, Stan Buell, Lincoln Caylor, Steve Garmaise and Michael Wissell

## 1. REPORT ON PAST YEAR

### (a) Background

The Investor Advisory Panel (“IAP” or “Panel”) is an independent body that was formed by the Ontario Securities Commission in August 2010. We are charged with providing input on the Commission’s policy initiatives, including proposed rules and policies, the annual Statement of Priorities, concept papers and specific issues. Our specific mandate is to represent the views of investors. We seek to represent the views of all types of investors, including retail and institutional investors. Given the considerable resources and existing organizations devoted to expressing the views of institutional investors, our panel has been particularly focused (though not exclusively) on ensuring that the interests of retail investors are heard.<sup>1</sup>

*Monthly meetings.* Since its establishment, the Panel has met twelve times either in person meetings or by conference call. During our meetings, we discuss the content of submissions and plan future activities, particularly with respect to investor and expert consultation. Decision-making among Panel members occurs by consensus; we do not conduct formal votes. We also communicate regularly by email in between meetings regarding a variety of items, including: issues that the Panel may or will address, newsworthy matters that are occurring in the capital markets and proposed rules or policies.

*Transparency.* The Panel operates on two key principles, the first of which is transparency. In order for members of the investor community and other stakeholders to be aware of our progress and issues that we are considering, we post the agendas and minutes for each meeting on the webpage of the Investor Advisory Panel.<sup>2</sup> Accessible from the OSC website, this webpage also has pages devoted to an introduction to the Panel, short biographies of the Panel members, the Panel’s initiatives, and its submissions. The webpage also contains a set of links to various documents in the Panel’s history, including its Terms of Reference.<sup>3</sup>

*Independence.* Our second operating principle is independence. The Panel views it to be fundamental that its deliberations and decision-making are completely independent from the Commission. Thus, our meetings and submissions proceed without a Commission member at the table. We believe that it is in investors’ and the Commission’s own interests that the Panel remains independent from the Commission to enhance the Panel’s credibility and to ensure that the views of investors are represented in as objective a manner as possible.

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<sup>1</sup> See “Terms of Reference” *Investor Rights Advisory Panel* (6 April 2010), online: Ontario Securities Commission < [http://www.osc.gov.on.ca/en/Investors\\_iap\\_20100406\\_terms-reference.htm](http://www.osc.gov.on.ca/en/Investors_iap_20100406_terms-reference.htm)>, 1.

<sup>2</sup> See “Meeting Agendas and Minutes” *Investor Advisory Panel* (13 July 2011), online: Ontario Securities Commission < [http://www.osc.gov.on.ca/en/Investors\\_iap\\_meeting-agenda-minutes\\_index.htm](http://www.osc.gov.on.ca/en/Investors_iap_meeting-agenda-minutes_index.htm)>.

<sup>3</sup> See *supra* note 1.

## **(b) Consultations**

In preparing our submissions, we spent considerable time and effort consulting with experts, learning from the experience of others to develop informed submissions. Individual Panel members consulted experts in the field in Canada, the United States, and other developed markets.<sup>4</sup> We placed a particular emphasis on policies and developments in comparable markets.

*Consultations with experts.* Recognizing that individual Panel members' expertise does not cover every issue in securities regulation, the Panel has been and is eager to meet with individuals who can usefully assist in our deliberations. The Panel has invited guest speakers to address its meetings on certain topics. The current and past Chairs of the Commission, David Wilson and Howard Wetston, each visited the Panel. Commission staff provided an orientation session regarding the Commission, its policy/rulemaking process, and the Commission's Statement of Priorities. The Brondesbury Group visited the Panel and summarized the findings from the retail investor focus groups (discussed below). Panel members also met with Commission staff prior to making its submission on shareholder democracy.

*Topics for public comment.* To assist in fulfilling its mandate, the Panel sought comments from the public in five particular areas:

- point of sale regulations for mutual funds and segmented funds;
- enforcement of securities act violations;
- fiduciary duties for financial service professionals;
- monitoring and supervision of credit rating agencies; and
- investor protection initiatives in other countries.<sup>5</sup>

We received four formal submissions in response to this call for comments and have also received numerous emails from the public at large on a range of issues, some of which relate to these topics. Our Chair and Assistant to the panel have read each of these emails but due to limited resources and a tightly defined mandate, the Panel concluded that it would not engage in substantive responses to individual correspondents unless they raise an issue of policy that directly concerns the Panel's mandate.

*Reaching out to investors.* The Panel is committed to reaching out to investors and has employed various means to understand investors' interests and concerns regarding capital market regulation. The first prong of our outreach involved convening two expert roundtables that provided us with background information prior to preparing our submission on the Commission's draft annual statement of priorities. In the first roundtable, we met with invited representatives from investor advocate groups and in the second, we met with legal experts in securities regulation. The Panel met in total with ten

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<sup>4</sup> See Appendix A.

<sup>5</sup> See "Investor Advisory Panel Initiatives" *Investor Advisory Panel* (28 June 2011), online: Ontario Securities Commission <[http://www.osc.gov.on.ca/en/Investors\\_iap\\_initiatives\\_index.htm](http://www.osc.gov.on.ca/en/Investors_iap_initiatives_index.htm)>, which outlines the list of initiatives in greater detail.

individuals as part of this process all of whom are listed in Appendix A to this Annual Report.

*Retail investor focus groups.* The second prong of our outreach and background research prior to preparing our comment on the annual statement of priorities consisted of consultations with retail investors themselves. The Panel retained the Brondesbury Group to facilitate and convene four retail investor focus groups in Mississauga and Toronto. As part of this initiative, four randomly selected groups of individuals met in sessions held in March 2011 to provide their views on investor rights and protection and to provide feedback on the initiatives set out in the Commission's statement of priorities. The Brondesbury Group report regarding these roundtables is contained in Appendix B to this Annual Report.

*Examining different methods of outreach.* The Panel is deeply committed to hearing from investors directly. We are therefore currently evaluating a number of forms of investor outreach, including surveys, citizen juries and town halls, to ensure that we broadly represent the views of investors across Ontario, including retail investors whose varied views are often not voiced or heard. The information collected through these initiatives has assisted and will assist the Panel in understanding and representing investors' interests when formulating its responses to policy initiatives. We discuss the issue of investor outreach in further detail below.

### **(c) Submissions**

The Panel has been prolific in its first year, having made four formal submissions to date. As discussed below, these submissions relate to the regulation of credit rating agencies, OTC derivatives, shareholder democracy and the Commission's annual statement of priorities.<sup>6</sup>

#### *(i) Designated Rating Organizations (Credit Rating Agencies)*

*Regulators should review ratings.* On October 25, 2010, the Panel submitted a letter to the Commission outlining its position on proposed National Instrument 25-101 regarding Designated Rating Organizations (DROs). The Panel was cautiously positive about the initiative, but suggested that it did not go far enough to protect the needs of investors. The Panel recommended that regulators implement a system to review ratings themselves, designating specific members of the Commission to review ratings and related disclosure at least periodically. The Panel disagreed with the proposal that DROs follow the IOSCO Code of Conduct<sup>7</sup> under a "comply and explain" regime, in the belief that such a regime would not adequately protect investor interests from possible CRA

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<sup>6</sup> The Panel's full submissions are online at "Submissions" *Investor Advisory Panel* (12 July 2011), online: Ontario Securities Commission <[http://www.osc.gov.on.ca/en/Investors\\_iap\\_submissions\\_index.htm](http://www.osc.gov.on.ca/en/Investors_iap_submissions_index.htm)>.

<sup>7</sup> The Technical Committee of the International Organization of Securities Commissions, *Code of Conduct Fundamentals for Credit Rating Agencies*, (December 2004), online: IOSCO <<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD180.pdf>>.

conflicts of interest or shoddy work. Retail investors who lack the resources to conduct independent research are particularly prone to accepting published credit ratings.

The CSA since published a further revised rule that is out for comment.<sup>8</sup> Rather than the originally proposed “comply and explain” regime, the new revised rule proposes to require DROs to “maintain and comply” with a code of conduct. This change reflects the CSA’s desire to remain consistent with developing international standards. The code of conduct contained in the revised proposed rule is based substantially upon the IOSCO Code of Conduct, subject to a few modifications in order to be consistent with regulatory approaches being adopted internationally. We support the CSA’s move in this regard as comply or explain is likely insufficient to protect investors in this circumstance.

*(ii) Over-the-Counter Derivatives Regulation*

*Mandatory central clearing and trade repositories.* The Panel responded to the call for comments on Consultation Paper 91-401 regarding Over-the-Counter (OTC) Derivatives regulation on January 11, 2011.<sup>9</sup> The IAP’s submission stated that two overarching objectives should drive regulation in this area: reducing systemic risk and increasing market transparency. In order to achieve these twin goals, the Panel supported the need for mandatory central clearing and trading repositories for OTC derivatives, and for regulatory harmonization across jurisdictions (within and outside Canada) to effectively implement these initiatives. The need for harmonization further underscored the importance of creating a national securities regulator that could negotiate with one voice on behalf of the country in this and other areas of the law that would benefit from international cooperation.

*(iii) Shareholder Democracy*

*Annual “say on pay” vote, investigating retail investor participation.* The Panel delivered its submission on OSC Staff Notice 54-701 concerning shareholder democracy issues on April 18, 2011.<sup>10</sup> The Panel suggested that slate voting lacked a persuasive rationale and endorsed a legally-mandated requirement for all corporations to implement a system of majority voting in the election of individual directors. The Panel recommended that the Commission review the practice of plurality voting where directors are elected by slate and undertake more research regarding the information that shareholders need to cast informed votes. The Panel also endorsed the implementation of

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<sup>8</sup> See CSA, *Notice and Request for Comment: Proposed National Instrument 25 – 101 Designated Rating Organizations, Related Policies and Consequential Amendments* (18 March 2011) online: CSA <[http://www.albertasecurities.com/securitiesLaw/Regulatory%20Instruments/2/Designated%20Rating%20Organizations%20%5BProposed%20NI%5D/3792322-v1-CSA\\_NOTICE\\_PROPOSED\\_NATIONAL\\_INSTRUMENT\\_25-101.pdf](http://www.albertasecurities.com/securitiesLaw/Regulatory%20Instruments/2/Designated%20Rating%20Organizations%20%5BProposed%20NI%5D/3792322-v1-CSA_NOTICE_PROPOSED_NATIONAL_INSTRUMENT_25-101.pdf)>.

<sup>9</sup> See *Re: Consultation Paper 91-401 on Over the Counter Derivatives Regulation*, Letter to John Stevenson (11 January 2011), online: Ontario Securities Commission <[http://www.osc.gov.on.ca/documents/en/Securities-Category9-Comments/com\\_20110111\\_91-401\\_ananda.pdf](http://www.osc.gov.on.ca/documents/en/Securities-Category9-Comments/com_20110111_91-401_ananda.pdf)>.

<sup>10</sup> See *Re: OSC Staff Notice 54-701*, Letter to John Stevenson (18 April 2011), online: Ontario Securities Commission <[http://www.osc.gov.on.ca/documents/en/Securities-Category5-Comments/com\\_20110418\\_54-701\\_ananda.pdf](http://www.osc.gov.on.ca/documents/en/Securities-Category5-Comments/com_20110418_54-701_ananda.pdf)>.

an annual advisory "say-on-pay" vote on director compensation. Unlike some other organizations that made submissions, the Panel stated that smaller companies, including those listed on the Toronto Venture Exchange, should not be exempted from these requirements. The quality of corporate governance of these smaller companies often lags behind their larger rivals; shareholders in such companies require greater protection. In order to improve the overall shareholder voting process, the Panel called for a task force to examine all aspects of shareholder voting in Canada and an investigation of methods that could improve the quality and extent of retail voting.

*(iv) Statement of Priorities*

*Call for more specifics, three key priorities.* On April 27, 2011, the Panel made submissions on the draft Statement of Priorities for 2011-2012 released by the Commission in February, 2011.<sup>11</sup> While acknowledging stated commitments to investor protection, transparency and enforcement, the Panel objected to a lack of specific actions that the Commission would take to achieve these objectives. The Panel also sought more detail, viewing the draft priorities as too broad and vague to provide meaningful accountability. The Panel called for the priorities to be amended to include the following three key priorities: fiduciary duties for financial service providers; improvement of point of sale disclosure and its extension to comparable investment instruments; and restitution for investors.

The final Statement of Priorities was more specific and focused and took some of the Panel's concerns into account. For example, it indicated a commitment from the Commission to communicate its agenda more clearly, to improve visibility by being more externally focused, and to increase its reliance on data when developing policy. It also indicated the Commission's commitment to collecting and "analyzing comments from retail investors ... to ensure the concerns of the retail investors are heard."<sup>12</sup> Finally, in terms of substantive legal issues, the Panel is pleased with the commitment to exploring a mechanism to award compensation. However, regarding fiduciary duty, we note that the Commission is committed to "research" rather than a commitment to moving towards implementation. Admittedly, this issue has not been much discussed in Canada, although it has been the subject of full-fledged debate and considerable progress in the U.S., the U.K., Australia and other developed markets. The Panel is concerned that a prolonged process of studying risks leaving Ontario investors less well-protected than their counterparts in international jurisdictions.

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<sup>11</sup> See *Draft Statement of Priorities*, Letter to John Stevenson (27 April 2011), online: Ontario Securities Commission <[http://www.osc.gov.on.ca/documents/en/Securities-Category1-Comments/com\\_20110427\\_11-765\\_ananda.pdf](http://www.osc.gov.on.ca/documents/en/Securities-Category1-Comments/com_20110427_11-765_ananda.pdf)>.

<sup>12</sup> See OSC, *Notice of Statement of Priorities for Financial Year to End March 31, 2012* (17 June 2011), online: Ontario Securities Commission <[http://www.osc.gov.on.ca/en/SecuritiesLaw\\_sn\\_20110617\\_11-753\\_statement-priorities.htm?wloc=141NWEN&id=32223EN](http://www.osc.gov.on.ca/en/SecuritiesLaw_sn_20110617_11-753_statement-priorities.htm?wloc=141NWEN&id=32223EN)>.

## (d) Outreach

*Approaching the broader community.* Panel members have been active in building awareness of the Panel's mandate and activities within the broader community. For example:

- On April 6, 2011, Anita Anand, Lincoln Caylor and Steve Garmaise attended a conference on investor advisory panels held by the Canadian Transition Office.
- On May 10, 2011, Anita Anand and Lincoln Caylor addressed the Investment Industry Association of Canada's Industry to discuss the establishment of the Panel and the submissions it had made in its inaugural year.
- On May 26, 2011, Steve Garmaise attended the FCAC Conference on Financial Literacy.

*Media.* The activities of the IAP have also attracted coverage in the media. The Globe and Mail covered the Panel's list of initiatives that was issued in December 2010.<sup>13</sup> Articles regarding the Panel's comment letter on the Commission's proposed statement of priorities were published in the National Post and the *Investment Executive*.<sup>14</sup> These articles addressed the recommendations put forth by the Panel and the role that consultation played in putting the submission together.

## (e) Budget and Finances

*Stayed within limited budget.* The Commission allocated \$50,000 per annum to cover to facilitate its ability to carry out its mandate through consultations with investors or procuring professional services to assist in drafting comment letters. A list of the Panel's overall expenditures is contained in Appendix C. While the Panel stayed within budget during the past year, we are limited by the allocated amount. One prime example is our need for research and our resulting extensive reliance on pro bono research assistance provided throughout the year by Bennett Jones LLP. This issue is discussed further below.

## 2. ISSUES FOR CONSIDERATION

### (a) IAP Mandate

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<sup>13</sup> See Janet McFarland, "OSC panel seeks input from broad range of shareholders" *The Globe and Mail* (10 December 2010), online: The Globe and Mail < <http://www.theglobeandmail.com/globe-investor/osc-panel-seeks-input-from-broad-range-of-shareholders/article1821317/>>.

<sup>14</sup> See Theresa Tedesco and Barbara Shecter, "Panel slams OSC plan" *The Financial Post* (29 April 2011), online: The National Post <<http://www.financialpost.com/news/Panel+slams+plan/4694477/story.html>>, and "A new era for investor protection", Editorial, *Investment Executive* (24 June 2011) online: Investment Executive < <http://www.investmentexecutive.com/client/en/News/DetailNews.asp?IdPub=213&Id=58666&cat=25&IdSection=25&PageMem=&nbNews=>>>.

As it is presently conceived, the Panel's mandate allows it to provide written comments only on issues that are of concern to Ontario's investors. The financial crisis exemplified that investors in Ontario and throughout the world are affected by events, institutional failures and regulatory initiatives that occur in other jurisdictions, whether they are national or international. It illustrated that capital markets are interdependent and indeed know no geographical boundaries.

It is for this very reason, among others, that the Panel supports the Commission's view of a national securities regulator. Canadian capital markets must be viewed to as extending beyond provincial boundaries. A single national regulator would most efficiently and effectively be able to regulate these markets. In addition to our support for a national securities regulator, the Panel endorses the need for a universal regulator to encompass banking and insurance services as well as investments. The current balkanization into multiple regulatory regimes allows for regulatory arbitrage and a "race to the bottom." Too often products of very similar return and risk characteristics are regulated completely differently because of their different origins or other quirks. Investors are frequently confused and ill-served by these multiple jurisdictions.

In light of the interdependent nature of capital markets, the Panel is concerned that its ability to respond to issues that affect investors broadly speaking is circumscribed by a somewhat narrow mandate. We believe that a broader mandate that would allow us to respond more effectively to issues that affect investors outside of the strict confines of written submissions on proposed rules or policies. In particular, we suggest that the mandate be broadened to allow the Panel to comment on regulatory issues of concern for Ontario investors. Such a mandate may also allow commentary on developments in capital markets outside of the strict policy and rule making process emanating from the Ontario Securities Commission.

We believe that investors' interests would be better represented if the Panel had the flexibility to comment on proposed regulation emanating from self-regulatory organizations and stock exchanges, and on issues of general public concern to investors such as the recent controversy regarding an attempt by some investment dealers to opt out of the Ombudsman for Banking Services and Investments (OBSI).

Finally, we believe that there are instances in which developments in securities regulation in other jurisdictions are relevant to investors in Ontario and Canada generally. It would be beneficial to investors in this country if the Panel could comment on such developments and indicate whether there is a need for the Commission to consider similar reforms in these capital markets. The Commission and the Ontario Government have declared their intention that the protections available to Ontario investors will not fall short of those available in other developed markets. Widening the Panel's mandate would help to achieve that goal.

Ultimately, regardless of whether changes to the mandate are implemented or not, the Panel seeks to provide the Commission with greater depth of analysis on issues that the Commission is examining. We believe that this is the underlying purpose of the Investor



Advisory Panel and we are keen to fulfill it. We would appreciate confirmation from the Commission of this view and would like to see steps taken to ensure that the Panel can be helpful in this regard.

**(b) Deeper and more frequent interaction with the Commission**

*More interaction with the Commission.* The Investor Advisory Panel differs from other stakeholder groups. We are a body created by the Commission to assist the Commission in its understanding of investors' views. As such, we would benefit greatly from feedback and/or responses from the Commission on submissions that we deliver. If we are able to more effectively contribute to the rule and policy making process, we would like to do so.

*Commission response in writing.* Under the Panel's terms of reference, there is no requirement for the Commission to respond to a submission that we make. We are often unsure of whether our input has been useful to the Commission in the policy and rule making process and indeed whether the Commission has additional issues that it wishes to be examined. We encourage the Commission to respond in writing to our submissions. Such communication is contemplated in the draft National Securities Act and is mandated in the U.K.<sup>15</sup>

*Regular meetings with Commission leaders.* In this vein, the Panel would benefit from more regular meetings with the Chair and/or members of the Commission over the course of the year. We believe that quarterly in person interaction with the Commission would better enable us to relay issues that are of concern to the Panel, and similarly, would allow us to hear issues that the Commission views to be important. This recommendation is simply one for greater contact and communication with the Commission outside of the written submissions that the Panel makes. While the Commission has taken the important first step in creating this Panel, it could now benefit from our expertise and dedication to investors' issues and concerns.

*Greater access to Commission staff and resources.* Further, the Panel and its individual members could benefit from greater access to Commission staff and studies when preparing our submissions and researching topics. The Commission has substantial research and other resources that the Panel cannot hope to replicate. While still safeguarding our independence, the quality of the Panel's work could be improved by greater access to such material and personnel. We encourage the Commission to develop a protocol for the sharing of written information and discussions with staff relating to the Panel's work.

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<sup>15</sup> The UK requires the Financial Services Authority (FSA) to consider to the Financial Services Consumer Panel's (FSCP) recommendations and publish a reason for any disagreement. See *Financial Services and Markets Act* (UK), 2000, c. 8, s. 11, online: [legislation.gov.uk](http://www.legislation.gov.uk) <  
<http://www.legislation.gov.uk/ukpga/2000/8/section/11>>.

**(c) More Extensive Investor Outreach and Research**

In order to fulfill its mandate, the Panel receives funding annually of up to \$50,000 for consultation and professional services. A list of our expenditures to date is contained in Appendix C to this Annual Report.

*Extending our reach across Ontario, via multiple platforms.* In order to fulfill our mandate more effectively, we would like to be able to undertake outreach efforts such as town halls, surveys and citizen juries. It is also important for the Panel to expand our outreach efforts beyond Toronto to other centres and regions across Ontario.

Unfortunately any of these methods of outreach would entail significant expense, which the Panel currently could not bear under the current funding model. In particular, the Panel would need to hire external firms to assist with the research. We therefore request more annual funding to undertake empirical research and outreach. In the Commission's statement of priorities, it indicated its commitment to "improving visibility by being more externally focused, and increasing its reliance on data when developing policy."<sup>16</sup> The Panel could be helpful in assisting the Commission to achieve this goal with a greater funding allotment.

*Budget for paid research assistance.* The Panel's terms of reference make no provision for paid research assistance. In order to fill this gap, we have benefitted from the goodwill of a major law firm, Bennett Jones LLP, which provided two articling students to assist with our research over the course of the past year. These students produced high quality research that greatly supported and informed the policy analysis and recommendations of the Panel. We are convinced of the need for dedicated researchers to assist the Panel with its ongoing work and fulfillment of its mandate. In general, we believe that a fundamental aspect of a successful investor advisory panel is financial support to hire research assistance. We ask the Commission to consider providing specific funding for research assistance to the Panel.

**(d) Structure and Logistical Considerations**

Our Panel comprised of seven members has worked well over the past year. We have functioned efficiently and cooperatively as a group. We have reached consensus on issues via discussion and informed debate. We are committed to the mandate of the panel and to working together in order to serve a commonly-shared belief in the importance of investor protection.

In addition, we have benefitted from the assistance of the Office of the Secretary, including from a Commission employee.<sup>17</sup> This individual takes minutes at our meetings, keeps the Panel updated on regulatory initiatives emanating from the Commission and serves as a liaison with Commission staff. However, the individual is housed in the

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<sup>16</sup> See *Notice of Statement of Priorities for Financial Year to End March 31, 2012*, *supra* note 12.

<sup>17</sup> See "Terms of Reference" *supra* note 1, 6.2.

Commission and not in contact with the Panel on a daily basis. The Panel is often unaware of actions that are undertaken on behalf of the Panel. Thus, the Panel would benefit from greater communication including more regular updates regarding the individual's contributions to the Panel, especially given that he is dedicated full-time to the Panel's work.

The Panel is pleased to be able to contribute to the policy- and rule-making process. We raise the concern of the remuneration provided to individual Panel members. We recognize that a certain amount of compensation is available for the Chair and Panel members.<sup>18</sup> However, we note that this compensation is limited both in terms of hours and rates. In particular, drafting submissions typically takes 25-30 hours of one individual's time (i.e. the drafter) and 5-7 hours of other Panel members' time when they are commenting and analyzing the draft that is circulated. In addition, preparing for and attending the focus group sessions utilizes 15-20 hours of the Chair's time and 4-5 hours of Panel members' time. We would like to see further funds dedicated to Panel members' remuneration in recognition of the vast amount of time that is spent writing and preparing submissions, as well as consulting with investors, over and above the time that is spent preparing for meetings. We would be pleased to provide further details on this issue.

Finally, we note that most of the Panel members have full-time employment and thus do not have a substantial amount of time and the resources to pursue Panel business. Like the UK's Financial Services Consumer Panel, one option may be to consciously recruit some Panel members who are full-time dedicated to the Panel and who therefore have more time to work on submissions or research. We make this suggestion because we believe that the Commission's commitment to investor interests would be enhanced if it devoted more resources to the Panel in this respect.

### 3. OBJECTIVES

In our first year, we sought to develop our priorities and methodologies. With a year under our belt, it is now more important for the Panel to reach out to Ontario investors, to ensure that we represent investors adequately. To that end, the Panel will plan to devote more resources to the goal of communicating with the broader public. These efforts will include: reaching out to existing media outlets; seeking to ensure that links for the Panel appear on the first page of the Commission website; and investigating the use of social media to broaden the reach of our messages.

In addition, on a substantive level, we will remain committed to the priorities that we have identified over the past year. In particular,

- We support a mechanism to ensure that investors in our capital markets can receive compensation in the form of **restitution** for violations of securities laws that specifically affect them;

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<sup>18</sup> *Ibid*, Schedule A.

- We support the implementation of an explicit **fiduciary obligation for all advice-giving financial professionals/salespeople**;
- We believe in **improving the quality of information** that is provided to investors on the purchasing of their securities, including in the context of the Commission's point of sale initiative;
- We recommend a **whistleblowing regime** which provides certain protections and/or compensation to individuals who report securities law violations to the Commission; and,
- We will actively fulfill our mandate in the context of continued support for a **national securities regulator** for Canada.

#### 4. SUMMARY OF SUCCESS

In this annual report, we have outlined our activities over the past year, including our many meetings and detailed submissions. We are confident that we have fulfilled the terms of our mandate and indeed have done so with enthusiasm and commitment to the process. We have also indicated areas in which the operations of the Panel would benefit from certain refinements.

Ultimately, the Panel aims to make a positive contribution to the development of capital markets regulation. As a group and individually, we are committed to the concept that investors' interests must be independently represented in the policy making process. We trust that the Commission will consider these suggestions with the aim of improving our efficacy over the upcoming year.

## APPENDIX A

### Experts Consulted

1. Philip Anisman Barrister & Solicitor, Toronto
2. Judy Cotte General Counsel and Director of Policy Development,  
Canadian Coalition for Good Governance
3. Carol Hansell Senior Partner, Davies Ward Phillips & Vineberg LLP;  
Chair, Corporate Governance Committee, American Bar  
Association
4. Peter Jarvis Executive Director, Toronto CFA Society
5. Alison Knight Chair, Central Canada Advisory Committee  
Consumers Council of Canada
6. Jay Naster Barrister, Rosen & Company
7. Ermanno Pascutto Executive Director, FAIR Canada; Senior Advisor,  
Troutman Sanders LLP
8. Glorianne Stromberg Securities Lawyer; Investor Advocate; former  
Commissioner of the OSC
9. Ed Waitzer Partner, Stikeman Elliot LLP
10. Joel Wiesenfeld Partner, Torys LLP

**APPENDIX B**  
**REPORT OF THE BRONDESBURY GROUP**

**APPENDIX C**  
**Investor Advisory Panel Expenditures**  
**F2010 – 2011**

<b>Research &amp; Consultation</b>	<b>\$17,505.61</b>
<b>Remuneration</b>	<b>\$34,700.00</b>
<b>Travel</b>	<b>\$2872.46</b>
<b>Meeting Costs</b>	<b>\$257.80</b>
<b>Training</b>	<b>\$299.00</b>

**Total Expenditures: \$55,635.87**

**Note:**

- 1. The Panel is provided with a yearly budget of \$50,000 to facilitate its ability to carry out its mandate through consultations with investors or the procurement of professional services to assist in drafting comment letters (see line 1 of the table above).**
- 2. The Chair and Members are compensated for meeting attendance and preparation. The Chair is compensated at \$550 per day and the Members rate is \$275 per day, up to a maximum of 12 meetings per year.**
- 3. Travel expenses are covered to an estimated maximum of \$30,000 per year.**