



Ontario Securities Commission 2019 – 2022 Business Plan

OSC

ONTARIO
SECURITIES
COMMISSION

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EXECUTIVE SUMMARY

The OSC Business Plan (the “Plan”) sets out the Ontario Securities Commission’s (“OSC” or “Commission”) key strategies for the three fiscal years 2018-2019 to 2021-2022 and how it plans to accomplish those strategies.

The first part of the Plan documents the *Mandate and Operating Principles* for the OSC. It also provides background information about the Commission and its governance framework, and an overview of the role of the Members of the Commission and their responsibilities.

The *Operating Environment* provides an overview of the context for the overall Plan and notes important issues affecting the Plan. It provides an outline of the role of the Canadian Securities Administrators (CSA) and describes some of the more important national policy initiatives. This section also describes the roles and responsibilities of the OSC regarding the oversight of self-regulatory organizations (SROs), exchanges, clearing agencies as well as the regulation of issuers, dealers and advisers and the creation of the CMRA.

Taken together, these two sections establish the regulatory context in which the OSC operates.

An outline of the strategic goals along with the Commission’s key 2018 – 2019 priorities is detailed in the *Vision & Strategic Goals and Priorities* section of the Plan. An organizational chart and details of the core activities for the operational and supporting branches is presented in the section *Organization, Structure and Core Activities*. Strategic goals and initiatives of the OSC, together with the organizational core activities, drive OSC resource requirements and allocations.

The *Financial Summary* outlines the revenues, expenses, surplus/deficit and a five-year forecast. Selected performance measures, and proposed approach to measure burden reduction, are detailed in the *Performance Measurement* section of the Plan.

Key components of the risk approach are described under *Risk Identification and Management*. Under *Risks and Uncertainties*, key operational and infrastructure risks are described, along with the business continuity plan.

Various strategies, objectives and plans for human resources and communications are described in the *Human Resources Plan* and *Communications & Public Affairs Plan*.

The appendices include additional information about our 2018-2019 OSC Statement of Priorities and OSC Service Commitment.

Illustrative Recent OSC Accomplishments

The OSC remains focused on providing responsive regulation that fosters confidence in the capital markets and provides protection to investors while minimizing unnecessary regulatory burden on market participants. The following is a summary of the key OSC accomplishments achieved during 2017-2018.

Deliver responsive regulation

- Published CSA CP 51-404 Considerations for Reducing Regulatory Burden for Non-Investment Fund Reporting Issuers
- Published CSA Staff Notice 51-353 Update on CSA CP 51-404 Considerations for Reducing Regulatory Burden for Non-Investment Fund Reporting Issuers to the Commission
- Published CSA Staff Notice 46-307 *Cryptocurrency Offerings*, which outlined securities law requirements that may apply to cryptocurrency offerings
- The CSA Regulatory Sandbox Committee reviewed 25 business models, including coin/token offerings, cryptocurrency investment funds and online advice service providers
- Completed cooperative arrangements concerning innovative Fintech businesses with Abu Dhabi FSRA and France AMF
- Established a new Fintech Advisory Committee
- Published CSA Multilateral Staff Notice 58-309 Staff Review of Women on Boards and in Executive Officer Positions – Compliance with National Instrument (NI) 58-101 Disclosure of Corporate Governance Practices (CSA Staff Notice 58-309)
- Published OSC Staff Notice 45-715 *2017 Ontario Exempt Market Report*, which provides a snapshot of the current state of Ontario’s exempt market and a preliminary assessment of recent regulatory reforms
- Amendments to NI 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and NI 33-109 *Registration Information* came into force implementing strengthened requirements for custody of client assets
- Published CSA Staff Notice 51-354 Report on Climate-Change Related Disclosure Project
- Published proposed amendments to NI 45-106 Prospectus Exemptions; and NI 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations for comment

Deliver strong investor protection

- Conducted focused consultations on a proposed regulatory best interest standard as a guiding principle
- Published CSA Staff Notice 33-319 *Status Report on CSA Consultation Paper (CP) 33-404 Proposals to Enhance the Obligations of Advisers, Dealers, and Representatives Toward Their Clients*, which confirmed the OSC’s intention to continue consulting on both a best interest standard and targeted reforms

- Conducted roundtables to facilitate further stakeholder input on CP 81-408 *Consultation on the Option of Discontinuing Embedded Commissions*
- Delivered 72 OSC in the Community presentations and five Teletownhalls on fraud and tips for working with an advisor, many of which engaged seniors and vulnerable investors
- Published OSC Staff Notice 11-778 *Behavioural Insights: Key Concepts, Applications and Regulatory Considerations*
- Published OSC Staff Notice 11-779 *Seniors Strategy*, outlining new initiatives to respond to the needs of older investors
- Published Joint CSA Staff Notice 31-351 *Complying with requirements regarding the Ombudsman for Banking Services and Investments (OBSI)*
- Published CSA Staff Notice 31-353 *OBSI Joint Regulators Committee Annual Report for 2017* noting the status of consideration of options for strengthening OBSI's abilities to secure redress for investors

Deliver effective compliance, supervision and enforcement

- Multilateral Instrument 91-102 *Prohibition of Binary Options* was published to protect investors from fraudulent selling of binary options
- Managed more than 185 whistleblower tips
- Examined 30 registrants to assess the use of restrictive agreements to preclude or purport to preclude whistleblowing
- Implemented a two-year pilot collections project with a specialized law firm

Promote financial stability through effective oversight

- OTC derivative trade reporting compliance reviews of two Canadian dealers were completed, two are nearing completion and a Staff Notice in draft form is under review for final publication
- NI 94-101 *Mandatory Central Counterparty Clearing of Derivatives* and related Companion Policy came into force on April 4, 2017
- NI 94-102 *Derivatives: Customer Clearing and Protection of Customer Collateral and Positions* and Related Companion Policy came into force July 3, 2017
- Published for comment a proposed rule for registration of derivatives dealers (NI 93-102 *Derivatives: Registration*)
- Established a new CSA cybersecurity working group, co-led by the OSC and AMF

- Published a CSA Notice that outlined securities law requirements that may apply to cryptocurrency offerings

Be an innovative, accountable and efficient organization

- Established a multi-year Data Management Program to improve data management, data governance and analytics and reporting
- An employee engagement survey was completed

INTRODUCTION

The Commission is a regulatory agency of the Ontario government which operates on a cost recovery basis. The OSC is required under the *Agencies & Appointments Directive* (which is the key government directive setting out governance and accountability) to annually provide a multi-year Business Plan to the Minister of Finance. This Business Plan sets out the OSC's core strategy for the fiscal years 2019 through 2022 including the initiatives for the upcoming year that will be undertaken toward this strategy.

The OSC has overall accountability for the effective administration of the *Securities Act* (Ontario) (the "Act") as well as the *Commodity Futures Act* (Ontario) (the "Acts"). While the OSC oversees securities regulation for Ontario, capital markets in Canada are highly integrated. Accordingly, much of the OSC's activity is often coordinated with the activities of other provincial and territorial securities regulators, primarily through the CSA. Coordinating with the CSA will help reduce the regulatory complexity faced by market participants.

Since financial services in general and securities markets in particular are increasingly global in their conduct, influence and evolution, developments outside Canada also affect operational activities of the OSC as well as the ability to achieve its mandate.

The financial summary in this Plan outlines forecast costs and revenues over a five-year period. Other aspects of this Plan focus on current period initiatives. Business planning is not a discrete one-time exercise. Modification to various aspects should be anticipated in response to emerging issues and changing market conditions, although material changes to our strategic goals, values, and the nature of overall operations are not expected.

Mandate and Operating Principles

The mandate of the OSC as set out in the *Securities Act* (Ontario) is to provide protection to investors from unfair, improper or fraudulent practices; to foster fair and efficient capital markets and confidence in capital markets; and to contribute to the stability of the financial system and the reduction of systemic risk. The principal means for achieving this mandate consist of:

- Setting/defining requirements for accurate and timely disclosure of information necessary for investors to make informed decisions;
- Dedicated focus on reducing unnecessary regulatory burden on market participants while upholding investor protection;
- Establishing restrictions on fraudulent and unfair market practices and procedures;
- Fair, efficient and transparent market structures;
- Establishing requirements for the maintenance of high standards of fitness and business conduct for market participants;
- Timely, open and efficient administration of enforcement, compliance and adjudication activities;

- Controlled delegation of specific oversight to SROs (subject to appropriate OSC supervision); and
- Responsible harmonization and coordination of regulatory practices with other jurisdictions (e.g. through the CSA, Heads of Agencies and IOSCO).

The OSC is committed to fostering confidence in Ontario's capital markets, supporting an environment where capital is available on competitive terms, streamlining regulation with a strengthened focus on reducing regulatory burden and maintaining Ontario's financial services sector as a world leader and significant contributor to the province's economy. The priorities identified in the *Minister's October 2017 Mandate Letter* are addressed in the OSC Statement of Priorities (SoP). Appendix A provides details on the priorities that have been identified by the OSC to address each of the priorities set out below.

Mandate Letter Priority

Strengthening the Financial Services Sector

1. Delivering responsive regulation by addressing in a timely way, important capital market issues, including identifying opportunities to reduce regulatory burden while maintaining appropriate investor protections
2. Continuing to engage with market participants with the objective of supporting innovation and promoting capital formation and regulatory compliance
3. Continuing to be innovative and accountable and efficient organization through excellent execution of its operations
4. Continuing to work with the government to support the transition to the Co-operative Capital Markets Regulatory System while maintaining high standards of regulation and keeping stakeholders informed and engaged.

Protecting Investors

1. Delivering strong investor protection, especially for retail investors, by providing effective regulation, oversight and enforcement

Positioning and Stakeholder Accountability

Primary Enabling Legislation – Securities Act (Ontario)

The OSC is accountable to the Minister of Finance who is in turn accountable to the Legislature for the Commission's fulfilment of its mandate and its compliance with government policies, and for reporting to the Legislature on the affairs of the Commission.

The OSC annually provides the Minister with the following key reports:

- Audited Financial Statements;
- Multi-year Business Plan;

- Annual Statement of Priorities (SoP);
- SoP Report Card (a progress report against the prior year SoP); and
- Annual Report.

In addition, the Ministry is informed on operational matters through a series of ongoing scheduled work-in-progress meetings.

Key Stakeholders

Key stakeholders most directly affected by the OSC include the following:

- Investors, both retail and institutional, are directly affected by the policy setting, registration, compliance monitoring and enforcement activities of the OSC;
- Issuers (public/private companies and investment funds) seeking to raise capital or whose securities trade on recognized markets in Ontario and investment funds, rely on fair and efficient markets and are affected by our policies, registrant regulation, compliance monitoring and enforcement programs;
- Self-regulatory organizations (SRO), such as the Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Fund Dealers Association of Canada (MFDA), operate under the direct oversight of the OSC;
- Investment Fund Managers who offer investment funds in Ontario;
- Directors and Officers of reporting issuers are directly affected by OSC regulation;
- Portfolio Managers and Exempt Market Dealers are subject to registration and monitoring programs of the OSC;
- Investor advisory and advocacy groups;
- Registrants, both at the firm level and the individual level, operating in Ontario are affected by the rules and policies of the OSC either directly or indirectly through the delegation of OSC authority to appropriate SROs;
- Exchanges and alternative trading systems are subject to operational reviews and monitoring;
- Designated ratings organizations are subject to review and monitoring; and
- Clearing agencies (such the Canadian Depository for Securities) are recognized and subject to reviews and monitoring.

In addition, other important stakeholders affected by the OSC's operations include:

- The Ontario public, since healthy securities markets have a beneficial impact on the overall health of the Ontario economy;

- Other provincial and territorial securities regulators, principally through the CSA; and
- Other financial service regulators, such as the Financial Services Commission of Ontario, OBSI, and the Office of the Superintendent of Financial Institutions, the Bank of Canada and the Department of Finance (Canada) with whom the OSC interacts on various areas of common concern in financial services regulation.

COMMISSION GOVERNANCE

The Commission, as the regulatory body responsible for overseeing the capital markets in Ontario, administers and enforces the Acts. The Act establishes the Commission as a corporation without share capital with a Board of Directors consisting of the members of the Commission (Members). The Commission is composed of at least nine and not more than sixteen Members, each of whom is appointed by the Lieutenant Governor in Council.

The OSC Board of Directors oversees the management of the financial and other affairs of the Commission. Currently, the Board is composed of sixteen members. Three are full-time Members of the Commission and thirteen are part-time Members. The full-time Members are Maureen Jensen, Chair, D. Grant Vingoe and Timothy Moseley, Vice-Chairs. The part-time Members are: Philip Anisman, Peter W. Currie, Garnet Fenn, William J. Furlong, Lawrence P. Haber, Robert P. Hutchison, Frances Kordyback, Deborah Leckman, Janet Leiper, Poonam Puri, AnneMarie Ryan, Mark J. Sandler, and M. Cecilia Williams.

Members are appointed for a fixed term by the Lieutenant Governor in Council upon the recommendation of the Minister of Finance and Cabinet. Candidates for appointment are recommended to the Minister by the Chair following a rigorous recruitment process led by the Governance and Nominating Committee of the Board. The Committee regularly reviews the individual qualifications, attributes, skills and experience of the Members to ensure that Members, individually and collectively, meet the standards necessary to exercise their responsibilities effectively. The Committee applies a skills matrix to identify any gaps in attributes, skills and qualifications that may arise as a result of an upcoming vacancy on the Commission.

Appointments are made according to the procedures of the Public Appointments Secretariat, which oversees public appointments to provincial agencies, and are subject to the Act and the *Agencies & Appointments Directive*. In making its recommendations to the Minister, the Commission supports the government's diversity policy set out in every position posted to the website of the Public Appointments Secretariat, that government appointees reflect the diversity of the people of Ontario and deliver services and decisions in a professional, ethical and competent manner with a commitment to the principles and values of public service.

Further, the Commission strives to follow best practices relating to all aspects of corporate governance, including the multi-lateral amendments made in 2014 to the policies outlined in National Instrument 58-101 *Disclosure of Corporate Governance Practices* relating to the representation of women on boards. The Commission makes every effort to ensure that women are actively sought out in the recruitment and nomination process. The Commission's objective is to have approximately equal representation of male and female Members; however, achieving this objective at any particular time is balanced with the objective of ensuring that the Members of the Commission collectively possess the required mix of skills and experience necessary to enable the Commission to carry out its mandate.

Governance Framework

Although structured as a corporation, the Commission is a regulatory body and its purpose is mandated by statute. The Act establishes the Commission's role in regulating capital markets, sets out the fundamental principles that the Commission shall have regard to in overseeing the

administration and enforcement of the Act, and outlines the basic governance and accountability structure for the Commission.

The Commission, unlike a business corporation, does not have shareholders to whom the Board of Directors report. Instead, the Commission is accountable to the Minister responsible for securities regulation and, through the Minister, to the Ontario Legislature. The Commission is required to enter into a Memorandum of Understanding (MOU) with the Minister. The MOU sets out: (a) the accountability relationship between the Commission and the Minister, the Board of Directors and the Minister, and the Chair and the Minister; (b) the respective roles and responsibilities of the Minister, the Deputy Minister, the Chair, the Members, and the Executive Director; and (c) the requirement for the Commission to provide the Minister with an Annual Report and an Annual Business Plan. The MOU can be found on the Commission’s website.

The Role of Members

Overview

The Members of the Commission discharge their responsibilities under the Acts through two independent roles: as regulators of Ontario capital markets and as members of the Board of Directors of the Commission. A brief outline of these two primary roles follows.

The Role of Members as Regulators of Ontario Capital Markets

A high-level outline of the roles of the Commission and Board of Directors is set out in the table below.

COMMISSION MEMBERS AS REGULATORS	
POLICY FUNCTION	ADJUDICATIVE FUNCTION
Policy Strategy	Conducting Hearings (including reviews of decisions of OSC Directors, SROs, exchanges and clearing agencies) Oversight of Adjudicative Processes and Procedures
Regulatory Initiatives	
Administration of <i>Securities Act</i> (Ontario)	
SRO Oversight	

The Commission’s regulatory responsibilities are exercised through the Commission’s rule and policy-making function and the Commission’s adjudicative function. While these functions are distinct, in both cases the Commission’s powers are exercised in furtherance of investor protection, in aid of fostering fair and efficient markets, to contribute to the stability of the financial system and the reduction of systemic risk, while having regard to the fundamental principles described earlier and minimizing regulatory burden.

Policy Function

The Commission regulates the Ontario capital markets by making rules that have the force of law (and granting exemptions where appropriate) and by adopting policies that influence the behaviour of capital market participants. The Commission exercises its regulatory oversight

functions to achieve the objectives of the Acts. The Commission sets regulatory priorities on an annual basis and oversees their implementation by Commission staff. The Commission meets every two weeks to deal with regulatory matters.

Adjudicative Function

In regulating Ontario's capital markets, the Commission also performs an adjudicative function. Panels of Members, acting independently, hear enforcement matters (including proceedings involving alleged violations of the Acts, regulations, and rules; and proceedings involving conduct contrary to the public interest), conduct hearings involving regulatory policy issues, and hearings and reviews of decisions of Commission directors, SROs, exchanges, and clearing agencies. The Commission also has a responsibility to oversee the Commission's adjudicative processes and procedures generally. Members perform their adjudicative function by serving on adjudicative panels that conduct hearings and render decisions independently of the Commission as a whole.

Conducting Hearings

Adjudicative panels of the Commission, composed of one or more Members, conduct hearings on proceedings brought before the Commission. In these hearings, the panel may be asked, for example, to issue an order imposing a sanction in the public interest, to issue an order freezing assets, to review a decision made by Commission staff, or to review a decision of an SRO. The way in which these proceedings are conducted is governed by the *Statutory Powers Procedure Act* (Ontario), the Commission's *Rules of Procedure and Forms and Practice Guideline*, and principles of administrative law. The Act provides for appeal of final decisions of the Commission to the Divisional Court.

Oversight of Adjudicative Processes and Procedures

The Commission is responsible for the conduct of proceedings in a fair, independent, and transparent manner and addressing adjudicative matters in a timely fashion. To assist it in the discharge of this responsibility, the Commission established a standing policy committee, the Adjudicative Committee.

The Role of Members as the Board of Directors of the Commission

The Members act as the Board of Directors of the Commission. In that capacity, the Members oversee the management of the financial and other affairs of the Commission, including the Commission's strategic planning, resource allocation, risk management, financial reporting policies and procedures, management information systems, and the effectiveness of internal controls.

The Board exercises its oversight through regular, quarterly meetings of the full Board and regular meetings of the three standing committees of the Board: Audit and Finance Committee, Governance and Nominating Committee, and Human Resources and Compensation Committee. A fourth standing committee of the Members, the Adjudicative Committee, advises the Commission on adjudicative policy issues. From time to time the Board has established other temporary committees or retained consultants or advisors to advise it on specific matters.

The OSC has adopted the *Commission Charter of Governance Roles and Responsibilities* ("Charter") to delineate its role and responsibilities and to ensure transparency in its governance structure. Members, either directly or through committees of the Board, are responsible for performing the duties set out in the Charter and will perform further duties as may be necessary or appropriate for the Members to fulfil their governance and regulatory responsibilities.

COMMISSION MEMBERS AS BOARD OF DIRECTORS

Strategic Planning	Financial Review, Reporting and Disclosure
Risk Assessment and Internal Controls	Board Governance
Executive and Management Oversight	Appointment of part-time Members
Integrity and Ethical Standards	

Commission and Board Support

The Board appoints the Secretary to the Commission, who reports directly to the Chair. The Office of the Secretary provides independent legal and professional support to the Members in the discharge of their various statutory obligations. The Commission/Board, as well as the Executive, are supported in their roles by staff from the OSC regulatory operations, regulatory advisory and corporate branches.

Burden Reduction Taskforce

The Burden Reduction Task Force (the 'Task Force') was established in November 2018 to identify steps, that can be taken to enhance competitiveness for Ontario businesses by saving time and money for issuers, registrants, investors and other market participants.

The Task Force has a mandate to consider and act on any suggestions to eliminate unnecessary rules and processes while protecting investors and the integrity of our markets. The Task Force will support the Government of Ontario's Open for Business Action Plan.

By fostering an environment that supports efficient capital raising, Ontario companies will be more likely to grow their business and expand, creating jobs and prosperity. Reducing burden means industry will be more likely to innovate and create attractive products and services for investors. Burden reduction will also support Ontario as a place that attracts foreign investment.

This initiative also builds on the OSC's efforts, since 2016, to reduce regulatory burden across the country through its ongoing work with the Canadian Securities Administrators on projects to reduce burden in public markets and in the investment fund space.

On January 14, 2019, the OSC published *OSC Staff Notice 11-784 – Burden Reduction* which outlines plans to broadly consult Ontario market participants on ways to further reduce regulatory burden and improve the investor experience. Key areas of focus for the OSC's consultation include, but are not limited to: Operational changes, rules that may have become outdated or unnecessary, and opportunities to streamline and improve disclosure provided to investors, who ultimately bear the cost of unnecessary or outdated regulations.

Stakeholders are to submit written comments on new initiatives that the OSC should consider to reduce regulatory burden. As part of its consultation, the OSC will hold a roundtable on March 27, 2019 to discuss suggestions received during the comment period.

After considering all suggestions received, along with input from ongoing external consultations and from the OSC's ten advisory committees (see list of OSC Consultative Committees below), the OSC will identify a series of short, medium and long-term actions to reduce regulatory burden.

Investor Advisory Panel

The Commission created the Investor Advisory Panel ("IAP or the Panel") to enable investor concerns and voices to be represented in its rule and policy making. Funding for the IAP is provided from the OSC budget. Nominees for the Panel (up to nine members) are recommended by a selection committee consisting of two Commissioners and a Vice-Chair for appointment by the Chair of the Commission.

The IAP functions as an independent advisory panel to the Commission. The IAP has a mandate to solicit and represent the views of investors on the Commission's policy and rule-making initiatives. In order to fulfill its mandate, the Panel will provide the Commission with written comments on proposed rules and policies, concept papers and discussion drafts, including the Commission's annual Statement of Priorities, advise and comment on the effectiveness of the investor protection initiatives implemented by the Commission and bring forward for the Commission's consideration policy issues that may emerge as a result of the Panel's investor consultation activities and comment on the potential implications for investors posed by those issues.

OSC Consultative Committees

The Executive and staff of the OSC operating branches are supported by various consultative committees that have been established for one or more of the following purposes:

- To provide a broad range of ideas and expertise as new policy initiatives are developed;
- To help the OSC understand how a specific, recently implemented policy is affecting capital market participants; and
- To improve the OSC's understanding of the concerns and issues faced by a particular stakeholder group on an ongoing basis.

A list of the key consultative committees includes:

Market Structure Advisory Committee (MSAC) – serves as a forum to discuss issues associated with market structure and marketplace operations in the Canadian and global capital markets. The MSAC also acts as a source of feedback to OSC staff on the development of policy and rule-making initiatives that promote investor protection, fair and efficient capital markets and confidence in those markets.

Small and Medium Enterprises Committee (SMEC) – advises OSC staff on a range of projects, including the planning, implementation and communication of the OSC's review program, as well as policy and rule-making initiatives relevant to small issuers. The SMEC also serves as a forum to advise OSC staff on the emerging issues and unique challenges faced by small issuers.

Investment Funds Product Advisory Committee (IFPAC) – advises OSC staff on emerging product developments and innovations occurring in the investment fund industry. The IFPAC discusses the impact of these developments, as well as emerging issues.

Continuous Disclosure Advisory Committee (CDAC) – serves as a source of information, advice and commentary to the OSC relating to the review of continuous disclosure filings made by reporting issuers, and policy issues related to continuous disclosure.

Mining Technical Advisory and Monitoring Committee (MTAMC) – provides advice to the CSA on technical issues relating to the mining industry.

Securities Advisory Committee (SAC) – provides advice to the OSC on a variety of matters, including regulatory and policy initiatives and important capital markets trends.

Registrant Advisory Committee (RAC) – discusses and recommends solutions regarding compliance and registrant regulation related issues. The RAC is also joined by regulators from the SROs on a quarterly basis in order to discuss issues.

Securities Proceedings Advisory Committee (SPAC) - an advisory committee to the Office of the Secretary that provides comments and advice on policy and procedural initiatives relating to the Commission’s administrative tribunal proceedings.

Seniors Expert Advisory Committee (SEAC) - provides staff with expert opinion and input on policy, operational, education and outreach activities of the OSC designed for and targeted at older investors and their needs.

Financial Reporting Advisory Committee – provides advice to the Canadian Securities Administrators’ Chief Accountants Committee on relevant policy initiatives and various technical accounting and auditing issues that relate to financial reporting requirements and guidance in securities legislation in Canada. The committee also serves as a forum to discuss financial reporting practices and trends in the Canadian and global capital markets.

Fintech Advisory Committee - advises OSC staff on developments in the fintech space as well as the unique challenges faced by fintech businesses in the securities industry.

More information about OSC Advisory Committees and their members is available at www.osc.gov.on.ca.

Core Values

The OSC operates in accordance with the following core values:

Professional

Protecting the public interest is our purpose and our passion

We value dialogue with the marketplace

We are professional, fair-minded and act without bias

People

To get respect, we give it

Diversity and inclusion bring out our best

Teamwork makes us strong

Ethical

We are trustworthy and act with integrity

We strive to do the right thing

We take accountability for what we say and do

OPERATING ENVIRONMENT

Our Environment

Our regulatory framework is designed to foster fair and efficient capital markets while providing protection to investors and contributing to the stability of the financial system and the reduction of systemic risk. Many factors can affect public confidence in our capital markets. The OSC faces a wide range of issues, risks and opportunities as it strives to achieve its vision and mandate.

The environment influences the OSC's policy agenda, its operations and the way it uses its resources. Though Canada is still experiencing strong economic growth and job creation, various challenges are on the horizon, including concerns about the NAFTA negotiations, elevated household indebtedness and escalating housing costs. These items could materially affect our capital markets, industry participants and investors. Other key challenges and issues that may influence the OSC's policy agenda, its operations, and the way it uses its resources, are as follows.

Regulatory balance

Securities regulators must balance pressures to respond to market issues while avoiding over-regulation. As the complexity of regulatory requirements increases, market participants often require greater resources to ensure compliance. The need for a cost-effective regulatory framework, with proportionate regulation that supports innovation and competition – while maintaining appropriate investor protections – is critical.

Over-regulation can dampen innovation and undermine the competitiveness of our capital markets. The OSC has created a taskforce dedicated to burden reduction and will consider all opportunities for reducing unnecessary regulatory requirements. By re-examining our rules and processes to identify opportunities to reduce undue burdens and streamline regulation, the OSC is seeking to make Ontario an even more attractive place in which to invest.

Globalization

The potential impact of continuing geopolitical events, such as Brexit implementation, decisions by the new US administration, and changing trade relationships could have profound impacts on financial regulation globally. The global interconnectedness of markets and mobility of capital create a strong need for harmonization and coordination of regulation. However, the potential for increased protectionism and de-regulation could inhibit global harmonization and create opportunities for regulatory arbitrage. Any unnecessary regulatory burden should be eliminated to ensure Ontario's capital markets remain globally competitive.

The markets, products, and participants that the OSC regulates and oversees continue to grow in size and complexity and globalization of financial markets, products and services adds another layer to these challenges. The sustained growth of cross-border activities raises challenges to regulatory supervision, magnifies the value of cooperation between regulators and increases the benefit of achieving consistent standards and requirements both domestically and internationally.

The OSC works as part of the Canadian Securities Administrators (CSA) to harmonize rules and their application across the country to facilitate business needs and minimize regulatory complexity. Through these efforts, the OSC strives to achieve effective cross-jurisdiction

enforcement and gain timely insight, understanding and input into emerging regulatory issues to achieve better regulatory outcomes. The OSC will lead by example to introduce opportunities to better support fair and efficient capital markets through burden reduction initiatives while balancing investor protection.

Our international involvement informs how we regulate Ontario's capital markets. The OSC also continues to play an active role in international organizations such as the International Organization of Securities Commissions (IOSCO) to influence and promote changes to international standards for securities regulation and share new ideas and learnings that will benefit Ontario markets and participants.

Changing demographics and investor needs

Demographics are critical to understanding investor needs and are a key driver of most investor-focused issues. Different investor segments (e.g. seniors versus millennials) have unique characteristics and present different challenges in terms of investment objectives and horizons. Their preferences can vary in terms of service channels (online versus in person) and products (ETFs versus mutual funds).

Evolving market channels, such as automated financial advice, are redefining the delivery of client wealth management services and the fees charged for advice. Concurrently, firms are under growing pressure to align their cultures and conduct with investor needs and interests.

Financial Innovation

The OSC often faces challenges to balance promoting innovation and market efficiency and achieving fair outcomes for all investors. Complexity driven by financial innovation offers many potential benefits and risks to the market. Fintech (technology facilitated financial services) is being enabled by the growth of low cost computing power, greater availability of data and the emergence of technologies, such as artificial intelligence and machine learning. Fintech is leveraging new technology and creating new business models in the financial services industry such as providing new product offerings (blockchain-based cryptocurrencies) and redefining the delivery of client wealth management services and the fees charged for advice.

Trading and investing in securities through fintech-enabled firms is often self-directed and can pose risks to investors making decisions without adequate information. While these advances can create opportunities to achieve better outcomes for investors, they also present potential risks and vulnerabilities, including programming errors in the algorithms that underlie automation, cybersecurity breaches, and the inability of investors to understand novel products and services. The jurisdictions that lead the world in financial innovation are likely to be the ones where the regulatory environment accommodates innovation without undue complexity and red tape, while retaining necessary investor protections.

Prior to the OSC planning cycle the Government of Ontario identified initiatives to modernize the financial services regulatory framework. These policy priorities and changes in regulatory authority could impact the OSC and its operations including:

- Commitment to reduce regulatory burden and strengthen cost-benefit analysis;

- Changes to the regulatory oversight of syndicated mortgage investments by the Financial Services Commission of Ontario and the OSC;
- Implementation of a regulatory framework for financial planners and financial advisors;
- Working with the Financial Services Regulatory Authority of Ontario (FSRA) on its regulatory framework including infrastructure, fee models and fintech; and
- Working with CMRA partners on the transition of the OSC to the proposed CMRA.

Growing importance of investor education

As the responsibility for investing shifts to individuals, they are challenged to achieve sufficient returns to finance future needs. At the same time, the financial marketplace continues to evolve and innovate, and investment products and services are becoming increasingly complex and diverse. These issues are magnified when there are wide gaps in the levels of investment experience and financial literacy among investors. Investor education has the potential to contribute to improved financial outcomes for investors and is an important component of investor protection. The ability to achieve meaningful advancements in financial literacy will be a key to strengthening investor protection. Investors with a greater level of understanding of financial concepts will be better able to make informed investment decisions and avoid fraud.

The OSC is actively involved in providing investor education tools and resources to help investors achieve improved financial outcomes. The OSC will seek new and innovative ways to deliver investor education and support retail investors in today's complex investing environment. We engage with investors, industry participants and other regulators to better understand the issues and concerns they face.

Investor Redress

Investors will always be at risk for potential losses from improper or fraudulent interactions. Regulators are seeking ways 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 increasingly being included as part of investor protection frameworks. Effective investor redress is a necessary complement to reforms to the advisor/client relationship. To achieve better results for investors, the OSC will continue its support for OBSI to be better empowered to secure redress for investors.

Enforcement and compliance tools

Strong compliance and enforcement are essential to maintaining the integrity and attractiveness of our capital markets. Disruption of illegal activity and deterrence are key strategies to prevent or limit harm to investors. Our actions against firms and individuals who do not comply with the rules need to be strong and visible to achieve the desired deterrent effect and enhance public confidence in our markets.

As securities fraud and misconduct become increasingly complex, regulators must evolve their compliance and enforcement approaches and expand their tools. Technology is enabling growth in cross-border activities that are detrimental to investors and very difficult to address. This creates challenges in supervision, surveillance and enforcement. If regulatory approaches are not aligned, cross-border supervision and enforcement efforts can be impeded. Regulators will

need greater access to data and more sophisticated surveillance and analysis tools to more effectively evaluate compliance with regulatory requirements and identify misconduct. Technology can enable analysis and enhance enforcement capabilities without creating an additional burden on market participants.

Systemic risk and financial stability

The OSC works with many domestic and international regulators to monitor financial stability risks and trends, improve market resilience, and reduce the potential risk of global systemic events. The OSC is continuing to build out a domestic derivatives framework and to operationalize the necessary compliance and surveillance tools required to achieve a practical and effective regime.

As part of their review of market stability issues, financial system regulators are examining the need for companies to disclose exposure to economic, environmental and social sustainability risks, including climate change. The Financial Stability Board (FSB) has established a Task Force on Climate-related Financial Disclosures to develop a set of recommendations for consistent, comparable, reliable, clear and efficient climate-related disclosures by companies. The OSC will continue to monitor these developments to determine the need for a regulatory response.

Cybersecurity Resilience

Cyber-attacks that have the potential to disrupt our markets and market participants are likely to occur. Growing dependence on digital connectivity is raising the potential for digital disruption in our financial services and markets and creating a strong imperative to raise awareness about cyber-attacks and strengthen cybersecurity resilience. This is a growing challenge as more businesses, services and transactions span national and international borders. The OSC, working with other regulatory partners, has an important role to play in assessing and promoting readiness and supporting cybersecurity coordination and resilience within the financial services industry and raising awareness of cybersecurity risks.

Workforce Strategy

The OSC needs to be a proactive and agile securities regulator. To meet evolving needs, the OSC will strengthen its capabilities through its people. While attracting, motivating and retaining top talent in a competitive market environment continues to be challenging, the OSC is building its capabilities and skills by recruiting staff across a range of disciplines, and by developing the skills and experience of our internal talent.

Data Management

The OSC is adding new tools and processes to support staff in delivering their responsibilities. A key element will be addressing challenges in managing growing volumes of data, including information security. The OSC is investing in information technology and infrastructure to support an integrated data management program that will improve access to information to identify trends and risks and support analysis and decision-making.

With new tools and processes in place, the goal is to realize savings in time, and improved efficiencies for both staff as well as market participants and registrants submitting filings and information to the regulators.

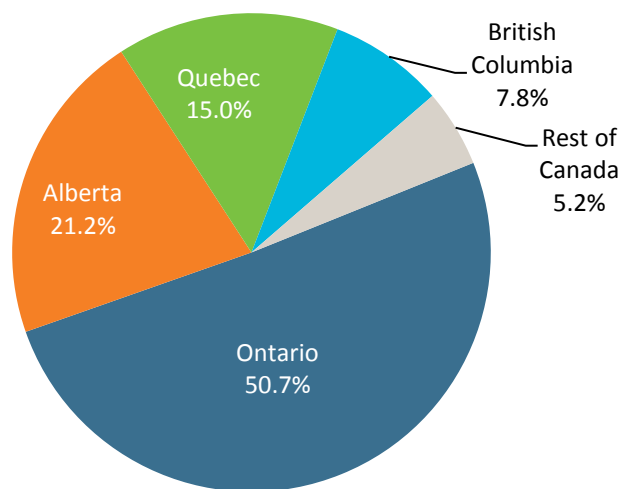
Market Context

Ontario's Financial Markets

- As of May 2018, Canada had the ninth largest stock market by domestic market capitalization¹
- Toronto has been ranked 7th among global financial centres²
- 57% of the global mining financings were done on TSX and TSXV in 2016³
- 62% of IIROC dealer members have their Canadian head office in Ontario⁴
- 64% of Mutual Fund Dealers have their Canadian head office in Ontario⁵
- Ontarians hold approximately 45% of all financial wealth in Canada (\$1.8 trillion)⁶
- Of the top 100 employer pension plans, Ontario's pension plan assets totaled \$585 billion, representing 47% of the total across Canada⁷
- 411,500 people were employed in the financial services sector in Ontario, accounting for 50% of financial services employment nationally⁸
- Ontario is home to 41% of Canada's full-service brokerage advisors⁹
- As of July 2018, there are 44 separate securities marketplaces in Canada for trading of equities, debt, derivatives and securities lending¹⁰
- As of May 2018, 84% of total trading volume (16.9 billion shares) and 99% of the total value (\$248.6 billion) traded on Canadian equity markets was traded on Ontario based marketplaces¹¹

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Market Capitalization by Province



¹ World Federation of Exchanges (May 2018)

² Z/Yen Group Global Financial Centres Index (March 2018)

³ <https://www.tsx.com/listings/listing-with-us/sector-and-product-profiles/mining>

⁴ IIROC (May 2018) www.IIROC.ca

⁵ MFDA Membership Statistics (April 2018) www.MFDA.ca

⁶ Investor Economics Household Balance Sheet 2016 (Assets as of December 2016). Note: Financial Wealth does not include nondiscretionary items such as contributions to CPP, QPP & DB Plans

⁷ Canadian Institutional Investment Network An Overview of Pension Plans in Canada 2017 (Assets as of December 31, 2016)

⁸ The Labour Statistics Division, Statistics Canada, CANSIM table 282-0007 (May 2018), Finance and Insurance sector employment

⁹ Investor Economics Retail Brokerage and Distribution Advisory Service Winter 2017 (Data as of Dec 2017)

¹⁰ IIROC, OSC. Note: Aequitas Neo Book, Lit Book and Crossing Book are counted as three separate marketplaces

¹¹ Investment Industry Regulatory Organisation of Canada (May 2018)

¹² TMX Group (May 2018) TSX & TSXV Listed Companies

Securities Regulation in Canada – Overview

Securities regulation in Canada is a matter of provincial jurisdiction. Securities regulation is a provincial responsibility, but provincial decisions can affect the capital markets across Canada as well as Ontario’s capital markets. The other CSA members also have similar mandates to protect investors and foster fair and efficient capital markets. Canadian securities regulatory authorities currently work together through the CSA.

The Role of the CSA

The CSA’s key objective is to coordinate and harmonize regulation of the Canadian capital markets. CSA members work cooperatively to develop and implement harmonized securities laws, and to administer, monitor and enforce laws in a consistent and coordinated manner to minimize regulatory duplication.

Harmonized Policies and Processes

The CSA has achieved a significant level of harmonization and uniformity in securities laws and the implementation of those laws across Canada. As a result of the cooperative efforts of the CSA, most regulatory requirements are set out in national instruments and multilateral instruments and policies. National instruments and policies are adopted with virtually uniform wording in all jurisdictions. In addition to harmonized instruments, the passport system and accompanying interface with the OSC provides a streamlined filing and review procedure for prospectuses and exemptive relief applications among multiple securities regulators across Canada resulting in reduced regulatory burden on market participants. The system is designed to enable one CSA jurisdiction to rely on the analysis and review undertaken by the staff of another CSA jurisdiction.

Initiatives to Reduce Regulatory Burden

The OSC has several ongoing initiatives to reduce regulatory burden. For example, the OSC and the other members of the CSA are currently proceeding with the burden reduction initiatives described in CSA Staff Notice 81-329 *Reducing Regulatory Burden for Investment Fund Issuers* and CSA Staff Notice 51-353 *Update on CSA Consultation Paper 51-404 Consideration for Reducing Regulatory Burden for Non-Investment Fund Reporting Issuers*.

Upcoming CSA policy initiatives are based on the consideration of the feedback received in response to the CSA Staff Notice 51-353 *Update on CSA Consultation Paper 51-404 Consideration for Reducing Regulatory Burden for Non-Investment Fund Reporting Issuers*, the CSA will initiate six options as CSA policy projects in the near term.

Prospectus Requirements

- (a) Potential alternative prospectus model – In light of the feedback received, certain CSA jurisdictions will begin research as an initial phase of a project to explore potential alternative prospectus offering model for reporting issuers with disclosure more concise and focused than under the current short form prospectus regime.
- (b) Facilitating at-the-market (ATM) offerings – The Consultation Paper identified that, while National Instrument 44-102 *Shelf Distributions* (NI 44-102) establishes certain rules for

ATM offerings under Canadian shelf prospectuses, NI 44-102 does not establish a comprehensive framework for ATM offerings as it does not exempt ATM offerings from certain provisions of securities legislation applicable to all prospectus offerings. Consequently, a reporting issuer wishing to conduct an ATM offering must obtain exemptive relief from certain securities legislation requirements. In light of feedback that facilitating ATM offerings would be beneficial for Canadian reporting issuers, the CSA intends to initiate a CSA policy project in this area.

- (c) Revisiting the primary business requirements – Commenters suggested that CSA staff revisit the interpretation of Item 32 of Form 41-101F1 *Information Required in a Prospectus* (Form 41-101F1). These rules outline the historical financial statements required to be included in an IPO prospectus and commenters noted certain inconsistencies between staff's interpretation of these requirements across the CSA. CSA staff is considering ways in which we can provide greater clarity to issuers preparing an IPO prospectus.

Continuous Disclosure Requirements

- (a) Removing or modifying the criteria to file a business acquisition report (BAR) – Commenters noted that the preparation of a BAR entails significant time and cost, and that the information necessary to comply with the BAR requirements may, in some instances, be difficult to obtain. Some of these stakeholders also questioned the value of the BAR disclosure. A CSA policy project will be pursued in this area.
- (b) Revisiting certain continuous disclosure requirements – A number of comments were received pertaining to existing continuous disclosure requirements as set out in National Instrument 51-102 *Continuous Disclosure Obligations* (NI 51-102). In light of this feedback received from stakeholders, a CSA policy project will be initiated to review certain continuous disclosure requirements, with a view to reducing the burden of disclosure on issuers, while enhancing its usefulness and understandability for investors. We expect that this will be a staged project with a majority of the work requiring a longer timeframe.

Other Securities Regulation Requirements

- (a) Enhancing electronic delivery of documents – Some market participants are of the view that reporting issuers continue to incur significant costs associated with printing and delivering various documents required under securities legislation. Commenters were generally supportive of developments which would further facilitate electronic delivery of documents and, in particular, switching the current default to electronic delivery, provided that investors retained an option to receive paper documents. A CSA policy project will be initiated in this area.

In addition to the initiatives noted above, we will be proposing amendments to National Instrument (NI) 21-101 *Marketplace Operation* that are designed to reduce the regulatory burden associated with certain marketplace filing requirements. This is a CSA initiative and the goal is to streamline regulatory reporting requirements by eliminating or rationalizing reporting requirements that are unduly burdensome and do not adequately support the effective oversight of marketplaces by the CSA.

National Filing and Disclosure Systems

The current CSA national systems were developed to permit issuers, insiders and registrants to file documents electronically with all Canadian securities regulators through a single electronic submission. The core systems, SEDAR, SEDI, NRD, CTO and DL (as described below), may be considered first generation CSA IT systems each independently developed, and involving the creation of an electronic document filing or disclosure system based predominantly on custom code. Subsequent investments have focused on the need to address new regulatory requirements, usability improvements, delivering public access to filed/disclosed data, improving systems security and to support filers in the filing process.

The **System for Electronic Document Analysis and Retrieval (SEDAR)** is a proprietary central national electronic filing system, implemented in 1997, that facilitates the electronic filing of offering and continuous disclosure documents and the payment of the associated fees with multiple securities regulators. SEDAR facilitates communication between the filer and the applicable securities regulators in respect of certain filings, such as comment letters and responses made in relation to prospectuses. Documents that have been filed via SEDAR became publicly available since 1998 for viewing through the website at www.sedar.com.

The **System for Electronic Disclosure by Insiders (SEDI)** introduced in 2003 is the central national web-based filing system that facilitates the electronic filing of reports of securities transactions made by insiders of reporting issuers via the website at www.sedi.ca.

The **National Registration Database (NRD)** is a web-based system implemented in 2003 that permits dealers and advisers to file registration forms electronically. A company and individuals whose business is trading, underwriting or advising with respect to securities is required to register annually with one or more provincial securities regulators. NRD has two websites – that is, the National Registration Database itself (NRD), which is for authorized representatives only to file their information, and the **National Registration Search (NRS)** tool which contains information that can be accessed publicly in read-only mode.

Other Systems

The **Cease Trade Order (CTO)** implemented in 2003 is a central electronic repository for all cease trade orders issued by most Canadian securities regulators and is accessible by the public via the CSA's website. Each CTO entered has a link to the actual Order document that is stored on the relevant Regulator's website.

The **Disciplined List (DL)** introduced in 2011 is a central electronic repository for the names of individuals and companies disciplined by the securities regulators, as well as the Tribunal Administratif des marchés financière, the Québec provincial court, IIROC, the MFDA, and la Chambre de la sécurité financière. A link to where the applicable decision document is provided directs the user to the relevant Regulator or organization's website.

The CSA provides **Data Distribution Services (DDS)** that deliver near real-time or scheduled bulk feeds of publicly available SEDAR and SEDI data to subscribers of the services. The SEDAR Regulatory Fee Guide was implemented in 2011 to assist filers in calculating the relevant regulatory filing fees owing for a specific filing document type.

CSA National Systems Renewal

The CSA national systems are being updated because they no longer meet current user needs. On June 1, 2016 the CSA announced that it entered into an agreement with CGI Information Systems and Management Consultants Inc. (CGI) along with Foster Moore (Registry Software Vendor) to renew the CSA National Systems with a single integrated solution. The plan is for CGI to prepare, configure, test, deploy, and then run and maintain the new national system, based on commercial software, that will deliver secure transactions and ease of use as well as respond to future regulatory changes and requirements. The renewed system will create an improved central store of regulatory filing data while addressing ease of use, security, and the speed and cost of adaptability to new business requirements and technology.

In addition to building the new IT system, certain regulations that reference the national systems will be amended, including an updated CSA Systems Fee Rule. Local CSA jurisdictions will need to manage any changes to their internal local systems that interface with the national systems, and modify any related processes, workflows and policies.

Enforcement

The OSC and the other members of the CSA have broad investigative and enforcement powers, including the ability to prohibit trading, ban persons from the market, impose financial penalties and freeze assets. By identifying contraventions of securities laws or conduct in the capital markets that is contrary to the public interest, and by imposing appropriate sanctions, the OSC and CSA deter wrongdoing, provide protection to investors and foster fair and efficient capital markets and confidence in their integrity.

The OSC, CSA, SROs, governments and police forces work together to achieve complementary goals. Cooperation among these groups takes several forms, including intelligence sharing, assisting other jurisdictions with investigations, joint enforcement actions, and reciprocal enforcement. CSA members work closely together and may conduct joint investigations on matters that involve multiple jurisdictions. In addition, OSC enforcement staff work with IOSCO, the Council of Securities Regulators of the Americas, and the North America Securities Administrators Association to enhance global cooperation in enforcement matters. Securities Commissions in British Columbia, Alberta, Ontario and Quebec are signatories to the IOSCO Multilateral Memorandum of Understanding.

Capital Markets Regulatory Authority (CMRA)

The OSC continues to support the creation of the CMRA. Objectives of the CMRA initiative include encouraging the growth of globally competitive markets in Canada, facilitating more efficient rule-making, enhancing investor protection, strengthening our regulatory capacity to identify and manage systemic risk and solidifying Canada's international reputation for effective oversight of its financial markets.

In July 2015, the Council named William Black as the first Chair of the CMRA, and in July 2016, the initial Board of Directors was announced. The Board of Directors possesses the combined requisite capital markets experience and knowledge, including international capital and venture market expertise, and is broadly representative of the regions of Canada. Pending the enactment of the legislation to jointly establish the CMRA, Mr. Black and the other members of the Board of

Directors will serve as the Board of the Capital Markets Authority Implementation Organization (CMAIO). In November 2016, the Board of Directors named Kevan Cowan as Chief Executive Officer of CMAIO and Chief Regulator of the future CMRA. He will also be Chief Executive Officer of the Regulatory Division of CMRA. CMAIO was incorporated on behalf of the Participating Jurisdictions in July 2015 as an interim body to assist in the transition to and implementation of the CMRA. In January 2017 CMAIO announced its initial management team that will lead the work to operationalize CMRA in Canada.

Notwithstanding the considerable amount of work and resources being dedicated to support the CMRA initiative, the OSC recognizes the importance of maintaining high standards of regulation and of keeping stakeholders well informed and engaged throughout the transition period. Stakeholders can be assured that the OSC will remain responsive to the needs of Ontario's investors and market participants and will maintain an effective regulatory presence.

Oversight of Self-Regulatory Organizations, Exchanges and Clearing Agencies

Self-Regulatory Organizations (SROs)

The CSA has developed a coordinated approach to the regulation of SROs. Recognized SROs play a significant role in promoting investor protection and market integrity. They have prescriptive rules, compliance staff and an enforcement function which includes the authority to impose sanctions on their dealer members or employees – i.e. fines, reprimands, suspensions and permanent membership bans. The Ontario Government passed amendments to the *Securities Act* (Ontario) which provides SROs with the ability to pursue the collection of disciplinary fines directly through the courts. As front-line regulators, SROs discharge their responsibilities, subject to oversight by the applicable provincial securities regulatory authorities known as “recognizing regulators”.

There are two recognized and industry-funded SROs in Canada: the Mutual Fund Dealers Association of Canada (MFDA) for registered mutual fund dealers and the Investment Industry Regulatory Organization of Canada (IIROC), which was formed by the merger of the Investment Dealers Association of Canada and Market Regulation Services Inc. for investment dealers and market members. Most CSA jurisdictions rely on the applicable SRO to conduct the day-to-day regulation of mutual fund dealers and investment dealers with IIROC also responsible for registering individuals and monitoring trading on equity and debt marketplaces in Canada. Each SRO is the sole sponsor of an investor protection fund (IPF) which protects client assets in the event of an SRO member insolvency. The approved funds are the Canadian Investor Protection Fund for IIROC members and the MFDA Investor Protection Corporation for MFDA members.

The recognizing regulators have formal oversight programs, consisting of regular reporting on activities, annual oversight reviews, processes to review proposed rule and by-law amendments and regular meetings with the SROs to discuss issues and emerging trends. Similar programs are in place for the IPFs. Since multiple jurisdictions are involved in SRO / IPF oversight, the programs are coordinated. A principal regulator model is used for this purpose; each recognizing jurisdiction is actively involved in oversight, but a single regulator (i.e. the principal regulator), coordinates the process. The OSC is the principal regulator for IIROC, CIPF and the MFDA IPC; and the BCSC is the principal regulator for the MFDA.

The CSA SRO Oversight Standing Committee is responsible for dealing with issues and initiatives that affect the SROs. The day-to-day oversight of SRO/ IPFs is performed by sub-committees set up for each SRO / IPF. These sub-committees also act as forums for the discussion of issues related to each regulated entity.

Exchanges

Exchanges that have been recognized in various jurisdictions in Canada are the TMX Group Inc. (and TSX Inc. that operates the exchange), TSX Venture Exchange, Canadian Securities Exchange (CSE), TSX Alpha Exchange (Alpha), Aequitas Neo Exchange (Aequitas), Nasdaq CXC Limited (Nasdaq), Natural Gas Exchange (NGX) and the Bourse de Montreal. These exchanges offer services in multiple provinces and territories and are subject to regulation by the securities regulatory authorities in the jurisdictions in which they operate. The CSA relies on a “lead” regulator model for the oversight of each recognized exchange, whereby one jurisdiction recognizes the exchange while the others exempt the exchange from recognition based on principles of reliance.

The OSC is the lead regulator for TSX Inc., Alpha, Aequitas, Nasdaq, and CSE. The ASC and the BCSC are joint lead regulators for the TSX Venture Exchange. On the derivatives side, the AMF is the lead regulator for the Bourse de Montreal and the ASC for NGX.

There are also 19 swap execution facilities (SEFs) and multilateral trading facilities (MTFs) that have been exempted by the OSC from the requirement to be recognized as an exchange.

As of June 30, 2018, the following marketplaces (both exchanges and alternative trading systems) carried on business in Ontario for the trading of equities, debt and/or derivatives:

Market Places in Ontario	
Recognized Exchanges	<ul style="list-style-type: none"> ▪ Aequitas Neo Exchange Inc. ▪ CSE (formerly CNSX Markets Inc.) ▪ TSX Inc. ▪ TSX Alpha Exchange Inc.
Exempt Equity Exchanges	<ul style="list-style-type: none"> ▪ TSX Venture Exchange Inc.
Exempt Derivatives Exchanges	<ul style="list-style-type: none"> ▪ Bourse de Montreal
ATs for Equity Securities	<ul style="list-style-type: none"> ▪ LiquidNet ▪ Nasdaq CXC/Nasdaq CX2 ▪ Instinet Canada Cross ▪ Omega ATS/ Lynx ATS ▪ MatchNow

Market Places in Ontario	
ATSS for Debt Securities	<ul style="list-style-type: none"> ▪ CanDeal.ca Inc ▪ CBID/Perimeter Markets Inc. ▪ MarketAxess Canada Limited
ATSS for Securities Lending	<ul style="list-style-type: none"> ▪ EquiLend

Exempt Futures Exchanges	<ul style="list-style-type: none"> ▪ CBOT ▪ CME Inc. ▪ COMEX ▪ ICE Futures Europe ▪ ICE Futures US ▪ Natural Gas Exchange Inc. (NGX) ▪ Nodal Exchange ▪ NYMEX
Swap Execution Facilities	<ul style="list-style-type: none"> ▪ 360 Trading Networks ▪ BGC Derivatives Markets, L.P. ▪ Bloomberg SEF LLC ▪ DW SEF LLC ▪ GFI Swaps Exchange LLC ▪ ICAP Global Derivatives Limited ▪ ICAP SEF (US) LLC ▪ ICE Swap Trade LLC ▪ BATS Hotspot SEF LLC, formerly (Javelin SEF, LLC) ▪ LatAm SEF ▪ MarketAxess SEF Corporation ▪ SwapEX LLC ▪ Thomson Reuters (SEF) LLC ▪ tpSEF Inc. ▪ Tradition SEF Inc. ▪ trueEX LLC ▪ TW SEF LLC ▪ NEX SEF

Clearing Organizations

Since March 1, 2011, clearing agencies carrying on business in Ontario are required to be recognized by the OSC or have obtained an exemption from the requirement to be recognized as clearing agencies in Ontario. The following clearing agencies are recognized by the OSC:

The Canadian Depository for Securities Limited and CDS Clearing and Depository Services Inc. (together, CDS) operate the settlement system (CDSX) for clearing and settling equity and debt transactions. CDS has been recognized by the OSC since 1987. In addition to the OSC, the regulators of CDS are the AMF (Quebec), BCSC, and ASC at the provincial level, and the Bank of Canada at the federal level. CDS is recognized by the AMF, BCSC and ASC under their respective securities legislation.

The Bank of Canada has designated CDSX as a systemically important clearing and settlement system under the Payment Clearing and Settlement Act (PCSA) which allows the Bank of Canada to oversee such designated systems that may pose a risk to the financial system. Staff of the OSC, AMF, BCSC and Bank of Canada coordinate oversight of CDS, and such coordination was formalized in a MOU Governing the Oversight of Certain Clearing and Settlement Systems that came into effect on June 9, 2015 (CSA-BOC MOU).

Canadian Derivatives Clearing Corporation (CDCC) provides central counterparty (CCP) clearing services for derivatives products traded on the Bourse de Montreal, fixed income products and certain OTC derivatives products. CDCC has been recognized by the OSC since April 2014; prior to that it was exempted from the recognition requirement. CDCC is also recognized by the AMF under its derivatives legislation and by the BCSC under its securities legislation. CDCC's CDCC system has also been designated by the Bank of Canada as a systemically important clearing and settlement system under the PCSA. As with CDS, OSC, AMF, BCSC and Bank of Canada staff also coordinate oversight through the CSA-BOC MOU.

LCH.Clearnet Limited (LCH), which operates CCP clearing services for multiple asset classes, is currently offering the following services in Ontario: SwapClear, RepoClear, ForexClear and EnClear: the OSC has recognized LCH since 2013, prior to which it was exempted from the recognition requirement. The OSC is also a member on the Global Regulatory College for LCH. LCH is based in the UK and is regulated by the Bank of England. The OSC places reliance on the Bank of England for day-to-day oversight of LCH and focuses its direct oversight on matters that impact Ontario participants (e.g. launching of new services in Ontario). The AMF has also recognized LCH. LCH's SwapClear system has been designated by Bank of Canada under the PCSA. The OSC, AMF and Bank of Canada staff informally coordinate oversight.

FundSERV Inc. (FundSERV), which provides an electronic system for the mutual fund industry to place and reconcile orders, also offers centralized payment exchange facilities for settlement of mutual fund trades. It has been recognized by the OSC since 2012.

As a result of the mandatory recognition requirement, the OSC has also issued exemption orders for the following clearing agencies that operate in Ontario on the basis that these entities are already subject to regulation in another jurisdiction and do not pose significant risk to Ontario capital markets:

- Chicago Mercantile Exchange Inc.
- CLS Bank International and its affiliate CLS Services Ltd.
- Eurex Clearing AG
- Nodal Clear LLC
- DTCC ITP Matching (Canada) Limited, which carries on business as a matching service utility (MSU) in Ontario, and is regulated as a MSU under National Instrument 24-101 Institutional Trade Matching and Settlement (NI 24-101)
- SS&C Technologies Canada Corp., which carries on business as a MSU in Ontario and is also regulated under NI 24-101
- Options Clearing Corporation

The CSA has an MOU to coordinate the oversight of financial market infrastructure, specifically clearing agencies (CAs), trade repositories (TRs) and Matching Service Utilities (MSUs) (FMI MOU). This MOU supplements the CSA-BOC MOU, and the objective is to facilitate coordination and information sharing among the securities regulators.

Trade Repositories

As part of Canada's commitment to the G20 initiative to reform the practices in the OTC derivatives markets, the OSC has Trade Repository Rules (TR Rules) to improve transparency in the OTC derivatives market by requiring participants in the market to report certain trade information to a designated TR and to impose certain minimum standards on designated TRs to ensure that they operate in a manner that promotes the public interest. Market participants began reporting under the TR Rule in October 2014.

Three TRs have been designated in Ontario: Chicago Mercantile Exchange Inc. (CME), DTCC Data Repository (U.S.) LLC (DDR) and ICE Trade Vault, LLC (ICE TV). These TRs are based in the US and regulated by the CFTC. The OSC places reliance on the CFTC for day-to-day oversight and focuses direct oversight on matters that impact the Ontario capital markets (e.g., access by Ontario participants). In addition, the three TRs have also been designated by the AMF and MSC and in July 2016, securities regulators in Alberta, British Columbia, New Brunswick, Nova Scotia and Saskatchewan announced approval of recognition orders for the three TRs designated by the OSC. Securities regulators in Newfoundland and Labrador, Nunavut, Northwest Territories, Prince Edward Island and Yukon approved comparable recognition orders for some or all of these trade repositories before trade reporting requirements begin in their jurisdictions. On-going oversight of the designated TRs is coordinated under the FMI MOU discussed above.

Regulation of Issuers – Offerings and Continuous Disclosure

Subject to certain specified exemptions, issuers are required to prepare and file a preliminary and final prospectus prior to any distribution of securities to the public. The prospectus must contain full, true and plain disclosure of all material facts relating to the securities offered under the prospectus and must be receipted by the Commission.

Public companies (referred to as reporting issuers) must comply with periodic and timely continuous disclosure obligations. Those obligations include periodic financial reporting (annual and interim), material change reports, and business acquisition reports. Requirements that contribute to fair and efficient markets, such as insider trade reporting, corporate governance requirements, and minority shareholder protection requirements also form part of public company regulation.

Issuers that rely on a prospectus exemption must comply with the applicable conditions. Depending on the exemption, conditions relate to the nature of the purchasers, limits on the amounts that may be distributed, prescribed disclosure, and limited ongoing reporting.

Prospectus-exempt distributions do not require prior approval or staff review. Compliance and oversight of issuers in the exempt market is focused on creating awareness of our requirements, monitoring the use of the prospectus exemptions and identifying material non-compliance that may require regulatory intervention.

Investment funds that offer securities to the public must prepare and file a preliminary and final prospectus before distributing their securities. In addition, conventional mutual funds must prepare a Fund Facts document that is required to be delivered to a purchaser prior to the purchase of mutual fund securities. The document provides key information about a fund in plain language and cannot exceed two pages in length. Similarly, exchange-traded funds (ETFs) are required to deliver an ETF Facts document to investors who purchase securities of the ETF on an exchange.

Publicly-offered investment funds are subject to continuous disclosure obligations similar to those applicable to public companies. These investment funds must also comply with product regulations that contribute to investor protection, including investment restrictions, asset custody requirements and security holder voting requirements. Investor protection is further promoted by requiring every publicly-offered investment fund to have a fully independent body, an Independent Review Committee (IRC), whose role is to consider all decisions referred to the IRC by the fund manager involving an actual or perceived conflict of interest faced by the fund manager in the operation of the fund.

The OSC also regulates structured products that are securities and sold to retail investors. These structured products are also known as linked notes. Linked notes generally provide investment exposure to public indices and can have various degrees of downside protection and pay-out. Linked note issuers file base-shelf prospectuses and prospectus supplements to distribute these notes. Any novel linked note is subject to the OSC's review, before any distribution of the note.

Registration of Dealers, Advisers and Investment Fund Managers

The underlying principle of regulation for dealers, advisers and investment fund managers is based on registration and ongoing registrant obligations. Registration entails demonstrating that the person or company meets the fit-and-proper requirements of proficiency, integrity and financial solvency. Once registered, a dealer, adviser or investment fund manager must meet ongoing registrant obligations. For example, registered firms must meet certain business conduct requirements (including know-your-client (KYC), know-your-product (KYP), suitability, conflict management and client relationship requirements), and financial reporting, working capital, insurance and bonding requirements.

Unless an exemption exists or a discretionary exemption is granted, firms must register in each jurisdiction where they are:

- in the business of trading;
- in the business of advising;
- holding themselves out as being in the business of trading or advising;
- acting as an underwriter; or
- acting as an investment fund manager.

The OSC registers firms in all categories of registration (this function is not delegated to SROs in Ontario).

Individuals must become registered with the OSC if they trade, underwrite or advise on behalf of a registered dealer or adviser, or act as the ultimate designated person or chief compliance officer of a registered firm. The OSC has delegated to IIROC the registration of their member firm dealing representatives. To facilitate registration and filing in multiple jurisdictions, the CSA developed the National Registration Database and has harmonized the registration regime.

Oversight reviews of registrants and derivatives market participants are conducted to assess compliance with applicable securities legislation, rules and adherence to best practices. Registrants are selected for reviews using a risk-based approach or when particular topics of interest or concerns are identified. The review programs are updated periodically to include regulatory changes (i.e. expansion of the exempt market to include offering memorandum and crowdfunding requirements and derivatives data reporting).

International Harmonization

The OSC is actively engaged at the international level, promoting cooperation, information sharing and the development of principles, standards and best practices in securities regulation. The OSC Chair is a member of the governing Board of IOSCO, which is the leading international policy forum for over 100 securities regulators and is recognized as the global standard setting body. OSC staff routinely take leadership roles on IOSCO policy committees and actively

cooperate with other regulators under IOSCO's multilateral MOUs to facilitate cross border investigations and enforcement matters.

VISION AND STRATEGIC GOALS

The OSC vision is to be an effective and responsive securities regulator – fostering a culture of integrity and compliance while reducing regulatory burden, balanced against investor protection. Public confidence in these markets can be affected by many factors, including the stability of the financial system, the economic health of the country and the volatility in the marketplace. The environmental factors set out previously, including globalization, technology, and the changing investor population also have an impact on how the OSC does its work. The direction we have defined for ourselves is grounded in the OSC’s five strategic goals:

1. Deliver responsive regulation and reduce regulatory burden
2. Deliver strong investor protection
3. Deliver effective compliance, supervision and enforcement
4. Promote financial stability through effective oversight
5. Be an innovative, accountable and efficient organization

1. Deliver Responsive Regulation and Reduce Regulatory Burden

Delivering responsive regulatory oversight includes being mindful of the impact of regulatory burden on market participants. Through the OSC Burden Reduction Taskforce, the OSC’s priority is to re-examine rules and processes to ensure they are appropriate and necessary. The Taskforce will identify and pursue opportunities to reduce undue burdens and streamline regulation without impeding the ability of the OSC to fulfill its responsibility to protect investors.

The OSC continues to seek opportunities to make its interface with market participants easier and less costly, including the implementation of electronic solutions to make submission of data easier for market participants. As technology and capital markets evolve, our approach to regulation needs to adapt to address these changes. The OSC has undertaken various initiatives, such as changes to the exempt market regulatory regime and the review of the market structure regulatory framework, to promote efficient markets, protect investors and maintain investor confidence. The OSC’s focus in these areas is now on monitoring and assessing whether these measures are achieving their expected regulatory outcomes or if further regulatory responses are needed.

Fintech continues to evolve rapidly disrupting various traditional financial services industry approaches. Innovative business models, including online advisory, online lenders and crowdfunding platforms, blockchain and crypto asset-based products and services and RegTech solution providers, have brought substantial changes to the relationship among regulators, investors and intermediaries. Supporting the pace of Fintech innovation will continue to challenge regulators’ abilities to respond. The LaunchPad group is responsible for engaging with the Fintech community; providing innovative Fintech businesses with the opportunity for direct support and flexible solutions to compliance; and modernizing regulation to respond to digital innovation.

2. Deliver Strong Investor Protection

OSC Investor Office

Investor protection is critical to the OSC, and we are committed to improving outcomes for retail investors through policy, research, education and outreach initiatives led by our Investor Office. The Investor Office continues to expand the OSC’s efforts in investor engagement, research,

education and outreach, to help investors build their knowledge, understanding and confidence in planning for their investment goals and retirement finances.

The Investor Office will continue to seek input from all stakeholders, including the IAP and the Seniors Expert Advisory Committee (SEAC) that, in combination with available research, informs its understanding of investor issues. The Office will use this information in developing tailored solutions to reach the broad range of investor groups, including seniors, millennials and new Canadians.

Policy agenda focused on investors

A significant portion of the OSC's policy agenda will be focused on initiatives to make changes that focus on promoting the interests of investors. The OSC has published proposed amendments to regulatory requirements under National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations (NI 31-103) that include introducing regulatory provisions that infuse best interest principles in the fundamental obligations registrants owe their clients (Client Focused Reforms). Any initiatives that arise from the OSC's ongoing work to strengthen investor protection will be subject to ministerial approval.

Initial implementation of initiatives outlined in the recently-published OSC Seniors Strategy, including the development of a regulatory framework to address issues of financial exploitation and cognitive decline that includes a safe harbour for registered firms and their representatives, will also be key focus area. Access to an effective and fair dispute resolution system remains an important investor policy focus for the OSC as we continue to work to strengthen OBSI's ability to secure redress for investors and provide a robust oversight framework.

3. Deliver Effective Compliance, Supervision and Enforcement

Compliance and enforcement activities in support of investor protection

Effective registration and compliance oversight programs, combined with timely enforcement, help to deter misconduct and non-compliance by registrants and market participants. The OSC's fundamental work of monitoring compliance and pursuing enforcement with securities laws will reflect its commitment to identify and address areas that are most crucial to upholding strong investor protection. The OSC will monitor industry trends and innovations that may impact on retail investors. We will also continue to identify potential scams and frauds and alert investors about them.

In our core work we are relying more on trend and risk analysis and monitoring changes in compliance. We will continue to undertake targeted compliance reviews of high risk and new registrants, including online advice and portal business models. We will also conduct targeted prospectus and continuous disclosure reviews of issuers, investment funds and structured products as they respond to market developments and product innovations, and we will publish OSC staff guidance as warranted. As new obligations are implemented, we will monitor for compliance. In doing this work, we will also focus on expected standards of conduct of market participants.

Strong and visible enforcement presence

We continue to evolve our enforcement tools and approaches. Our enforcement activities will increasingly focus on delivering timely, credible deterrence through the use of various detection tools, information and actions. The use of electronic data gathering and e-hearings will add to

this efficiency. We will actively pursue timely and impactful enforcement cases involving fraud and other serious securities laws violations through our quasi-criminally focused Joint Serious

Office of the Whistleblower

We are continuing to develop our OSC Office of the Whistleblower, the first paid whistleblower program by a securities regulator in Canada. The program offers robust protections for whistleblowers and provides significant incentives of up to \$5 million to individuals who come forward with tips that lead to enforcement actions that will send strong regulatory messages. The OSC is taking actions to aggressively pursue the collection of penalties and fines to maximize the intended deterrent impacts of its sanctions.

Collectively, these activities should result in the OSC bringing forward to the courts more cases involving fraudulent activity that harms investors and affects the integrity of the capital markets, and seeking penalties commensurate with those activities, including jail terms.

4. Promote Financial Stability through Effective Oversight

OSC systemic risk oversight and derivatives reform

The OSC works with domestic and international regulators to monitor and better understand the key components of systemic risk and how they interact. Internationally, the OSC works with the Financial Stability Board, IOSCO and others to remain abreast of emerging risks. Domestically, the OSC is connected to various regulators through the Heads of Agencies, which includes the Bank of Canada, Federal Finance and the Office of the Superintendent of Financial Institutions. These interactions improve the resilience of our markets through shared communication and understanding of areas where our regulatory responsibilities intersect.

The OSC has implemented elements of the regulatory framework to regulate OTC derivatives through the creation of a trade reporting system and the designation of trade repositories. The OSC is working to complete the regulatory framework, build the infrastructure and commit the necessary resources to effectively oversee and supervise activities in the OTC derivatives markets.

Enhance oversight of industry cybersecurity preparedness

Cyber risk constitutes a growing and significant threat to the integrity, efficiency and soundness of our capital markets and is creating a strong imperative to raise awareness about cyber-attacks and strengthen cybersecurity resilience. Cyber-attacks that have the potential to disrupt our markets and market participants are likely to occur. Increased dependence on digital connectivity (e.g., online banking and mobile payment systems), combined with exponential growth and reliance on data, is raising the potential for digital disruption in our financial services and markets. Disruptions or incidents at specific firms may have broader systemic implications. Regulators, market participants, and other stakeholders must work together to enhance cyber security resilience. The OSC will continue to press market participants to maintain and improve their cyber defenses and resilience to respond to cyber-attacks by taking an active and central role in assessing and promoting readiness and supporting cybersecurity resilience and coordination within the industry.

5. Be an Innovative, Accountable and Efficient Organization

Investment in people

To meet evolving needs, the OSC will strengthen its capabilities through its people. While attracting, motivating and retaining top talent in a competitive market environment continues to be challenging, the OSC is building its capabilities and skills by recruiting staff across a range of disciplines, developing the skills and experience of our internal talent and adding new tools and processes to support staff in delivering their responsibilities and improving our operational performance.

Support successful organization change and continuity

The OSC remains committed to improving its business capabilities and efficiency. We are introducing process improvements and investing in information technology infrastructure and security to support an integrated data management program that will improve access to information to identify trends and risks and support analysis and decision-making.

We are continuing to mature our research and data analysis capabilities to support improved and timely identification of risks, and a more disciplined approach to identifying issues and policy development. An enhanced risk-based approach will be utilized to identify registrants and issuers whose operations or structures may pose risks to retail investors. A focus on risk will contribute to the OSC's understanding and response to emerging market, product and systemic risks in a timely manner. This approach will have the added benefit of reducing regulatory burden on many market participants.

We are also continuing to incorporate technology and more sophisticated analytical tools to improve the efficiency, quality and timeliness of enforcement, and to gather and analyze data and other information, including information required for compliance and adjudicative matters.

Accountability

All policy initiatives will be aligned with OSC goals and risk assessments. The OSC believes that a data-driven, evidence-based and risk focused approach is critical to effective policy development and regulatory oversight and it is crucial to track and understand the impacts of its regulatory actions. Greater rigour will continue to be imposed on the completion of regulatory impact and data analyses to support informed decision making, prioritization of initiatives and burden reduction.

The OSC is committed to being accountable and will report on how it is progressing against its strategic plan and goals. We will use performance indicators to measure the success and effectiveness of our work and demonstrate accountability to deliver against our mandate and goals.

OSC 2018 – 2019 Priorities

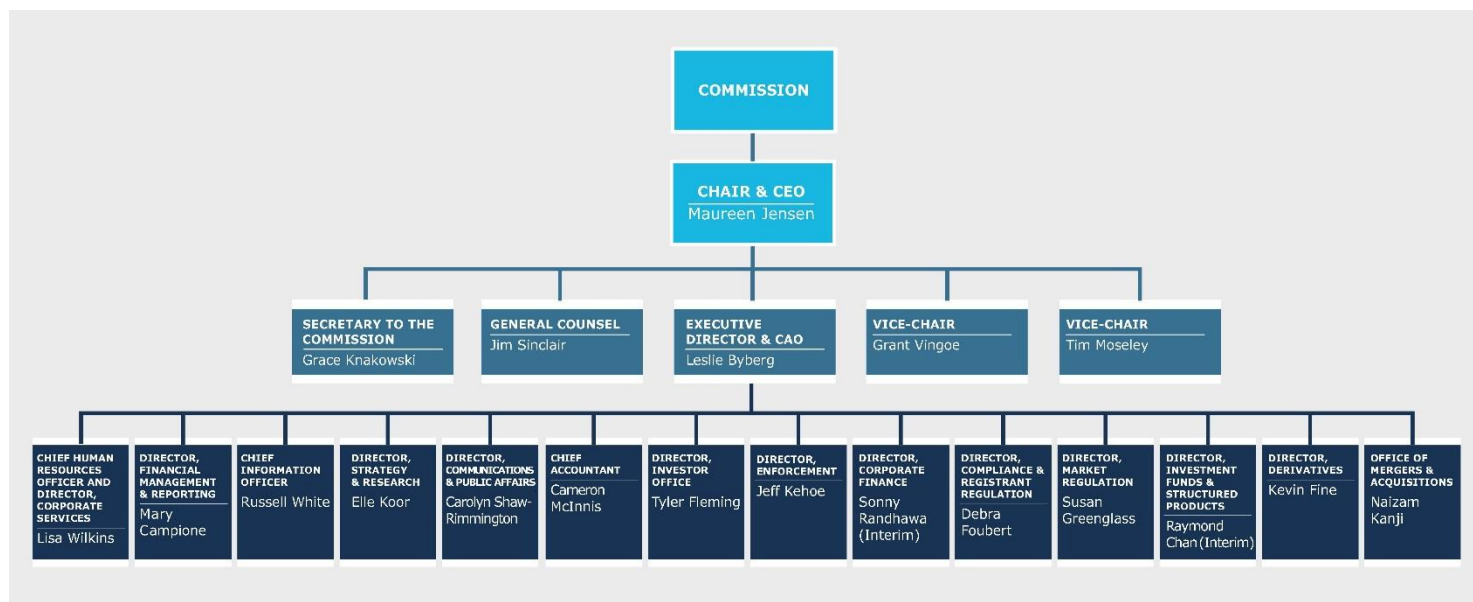
The OSC Statement of Priorities is an annual document required under the *Securities Act* (Ontario). The Commission's key 2018 – 2019 priorities, along with specific initiatives, are set out in Appendix A.

ORGANIZATION, STRUCTURE AND CORE ACTIVITIES

The OSC is organized into seventeen branches and offices, eight of which focus their main activities on regulating defined segments of the Ontario securities markets. For the most part, the remaining branches/offices provide regulatory advice or provide corporate support to the OSC’s regulatory branches, Commissioners and the Executive.

Organizational Chart

An organizational chart is set out below followed by a discussion of the core activities of each branch and office.



Regulatory Operations Branches/Offices

Compliance and Registrant Regulation – responsible for regulating firms and individuals who are in the business of advising or trading in securities or commodity futures, and firms that manage investment funds in Ontario, as well as developing policy relating to registrants and their obligations.

Corporate Finance – responsible for regulating reporting issuers (other than investment funds) and leading issuer-related policy initiatives. The branch establishes the regulatory framework for securities offerings in the public and exempt markets, and compliance through ongoing reviews. The branch is also responsible for supervising insider reporting and regulating credit rating agencies.

Derivatives – responsible for developing a regulatory framework for over-the-counter derivatives trading in Ontario.

Enforcement – responsible for investigating and litigating breaches of the Acts and seeking orders in the public interest before the Commission and the courts.

Investment Funds and Structured Products – responsible for regulating investment products that offer securities for sale to the public in Ontario, including mutual funds, exchange-traded funds, structured products and scholarship plans.

Market Regulation – responsible for regulating market infrastructure entities (including exchanges, alternative trading systems, self-regulatory organizations and clearing agencies) in Ontario and for developing policy relating to market structure and clearing and settlement.

Office of Mergers and Acquisitions – responsible for matters relating to take-over bids, issuer bids, business combinations, related party transactions and significant acquisitions of securities of reporting issuers.

Investor Office – sets the strategic direction and leads the OSC’s efforts in investor engagement, education, outreach and research. The Office also has a policy function, plays a key role in the oversight of the Ombudsman for Banking Services and Investments (OBSI), and provides leadership in the area of behavioural insights at the OSC.

Regulatory Advisory Branches/Offices

Office of the Chief Accountant – supports the OSC in creating and promoting a high-quality framework for financial reporting by market participants.

Office of Domestic and International Affairs – provides advice and support to the OSC in its dealings with other regulators and governments, both in Canada and internationally.

General Counsel’s Office – an in-house legal, policy, strategy and risk-management resource to the OSC. It also supports the OSC Ethics Executive in the oversight of organizational integrity and ethical conduct.

Strategy and Operations – assists the OSC in the delivery of its strategic goals and priorities through policy advice, research and project planning, and by leading the OSC’s business planning, policy prioritization and risk management processes.

Corporate Branches/Offices

Communications & Public Affairs – provides strategic advice and services to ensure the timely and effective communication of OSC priorities, policies and actions to external and internal stakeholders.

Financial Management and Reporting – provides financial management and analysis, reporting and treasury services to allow the OSC to continue carrying out its regulatory responsibilities. Assurance over financial reporting is provided through the design and maintenance of effective controls.

The Human Resources and Corporate Services Branch – this new branch is comprised of the former Human Resources Branch and the following business units from the former Corporate Services Branch: Administration (Facilities, Procurement, Office Services), Knowledge Services, Records and Information Management, and the Business Continuity Function from Strategy and Operations.

The Branch provides procurement and stewardship of OSC resources to support the achievement of OSC priorities, ensures compliant program and service delivery, contributes to enterprise-wide

workforce productivity, and leads the design and implementation of a positive employee experience.

Information Services (IS) is responsible establishing, monitoring and maintaining the information technology systems and services for the OSC in support of its mandate. The group is comprised of Client Services, Application Services, Technology Services, Information Security and IS Project Management.

Office of the Secretary to the Commission – supports the Members of the Commission in their statutory mandate as regulators and as a board of directors by providing counsel on adjudicative matters and administrative law, corporate law and corporate governance.

Chief Internal Auditor – conducts risk-based internal audits to evaluate the quality and effectiveness of OSC processes and systems, including compliance with policies and procedures.

Staff Summary

Total approved permanent positions April 01, 2018	
Regulatory Operations Branches / Offices	
Compliance and Registrant Regulation	96
Corporate Finance	58
Derivatives	14
Enforcement	156
Investment Funds and Structured Products	35
Market Regulation	30
Office of Mergers and Acquisitions	7
Investor Office	12
Regulatory Advisory Branches / Offices	
Office of the Chief Accountant	7
Office of Domestic and International Affairs	9
General Counsel's Office	17
Strategy and Operations	34
Corporate Branches / Offices	
Human Resources & Corporate Services	39
Information Systems	36
Communications & Public Affairs	14
Financial Management and Reporting	11
Chair, Executive Director, Secretary to the Commission, Internal Auditor	27
Total	602

2018 – 2019 FINANCIAL SUMMARY

OSC Revenues and Surplus

The OSC is forecasting 2018–2019 revenues to be slightly lower (3.9%) than 2017–2018 actual revenues. The revenue forecast is based on fee rates which remained unchanged from 2017–2018 as set out in the OSC’s fee rules (13-502 and 13-503). Participation fees for 2018–2019 are projected to decrease 1.9% due to lower capital market growth assumptions. Activity fees and late fees are also projected to be lower in 2018–2019. Our activity fee revenue forecast is based on historical averages which are lower than 2017–2018 actual results.

The OSC expects an operating deficit in both 2018–2019 and 2019–2020. The operating deficit in 2018–2019 of \$6.9 million is forecasted to reduce the 2017–2018 ending surplus of \$55.8 million to \$48.9 million at the end of March 2019.

2018 – 2019 Budget Approach

Our regulatory framework needs to remain current and responsive to the continuing evolution of market structures and products and be supportive of capital formation in Ontario. The OSC must carefully balance the desire to improve access to capital with the need to retain appropriate investor protections. The 2018–2019 OSC Statement of Priorities sets out the OSC’s key priorities to meet these challenges. Achievement of these priorities is a key driver of the increases to the 2018–2019 OSC operating and capital budgets as this will require focused investments in the following areas:

- to dedicate resources to finding opportunities to reduce regulatory burden on market participants;
- to address emerging regulatory issues such as fintech, crypto-assets, initial coin offerings and capital raising in the cannabis sector;
- for collections of monetary sanctions;
- to continue the data management and information security programs and technology modernization;
- oversight of syndicated mortgages and systemic risk; and
- facilities rehabilitation to optimize space utilization and accessibility.

Operating expenses are budgeted with an increase of 15.9% from 2017–2018 spending. Salaries and benefits, which comprise \$91.0 million or 72% of the budget, represent an increase of \$6.5 million or 7.7% over the prior year. The key reasons for this increase are approval of new positions to support the investments noted above and the impact of the annualized costs of the positions filled during 2017–2018. Project expenses deferred from 2017–2018 also contributed to the increase.

The increased capital budget reflects resources towards facilities rehabilitation, data management, information security, technology modernization and capital expenditures deferred from 2017–2018.

Cash Flow Requirements

The OSC's cash balance (excluding reserve funds) amounted to \$58.9 million at March 31, 2018. The OSC will begin drawing down on its cash position in fiscal 2018-2019 to support these focused multi-year initiatives. These programmes, in addition to our operating costs, are expected to reduce our cash position to \$28 million by March 2020, representing approximately three months of operating expenses.

Based on a review performed during 2017-2018, fee rates will remain unchanged for a two-year period beginning fiscal 2018-2019. Factors considered to arrive at that decision were the existing surplus, projected operating and capital expenditures, and the level of cash resources required to provide an adequate cash safety margin. While revenues are not expected to materially change over the next two years, expenditures are expected to increase each year to support our strategic initiatives, resulting in a reduction in our cash position.

Excess/Deficiency of Revenues over Expenses (in millions)	2017-18 Actual	2018-19 Budget	Year Over Year Change Favourable/(Unfavourable)	
Revenues	\$124.8	\$120.0	(\$4.8)	(3.8%)
Expenses	\$109.5	\$126.9	(\$17.4)	(15.9%)
Excess of Revenues over Expenses	\$15.3	(\$6.9)	(\$22.2)	(145.4%)
Capital Expenditure	\$3.4	\$9.9	(\$6.5)	(191.2%)
Staff	583	602	19	3.3%

OSC Budget and Staff Allocation 2018 – 2019 Budget Expenses - \$126.9 Million 2018 – 2019 Budget Capital - \$9.9 Million Total 602 Staff			
Executive Offices Budget - \$7.8 Million 27 Staff	Policy & Operations – Regulatory Operations Budget - \$63.2 Million 408 Staff	Policy & Operations – Regulatory Advisory Budget - \$13.1 Million 67 Staff	Corporate Branches & Corporate Expenses* Budget - \$42.8 Million 100 Staff

* Includes occupancy costs, supplies, amortization, corporate vacancy rate, etc.

Five Year Surplus Forecast

(in millions)	2018-19 Budget	2019-20 Forecast	2020-21 Forecast	2021-22 Forecast	2022-23 Forecast
Total Revenues	\$120.0	\$120.0	\$124.0	\$124.0	\$124.0
Total Expenses**	\$126.9	\$130.6	\$133.1	\$136.5	\$140.3
Surplus/(Deficit)	(\$6.9)	(\$10.6)	(\$9.1)	(\$12.5)	(\$16.3)
Opening Surplus	\$55.8	\$48.9	\$38.3	\$29.2	\$16.7
Closing Surplus	\$48.9	\$38.3	\$29.2	\$16.7	0.4

** Net of Recoveries of Enforcement costs and Recoveries of Investor Education costs

The increase in expenses allows for an increase in general inflation, expected increased regulatory oversight of syndicated mortgage transactions and systemic risk, exempt markets and derivatives, as well as ongoing investments in information technology. Revenues in fiscal 2019 and 2020 anticipate a slight change in market growth and activity, relative to the budget, with no changes to the fee rates. Over a 3-year period beginning April 1, 2020, fee rates may need to be adjusted to allow for continued cost recovery. As the forecast reflects assumptions as at the date the business plan was written, the OSC will continue to monitor costs and fees collected and consider appropriate fee adjustments.

PERFORMANCE MEASUREMENT

Overview

Effective performance measurement provides insights into operations, supports planning and promotes a culture of accountability. It is an ongoing process to monitor and report on the progress towards achieving established goals. A sound framework for performance measurement and management helps determine when adjustments are needed to the goals, strategies and programs established at the OSC. The OSC is committed to performance measurement as a vital process to help us to better understand, manage and improve what we do.

Activity Measures

The OSC continues to track its performance against a series of measures that are predominantly activity-based. These measures include volume measures (e.g. number of incoming prospectuses and continuous disclosure reviews completed), transaction turnaround times (e.g. percentage of new business applications evaluated within service targets) and project initiative completion dates and are used in monitoring quarterly performance of most core activities of the OSC operating branches. While these measures provide limited insight into regulatory impact, they play an important role in providing an overview of regulated activities and the work done by staff as part of the OSC's oversight role. Tracked over time, these measures allow for trend detection, workload management and resource realignment.

Market Quality Indicators and Capital Market Dashboards

The OSC developed and reports on a set of equity market liquidity and efficiency measures that demonstrate the OSC's connection to the broader financial picture and enable the Commission to further its understanding of how markets under its jurisdiction compare to others. These measures are being tracked over time in order to identify market trends and assess emerging risks.

The capital market dashboards provide a quarterly overview of the major components of the markets including size and net flows of the bond, public equity, mutual fund, Derivative and Exempt markets. They provide the Commission with a broad overview of the markets and serve as a research reference to the branches. The OSC will examine trends using newly available data from trade reporting, corporate bond and exempt markets to enhance its derivatives, exempt market and fixed income dashboards.

Outcome Measures

The OSC uses a range of approaches to demonstrate its accountability to its stakeholders. The OSC relies extensively on consultation with stakeholders in developing its proposed regulatory approaches. The frequency, quality and interactive nature of these processes, and the feedback obtained, is one proxy for measuring the effectiveness of OSC policy making.

The impacts of regulation are often less tangible and occur over time. This can make it challenging to implement a meaningful and feasible performance measurement framework. Currently, the OSC has a limited number of measures that focus on regulatory impact. A recent example of such measures demonstrates the impact on share prices of issuers

that are placed on the Commission's Refilings and Errors list if staff have found their disclosure records to have a material deficiency.

The OSC is increasing its use of post implementation impact analysis to assess the degree to which targeted regulatory outcomes are being achieved.

The OSC has developed management dashboards and scorecards, with a focus on visual representations to provide context and highlight key measures. These measures are refined over time. In addition to activity measures, the OSC utilizes financial measures such as the variance of current expenditure and revenue forecasts vs. full year plan, which assists in forecasting and budgeting activities.

Regulatory Performance Measures

The OSC Regulatory Burden Task Force is actively consulting with stakeholders and internally with staff to obtain feedback on ways to reduce unnecessary burden and improve the investor experience.

The Task Force is undertaking a review of methodologies for quantifying regulatory burden to create a framework for identifying burden reduction opportunities and prioritizing burden reduction proposals. After consideration of the feedback received from stakeholder responses to OSC Staff Notice 11-784 Burden Reduction, from internal and external consultations and the roundtable consultations, the OSC will publish a report that will:

- describe the methodology used to assess burden reduction
- specify outcome measures
- identify short, medium and long-term actions to reduce regulatory burden

Performance Reporting and Accountability

The OSC is required to publish its proposed priorities for the coming year and seek comments from stakeholders. After considering this feedback, the OSC finalizes and publishes its OSC Statement of Priorities setting out its top priorities and its OSC Statement of Priorities Report Card which reports on its performance against the identified priorities for the preceding fiscal year. A broader discussion of OSC accomplishments are available in the OSC Annual Report, which is published on the OSC website (www.osc.gov.on.ca).

As part of its focus on accountability and transparency, the OSC publishes "*OSC Service Commitment - Our Service Standards and Timelines*", which is a detailed performance report against a broad range of service targets. This document is available on the OSC [website](#) and the metrics for 2017-2018 are presented in Appendix B.

Next Steps

The OSC is becoming more data-driven. Greater use of data will be a fundamental component in developing, implementing and reporting on meaningful performance measures. The OSC will continue to evaluate activity measures that are currently internal or published for a limited audience and determine which ones should be published more broadly. As part of this process the

OSC will consider which current activity measures could be improved. The OSC remains committed to developing outcome measures that provide a reasonably comprehensive assessment of the Commission's regulatory impact.

RISK IDENTIFICATION AND MANAGEMENT

Background

The OSC must manage a growing range of risks arising from the pace of change and the continuing globalization of financial entities and their operations. Understanding those we regulate is necessary to manage known risks and respond to emerging risks in a more timely and appropriate way. The OSC applies International Risk Management Standard ISO 31000 to its enterprise risk management. We do this through a Risk Management Framework which was adopted in November 2012.

Key Components of the OSC Risk Management Framework

The goal of the framework is to embed risk management at key strategic decision points and within all elements of our operations and through all levels of staff. The framework sets out a process for identifying and assessing risks and highlighting and reviewing controls. The key advantages of the framework are:

- Promote a risk awareness culture within the OSC;
- Align the OSC risk appetite with its strategic direction;
- Identify and manage enterprise-wide risks;
- Provide the necessary context for setting the OSC's strategic direction and business planning;
- Facilitate proactive management of risk, improvements to performance measures and prioritization of initiatives and allocation of resources.

The OSC Risk Management Framework adapts to our ever-changing environment. It enhances our decision-making processes and supports the development of a risk-based culture within the organization. Decision making within the organization is informed by quarterly risk reporting and involves consideration of risks and the application of risk management.

Strategic Risks

Risk can relate to threats to the OSC's reputation, strategy, operations, or failure to take advantage of opportunities. The OSC seeks to fully address or mitigate the strategic and business risks that are most likely to impair achievement of our mandate. The OSC's Enterprise Risk Inventory is a key input to our risk management and business planning processes.

Enterprise Risk Inventory

Information gathered through the risk management process is captured in the OSC's Enterprise Risk Inventory. It includes a "top-down" and "bottom-up" view of the risks and controls within the OSC. The top-down portion describes the environment in which the OSC works and the bottom-up portion deals with day-to-day operational risks that affect our ability to do our work. The OSC's Risk Committee reviews the Enterprise Risk Inventory each quarter to identify significant changes in the OSC's risk profile, including any new or emerging risks. This information is reported to Senior Management, the Audit and Finance Committee, and the Board of Directors.

Business Risks

The OSC has established policies and processes to identify, manage and control operational and business risks that may impact our financial position and our ability to carry out regular operations. Management is responsible for ongoing control and reduction of operational risk by ensuring appropriate procedures, internal controls and processes, other necessary actions and compliance measures are undertaken.

Operational risk can include risk to the OSC's reputation. Reputational risk, as it relates to financial management, is primarily addressed through the OSC's Code of Conduct and governance practices established by its Board of Directors (details available at www.osc.gov.on.ca), as well as other specific risk management programs, policies, procedures and training.

Internal Audit

OSC Internal Audit is an assurance and advisory service to the Board of Directors and to management. Internal Audit helps the OSC develop, evaluate and improve risk management practices, risk-based internal controls, good governance and sound business practices.

The internal audit function is governed by a Charter approved by the OSC's Board of Directors and by an annual internal audit plan that is approved by the Board. The Chief Internal Auditor reports, and provides quarterly updates to, the Audit and Finance Committee. In addition, the Chief Internal Auditor provides an annual report on the results of internal audit engagements to the Board of Directors.

Systems Risk

The OSC's Information Services group regularly monitors and reviews the OSC's systems and infrastructure to maintain optimal operation. The OSC also performs regular security and vulnerability assessments to highlight potential areas of risk. Key recommendations from these assessments are tracked along with a management response and target remediation date. The results of these assessments and the progress made to address these findings and recommendations are reported to the Audit and Finance Committee and are used to improve security of the OSC systems. The OSC created an Information Security Office and appointed a Chief Information Security Officer in 2017. The most recent OSC Disaster Recovery test was performed in March 2018.

The OSC relies on national systems, which are operated by CGI, to collect most of its fee revenue. The CSA requires CGI to provide an annual third-party audit report (CSAE 3416 – Type II) that reviews and evaluates the internal controls design and effectiveness of the national systems and CGI's outsourcing operations. CGI is also required to have an operating disaster recovery site for operating these systems and to test it annually. The most recent test was performed in February 2018. The OSC could be contingently liable for claims against, or costs related to, operating the national systems. No material change is expected in the volume of fees collected through these systems.

Business Continuity

The OSC has a detailed Business Continuity Plan (BCP) to ensure critical regulatory services can continue if internal or external disruptions occur. The BCP is continually reviewed and refined and includes strategies to effectively address various market disruption scenarios.

Financial Risk

The OSC maintains strong internal controls, including management oversight to provide reasonable assurance of financial reporting reliability and preparation of financial statements for external purposes consistent with IFRS. These controls are tested annually through our internal control over financial reporting (ICFR) program. Market fluctuations continue to affect our ability to precisely forecast revenue, however, this risk is not expected to impair our operations.

Legal Risk

Occasionally, the OSC is involved in legal actions arising from the ordinary course of business. Currently, there are three civil actions commenced against the Commission.

HUMAN RESOURCES PLAN

OSC’s people strategy is to build an attractive, modern, high performing workplace where every manager is a great talent manager and every employee is fully engaged. The OSC Human Resources Plan has four main goals.

Area of Focus	Strategies/Plans
<p>Build an attractive, modern and high performing workplace</p>	<p>Sustain and build on strong employee engagement through focused employee survey response initiatives</p> <p>Establish and administer compensation practices that support attraction and retention of employees with the skills and experience required to effectively regulate the capital markets and deliver on the OSC mandate and priorities; including benchmarking against the talent market from which we recruit (a blend of public, private and financial services organizations in the GTA)</p> <p>Continue to build a healthy and inclusive OSC community</p>
<p>Develop great talent managers</p>	<p>Continue to develop current and emerging leaders through the OSC's leadership development program, which includes coaching, classroom training and self-directed learning, peer learning sessions, and management tools</p>
<p>Support successful organizational change and continuity</p>	<p>Develop and implement a strategic workforce plan that addresses current and emerging talent needs:</p> <ul style="list-style-type: none"> ▪ Identifying, monitoring, and managing talent risks to mitigate impact on operations ▪ Expanding staffing approaches and employment relationships to increase the OSC’s ability to attract, retain and leverage staff with specialized skills and experience ▪ Continuing to strengthen and build on succession planning and talent mapping practices to ensure a robust talent pipeline for critical roles across the organization ▪ Continuing to deliver targeted talent development programs including leadership, coaching and skills-based learning, thereby strengthening organizational performance <p>Provide employees with access to information, tools and resources that support them in adapting to change and contribute to effective organizational transition</p> <p>Continue to develop a culture of learning and development that provides professional and career growth and enables delivery of effective regulation</p>

Area of Focus	Strategies/Plans
<p>Provide first class fundamental HR services</p>	<p>Increase capacity to respond to emerging issues and organizational complexity by increasing knowledge and ability to provide executive and manager clients with reliable, accurate, timely and trusted advisory services</p> <p>Continue to monitor and report on an “OSC People” dashboard with metrics to guide decision-making</p> <p>Continue to apply modern recruitment practices to source best candidates for OSC positions, to enhance the application and decision-making process for applicants and maximize efficiencies for all stakeholders in the recruitment and on-boarding process</p>

COMMUNICATIONS & PUBLIC AFFAIRS PLAN

Strategic Focus

- Prioritize reducing regulatory burden on market participants;
- Build on current communications strategy to clearly and consistently articulate OSC priorities and outcomes to internal and external audiences;
- Focus on key priority areas (investor protection, fintech, and financial stability) and ensure relevant, proactive messaging that positively informs stakeholder engagement;
- Use multiple channels to deliver transparent and measurable communications such that stakeholders understand what we do and how we do it; ensure consistent delivery of key messages across all channels and stakeholder groups
- Ensure maximum reach by delivering proactive, integrated communications strategies leveraging all tools, resources and channels, including digital communications and enterprise social media

2018-2019 Focus

Stakeholder Communications

Continue to execute a comprehensive stakeholder communications strategy with emphasis on integrated communications and relationship development with stakeholder groups. Desired outcome: stakeholders are engaged with the OSC, know what we're doing and why. The OSC will demonstrate a greater openness to stakeholder feedback and work to ensure market participants are familiar with the most efficient permitted compliance practices.

OSC Dialogue 2018

This year's event will explore how rapid innovation is moving global markets into a new era, presenting novel investor opportunities, challenging traditional roles, and demanding regulatory evolution and international collaboration. Our event on November 8, 2018 will feature plenary discussions with internationally recognized industry thought-leaders and policy experts. Speakers will examine the path forward amid growing uncertainty, evolving investor expectations and the proliferation of new product offerings and trading mechanisms, each shaping the markets of the future.

Executive Visibility Program

Identify, develop and secure key executive speaking opportunities. Organize and execute corporate events that demonstrate thought leadership and drive the discussion around OSC priorities and strategic initiatives.

Expand the plan's communications considerations for senior leaders (Chair/CEO, ED) to maximize thought leadership opportunities and guide strategy for speeches throughout the year.

Media Outreach Strategy

Use all available channels/tools to ensure the OSC's position is clearly and accurately captured; develop and implement strong organizational key messages; arm OSC spokespeople with the tools they need. Desired outcome: Strong public confidence in the OSC as a proactive, transparent and accessible regulator.

Consultations and Outreach

Advise regulatory branches on corporate outreach events (e.g. policy roundtables, webinars, one-on-one meetings) to ensure corporate communications objectives are achieved, through content development and executive remarks that clearly articulate OSC key messages and priorities.

Internal Communications

Build on successful internal communications strategy with desired outcome being continued improvements in staff engagement. Focus this year will be on providing formal and informal opportunities to connect staff with OSC and CMAIO Executives (e.g. town halls, branch meetings, information sessions, etc.) and roll out a new Intranet that will streamline communication and enable greater collaboration.

APPENDIX A – OSC 2018-2019 STATEMENT OF PRIORITIES

The OSC Statement of Priorities is an annual document required under the *Securities Act* (Ontario). The Commission’s key 2018–2019 priorities, along with specific initiatives, are set out below:

Deliver strong investor protection	
Issue/Priority	Proposed Actions
Publish regulatory reforms that address the best interests of the client – (Client Focused Reforms)	<ul style="list-style-type: none"> ▪ Publish proposed amendments to regulatory requirements under National Instrument 31-103 – Registration Requirements, Exemptions and Ongoing Registrant Obligations (NI 31-103) (Client Focused Reforms) (including conflicts of interest, know your client, know your product, suitability, relationship disclosure and titles and designations) ▪ Develop plans to advance remaining reforms such as next phase of a titles and designations project and proficiency and provide recommendations to the Commission. ▪ Provide a regulatory impact analysis of the proposed regulatory provisions
Publish regulatory actions needed to address embedded commissions	<ul style="list-style-type: none"> ▪ Publish policy recommendations on embedded commissions to mitigate the investor protection and market efficiency issues identified in <i>Consultation Paper 81-408 -- Consultation on the Option of Discontinuing Embedded Commissions</i> ▪ Publish policy provisions to enact the recommendations ▪ Complete analysis of the potential impacts of proposed policy changes relating to the use of embedded commissions in securities products
Advance retail investor protection, engagement and education through the OSC’s Investor Office	<ul style="list-style-type: none"> ▪ Implement the OSC Seniors Strategy, including the development of a regulatory framework for addressing financial exploitation and cognitive impairment that includes a safe harbour for firms and their representatives ▪ Strengthen OBSI and publish a plan to enhance compliance with OBSI’s recommendations and a response to the OBSI independent evaluator’s recommendation to make OBSI decisions binding, while providing a robust oversight framework ▪ Implement an education and outreach strategy for new Canadians, with a focus on older investors ▪ Publish timely and responsive retail investor and behavioural research

Deliver effective compliance, supervision and enforcement

Issue/Priority	Proposed Actions
<p>Protect investors and foster confidence in our markets by upholding strong standards of compliance with our regulatory framework</p>	<ul style="list-style-type: none"> ▪ Maintain effective oversight of registrants by conducting targeted compliance reviews focused on: <ul style="list-style-type: none"> – new registrants and high risk, problematic (for cause), large/high impact firms identified from the 2018 Risk Assessment Questionnaire (RAQ) – sales practices of registrants – emerging risk areas including evolving business models and expansion of the exempt market ▪ Update and issue the 2018 RAQ
<p>Increase deterrent impact of OSC enforcement actions and sanctions by actively pursuing timely and consequential enforcement cases involving serious securities laws violations</p>	<ul style="list-style-type: none"> ▪ Investigate and prosecute complex quasi-criminal and criminal matters that harm market integrity or erode confidence in Ontario's capital markets ▪ Focus on cases involving repeat offenders, fraudulent activity and other serious breaches of the <i>Securities Act</i> (Ontario) or violations of the Criminal Code ▪ Improve the efficiency and reduce the timelines of our enforcement efforts through: <ul style="list-style-type: none"> – streamlined investigative and prosecution processes – strategic case selection that is focused on core aspects of our regulatory framework – disclosure, governance, conflicts of interest and market integrity – greater use of technology, including working with the CSA to develop a new market analytics platform for investigations – by using data analytics tools and the expertise of strategic partners in law enforcement ▪ Continue to raise awareness of the OSC Whistleblower program including: <ul style="list-style-type: none"> – promoting better understanding of the anti-retaliation protections for whistleblowers – developing a more proactive outreach program to reach potential high value whistleblowers ▪ Improve the process for collection of unpaid monetary sanctions and continue a pilot program to collect unpaid monetary sanctions on a contingency basis

Deliver responsive regulation

Issue/Priority	Proposed Actions
<p>Work with fintech businesses to support innovation and capital formation through regulatory compliance</p>	<ul style="list-style-type: none"> ▪ Support fintech innovation through OSC LaunchPad by: <ul style="list-style-type: none"> – Offering direct support to innovative businesses in navigating the regulatory requirements and potentially providing flexibility in how they meet their obligations including participating in the CSA regulatory sandbox

	<ul style="list-style-type: none"> - Working with FSRA to develop eligibility criteria and success measures for the Ministry of Finance (MOF) SuperSandbox - Fostering the use of cooperation agreements with other regulators to support Ontario firms seeking to expand into other jurisdictions ▪ Integrate learnings from working with innovative businesses and identify opportunities to modernize regulation for the benefit of similar businesses by: <ul style="list-style-type: none"> - Engaging the fintech community to better understand their needs and help them understand the regulatory requirements that apply to their businesses - Liaising with other international regulators that have similar innovation hub initiatives to better understand international trends and developments - Working with the OSC Fintech Advisory Committee to further understand the unique challenges raised with novel fintech businesses ▪ Continue to identify issues and potential regulatory gaps arising from cryptocurrency, initial coin and similar offerings, and blockchain developments by: <ul style="list-style-type: none"> - Conducting ongoing monitoring and reviews of reporting issuers with cryptocurrency and blockchain businesses including those seeking to become reporting issuers through reverse takeovers or initial public offerings and existing reporting issuers that are involved in change of businesses transactions - Liaising with listing venues and the CSA to identify and discuss industry developments and consider the impact on disclosures - Enhancing the guidance as to when initial coin and similar offerings involve securities
<p>Implement additional investor protection measures for syndicated mortgage investments</p>	<ul style="list-style-type: none"> ▪ OSC and CSA staff will consider comments received and work toward finalizing the amendments to <i>NI 45-106 Prospectus Exemptions and NI 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations</i> by March 2019 ▪ Develop a plan for the registration and oversight by the OSC of certain market participants active in offering syndicated mortgages
<p>Address opportunities to reduce regulatory burden while maintaining appropriate investor protections</p>	<ul style="list-style-type: none"> ▪ Draft amendments to the rules to implement identified opportunities to reduce investment fund disclosure requirements ▪ Initiate key policy initiatives to streamline reporting issuer requirements, including potential draft rule amendments (where applicable), related to: <ul style="list-style-type: none"> - the criteria to file a business acquisition report - primary business requirements - at-the-market offerings - identified opportunities to reduce continuous disclosure requirements - consideration of a potential alternative prospectus model

	<ul style="list-style-type: none"> Identify opportunities to use technology and data to reduce regulatory burden (e.g. electronic delivery of documents)
Review the effectiveness of the disclosure requirements regarding women on boards and in executive officer positions (WOB) to determine if there is a need for further action	<p>The OSC and its CSA partners are assessing the effectiveness of the disclosure requirements and in particular, are considering whether:</p> <ul style="list-style-type: none"> Changes to the disclosure requirements are warranted and, if so, the nature of those changes Strengthening the existing “comply or explain” disclosure model with guidelines regarding corporate governance practices is warranted
Actively monitor and assess impacts of recently implemented regulatory initiatives	<p><i>The Client Relationship Model (CRM2) and Point of Sale (POS) initiatives</i></p> <p>The OSC will evaluate whether the CRM2 and POS projects achieved their shared objective of enhancing investors’ understanding of the costs and fees associated with investment products through:</p> <ul style="list-style-type: none"> Continued participation in the CSA project measuring the post implementation impact of the CRM2 and POS initiatives

Promote financial stability through effective oversight

Issue/Priority	Proposed Actions
Enhance OSC systemic risk oversight	<ul style="list-style-type: none"> Continue to implement a framework for analyzing OTC derivatives data for systemic risk oversight and market conduct purposes including the development of analytical tools and the creation of snapshot descriptions of the Canadian OTC derivatives market Enhance OTC derivatives regulatory regime by: <ul style="list-style-type: none"> Implementing rules for the segregation and portability of cleared OTC derivatives Hosting a Business Conduct Rule roundtable Republishing the Derivatives Business Conduct Rule for comment Publishing Derivatives Dealer Registration rule Publishing Margin for Uncleared Derivatives rule Proposing amendments to trade reporting rule with respect to internationally adopted data standards Conducting liquidity analyses on OTC derivative transactions to confirm public dissemination of trade details is appropriate and will not harm markets and market participants Propose amendments to clearing rules with respect to clearable products Conduct reviews of compliance with OTC Derivatives rules Publish a Staff Notice on the Derivatives Trade Reporting Compliance reviews regarding findings and areas for improvement Develop OSC/CSA regulatory regime for financial benchmarks and publish for comment a proposed rule to establish a Canadian regulatory regime for financial benchmarks

	<ul style="list-style-type: none"> ▪ Continue to develop the OSC's capabilities to monitor liquidity conditions in the corporate debt market. ▪ Identify, assess, monitor and address (as required) potential financial stability risks in Ontario's capital markets ▪ Respond to IOSCO's recommendations on liquidity management and leverage measurements and reporting including an assessment of the industry's readiness
Promote cybersecurity resilience through greater collaboration with market participants and other regulators on risk preparedness and responsiveness	<ul style="list-style-type: none"> ▪ Promote cyber resilience through greater collaboration with market participants and regulators on risk preparedness and responsiveness ▪ Improve coordination in case of cyberattack or disruption by finalizing a market protocol

Be an innovative, accountable and efficient organization	
Issue/Priority	Proposed Actions
Develop a strategic OSC workforce approach focused on skill recruitment and development	<ul style="list-style-type: none"> ▪ Sustaining a workplace culture where employees have a sense of purpose and pride in their work, are productive, and enjoy being part of the OSC community ▪ Increasing efforts to identify, monitor, and manage talent risks to mitigate impact on operations ▪ Expanding its range of staffing approaches and employment relationships to increase its ability to attract, retain and leverage staff with specialized skills and experience ▪ Continuing to strengthen and build on succession planning and talent mapping practices to ensure a robust talent pipeline for critical roles across the organization ▪ Continuing to deliver targeted talent development programs including leadership, coaching and skills-based learning, thereby strengthening organizational performance
Enhance OSC business capabilities	<ul style="list-style-type: none"> ▪ Develop and implement a comprehensive data strategy that will provide the foundation for increased reliance on enterprise-wide data management and analytics to support risk and evidence-based decision making by: <ul style="list-style-type: none"> – Developing clearly defined, approved and understood data strategies, policies, standards, procedures and metrics – Improving staff efficiency and ability to generate quality work through: more accessible, cleaner, better organized data; – enhanced data sharing; reduced time to access appropriate data; earlier identification of emerging risks/trends – Working across the OSC to develop a community of practice focused on data analytics

	<ul style="list-style-type: none"> ▪ Enhance current e-filings portal to address inefficiencies in the way e-filings are captured and integrated into the financial information system
<p>Work with Capital Markets Regulatory Authority (CMRA) partners on the transition of the OSC to the proposed CMRA</p>	<ul style="list-style-type: none"> ▪ Continue to work with participating jurisdictions and the proposed CMRA to develop a harmonized regulatory approach and seamless transition ▪ Maintain an engaged and effective regulatory presence including a cooperative interface with the CSA

APPENDIX B – OSC SERVICE COMMITMENT METRICS

The OSC reports annually against its "OSC Service Commitment - Our Service Standards and Timelines" as part of its focus on accountability and transparency. The document outlines what stakeholders can expect when dealing with the OSC by summarizing target timelines for answering questions, responding to requests for information and submitting for review offering documents, applications and other filings.

The following tables outline how the OSC has performed against the target timelines during the 2017-2018 fiscal year. The status section displays a green box where the targets have been met for the entire year, and a yellow box where the target has not been met through the entire year. The notes section provides an explanation where a target has not been met.

Corporate Finance Branch

Activity	Target	2017-18				Status	Notes
		Q1	Q2	Q3	Q4		
Prospectus Comment Letters (long Form)	80% within 10 business days	100%	100%	100%	100%		
Prospectus Comment Letters (Short Form)	80% within 3 business days	100%	100%	100%	100%		
Prospectus Receipts	80% within 40 business days	100%	100%	100%	100%		
Exemption Applications	80% within 40 business days	100%	100%	100%	100%		
Final prospectus receipts	100% of materials filed by noon	100%	100%	100%	100%		
Amendments - Comment Letters	80% within 3 business days	100%	100%	100%	100%		
Amendments - Receipts	80% within 40 business days	100%	100%	100%	100%		

Compliance and Registrant Regulation

Activity	Target	2017-18				Status	Notes
		Q1	Q2	Q3	Q4		
New Business Applications acknowledge receipt	95% within 5 business days	100%	100%	100%	100%		
New Business Applications evaluate application	80% within 90 business days	100%	100%	100%	100%		
New individuals - dealing reps evaluate application	80% within 5 business days	100%	100%	98%	98%		
New individuals - advising reps & CCO - evaluate application	80% within 20 business days	95%	97%	81%	89%		
Notice of Employment Termination	95% within 5 business days	100%	100%	100%	100%		
Applications for exemptive relief	80% within 40 business days	100%	75%	100%	100%		

Investment Funds and Structured Products Branch

Activity	Target	2017-18				Status	Notes
		Q1	Q2	Q3	Q4		
Prospectus Comment Letters - PR	80% within 10 business days	89%	90%	94%	92%		
Prospectus Receipts	80% within 40 business days	96%	95%	89%	87%		
Exemption Applications	80% within 40 business days	92%	89%	91%	90%		
Amendments - Comment Letters	80% within 3 business days	89%	90%	90%	87%		
Amendments - Receipts	80% within 40 business days	99%	100%	99%	96%		

Records and Information Management Branch

Activity	Target	2017-18				Status	Notes
		Q1	Q2	Q3	Q4		
OSC record request acknowledgement	Issue by end of next business day	100%	99%	96%	100%		
OSC record request fulfillment	Within 5 business days	100%	99%	96%	100%		
Registration record request acknowledgement	Issued y end of next business day	98%	100%	100%	100%		
Registration record request fulfillment	Within 5 business days	98%	100%	100%	100%		

Inquiries and Contact Centre

Activity	Target	2017-18				Status	Notes
		Q1	Q2	Q3	Q4		
Telephone inquiries	100% on contact	97%	97%	97%	95%		Experienced slower than expected turnaround on written inquiries responses in the month of March due to an increase in investor complaints
Mail and e-mail inquiries	100% within 3 business days	95%	98%	97%	82%		82% of written inquiries were responded to within three business days, however, the remaining files were responded to within five business days
Mail and e-mail complaints	100% within 10 business days	100%	100%	100%	99%		In 2018-2019 we will be making enhancements to streamline our processes and improving our service standards and commitment

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