



THE ONTARIO SECURITIES COMMISSION

REPORT ON STATEMENT OF PRIORITIES FOR FISCAL 2006/2007

July 2007

The Ontario Securities Commission published five goals in its 2006/2007 Statement of Priorities (SoP). The primary objective of the Statement of Priorities was to communicate a series of specific priorities and projects for the OSC to address in fiscal 2006/2007, focused on achieving progress against each of the goals. For each of these goals we identified a series of initiatives, some multi-year, in support of achieving each particular goal.

In this progress report on the Statement of Priorities, we present a summary of accomplishments and highlights for each goal. Following each summary narrative, we present in table format, detailed accomplishments and the current status for each of the specific 2006/2007 priorities.

Goal 1: Provide fair, vigorous and timely enforcement

In our enforcement activities, we will treat all market participants fairly and with integrity, employing consistency in our approach and sanctions. A vigorous and timely enforcement presence is critical to protect investors, to deter undesirable behaviour and, when necessary, to remove participants from our capital markets who do not comply with securities laws. We will:

- 1. Improve the effectiveness of our enforcement work through reduced timelines for completing investigations and bringing regulatory proceedings forward;**
- 2. Increase our transparency through more timely and effective communications of enforcement actions where warranted;**
- 3. Focus additional enforcement and compliance resources and optimize our internal coordination among OSC Branches to proactively identify and reduce illegal market conduct and prevent harm to investors;**
- 4. Contribute to effective enforcement through increased coordination with other enforcement agencies, including participation with the RCMP on Integrated Market Enforcement Teams (IMETs), which are designed to respond to major capital market fraud and market-related crimes. We will continue to strengthen our relationships with self-regulatory organizations (SROs) and international regulators, particularly the U.S. Securities and Exchange Commission. In addition, we will seek increased co-operation with the criminal law authorities, including the provincial Office of the Attorney General, to identify more cases for prosecution in court; and**

- 5. Develop and implement technological tools to improve the efficiency and effectiveness of our enforcement effort, such as enhancing our ability to access data from dealers and marketplaces to improve the quality and efficiency of the regulatory surveillance and monitoring of trading activity and market data.**

Accomplishments and Highlights

Enforcement Branch staff resources were increased by 7% in 2006/2007 and will be further increased in 2007/2008, to ensure continued effective and proactive delivery of enforcement activity and to address the growing case load. In 2006/2007 we improved the effectiveness of our enforcement efforts through reduced timelines in several ways. We exceeded the established service targets in our two Enforcement intake groups, Surveillance and Case Assessment. Surveillance deals with matters involving inappropriate trading and Case Assessment deals with a variety of matters including matters involving illegal distributions, disclosure issues and financial and accounting improprieties. Our Surveillance team transferred or closed 88% of files within three months, exceeding its service standard of 80%. Case Assessment transferred or closed 83% of files within four months, compared to the service standard of 80%.

Our Enforcement Branch's Litigation unit met its standard of starting 80% of cases within three months while the Investigations team fell short of its target of having 75% of its file case load not older than nine months, achieving 62%. No files were open in excess of two years.

We communicated the results of enforcement actions and decisions through regular news releases. We followed consistent processes for communication of all proceedings that were before the Commission.

In 2006/2007, a total of 485 enforcement files were opened and 426 were closed reflecting a 12% increase in file volume. To address the increased workload and complexity, our Enforcement Branch established an active training committee and focused on recruiting staff with existing skills and experience in enforcement matters. Our Economic Analysis, Strategy and Project Planning Branch (ESPP) was established in 2006/2007 and has been sharing their data management and analysis expertise with our Surveillance group. ESPP assisted our Enforcement Branch with analysis of recent cases and helped to apply the outcomes of this analysis to assessment of future cases.

Our Enforcement Branch provided significant support and assistance to other OSC Branches and to other enforcement agencies in Canada and abroad. During fiscal 2006/2007 this support amounted to the equivalent of almost five full-time Enforcement staff.

Cooperation with various external agencies, SROs, police forces and international regulators is a key element of successful and timely enforcement. Fraudulent and other criminal activity is not limited by provincial or national borders. The Commission continued to provide staff to the RCMP for their IMETs. Similarly, the RCMP provided two staff to the Joint Securities Intelligence Unit (JSIU), which also has staff provided by the OSC and IDA and operates from premises located at the OSC. Its role is to detect and deter criminal activity in the

capital markets. We also co-chair the Securities Fraud Enforcement Working Group. This Working Group was created by federal, provincial and territorial Ministers of Justice to further improve enforcement across Canadian jurisdictions. It is composed of representatives of the federal Department of Justice/Public Prosecution Service of Canada, Office of the Provincial Attorney General, the CSA and police forces. A report to ministers is targeted for fall 2007.

During 2006/2007, over 15,000 instances of information sharing took place between the OSC and other Canadian regulators, police forces and international regulators. This includes our assistance with over 50 investigations conducted in the United States by the Securities and Exchange Commission (SEC).

We remain committed to improving our Enforcement operations and continuously leveraging technology in a cost-effective manner wherever possible. During the year we began to implement improved technology to assist our Enforcement Branch with analysis of cases and control of documents, both electronic and paper-based. Implementation will continue in 2007/2008.

Goal 1. Provide fair, vigorous and timely enforcement.		
Specific initiatives in support of this goal:	Status	Comments
1. Take steps toward developing and evaluating Electronic Audit Trail requirements and processes (TREATS). We will issue a Request for Proposals (RFP) to create a facility to transmit and track regulators' data requests from the dealers. Responses will be reviewed and, if a decision to proceed is made, we will begin developing the facility for testing.	An RFP was issued and the responses were reviewed. A review of the findings is underway.	A decision will be made on next steps following the review of the findings.
2. Take all necessary steps to ensure that our enforcement efforts are -- and are seen to be -- as robust and effective as possible. During 2006/2007, we will conduct a thorough review focused on enhancing our enforcement capabilities, strategies and initiatives to ensure that:	A comprehensive review of our Enforcement Branch operations was completed. Implementation is underway.	Plans for implementation of the key findings of the review of our Enforcement Branch are included in the 2007/2008 business plan and budget. The addition of new resources for various enforcement functions, increased analysis of cases and the establishment of a Boiler Room Section are key steps in this initiative.
<ul style="list-style-type: none"> • We are strategically selecting cases for investigation and prosecution; • Enforcement activities and processes are efficient and fair; • An effective and appropriate process exists for identifying and moving to enforcement cases from all the OSC's compliance functions; • We have skilled staff in all areas of enforcement. 		

<p>3. Increase public awareness of fraud prevention and detection through community outreach partnerships, proactive media campaigns and the Investor Education Fund website. We will actively communicate through consumer shows and events to achieve the following targets:</p> <ul style="list-style-type: none"> • Increase potential and actual audience and distribution numbers by 30%; • Increase subsequent calls/website visits related to relevant key messages (including fraud prevention) by 25%; • Audience research will suggest that audience members retained 70% of relevant key messages after the event, as measured by follow-up phone calls/e-mails; • Increase readership / viewership / listenership impressions for proactive unpaid media hits that showcase investor communications messaging (Investor Alerts) by 10% overall, with an equivalent ad value of at least \$250,000. 	<p>Completed.</p>	<p>The “<i>Check Before You Invest</i>” campaign was a key element of this initiative. Campaign materials encourage investors to do their homework and be aware of the "red flags" of fraud. Main messages include: Know where you're going with your investments; Know who you're dealing with; what you're investing in and; where to go for help.</p> <ul style="list-style-type: none"> • Potential public outreach was increased by 41% and face-to-face contact was increased by 19%. • Website visits to the “For the Consumer” area of our website increased by 49% over last year. • Follow-up surveys indicate a 71% retention rate for “Check Before You Invest” messages. • A threefold increase in proactive unpaid media coverage of investor communication messages and events was achieved, over last year.
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Goal 2: Take actions to better understand and address the needs of the retail investor.

We will work to improve our understanding of the concerns and priorities of retail investors and be more responsive to their needs. We will:

- 1. Engage retail investors in the regulatory process by seeking input through opportunities for consultation and education;**

- 2. Continue to provide appropriate tools, educational materials and information to retail investors to allow them to make informed decisions and become partners in their protection against unfair, improper or fraudulent practices. For example, we will assess the options to increase the public awareness of relevant OSC programs and services, using such means as the Investor Education Fund and targeted media and outreach campaigns;**
- 3. Work with other regulators and SROs to improve the interface between investors and financial services professionals, including the use of clear, concise and effective disclosure. We will actively encourage the securities industry to continue to raise the standards and transparency of conduct, service and advice in its interactions with retail investors;**
- 4. Increase the focus of our regulatory efforts to assess the best means to provide protection to investors against unsuitable investment products and advice; and**
- 5. Work with the Government to improve investor access to timely and affordable means of restitution, including enhancing investor awareness of, and access to, existing mechanisms for resolution of client complaints and restitution such as that offered by the Ombudsman for Banking Services and Investments (OBSI).**

Accomplishments and Highlights

Our key outreach campaign for 2006/2007 was called “Check Before You Invest”. The educational message relayed to investors and potential investors was that they need to check out certain key information before making any decision to invest. A website (www.checkbeforeyouinvest.ca), various advertising and other media initiatives were used to get this important message out to the investing public. The campaign was timed for greatest impact and ran during Investor Education Month (October 2006) and throughout the 2007 RRSP season (January and February 2007).

In 2006/2007 we continued to focus on better understanding the needs of individual investors. The Investor Advisory Committee (IAC) is one of our 13 external advisory committees and it met with senior OSC staff five times in 2006/2007 to provide its views on matters of interest to retail investors.

We consult regularly and frequently with the public and industry as policies and rules are developed. All interested parties are encouraged to submit comments on proposed policies and rules. We also regularly consult with market participants, investors and others on key regulatory issues, through our 13 advisory committees.

As a follow-up to the Investor Town Hall held in 2005, a report was published in July of 2006, outlining progress made on key issues raised at that meeting, among them communication, consultation, education and information provided to retail investors. On-going work on these findings continued this year. A subsequent Investor Forum is planned for October 2007.

Our staff in the Inquiries and Contact Centre were also coached in the key messages of “Check Before You Invest”. In addition to addressing inquiries from the public, registrants and issuers (32,768 emails and phone inquiries in 2006/2007), our Contact Centre staff also offered to check the registration status of an adviser and address questions regarding potential investment products for any caller who asked. An enhanced online Registrant List made it easier for investors to check this information for themselves. Our staff also educate the public on where to go for help on specific issues of concern, including providing them with information on what options for recourse may be available. However our staff do not suggest an adviser, recommend investments or offer advice.

Our website was a popular destination in 2006/2007 with over 1,150,000 visits. A webpage called “Recognizing Scams & Frauds” was added to our website to better help the public understand and locate materials regarding Investor Watches and Alerts. We also announced plans to establish a Boiler Room Section within our Enforcement Branch in the upcoming year, to further protect the investing public from scams as they are an increasingly sophisticated and wide-reaching source of criminal activity.

Our communication with the public and investors also included an investor communication outreach program in which staff ambassadors visited 41 Ontario communities this fiscal year and had direct audience contact with over 18,000 individual investors. Public education and awareness is a vital means by which to prevent and identify misconduct. All our education and communication initiatives are geared to helping investors to learn how to protect themselves by making the right choices, including how to recognize questionable investments and how to seek corrective action.

We are working with the IDA, MFDA and OBSI toward the goal of enhancing investor awareness of, and access to, existing mechanisms for the resolution of complaints and restitution. Specifically, the co-operative efforts of a joint working committee of executives and senior management from the four organizations, formed after the 2005 Investor Town Hall resulted in measures to improve complaint-handling and communication about complaint-handling, such as measures that:

- provide more assistance and continuity for investors who contact the four participating organizations, including assistance in navigating the complaint-handling system; and
- provide investors with plain language communications about complaint handling which are consistent across the four organizations.

Goal 2. Take actions to better understand and address the needs of the retail investor.

Specific initiatives in support of this goal:	Status	Comments
<p>1. Increase consultation with retail investors through the new Investor Advisory Committee (IAC) to improve our understanding of the needs and concerns of investors. A year-end survey of the Chair and members of the IAC will:</p> <ul style="list-style-type: none"> • Confirm that our support and assistance to the IAC was appropriate and effective; • Collect the views of the Chair and IAC members on opportunities to improve the IAC's operations and recommendations for the future, so that we may consider possible responses to their recommendations. 	Ongoing.	<p>The IAC held five meetings in 2006/07. As a new committee, discussion of the operations of the IAC is ongoing. OSC executives attended all meetings and received input on key issues affecting investors. Our staff and representatives from the SROs were present at several meetings to elicit feedback and inform the IAC on key initiatives such as the point of sale project for disclosure on mutual funds and segregated funds and the Registration Reform Project. The committee agreed to provide advice on three key areas for 2007/2008: the adviser-client relationship; the complaint-handling process; and disclosure. A verbal survey to confirm that our support and assistance to the IAC was effective was completed.</p>
<p>2. Contribute to helping investors improve their understanding of the complaint-handling process within the securities regulatory regime. We will take actions to:</p> <ul style="list-style-type: none"> • Ensure timely responsiveness to written complaints, as measured through turnaround times of our Inquiries & Contact Centre. Our target will be to respond to 80% of these complaints within 20 business days, with an overall average of less than 45 days; 	Initiatives were completed.	<p>Complaint filing processes were simplified and streamlined. Average closure time for complaint files was 19 days, which is well ahead of our target of less than 45 days. Of these files, 60% were handled within 20 days, which is below target, but is attributable to increasing file complexity, improved quality and thoroughness.</p>

<ul style="list-style-type: none"> • Revise the OSC's online and print materials about the complaint process, including dealing with SROs and the banking services ombudsman, to enhance readability and usability for retail investors, as measured through focus group review by the IAC. 		<p>A revised complaints brochure was issued in Q2 of 2006/2007. The complaint section of our website was updated. Inquiries staff were trained to provide more thorough, better quality assistance.</p>
<p>3. Modernize the scholarship plan regime, including improved point-of-sale disclosure. Our key deliverable will be to publish for first comment a national instrument (NI 46-102) that will require meaningful and consistent disclosure of scholarship plans for investors and fair presentation of performance information and will update investment restrictions and practices.</p>	<p>In progress.</p>	
<p>4. Modernize the point-of-sale regime for mutual funds and segregated funds. Our key deliverable will be to publish for first comment a national instrument that will require clearer and more understandable product and sales fee disclosure for investors in mutual funds, introduce more effective "cooling off" rights and result in the improved regulatory harmonization of the point-of-sale regimes for mutual funds and segregated funds.</p>	<p>In progress.</p>	<p>Several stakeholder feedback, discussion and consultation meetings were conducted. A framework paper for the new point-of-sale regime was developed and finalized, using "plain language" principles. The paper was published for 120-day comment period on June 15, 2007.</p>
<p>5. Implement the appropriate regulatory response to the Mutual Fund Probe to increase investor confidence in the investment fund industry. Our key deliverable will be to publish for first comment a national instrument (NI 81-108) that will require investment fund managers to implement an appropriate compliance program and provide guidance on fair value pricing.</p>	<p>NI 81-108 <i>Compliance for Investment Funds</i> will not proceed. The initiative was divided up among three other projects. Progress was made on all three projects.</p>	<p>Proposed amendments to NI 81-101, including short-term trading disclosure proposals, were published for comment with the proposed new Long Form Prospectus rule (NI 41-101) in December 2006.</p> <p>Work on the compliance program was folded into the fund manager registration proposal that was published in February 2007.</p> <p>Fair value guidance will be included in NI 81-106, and will be published for comment in June 2007.</p>

Goal 3: Promote a harmonized, simplified and strengthened securities regulatory framework for Canada.

We will cooperate with the Government of Ontario, other securities regulators and market participants to strengthen the Canadian securities regulatory system and:

- 1. Work to further harmonize, streamline and modernize securities laws and eliminate obsolete and redundant requirements to ease the regulatory burden on market participants; and**
- 2. Pursue measures to improve the efficiency of Canadian capital markets by taking steps to strengthen the securities clearing and settlement system.**

Accomplishments and Highlights

We made progress on this goal by working with colleagues from the Government of Ontario, the Canadian Securities Administrators (CSA), various SROs and market participants on a series of important policy projects. Key harmonization, streamlining and modernization initiatives included the Registration Reform Project, the proposed new Long Form Prospectus rule, the proposed new Take-Over Bid and Issuer Bid regime and proposed new requirements for executive compensation. We are currently involved in approximately 36 CSA projects (23 as the project lead). We are also working with the Joint Forum of Financial Regulators on 6 projects (4 as the project lead).

We took the following steps to improve the efficiency of Canadian capital markets by strengthening the securities clearing and settlement system:

- Implementation of NI 24-101 *Institutional Trade Matching and Settlement* (which provides for more timely processing of institutional trades, thereby improving market efficiency and reducing financial system risk);
- Amendments to the Canadian Depository for Securities Limited (CDS) recognition order; and
- Assisting in the implementation of the *Securities Transfer Act*.

Throughout the year, Chair David Wilson promoted the importance of harmonizing, simplifying and strengthening Canada's securities regulatory framework in speeches to various stakeholders. Mr. Wilson emphasized that the CSA have made progress in this area and will continue to make further progress. OSC publications such as the 2006 Annual Report and the Perspectives external newsletter were also leveraged to communicate this general message through references to Mr. Wilson's speeches and stories about other related initiatives.

Goal 3. Promote a harmonized, simplified and strengthened securities regulatory framework for Canada.

Specific initiatives in support of this goal:	Status	Comments
1. Work toward harmonizing and rationalizing our local, multilateral and national prospectus requirements by publishing a national instrument (NI 41-101) for comment which harmonizes and rationalizes local, multilateral and national long-form prospectus rules, forms, policies and notices.	Complete.	A draft of NI 41-101 was published for comment in Q3 of 2006/2007. The comment period ended on March 31, 2007. Publication of a final proposed rule is expected in 2007/2008.
2. Enhance investor confidence in hedge funds and similar products. We will work with the CSA to identify any areas of concern arising from a review of hedge funds and similar products and propose regulatory responses to those concerns.	In progress.	In January 2007, CSA staff published a notice on hedge fund issues based on a review of a sample of hedge funds. In the course of the review, staff identified principal protected notes (PPNs) as an area that needed further study, as certain PPNs offer returns based on the performance of hedge funds. In July 2006, staff published a notice and an investor watch relating to PPNs. Staff has been consulting with Finance Canada regarding its release of proposed regulations that will impose disclosure and other obligations on federal bank issuers of PPNs.
3. Introduce a fund governance regime for investment funds. During 2006/07 we will publish a final version of National Instrument 81-107 that will implement a requirement for all investment funds to have an independent review committee oversee conflict-of-interest matters.	Complete.	This rule came into force November 1, 2006, with a one-year transition period. Our staff led the CSA working group which published a staff notice on frequently asked questions.
4. Work toward amending National Policy 41-201 <i>Income Trusts and Other Indirect Offerings</i> to address emerging issues that have arisen since implementation of the policy in 2004, including those related to distributable cash and other financial disclosure.	In progress.	Twelve comment letters were received in Q4 of 2006/2007 in response to proposed amendments to National Policy 41-201. The CSA Committee is reviewing the comments, to determine if changes to the Policy are warranted.
5. Reassess executive compensation disclosure requirements. Our key action in this area will be to analyze the issues that have arisen around executive compensation disclosure and publish a proposed regulatory response for comment.	Complete.	Cost benefit analysis of proposed amendments was completed. Together with other CSA members, we published for comment, a proposed new Form 51-102F6 <i>Statement of Executive Compensation</i> on March

		29, 2007. This is the first significant revision to the disclosure requirements since 1994. The comment period ended June 30, 2007.
6. Harmonize the registration regime as part of the CSA Registration Reform Project. During 2006/07 we will draft new legislation and rules that will reduce regulatory costs for registrants by streamlining and harmonizing requirements.	Complete. Follow-up in progress.	National Instrument 31-103 <i>Registration Requirements</i> was published for comment. The comment period ended June 30, 2007. The Registration Reform working group continues to work on related issues.

Goal 4: Work to achieve appropriate regulatory integration of North American and global capital markets.

The securities industry operates within a global marketplace where capital moves rapidly across international borders. We will work to enhance the global competitiveness of our capital markets as well as foster cooperative relationships with other securities regulators and standards setters. We will:

- 1. Play an active role in working with international regulatory and standard-setting organizations (e.g., International Organization of Securities Commissions [IOSCO], Council of Securities Regulators of the Americas (COSRA), North American Securities Administrators Association (NASAA), International Accounting Standards Board);**
- 2. Foster inter-jurisdictional co-operation to reduce impediments to the coordination of investigative efforts and enforcement support, and coordination of legislative tools for enforcement;**
- 3. Strive to minimize the differences in regulatory practices by ensuring that our policies are integrated with international regulatory standards, where appropriate, for Canadian market participants; and**
- 4. Improve the relevance and reliability of financial information available to investors by promoting convergence of high quality financial reporting and auditing standards and the related supporting infrastructure, including mechanisms for independent oversight of audit firms.**

Accomplishments and Highlights

We participate in the programs and initiatives of several international regulatory organizations. We support and promote harmonization not just within Canada, but also among international securities regulators. This participation helps to promote international confidence in the Ontario capital markets and regulatory system. We are active in IOSCO, COSRA, NASAA, and other international regulatory and standard-setting organizations. One of our branches, the Office of Domestic and International Affairs (ODIA) has lead responsibility for developing and maintaining relationships with international regulators and organizations such as IOSCO, COSRA, and NASAA and for ensuring that our international participation complements the Commission’s objectives, priorities and business plan. Some key international initiatives included:

- Providing a written self-assessment in response to the financial sector assessment program (FSAP) questionnaire, and preparing for the FSAP on-site visit scheduled for fall 2007. The FSAP is a joint IMF and World Bank effort designed to identify strengths and vulnerabilities in a country’s financial system, including the securities sector.
- Co-chairing preparation of a Reference Guide for use with the IOSCO Methodology and acting as facilitator for the first annual IOSCO Implementation Task Force (ITF) Securities Assessors’ Training Workshop. The ITF reports directly to the IOSCO Executive Committee and is responsible for examining and facilitating the implementation of the IOSCO Principles and Methodology.
- Participating in IOSCO Task Forces and on the five IOSCO Standing Committees. The Standing Committees work on projects that are linked with policy initiatives currently underway at the Commission. Examples include: point of sale, underwriting conflicts, international financial reporting standards and governance for collective investment schemes. Through participation by our staff on these various IOSCO Standing Committees we contributed to the development of international best practices in numerous areas of securities regulation and have imported these best practices into domestic policy initiatives.

Goal 4. Work to achieve appropriate regulatory integration of North American and global capital markets.		
Specific initiatives in support of this goal:	Status	Comments
1. Support IOSCO initiatives on regulatory integration. We will take the following actions toward achieving this outcome: <ul style="list-style-type: none"> • Participate in IOSCO initiatives relating to the development of international standards and 	On-going	We are a member of IOSCO Standing Committee 5 that published a paper on Fund Governance and also issued a draft paper for consultation and comment

<p>guidance on critical investment fund issues, such as fund governance, hedge funds and market timing and late trading;</p> <ul style="list-style-type: none"> • Develop an approach to regulate an intermediary's obligation to properly manage information during an offering of securities; • Use communication vehicles such as executive speeches and OSC publications to support and promote appropriate initiatives on regulatory integration. 	<p>On-going</p> <p>On-going</p>	<p>on Hedge Fund valuation.</p> <p>We are a member of IOSCO Standing Committee 3 that published a consultation report for public comment. The report deals with addressing conflicts of interest that may arise when market intermediaries are involved in securities offerings, particularly the management of information flows.</p> <p>The importance and benefit of our involvement in IOSCO initiatives was communicated in executive speeches and OSC publications throughout the year, including the Perspectives external quarterly newsletter. In speeches, Chair David Wilson regularly cited the important role of international regulatory co-operation in the fight against economic crime. He also communicated how we benefit from incorporating best international practices, where appropriate, into Ontario policy initiatives.</p>
<p>2. Issue a final rule that establishes appropriate public reporting requirements relating to internal controls over financial reporting. The final rule will promote improved internal controls and higher quality, more reliable financial statements.</p>	<p>In progress</p>	<p>On March 30, 2007 the revised National Instrument 52-109 <i>Certification of Disclosure in Issuers' Annual and Interim Filings</i> was published by all CSA jurisdictions. The comment period ended on June 28, 2007. Speaking engagements are planned to promote discussion of the proposals. Public forums to engage small business issuers and their advisors in these discussions are also planned.</p>

Goal 5: Support and promote a more flexible, efficient and accountable organization.

We expect our Commissioners and employees to maintain the highest standards of conduct and personal integrity and to deal openly and fairly with all of our stakeholders. We need to constantly advance our business competence and effectiveness. We will:

- 1. Continuously monitor and improve the efficiency and effectiveness of our operations;**
- 2. Display responsiveness and flexibility as an organization and treat all stakeholders with respect and fairness;**
- 3. Work to attract, develop and motivate skilled and enthusiastic staff; and**

4. Use information technology effectively to support our operations and optimize our electronic interface with our stakeholders.

Accomplishments and Highlights

We have balanced score card measures for all Branches as one tool to help manage and improve operations. These measures are reviewed by the Board each quarter. We report on several of these measures in our Annual Report and this document.

The ESPP conducts or manages cost/benefit analyses in support of all project and policy initiatives. Through this process, we try to ensure that the costs and benefits of regulation are proportionate.

Our staff are highly knowledgeable and skilled. Many staff hold professional designations or similar qualifications and come from a variety of backgrounds. Our recruiting efforts are geared to continually enhance and improve our staff complement. Staffing levels, turnover and succession statistics are tracked continuously and reported quarterly to the Audit & Finance Committee and to the Board. Training and professional development are recognized as an important means for developing and motivating staff.

The Commission is also committed to staying current with technology and using technology to advantage in all aspects of our operations. Benefits include: improved workflows, enhanced communication with stakeholders, streamlined and efficient processing, improved surveillance, compliance and disclosure practices and the ability to implement acknowledged international best practices. Improved document control, enhanced information sharing across Branches and development of knowledge management initiatives are just a few examples of technology projects we initiated in 2006/2007.

Goal 5. Support and promote a more flexible, efficient and accountable organization.

Specific initiatives in support of this goal:	Status	Comments
1. Undertake and report on surveys to obtain feedback on our performance. We will complete and assess our biennial OSC Stakeholder Satisfaction Survey of the OSC's core constituencies -- reporting issuers, registrants, Inquiries Line Users and the general public. We will identify opportunities for improvement in areas where stakeholders do not express positive customer service ratings of the OSC.	Complete.	Our Biennial Stakeholder Survey was completed and the results were reported to staff and the public. Investor focus groups were facilitated and various improvement plans have been developed, based on survey findings and investor feedback. Implementation of these plans, including revised service standards is underway.

2. As part of a multi-year knowledge management (KM) project, complete an organization-wide information audit to assess how the OSC creates, stores and accesses information in its operations. During 2006/07 we will complete an information audit and develop a plan based on the results of the audit.	Complete.	A KM audit was completed in Q2 of 2006/07. Various information projects were undertaken throughout the year in support of information management and knowledge management.
3. Develop and implement a human resources succession plan. We undertake to develop and implement a succession plan that will be easy to maintain and will address talent management and workflow continuity at the OSC. The process will ensure staff is developed and ready to replace key senior and executive management roles as required.	To be completed in 2007/2008.	To-date, succession planning has been done on a Branch-by-Branch basis. A comprehensive succession planning initiative is included as part of our 2007/2008 HR strategic planning project.

Comments on the 2006/2007 Financial Outlook

Our actual opening surplus as at March 31, 2006 was \$50.0 million which was \$10.5 million higher than anticipated. Our 2006-2007 budget was for a deficit of revenue over expenses of \$12.2 million in 2007. Our actual excess was \$1.8 million. Revenues were \$11.0 million higher than budget primarily due to buoyant capital markets that generated surplus participation fees (\$9.0 million), and higher than expected late filing fees (\$0.8 million) and investment income (\$0.9 million). Expenses reflected lower than expected spending on employee compensation, occupancy and training (\$1.3 million) and professional services (\$0.7 million). As a result of these two factors we have revised our forecast from no accumulated surplus as at March 2009 to an accumulated surplus of \$34.5 million. We currently plan to return the accumulated surplus to market participants when we revise the fees for the next three year cycle. These matters are discussed in greater detail in the Management Discussion and Analysis section of the 2007 Annual Report, which can be found on the OSC website.