

Message to OSC Staff and Commissioners from David Wilson

My term as Chair of the Ontario Securities Commission will end on October 31, 2010. As I depart, I'd like to take the opportunity to share some thoughts and observations with you and express my thanks for the support that you have given me over the past five years.

Looking Back

I am very proud to have been given the opportunity to contribute to the performance of a premier regulatory agency; one that plays a critical role in the health of the Ontario and Canadian economies. Looking back over the past five years, there have been many highlights. It is a challenge to sum them up in a short note to you today.

A key area of focus where we made progress is in the regulatory space we refer to as the compliance-enforcement continuum. At the OSC, the structure, strategic plan and leadership of these two often inter-dependent functions were all dramatically changed in the past five years. A more open culture of communication and collaboration among all of the operating branches at the OSC in the compliance-enforcement continuum has been achieved. The efforts of staff to carry out our compliance and enforcement programs play a significant role in fulfilling the OSC's mandate.

Over the past five years, we made considerable effort to narrow the historic gap between the enforcement of securities laws and the enforcement of the criminal laws that relate to securities fraud. OSC staff have a strong record of co-operating with other organizations in areas such as market surveillance and joint enforcement actions. Your collaboration with securities regulators and law enforcement agencies helps to prevent and punish wrongdoing in the capital markets. In addition, I had the pleasure to work with other agencies on two external initiatives that were focussed on narrowing the enforcement gap. I co-chaired a national working group that was created by the federal and provincial ministers of justice in 2007. The report of the Securities Fraud Enforcement Working Group made six recommendations, three of which have been largely or partially implemented and the others are still under consideration. I also helped found and co-chaired a new federal-provincial body called the Senior Officials Group in Capital Markets Enforcement. A cautious approach by government ministries when considering reforms to the enforcement of criminal laws related to securities fraud has resulted in modest identifiable progress being made in this area. Nevertheless, there are some positive signs that this group of senior officials could have some practical positive impact on the functioning of what has been referred to as Canada's "enforcement mosaic".



The OSC's prompt response to the credit crisis and ensuing market volatility in 2008-09 demonstrated that we can take action quickly to bolster market integrity and to protect investors. Our response included monitoring disclosures by public companies, especially highly-leveraged companies, and conducting compliance reviews of certain Ontario-based pooled investment funds and their managers. We were pleased to find neither evidence of material systemic risk nor breaches of our rules.

OSC staff played a leading role in the completion of a number of important policy initiatives in the past few years: a dramatic overhaul of Canada's framework for the registration of firms and individuals, the creation of a mandatory requirement for the oversight of mutual fund managers, new equity trading rules (e.g., the order protection rule, consolidated information processor rule) and bringing in a sensible Canadian version of SOX 404. Significant advances were also made on a number of other important policy projects that remain "works-in-progress": new accounting rules (IFRS), reform of the disclosure rules for mutual funds, securitized products and scholarship plans, a new oversight regime for credit rating agencies and new laws and rules to regulate the currently unregulated very large market in over-the-counter derivatives.

Protecting investors from fraudulent and misleading practices is the most important element in the OSC's dual mandate. In the past few years, we took a number of actions to enhance our effectiveness in this area including: dramatically increased funding of the OSC-sponsored Investor Education Fund, creation of an internal OSC steering committee in order to build a cohesive cultural focus on investor issues and the creation of a new and improved Investor Advisory Panel to better represent the investor perspective with respect to many of our programs and policies.

For well over a decade, even before assuming my role at the OSC, I have been a vocal advocate of a unified/single national securities regulator for Canada. The notable progress made in the past couple of years on this file is a very positive and indeed an impressive achievement by those spearheading the effort. The OSC is providing meaningful support to the Canadian Securities Transition Office (CSTO). OSC staff provided significant input during the development of the draft federal securities act and we have been actively engaged with CSTO's Participating Regulators Committee. We have committed a number of OSC executives and staff to assist the CSTO including: Vice-Chair Larry Ritchie, General Counsel Monica Kowal and Chief Human Resources Officer Gayle Fisher.



Some Observations on Successful Organizations

I started working full time in Toronto's financial district in September 1970. So, I've been in the business of banking or the "business" of regulation for close to 40 years. I've made some observations along the way about those ingredients that make organizations stand out from the crowd.

The first thing I've learned about successful organizations is that it's all about the people and how they are led. The members of leadership teams in high-achieving organizations understand people and what motivates them. For example, they encourage people to build on their individual strengths; they empower people while at the same time holding them accountable; they make sure that future leaders are well mentored.

The second observation that I have made is that for organizations to be successful, their people must work in a strong culture. What is a strong culture? In my view, it is a framework of deeply held values and beliefs that set the context for the hundreds of decisions that the people in the organization make every day. It embodies values like teamwork, integrity, professionalism, hard work and, yes, the importance of having some fun along the way.

Over the last five years, the Executive Management Team has worked with staff to gradually evolve the culture at the OSC. I believe that the best way to manage change in an organization is evolutionary, not revolutionary. One of the things we have tried to do is shift to a culture that focuses on desired outcomes rather than the *process* of getting to desired outcomes. Together, over the past few years, we made excellent progress in evolving the culture at the OSC to better serve both our diverse group of market participants and, most importantly, investors.

My third and final observation is that outstanding organizations have outstanding leadership teams. Leaders throughout the organization who are empowered to make decisions, who embrace – indeed, relish – the responsibility of leading others, who are comfortable taking on the burdens of others, of mentoring staff, of finding elegant solutions to problems others are struggling with. At the OSC, the leadership structure (represented by EMT and SMT) shape the direction of the organization – and its culture – every single day.

Last week, Howard Wetston asked for my opinion of the OSC's leadership team. I told him that I am extremely proud of the quality of the leadership team and of all the staff at the OSC.



Looking Forward

The organization is ready for the future. A metaphor I like to use is that the OSC is like a race horse – think “Secretariat” – fit and strong and fully prepared for the challenges that lie ahead, poised to become the core building block in the new national regulator.

My very best wishes to you all for the future. I will be watching with interest. In the considered opinion of an “old pro”, your collective success is assured.

I also extend my very best wishes to Howard Wetston as he assumes the role of OSC Chair and CEO. He is inheriting a high-functioning, well-positioned organization.

Heartfelt Thanks

Thanks to all of you – staff and Commissioners alike – for making the last five years so satisfying and enjoyable for me. We achieved a lot together and we had a good time doing it. A sincere thanks to everyone on the OSC team – an outstanding group of talented, dedicated professionals – for all your support, for making my five-year stint at the OSC so rewarding and fulfilling.

David Wilson



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