

Ontario Securities Commission



REPORT ON THE STATEMENT OF PRIORITIES FOR FISCAL 2009-10

The Ontario Securities Commission (OSC) published four goals in its 2009-10 Statement of Priorities. 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 2009-10, focused on achieving progress against each of the goals. For each of these goals OSC identified a series of initiatives, some multi-year, in support of achieving each particular goal. This progress report on the Statement of Priorities provides a summary of accomplishments and highlights for each goal. Following each summary narrative, detailed accomplishments and the current status for each of the specific 2009-10 priorities are presented in table format. The OSC is an active member of the Canadian Securities Administrators (CSA), the forum for the 13 securities regulators of Canada's provinces and territories. Within the CSA, the OSC works to foster a coordinated and modernized securities regulatory framework.

GOAL 1 – Identify the important issues and deal with them in a timely way.

Key Accomplishments and Highlights

Strengthening the registration regime

The OSC completed a substantial phase in the reform of the Canadian securities registration and compliance systems with the implementation of National Instrument (NI) 31-103 *Registration Requirements and Exemptions*. NI 31-103 represents a new Canada-wide registration regime and a streamlined process for the registration of dealers, advisors and investment fund managers in multiple jurisdictions. Staff will continue to work on amendments to NI 31-103 to address practical or policy issues identified during the current implementation stage and to carry on significant policy work on initiatives relating to the new regime.

Preparing for adoption of International Financial Reporting Standards (IFRS)

Canadian public companies (other than investment funds) are required to change over from Canadian generally accepted accounting standards (Canadian GAAP) to IFRS for financial years beginning on or after January 1, 2011. The conversion to IFRS will require the updating of securities legislation and national instruments to replace existing references to Canadian GAAP with IFRS terms where necessary by 2011. The OSC published for comment in September/October 2009 proposed amendments to several national instruments to facilitate the changeover to IFRS. The proposed amendments included changes to accounting terms and phrases, as well as, transitional changes that should assist market participants with their conversion to IFRS.

The OSC also conducted a review to assess the extent and quality of IFRS transition disclosures made by reporting issuers in light of the disclosure guidance provided in CSA Staff Notice 52-320 *Disclosure of Expected Changes in Accounting Policies Relating to Changeover to International Financial Reporting Standards*. OSC Staff Notice 52-718 *IFRS Transition Disclosure Review*, summarized the results of this review and provided additional guidance for issuers in filing future Management Discussion and Analysis (MD&A).

Response to Canadian non-bank sponsored asset-backed commercial paper (ABCP) issues

In response to comments received on the consultation paper entitled “*Securities Regulatory Proposals in Response to the 2007-08 Credit Market Turmoil and its Effect on the ABCP Market in Canada*” in October 2008, and concerns about the regulation of asset-backed securities generally, the CSA ABCP Committee finalized its proposals to address securities regulatory issues that contributed to the paralysis of the ABCP market. The CSA intends to publish rules in 2010-11 that deal with:

- oversight of credit rating organizations
- amendments to NI 81-102 (the rule for mutual fund operations) and NI 81-106 (the rule for investment fund continuous disclosure (CD) obligations) to impose additional liquidity and term restrictions on investments by money market funds in short term debt, including ABCP, and increase the transparency of such portfolio holdings by investment funds.
- changes to the regulation of asset-backed securities, including amending the “short-term debt exemption” and reviewing disclosure requirements relating to the distribution of asset-backed securities generally.

Support efforts to move towards a common securities regulator

The OSC is committed to supporting the Government of Ontario and its goal of having a national securities regulator in Canada. Over the past year, the OSC provided assistance to the Canadian Securities Transition Office (CSTO) during the drafting of a new federal Securities Act and actively supported the CSTO’s efforts to lead the transition to a single Canadian securities regulator. By improving the efficiency and integrity of our capital markets and establishing a common securities regulator, Canada will be better positioned to compete in the global marketplace.

Goal 1. Identify the important issues and deal with them in a timely way.	
Specific initiatives in support of this goal:	Status
1. Contribute to strengthening the registration regime by finalizing our proposals designed to harmonize, streamline and modernize current registration requirements, including: <ul style="list-style-type: none"> (i) drafting National Instrument 31-103 <i>Registration Requirements</i>, its Companion Policy and accompanying Notice and comment summary/response document and consequential amendments to national registration system rules, exemption rules and other regulations; (ii) supporting the Ministry of Finance in finalizing legislative amendments that would, if approved, support the new registration regime; and (iii) finalizing and implementing the new registration regime, subject to the Minister approving National 	<p>NI 31-103 <i>Registration Requirements and Exemptions</i>, its Companion Policy and amendments to related instruments, policies and forms came into force on September 28, 2009.</p> <p>The new registration regime has had, and will continue to have, significant stakeholder impact as market participants adjust to the new regulatory environment and as related projects, which have commenced, are completed as part of the broader implementation plan relating to this initiative. Implementation of the new regime includes, among other things, work on amendments to NI 31-103. The first group of amendments, scheduled to be published in June 2010, will primarily address technical and transition issues. A second group of amendments will address: (i) registration of non-resident investment fund managers, (ii) "Phase 2" of the Client Relationship Model (cost disclosure and performance reporting), and (iii) possible changes to the registration exemption for sub-advisers.</p> <p>The OSC published two staff notices addressing frequently asked questions relating to the implementation of NI 31-103 and related instruments. The FAQs are posted on the OSC website. As well, several omnibus orders were</p>

<p>Instrument 31-103 <i>Registration Requirements</i>.</p>	<p>issued in Ontario to respond to identified transitional issues. The omnibus orders are reflected in blanket orders in the other CSA jurisdictions. The first group of amendments above will incorporate the relief provided in these orders.</p> <p>Efforts by staff to provide answers to frequently asked questions, to provide additional transition relief and to mitigate against unintended consequences of the new requirements has helped smooth the transition for registrants.</p>
<p>2. Continue to work with other Canadian and international regulatory authorities to develop a proposed framework to improve the ability of the regulatory system to recognize and address risks that may emerge as a consequence of the interconnectedness of global financial markets;</p>	<p>The OSC continues to participate in the Head of Agencies Committee and various IOSCO Task Forces and Standing Committees. The Heads of Agencies established a Hedge Fund Working Group, which is developing a framework and assessing whether hedge funds pose systemic risks to the Canadian financial system. The IOSCO Implementation Task Force (ITF) and the Supervisory Cooperation Task Force (SCTF) are looking at issues relating to systemic risk with the objective of updating the IOSCO principles for securities regulation (to reflect the recent work of IOSCO relating to the financial crisis) and to develop principles to facilitate cooperation among IOSCO members for supervision of global registrants. Throughout the year, proposed revisions to the IOSCO Principles for securities regulation were developed and discussed by the ITF. The proposed revised IOSCO Principles address systemic risk and the perimeter of regulation. The SCTF is finalizing its report containing principles for supervisory cooperation and a sample supervisory MOU.</p>
<p>3. Manage the transition to International Financial Reporting Standards (IFRS) including:</p> <ul style="list-style-type: none"> (i) amending our rules (most notably National Instrument 52-107 <i>Acceptable Accounting Principles and Auditing Standards</i>), as well as our policies and notices, to eliminate references to the existing Canadian generally accepted accounting principles and include appropriate IFRS terms and references; (ii) providing guidance for reporting issuers on disclosure expectations in the periods leading up to adoption of IFRS; and (iii) providing training to OSC and CSA staff to develop a high level of technical competency in IFRS. 	<p>Amended and restated NI 52-107 was published for comment on September 25, 2009 along with proposed IFRS-related amendments to NI 51-102, 71-102, 52-109, 41-101, 44-101, 44-102 and 14-101. Proposed IFRS-related amendments to NI 81-106 and 45-106 were published on October 16, 2009. Proposed IFRS-related amendments to NI 31-103 were published on October 23, 2009. The CSA rule committees are currently finalizing the response to comments received and are finalizing the amendments. The final rule for entities other than investment funds is expected to be published on October 15, 2010.</p> <p>OSC Staff Notice 52-718 <i>IFRS Transition Disclosure Review</i>, which summarized the results of staff's targeted review of reporting issuers IFRS transition disclosure in light of the guidance provided in CSA Staff Notice 52-320 <i>Disclosure of Expected Changes in Accounting Policies Relating to Changeover to Internal Financial Reporting Standards</i>, was published on February 5, 2010. As well, this notice provides additional guidance for issuers in filing future MD&A on their expected changes in accounting policies related to IFRS changeover for the three-year period prior to financial years beginning on or after January 1, 2011.</p> <p>The OSC implemented a detailed training plan addressing all aspects of IFRS. During the year, training sessions related to specific standards and a customized training session were provided to OSC and CSA staff.</p>

<p>4. Continue to address issues related to asset backed commercial paper (ABCP) and develop proposals for a regulatory regime for credit rating agencies (CRA) by:</p> <ul style="list-style-type: none"> (i) completing our review of comments on the ABCP consultation paper of the Canadian Securities Administrators (CSA); (ii) proposing legislative rule-making amendments, drafting a proposed rule on credit agency regulation and, subject to receipt of rule-making authority, publishing the proposed rule for comment; and (iii) amending NI 45-106 - <i>Prospectus and Registration Exemptions</i> to reflect the final recommendations of the CSA's working group and publish for comment. 	<p>The OSC is a member of the CSA ABCP Committee. In response to comments received on the consultation paper entitled "<i>Securities Regulatory Proposals in Response to the 2007-08 Credit Market Turmoil and its Effect on the ABCP Market in Canada</i>" in October 2008, the CSA ABCP Committee finalized its proposals to address securities regulatory issues that contributed to the paralysis of the ABCP market. Proposed rules are expected to be published in 2010-11 related to the following:</p> <ul style="list-style-type: none"> • oversight of credit rating organizations • amendments to NI 81-102 and NI 81-106 to impose additional liquidity and term restrictions on investments by money market funds in short term debt, including ABCP, and increase the transparency of such portfolio holdings by investment funds • changes to the regulation of asset-backed securities, including amending the "short-term debt exemption" and reviewing disclosure requirements relating to the distribution of asset-backed securities generally.
<p>5. Support IOSCO Task Force initiatives relating to G20 Action Plan; and</p>	<p>The OSC is an active member of several IOSCO Task Forces and Standing Committees that are undertaking work on key initiatives relating to the G20 recommendations:</p> <ul style="list-style-type: none"> • Standing Committee 1 (accounting) finalized a report on disclosure principles for public offerings and listings of asset-backed securities. Standing Committee 1 also prepared comments to the International Accounting Standards Board (IASB) relating to various exposure drafts, including fair value measurement. • Standing Committee 2 (secondary markets) is preparing a draft consultation report regarding regulatory issues raised by "dark liquidity." These issues include: price discovery; fragmentation of information and liquidity; and fairness and market integrity. The Committee is also finalizing a paper regarding direct electronic access to markets. • Standing Committee 6 (CRAs) is preparing a consultation report regarding the implementation of the IOSCO Principles for CRAs by various jurisdictions. • The Commodity Futures Markets Task Force is undertaking further work to improve the functioning of the global commodity markets, with a particular focus on oil futures markets. • IOSCO and the Committee on Payment and Settlement Systems are working jointly to update existing regulatory standards for payments, settlement and clearing systems and ensure they incorporate considerations of over-the-counter derivatives. • The Unregulated Financial Entities Task Force (hedge funds) published a template for the global collection of hedge fund information to assist regulators and other supervisors in assessing possible systemic risks arising from the sector.

	<ul style="list-style-type: none"> The Joint Forum Working Capital Group on Risk Assessment and Capital intends to review proposed regulatory initiatives on securitization to determine their impact on the incentive structures of the multiple parties that are part of the securitization value chain.
6. Complete consultations with the industry with respect to implementing a trade-through rule to improve market efficiency.	Input from the Trade-Through Implementation Committee (an open Committee with representatives from marketplaces, dealers, service vendors and buy-side) was considered in finalizing the proposed amendments to NI 21-101 <i>Marketplace Operation</i> and NI 23-101 <i>Trading Rules</i> . The amendments were approved by the Minister of Finance on January 12, 2010. The amendments not related to the Order Protection Rule came into effect on January 28, 2010 and the amendments related to the Order Protection Rule will come into effect on February 1, 2011. Staff continue to work with industry members to identify and resolve issues related to the implementation of the Order Protection Rule.

GOAL 2 – Deliver fair, vigorous and timely enforcement and compliance programs.

Key Accomplishments and Highlights

The effective enforcement of securities laws provides protection to investors from unfair, improper or fraudulent practices. The OSC’s compliance and enforcement functions complement each other in a continuum of oversight.

Regulatory enforcement

In 2009-10, particular focus was placed on targeting misconduct, such as illegal securities distributions and fraud, which causes direct harm to investors. Given the global nature of the capital markets, co-operation and collaboration of securities regulators and law enforcement agencies across Canada and internationally is critical to preventing, detecting and deterring domestic and cross-border misconduct. Two concluded cases highlight the co-operative nature of securities law enforcement. In December 2009, the OSC, Quebec’s Autorite des marchés financiers and IIROC, reached settlements with several financial institutions in relation to the non-bank sponsored ABCP market. In settling with the OSC, the CIBC, CIBC World Markets Inc. and HSBC Canada admitted that they failed to respond adequately to emerging issues in the third-party ABCP market, as they continued to sell without engaging compliance and other appropriate processes for assessing such issues. The settlements provided for a total payment of \$28 million in administrative penalties and costs. In addition, the institutions agreed to retain an outside consultant to conduct an independent review of certain of their training, compliance and oversight functions. As well, the insider trading case against Stanko Joseph Grmovsek was jointly investigated by the OSC, the SEC and IMET in Toronto. Other agencies involved included IIROC, the FBI and prosecutors in both Canada and the US. In settling with the OSC, Grmovsek admitted to having engaged in illegal insider trading in connection with a scheme which elicited profits estimated at US\$9 million. He was ordered to disgorge the proceeds obtained through his illegal conduct and is subject to permanent prohibitions of buying and selling securities and on becoming or acting as a director or officer of any issuer or registrant. Grmovsek also pleaded guilty to criminal charges of insider trading, fraud and money laundering and was sentenced to 39 months imprisonment. This case represents the first Canadian conviction of insider trading pursuant to the Criminal Code.

In 2009-10, the Enforcement Branch was restructured to create a single case assessment team and six integrated enforcement teams consisting of both investigators and litigators. The restructured teams allow staff to be more targeted and timely in managing enforcement cases through the assessment, investigation and litigation phases. Two of the integrated teams focus on specific areas of wrongdoing; illegal insider trading and illegal distributions/“boiler rooms”.

In 2009-10, the OSC Enforcement Branch assessed a total of 467 matters for evidence of potential breaches of which 33 were transferred for further investigation. A total of 46 investigations of alleged breaches of provincial securities law were completed of which 26 were recommended for litigation. During the course of these investigations, the Commission issued 12 temporary cease trade orders against 53 respondents. In addition, staff obtained 30 freeze orders from the courts freezing in excess of \$5 million. A total of 28 enforcement proceedings were commenced involving a total of 99 respondents; 24 of these proceedings were commenced before the Commission and 4 proceedings were commenced in provincial court.

In 2009-10, a total of 16 proceedings in relation to 32 respondents were concluded. The sanctions imposed included orders totalling approximately \$36 million in administrative penalties, disgorgement and settlement amounts. In addition, two matters in provincial court were concluded. In one, Peter Robinson was found to be in contempt as a result of his failure to comply with OSC summonses and with court orders.

Compliance

The OSC’s response to the turmoil in the financial markets included extensive reviews of the Canadian investment funds industry, namely Ontario-based money market funds, non-conventional investment funds and hedge funds. The reviews were conducted in three phases, and the focus was to assess fund managers’ compliance with Ontario securities laws. Staff gathered information about the funds’ portfolio holdings, exposure to distressed and/or illiquid assets, valuation methodologies, and how the managers managed the risk of large redemptions during the market downturn. Over the course of the year, the OSC sent out approximately 200 questionnaires, conducted meetings with senior management of selected fund managers and performed 56 on-site visits.

In phase one, the review of money market funds, staff surveyed 50 fund managers representing approximately 93% of total money market fund assets in Canada. Staff risk-ranked the responses and selected 18 fund managers for on-site visits. Subsequent to the on-site visits, a follow-up questionnaire was sent to the same fund managers to assess whether any material changes had occurred since the reviews. In phase two, the review of non-conventional investment funds listed and traded on the TSX, staff sent questionnaires to 27 Ontario-based managers of non-conventional investment funds. These included split share companies, actively managed funds, index tracking funds and structured products based on credit related derivatives. These managers had assets under management representing 84% of the industry total. Based on the feedback received, staff selected six fund managers for on-site visits. In phase three, staff reviewed hedge funds and surveyed approximately 90 hedge fund managers in Ontario. After risk ranking the responses, staff selected 32 fund managers for on-site visits.

Despite the overall market downturn and its impact on the returns of many of these products during the review period, staff did not observe any industry-wide compliance issues. Some instances of non-compliance were noted during the on-site visits which were addressed separately with each individual fund. A report on all three phases of the investment fund industry review was published in January 22, 2010 (OSC Staff Notice 33-733) – *Report on Focused Reviews of Investment Funds, September 2008 to September 2009*. The report summarizes the compliance review work conducted and includes the findings from staff’s questionnaire responses and observations from their on-site visits. It also includes some suggested practices that fund managers can use to strengthen their compliance with Ontario securities laws and to improve their system of internal controls and supervision.

Continuous Disclosure Review

The OSC assesses compliance with securities laws by conducting reviews of selected registrants, public companies and investment funds chosen according to risk-based criteria. Through its reviews, the OSC strives to achieve enhanced compliance. The OSC has a robust continuous disclosure review program focused on the approximately 1,125 reporting issuers (other than investment funds) with head offices in Ontario. In 2009-10, 490 CD reviews were completed (132 were full reviews and 358 were issue-oriented reviews). A risk based approach is used to select issuers for review and to determine the type and focus of staff's review. Outcomes from these reviews can include prospective disclosure enhancements, re-filings and issuer education and outreach. The following is a list of the issue-oriented reviews OSC staff conducted in 2010, along with the key outcomes.

Executive compensation disclosure – Staff reviewed the executive compensation disclosure of selected issuers which resulted in most of the issuers making prospective enhancements to their disclosure. The results of this review was issued in CSA Staff Notice 51-331 *Report on Staff's Review of Executive Compensation Disclosure* to assist issuers in preparing their next executive compensation disclosure.

Forward-looking information (FLI) – Staff's targeted review identified areas where FLI disclosure was either non-compliant, or where it could be made more readable and user-friendly. CSA Staff Notice 51-330 *Guidance Regarding the Application of Forward-Looking Information Requirements under NI 51-102 Continuous Disclosure Obligations* contains guidance for issuers in these areas.

Certification – Staff's review identified some level of non-compliance with the provisions of NI 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* for 62% of issuers reviewed. The results of the review were summarized in CSA Staff Notice 52-325 *Certification Compliance Review*. Staff plan to continue to work with issuers by conducting a follow-up compliance review in 2010-11. The follow-up review will include examining both form compliance and the impact of the conversion to IFRS on the certification requirements.

Asset impairment – Staff completed a review of asset impairment disclosures by select issuers. Staff's review did not find the measurement and timing of impairment to be a significant concern, however, staff found disclosures to be generally deficient in the MD&A regarding the rationale and circumstances behind impairment charges and the methodology used in the impairment analysis. Staff required issuers to enhance their disclosures, especially with respect to their critical accounting estimates.

Going concern – In light of continuing market conditions, staff completed a targeted review of disclosures related to going concern uncertainty. Generally, issuers complied with the going concern accounting requirements. However, disclosures related to going concern discussions in MD&A required prospective enhancements. In particular, the discussion of liquidity and capital resources did not provide an adequate analysis of the issuers' cash needs and was not linked to the going concern note in the financial statements.

In summary, the OSC found a strong willingness on the part of issuers to comply with our CD review program. Overall, we found issuers were receptive to the comments they received and demonstrated willingness to takes steps towards improving their future disclosure.

Goal 2. Deliver fair, vigorous and timely enforcement and compliance programs.	
Specific initiatives in support of this goal:	Status
1. Refine our enforcement case selection and management processes to better identify activities seen as posing the	In December 2009 the Enforcement Branch implemented a re-organized structure. Two intake teams were merged and reorganized under a single manager. A new team reporting structure was also implemented to ensure effective

greatest risks to investors and their confidence in the capital markets, and focus enforcement resources on those matters;	and efficient handling of all files. Consultation with the other branches on case selection and priorities continues. A new two-step process for case selection has been drafted and is under discussion to include a more strategic analysis in selecting files prior to assignment to an Enforcement team.
2. Leverage our enforcement resources by promoting greater use of our existing systems and examining potential new tools, techniques and methodologies;	Enforcement management and OSC IT staff continue to assess needs, requirements and the various tools and training to allow Enforcement staff to better fulfil their responsibilities. As a first step, Enforcement has acquired an e-discovery and litigation support system “Autonomy” which will increase the efficiency of Enforcement staff.
3. Focus compliance efforts on new and high-risk market participants; and	A newly developed risk assessment questionnaire was sent to exempt market dealers (EMDs) in August 2009. Based on the preliminary risk assessment, follow-up letters will be sent to approximately 100 EMDs early in 2010-11. On-site focused reviews will be conducted on a sample of these EMDs based on a review of their responses to the follow-up letters. On-site focused reviews of 31 newly registered Portfolio Managers were also completed.
4. Execute focused on-site compliance reviews of a representative sample of hedge fund managers.	As part of the OSC’s response to the market turmoil, staff reviewed hedge funds and surveyed approximately 90 hedge fund managers in Ontario. After risk ranking the responses, staff selected 32 fund managers for on-site visits. These fund managers managed 192 funds, totalling \$16 billion in assets under management. Of these funds, 93 funds, totalling \$8.9 billion, were funds of hedge funds, and 99 funds, totalling \$7.1 billion, were standalone funds.

GOAL 3 – Champion investor protection, especially for retail investors.

Key Accomplishments and Highlights

OSC Investor Advisory Panel

Work is underway to form the OSC Investor Advisory Panel (the “Panel”). The new Investor Advisory Panel will contribute an investor perspective to the policy and rule making processes of the Commission. The OSC plans to coordinate the operations of its branches and Investor Steering Committee with the Investor Advisory Panel. The Panel is expected to be up and running by mid-summer.

Investor Protection Initiatives

The following initiatives in 2009-10 included significant investor protection components:

- proposals aimed at providing investors with more meaningful disclosure about scholarship plans were published for comments in Q4 of 2009-10 as part of a broader effort to modernize and harmonize the regulation of investment funds;
- proposals for point-of-sale disclosure for mutual funds that would give investors key information about a mutual fund in language they can understand at a time that is relevant to their investment decisions was published in Q1 of 2009-10. The CSA staff working group continue to review and consider all of the feedback received and anticipate publishing a CSA staff notice in early 2010-11, to set out the CSA’s approach to implementation of the point-of-sale project.

Corporate Sustainability Reporting Initiative

On April 9, 2009, the Ontario Legislature unanimously approved a broad resolution introduced by MPP Laurel Broten. The non-binding resolution called on the OSC to undertake a broad consultation to establish best practice corporate social responsibility and environmental, social and governance reporting standards. Following the approval of the resolution, the Ministry of Finance and the OSC agreed that the OSC would:

- review existing disclosure requirements under Ontario securities legislation for reporting issuers (other than investment funds) regarding corporate governance and environmental matters,
- consult with investors, issuers, advisors and other stakeholders on these matters, and
- make recommendations to the Minister of Finance by January 1, 2010 regarding “next steps” to enhance disclosure of these matters, if determined necessary and appropriate.

As part of this initiative, OSC staff consulted with various stakeholders, the OSC's Continuous Disclosure Advisory Committee and Securities Advisory Committee, and the Prospectors & Developers Association of Canada. Staff also held a roundtable discussion on September 18, 2009, which was attended by representatives of investors, issuers and professional bodies, analysts, legal and accounting advisors and academics.

On December 18, 2009, the OSC delivered a report to the Ontario Minister of Finance setting out its recommendations to enhance disclosure of corporate governance and environmental matters. The recommendations include conducting a follow-up compliance review of corporate governance disclosure and providing additional staff guidance for issuers on existing environmental disclosure requirements in 2010-11. The recommendations reflect the feedback received during the consultations on this initiative. OSC staff invited staff in the other CSA jurisdictions to participate in both the corporate governance disclosure compliance review and the development of staff guidance regarding environmental disclosure. Work is underway on both of these initiatives.

Contact Management System

OSC’s contact management system was upgraded by adding new administrative workflow functions. These new functions streamline the assignment and management review of complaints and inquiries, as well as the analysis and documentation of each file. The process of providing written responses to correspondents was also enhanced.

Goal 3. Champion Investor protection, especially for retail investors.	
Specific initiatives in support of this goal:	Status
1. Expand internal capabilities and sensitivities to investor issues, particularly those of the retail investor, by: <ul style="list-style-type: none"> (i) Establishing an Investor Secretariat to be a coordinating body within the OSC to better identify and address issues of interest and 	The Investor Secretariat was an initial proposal that has been superseded by the work underway to form the OSC Investor Advisory Panel (the “Panel”). The new Investor Advisory Panel will contribute an investor perspective to the policy and rule making processes of the Commission. The OSC plans to coordinate the operations of its branches and Investor Steering Committee with the Investor Advisory Panel. The Panel is expected to be up and running by mid-summer.

<p>concern to investors, especially retail investors;</p> <ul style="list-style-type: none"> (ii) Continuing to work with the other members of the Joint Standing Committee on Retail Investor Issues to coordinate investor-related initiatives and to engage retail investors in the regulatory process; (iii) Exploring opportunities to gather feedback from investors on OSC regulatory initiatives; (iv) Enhancing investor outreach and education program by supporting the Investor Education Fund and other channels; and (v) Collaborating with the CSA Investor Education Committee to distribute investor education materials in a consistent and timely manner; 	<p>The Joint Standing Committee on Retail Investor Issues (JSC) released results in Q2 of 2009-10 from a survey of 1000 investors who use an investment adviser. The survey, which focused on investment decisions/purchases and information received from advisers and other sources, was a follow-up to the previous JSC consultation on suitability of investment products. The members of the JSC continue to collaborate on other investor-related initiatives, including an update to the popular Getting help with your complaint brochure.</p> <p>A 2-year funding agreement was reached with the Investment Education Fund (IEF). Initiatives related to enhancing investor outreach and education programs and distribution of investor education material are now the responsibility of the IEF.</p>
<p>2. Develop proposals to modernize investment fund rules in order to achieve more consistent, fair and functional regulation of all investment funds and reduce the number of exemption applications;</p>	<p>This policy initiative is being carried out in two phases. OSC staff continued to lead the CSA working group's completion of Phase 1 of the initiative, drafting the changes to codify exemptive relief frequently granted to mutual funds under NI 81-102 and NI 81-106. This included finalizing proposed changes to the money market fund provisions to take into account feedback received on the ABCP consultation paper, the results of staff CD reviews, and the recent SEC proposals for money market funds. On March 30, 2010, the Commission approved for first publication for comment the amendments related to Phase 1. Other CSA jurisdictions are expected to receive approval to publish by the end of June 2010. In Phase 2, OSC staff will review whether there are any market efficiency, fairness or investor protection issues that arise out of the differing regulatory regimes that apply to different types of investment funds and other competing retail investment products.</p>
<p>3. Publish for comment proposals designed to modernize the rules governing scholarship plan operations and enhance the disclosure provided to scholarship plan holders:</p>	<p>This policy initiative is being carried out in two Parts: (1) drafting a new prospectus disclosure form tailored to scholarship plans, to be added as a new prospectus form to NI 41-101; and (2) drafting a rule to modernize scholarship plan regulation and, as part of this process, repealing National Policy Statement 15 – <i>Conditions Precedent to Acceptance of Scholarship or Educational Plan Prospectuses</i>. On January 5, 2010 the Commission approved for a first publication for comment the new prospectus disclosure form related to Part 1 of the initiative. The proposals were published on March 24, 2010 for a 90-day comment period.</p>
<p>4. Publishing for comment rules for point-of-sale disclosure for mutual funds and segregated funds that would require clear, concise and plain-language product and sales fee disclosure for investors; and</p>	<p>The comment period on the proposed amendments to NI 81-101 (the disclosure rule for Mutual Funds) published on June 19, 2009 expired on October 17, 2009. Staff received 54 comment letters in response to the CSA's request for comment on the point-of-sale proposals for mutual funds. The CSA staff working group continue to review and consider all of the feedback received and anticipate publishing a CSA staff notice in early 2010-11, to set out the CSA's approach to implementation of the point-of-sale project.</p>
<p>5. Continue to improve processes for investor complaint</p>	<p>The OSC's internal contact management system was upgraded by adding new administrative workflow functions.</p>

handling by the Investor Assistance section of the OSC Inquiries and Contact Centre so that issues are dealt with efficiently and effectively.	These new functions streamline the assignment and management review of complaints and inquiries, as well as the analysis and documentation of each file. The process of providing written responses to correspondents was also enhanced.
--	--

GOAL 4 – Support and promote a more flexible, efficient and accountable organization.

Key Accomplishments and Highlights

OSC Risk Framework

An outside consultant is assisting the OSC in the development of a Commission-wide risk framework. A project plan with expectations and scope has been completed and the project is underway.

IT Strategic Plan

Implementation of the IT strategic plan continued. Specific achievements included:

- completion of the new version of the Enforcement Information System which makes the SEDAR filings more useful to Enforcement;
- completion of the new Contact Management System for tracking contact information for risk management purposes;
- work to link NRD Registrant data (post Registration Reform) to Reporting Issuer Information (Investment Funds) in the MITS system. This link will also be used in conjunction with a Reporting Issuer link, to improve Contact Centre productivity; and
- implementation of the web content management system including creation of a new web site and platform for the new Intranet.

Document Management

Implementation of the document management system is moving forward and pilots will begin in Q1 of 2010-11.

Goal 4. Support and promote a more flexible, efficient and accountable organization.	
Specific initiatives in support of this goal:	Status
1. Improve regulatory accountability by further refining our measurement and reporting culture (including identifying, designing and/or developing measures) to ensure that we continue to be aligned with the priorities of the Commission as well as those of market participants and investors;	A Request For Proposals (RFP) directed at third-parties with knowledge and expertise in developing quantitative measures of market quality and assessing market efficiency and integrity was issued. The successful bidder will facilitate an assessment of the quality of Canada's equity markets and a comparison with other markets around the globe. Responses to the RFP were due in April 2010.
2. Accelerate the adoption of an internally consistent approach to risk based regulation;	The Corporate Finance risk team revised their risk model specifications for each industry. The revised model will be used as an information tool and to aid in the selection of issuers for review in 2010-11.
3. Develop an enterprise risk management framework; and	Project objectives, scope and the nature of expertise required were defined and external consulting assistance was

	retained. A project plan with expectations and scope has been completed and the project is underway.
<p>4. Continue implementation of our IT Strategic Plan including:</p> <ul style="list-style-type: none"> (i) improving and integrating branch tools and systems; (ii) completing the first implementation phase of our document management system; and (iii) improving reporting tools for branch/information analysis for management. 	<p>Implementation of the IT strategic plan continued. Specific achievements included:</p> <ul style="list-style-type: none"> • completion of the new version of the Enforcement Information System which makes the SEDAR filings more useful to Enforcement; • completion of the new Contact Management System for tracking contact information for risk management purposes; • work to link NRD Registrant data (post Reg. Reform) to Reporting Issuer Information (Investment Funds) in the MITS system. This link will also be used in conjunction with a Reporting Issuer link, to improve Contact Centre productivity. <p>Document management software tools were acquired, installed and configured. A detailed folder structure was developed based on broad consultation with working groups from all OSC programs. Pilots will begin in Q1 of 2010-11.</p>