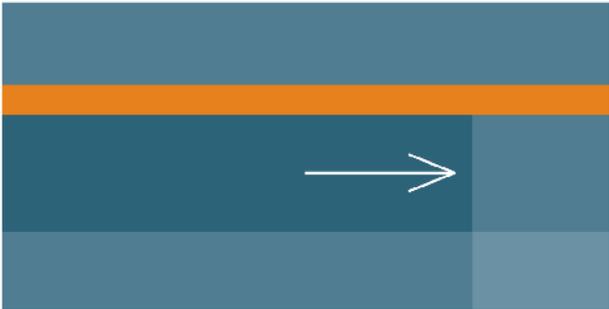




ONTARIO
SECURITIES
COMMISSION



2012 - 2015 Strategic Plan
**The OSC: A 21st Century
Securities Regulator**

The Ontario Securities Commission (OSC) is the regulatory body responsible for overseeing Ontario's capital markets, which include all equities, fixed-income and derivatives markets. The OSC is a self-funded Crown corporation accountable to the Ontario Legislature through the Minister of Finance.

The OSC administers and enforces the provincial *Securities Act* and the *Commodity Futures Act*, and administers certain provisions of the *Business Corporations Act*. This legislation sets out the OSC's authority to develop and enforce rules that help safeguard investors, deter misconduct and regulate participants involved in capital markets in Ontario.

OSC Mandate

To provide protection to investors from unfair, improper or fraudulent practices and to foster fair and efficient capital markets and confidence in capital markets.

OSC Vision

To be an effective and responsive securities regulator – fostering a culture of integrity and compliance and instilling investor confidence in the capital markets.

OSC Goals

- Deliver responsive regulation
- Deliver effective enforcement and compliance
- Deliver strong investor protection
- Run a modern, accountable and efficient organization
- Support and promote financial stability



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Message from the Chair

The OSC regulates Ontario's capital markets in a global environment of increasing public expectations, a changing securities industry, evolving market infrastructure and regulatory reform initiatives driven at the international level. Within this complex and dynamic environment, we asked ourselves a simple question: What will it take for the OSC to be a 21st century securities regulator?

The answer to that question is to better understand the evolution of the global capital markets, to take a more strategic approach to fulfilling our mandate and to develop the capacity to deliver the right regulation amid the rapid developments in the markets. To that end, in 2011, we engaged in a comprehensive organizational review and a benchmarking exercise against international regulatory best practices which resulted in this new three-year Strategic Plan.

Throughout the planning process we sought to recognize our strengths and areas for improvement and to identify how we can apply our strengths to deliver on our most important regulatory responsibilities. After conducting extensive internal and external consultations we developed a strategy for the OSC to adapt its regulatory focus and direction to reflect the realities of today's markets.

Like other domestic regulators, the OSC faces the challenge of keeping pace with new international standards and adopting those that will reduce the risk of regulatory arbitrage and strengthen Ontario's capital markets. The recent Supreme Court of Canada decision on the national securities regulator now means the OSC will re-focus on continuing to meet its mandate by working in the best interests of the investors and market participants of Ontario, while supporting the provincial government in any activities to make the regulatory system more efficient. Our Strategic Plan is our road map for adjusting how we work to become a more effective and transparent securities regulator. This road map will guide us when co-operating with other provincial and territorial securities regulators on national initiatives and with our international counterparts.



The OSC has many strengths as an organization, and its greatest strength comes from the people who work every day to fulfil the OSC's mandate. The OSC remains focused on regulating Ontario's capital markets in the best interests of all investors and market participants and continuing to support the growth and development of Ontario's financial services industry. I want to thank the Commissioners, management and staff of the OSC for embracing the opportunity to take the necessary steps to make the OSC the best securities regulator it can be for today's complex and innovative capital markets.

Best regards,

A handwritten signature in black ink, appearing to read 'HWetston', with a long horizontal flourish extending to the right.

Howard I. Wetston, Q.C.
Chair and Chief Executive Officer



Letter from the Executive Director

I am pleased to introduce details of the OSC's Strategic Plan for 2012-2015. This plan will help guide us in this time of change and will allow us to remain an effective, efficient, vigilant and modern organization.

The remarkable breadth and speed of innovation in the global capital markets requires all securities regulators, the securities industry, investors and all participants in the capital markets to evolve quickly. The OSC accepts this challenge and our Strategic Plan sets out how we will deliver effective regulation for the capital markets of Ontario, specifically through a greater focus on investor engagement, research, policy coordination, risk management, performance reporting and operational excellence.

During our strategic planning process, we received valuable input from external stakeholders, including investors and market participants, on how to reposition the OSC as a 21st century securities regulator. I want to thank the stakeholders for their feedback and suggestions. We are committed to being an open and accessible regulator and will seek opportunities for ongoing consultations with external stakeholders on both policy and operational issues.

Commissioners and staff of the OSC made a tremendous contribution to our strategic review with their creative ideas and constructive recommendations for changes and improvements in many areas. The recommendations and suggestions from OSC Commissioners, staff and external stakeholders helped chart the strategic direction outlined in this plan. We envision an OSC with an expanded research capability, improved policy coordination, enhanced risk analysis and a stronger engagement with investors. We also intend to better align our operational activities with our goals and priorities, deliver excellence in operational execution and report on our performance.

Our Strategic Plan will inform how we achieve the OSC's goals to deliver responsive regulation, effective enforcement and compliance, and strong investor protection, as well as run a modern, accountable and efficient organization. Our organizational goals for 2012-15 are similar to our previous goals with the exception of one new goal to support and promote financial stability, which has become a priority for securities regulators in the current market environment.



As we move forward in this strategic direction, we will continue to engage all levels of the organization to ensure that the plan is sound and achieves a successful transformation. We know that the success of our organization is in the hands of our people and we will give them the tools and the support they need to deliver excellence.

We are pleased to present our new strategic direction and are currently adapting our regulatory approaches to achieve these goals. We are ready for this challenge and we will make the OSC a more modern, high-performing regulatory agency focused on protecting Ontario investors and fostering fair and efficient capital markets.

Yours very truly,



Maureen Jensen
Executive Director and Chief Administrative Officer



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Capital Markets Environment Today

The complexity and pace of change in the global capital markets have accelerated in recent years. Financial markets are more interconnected. Securities markets are increasingly important to overall financial stability. Innovations in technology enable securities to be traded at lightning speed across multiple marketplaces and there is a greater range of investment products offered to investors. These and other developments are reshaping the capital markets and have combined to challenge the current frameworks and approaches to the regulation of those markets.

Today's capital markets landscape requires the OSC to address many new issues that have international implications, such as multi-jurisdictional enforcement investigations, a regulatory framework for over-the-counter (OTC) derivatives, oversight of credit rating agencies and hedge funds, the regulation of emerging market reporting issuers, the proliferation of complex exchange-traded funds (ETFs) and structured products and an ever-changing market infrastructure. Issues such as these raise complex regulatory, jurisdictional and operational challenges for all regulators, including the OSC.

One of the greatest challenges now facing the OSC and all other securities regulators is to strengthen the capacity and expertise to keep pace with ongoing market developments and the risks that are emerging as a result of innovation, global market stresses and possible unintended consequences of the implementation of new rules globally. Commitments made by the Group of 20 nations now require the introduction of new rules and policies in Canada. The implications of many new rules and policies being introduced in other countries will affect Canada and those effects need to be monitored and carefully considered.

The OSC must continue to regulate proactively in this fast-changing global environment amid growing public expectations. As the regulator of the greatest share of Canada's financial markets, the OSC has an obligation to respond appropriately to these challenges. In the current environment, the OSC recognizes that it must take a more strategic approach to fulfilling its mandate on behalf of the investors and capital markets of Ontario in order to be able to keep pace with change. This Strategic Plan sets out the direction that the OSC is going to take in order to succeed in achieving its organizational goals.



The OSC's Strategic Review

In 2011, the OSC engaged in an extensive strategic review to identify the priorities, objectives and expected outcomes that will define its future direction. As part of this review, an important step was to hear from both external and internal stakeholders, including investors, about areas of concern or issues that need addressing, and to learn from their input. The process of developing and implementing a multi-year strategic plan for the OSC involved several phases, notably:

- The OSC engaged a global consulting firm to analyze relevant environmental developments and benchmark the OSC against the best practices of other regulatory agencies, including the U.S. Securities and Exchange Commission and the U.K. Financial Services Authority, to identify opportunities for improvement and areas requiring focus and articulate the implications for the OSC.
- OSC Commissioners were consulted for their input and recommendations.
- OSC staff conducted comprehensive internal consultations that involved eight employee working groups that gathered input from staff to identify opportunities for improvement and areas requiring more focus.
- Forty external OSC stakeholders were consulted for their feedback about the OSC's future direction, including investor advocates, representatives of financial institutions, self-regulatory organizations, law firms, accounting firms, trade associations, academics, and federal and provincial government departments.

The strategic review resulted in a consensus on how the OSC could improve its efforts to fulfil its mandate, including opportunities to:

- Enhance its understanding of investor concerns and better integrate them into operational and policy initiatives;
- Improve the market and product expertise of staff in order to keep pace with rapid developments in the marketplace;
- Strengthen the capacity to respond more quickly and effectively to developing issues;
- Invest in the development of employee skills and expertise to effectively deploy resources to key issues; and
- Improve internal processes, including priority-setting and policy-making.



The OSC Strategic Plan was formulated taking into account the recommendations from external stakeholders, the consultant, Commissioners and staff. This plan will guide the organization in taking a more strategic approach to fulfilling its mandate by developing employee expertise to keep pace with market developments and regulate today's capital markets more effectively.



The OSC's Strategic Direction

The OSC Strategic Plan supports the OSC's commitment to robust processes, high-quality execution and a culture of collaboration. The OSC will pursue six key strategies to reposition the organization as a more proactive, agile and effective securities regulator that fosters the integrity and quality of Ontario's capital markets. Each of the six strategies will influence programs and operations throughout the OSC and contribute to strengthening its core functions, including compliance and enforcement.

Strategy 1 Expand the OSC's research and analytical capability to be able to respond to and keep pace with market developments and investor concerns and to support policy-making

The OSC will create a dedicated Research and Analysis Group to enhance its capacity to support the right regulation for complex capital markets.

A deep and evolving understanding of market developments and the issues facing investors, market participants and other regulators is critical to the OSC's work. To this end, the OSC will invest in its research and data-analysis capabilities. An increased focus on data to support OSC policy initiatives will become part of how the OSC approaches its work. The Research and Analysis Group will play an influential role in the OSC's policy-formulation process. A stronger commitment to using research- and evidence-based decision-making will ensure that, in the future, policy will rely more heavily on qualitative and quantitative evidence, while also taking investor perspectives into consideration.

Strategy 2 Engage investors more effectively

The OSC will create an Office of the Investor to strengthen the OSC's focus on investor engagement.

The OSC remains focused on protecting the interests of investors as it adapts its regulatory approach to reflect the realities of the global marketplace. Constructive engagement with investors is required in order to better understand their concerns and then integrate those concerns into policy and operational activities. The OSC will create an Office of the Investor to better identify and address investor issues at the highest levels of the organization. This dedicated group will raise investor concerns internally and establish direct links with investor



advocacy groups and the OSC Investor Advisory Panel, work closely with the Investor Education Fund and participate in investor-related research and outreach. The Office of the Investor will participate in the new Policy Coordination Committee to bring a clear investor perspective to the policy agenda of the OSC.

Strategy 3 Improve internal policy coordination and priority-setting

The OSC will establish a Policy Coordination Committee to develop and communicate a clear policy agenda to stakeholders.

To develop and communicate a clear policy agenda, the OSC will form an internal Policy Coordination Committee to impose added discipline on the prioritization of existing initiatives and on the addition of future initiatives. The new Policy Coordination Committee will include representatives from the OSC's policy Branches, the new Research and Analysis group, the OSC's new Office of the Investor and the Office of Domestic and International Affairs. This committee will recommend prioritized policy projects to the OSC Executive Committee for resourcing and approval. Enhancing internal policy coordination and priority-setting will allow the OSC to be more agile in responding to information or analysis that indicates changes to its regulatory approaches, core operating programs and/or priorities may be required. The committee will also help the OSC to be more effective in its work with other provincial and territorial securities regulators.

Strategy 4 Align all operations and programs with defined OSC goals and priorities and develop and report on key performance indicators

The OSC will clearly articulate its goals and develop and implement key performance indicators to help measure its progress against those goals.

Being clear on its goals and priorities and measuring the progress towards achieving the desired outcomes are critical aspects of demonstrating the OSC's accountability to deliver against its mandate and goals. The OSC is focused on clearly articulating its goals and how it plans to measure progress against these objectives. By integrating key performance indicators, the OSC will be able to monitor whether its initiatives and programs are achieving the desired effects and take action to improve outcomes.



Strategy 5 Improve risk identification and management

The OSC will establish an Emerging Risk Committee to develop and implement a risk framework.

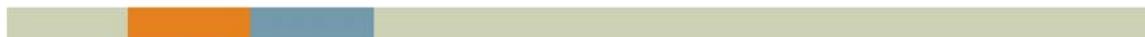
Understanding and responding to emerging market and product risks in a timely and appropriate manner is critical to the OSC achieving its mandate. A strong focus on risk is necessary for the OSC to both identify and mitigate risk effectively. The OSC will establish an internal Emerging Risk Committee to work with the expanded Research and Analysis Group to develop a framework for the identification and analysis of risks. This program will be rolled out across the organization and updated on an ongoing basis.

Strategy 6 Deliver excellence in the execution of OSC operations

The OSC will enhance its people strategy and practices, work processes and tools to support a modern, efficient and effective regulatory agency.

Improving the effectiveness and efficiency of the organization will improve the overall performance of the OSC. The OSC will implement innovative practices, embrace inclusion and environmental stewardship and promote continuous learning to attract, engage and retain the talented workforce with the market, product and other expertise needed to deliver on its mandate. To achieve this, the OSC will focus on three key areas:

- Our people and their workplace: The OSC will foster an attractive, modern and high-performing workplace that encourages and supports great people management and employee engagement. The OSC commits to being a top employer.
- Our work processes: The OSC will improve its internal processes to address emerging risks and practices. Internal processes must be modern, efficient and effective and make the best use of resources, such as strengthening enforcement processes in order to address current challenges and international developments.
- Our tools: Enabling technology is a key contributor to a modern and effective workplace. Technology will assist in the gathering, monitoring and analysis of available data and also support an expanded focus on electronic interaction with the OSC such as through electronic filings and hearings.



OSC Organizational Goals

The OSC will pursue this Strategic Plan as part its long-term direction to continue delivering on its mandate to provide protection to investors and foster fair and efficient capital markets. All of the six strategic initiatives complement and support the OSC's organizational goals, with examples cited below.

Goal 1 Deliver Responsive Regulation

The OSC will identify important issues and deal with them in a timely way. The new Policy Coordination Committee will enhance internal coordination and priority-setting, which will allow the OSC to be more agile in responding to information or analysis that may require changes to its regulatory approaches and/or priorities. An enhanced research capability will support the goal of delivering responsive regulation.

Goal 2 Deliver Effective Enforcement and Compliance

The OSC will deliver effective compliance programs and fair, vigorous and timely enforcement. An expanded research and analysis capability will support the OSC's understanding of investor issues and market developments, and will assist with deterring misconduct. In addition, the OSC will improve its priority-setting process which will contribute to an enhanced focus in the priority areas for compliance and enforcement.

Goal 3 Deliver Strong Investor Protection

The OSC will champion investor protection, especially for retail investors. The Office of the Investor will co-ordinate all investor-focused initiatives, including the Investor Education Fund and the OSC Investor Advisory Panel. The new Research and Analysis Group and Office of the Investor will increase the research conducted on investor issues.

Goal 4 Run a Modern, Accountable and Efficient Organization

The OSC will be a modern and efficient organization that values its people, uses resources effectively and is accountable for fulfilling its mandate and achieving its goals. The OSC will foster a high-performing workplace in which staff are supported and assisted to excel. A commitment to deliver excellence in execution of operations will enhance the performance of the OSC. The



introduction of new key performance indicators will help to evaluate results against desired outcomes. In addition, a focus on the development of new IT tools will improve access and understanding of emerging trends to allow for the identification of developing issues.

Goal 5 Support and Promote Financial Stability

The OSC will contribute to both national and international efforts to mitigate systemic risk to promote the financial stability of the global capital markets. The OSC will continue to dedicate resources, including in the areas of market research and data analysis, to develop the required expertise in support of this goal. The new Emerging Risk Committee will strengthen the OSC's capabilities to improve risk identification and management as it co-operates with federal and provincial regulatory agencies.



Moving Forward

The successful implementation of the OSC Strategic Plan will position the organization as a modern, forward-looking securities regulator. Implementation planning began in 2012 and will be completed in phases in accordance with the OSC's business plan and budget. The OSC's *Statement of Priorities* for 2012-13 will set out which Strategic Plan initiatives will be addressed in that fiscal year. The OSC is committed to reporting on the progress of this three-year Strategic Plan on an annual basis, starting with the 2012 Annual Report.

This Strategic Plan supports the evolution of the OSC, which regulates the largest share of Canada's capital markets. Given this leadership role, the OSC recognizes that it must be effective, efficient and agile. The strategic, integrated initiatives presented in this plan reinforce each other and help to build a stronger OSC that achieves its organizational goals and delivers securities regulation that fosters investor confidence, supports a vibrant economy and promotes financial stability.





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As the regulatory body responsible for overseeing the capital markets in Ontario, the Ontario Securities Commission administers and enforces the provincial *Securities Act*, the provincial *Commodity Futures Act* and administers certain provisions of the provincial *Business Corporations Act*. The OSC is a self-funded Crown corporation accountable to the Ontario Legislature through the Minister of Finance.

February 27, 2012