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Dear Mr. Day,

**RE: OSC Draft Statement of Priorities for 2019-2020**

The OSC Draft Statement of Priorities for 2019-2020 (the “SoP”) clearly reflects key policies of the Ontario government. Given the accountability to government of provincial agencies like the OSC, it is totally appropriate that the government set the policy parameters within which those agencies are expected to operate. At the same time, however, the government has a responsibility to ensure that the policy parameters it sets are complementary or at least consistent. The commitments to reduce regulatory burden and support transition to the CMRA, two government policies reflected in the SoP, do not appear to meet this responsibility.

Ten years ago, when Ontario opted into the most recent effort to create a national securities regulator, the hope was that a single regulator would offer the potential for increased efficiency, decreased duplication and cost, and greater capacity to deal with issues of nation-wide import and impact. Unfortunately, these possibilities became much less likely when the Supreme Court of Canada ruled that, as drafted, the federal government’s proposed Canadian Securities Act was not constitutional. Instead of accepting this reference decision and refocusing efforts on improving the existing provincial system, the federal government together with Ontario and B.C. rejigged the

rejected national regulator initiative into a newfound common regulator initiative that was dubbed the CMRA.

Given the way the development of the CMRA has evolved since that time, I am concerned that the participants have failed to appreciate that a badly planned or implemented common system will not achieve the outcomes originally envisaged for a national regulator and, worse, could have potentially harmful consequences for markets and investors. These concerns are particularly relevant now that at least at inception, the CMRA will not include several key provincial regulators, including Quebec and Alberta. As a result, Canada's regulatory regime could end up more cumbersome, less transparent, and less effective than one featuring a high-functioning decentralized regime

The Passport System has the potential to be that high-functioning decentralized regime. Ontario currently does not participate in Multilateral Instrument 11-102 Passport System. When the Passport System was established 15 years ago, unlike all other provinces and territories, Ontario did not participate on the basis that it wanted to encourage the creation of a national regulator. Now that the prospect of a national regulator is no longer attainable in the near term, it would be beneficial and totally in line with the government's burden reduction imperative for Ontario to join the Passport System. Despite its limitations, the Passport System has made significant progress in recent years. It would be strengthened and re-energized by Ontario's participation.

A decision to join the Passport System rather than pursue efforts to transition to the CMRA would also avoid the significant risks, costs and uncertainties associated with large-scale regulatory change. There is no guarantee that the CMRA will be planned or implemented in a way that avoids causing a new set of problems. For these reason, I believe that securities regulatory reform in Canada would now be better served by

increased cooperation and coordination of the existing system rather than protracted efforts to transition to the CMRA.

Given these considerations and mindful that the OSC must hew to existing government policies to reduce regulatory burden and to transition to the CMRA, I encourage the OSC to address the inconsistency of these two policy initiatives with the government. It is important that the government re-examine the province's longstanding pursuit of a common regulator in the context of its current over-arching focus on burden reduction and regulatory efficiency. In this context, I believe that it will become very apparent that joining the Passport System is a more appropriate and more effective priority for Ontario and the OSC at this time than pursuing the already protracted transformation to the CMRA.

Sincerely,

Harvey Naglie.





