



# Ontario Securities Commission 2018 – 2021 Business Plan

OSC

ONTARIO  
SECURITIES  
COMMISSION

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## EXECUTIVE SUMMARY

The OSC Business Plan (the “Plan”) sets out the Ontario Securities Commission’s (“OSC” or “Commission”) key strategies for the three fiscal years 2017-2018 to 2020-2021 and how it plans to accomplish those strategies.

The first part of the Plan documents the *Mandate and Operating Principles* for the OSC. It also provides background information about the Commission and its governance framework, and an overview of the role of the Members of the Commission and their responsibilities.

The *Operating Environment* provides an overview of the context for the overall Plan and notes important issues affecting the Plan. It provides an outline of the role of the Canadian Securities Administrators (CSA) and describes some of the more important national policy initiatives. This section also describes the roles and responsibilities of the OSC regarding the oversight of self-regulatory organizations (SROs), exchanges, clearing agencies as well as the regulation of issuers, dealers and advisers and the creation of the CMRA.

Taken together, these two sections establish the regulatory context in which the OSC operates.

An outline of the strategic goals along with the Commission’s key 2017 – 2018 priorities is detailed in the *Vision & Strategic Goals and Priorities* section of the Plan. An organizational chart and details of the core activities for the operational and supporting branches is presented in the section *Organization, Structure and Core Activities*. Strategic goals and initiatives of the OSC, together with the organizational core activities, drive OSC resource requirements and allocations.

The *Financial Summary* outlines the revenues, expenses, surplus/deficit and a five year forecast. Selected performance measures are detailed in the *Performance Measurement* section of the Plan.

Key components of the risk approach are described under *Risk Identification and Management*. Under *Risks and Uncertainties*, key operational and infrastructure risks are described, along with the business continuity plan.

Various strategies, objectives and plans for human resources and communications are described in the *Human Resources Plan* and *Communications & Public Affairs Plan*.

The appendices include additional information about our 2017-2018 OSC Statement of Priorities and OSC Service Commitment.

## Illustrative Recent OSC Accomplishments

The OSC remains focused on providing responsive regulation that provides protection to investors and fosters confidence in the capital markets. Some of the key OSC accomplishments achieved towards this objective during 2016-2017 are highlighted below:

- Published Best Interest Consultation Paper 33-404 – Proposals to Enhance the Obligations of Advisers, Dealers and Representatives towards their Clients
- Improved understanding of investor issues by conducting research and leading an investor education strategy
- Established Seniors Expert Advisory Committee (SEAC)
- Finalized ETF Facts Rule and fund risk rating methodology
- Launched Office of the Whistleblower
- Signed an Enhanced Multilateral Memorandum of Understanding to facilitate information sharing and cross-border enforcement activities
- Developed a derivatives data reporting compliance program for Rule 91-507
- Commenced review of derivatives dealer compliance with Rule 91-507
- Completed reviews of banks' compliance with derivatives trade reporting
- Published final amendments to OSC Rule 91-507 Trade Repositories & Derivatives Data Reporting
- Conducted compliance reviews with SROs of sales incentives and advisor discount fee arrangements and published results as guidance
- Created OSC LaunchPad, a Fintech pilot project
- Established a Fintech Advisory Committee and hosted a regulatory hack-a-thon
- Signed MOU/Cooperation Agreement with ASIC and FCA to allow for information sharing and cooperation regarding Fintech
- Released results of disclosures relating to Women on Boards and in Executive Officer Positions
- Published a consultation paper on the modernization of regulation of normal course issuer bids
- Published Staff Notice on Proxy Voting Protocols and Recommendations
- Conducted an industry cyber security roundtable
- Updated existing OSC systems, introducing Report on Exempt Distributions and continued work on the renewal of the CSA National Systems (System for Electronic Disclosure by Insiders, System for Electronic Document Analysis and Retrieval, and the National Registration Database)
- The OSC and Canadian Securities Administrators (CSA):
- Published CSA Staff Notice 81-327 on Mutual Fund Fees and Consultation Paper on the Option of Discontinuing Embedded Commissions

- Published for comment draft Amendments to NI 31-103 *Enhanced Custody Requirements*
- Published final amendments and CSA Staff Notice 23-316 *Order Protection Rule*
- Published for comment proposed amendments to NI 24-101 *Institutional Trade Matching and Settlement*, to implement T+2
- Published final amendments to MI 62-104 *Take-Over Bids and Issuer Bids*; and NI 62-103 *Early Warning System*
- Published CSA Notice and Request for Comment - Modernization of Investment Fund Product Regulation – Alternative Funds
- Published NI 24-102 Clearing Agency Requirements
- Published NI 94-101 Mandatory Central Counterparty Clearing of Derivatives; NI 94-102 Derivatives: Customer Clearing & Protection of Customer Collateral & Positions
- Published CSA Staff Notice 21-317 Next Steps in Implementation of a Plan to Enhance Regulation of the Fixed Income Market
- Published CSA Staff Notice 11-332 *Cyber Security*

## INTRODUCTION

The Commission is a regulatory agency of the Ontario government which operates on a cost recovery basis. The OSC is required under the *Agencies & Appointments Directive* (which is the key government directive setting out governance and accountability) to annually provide a multi-year Business Plan to the Minister of Finance. This Business Plan sets out the OSC's core strategy for the fiscal years 2018 through 2021 including the initiatives for the upcoming year that will be undertaken toward this strategy.

The OSC has overall accountability for the effective administration of the *Securities Act* (Ontario) (the "Act") as well as the *Commodity Futures Act* (Ontario) (the "Acts"). While the OSC oversees securities regulation for Ontario, capital markets in Canada are highly integrated. Accordingly, much of the OSC's activity is often coordinated with the activities of other provincial and territorial securities regulators, primarily through the CSA.

Since financial services in general and securities markets in particular are increasingly global in their conduct, influence and evolution, developments outside Canada also affect operational activities of the OSC as well as the ability to achieve its mandate.

The financial summary in this Plan outlines forecast costs and revenues over a five year period. Other aspects of this Plan focus on current period initiatives. Business planning is not a discrete one time exercise. Modification to various aspects should be anticipated in response to emerging issues and changing market conditions, although material changes to our strategic goals, values, and the nature of overall operations are not expected.

## Mandate and Operating Principles

The mandate of the OSC is set out in the Act and is dual in nature – to provide protection to investors from unfair or fraudulent practices, and to foster fair and efficient capital markets and confidence in those markets. The primary means for achieving this mandate consist of:

- Setting/defining requirements for accurate and timely disclosure of information necessary for investors to make informed decisions;
- Establishing restrictions on fraudulent and unfair market practices and procedures;
- Fair, efficient and transparent market structures;
- Establishing requirements for the maintenance of high standards of fitness and business conduct for market participants; and
- Timely, open and efficient administration of enforcement, compliance and adjudication activities

Other considerations in achieving its mandate include:

- Controlled delegation of specific oversight to SROs (subject to appropriate OSC supervision);

- Responsible harmonization and coordination of regulatory practices with other jurisdictions (through the CSA and IOSCO for example); and

Balancing the burden placed on market participants with the value of the regulatory objectives to be achieved.

The mandate and principal means for achieving it are set out in the Act. The OSC is committed to fostering confidence in Ontario's capital markets, supporting an environment where capital is available on competitive terms and maintaining Ontario's financial services sector as a world leader and significant contributor to the province's economy. There are strong links between the priorities of the Ministry of Finance (MoF), as identified in the *Ministry's September 2016 Mandate Letter* and the OSC's mandate. Some of those links are:

Ministry of Finance Priority	OSC Support
<p><b>Strengthening the Financial Services Sector</b></p> <ol style="list-style-type: none"> <li>1. Developing the government's response to the final report of the Expert Advisory Panel appointed to review the mandates of FSCO, the FST and DICO, and implementing any changes that result, ensuring strong regulation of financial services and pensions and improved consumer, investor and pension plan beneficiary protection.</li> <li>2. Working with the Minister of Economic Development and Growth, and other related ministers, on a provincial fin-tech strategy.</li> <li>3. Continuing to play a leadership role in the development of the Co-operative Capital Markets Regulatory System, working with jurisdictions across the country to finalize and propose for introduction the legislative framework that will be set out in a new Capital Markets Act and related legislation.</li> </ol>	<p>The OSC has identified the following priorities to specifically address the MoF priorities:</p> <ol style="list-style-type: none"> <li>1. Implement the orderly transfer of syndicated mortgage investments to OSC oversight</li> <li>2. Work with fintech businesses to support innovation and promote capital formation and regulatory compliance</li> </ol> <p>The OSC continues to view the CMRA as an opportunity to enhance investor protection, foster efficient rulemaking and promote globally competitive markets in Canada.</p> <ol style="list-style-type: none"> <li>3. The OSC is working with the Ontario government and the other participating jurisdictions to develop a harmonized regulatory approach and seamless transition to the CMRA.</li> </ol>
<p><b>Supporting Women's Economic Empowerment</b></p> <ol style="list-style-type: none"> <li>1. Seeking advice from the Women in Business Steering Committee, and working with the Minister Responsible for</li> </ol>	<p>The OSC has identified the following priority to support these MoF priorities:</p> <ol style="list-style-type: none"> <li>1. Review recently implemented regulatory reforms to assess whether expected results are being achieved including conducting</li> </ol>



<p>Women’s Issues, to develop a comprehensive plan to implement the strategy on Gender Diversity on Boards in Canada, by spring 2017. This would include plans to implement the target that women make up at least 40 per cent of all appointments to provincial boards and agencies by 2019.</p> <p>2. Develop a long-term strategy to support the economic empowerment of women that addresses the needs of women at all economic levels.</p>	<p>targeted reviews of disclosure, related to women on boards and in executive officer positions, provided by issuers with financial years ending from December 31, 2016 to July 31, 2017</p> <p>2. Assess the effectiveness of the disclosure and consider whether other regulatory action is needed</p>
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## Positioning and Stakeholder Accountability

### Primary Enabling Legislation – Securities Act (Ontario)

The OSC is accountable to the Minister of Finance who is in turn accountable to the Legislature for the Commission’s fulfilment of its mandate and its compliance with government policies, and for reporting to the Legislature on the affairs of the Commission.

The OSC annually provides the Minister with the following key reports:

- Audited Financial Statements;
- Multi-year Business Plan;
- Annual Statement of Priorities (SoP);
- SoP Report Card (a progress report against the prior year SoP); and
- Annual Report.

In addition, the Ministry is informed on operational matters through a series of ongoing scheduled work-in-progress meetings.

### Key Stakeholders

Key stakeholders most directly affected by the OSC include the following:

- Investors, both retail and institutional, are directly affected by the policy setting, compliance monitoring and enforcement activities of the OSC;
- Investor advisory and advocacy groups (e.g. Investor Advisory Panel (IAP), FAIR Canada);

- Issuers (public/private companies and investment funds) seeking to raise capital or whose securities trade on recognized markets in Ontario and investment funds, rely on fair and efficient markets and are affected by our policies, compliance monitoring and enforcement programs;
- Self-regulatory organizations (SRO), such as the Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Fund Dealers Association of Canada (MFDA), operate under the direct oversight of the OSC;
- Investment Fund Managers who offer investment funds in Ontario;
- Directors and Officers of reporting issuers are directly affected by OSC regulation;
- Portfolio Managers and Exempt Market Dealers are subject to registration and monitoring programs of the OSC;
- Registrants, both at the firm level and the individual level, operating in Ontario are affected by the rules and policies of the OSC either directly or indirectly through the delegation of OSC authority to appropriate SROs;
- Exchanges and alternative trading systems are subject to operational reviews and monitoring;
- Designated ratings organizations are subject to review and monitoring; and
- Clearing agencies (such the Canadian Depository for Securities) are recognized and subject to reviews and monitoring.

In addition, other important stakeholders affected by the OSC's operations include:

- The Ontario public, since healthy securities markets have a beneficial impact on the overall health of the Ontario economy;
- Other provincial and territorial securities regulators, principally through the CSA; and
- Other financial service regulators, such as the Financial Services Commission of Ontario (FSCO), and the Office of the Superintendent of Financial Institutions (OSFI), the Bank of Canada and the Department of Finance (Canada) with whom the OSC interacts on various areas of common concern in financial services regulation.

## COMMISSION GOVERNANCE

The Commission, as the regulatory body responsible for overseeing the capital markets in Ontario, administers and enforces the Acts. The Act establishes the Commission as a corporation without share capital with a Board of Directors consisting of the members of the Commission (Members). The Commission is composed of at least nine and not more than sixteen Members, each of whom is appointed by the Lieutenant Governor in Council.

The OSC Board of Directors oversees the management of the financial and other affairs of the Commission. Currently, the Board is composed of fourteen members currently. Three are full-time Members of the Commission and eleven are part-time Members. The full-time Members are Maureen Jensen, Chair, Monica Kowal and D. Grant Vingoe, Vice-Chairs. The part-time Members are: Philip Anisman, Peter W. Currie, Garnet Fenn, William J. Furlong, Robert P. Hutchison, Frances Kordyback, Deborah Leckman, Janet Leiper, Timothy Moseley, AnneMarie Ryan, and Mark J. Sandler.

Members are appointed for a fixed term by the Lieutenant Governor in Council upon the recommendation of the Minister of Finance and Cabinet. Candidates for appointment are recommended to the Minister by the Chair following a rigorous internal process led by the Governance and Nominating Committee of the Board. The Committee regularly reviews the individual qualifications, attributes, skills and experience of the Members to ensure that Members, individually and collectively, meet the standards necessary to exercise their responsibilities effectively. The Committee uses the Member Profile to identify any gaps in attributes, skills and qualifications that may arise as a result of an upcoming vacancy on the Commission.

Appointments are made according to the procedures of the Public Appointments Secretariat, which is responsible for overseeing public appointments to provincial agencies, and are subject to the Act and the *Agencies & Appointments Directive*. In making its recommendations to the Minister, the Commission supports the government's diversity policy set out in every position posted to the website of the Public Appointments Secretariat, that government appointees reflect the diversity of the people of Ontario and deliver services and decisions in a non-partisan, professional, ethical and competent manner with a commitment to the principles and values of public service.

Further, the Commission strives to follow best practices relating to all aspects of corporate governance, including the multi-lateral amendments made in 2014 to the policies outlined in National Instrument 58-101 *Disclosure of Corporate Governance Practices* relating to the representation of women on boards. The Commission makes every effort to ensure that women are actively sought out in the recruitment and nomination process. The Commission's objective is to have approximately equal representation of male and female Members; however, achieving this objective at any particular time is balanced with the objective of ensuring that the Members of the Commission collectively possess the required mix of skills and experience necessary to enable the Commission to carry out its mandate.

### Governance Framework

Although structured as a corporation, the Commission is a regulatory body and its purpose is mandated by statute. The Act establishes the Commission's role in regulating capital markets, sets out the fundamental principles that the Commission shall have regard to in overseeing the

administration and enforcement of the Act, and outlines the basic governance and accountability structure for the Commission.

The Commission, unlike a business corporation, does not have shareholders to whom the Board of Directors report. Instead, the Commission is accountable to the Minister responsible for securities regulation and, through the Minister, to the Ontario Legislature. The Commission is required to enter into a Memorandum of Understanding (MOU) with the Minister. The MOU sets out: (a) the accountability relationship between the Commission and the Minister, the Board of Directors and the Minister, and the Chair and the Minister; (b) the respective roles and responsibilities of the Minister, the Deputy Minister, the Chair, the Members, and the Executive Director; and (c) the requirement for the Commission to provide the Minister with an Annual Report and an Annual Business Plan. The MOU can be found on the Commission’s website.

## The Role of Members

### Overview

The Members of the Commission discharge their responsibilities under the Acts through two independent but related roles: as regulators of Ontario capital markets and as members of the Board of Directors of the Commission. A brief outline of these two primary roles follows.

### The Role of Members as Regulators of Ontario Capital Markets

A high level outline of the roles of the Commission and Board of Directors is set out in the table below.

COMMISSION MEMBERS AS REGULATORS	
<b>POLICY FUNCTION</b>	<b>ADJUDICATIVE FUNCTION</b>
Policy Strategy	Conducting Hearings (including reviews of SRO decisions)
Regulatory Initiatives	Oversight of Adjudicative Processes and Procedures
Administration of Ontario Securities Act	SRO Oversight

The Commission’s regulatory responsibilities are exercised through the Commission’s rule and policy-making function and the Commission’s adjudicative function. While these functions are distinct, in both cases the Commission’s powers are exercised in furtherance of investor protection and in aid of fostering fair and efficient markets, while having regard to the fundamental principles described earlier.

### Policy Function

The Commission regulates the Ontario capital markets by making rules that have the force of law (and granting exemptions where appropriate) and by adopting policies that influence the behaviour of capital market participants. The Commission exercises its regulatory oversight functions to achieve the objectives of the Acts. The Commission sets regulatory priorities on an

annual basis and oversees their implementation by Commission staff. The Commission meets every two weeks to deal with regulatory matters.

### **Adjudicative Function**

In regulating Ontario's capital markets the Commission also performs an adjudicative function.

Panels of Members, acting independently, hear enforcement matters (including proceedings involving alleged violations of the Acts, regulations, and rules; and proceedings involving conduct contrary to the public interest), conduct hearings involving regulatory policy issues, and hearings and reviews of decisions of SRO's and decisions of Commission directors. The Commission, as a whole, also has a responsibility to oversee the Commission's adjudicative processes and procedures generally. Members perform their adjudicative function by serving on adjudicative panels that conduct hearings and render decisions independently of the Commission as a whole.

### **Conducting Hearings**

Adjudicative panels of the Commission, composed of one or more Members, conduct hearings on proceedings brought before the Commission. In these hearings, the panel may be asked, for example, to issue an order imposing a sanction in the public interest, to issue an order freezing assets, to review a decision made by Commission staff, or to review a decision of an SRO. The way in which these proceedings are conducted is governed by the *Statutory Powers Procedure Act* (Ontario), the Commission's *Rules of Practice*, and principles of administrative law. The Act provides for appeal of final decisions of the Commission to the Divisional Court.

### **Oversight of Adjudicative Processes and Procedures**

The Commission is responsible for the conduct of proceedings in a fair, independent, and transparent manner and addressing adjudicative matters in a timely fashion. To assist it in the discharge of this responsibility, the Commission established a standing policy committee, the Adjudicative Committee.

### **The Role of Members as the Board of Directors of the Commission**

The Members comprise the Board of Directors of the Commission. Acting in that capacity, the Members oversee the management of the financial and other affairs of the Commission, including the Commission's strategic planning, resource allocation, risk management, financial reporting policies and procedures, management information systems, and the effectiveness of internal controls.

The Board exercises its oversight through regular, quarterly meetings of the full Board and regular meetings of the three standing committees of the Board: Audit and Finance Committee, Governance and Nominating Committee, and Human Resources and Compensation Committee. A fourth standing committee of the Members, the Adjudicative Committee, advises the Commission on adjudicative policy issues. From time to time the Board has established other temporary committees or retained consultants or other advisors to advise it on specific matters.

## COMMISSION MEMBERS AS BOARD OF DIRECTORS

Strategic Planning	Financial Review, Reporting and Disclosure
Risk Assessment and Internal Controls	Board Governance
Executive and Management Oversight	Appointment of Members
Integrity and Ethical Standards	

The OSC has adopted the *Commission Charter of Governance Roles and Responsibilities* ("Charter") to delineate its role and responsibilities and to ensure transparency in its governance structure. Members, either directly or through committees of the Board, are responsible for performing the duties set out in the Charter, and will perform further duties as may be necessary or appropriate for the Members to fulfil their governance and regulatory responsibilities.

### Commission and Board Support

The Commission appoints the Secretary to the Commission, who reports directly to the Board and the Chair. The Office of the Secretary provides independent legal and administrative support to the Members in the discharge of their various statutory obligations. The Commission/Board, as well as the Executive, are supported in their roles by staff from the OSC regulatory operations, regulatory advisory and corporate branches.

### Investor Advisory Panel

The Commission created the Investor Advisory Panel ("IAP") to provide it with advice on investor perspectives on OSC priorities, draft rules and policies. Funding for the IAP is provided from the OSC budget. Nominees for the panel (up to nine members) are recommended by a committee of Part-time Members for appointment by the Chair of the Commission.

The IAP functions as an independent advisory committee to the Commission. The IAP has a mandate to represent the views of investors by providing the Commission with written comments on proposed rules and policies, the OSC Statement of Priorities and concept papers and will consider specific issues at the request of the Commission.

### OSC Consultative Committees

The Executive and staff of the OSC operating branches are supported by various consultative committees that have been established for one or more of the following purposes:

- To provide a broad range of ideas and expertise as new policy initiatives are developed;
- To help the OSC understand how a specific, recently implemented policy is affecting capital market participants; and
- To improve the OSC's understanding of the concerns and issues faced by a particular stakeholder group on an ongoing basis.

A list of the key consultative committees includes:

Market Structure Advisory Committee (MSAC) – serves as a forum to discuss issues associated with market structure and marketplace operations in the Canadian and global capital markets. The MSAC also acts as a source of feedback to OSC staff on the development of policy and rule-making initiatives that promote investor protection, fair and efficient capital markets and confidence in those markets.

Small and Medium Enterprises Committee (SMEC) – advises OSC staff on a range of projects, including the planning, implementation and communication of the OSC’s review program, as well as policy and rule-making initiatives relevant to small issuers. The SMEC also serves as a forum to advise OSC staff on the emerging issues and unique challenges faced by small issuers.

Exempt Market Advisory Committee (EMAC) – advises OSC staff on regulatory approaches to the capital raising segment of the exempt market.

Investment Funds Product Advisory Committee (IFPAC) – advises OSC staff on emerging product developments and innovations occurring in the investment fund industry. The IFPAC discusses the impact of these developments, as well as emerging issues.

Continuous Disclosure Advisory Committee (CDAC) – serves as a source of information, advice and commentary to the OSC relating to the review of continuous disclosure filings made by reporting issuers, and policy issues related to continuous disclosure.

Mining Technical Advisory and Monitoring Committee (MTAMC) – provides advice to the CSA on technical issues relating to the mining industry.

Securities Advisory Committee (SAC) – provides advice to the OSC on a variety of matters, including regulatory and policy initiatives and important capital markets trends.

Registrant Advisory Committee (RAC) – discusses and recommends solutions regarding registration related issues. The RAC is also joined by regulators from the SROs on a quarterly basis in order to discuss issues.

Securities Proceedings Advisory Committee (SPAC) - an advisory committee to the Office of the Secretary that provides comments and advice on policy and procedural initiatives relating to the Commission’s administrative tribunal proceedings.

Seniors Expert Advisory Committee (SEAC) - provides staff with expert opinion and input on policy, operational, education and outreach activities of the OSC designed for and targeted at older investors and their needs.

More information about OSC Advisory Committees and their members is available at [www.osc.gov.on.ca](http://www.osc.gov.on.ca).

## **Core Values**

The OSC operating with the following core values:

### **Professional**

Protecting the public interest is our purpose and our passion

We value dialogue with the marketplace

We are professional, fair-minded and act without bias

### **People**

To get respect, we give it

Diversity and inclusion bring out our best

Teamwork makes us strong

### **Ethical**

We are trustworthy and act with integrity

We strive to do the right thing

We take accountability for what we say and do



# OPERATING ENVIRONMENT

## Our Environment

Our regulatory framework is designed to provide protection to investors while fostering fair and efficient capital markets. Many factors can affect public confidence in our capital markets. The OSC faces a wide range of issues, risks and opportunities as it strives to achieve its vision and mandate.

Ontario investors continue to contend with a low interest rate environment. Interest rates remain low by historical standards and will continue to challenge Canadian seniors to achieve sufficient investment returns for their retirement. While healthy capital markets have afforded solid investment returns, it is unclear how long this will last. Higher rates are likely and may pose risks to capital markets and investors as they adjust to these conditions. Investors will likely continue to seek opportunities to maximize yield on their investments, or capital appreciation, and these expose them to changing investment risks and rewards.

Key challenges and issues that may influence the OSC's policy agenda, its operations, and the way it uses its resources, are as follows.

### **Changing demographics and investor needs**

Demographics are critical to understanding investor needs and are a key driver of most investor-focused issues. Different investor segments (e.g., seniors, millennials) have different investment horizons and objectives. In particular, the need for retirement planning has increased, as the responsibility for saving and investing continues to shift from employer sponsored plans to the individual.

The demand for accessible and affordable advice that meets individual investor needs is expected to increase. A well-functioning investor/advisor relationship remains critical to the economic well-being of Ontarians and ultimately to achieving healthy capital markets.

Globally, there is a movement toward better aligning the interests of firms and advisors with the expectations of investors. Increasing focus is being placed on the cost of advice, fee structures, incentives and conflicts of interest. Firms are under pressure to align their cultures and conduct more closely with investor needs and desired outcomes.

### **Growing importance of investor education**

Investor education has the potential to contribute to improved financial outcomes for investors and is an important component of investor protection.

As the responsibility for investing shifts to individuals, they are challenged to achieve sufficient returns to finance future needs. At the same time, the financial marketplace continues to evolve and innovate, and investment products and services are becoming increasingly complex and diverse. These issues are magnified when there are wide gaps in the levels of experience and financial literacy among investors. The ability to achieve meaningful advancements in financial literacy will be a key to strengthening investor protection. Investors with a greater level of

understanding of financial concepts will be better able to make informed investment decisions and avoid fraud.

Investors will always be at risk for potential losses from improper or fraudulent interactions. A number of jurisdictions are looking at ways to improve investor access to redress in these types of situations. Avenues for investor redress, including an effective and fair dispute resolution system, are increasingly being included as an element of investor protection frameworks.

The OSC will need to continue to seek new and innovative ways to deliver investor education and support retail investors in today's complex investing environment.

## **Globalization**

Recent geopolitical events highlight the fact that the regulatory environment can change very quickly. The potential impact of continuing changes in the international environment, such as Brexit, decisions by the new US administration, and changing trade relationships could have profound impacts on financial regulation globally.

The increasing globalization of the capital markets underscores the importance of regulatory alignment both domestically and internationally. The sustained growth of cross-border activities means that the OSC must deal with regulatory matters that have both national and international dimensions. Our international involvement informs how we regulate Ontario's capital markets. Our goal is to promote domestic regulation that is aligned with international standards, while reflecting the unique needs of our markets.

The global interconnectedness of markets and mobility of capital create a strong need for harmonization and coordination of regulation. However, the potential for increased protectionism and de-regulation could inhibit global harmonization and create opportunities for regulatory arbitrage. In light of such developments, the OSC may face pressure from certain stakeholders to scale back areas of regulation making it increasingly important for the OSC to address concerns of undue regulatory burden.

## **Technology threats and opportunities**

Technological innovation, including the advancement of "fintech", continues to disrupt and transform our capital markets. Fintech refers to a variety of innovative business models and emerging technologies that have the potential to transform the financial services industry.

Evolving market channels, such as automated financial advice, are redefining the delivery of client wealth management services and the fees charged for advice. Fintech is being enabled by the growth of low cost computing power, greater availability of data and the emergence of technologies, such as artificial intelligence and machine learning.

Regulators may face challenges addressing fintech developments while fulfilling their regulatory mandates to promote investor protection, market fairness and financial stability. For example, some fintech business models, such as online advice, remove the intermediary in providing financial advice to investors. Trading and investing in securities through fintech-enabled firms is often self-directed and can pose risks to investors making decisions without adequate

information. While these advances can create opportunities to achieve better outcomes for investors, they also present potential risks and vulnerabilities, including programming errors in the algorithms that underlie automation, cybersecurity breaches, and the inability of investors to understand novel products and services.

Growing dependence on digital connectivity and data collection and analysis creates challenges and growing risks for businesses, market participants and regulators, and raises potential exposure to disruptions, including cyber-attacks. Cyber-attacks are inevitable and will have the potential to disrupt our markets and market participants. The OSC, working with other regulatory partners, has an important role to play in assessing and promoting readiness and supporting cybersecurity resilience within the financial services industry and raising awareness of cybersecurity risks.

### **Systemic risk and financial stability**

The OSC works with many domestic and international regulators to monitor financial stability risks and trends, improve market resilience, and reduce the potential risk of global systemic events. The OSC is continuing to build out a domestic derivatives framework and to operationalize the necessary compliance and surveillance tools required to achieve a practical and effective regime.

As part of their review of market stability issues, financial system regulators are examining the need for companies to disclose exposure to economic, environmental and social sustainability risks, including climate change. The Financial Stability Board (FSB) has established a Task Force on Climate-related Financial Disclosures to develop a set of recommendations for consistent, comparable, reliable, clear and efficient climate-related disclosures by companies. The OSC will continue to monitor these developments to determine the need for a regulatory response.

### **Enforcement and compliance tools**

Strong compliance and enforcement are essential to maintaining the integrity and attractiveness of our capital markets. Disruption of illegal activity and deterrence are key strategies in order to prevent or limit harm to investors. Our actions against firms and individuals who do not comply with the rules need to be strong and visible in order to achieve the desired deterrent effect and enhance public confidence in our markets.

As securities fraud and misconduct become increasingly complex, regulators must evolve their compliance and enforcement approaches and expand their tools. Technology, in particular, is enabling growth in cross-border activities that are detrimental to investors and very difficult to address. This creates challenges in supervision, surveillance and enforcement. If regulatory approaches are not aligned, cross-border supervision and enforcement efforts can be impeded. Regulators will need greater access to data and more sophisticated surveillance and analysis tools to more effectively evaluate compliance with regulatory requirements and identify misconduct.

## Regulatory balance

Securities regulators continue to face pressure to reduce regulatory burden. As the complexity of regulatory requirements increases, market participants often require greater resources to ensure compliance. The need for a cost-effective regulatory framework, with proportionate regulation that supports innovation and competition – while maintaining appropriate investor protections – is critical.

Both over-regulation and under-regulation can dampen innovation and undermine the competitiveness of our capital markets. The OSC will need to continue to collaborate with its stakeholders to develop appropriate rules and oversight that protect investors without imposing unnecessary regulatory burden on firms. We will also need to seek opportunities where technology can be used to make compliance easier and more cost effective.

## OSC operations

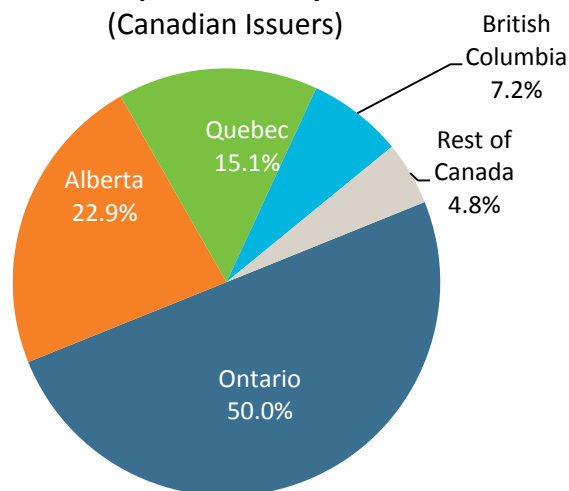
A focus on our staff continues to be important for the OSC. Attracting, motivating and retaining top talent in a competitive environment is a challenge and key to delivering on our mandate. We are increasing our investments in data and information systems to provide the right tools and training to leverage the talents of our people.

## Market Context

### Ontario's Financial Markets

- As of May 2017, Canada had the ninth largest stock market by domestic market capitalization<sup>1</sup>
- Toronto has been ranked 13th among global financial centres<sup>2</sup>
- 57% of the global mining financings were done on TSX and TSXV in 2016<sup>3</sup>
- 63% of IIROC dealer members have their Canadian head office in Ontario<sup>4</sup>
- 65% of Mutual Fund Dealers have their Canadian head office in Ontario<sup>5</sup>
- 85% of investment fund assets are held by fund companies based in Ontario<sup>6</sup>
- Ontarians hold approximately 46% of all financial wealth in Canada (\$1.7 trillion)<sup>7</sup>

**Market Capitalization by Province**  
(Canadian Issuers)



<sup>1</sup> World Federation of Exchanges (May 2017)

<sup>2</sup> Z/Yen Group Global Financial Centres Index (September 2016)

<sup>3</sup> <https://www.tsx.com/listings/listing-with-us/sector-and-product-profiles/mining>

<sup>4</sup> IIROC (May 2017) [www.IIROC.ca](http://www.IIROC.ca)

<sup>5</sup> MFDA Membership Statistics (April 2017) [www.MFDA.ca](http://www.MFDA.ca)

<sup>6</sup> Investor Economics w/ OSC calculations (Assets as of December 2016)

- Of the top 100 employer pension plans, Ontario’s pension plan assets totaled \$547 billion, representing 47% of the total across Canada<sup>8</sup>
- 399,700 people were employed in the financial services sector in Ontario, accounting for 49% of financial services employment nationally<sup>9</sup>
- Ontario is home to 41% of Canada’s full-service brokerage advisors<sup>10</sup>
- As of April 2017, there are 41 separate securities marketplaces in Canada for trading of equities, debt, derivatives and securities lending<sup>11</sup>
- As of May 2017, 82% of total trading volume (16.1 billion shares) and 99% of the total value (\$262.1 billion) traded on Canadian equity markets was traded on Ontario based marketplaces<sup>12</sup>

## Securities Regulation in Canada – Overview

Securities regulation in Canada is a matter of provincial jurisdiction. Securities regulation may be a provincial responsibility but provincial decisions can affect the national capital markets as well as Ontario’s capital markets. The other CSA members also have similar mandates to protect investors and foster fair and efficient capital markets. Canadian securities regulatory authorities currently work together through the CSA.

### The Role of the CSA

The CSA’s key objective is to coordinate and harmonize regulation of the Canadian capital markets. CSA members work cooperatively to develop and implement harmonized securities laws, and to administer, monitor and enforce laws in a consistent and coordinated manner.

### Harmonized Policies and Processes

The CSA has achieved a significant level of harmonization and uniformity in securities laws and the implementation of those laws across Canada. As a result of the cooperative efforts of the CSA, most regulatory requirements are set out in national instruments and multilateral instruments and policies. National instruments and policies are adopted with virtually uniform wording in all jurisdictions. In addition to harmonized instruments, the passport system and accompanying interface with the OSC provides a streamlined filing and review procedure for prospectuses and exemptive relief applications among multiple securities regulators across Canada. The system is designed to enable one CSA jurisdiction to rely on the analysis and review undertaken by the staff of another CSA jurisdiction.

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<sup>7</sup> Investor Economics Household Balance Sheet 2015 (Assets as of December 2015). Note: Financial Wealth does not include nondiscretionary items such as contributions to CPP, QPP & DB Plans

<sup>8</sup> Canadian Institutional Investment Network An Overview of Pension Plans in Canada 2015 (Assets as of December 31, 2015)

<sup>9</sup> The Labour Statistics Division, Statistics Canada, CANSIM table 282-0007 (May 2017), Finance and Insurance sector employment

<sup>10</sup> Investor Economics Retail Brokerage and Distribution Advisory Service Spring 2017 (Data as of March 2017)

<sup>11</sup> IIROC, OSC. Note: Aequitas Neo Book, Lit Book and Crossing Book are counted as three separate marketplaces

<sup>12</sup> Investment Industry Regulatory Organisation of Canada (May 2017)

## **National Filing and Disclosure Systems**

### **National Systems Renewal Programme (NSRP)**

The CSA has developed four national electronic databases for issuers and registrants to file documents with all Canadian regulators through a single electronic submission. These CSA databases include:

System for Electronic Document Analysis and Retrieval (SEDAR) – a central national electronic filing system that facilitates electronic filing of, and public access to, all offering and continuous disclosure documents of reporting issuers

System for Electronic Disclosure by Insiders (SEDI) – a central national filing system that facilitates the filing and public dissemination of insider reports in electronic format via the internet

National Registration Database (NRD) – a central national web-based filing system and database for all registered firms and their representatives

Cease Trade Order (CTO) Database – a central repository that collects information on individuals and companies that are subject to cease trade orders issued by the CSA

These national systems will be updated to modernize the technology and to improve functionality and usability. The vision is to replace the national systems with one modern, accessible, integrated, searchable, secure, robust database and system to deliver capabilities that support existing regulatory requirements and can be easily extended to support future requirements for the benefit of regulators and market participants; while at the same time implementing a modest set of additional, prioritized functionality. Through a phased delivery of releases, the CSA will implement new core systems to support the operations of the CSA and other stakeholders. The OSC will work closely with the CSA to reflect the needs of its market participants in these initiatives. The new system will deliver secure transactions and ease of use as well as respond to future regulatory changes and requirements.

### **Enforcement**

The OSC and the other members of the CSA have broad investigative and enforcement powers, including the ability to prohibit trading, ban persons from the market, impose financial penalties and freeze assets. By identifying contraventions of securities laws or conduct in the capital markets that is contrary to the public interest, and by imposing appropriate sanctions, the OSC and CSA deter wrongdoing, provide protection to investors and foster fair and efficient capital markets and confidence in their integrity.

The OSC/CSA, SROs, governments and police forces work together to achieve complementary goals. Cooperation among these groups takes several forms, including intelligence sharing, assisting other jurisdictions with investigations, joint enforcement actions, and reciprocal enforcement. CSA members work closely together and may conduct joint investigations on matters that involve multiple jurisdictions. In addition, CSA enforcement staff work with IOSCO, the Council of Securities Regulators of the Americas, and the North America Securities

Administrators Association to enhance global cooperation in enforcement matters. Securities Commissions in British Columbia, Alberta, Ontario and Quebec are signatories to the IOSCO Multilateral Memorandum of Understanding.

## **Capital Markets Regulatory Authority (CMRA)**

The OSC continues to support the creation of the CMRA. Objectives of the CMRA initiative include enhancing investor protection, facilitating more efficient rulemaking, encouraging the growth of globally competitive markets in Canada, strengthening our regulatory capacity to identify and manage systemic risk and solidifying Canada's international reputation for effective oversight of its financial markets.

In July 2016, the Ministers responsible for capital markets regulation in British Columbia, Ontario, Saskatchewan, New Brunswick, Prince Edward Island and Yukon, and the Minister of Finance of Canada (the Participating Jurisdictions), confirmed the CMRA's initial board of directors and set new timelines for implementing the Authority. In November 2016 Kevan Cowan was appointed the new chief regulator for the CMRA.

The Capital Markets Authority Implementation Organization (CMAIO) was incorporated on behalf of the Participating Jurisdictions in July 2015 as an interim body to assist in the transition to and implementation of the CMRA. In January 2017 CMAIO announced its initial management team that will lead the work to operationalize a cooperative regulator, the Capital Markets Regulatory Authority (CMRA) in Canada.

As a participating jurisdiction, the OSC will use its respective best efforts to enact the uniform provincial-territorial Capital Markets Act and the complementary federal Capital Markets Stability Act by June 30, 2018, with the Authority expected to be operational by December 2018.

Notwithstanding the considerable amount of work and resources being dedicated to support the CMRA initiative, the OSC recognizes the importance of maintaining high standards of regulation and of keeping stakeholders well informed and engaged throughout the transition period. Stakeholders can be assured that the OSC will remain responsive to the needs of Ontario's investors and market participants and will maintain an effective regulatory presence.

## **Oversight of Self-Regulatory Organizations, Exchanges and Clearing Agencies**

### **Self-Regulatory Organizations (SROs)**

The CSA has developed a coordinated approach to the regulation of SROs. Recognized SROs play a significant role in promoting investor protection and market integrity. They have the authority to impose sanctions on their members – i.e. fines, reprimands, suspensions and permanent membership bans. The Ontario Government passed amendments to the Securities Act which will provide SROs with the ability to pursue the collection of disciplinary fines directly through the courts. As front-line regulators, SROs discharge their responsibilities, subject to oversight by the applicable securities regulatory authorities known as "recognizing regulators".

There are two recognized and industry-funded SROs in Canada: the MFDA for mutual fund dealers and IIROC, which was formed by the merger of the Investment Dealers Association of Canada and Market Regulation Services Inc. for investment dealers and market members. Most CSA jurisdictions rely on the applicable SRO to conduct the day-to-day regulation of mutual fund dealers and investment dealers with IIROC also responsible for registering individuals and monitoring trading on equity marketplaces in Canada. Each SRO is the sole sponsor of an investor protection fund (IPF) which protects client assets in the event of an SRO member insolvency. The approved funds are the Canadian Investor Protection Fund for IIROC members and the MFDA Investor Protection Corporation for MFDA members.

The recognizing regulators have formal oversight programs, consisting of regular reporting on activities, annual oversight reviews, processes to review proposed rule and by-law amendments and regular meetings with the SROs to discuss issues and emerging trends. Similar programs are in place for the IPFs. Since multiple jurisdictions are involved in SRO / IPF oversight, the programs are coordinated. A principal regulator model is used for this purpose; each recognizing jurisdiction is actively involved in oversight, but a single regulator (i.e. the principal regulator), coordinates the process. The OSC is the principal regulator for IIROC, CIPF and the MFDA IPC; and the BCSC is the principal regulator for the MFDA.

The CSA SRO Oversight Standing Committee is responsible for dealing with issues and initiatives that affect the SROs. The day-to-day oversight of SRO/ IPFs is performed by sub-committees set up for each SRO / IPF. These sub-committees also act as forums for the discussion of issues related to each regulated entity.

## **Exchanges**

Exchanges that have been recognized in various jurisdictions in Canada are the TMX Group Inc. (and TSX Inc. that operates the exchange), TSX Venture Exchange, Canadian Securities Exchange (CSE), TSX Alpha Exchange, Aequitas Neo Exchange, the Bourse de Montreal, Natural Gas Exchange (NGX) and ICE Futures Canada. These exchanges offer services in multiple provinces and territories and are subject to regulation by the securities regulatory authorities in the jurisdictions in which they operate. The CSA relies on a "lead" regulator model for the oversight of each recognized exchange, whereby one jurisdiction recognizes the exchange while the others exempt the exchange from recognition based on principles of reliance.

The OSC is the lead regulator for TSX Inc., TSX Alpha Exchange, Aequitas Neo Exchange Inc. and CSE. The ASC and the BCSC are joint lead regulators for the TSX Venture Exchange. On the derivatives side, the AMF is the lead regulator for the Bourse de Montreal, the ASC for NGX and the Manitoba Securities Commission is the lead regulator for oversight of ICE Futures Canada Inc.

There are also 18 swap execution facilities that have been exempted by the OSC from the requirement to be recognized as an exchange.

As of June 30, 2017, the following marketplaces (both exchanges and alternative trading systems) carried on business in Ontario for the trading of equities, debt and/or derivatives:



Market Places in Ontario		
<b>Recognized Exchanges</b>	<ul style="list-style-type: none"> <li>• Aequitas Neo Exchange Inc.</li> <li>• CSE (formerly CNSX Markets Inc.)</li> </ul>	<ul style="list-style-type: none"> <li>• TSX Inc.</li> <li>• TSX Alpha Exchange Inc.</li> </ul>
<b>Exempt Equity Exchanges</b>	<ul style="list-style-type: none"> <li>• TSX Venture Exchange Inc.</li> </ul>	
<b>Exempt Derivatives Exchanges</b>	<ul style="list-style-type: none"> <li>• Bourse de Montreal</li> </ul>	
<b>ATSs for Equity Securities</b>	<ul style="list-style-type: none"> <li>• LiquidNet</li> <li>• Nasdaq CXC/Nasdaq CX2</li> <li>• Instinet Canada Cross</li> </ul>	<ul style="list-style-type: none"> <li>• Omega ATS/ Lynx ATS</li> <li>• MatchNow</li> </ul>
<b>ATSs for Debt Securities</b>	<ul style="list-style-type: none"> <li>• CanDeal.ca Inc</li> <li>• CBID/Perimeter Markets Inc.</li> </ul>	<ul style="list-style-type: none"> <li>• MarketAxess Canada Limited</li> </ul>
<b>ATSs for Securities Lending</b>	<ul style="list-style-type: none"> <li>• EquiLend</li> </ul>	

<b>Exempt Futures Exchanges</b>	<ul style="list-style-type: none"> <li>• CBOT</li> <li>• CME Inc.</li> <li>• COMEX</li> <li>• ICE Futures Canada</li> <li>• ICE Futures Europe</li> </ul>	<ul style="list-style-type: none"> <li>• ICE Futures US</li> <li>• Natural Gas Exchange Inc. (NGX)</li> <li>• Nodal Exchange</li> <li>• NYMEX</li> </ul>
<b>Swap Execution Facilities</b>	<ul style="list-style-type: none"> <li>• 360 Trading Networks</li> <li>• BGC Derivatives Markets, L.P.</li> <li>• Bloomberg SEF LLC</li> <li>• DW SEF LLC</li> <li>• GFI Swaps Exchange LLC</li> <li>• ICAP Global Derivatives Limited</li> <li>• ICAP SEF (US) LLC</li> <li>• ICE Swap Trade LLC</li> <li>• BATS Hotspot SEF LLC, formerly (Javelin SEF, LLC)</li> </ul>	<ul style="list-style-type: none"> <li>• LatAm SEF</li> <li>• MarketAxess SEF Corporation</li> <li>• SwapEX LLC</li> <li>• Thomson Reuters (SEF) LLC</li> <li>• tpSEF Inc.</li> <li>• Tradition SEF Inc.</li> <li>• trueEX LLC</li> <li>• TW SEF LLC</li> <li>• NEX SEF</li> </ul>

## Clearing Organizations

Since March 1, 2011, clearing agencies carrying on business in Ontario are required to be recognized by the OSC or have obtained an exemption from the requirement to be recognized as clearing agencies in Ontario. The following clearing agencies are recognized by the OSC:

The Canadian Depository for Securities Limited and CDS Clearing and Depository Services Inc. (together, CDS), which operate the settlement system (CDSX) for clearing and settling equity and debt transactions: CDS has been recognized by the OSC since 1987. In addition to the OSC, the regulators of CDS are the AMF (Quebec) and BCSC, at the provincial level, and the Bank of Canada at the federal level. CDS is recognized by the AMF and the BCSC under their respective securities legislation.

The Bank of Canada has designated CDSX as a systemically important clearing and settlement system under the *Payment Clearing and Settlement Act (PCSA)* which allows the Bank of Canada to oversee such designated systems that may pose a risk to the financial system. Staff of the OSC, AMF, BCSC and Bank of Canada coordinate oversight of CDS, and such coordination was formalized in a MOU Governing the Oversight of Certain Clearing and Settlement Systems that came into effect on June 9, 2015 (CSA-BOC MOU).

Canadian Derivatives Clearing Corporation (CDCC) provides central counterparty (CCP) clearing services for derivatives products traded on the Bourse de Montreal, fixed income products and certain OTC derivatives products. CDCC has been recognized by the OSC since April 2014; prior to that it was exempted from the recognition requirement. CDCC is also recognized by the AMF under its derivatives legislation and by the BCSC under its securities legislation. CDCC's CDCC system has also been designated by the Bank of Canada as a systemically important clearing and settlement system under the PCSA. As with CDS, OSC, AMF, BCSC and Bank of Canada staff also coordinate oversight through the CSA-BOC MOU.

LCH.Clearnet Limited (LCH), which operates CCP clearing services for multiple asset classes, and is currently offering the following services in Ontario: SwapClear, RepoClear, ForexClear and EnClear: the OSC has recognized LCH since 2013, prior to which it was exempted from the recognition requirement. The OSC is also a member on the Global Regulatory College for LCH. LCH is based in the UK and is regulated by the Bank of England. The OSC places reliance on the Bank of England for day-to-day oversight of LCH, and focuses its direct oversight on matters that impact Ontario participants (e.g. launching of new services in Ontario). The AMF has also recognised LCH. LCH's SwapClear system has also been designated by Bank of Canada under the PCSA. The OSC, AMF and Bank of Canada staff informally coordinate oversight.

FundSERV Inc. (FundSERV), which provides an electronic system for the mutual fund industry to place and reconcile orders and also offers centralized payment exchange facilities for settlement of mutual fund trades: it has been recognized by the OSC since 2012.

As a result of the mandatory recognition requirement, the OSC has also issued exemption orders for the following clearing agencies that operate in Ontario on the basis that these entities are already subject to regulation in another jurisdiction and do not pose significant risk to Ontario capital markets:

- Chicago Mercantile Exchange Inc.
- CLS Bank International and its affiliate CLS Services Ltd.

- CME Clearing Europe Limited
- ICE Clear Canada Inc., which is the designated clearing house for ICE Futures Canada, Inc. (formerly Winnipeg Commodity Exchange)
- ICE Clear Credit LLC
- Eurex Clearing AG
- Nodal Clear LLC
- Omgeo Canada Matching Ltd., which carries on business as a matching service utility (MSU) in Ontario, and is regulated as a MSU under National Instrument 24-101 Institutional Trade Matching and Settlement (NI 24-101)
- SS&C Technologies Canada Corp., which carries on business as a MSU in Ontario and is also regulated under NI 24-101
- Options Clearing Corporation

The CSA has an MOU to coordinate the oversight of financial market infrastructure, specifically clearing agencies and trade repositories (TR) (FMI MOU). This MOU supplements the CSA-BOC MOU, and the objective is to facilitate coordination and information sharing among the securities regulators.

## Trade Repositories

As part of Canada's commitment to the G20 initiative to reform the practices in the OTC derivatives markets, the OSC made OSC Rule 91-506 *Derivatives: Product Determination* and OSC Rule 91-507 *Trade Repositories and Derivatives Data Reporting* (TR Rule). The purpose of the TR Rule is to improve transparency in the OTC derivatives market by requiring participants in the market to report certain trade information to a designated TR and to impose certain minimum standards on designated TRs to ensure that they operate in a manner that promotes the public interest. Trade repositories began reporting under the TR Rule in October 2014. Three TRs have been designated in Ontario: Chicago Mercantile Exchange Inc. (CME), DTCC Data Repository (U.S.) LLC (DDR) and ICE Trade Vault, LLC (ICE TV). These TRs are based in the US and regulated by the CFTC. The OSC places reliance on the CFTC for day-to-day oversight and focuses direct oversight on matters that impact the Ontario capital markets (e.g., access by Ontario participants). In addition, the three TRs have also been designated by the AMF and MSC and in July 2016, securities regulators in Alberta, British Columbia, New Brunswick, Nova Scotia and Saskatchewan announced approval of recognition orders for the three TRs designated by the OSC. Securities regulators in Newfoundland and Labrador, Nunavut, Northwest Territories, Prince Edward Island and Yukon expect to approve comparable recognition orders for some or all of these trade repositories before trade reporting requirements begin in their jurisdictions. On-going oversight of the designated TRs is coordinated under the FMI MOU discussed above.

Work is underway to build a framework to manage and analyze data received under the TR Rule to allow the OSC to gauge if the TR Rule is meeting its policy objectives.

## Regulation of Issuers – Offerings and Continuous Disclosure

Subject to certain specified exemptions, issuers are required to prepare and file a preliminary and final prospectus prior to any distribution of securities to the public. The prospectus must contain full, true and plain disclosure of all material facts relating to the securities offered under the prospectus and must be receipted by the Commission.

Public companies (referred to as reporting issuers) must comply with periodic and timely continuous disclosure obligations. Those obligations include periodic financial reporting (annual and interim), material change reports, and business acquisition reports. Requirements that contribute to fair and efficient markets, such as insider trade reporting, corporate governance requirements, and minority shareholder protection requirements also form part of public company regulation.

Issuers that rely on a prospectus exemption must comply with the applicable conditions. Depending on the exemption, conditions relate to the nature of the purchasers, limits on the amounts that may be distributed, prescribed disclosure, and limited ongoing reporting.

Prospectus-exempt distributions do not require prior approval or staff review. Compliance and oversight of issuers in the exempt market is focused on creating awareness of our requirements, monitoring the use of the prospectus exemptions and identifying material non-compliance that may require regulatory intervention.

Investment funds that offer their securities to the public must also prepare and file a preliminary and final prospectus before distributing their securities. In addition, conventional mutual funds must prepare a fund facts document that is required to be delivered to a purchaser prior to the purchase of mutual fund securities. The document provides key information about a fund in plain language and cannot exceed two pages in length. Exchange-traded funds (ETFs), similarly, are required to deliver a fund summary document to investors who purchase securities of the ETF on an exchange. These disclosure documents are reviewed based on a risk-based approach.

Publicly-offered investment funds are subject to continuous disclosure obligations similar to those applicable to public companies. These investment funds must also comply with product regulations that contribute to investor protection, including investment restrictions, asset custody requirements and security holder voting requirements. Investor protection is further promoted by requiring every publicly-offered investment fund to have an independent review committee to oversee matters involving conflicts of interest faced by the fund manager in the operation of the fund.

The OSC also regulates linked notes that are sold to retail investors. The issuers of these structured products prepare and file base shelf prospectuses and prospectus supplements to distribute these notes. Any novel structured product is reviewed by the OSC before the issuer distributes the note to investors.

## Registration of Dealers, Advisers and Investment Fund Managers

The underlying principle of regulation for dealers, advisers and investment fund managers is based on registration and ongoing registrant obligations. Registration entails demonstrating that the person or company meets the fit-and-proper requirements of proficiency, integrity and financial solvency. Once registered, a dealer, adviser or investment fund manager must meet ongoing registrant obligations. For example, registered firms must meet certain business conduct requirements (including know-your-client (KYC), know-your-product (KYP), suitability, conflict management and client relationship requirements), and financial reporting, working capital, insurance and bonding requirements.

Unless an exemption exists or a discretionary exemption is granted, firms must register in each jurisdiction where they are:

- in the business of trading;
- in the business of advising;
- holding themselves out as being in the business of trading or advising;
- acting as an underwriter; or
- acting as an investment fund manager.

Individuals must register if they trade, underwrite or advise on behalf of a registered dealer or adviser, or act as the ultimate designated person or chief compliance officer of a registered firm. To facilitate registration and filing in multiple jurisdictions, the CSA developed the National Registration Database and has harmonized the registration regime.

Oversight reviews of registrants and derivatives market participants are conducted to assess compliance with applicable securities legislation, rules and adherence to best practices. Registrants are selected for reviews using a risk-based approach or when particular topics of interest or concerns are identified. The review programs are updated periodically to include regulatory changes (i.e. expansion of the exempt market to include offering memorandum and crowdfunding requirements and derivatives data reporting).

### International Harmonization

The OSC is actively engaged at the international level, promoting cooperation, information sharing and the development of principles, standards and best practices in securities regulation. The OSC Chair is a member of the governing Board of IOSCO, which is the leading international policy forum for securities regulators and is recognized as the global standard setter for securities regulation. The OSC Chair is also Chair of IOSCO's Enforcement Monitoring Group. This group is responsible for ensuring that the more than 100 international signatories to the IOSCO multilateral MOU on enforcement provide their fullest assistance in sharing information to facilitate cross border investigations and enforcement matters.

## VISION AND STRATEGIC PRIORITIES

The OSC vision is to be an effective and responsive securities regulator – fostering a culture of integrity and compliance and instilling investor confidence in the capital markets. Public confidence in these markets can be affected by many factors, including the stability of the financial system, the economic health of the country and the volatility in the marketplace. The OSC is addressing a wide range of issues and risks to achieve its vision and mandate to provide protection to investors from unfair, improper or fraudulent practices and to foster fair and efficient capital markets and confidence in those markets.

### Strategic Outlook

Our most recent OSC Strategic Outlook articulates a vision for meeting the challenges and seizing the opportunities confronting us as we seek to effectively regulate Ontario’s capital markets in the best interests of investors and market participants. Our Strategic Outlook informs how we achieve the OSC’s goals to deliver responsive regulation, effective compliance and enforcement, strong investor protection and to be an innovative, accountable and efficient organization.

There are many environmental factors that impact the OSC’s strategic outlook. Important themes including globalization, technology, the changing investor population and economic conditions continue to impact how the OSC does its work.

### Globalization

Globalization has wide-ranging impacts on Canadian capital markets. Capital markets are not constrained by borders and globalization of the markets continues to be a dominant theme that must be taken into account. Mobility of capital creates a strong need for coordination with other regulators to achieve valuable regulatory alignment both domestically and around the world. The regulatory environment we operate in creates complex jurisdictional and operational challenges for regulators and market participants. The OSC maintains an effective and cooperative interface with the CSA. Regulatory cooperation is also essential to achieving success in investigations and actions involving activity beyond Ontario’s borders. Continuing to play an active role in international organizations such as IOSCO is key to help influence and promote changes to international securities regulation that are most beneficial to Ontario markets and participants.

### The Compliance and Enforcement Toolkit

Compliance and enforcement activities continue to play a central role in maintaining and enhancing trust in Ontario’s capital markets. In addition to using a multitude of compliance tools with effective registration and compliance oversight regimes to help deter misconduct and non-compliance by registrants and market participants, we have also developed new tools and will continue to experiment to find ones that are effective, such as whistleblower and mystery shops. As a part of efforts to protect consumers and investors and bolster the stability and efficiency of financial markets, we continue to consider measures to strengthen enforcement of Ontario securities law. For example, following recent amendments to the Securities Act, there is now a prohibition on a person or company in a special relationship with a reporting issuer from recommending or encouraging another person or company to trade in securities of the issuer with insider information.

## **Technological Innovation**

Rapidly evolving technology-enabled innovations continue to disrupt and transform our capital markets. The effects are being felt everywhere in the markets, especially on the trading side and throughout the infrastructure that supports the markets, but also in the way that market participants are offering fundamental services to investors, for example, through automated advice platforms. A range of disruptive innovations have emerged. FinTech has the potential to revolutionize access to capital by small businesses.

The degree to which technology permeates the operation of the capital markets will fundamentally impact how we are able to regulate them. For example, the use of social media to do financial transactions and communicate to the market and investors may require changes to how we look at disclosure and compliance. Marketplace changes such as the speed of trading, the quality of trade executions and volatility requires us to continue to monitor the effectiveness of our market structure regulation.

Increased dependence on digital connectivity and data collection and analysis, creates challenges for businesses and raises potential exposure to disruptions, including cybersecurity vulnerabilities.

## **Changing Demographics**

Demographics will continue to generate a range of investor-focused issues. Demographics indicate that the proportion of individuals aged 65 or over is expected to grow from 14.6% in 2012 to 24% by 2031. The changing needs of investors as they enter retirement will drive changes in the investment products offered, the types of advice sought and the methods through which investors interact with the financial markets. Evolving market channels, such as automated financial advice, are redefining the delivery of client wealth management services and the fees charged for advice. More than ever, investors are facing complex investment choices and assuming greater responsibility for their investments and retirement savings.

A well-functioning investor/advisor relationship remains critical to the economic well-being of Ontarians and ultimately to achieving healthy capital markets. Globally, better alignment of the interests of firms with the expectations of investors is evolving. The newly introduced changes to the exempt market regulatory regime are expected to provide opportunities for new investors to the capital markets and this will necessitate additional oversight activities to monitor market conduct, firms' compliance cultures and how advisors meet the interests of their clients.

## **Regulatory Balance**

Securities regulators face growing pressures to respond appropriately to market issues while avoiding over-regulation. The need for an appropriate and cost-effective regulatory framework is critical. Market participants are focused on regulatory burden as the complexity of regulatory requirements often requires more resources to comply. These challenges are made even more difficult by the growth of differently regulated investment options available to investors.

The direction we have defined ourselves is grounded in the OSC's five strategic goals:

1. Deliver strong investor protection
2. Deliver responsive regulation
3. Deliver effective compliance, supervision and enforcement
4. Promote financial stability through effective oversight
5. Be an innovative, accountable and efficient organization

## **1. Deliver Strong Investor Protection**

### *OSC Investor Office*

The OSC Investor Office is continuing to expand the OSC's efforts in investor engagement, research, education and outreach, to help investors build their knowledge, understanding and confidence in planning for their investment goals and retirement finances. The Investor Office continues to bring new perspectives to inform OSC policy-making and operations to better align with investors' interests.

The Investor Office seeks input from investor advocacy groups, including the Investor Advisory Panel, to inform its understanding of issues affecting investors and, use the information in developing tailored solutions to reach the broad range of at-risk investor groups, including seniors, millennials and new Canadians.

An effective and fair dispute resolution system is an important component of the investor protection framework. The Ombudsman for Banking Services and Investments (OBSI) recently underwent an independent review of its operations and structure, as required by its Memorandum of Understanding (MOU) with the CSA. The OSC has identified specific efforts to address these findings as a key priority area in 2017-2018.

### *Policy agenda focused on investors*

A significant portion of the OSC's policy agenda will be focused on initiatives that put the interests of investors first. The OSC is continuing to work to develop regulatory provisions to create a best interest standard for advisors, along with regulatory reforms under National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (NI 31-103) aimed at improving the advisor/client relationship. The OSC will also be making recommendations about embedded commissions and other types of compensation arrangements.

The OSC will continue to interact with and seek input from advisory bodies and other organizations focused on investor protection, advocacy and education in order to share information to achieve mutual objectives.

## **2. Deliver Effective Compliance, Supervision and Enforcement**

### *Compliance and enforcement activities in support of investor protection*

Effective registration and compliance oversight programs, combined with timely enforcement, help to deter misconduct and non-compliance by registrants and market participants. The OSC's fundamental work of monitoring compliance and pursuing enforcement with securities laws will reflect its commitment to identify and address areas that are most crucial to upholding strong investor protection. The OSC will monitor industry trends and innovations that may impact on



retail investors. We will also continue to identify potential scams and frauds and alert investors about them.

In our core work we are relying more on trend and risk analysis and monitoring of changes in compliance. We will continue to undertake targeted compliance reviews of high risk and new registrants, including online advice and portal business models. We will also conduct targeted prospectus and continuous disclosure reviews of issuers, investment funds and structured products as they respond to market developments and product innovations, and we will publish OSC staff guidance as warranted. As new obligations are implemented we will monitor for compliance. In doing this work, we will also focus on expected standards of conduct of market participants.

#### *Strong and visible enforcement presence*

We continue to evolve our enforcement tools and approaches. Our enforcement activities will increasingly centre on delivering timely, credible deterrence through the use of various detection tools, information and actions. The use of electronic data gathering and e-hearings will add to this efficiency. We will actively pursue timely and impactful enforcement cases involving fraud and other serious securities laws violations through our quasi-criminally focused Joint Serious Offences Team (JSOT) program, which is a joint enforcement effort with the RCMP and OPP.

#### *Office of the Whistleblower*

We are continuing to develop our OSC Office of the Whistleblower, the first paid whistleblower program by a securities regulator in Canada. The program offers robust protections and provides significant incentives of up to \$5 million to individuals who come forward with tips that lead to enforcement actions that will send strong regulatory messages.

Collectively, these activities should result in the OSC bringing forward to the courts more cases involving fraudulent activity that harms investors and affects the integrity of the capital markets, and seeking penalties commensurate with those activities, including jail terms.

### **3. Deliver Responsive Regulation**

As technology and capital markets evolve, our approach to regulation needs to adapt to address these changes. The OSC has recently undertaken various initiatives, such as changes to the exempt market regulatory regime and the review of the market structure regulatory framework, to promote efficient markets, protect investors and maintain investor confidence. The OSC's focus in these areas will shift to monitoring and assessing whether existing measures are achieving their expected regulatory outcomes or if further regulatory responses are needed. The OSC will continue to review recently implemented regulatory reforms (e.g. disclosure relating to women on boards and in executive officer positions) to assess whether expected results are being achieved.

The emergence of fintech has occurred rapidly, causing disruption in the financial services industry. The development of innovative business models, including online advisers, online lenders and crowdfunding platforms, has already resulted in substantial changes to the relationship among regulators, investors and intermediaries. Fintech represents a significant challenge for regulators to respond to and support the pace of innovation. In October 2016, OSC established its LaunchPad group that engages with the fintech community, provides the

opportunity for support in navigating regulatory requirements and strives to keep regulation in step with digital innovation.

The OSC is committed to delivering responsive regulatory oversight to meet its mandate and is examining ways to make it easier and less costly for firms to interact with regulators. The OSC is mindful of the impact of regulatory burden on market participants and recognizes the need to actively pursue opportunities to alleviate that burden without impeding the ability of the OSC to fulfill its responsibility to protect investors. The OSC will work with its CSA partners to obtain feedback from market participants and stakeholders to identify specific areas of securities legislation that may duplicate other requirements, may not be achieving our regulatory objectives, or where the regulatory burden may be disproportionate to the regulatory objectives that are achieved.

The OSC will also continue to seek opportunities to improve the efficiency of its interface with market participants including the implementation of electronic solutions to make submission of data easier for market participants.

#### **4. Promote Financial Stability through Effective Oversight**

##### *OSC systemic risk oversight and derivatives reform*

The OSC works with domestic and international regulators to monitor and better understand the key components of systemic risk and how they interact. Internationally, the OSC works with the Financial Stability Board, IOSCO and others to remain abreast of emerging risks. Domestically, the OSC is connected to various regulators through the Heads of Agencies, which includes the Bank of Canada, Federal Finance and The Office of the Superintendent of Financial Institutions. These interactions improve the resilience of our markets through shared communication and understanding of areas where our regulatory responsibilities intersect.

The OSC has implemented elements of the regulatory framework to regulate OTC derivatives through the creation of a trade reporting system and the designation of trade repositories. The OSC will work to complete the regulatory framework and build the infrastructure and commit the necessary resources to effectively oversee and supervise activities in the OTC derivatives markets.

##### *Enhance oversight of industry cybersecurity preparedness*

Cyber-attacks continue to be a major and growing risk for market participants and regulators. Increased dependence on digital connectivity (e.g., online banking and mobile payment systems), combined with exponential growth and reliance on data, increases exposure to disruptions, resilience and other cybersecurity issues. The OSC has a central role to play in assessing and promoting readiness and supporting cybersecurity resilience within the industry. While industry is already taking action to understand and mitigate cybersecurity risks, it is clear continued vigilance in this area will be required. The OSC will be undertaking initiatives to promote proper due diligence by market participants in relation to internal breaches and intrusions from external parties.

#### **5. Be an Innovative, Accountable and Efficient Organization**

##### *Support successful organization change and continuity*

Improving our efficiency is a top priority, and we remain committed to improving our business capabilities and the way we work. We are introducing process improvements and increasing the

use of technology to improve our operational performance. We are continuing to mature our research and data analysis capabilities to support improved and timely identification of risks, and a more disciplined approach to identifying issues and policy development. An enhanced risk-based approach will be utilized to identify registrants and issuers whose operations or structures may pose risks to retail investors. A focus on risk will contribute to the OSC's understanding and response to emerging market, product and systemic risks in a timely manner.

We are also continuing to incorporate technology and more sophisticated analytical tools to improve the efficiency, quality and timeliness of enforcement, and to gather and analyze data and other information, including information required for compliance and adjudicative matters.

#### *Accountability*

All policy initiatives will be aligned with OSC goals and risk assessments. The OSC believes that a data-driven, evidence-based and risk focused approach is critical to effective policy development and regulatory oversight and it is crucial to track and understand the impacts of its regulatory actions. Greater rigour will continue to be imposed on the completion of regulatory impact and data analyses to support informed decision making and prioritization of initiatives.

The OSC is committed to being accountable and will report on how it is progressing against its strategic plan and goals. It will use performance indicators to measure the success and effectiveness of its work and demonstrate its accountability to deliver against its mandate and goals.

#### *Investment in people*

The OSC will continue to focus on attracting and retaining top talent. It will also invest in training and tools for staff to help them to do their work and make the OSC a more proactive and agile securities regulator.

## **OSC 2017 – 2018 Priorities**

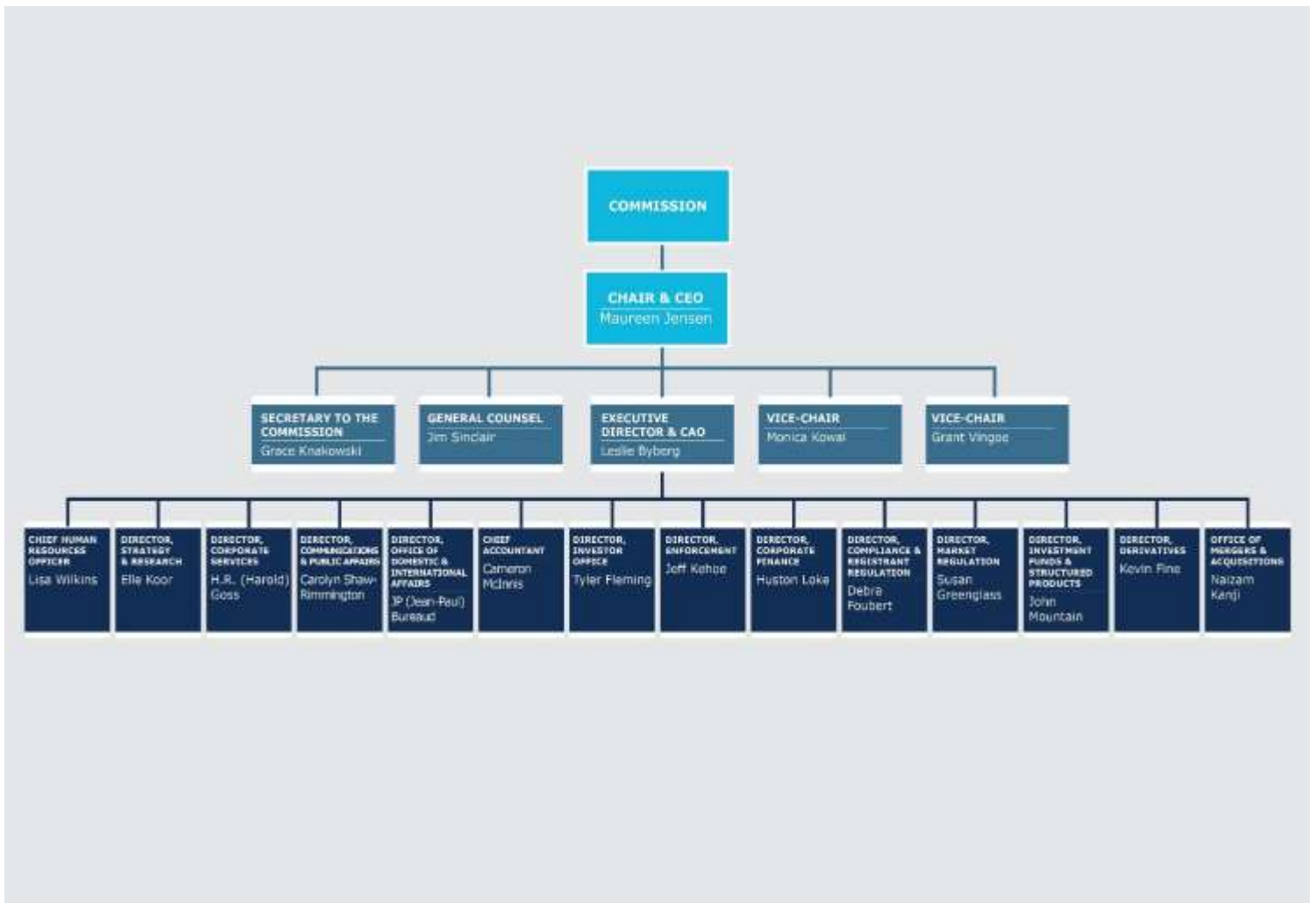
The OSC Statement of Priorities is an annual document required under the *Securities Act*. The Commission's key 2017 – 2018 priorities, along with specific initiatives, are set out in Appendix A.

# ORGANIZATION, STRUCTURE AND CORE ACTIVITIES

The OSC is organized into seventeen branches and offices, eight of which focus their main activities on regulating defined segments of the Ontario securities markets. For the most part, the remaining branches/offices provide regulatory advice or provide corporate support to the OSC’s regulatory branches, Commissioners and the Executive.

## Organizational Chart

An organizational chart is set out below followed by a discussion of the core activities of each branch.



## **Regulatory Operations Branches/Offices**

Compliance and Registrant Regulation – responsible for regulating firms and individuals who are in the business of advising or trading in securities or commodity futures, and firms that manage investment funds in Ontario, as well as developing policy relating to registrants and their obligations.

Corporate Finance – responsible for regulating reporting issuers (other than investment funds) and leading issuer-related policy initiatives. The branch establishes the regulatory framework for securities offerings in the public and exempt markets, and compliance through ongoing reviews. The branch is also responsible for supervising insider reporting and regulating credit rating agencies.

Derivatives – responsible for developing a regulatory framework for over-the-counter derivatives trading in Ontario.

Enforcement – responsible for investigating and litigating breaches of the Acts and seeking orders in the public interest before the Commission and the courts.

Investment Funds and Structured Products – responsible for regulating investment products that offer securities for sale to the public in Ontario, including mutual funds, exchange-traded funds, structured products and scholarship plans.

Market Regulation – responsible for regulating market infrastructure entities (including exchanges, alternative trading systems, self-regulatory organizations and clearing agencies) in Ontario and for developing policy relating to market structure and clearing and settlement.

Office of Mergers and Acquisitions – responsible for matters relating to take-over bids, issuer bids, business combinations, related party transactions and significant acquisitions of securities of reporting issuers.

Investor Office – sets the strategic direction and leads the OSC's efforts in investor engagement, education, outreach and research. It also brings the investor perspective to the OSC's policy-making and operations, including working with the OSC's Investor Advisory Panel.

## **Regulatory Advisory Branches/Offices**

Office of the Chief Accountant – supports the OSC in creating and promoting a high-quality framework for financial reporting by market participants.

Office of Domestic and International Affairs – provides advice and support to the OSC in its dealings with other regulators and governments, both in Canada and internationally.

General Counsel's Office – an in-house legal, policy, strategy and risk-management resource to the OSC. It also supports the OSC Ethics Executive in the oversight of organizational integrity and ethical conduct.

Strategy and Operations – assists the OSC in the delivery of its strategic goals and priorities through policy advice, research and project planning, and by leading the OSC’s business planning, policy prioritization and risk management processes.

## **Corporate Branches/Offices**

Communications & Public Affairs – provides strategic advice and services to ensure the timely and effective communication of OSC priorities, policies and actions to external and internal stakeholders.

Corporate Services – supports effective operations through a diverse set of systems and services, including financial management (including planning, reporting and treasury), administration and office services, facilities management, information technology, library and knowledge management, procurement, and records and information management.

Human Resources – provides strategic and operational advice and services relating to the planning, acquisition, development and engagement of OSC talent, the planning and administration of the OSC's total compensation plan, performance management and overall organization development.

Office of the Secretary to the Commission – supports the Members of the Commission in their statutory mandate as regulators and as a board of directors by providing counsel on adjudicative matters and administrative law, corporate law and corporate governance.

Chief Internal Auditor – conducts risk-based internal audits to evaluate the quality and effectiveness of OSC processes and systems, including compliance with policies and procedures.

## Staff Summary

<b>Total approved permanent positions as at April 1, 2017</b>	
<b>Regulatory Operations Branches / Offices</b>	
Compliance and Registrant Regulation	89
Corporate Finance	58
Derivatives	14
Enforcement	152
Investment Funds and Structured Products	35
Market Regulation	28
Office of Mergers and Acquisitions	6
Investor Office	12
<b>Regulatory Advisory Branches / Offices</b>	
Office of the Chief Accountant	7
Office of Domestic and International Affairs	8
General Counsel's Office	16
Strategy and Operations	32
<b>Corporate Branches / Offices</b>	
Communications & Public Affairs	14
Corporate Services	63
Human Resources	15
Offices of the Chair, Executive Director and Corporate Secretary, Internal Auditor	27
<b>Total</b>	<b>576</b>

## 2017 – 2018 FINANCIAL SUMMARY

### OSC Revenues and Surplus

The OSC is forecasting 2017–2018 revenues to be slightly lower (3.5%) than 2016–2017 actual revenues. The forecast reflects fee rates set out in the OSC’s fee rules (13-502 and 13-503), which became effective April 6, 2015 and are in place until March 31, 2018. The revenue forecast anticipates a slight decline in market activity and growth in 2017-2018, represented by a decline in forecasted activity and participation fees compared to the prior year.

The OSC expects to generate a deficit of \$1.9 million in 2017–2018 which will reduce the 2016–2017 ending surplus of \$40.6 million, for a total surplus of \$38.7 million as at March 2018. When the fee rules were developed and published, the OSC advised that they would be relatively revenue neutral over the three-year period, with an expected surplus in 2015–2016, a smaller surplus in 2016–2017 and a deficit in 2017–2018. This is because revenues were expected to be relatively flat over the term of the rule, while expenses were expected to increase each year. However, actual expenses for each of 2015–2016 and 2016–2017 were lower than projected and revenues were slightly higher than projected, which has increased the surplus.

Fee rates will be reviewed in fiscal 2018 and the existing surplus will be taken into account in determining possible fee adjustments. However, in light of significant initiatives such as the CMRA, the OSC is postponing substantive amendments to the fee rule over a two year period up to March 31, 2020. Other factors to be considered when reviewing the level of surplus and fee rates are the projected level of expenses, any projected capital expenses and the level of cash resources required to provide an adequate cash safety margin. The fee review will also consider the cost of new regulatory oversight of syndicated mortgage transactions, exempt markets and derivatives.

### 2017 – 2018 Budget Approach

Our regulatory framework needs to remain current and responsive to the continuing evolution of market structures and products and supportive of capital formation in Ontario. The OSC must carefully balance the desire to improve access to capital with the need to retain appropriate investor protections. The 2017–2018 SoP sets out the OSC’s key priorities to meet these challenges. Achievement of these priorities is a key driver of the increases to the 2017–2018 OSC budget as this will require focused investments in the following areas:

- Increased oversight of the capital markets
- Continuation of LaunchPad and Whistleblower program
- Continuation of the data management program
- Continuation of technology modernization including eDiscovery and eHearing replacement

The 2017-2018 budget reflects an increase in expenses of 4.9% from the 2016–2017 budget and 8.5% from actual 2016–2017 spending. Salaries and benefits, which comprise \$86.1 million or 73% of the budget, represent an increase of \$4.2 million or 5.1% over 2016–2017 spending.



The key reasons for this increase are:

- approval of new positions to support the investments noted above
- the impact of the full year costs of the positions filled in the prior year, many of which were filled later in the year

The capital budget, essentially flat as compared to 2016–2017 spending, primarily reflects the cost to support the OSC’s information technology needs.

Excess/Deficiency of Revenues over Expenses (in millions)	2016-17 Actual	2017-18 Budget	Year Over Year Change +/-	
<b>Revenues</b>	\$119.9	\$115.8	(\$4.1)	(3.5%)
<b>Expenses</b>	\$108.5	\$117.7	\$9.2	8.5%
<b>Excess of Revenues over Expenses</b>	\$11.4	(\$1.9)	(\$13.3)	(116%)
<b>Capital Expenditure</b>	\$2.7	\$2.7	-	-
<b>Staff</b>	570	576	6	1.0%

<b>OSC Budget and Staff Allocation</b> 2017 – 2018 Budget Expenses - \$117.7 Million 2017 – 2018 Budget Capital - \$2.7 Million Total 576 Staff			
<b>Executive Offices</b>  Budget - \$7.2 Million 27 Staff	<b>Policy &amp; Operations – Regulatory Operations</b>  Budget - \$54.7 Million 394 Staff	<b>Policy &amp; Operations – Regulatory Advisory</b>  Budget - \$9.6 Million 63 Staff	<b>Corporate Branches &amp; Corporate Expenses*</b>  Budget - \$46.2 Million 92 Staff

\* Includes occupancy costs, supplies, amortization, etc.

## Five Year Financial Forecast

(in millions)	2017-18 Budget	2018-19 Forecast	2019-20 Forecast	2020-21 Forecast	2021-22 Forecast
Total Revenues	\$115.8	\$117.8	\$117.8	\$116.4	\$116.4
Total Expenses**	\$117.7	\$121.2	\$124.8	\$128.6	\$132.5
Surplus/(Deficit)	(\$1.9)	(\$3.4)	(\$7.0)	(\$12.2)	(\$16.1)
Opening Surplus	\$40.6	\$38.7	\$35.3	\$28.3	\$16.1
<b>Closing Surplus</b>	<b>\$38.7</b>	<b>\$35.3</b>	<b>\$28.3</b>	<b>\$16.1</b>	<b>\$0</b>

\*\* Net of Recoveries of Enforcement costs and Recoveries of Investor Education costs

The forecast estimates an increase of 3% in expenses, which allows for an increase in general inflation, expected increased regulatory oversight of syndicated mortgage transactions, exempt markets and derivatives, as well as ongoing investments in information technology. Revenue forecasts reflect fee rates effective until March 31, 2018. Revenues in fiscal 2019 and 2020 anticipate a slight change in market growth and activity, relative to the budget, with no changes to the fee rates. Over a 3-year period beginning April 1, 2020, fee rate changes are forecasted to reduce the surplus to achieve cost recovery. As the forecast reflects assumptions as at the date the business plan was written, the OSC will continue to monitor costs and fees collected and consider appropriate fee adjustments.

# PERFORMANCE MEASUREMENT

## Overview

Effective performance measurement provides insights into operations, supports planning and promotes a culture of accountability.. It is an ongoing process to monitor and report on the progress towards achieving established goals. A sound framework for performance measurement and management helps determine when adjustments are needed to the goals, strategies and programs established at the OSC. The OSC is committed to performance measurement as a vital process to help us to better understand, manage and improve what we do.

## Development of Regulatory Performance Measures

### Activity Measures

The OSC continues to track its performance against a series of measures that are predominantly activity-based. These measures include volume measures (e.g. number of incoming prospectuses and continuous disclosure reviews completed), transaction turnaround times (e.g. percentage of new business applications evaluated within service targets) and project initiative completion dates and are used in monitoring quarterly performance of most core activities of the OSC operating branches. While these measures provide limited insight into regulatory impact, they play an important role in providing an overview of regulated activities and the work done by staff as part of the OSC's oversight role. Tracked over time, these measures allow for trend detection, workload management and resource realignment.

### Market Quality Indicators and Capital Market Dashboards

The OSC developed and reports on a set of equity market liquidity and efficiency measures that demonstrate the OSC's connection to the broader financial picture and enable the Commission to further its understanding of how markets under its jurisdiction compare to others. These measures are being tracked over time in order to identify market trends and assess emerging risks.

The capital market dashboards provide a quarterly overview of the major components of the markets including size and net flows of the bond, public equity, mutual fund, Derivative and Exempt markets. They provide the Commission with a broad overview of the markets and serve as a research reference to the branches. The OSC will examine trends using newly available data from Trade Reporting, corporate bond and exempt markets to enhance its derivatives, exempt market and fixed income dashboards.

## Outcome Measures

The OSC uses a range of approaches to demonstrate its accountability to its stakeholders. The OSC relies extensively on consultation with stakeholders in developing its proposed regulatory approaches. The frequency, quality and interactive nature of these processes, and the feedback obtained, is a good proxy for measuring the effectiveness of OSC policy making.

The impacts of regulation are often less tangible and occur over time. This makes it very difficult to implement a meaningful and feasible performance measurement framework. Currently, the OSC has a limited number of measures that focus on regulatory impact. A recent example of such measures demonstrates the impact on share prices of issuers that are placed on the Commission's Refilings and Errors list if staff have found their disclosure records to have a material deficiency.

The OSC is increasing its use of post implementation impact analysis to assess the degree to which targeted regulatory outcomes are being achieved. For example, staff completed a review of all TSX-listed issuers to assess compliance with disclosure requirements for Women on Boards and in Executive Officer positions. In addition, the OSC published its Ontario Exempt Market Report, which provides a snapshot of the current state of Ontario's exempt market and a preliminary assessment of recent regulatory reforms.

The OSC has developed management dashboards and scorecards, with a focus on visual representations to provide context and highlight key measures. These measures are refined over time. In addition to activity measures, the OSC utilizes financial measures such as the variance of current expenditure and revenue forecasts vs. full year plan, which assists in forecasting and budgeting activities.

## Performance Reporting and Accountability

The OSC has an annual process where it publishes its proposed priorities for the coming year and seeks comments from stakeholders. After considering this feedback, the OSC finalizes and publishes its *OSC Statement of Priorities* setting out its top priorities. The OSC annually publishes its *OSC Statement of Priorities Report Card* which reports on its performance against the identified priorities for the preceding fiscal year. The report also provides a summary of survey results from the various outreach events such as *OSC in the Community* and policy consultation sessions held over the year. A broader discussion of OSC accomplishments are available in the OSC Annual Report, which is published on the OSC website ([www.osc.gov.on.ca](http://www.osc.gov.on.ca)).

As part of its focus on accountability and transparency, the OSC publishes "*OSC Service Commitment - Our Service Standards and Timelines*", which is a detailed performance report against a broad range of service targets. This document is available on the OSC [website](#) and the metrics for 2016-2017 are presented in Appendix B.

## Next Steps

The OSC is becoming more data-driven. Greater use of data will be a fundamental component in developing, implementing and reporting on meaningful performance measures. The OSC will

continue to evaluate activity measures that are currently internal or published for a limited audience and determine which ones should be published more broadly. As part of this process the OSC will consider which current activity measures could be improved. The OSC remains committed to developing outcome measures that provide a reasonably comprehensive assessment of the Commission's regulatory impact.

# RISK IDENTIFICATION AND MANAGEMENT

## Background

The OSC must manage a growing range of risks arising from the pace of change and the continuing globalization of financial entities and their operations. Understanding those we regulate is necessary to manage known risks and respond to emerging risks in a more timely and appropriate way. The OSC applies International Risk Management Standard ISO 31000 to its enterprise risk management. We do this through a Risk Management Framework which was adopted in November 2012.

## Key Components of the OSC Risk Management Framework

The goal of the framework is to embed risk management at key strategic decision points and within all elements of our operations and through all levels of staff. The framework sets out a process for identifying and assessing risks, and highlighting and reviewing controls. The key advantages of the framework are:

- Promote a risk awareness culture within the OSC;
- Align the OSC risk appetite with its strategic direction;
- Identify and manage enterprise-wide risks;
- Provide the necessary context for setting the OSC's strategic direction and business planning;
- Facilitate proactive management of risk, improvements to performance measures and prioritization of initiatives and allocation of resources.

The OSC Risk Management Framework adapts to our ever-changing environment. It enhances our decision-making processes and supports the development of a risk-based culture within the organization. Decision making within the organization is informed by quarterly risk reporting and involves consideration of risks and the application of risk management.

## Strategic Risks

Risk can relate to threats to the OSC's strategy or operations, or failure to take advantage of opportunities. The OSC seeks to fully address or mitigate the strategic and business risks that are most likely to impair achievement of our mandate. The OSC's Enterprise Risk Inventory is a key input to our risk management and business planning processes.

## Enterprise Risk Inventory

Information gathered through the risk management process is captured in the OSC's Enterprise Risk Inventory. It includes a "top-down" and "bottom-up" view of the risks and controls within the OSC. The top-down portion describes the environment in which the OSC works and the bottom-up portion deals with day-to-day operational risks that affect our ability to do our work. The OSC's Risk Committee reviews the Enterprise Risk Inventory each quarter to identify significant changes in the OSC's risk profile, including any new or emerging risks. This information is reported to Senior Management, the Audit and Finance Committee, and the Board of Directors.

## **Business Risks**

The OSC has established policies and processes to identify, manage and control operational and business risks that may impact our financial position and our ability to carry out regular operations. Management is responsible for ongoing control and reduction of operational risk by ensuring appropriate procedures, internal controls and processes, other necessary actions and compliance measures are undertaken.

Operational risk can include risk to the OSC's reputation. Reputational risk, as it relates to financial management, is primarily addressed through the OSC's Code of Conduct and governance practices established by its Board of Directors (details available at [www.osc.gov.on.ca](http://www.osc.gov.on.ca)), as well as other specific risk management programs, policies, procedures and training.

## **Internal Audit**

OSC Internal Audit is an assurance and advisory service to the Board of Directors and to management. Internal Audit helps the OSC develop, evaluate and improve risk management practices, risk-based internal controls, good governance and sound business practices.

The internal audit function is governed by a Charter approved by the OSC's Board of Directors and by an annual internal audit plan that is approved by the Board. The Chief Internal Auditor reports, and provides quarterly updates to, the Audit and Finance Committee. In addition, the Chief Internal Auditor provides an annual report on the results of internal audit engagements to the Board of Directors.

## **Systems Risk**

The OSC's Information Services group regularly monitors and reviews the OSC's systems and infrastructure to maintain optimal operation. The OSC also performs extensive security and vulnerability assessments bi-annually to highlight potential areas of risk. All findings and key recommendations from these assessments are tracked along with a management response and target remediation date. The results of these assessments and the progress made to address these findings and recommendations are reported to the Audit and Finance Committee and are used to improve security of the OSC systems. The OSC created a new Information Security Manager role in 2016.

The OSC relies on national systems which are operated by CGI, to collect most of its fee revenue. The CSA requires CGI to provide an annual third-party audit report (CSAE 3416 – Type II) that reviews and evaluates the internal controls design and effectiveness of the national systems and CGI's outsourcing operations. CGI is also required to have an operating disaster recovery site for operating these systems and to test it annually. The most recent test was performed in January 2016. The OSC could be contingently liable for claims against, or costs related to, operating the national systems. No material change is expected in the volume of fees collected through these systems.

Following a competitive tender for redeveloping these systems, in May 2016 the CSA signed an agreement with CGI to replace the core CSA national systems with one system to support existing and future requirements for the benefit of regulators and market participants. Services in scope of the agreement include software acquisition, application development, systems integration and application support.

Through a phased delivery of releases, the CSA will implement new core systems to support the operations of the CSA and other stakeholders. The OSC will work closely with the CSA to reflect the needs of its market participants in these initiatives.

The NSRP project is now fully under way and work has started on all planned deliverables. The official NSRP Kick-Off meeting took place on June 20, 2016 in Toronto, with CGI and Foster Moore (the vendors), plus CSA representatives in attendance. The new system will deliver secure transactions and ease of use as well as respond to future regulatory changes and requirements.

### **Business Continuity**

The OSC has a detailed Business Continuity Plan (BCP) to ensure critical regulatory services can continue if an external disruption occurs. The BCP is continually reviewed and refined, and includes strategies to effectively address various market disruption scenarios.

### **Financial Risk**

The OSC maintains strong internal controls, including management oversight to provide reasonable assurance of financial reporting reliability and preparation of financial statements for external purposes consistent with IFRS. These controls are tested annually through our internal control over financial reporting (ICFR) program. Market fluctuations continue to affect our ability to precisely forecast revenue, however, this risk is not expected to impair our operations.

### **Legal Risk**

There is presently no outstanding litigation against the Commission as no new legal actions were commenced against the OSC in the past year and there are no existing claims from prior years being carried forward. However, occasionally, the OSC is involved in legal actions arising from the ordinary course of business.



## HUMAN RESOURCES PLAN

OSC's people strategy is to build an attractive, modern, high performing workplace where every manager is a great talent manager and every employee is fully engaged. The OSC Human Resources Plan has four main goals.

Area of Focus	Strategies/Plans
Build an attractive, modern and high performing workplace	<p>Sustain and build on strong employee engagement through focused employee survey response initiatives</p> <p>Administer compensation processes to ensure the ongoing effectiveness and credible outcomes</p> <p>Continue to build a healthy and inclusive OSC community</p>
Develop great talent managers	<p>Continue to develop current and emerging leaders through the OSC's leadership development program, which includes coaching, classroom training and self-directed learning, peer learning sessions, and management tools</p>
Support successful organizational change and continuity	<p>Continue to build bench strength in all functions and at all levels in the organization, and manage succession related to OSC leadership and specialist positions</p> <p>Provide employees with access to information, tools and resources that support them in adapting to change and contribute to effective organizational transition</p> <p>Continue to develop a culture of learning and development that provides professional and career growth and enables delivery of effective regulation</p>
Provide first class fundamental HR services	<p>Increase capacity to respond to emerging issues and organizational complexity by increasing knowledge and ability to provide executive and manager clients with reliable, accurate, timely and trusted advisory services</p> <p>Continue to monitor and report on an "OSC People" dashboard with metrics to guide decision-making</p> <p>Continue to apply modern recruitment practices to source best candidates for OSC positions, to enhance the application and decision-making process for applicants and maximize efficiencies for all stakeholders in the recruitment and on-boarding process</p>

# COMMUNICATIONS & PUBLIC AFFAIRS PLAN

## Strategic Focus

- Build on current communications strategy to clearly and consistently articulate OSC priorities and outcomes to both internal and external audiences
- Focus on key priority areas (e.g. investor protection, effective compliance and enforcement, responsive regulation) and ensure relevant, proactive messaging that positively informs stakeholder engagement
- Use multiple channels to deliver accessible, transparent and measurable communications such that stakeholders understand what we do and how we do it; ensure consistent delivery of key messages across all channels and stakeholder groups
- Ensure maximum reach by delivering proactive, integrated communications strategies leveraging all tools, resources and possible channels, including digital communications and enterprise social media

## 2017-2018 Focus

### Stakeholder Communications

Continue to execute a comprehensive stakeholder communications strategy with emphasis on integrated communications and relationship development with stakeholder groups. Desired outcome: stakeholders are engaged with the OSC, know what we're doing and why.

### OSC Dialogue 2017

This year's theme is "Embracing Change". The event will explore the opportunities brought about by technology, emerging trends, policies and innovation in the capital markets. As broad topics, we will examine changes in corporate governance, investor protection, artificial intelligence/emerging technologies, enforcement tools, and international regulation. Our event on October 12, 2017 will feature plenary discussions with internationally recognized thought-leaders (including regulatory counterparts) and positively engage senior industry, investor and government audience.

### Executive Visibility Program

Identify, develop and secure key executive speaking opportunities. Organize and execute corporate events that demonstrate thought-leadership and drive discussion around OSC priorities and strategic initiatives.

### Media Outreach Strategy

Build on OSC media strategy and continue with proactive story development; develop and implement strong organizational key messages; arm OSC spokespeople with the tools they need. Enhance OSC corporate social media presence to provide timely and transparent updates to followers.

## **Social Media Visibility Program**

Implement a social media employee advocacy program, using a core group of EMT members who are visible and engaged on social media in a way that is authentic and amplifies the OSC's message.

## **Consultations and Outreach**

Advise regulatory branches on corporate events (e.g. industry webinars, policy roundtables) to ensure corporate communications objectives are achieved, through executive remarks that clearly articulate OSC key messages and positioning, content development and event management expertise.

## **Internal Communications**

Build on successful internal communications strategy with desired outcome being continued improvements in staff engagement. Focus this year will be on providing formal and informal opportunities to connect staff with OSC Executives (e.g. town halls, branch meetings, etc.) and implementing a new Intranet to streamline communication, enable greater collaboration and manage day-to-day operational tasks.

## APPENDIX A – OSC 2017-2018 STATEMENT OF PRIORITIES

The OSC Statement of Priorities is an annual document required under the *Securities Act*. The Commission’s key 2017–2018 priorities, along with specific initiatives, are set out below:

Deliver strong investor protection	
Issue/Priority	Proposed Actions
Publish regulatory reforms to define a best interest standard and targeted reforms to improve the advisor/client relationship	<ul style="list-style-type: none"> <li>Continue to obtain input to inform regulatory proposals from stakeholders</li> <li>Publish policy direction on regulatory reforms required to improve the advisor/client relationship</li> <li>Publish rule proposals for comment:               <ul style="list-style-type: none"> <li>Regulatory provisions to create a best interest standard</li> <li>Targeted regulatory reforms and/or guidance under NI 31-103 – Registration Requirements, Exemptions and Ongoing Registrant Obligations (NI 31-103) to improve the advisor/client relationship</li> </ul> </li> <li>Conduct a regulatory impact analysis of proposed regulatory provisions to create a best interest standard and targeted regulatory reforms and/or guidance under NI 31-103 to improve the advisor/client relationship</li> </ul>
Define regulatory action needed to address embedded commissions	<ul style="list-style-type: none"> <li>Conduct a stakeholder roundtable to:               <ul style="list-style-type: none"> <li>Examine the potential impacts of discontinuing embedded commissions in Canada</li> <li>Identify appropriate transition measures</li> </ul> </li> <li>Present policy options and recommendations to the Commission and CSA Chairs</li> </ul>
Advance retail investor protection, engagement and education through the OSC’s Investor Office	<ul style="list-style-type: none"> <li>Support older investors through education and outreach</li> <li>Publish a behavioural insights research report</li> <li>Publish an OSC Seniors Strategy</li> </ul>
Address independent evaluator’s recommendation that OBSI be better empowered to secure redress for investors	<ul style="list-style-type: none"> <li>With the OBSI Joint Regulators Committee, develop a regulatory response to the recommendations in the independent evaluator’s report, particularly the recommendation for binding decisions</li> </ul>

## Deliver effective compliance, supervision and enforcement

Issue/Priority	Proposed Actions
Protect investors and foster confidence in our markets by upholding strong standards of compliance with our regulatory framework	<ul style="list-style-type: none"> <li>• Maintain effective oversight of registrants by focusing on new registrants, higher risk firms and emerging risks</li> </ul>
Actively pursue timely and impactful enforcement cases involving serious securities laws violations	<ul style="list-style-type: none"> <li>• Raise awareness of the OSC Whistleblower Program including:               <ul style="list-style-type: none"> <li>• Promoting better understanding of the anti-retaliation protections for whistleblowers</li> <li>• Developing a more proactive outreach program to reach potential high-value whistleblowers</li> </ul> </li> <li>• Improve the efficiency and effectiveness of our enforcement efforts through greater use of technology, including working with the CSA to develop a new market analytics platform for investigations</li> <li>• Reduce enforcement timelines by streamlining investigative and prosecution processes</li> </ul>
Increase deterrent impact of OSC enforcement actions and sanctions through a more visible and active collection strategy	<ul style="list-style-type: none"> <li>• Assess collection alternatives and pilot an improved collection approach</li> <li>• Publish results of new collection process</li> </ul>

## Deliver responsive regulation

Issue/Priority	Proposed Actions
Identify opportunities to reduce regulatory burden while maintaining appropriate investor protections	<ul style="list-style-type: none"> <li>• Identify opportunities to reduce or eliminate redundant or unnecessary non-investment fund reporting issuer disclosure where current requirements are not achieving desired regulatory outcomes               <ul style="list-style-type: none"> <li>• With the CSA, publish a consultation paper</li> <li>• Review comments on the consultation paper</li> <li>• Publish recommendations</li> </ul> </li> <li>• Together with the CSA review investment fund regulation to:               <ul style="list-style-type: none"> <li>• Review options for streamlined disclosure and determine potential impacts on affected stakeholders, including investors, dealers and their SROs, and regulators and their informational requirements</li> <li>• Recommend options for disclosure reductions</li> </ul> </li> </ul>

<p>Work with fintech businesses to support innovation and promote capital formation and regulatory compliance</p>	<ul style="list-style-type: none"> <li>• Support fintech innovation through OSC LaunchPad by: <ul style="list-style-type: none"> <li>• Engaging with the fintech community to identify and understand any regulatory barriers, trends and gaps</li> <li>• Offering direct support to eligible businesses in navigating the regulatory environment</li> <li>• Integrating learnings into the regulation of similar business models going forward</li> </ul> </li> <li>• Participate in the recently announced CSA Regulatory Sandbox that is designed to allow firms to test novel products and services without full regulatory approval in a way that also provides investor protection</li> <li>• Collaborate with the Fintech Advisory Committee, as well as the CSA and other regulators including, the Australian Securities and Investments Commission and the Financial Conduct Authority in the UK, to obtain insight and input regarding fintech innovation and support these businesses in Canada and globally</li> </ul>
<p>Actively monitor and assess impacts of recently implemented regulatory initiatives</p>	<ul style="list-style-type: none"> <li>• Conduct targeted review of disclosure, relating to women on boards and in executive officer positions, provided by issuers with financial years ending from December 31, 2016 to March 31, 2017</li> <li>• Assess the effectiveness of the disclosure and consider whether other regulatory action is needed</li> </ul>
<p>Implement the orderly transfer of syndicated mortgage investments to OSC oversight</p>	<ul style="list-style-type: none"> <li>• Work with the Ontario government and FSCO to plan and implement an orderly transfer of the oversight of syndicated mortgage products to the OSC</li> </ul>

## Promote financial stability through effective oversight

Issue/Priority	Proposed Actions
<p>Enhance OSC systemic risk oversight</p>	<ul style="list-style-type: none"> <li>• Providing strong leadership within IOSCO and supporting activities to promote sound international regulatory standards and guidelines that are aligned with key areas of risk</li> <li>• Enhance OTC derivatives oversight and systemic risk monitoring and operationalize the regulatory framework that has been implemented by: <ul style="list-style-type: none"> <li>• Continuing collection and analysis of trade data</li> <li>• Publishing a Staff Notice on key trade reporting compliance audit findings and areas for improvement</li> <li>• Developing a framework for monitoring systemic risk in the OTC derivatives markets</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>• Enhance OTC derivatives regulatory regime by: <ul style="list-style-type: none"> <li>• Implementing data analysis for systemic risk monitoring and market conduct purposes, including the development of trade reporting analytical tools</li> <li>• Conducting audits on a sample of derivatives dealers and publishing Staff Notices on the findings and areas for improvement</li> <li>• Implementing rules for clearing, segregation and portability of cleared OTC derivatives</li> <li>• Publishing proposed rules for market conduct and registration of derivatives dealers, completing consultations, reviewing comments, revising proposed rules and conducting a roundtable</li> <li>• Publishing a margin for uncleared derivatives rule and reviewing comments</li> </ul> </li> <li>• Continued development of internal capabilities to identify and monitor market trends and risks, including increased access to data and analytical resources as well as gathering views of stakeholders</li> </ul>
<p>Promote cybersecurity resilience through greater collaboration with market participants and other regulators on risk preparedness and responsiveness</p>	<ul style="list-style-type: none"> <li>• Continue to assess the level of market participant cybersecurity resilience and monitor cyber readiness</li> <li>• Follow up on recommendations from cybersecurity roundtable</li> <li>• Review results of the registrant cybersecurity survey and determine next steps</li> </ul>

## Be an innovative, accountable and efficient organization

Issue/Priority	Proposed Actions
<p>Enhance OSC business capabilities</p>	<ul style="list-style-type: none"> <li>• Work with the CSA to renew CSA national systems to improve usability and address new regulatory requirements</li> <li>• Develop a comprehensive data management strategy that will provide the foundation for increased reliance on data management and analytics to support risk and evidence-based decision making</li> <li>• Foster a dynamic, supportive and attractive workplace</li> <li>• Actively recruit new skills required to improve our regulatory capacity to meet current and future challenges</li> </ul>
<p>Work with the Capital Markets Regulatory Authority (CMRA) partners on the transition of the OSC to the CMRA</p>	<ul style="list-style-type: none"> <li>• Continue to work with participating jurisdictions and Capital Markets Authority Implementation Organization</li> </ul>

## APPENDIX B – OSC SERVICE COMMITMENT METRICS

The OSC reports annually against its "OSC Service Commitment - Our Service Standards and Timelines" as part of its focus on accountability and transparency. The document outlines what stakeholders can expect when dealing with the OSC by summarizing target timelines for answering questions, responding to requests for information and submitting for review offering documents, applications and other filings.

The following tables outline how the OSC has performed against the target timelines during the 2016-2017 fiscal year. The status section displays a green box where the targets have been met for the entire year, and a yellow box where the target has not been met through the entire year. The notes section provides an explanation where a target has not been met.

### Corporate Finance

Activity	Target	2016-2017				Status	Notes
		Q1	Q2	Q3	Q4		
Prospectus Comment Letters (Long Form)	80% within 10 business days	100%	100%	100%	100%		
Prospectus Comment Letters (Short Form)	80% within 3 business days	100%	100%	100%	97%		
Prospectus Receipts	80% within 40 business days	100%	100%	100%	100%		
Exemption Applications	80% within 40 business days	100%	100%	100%	100%		
Final prospectus receipts	100% of materials filed by noon	100%	100%	100%	100%		
Amendments - Comment Letters	80% within 3 business days	100%	100%	100%	90%		
Amendments - Receipts	80% within 40 business days	100%	100%	100%	100%		

### Compliance and Registrant Regulation

Activity	Target	2016-2017				Status	Notes
		Q1	Q2	Q3	Q4		
New Business Applications - acknowledge receipt	95% within 5 business days	88%	100%	90%	79%		Minor delays in acknowledging receipt of applications occurred due to training issues. Procedures have been adjusted to ensure staff training includes policies for acknowledgements of incomplete or non-routine applications
New Business Applications - evaluate application	80% within 90 business days	80%	100%	100%	100%		
New individuals - dealing reps - evaluate application	80% within 5 business days	96%	96%	97%	100%		
New individuals - advising reps & CCO - evaluate application	80% within 20 business days	90%	96%	96%	96%		
Notice of Employment Termination	95% within 5 business days	100%	100%	100%	100%		
Applications for exemptive relief	80% within 40 business days	100%	100%	100%	86%		



### Investment Funds and Structured Products

Activity	Target	2016-2017				Status	Notes
		Q1	Q2	Q3	Q4		
Prospectus Comment Letters - PR	80% within 10 business days	92%	92%	95%	93%		
Prospectus Receipts	80% within 40 business days	95%	95%	98%	91%		
Exemption Applications	80% within 40 business days	100%	100%	100%	96%		
Amendments - Comment Letters	80% within 3 business days	98%	96%	95%	94%		
Amendments - Receipts	80% within 40 business days	99%	100%	100%	95%		

### Records and Information Management

Activity	Target	2016-2017				Status	Notes
		Q1	Q2	Q3	Q4		
OSC record request acknowledgement	Issued by end of next business day	100%	98%	100%	100%		Q2: Delay in acknowledgement of one record request
OSC record request fulfillment	Within 5 business days	100%	98%	100%	100%		Q2: Delay due to a review by business area to determine if record can be released as a public document
Registration record request acknowledgement	Issued by end of next business day	100%	100%	100%	100%		
Registration record request fulfillment	Within 5 business days	100%	100%	83%	100%		Q3: One large request was fulfilled by an external vendor (due to size) and did not meet service timelines

### Inquiries and Contact Centre

Activity	Target	2016-2017				Status	Notes
		Q1	Q2	Q3	Q4		
Telephone inquiries	100% on contact	91%	97%	97%	98%		While service standards remain below targets, various operational enhancements were implemented that resulted in an 8% improvement across all categories. With the introduction of these enhancements, staff expect to meet these standards in 2017-2018
Mail and e-mail inquiries	100% within 3 business days	71%	91%	96%	95%		
Mail and e-mail complaints	100% within 10 business days	98%	99%	99%	100%		