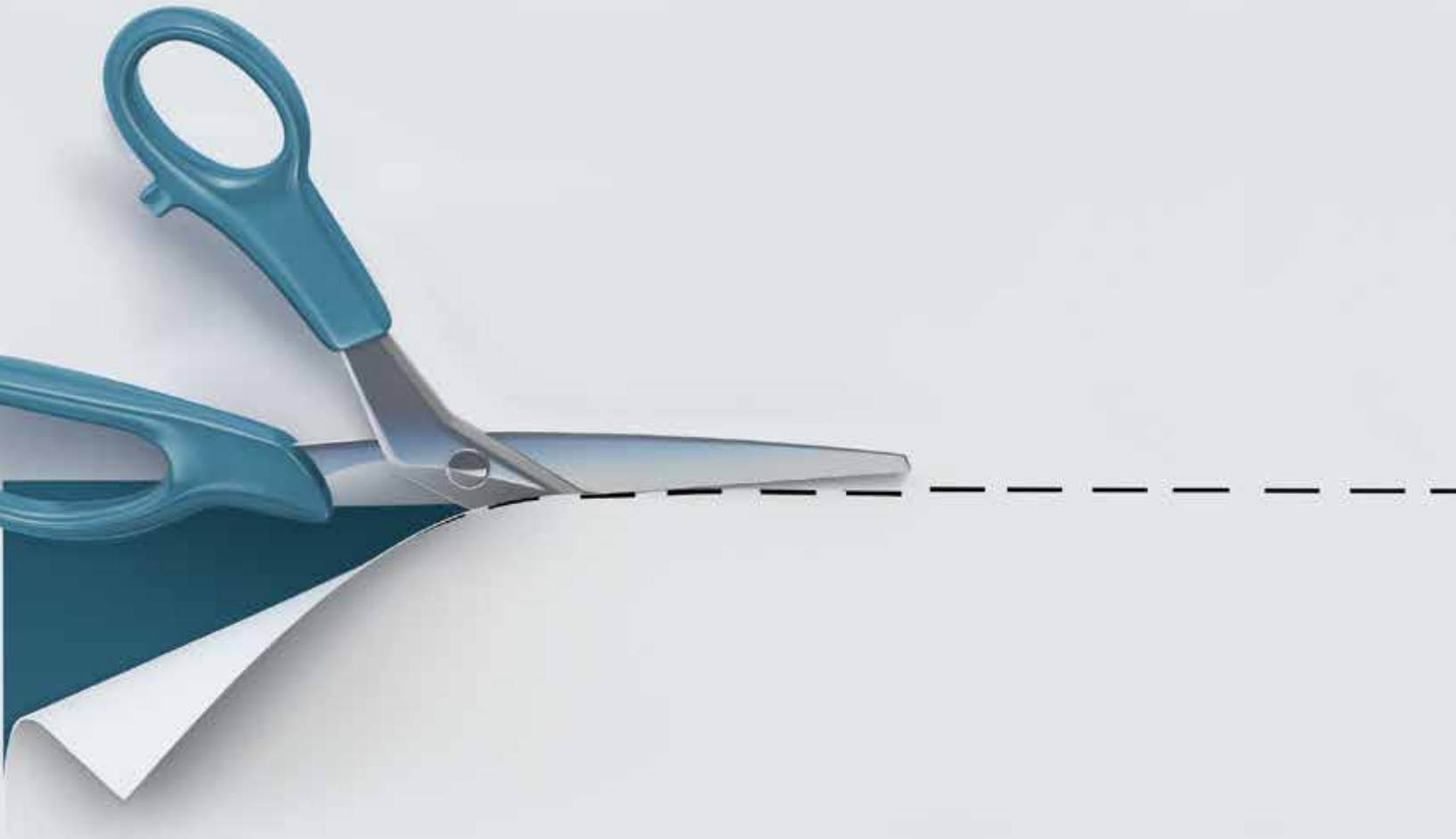
OSC

ONTARIO
SECURITIES
COMMISSION

REDUCING REGULATORY BURDEN IN ONTARIO'S CAPITAL MARKETS

2019



CONTENTS

MESSAGE FROM THE CHAIR

Having spent the first half of my career in the mining industry navigating regulatory requirements, I know firsthand the frustrations that can be involved for regulated entities and individuals. It was this experience that led me to become involved in regulation in the first place – to try to make things better.

Over the past 12 months, the Ontario Securities Commission (OSC), in coordination with the Ontario Ministry of Finance, has begun a process to reduce regulatory burden in our capital markets and to make it easier to do business in Ontario. This is a real opportunity for us to take a hard look at all aspects of our work to see if there are ways to do things better and to alleviate burden.

This work does not come at the expense of protecting investors or the integrity of our market. Regulatory oversight contributes to greater confidence, which means more investment and participation in our market, to everyone's benefit.

Effective regulation is essential to the health of our capital markets and the competitiveness of our economy. Outdated rules, unnecessary duplication and complexity benefit no one. In fact, they add costs that are ultimately borne by investors, and they reduce participation in our markets.

> **I'm pleased that we are acting on the vast majority of underlying concerns in the comments we received. We're doing so in ways that are tangible, practical and within our mandate.**

Central to this initiative is hearing what businesses and investors have to say about how regulatory burden impacts them, and what key concerns we should focus on. I want to thank everyone who took the time to provide input to this initiative. Comments were constructive and mindful of our efforts to deliver on our mandate in a fair and efficient way.

I'm pleased that we are acting on the vast majority of underlying concerns in the comments we received. We're doing so in ways that are tangible, practical and within our mandate

The changes we are making reflect a more modern and tailored approach, including more flexibility for businesses, stronger regulatory coordination, enhanced technology tools and more accessible information.

We have prioritized initiatives that would address a clear and measurable burden, that were supported by many commenters and that would have a broad impact. We have also given precedence to initiatives that would have a positive impact on small and medium-sized businesses — which together make up nearly 70 per cent of the public companies we regulate — as well as on smaller registrant firms. I am confident that the decisions and recommendations in this report will:

- make it easier to navigate the regulatory process when you start, fund and grow a business in Ontario;
- allow businesses to devote more time to growing and innovating and spend less time on the details of regulatory compliance; and finally,
- streamline our oversight processes to allow businesses to contribute to more competitive Ontario capital markets.

This initiative is the beginning of a process of modernization for the OSC that will extend into the years ahead. We are committed to continuously improving how we regulate, and we will keep working with those we regulate and those who invest in our market to reduce regulatory burden. The establishment of the OSC's new Office of Economic Growth and Innovation will provide a platform for ongoing feedback and dialogue with all market participants to ensure this progress continues.

We're focused on the key risks and issues and we're committed to modernizing how we regulate. This report is full of great opportunities and we're already making good progress in many areas. We're excited to continue that work.

Maureen Jensen
Chair and Chief Executive Officer
Ontario Securities Commission

EXECUTIVE SUMMARY

Background

In November 2018, the OSC established a Burden Reduction Task Force (the Task Force) to identify ways to enhance competitiveness for Ontario businesses by saving time and money for issuers, registrants, investors and other capital market participants. This initiative is a central component of the Ontario government's five-point plan for creating confidence in our capital markets, which consists of the following elements:

- Executing the mandate of the OSC's Burden Reduction Task Force,
- Establishing the Office of Economic Growth and Innovation,
- Improving the investor experience and protection,
- Ensuring economically focused rule-making, and
- Ensuring competitiveness and clear service standards.

Gathering feedback

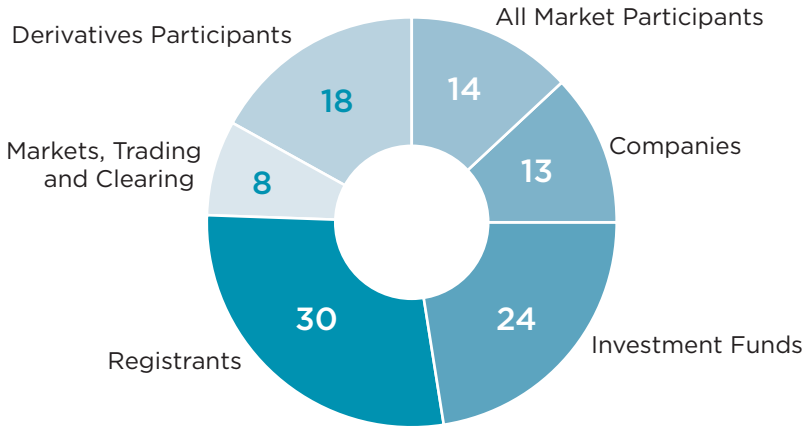
Led by the Task Force, the OSC conducted a stakeholder consultation to gather feedback on unnecessary burden and areas for improvement. Through this process, as well as through staff input, we received 69 comment letters and 199 suggestions on how we can do things better. We grouped those suggestions into 38 underlying concerns related to existing rules, processes and interactions.

Responding to concerns

We are pleased to be taking action to address 34 of those concerns through 107 specific decisions and recommendations outlined in this report, beginning on page 27. These include commitments we are making about things entirely within our control (i.e. decisions), as well as steps that require action from others (i.e. recommendations), such as the Ontario government for statutory amendments, the Minister of Finance for rule changes, our partners comprising the Canadian Securities Administrators (CSA), and/or the self-regulatory organizations (SROs).

Each of these decisions and recommendations has been considered within the context of our mandate to protect investors and foster market integrity and financial stability. These changes will help alleviate regulatory burden for a wide range of individuals and businesses. They will particularly benefit the small and medium-sized businesses operating in Ontario's capital markets who have fewer resources to devote to regulatory compliance.

107 Decisions and Recommendations to Reduce Regulatory Burden



Timing

Some of the changes we are undertaking are achievable within a relatively short time frame of about a year; most of these initiatives fall entirely within the OSC's purview, such as those related to our internal processes. Other changes require legislative amendments, harmonization with other regulators, or long-term investments in technology, systems or expertise. We are addressing these changes over a longer time frame.

In other cases, you will see tangible changes that have been completed by us alone and others in coordination with our CSA partners since the start of our burden reduction work.

Methodology

In formulating our decisions and recommendations, we were guided by the principle of proportionate regulation, which means that regulation needs to be balanced, tailored, flexible and responsive to different businesses and to our evolving marketplace. We used a clear and consistent methodology for identifying and measuring burden, evaluating and prioritizing initiatives based on a standard set of criteria, and setting timelines. Drawing from our stakeholders' feedback, we committed to addressing as many concerns as possible, as quickly as possible. We were mindful that there would be difficult decisions required and, in many cases, the need to work with our CSA partners on policy changes.

Benefits

The initiatives outlined in our decisions and recommendations will make it easier for businesses to operate in our capital markets by helping to minimize regulatory delays, reduce the cost of capital and free up resources to focus on growth. They will also address common frustrations and help to ensure that the costs of regulation do not outweigh its benefits. As the initiatives are implemented, many of the people and businesses we regulate will begin to see tangible benefits, specifically:

- Enhanced service levels
- New tools and use of technology to assist with navigating the regulatory process
- More transparency around our processes
- Clearer communication from staff
- More manageable timelines for certain filings
- Greater clarity and flexibility on what is required to fulfill regulatory requirements
- Less duplication of requirements and form filings
- Improved coordination between the OSC and our regulatory partners
- Rules and guidance that are easier to read and understand
- Information that will be easier to find and better organized on our website
- Improved coordination of reviews
- A more tailored regulatory approach that takes into account the size and type of businesses

Some initiatives will result in direct savings to businesses through lower fees and other compliance costs. While our focus has been on responding to stakeholder concerns as opposed to cost savings alone, we have provided early savings estimates for about one fifth of the initiatives outlined in our decisions and recommendations, using the methodology outlined in Appendix 2. We estimate these initiatives will result in approximately $7.8 million of average annual cost savings for the businesses we regulate. As more initiatives begin, we anticipate that this number will grow. We will continue to report on cost savings as our burden reduction work progresses.

What this means for small and medium-sized businesses

We recognize that many of the businesses we regulate are small or medium-sized, and that their cost of regulatory compliance is disproportionately high relative to that of larger businesses. Our focus is on simplifying communication and regulatory interactions, so they are manageable even for registrant firms made

up of just one or two individuals. We also recognize that many of our small and medium-sized public companies are particularly affected if a planned public financing experiences unexpected delays arising from our prospectus review process.

Small and medium-sized companies and registrants will benefit, in particular, from:

- Expanded and improved service standards, particularly in respect of compliance reviews
- More support for companies seeking public financing, through a confidential prospectus review process prior to announcing an IPO or other financing
- For small registrants, being able, in appropriate circumstances, to hire a Chief Compliance Officer who acts in that role for other, unaffiliated registrant firms

What this means for innovative businesses and startups

Building upon the work already being done by OSC LaunchPad, we want to provide more flexibility to innovative businesses. We are inviting these businesses to work with us to identify and help modify regulatory requirements that do not properly take account of their business models. We also recognize that the current disharmonized crowdfunding rules across the CSA limit the viability of crowdfunding as a startup financing tool.

Innovative businesses and startups will benefit from:

- For new business models, more flexibility from staff in how we approach registration, resales in the secondary market, who can invest (e.g. individuals with specialized knowledge) and other regulatory requirements
- For individuals applying to be Chief Compliance Officers of fintech firms, assessments of their qualifications and experience that take into account their broader business experience and its alignment with the firm's business model
- For startups seeking financing, harmonization of the crowdfunding rules across the CSA jurisdictions

What this means for large businesses

A more tailored approach will help address the unique issues faced by large firms with multiple business units, which are most affected by duplication and lack of harmonization among regulatory bodies — or even within the OSC itself. The initiatives we've identified are sensitive to the global nature of financial markets and the unique circumstances of global firms, as well as the distinct risk considerations of sophisticated investors.

Large businesses will benefit from:

- Reduced red tape for investment fund managers that are currently subject to duplicative filing requirements in investment funds and registration rules
- Proposals to codify routine exemptive relief for investment funds
- Measures to facilitate registration of multiple Chief Compliance Officers for large registrants with multiple business divisions
- A process for registering of Advising and Associate Advising Representatives as Client Relationship Managers
- The ability for public companies to conduct at-the-market offerings without having to obtain prior exemptive relief

Ongoing regulatory improvement

The publication of this report is an important step in an ongoing process that will reshape how we operate and make us an even more responsive regulator. The establishment of the OSC's new Office of Economic Growth and Innovation will support our long-term burden reduction efforts and will drive continued engagement and collaboration with our diverse stakeholders.

1.0 INTRODUCTION

Ontario's capital markets are evolving quickly due to technology development, demographics and consumer behavior; securities regulation must keep up with these changes. To be a modern, innovative and adaptable regulator, the OSC must assess whether the existing rules still make sense for today's markets, whether they have become too complex, and whether there are better ways for us to interact with our regulated entities.

Reducing regulatory burden is integral to effective regulation of our capital markets, which in turn is crucial for the competitiveness of Ontario businesses. According to a 2019 Ontario Chamber of Commerce survey, of the nine top factors critical to businesses' ability to thrive, two involved regulatory concerns: navigating regulation (61 per cent of respondents) and competitive regulations (48 per cent of respondents)[1].

While reducing regulatory burden is clearly important, this work doesn't always get the attention it deserves. The Government of Ontario's Open for Business commitment in 2018 addressed this issue, which presented an opportunity for the OSC to focus on reducing regulatory burden for businesses of all sizes.

The OSC formed a Burden Reduction Task Force in November 2018, in coordination with the Government of Ontario. The Task Force's mandate was to identify ways to enhance competitiveness for Ontario businesses by saving time and money for issuers, registrants, investors and other capital market participants. Its work is a major component of the government's five-point plan for creating confidence in Ontario's capital markets. It also aligns with the OSC's ongoing commitment to continuously improve our processes and update our regulatory requirements based on the needs of our market.

1 Ontario Economic Report 2019

Led by the Task Force, we have the following objectives in our burden reduction work:

1. **Make clear commitments to save market participants time and money**
2. **Take swift action to identify and address as many stakeholder concerns as possible, as quickly as possible**
3. **Be accountable for following through on our recommended actions**
4. **Embed burden reduction into our operations and commit to a process of continuous improvement**

The OSC's new Office of Economic Growth and Innovation will continue our focus on these goals, and on fostering innovation in our capital markets.

> **Reducing regulatory burden is integral to effective regulation of our capital markets, which in turn is crucial for the competitiveness of Ontario businesses.**

2.0 ONTARIO'S CAPITAL MARKETS

2.1 Overview

Ontario's capital markets are the largest in Canada, with an aggregate market capitalization of approximately $1.4 trillion[2]. In 2018, Ontario companies (public and private) raised $27.9 billion in equity financings, broken down as follows:[3]

Equity Financings by Ontario Issuers (FY 2018–2019)

	PUBLIC MARKET FINANCINGS	PRIVATE MARKET FINANCINGS
Ontario Publicly Listed Issuers	$12.7B	$10.6B
Ontario Private Issuers	N/A	$4.6B[4]

A diverse range of entities participate in our capital markets, including:

- Public and private companies
- Dealers, advisers and investment fund managers
- Stock exchanges and other marketplaces engaged in securities trading
- Clearing agencies
- Entities engaged in derivatives activity

> **Ontario's capital markets are characterized by a high concentration of small and medium-sized firms.**

2 OSC calculation as of March 31, 2019

3 Total equity financings by Ontario issuers listed on the TSX and TSXV calculated by OSC from TMX Group data. Total equity financings by all other publicly listed (CSE and NEO) and private Ontario issuers calculated by CPE Media Inc. The OSC also regulates debt securities, which are not quantified herein.

4 Private financings by Ontario private companies include capital provided by angel investors and venture capital firms.

2.2 Importance of Small and Medium-sized Businesses

Ontario's capital markets are characterized by a high concentration of small and medium-sized firms. Almost 70 per cent of Ontario-based public companies fall into this category (with a market capitalization of $100 million or less). In addition, a significant number of Ontario registrants have only one or two registered individuals.

Reducing regulatory burden is especially critical for these businesses. According to a 2018 research report by the Canadian Federation of Independent Business, small businesses with fewer than five employees face significantly higher costs for regulatory compliance than larger ones with 100 or more employees — over five times higher on a per-employee basis.[5]

Meanwhile, the economic impact of reducing the regulatory load on smaller firms is heightened because of their important role in Ontario's economy. Small and medium-sized businesses employ 88 per cent of the people working in Ontario's private sector, and were responsible for 84 per cent of private sector employment growth between 2013 and 2017.[6]

2.3 Public and Private Companies

The OSC is the principal securities regulator for approximately 1,100 Canadian public companies (reporting issuers). Of these issuers, approximately:

- 52 per cent have a market capitalization below $20 million
- 17 per cent have a market capitalization between $20 million and $100 million
- 19 per cent have a market capitalization between $100 million and $1 billion
- 12 per cent have a market capitalization above $1 billion[7]

Ontario-based issuers also accounted for $362.2 billion of outstanding corporate bonds in 2018.[8]

In addition, the OSC oversees capital raising by public and private companies in the exempt market. In 2017, Ontario investors invested $37.6 billion in approximately 1,890 Canadian issuers in the exempt market. Of those issuers, 44 per cent were headquartered in Ontario, and approximately 10 per cent were small Ontario issuers with less than $5 million in assets and that raised capital in that year of less than $1 million.[9]

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5 The Cost of Government Regulation on Canadian Businesses

6 Government of Canada Key Small Business Statistics – January 2019

7 OSC calculation as of September 30, 2019.

8 OSC calculation as of March 30, 2019. Based on data from Bloomberg LP.

9 OSC Staff Notice 45-716 Ontario Exempt Market Report

2.4 Registered Dealers, Advisers and Investment Fund Managers (Registrants)

In general, anyone distributing securities, offering investment advice or managing an investment fund in Ontario must register with the OSC, unless they have an exemption. The OSC is the principal securities regulator for over 970 registered firms and more than 54,000 registered individuals.

Ontario registrants are very diverse, with small firms (with one or two registered individuals) making up one third of all registrants. The remaining two thirds consist of medium to large firms, including firms with multiple registration categories and varied numbers and types of individual registrants.

2.5 Investment Funds

There are over 4,300 investment funds that are reporting issuers in Ontario and the OSC is the principal regulator for more than 3,500 of them. This includes conventional mutual funds, exchange-traded funds, alternative funds, non-redeemable investment funds, and scholarship plans, among others.

2.6 Markets, Trading and Clearing

Forty-six separate marketplaces operate in Ontario, trading in equities, debt, futures, and listed and over-the-counter (OTC) derivatives, or engaging in securities lending operations. Fifteen of these are based in Canada.

Fourteen clearing agencies provide clearing and settlement services for equities, debt, and listed and OTC derivatives. Three of these are based in Canada.

Lastly, the OSC also oversees two recognized SROs, the Investment Industry Regulatory Organization of Canada (IIROC) and Mutual Fund Dealers Association of Canada (MFDA), and two approved investor protection funds for client assets in the event of an SRO member insolvency, the Canadian Investor Protection Fund (CIPF) and the MFDA Investor Protection Corporation (MFDA IPC).

2.7 Derivatives Participants

The OSC has regulatory oversight of the OTC derivatives market in Ontario, working with the International Organization of Securities Commissions (IOSCO), the Financial Stability Board (FSB), the CSA and other agencies, to fulfill Canada's various commitments in the creation of a transparent framework for regulating OTC derivatives markets. Our work in this area helps us discharge our mandate to contribute to the stability of the financial system and to reduce systemic risk.

Financial institutions, pension funds, and other corporations and individuals participate in Ontario's OTC derivatives market, and 95 per cent of all Canadian OTC derivatives trading involves an Ontario market participant. Three designated trade repositories, all based in the U.S., offer OTC derivative trade reporting services to Ontario market participants.

3.0 WHAT WE HEARD FROM MARKET PARTICIPANTS

3.1 Consultation Process

In undertaking this initiative, it was important for us to hear from stakeholders who bear the cost of complying with our rules and following our processes, as well as from those who represent the investors that fuel our capital markets. We also wanted to hear from OSC staff, who administer our rules and processes every day and who have a wealth of expertise to contribute.

Led by the Task Force, in early 2019, we launched a broad public consultation to obtain feedback on how to reduce the burden that our rules and processes cause. We began by putting out a call for written submissions via OSC Notice 11-784 *Burden Reduction*. Recognizing that not all firms — particularly smaller firms and startups — have the time or dedicated staff available to craft a formal comment letter, we also hosted three public roundtables.

In addition, we held more than 30 consultations with industry associations, advisory committees and the OSC's independent Investor Advisory Panel, which allowed for in-depth dialogue on specific issues important to them.

Businesses of all sizes, law firms, industry associations and investors took the time to provide us with detailed and valuable feedback. We received 69 comment letters, and a total of 764 people attended our roundtables in person, while many others joined the discussions remotely via webcast.

We are appreciative of everyone who took the time to provide input, as their insights help us better understand the impact of our activities and help us choose the best path forward to reduce burden. Appendix 3 contains a list of those who submitted comment letters to us.

3.2 Common Themes

A number of themes emerged from our consultations:

- Businesses would like to more clearly understand how to satisfy our regulatory requirements, and must have the ability to access helpful information to enable them to comply.
- As they grow, they would like support along the way so they aren't held up by regulation.
- They would like us to understand the full scale of the burden they bear and for us to work across our branches and with other regulatory bodies so they aren't pressed to submit the same information repeatedly, or at different times, all of which amplifies the burden of complying.
- They would like service standards and timelines they can count on.
- They would like to feel that what's being asked of them is relevant to their specific business, and to be able to see a clear purpose behind it.
- If there is a solution to a common frustration, and that solution is being held up in regulatory processes, they would like us to push to get it done.

In short, they asked:

- to spend less time and money following our rules, getting our approvals and answering our questions;
- for our rules to be more sensitive to their size and type of business, and to the risks involved — to keep costs manageable for all firms, especially smaller businesses;
- for us to be more flexible with early stage and innovative businesses, allowing for interactions that are easier and faster; and
- to see a good balance in our rules so that they provide enough clarity and detail while maintaining sufficient principles-based flexibility, supported by guidance where appropriate to help businesses understand how to comply.

Investor Feedback

Feedback from investors and their advocates was supportive of our efforts to make regulation more efficient and effective, provided that we do not compromise the standards of investor protection and market integrity. They cited potential benefits from time and cost savings through reducing administrative burden, eliminating outdated or ineffective requirements, and other improvements, including:

- streamlined and plain language disclosure of material information,
- clearer and more accessible guidance on our requirements and investor rights, and
- greater emphasis on responsive and tailored rule-making.

National Systems

Finally, both businesses and investors provided a range of comments on modernizing and increasing the usability of national filing systems, specifically the System for Electronic Document Analysis and Retrieval (SEDAR), the System for Electronic Disclosure by Insiders (SEDI) and the National Registration Database (NRD). The OSC is currently participating in a separate CSA National Systems Renewal Program (NSRP) to replace these and other systems with a comprehensive records filing system named SEDAR+. When completed, SEDAR+ will be a web-based system that will function as a portal between all national systems and that will provide easier access for filers and investors.

We have provided all stakeholder comments we received about national systems to the steering group overseeing the CSA SEDAR+ project. The steering group will continue to provide relevant updates as the project progresses.

4.0 METHODOLOGY TO IDENTIFY AND REDUCE BURDEN

4.1 General Approach

At the OSC, everything we do must be considered within the parameters of our statutory mandate, which is defined in section 1.1 of the *Securities Act*:

> *1.1 The purposes of this Act are,*
>
> *(a) to provide protection to investors from unfair, improper or fraudulent practices;*
>
> *(b) to foster fair and efficient capital markets and confidence in capital markets; and*
>
> *(c) to contribute to the stability of the financial system and the reduction of systemic risk.*

Reducing burden does not mean weakening core investor protections or undermining market confidence. Our mandate gives us the flexibility to ask ourselves tough questions about the work we do, including — What problem is this rule designed to address? Is there a fairer or more efficient way to do it? Is there a less intrusive way to instill confidence in our market?

Coming to decisions on what actions to take, and how to prioritize our actions, was one of the major challenges of this undertaking. While recognizing that we wouldn't be able to act on every suggestion, we committed to addressing as many concerns as possible, as quickly as possible, for the maximum benefit to our capital markets. We were mindful that there would be difficult decisions required based on what was feasible. In many cases, the responses require us to work with our government or our CSA partners on policy changes.

Where we couldn't land on an immediate course of action or where the suggestion warranted further review, we have committed to study the issue. This will allow us to establish the best way forward. Finally, some suggestions we received were not feasible for various reasons, including that they did not relate to activities we regulate or were suggestions for other regulatory bodies. Other suggestions were considered inconsistent with our mandate because they would compromise investor protection or not allow us to do our job.

4.2 Guiding Principle

Given the volume and breadth of suggestions, it was critical that we evaluate and analyze them in a consistent way. To accomplish this, we were guided by the fundamental principle of *proportionate regulation* found in section 2.1 of the *Securities Act*, which we consider when executing our mandate.

> *2.1 Principles to consider – In pursuing the purposes of this Act, the Commission shall have regard to the following fundamental principles:*
>
> *...*
>
> *6. Business and regulatory costs and other restrictions on the business and investment activities of market participants should be proportionate to the significance of the regulatory objectives ought to be realized.*

In applying this principle to our process of reducing burden, our view was that regulation is proportionate when it is:

- **Balanced.** The regulatory costs imposed on stakeholders are commensurate with the anticipated benefits in terms of investor protection, market efficiency, confidence in the market, and financial stability.
- **Tailored.** It avoids, where appropriate, a "one-size-fits-all" approach and takes into account how rules and processes affect entities of different sizes and business models.
- **Flexible.** It recognizes that there can be multiple ways to achieve regulatory objectives, and incorporates stakeholder input to arrive at an optimal solution.
- **Responsive.** It is frequently updated to support innovation and dynamism in our capital markets, while always keeping in mind investor protection, market efficiency, confidence in the market, and financial stability.

Conversely, regulation that imposes undue regulatory burden is, by definition, disproportionate and is inconsistent with how we are expected to execute our mandate.

4.3 Identifying Burden and Developing Responses

We began by documenting the feedback we received through our consultations. We identified 199 suggestions about our requirements and processes, reflecting 38 underlying concerns. We carefully considered each suggestion by asking three questions to determine the best path forward.

Question 1

What is the regulatory objective of the requirement or process causing stakeholder concern?

It is our responsibility to have a clear regulatory objective when we impose a rule or process. This question tested whether the rule or process in question (or in some cases, the lack thereof) addressed a defined problem with a clear link to our mandate. If it did not, it likely created undue or unnecessary burden.

Question 2

Can we eliminate or streamline the process or requirement without compromising the regulatory objective?

Even when a requirement or process has a clear regulatory objective, its design or the way in which it is implemented may still impose undue burden. This led us to think holistically about addressing the underlying issue related to the specific concern raised, and about determining what action was appropriate.

In some cases, we decided that we need to do a more detailed analysis of the burden or underlying issues to better understand potential solutions and risks of unintended consequences. In other cases, we need to allow for time to monitor developments in other jurisdictions, or to assess whether the burden will be reduced by changes we are making to other processes or requirements.

Question 3

What is the priority and estimated implementation time for taking action?

Once we developed our recommended responses, we categorized them by priority and by estimated implementation time – six months or less, 12 months or less, 24 months or less, or more than 24 months.

We prioritized our choices using the following factors:

- A clear and measurable burden
- A broad beneficial impact on the market
- A high degree of stakeholder support for taking action
- Greater regulatory harmonization (domestically or internationally)
- An existing CSA national initiative, with resources already committed and engaged in the work
- A positive impact on small and medium-sized businesses

We considered the following factors when estimating implementation time:

- Whether the initiative involves only the OSC or requires CSA involvement
- The degree of public consultation required
- Whether the initiative is a change to our operational processes (shorter timeline) versus a rule amendment (longer timeline)
- Whether there is one clear solution or multiple options requiring consideration
- Whether implementing the initiative requires other organizational support (such as information technology)

Our focus has been on securities regulatory requirements and processes that the OSC is responsible for, including those where there is duplication between the OSC and SROs. Other than policy initiatives arising from ongoing burden reduction work, we did not generally review requirements and processes that are already the subject of separate, existing policy initiatives.

5.0 ASSESSING THE BENEFITS

Addressing the specific concerns raised by our stakeholders is a critical component of this process. The companies and individuals we regulate are the best sources of information about how our rules and processes impose undue regulatory burden. By addressing their concerns, the burden reduction initiatives outlined in this report will have a wide range of benefits for those we regulate, and for the overall competitiveness of our capital markets.

5.1 Ease of Doing Business

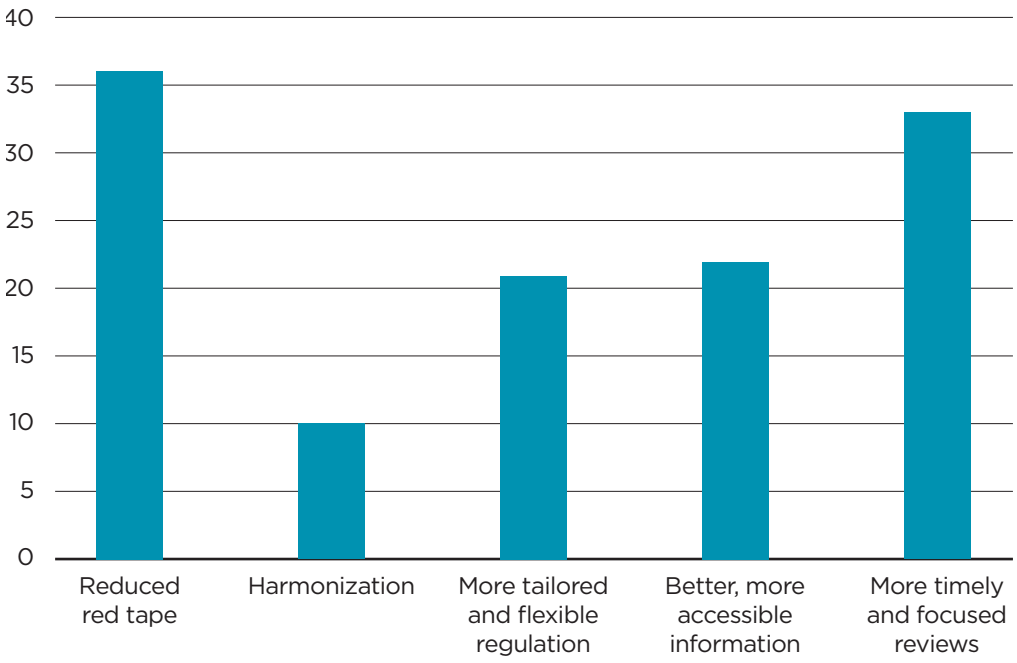
When regulation is overly complex, outdated or inefficient, it can cause frustration for our stakeholders and impede their ability to do business. For example:

- When a registrant firm has to allocate resources to respond to a compliance review without a clear sense of how long the review will take or an understanding of why certain information is being requested.
- When a fintech firm's ability to implement an innovative business model is held back by regulatory requirements that pre-date technological advances.
- When a public company's access to capital is delayed because a prospectus review takes an unexpectedly long time.

The decisions and recommendations in this report will streamline and modernize our rules and processes, making it easier to operate in our capital markets. While many of the resulting benefits are not easily expressed in dollar amounts, we are confident that they represent significant economic value for businesses and for our markets. In section six of this report, for each initiative, we have identified the specific benefits, and we have organized these benefits into the following five categories:

- **Reduced red tape** so businesses are no longer subject to unnecessary or outdated requirements or processes, and available resources can be reallocated to more productive tasks
- **More tailored and flexible regulation** that takes into account different business sizes, models, and methods for achieving regulatory objectives
- **Harmonization** so that businesses can deal with the same set of requirements across our CSA partners or internationally
- **Better, more accessible information** to help businesses understand our requirements, timelines and expectations
- **More timely and focused reviews** to reduce the time and resources that businesses spend resolving issues as part of compliance reviews or in order to obtain regulatory approvals

Decisions and Recommendations by Category[10]



5.2 Direct Cost Savings

For a small number of initiatives outlined in our decisions and recommendations, we have also calculated the anticipated direct cost savings to those we regulate. Generally, these estimated savings relate to initiatives that are well underway or completed. While calculating direct cost savings is not the primary focus of our burden reduction work, we want to provide this information to stakeholders where it is feasible to do so, to be transparent about the potential impact of our burden reduction initiatives.

10 Some decisions and recommendations fall into more than one category.

Specifically, we have determined that calculating cost savings is appropriate for initiatives where:

- we have identified a clear and specific requirement or process to be eliminated or modified,
- we have begun work to eliminate or modify that specific requirement or process, and
- we can reasonably identify the activities and time involved to comply with that requirement or process, using information from our operational work, third-party sources or market participants (e.g. advisory committees and industry associations).

Our calculation methodology adapts the Standard Cost Model, which has been used by the governments of Canada and Australia, among others, to measure the administrative burden of regulation. We have calculated average annual savings by dividing the net present value of total cost savings over a 10-year review period by 10.

The calculation takes into account two broad categories of costs associated with regulatory compliance:

- **Fees:** Direct payments to the OSC as set out in OSC Rules 13-502 *Fees* and 13-503 (*Commodity Futures Act*) *Fees*. Examples include participation, activity and late fees.
- **Regulatory compliance costs:** Costs associated with the activities required to meet regulatory obligations. Examples include costs of providing information to the OSC, recordkeeping and reporting, filing applications or requests for regulatory approvals, and participating in audits or compliance reviews.

At the time of publication, we have calculated direct cost savings for 21 of the 107 initiatives set out in section six of this report. In total, we estimate conservatively that these 21 initiatives will result in approximately $7.8 million of average annual cost savings for the businesses we regulate. As part of these savings, we estimate that businesses would have paid approximately $1.6 million less annually in fees had these initiatives been in place. These estimates are based on a review of fees paid to the OSC from 2015 to 2018.

A list of these initiatives, their associated cost savings and an explanation of our methodology are provided in Appendix 2.

In the coming months, as more initiatives progress to a point where they meet the criteria for calculating direct cost savings, we anticipate that this number will grow. We will provide updates on cost savings as part of our progress reporting.

6.0 CONCERNS, DECISIONS AND RECOMMENDATIONS

What follows is a list of our decisions and recommendations on how to reduce regulatory burden, organized by the concerns identified through our consultation process. We begin by describing actions that will have a broad impact across multiple market participants and that relate to the OSC generally. We follow that with sections for five groups of stakeholders (public companies, investment funds, registrants; markets, trading and clearing; and derivatives participants).

For each group, we set out the concerns we heard and how we plan to address them, the benefits for stakeholders and an estimated timeline for implementing changes. We also identify the benefits that the change would have for stakeholders. In many cases, the benefits are more qualitative in nature, and for each change, we have identified one or more of the qualitative benefits mentioned above:

- Reduced red tape
- More tailored and flexible regulation
- Harmonization
- Better and more accessible information
- More timely and focused reviews

Items marked with asterisks (**) already involve, or require the involvement of, our CSA partners. We also provide a summary of decisions and recommendations in Appendix 1.

6.1 Concerns, Decisions and Recommendations Affecting All Market Participants

We identified 14 suggestions from our consultations that cut across stakeholder groups, reflecting four underlying concerns relating to:

1. **differences between the *Securities Act* and equivalent legislation in other jurisdictions,**
2. **regulatory approvals and reviews,**
3. **policy making, and**
4. **interaction with stakeholders.**

We developed 13 decisions and recommendations to address these concerns. These decisions and recommendations are set out in detail below and focus on:

- making compliance with our rules less time consuming, expensive and confusing,
- reducing the time and cost of our regulatory review and approval processes,
- improving our policy making process through better regulatory impact analysis and clearer drafting, and
- finding ways to help market participants get information from us and provide information to us more easily and cost effectively.

These are in addition to the numerous initiatives targeted at specific stakeholders, as set out in the sections that follow.

CONCERN 1: RESTRICTIVE AND DISHARMONIZED *SECURITIES ACT* PROVISIONS

Provisions that are unique to Ontario result in unnecessary costs and confusion for market participants:

- The OSC's inability to issue orders or rulings of general application means that market participants must each file an application and must pay fees to address routine issues that are common to a group of market participants.
- In some instances, provisions of National and Multilateral Instruments do not apply in Ontario because the *Securities Act* contains a substantially equivalent provision. This type of drafting creates the appearance of substantive differences between Ontario and other Canadian jurisdictions where none exist and it makes the rules more difficult to understand.

DECISIONS AND RECOMMENDATIONS

Number	Description	Start	Target Date (from start)	Status	Benefits
A-1	**Recommend an amendment to the *Securities Act* to obtain authority to make exemptive relief orders applicable to multiple market participants ("blanket orders") to avoid the costs associated with filing multiple separate exemptive relief applications**	Completed	Completed	Completed	Reduced red tape
A-2	**Evaluate whether to recommend relocating various provisions found in the *Securities Act* into National Instruments to harmonize the placement of OSC requirements with those of other Canadian jurisdictions**	Summer 2019	24 months	In progress	Harmonization

DISCUSSION

Several stakeholders suggested that the OSC should recommend amendments to the *Securities Act* to provide the authority to issue blanket orders. Having blanket order authority, similar to other Canadian securities regulators, would enable us to be more responsive to the needs of market participants by facilitating routine, industry-wide exemptive relief that would otherwise have to be granted on a case-by-case basis. In these circumstances, blanket orders can reduce costs for market participants and allow us to be more responsive than the traditional rule-making process permits, without any impact on investor protection. On November 6, 2019, the Ontario Government announced its intention to amend the *Securities Act,* in line with the Capital Markets Plan, to allow the OSC to issue blanket orders supporting greater efficiency in capital markets.

With respect to harmonizing the placement of requirements by relocating them from the *Securities Act* to National Instruments, we will assess whether this will meaningfully reduce burden for market participants and, if so, we will recommend legislative changes. Extensive changes would be required to eliminate the appearance of differences between jurisdictions where none actually exist. Since there would be no changes of substance, there would be no impact on investor protection. However, for the same reason, the reduction in burden for market participants would not be as great as that realized by focusing our efforts on eliminating or reducing substantive requirements that are no longer serving a valid purpose.

CONCERN 2: REGULATORY APPROVALS AND REVIEWS

Obtaining regulatory approvals and participating in compliance and other regulatory reviews is too expensive and time-consuming.

DECISIONS AND RECOMMENDATIONS

Number	Description	Start	Target Date (from start)	Status	Benefits
A-3	**Adopt and publish service standards that cover more processes, particularly compliance reviews, and establish a framework for performance measurement and continuous improvement**	Summer 2019	12 months	In progress	Better and more accessible information More timely and focused reviews
A-4	**In consultation with stakeholders, review compliance processes to improve focus on materiality, clarity, consistency, efficiency of interactions with staff and increased reliance on the principal regulator**	Summer 2019	12 months	In progress	More timely and focused reviews

DISCUSSION

Market participants emphasized the need for increased efficiency and consistency in our service standards. We will identify ways to become more efficient in how we do our work, without compromising our mandate. Similarly, we will find ways to improve our compliance processes and make them more transparent, while at the same time ensuring that those processes help us identify and rigorously analyze the key issues.

CONCERN 3: POLICYMAKING

When rules are made, not enough attention is paid to how entities with different business models or of different sizes are impacted. The costs and benefits of proposed rules should be articulated more clearly. Rules, policies and guidance are sometimes drafted in a confusing or unclear manner. The OSC's approach to regulation is often too prescriptive and the difference between rules and guidance may not always be clear.

DECISIONS AND RECOMMENDATIONS

Number	Description	Start	Target Date (from start)	Status	Benefits
A-5	**Enhance regulatory impact analysis for rule-making**	Summer 2019	12 months	In progress	More tailored and flexible regulation
A-6	**Improve clarity and consistency in drafting OSC rules, policies and guidance**	Summer 2019	12 months	In progress	Better and more accessible information
A-7	**Work with the CSA to improve clarity and consistency in drafting CSA rules, policies and guidance****	Summer 2019	TBD	In progress	Better and more accessible information
A-8	**Engage in targeted consultations with market participants on how to better combine and balance principles-based rules, prescriptive rules and guidance**	Summer 2019	24 months	In progress	More tailored and flexible regulation
A-9	**Engage in targeted consultations to further understand and address stakeholders' concerns that staff guidance is being applied as rules**	Summer 2019	12 months	In progress	More timely and focused reviews Better and more accessible information

DISCUSSION

When making rules, we will conduct a deeper and more comprehensive regulatory impact analysis. Underlying our analysis will be an understanding that regulatory requirements can impose significant costs, directly or indirectly, on stakeholders and that those requirements should be proportionate to the benefits we seek to achieve. We will also recognize that our capital markets are composed of a varied group of stakeholders and that the impacts of rules on those stakeholders can be equally varied.

With respect to improving clarity and consistency in rules, policies and guidance, market participants will benefit from a reduction in the time and expense required to evaluate and understand the applicable rules.

We will engage in targeted consultations with market participants to better understand their concerns about finding the right balance between prescriptive and principles-based rules. We also received comments that we should be more mindful in considering whether guidance is generally helpful or is itself a source of burden. In our view, the ideal regulatory approach involves combining and balancing principles-based rules, prescriptive rules and guidance. We welcome the opportunity for additional dialogue with market participants on how best to refine this balance.

We also intend to engage in targeted consultations regarding the application of staff guidance, because it is important that everyone can recognize the differences between guidance and rules and that guidance is being used appropriately in compliance and regulatory reviews.

CONCERN 4: INTERACTION WITH STAKEHOLDERS

Interacting with, and accessing information from, the OSC can be complicated, time-consuming and expensive.

DECISIONS AND RECOMMENDATIONS

Number	Description	Start	Target Date (from start)	Status	Benefits
A-10	**Redevelop the OSC website format and content, prioritizing the posting of updated consolidated rules and better access to staff contact information**	Summer 2019	12 months	In progress	Better and more accessible information
A-11	**Evaluate the extent to which improvements to local filing systems can be made given the scope, resource and timing implications for existing local project work and SEDAR+**	Summer 2019	24 months	In progress	Reduced red tape
A-12	**Consider improvements to existing outreach programs (e.g., checklists, guides, in-person outreach, and channels of delivery)**	Summer 2019	24 months	In progress	Better and more accessible information
A-13	**Review the terms of engagement with advisory committees to increase their value as a source of input**	Summer 2019	24 months	In progress	Better and more accessible information
A-14	**Evaluate existing service standards for OSC stakeholders and establish a framework for determination, measurement and continuous improvement**	January 2020	24 months	Planning	Better and more accessible information

DISCUSSION

Redeveloping the OSC website's content and format will allow market participants to access relevant information more quickly and easily, as will our evaluation of possible improvements to local filing systems.

Improvements to existing outreach programs will enhance investor protection and confidence in the capital markets, since they will make such programs more effective.

Finally, our review of ways in which to increase the contributions made by advisory committees will foster investor protection and will assist in our burden reduction efforts, as such committees serve as a forum through which investors and market participants can express views and concerns.

6.2 Concerns, Decisions and Recommendations Affecting Companies

We identified 72 suggestions through our consultations, reflecting 13 underlying concerns relating to:

1. **prospectus reviews,**
2. **reports of exempt distribution,**
3. **cease-trade orders,**
4. **exempt market capital raising,**
5. **continuous disclosure documents,**
6. **electronic delivery of documents,**
7. **prospectus offering requirements,**
8. **insider reporting and trading by insiders,**
9. **venture issuer material change reports,**
10. **overlapping exchange rules,**
11. **insurance issuers,**
12. **environmental, social and governance reporting, and**
13. **the Multijurisdictional Disclosure System.**

We have developed 13 decisions and recommendations to address the first seven of the 13 concerns. We aim to reduce burden through these initiatives by:

- streamlining the prospectus review process to increase certainty for issuers conducting a public financing,
- making the process for filing reports of exempt distribution less time-consuming and expensive,
- making it easier to obtain information about issuers that are subject to cease-trade orders,
- harmonizing the crowdfunding rules to make it easier for start-ups to raise capital,
- streamlining continuous disclosure requirements,
- increasing the ability of issuers to deliver documents to investors in digital format, and
- developing proposals to make it more cost-effective for reporting issuers to conduct public offerings.

We are not addressing the remaining six concerns at this time, as discussed in more detail below.

While the initiatives we are pursuing will reduce burden for all public companies, small and medium-sized companies for whom the time and costs of undertaking a public financing are particularly significant will benefit from a more timely and transparent prospectus review process. In addition, reduced costs of accessing the exempt market and more streamlined continuous disclosure requirements will be of particular benefit to small and medium-sized companies. Harmonization of the crowdfunding rules will also facilitate capital raising by startup companies.

CONCERN 1: PROSPECTUS REVIEWS

The timing for obtaining a receipt for a final prospectus is too uncertain, and the review process is too cumbersome. There is insufficient clarity about what types of issues staff may raise when reviewing a prospectus, and whether and why these issues are considered material. Issues raised during the course of the review of a preliminary prospectus may lead to unexpected delays.

DECISIONS AND RECOMMENDATIONS

Number	Description	Start	Target Date (from start)	Status	Benefits
C-1	**Develop a process for mining issuers to request confidential staff review of publicly-filed mining disclosure prior to commencing an offering**	Completed	Completed	Completed. See OSC Staff Notice 43-706 *Pre-filing Review of Mining Technical Disclosure*	More timely and focused reviews
C-2	**Develop a process for issuers to request confidential staff review of an entire prospectus prior to announcing an offering****	Summer 2019	12 months	In progress	More timely and focused reviews
C-3	**Publish guidance about issues that staff would raise during prospectus reviews that may impact the structure of an offering or where there may be questions regarding the interpretation of certain requirements**	Fall 2019	12 months	In progress	Better and more accessible information
C-4	**Harmonize the requirements for financial statements to be included in a long form prospectus relating to an issuer's primary business****	Fall 2018	24 months	In progress	Harmonization

(Continued on next page)

Concern 1: Prospectus Reviews *(continued)*

DISCUSSION

We received a number of comments on how our prospectus review process could be improved to increase deal certainty. Stakeholders want to have a better understanding of how long a prospectus review should take and what types of issues staff will raise. We implemented a program for mining issuers to request a review of their existing technical reports and disclosure so that any concerns may be addressed before launching an offering. This was an area of particular focus because updating technical reports may require considerable time and work, and may involve retaining geologists and other experts. We are also proceeding with a general program to allow for confidential review of prospectuses prior to an offering to provide issuers and dealers with greater flexibility and certainty over the timing of an offering. Additional guidance on issues that may be raised in connection with a prospectus review and the required financial statements will also enable issuers to avoid unnecessary delays.

After careful consideration, we have identified the above priority decisions and recommendations. In our view, implementing these actions will increase deal certainty with minimal to no negative impact on investor protection. Completed upgrades to SEDAR have substantially eliminated any delays in posting documents through the system for SEDAR users and the public SEDAR website is updated every 15 minutes. Technical and operational improvements included in SEDAR+ will further enhance secure and centralized communication for prospectus reviews.

We also think that our pre-filing review program for technical disclosure will address the suggestion to modify the triggers for a National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (NI 43-101) technical report by enabling mining issuers to address issues and inquire about the applicability of NI 43-101 interpretations for their public technical disclosure prior to an offering being commenced.

Some commenters noted that the requirements for manual signatures for forms required under the SEDAR system should be eliminated. These concerns will be addressed by SEDAR+.

We received a suggestion to reconsider the impact of an issuer's financial condition on its ability to use the shelf prospectus system. In light of the potential investor protection concerns arising from less robust financials, we will continue to address these issues on a case-by-case basis. As discussed above, we will also consider providing additional guidance concerning financial condition concerns in connection with prospectus reviews.

We considered a suggestion that we should no longer require separate applications for exemptive relief that arise in the context of a prospectus filing. We require a separate application in these circumstances to provide greater transparency for other market participants that may need to request similar relief in the future and to treat all requests for relief in the same manner.

We also received a suggestion that we allow capital pool companies that conduct a qualifying transaction with a foreign company to be approved by the exchange rather than require them to file a non-offering prospectus. We are reviewing whether the requirement for a non-offering prospectus should remain given the unique risks that arise in some foreign jurisdictions.

CONCERN 2: REPORTS OF EXEMPT DISTRIBUTION

The process for filing reports of exempt distribution (REDs) is too time-consuming and expensive.

DECISIONS AND RECOMMENDATIONS

Number	Description	Start	Target Date (from start)	Status	Benefits
C-5	**Review options for extending the filing deadline, and engage in public consultation ****	Summer 2019	24 months	In progress	More tailored and flexible regulation

DISCUSSION

We are considering whether the filing deadline for REDs can be extended in a way that reduces regulatory burden on issuers but that does not compromise our ability to obtain timely information to support our compliance and enforcement work. Extending the filing deadline will allow issuers in continuous distribution to report more transactions on a single report, which will reduce the number of filings and the total amount of fees paid in connection with exempt distributions. Issuers who conduct discrete offerings will have more time to file reports.

We also heard that it is unduly burdensome to have to file REDs on up to three different filing systems (OSC Electronic Filing Portal, BCSC eServices, SEDAR). The existing filing systems will be replaced by a single filing system as part of SEDAR+.

We are also considering reducing the $500 filing fee. Our proposals will be published for comment as part of amendments to OSC Rule 13-502.

We received suggestions to reduce the amount of information required in the RED, and to keep more information confidential. We recently harmonized the content of the RED form across the CSA through an extensive public consultation. We do not plan to make additional changes to the content of the report at this time. We also think that having information on exempt market financing (which does not include the personal information of investors) publicly available supports transparency in this sector. The RED does not include information that would generally be considered to be commercially sensitive; however, individual issuers with unusual circumstances that would result in prejudice if the RED were disclosed may apply for confidentiality.

We also received a comment that there is a lack of harmonization when REDs and filing fees are triggered for distributions involving pooled funds or managed accounts. As described in CSA Staff Notice 45-325 *Filing Requirement and Fee Payable for Exempt Distributions involving Fully Managed Accounts*, this issue is a result of requirements that apply in other jurisdictions.

CONCERN 3: CEASE-TRADE ORDERS

It is difficult to confirm if an issuer is subject to a cease-trade order (CTO) based on the information provided on the OSC and CSA websites, particularly where the issuer has undergone a name change or restructuring.

DECISIONS AND RECOMMENDATIONS

Number	Description	Start	Target Date (from start)	Status	Benefits
C-6	**Provide clearer information on the OSC website on an issuer's CTO status**	Summer 2019	18 months	In progress	Better and more accessible information
C-7	**Where applicable, include additional information, such as CUSIP numbers or more details regarding individual officers and directors subject to a CTO, in published orders to better identify which securities are covered by the CTO**	Summer 2019	18 months	In progress	Better and more accessible information

DISCUSSION

These decisions and recommendations respond to comments from investment dealers and are intended to provide them with more information to assist in determining if trading in a particular security should be restricted. We also expect that SEDAR+ will result in easier access to information regarding CTOs, since all information regarding an issuer will be available through a single system.

Some comments indicated confusion about the impact of reciprocal CTOs in multiple jurisdictions and the process for seeking revocations in more than one jurisdiction. We will consider whether updated guidance is necessary.

CONCERN 4: EXEMPT MARKET CAPITAL RAISING

There should be more done to facilitate capital raising in the exempt market. For example, the disharmonized crowdfunding rules across the CSA add additional cost and time to startups wanting to use this exemption and are confusing given the varied requirements between jurisdictions.

DECISIONS AND RECOMMENDATIONS

Number	Description	Start	Target Date (from start)	Status	Benefits
C-8	**Harmonize the crowdfunding exemption and publish proposed amendments for public consultation****	Fall 2018	24 months	In progress	Harmonization

DISCUSSION

In Ontario, there are crowdfunding rules that allow companies, particularly startups and companies in their early stages of development, to raise funds online from the public through a single funding portal registered with securities regulators. Investor protection measures include investment limits, completion of a risk acknowledgment form by the investor, the ability to withdraw within 48 hours of making an investment, and prescribed offering disclosure. We have received feedback that crowdfunding is not an attractive capital-raising tool because of the disharmonized rules across the CSA. This recommended action will seek to harmonize the various CSA crowdfunding rules. We will also seek comment on increases to the issuer and investor limits to make crowdfunding more attractive.

We received other suggestions regarding capital raising on a prospectus-exempt basis that require further study, including by monitoring developments in the U.S. These suggestions include:

- expanding the accredited investor exemption criteria, e.g. by adding a category of investors with specialized knowledge or financial expertise,
- harmonizing the offering memorandum exemption,
- eliminating the requirement for disclosure of statutory rights of rescission and damages in offering memoranda,
- developing a new prospectus exemption for banks, money managers and investment funds to participate in private placements by foreign non-reporting issuers, and
- developing a new prospectus exemption for corporate actions by a foreign non-reporting issuer.

We also considered, but are not currently planning to implement, suggestions that we modify or expand prospectus exemptions and other requirements related to exempt market capital raising. We think that the following suggestions would have a negative impact on investor protection or our enforcement capabilities:

- eliminate the Risk Acknowledgement Form for the accredited investor exemption,
- eliminate the requirement to deliver offering memoranda to the OSC,
- allow the $150,000 prospectus exemption to apply to individuals, and
- allow issuers to solicit private placement investors on their unrestricted websites and through social media.

With regard to a suggestion to allow resale of non-reporting issuer securities in the exempt market, we plan to take a measured approach in order to mitigate the risk of unduly compromising investor protection. Although we generally consider resale restrictions for retail investors to be appropriate for issuers that do not provide continuous disclosure, we will consider case-by-case exemptive relief based on the specific types of issuers, investors and intermediaries involved. We encourage fintech or other innovation firms considering distributions of securities (including novel securities) to consult with OSC Launchpad on potential exemptive relief. We continue to monitor developments in other jurisdictions and will consider adopting any advances in this area that are consistent with our mandate.

One commenter suggested additional guidance on the types of documents that could be considered to be an offering memorandum under the *Securities Act*. We will consider this comment in connection with our ongoing issuer outreach programs.

CONCERN 5: CONTINUOUS DISCLOSURE DOCUMENTS

Some of the information required to be disclosed under the continuous disclosure requirements is duplicative or not meaningful to investors, which results in issuers incurring unnecessary time and cost.

DECISIONS AND RECOMMENDATIONS

Number	Description	Start	Target Date (from start)	Status	Benefits
C-9	**Amend the rules to reduce the number of instances when financial statements are required to be filed for significant acquisitions in business acquisition reports (BARs) and other disclosure****	Fall 2018	24 months	In progress. Proposed amendments were published in August 2019	Reduced red tape
C-10	**Amend the disclosure required in the Annual Information Form (AIF) and Management Discussion and Analysis (MD&A) to avoid duplicative or unnecessary disclosure****	Fall 2018	24 months	In progress	Reduced red tape

DISCUSSION

These decisions and recommendations are part of our existing regulatory burden policy initiatives that we announced last year. We received several comments related to these initiatives which we will address in our ongoing work.

Some commenters suggested streamlining the information circular requirements, including with respect to executive compensation. We are not currently proceeding with this initiative in light of our focus on streamlining AIF and MD&A disclosure. We will examine this issue in the future. We received a comment that the requirements relating to forward-looking information (FLI) may cause companies to be reluctant to communicate their future expectations due to concerns about legal liability. Based on our operational work, we have observed issuers frequently providing FLI. We note that we have published staff guidance on the preparation and use of FLI (CSA Staff Notice 51-330 *Guidance Regarding the Application of Forward-looking Information Requirements under NI 51-102 Continuous Disclosure Obligations*) and Commission policy guidance on the scope of the statutory defence for civil liability (OSC Policy 51-604 *Defence for Misrepresentations in Forward-Looking Information*).

A commenter suggested that we introduce rules to allow Canadian issuers that are subject to U.S. securities legislation (because they are not considered "foreign private issuers") to comply with U.S. law in lieu of Canadian securities law. We are not planning to follow that suggestion at this time, in light of our other priority actions and the limited number of issuers in this situation. We also are not planning at this time to introduce specific disclosure requirements for non-revenue generating mining companies as the MD&A requirements are already able to support tailored disclosure of this type – see OSC Staff Notice 51-722 *Report on a Review of Mining Issuers' Management's Discussion and Analysis and Guidance*.

One commenter cautioned against extending the accommodations currently provided to venture issuers more generally. We are not considering this change at this time.

CONCERN 6: ELECTRONIC DELIVERY OF DOCUMENTS

The current rules do not enable issuers to deliver required documents (e.g., prospectuses) using lower-cost and more efficient digital formats.

DECISIONS AND RECOMMENDATIONS

Number	Description	Start	Target Date (from start)	Status	Benefits
C-11	**Develop a comprehensive approach to modernizing delivery requirements for corporate issuer documents and publish a concept paper for consultation****	Fall 2018	18 months	In progress	Reduced red tape

DISCUSSION

This initiative is one of the existing regulatory burden policy initiatives that we announced last year. We received several comments related to this initiative, that we will address in our ongoing work. In general, the comments supported moving to greater reliance on electronic delivery and "access equals delivery" models, subject to investors having the option to request physical delivery.

CONCERN 7: PROSPECTUS OFFERING REQUIREMENTS

The disclosure, marketing and other requirements related to prospectus offerings are too inflexible and cumbersome, and make the process of conducting a financing in the public market too lengthy and too costly.

DECISIONS AND RECOMMENDATIONS

Number	Description	Start	Target Date (from start)	Status	Benefits
C-12	**Develop and publish proposals to make it more cost-effective for issuers to conduct a prospectus offering****	Fall 2018	24 months	In progress	More tailored and flexible regulation
C-13	**Amend the rules so that at-the-market (ATM) offerings can be conducted without having to obtain prior exemptive relief ****	Fall 2018	24 months	In progress. Proposed amendments were published in May 2019	Reduced red tape

DISCUSSION

These decisions and recommendations are part of our existing regulatory burden policy initiatives that we announced last year.

We received several suggestions related to these initiatives which we will consider in our ongoing work. These include:

- extending the term of a shelf prospectus to three years,
- streamlining prospectus disclosure requirements,
- introducing automatic shelf prospectus procedures similar to the U.S. Well-Known Seasoned Issuer (WKSI) concept,
- allowing a qualified person other than the qualified person that prepared a technical report to approve disclosure in a prospectus,
- streamlining the PIF filing requirements, and
- expanding the "testing the waters" exemption for a prospectus offering.

However, commenters also advised us to exercise caution in making any changes to the current prospectus rules that could affect current market practices. For example, there would be concerns if bought deals were inadvertently impacted by any rule changes.

We will consider whether the expanded "testing the waters" exemption recently adopted in the U.S. will affect financing activity by Canadian issuers who are also trading in the U.S., or will impact Canadian-based institutional investors, and whether changes to our requirements are necessary.

We will need to study further some suggestions that would mark a significant departure from our existing rules, such as having two years of financial statements in IPO prospectuses instead of three; eliminating the requirement to send a preliminary prospectus; and reducing the withdrawal right in the *Securities Act* to one business day from two. We have also considered whether there is a need for any additional guidance or changes to the marketing rules beyond a "testing the waters" exemption, as suggested by some commenters. We are not proposing to introduce any changes at this time in light of our other priorities.

CONCERN 8: INSIDER REPORTING AND TRADING

Insider reporting should be required in fewer situations. Its content should be simplified, as the time and money spent on its preparation is disproportionate to its benefit.

DISCUSSION

We received several comments pertaining to the insider reporting requirements, a number of which suggested we should provide more guidance or more flexible reporting requirements, particularly in connection with automatic securities disposition plans. We will consider these comments in connection with the recently announced CSA review of automatic securities disposition plans. This review will consider whether the regulatory framework for these plans should be enhanced and harmonized across Canada, including whether any changes are required to the existing approach to granting exemptions for insider reporting in connection with trades under these plans.

We also received a comment that it would be beneficial if we provided updated guidance on when material information is "generally disclosed" for the purposes of compliance with insider trading rules. We will consider whether updated guidance is necessary; however, we do not expect to complete this within the next 24 months in light of our other priorities.

CONCERN 9: VENTURE ISSUER MATERIAL CHANGE REPORTS

The requirement to file a material change report (MCR) imposes an undue burden on venture issuers, who are more likely to experience material changes than are other issuers.

DISCUSSION

We received a comment that filing MCRs imposes a burden on venture issuers, who are more likely to experience material changes, and that such reports often do not provide additional information beyond what is included in a news release. We believe that the MCR is a core disclosure document that provides investors with important, material information. MCRs must contain enough information for an investor to understand the nature and implications of the change, which may go beyond what would be found in a typical news release. MCRs also help market participants differentiate between news releases that disclose material changes and those that are more routine. Removing this distinction could expand the scope of potential liability for issuers and increase confusion for investors. Finally, we note that issuers can, and often do, attach the relevant news release to the MCR, with supplemental disclosure as needed; thus, minimizing the burden of preparing the MCR. Accordingly, we are not proposing changes at this time.

CONCERN 10: OVERLAPPING EXCHANGE RULES

Issuers must comply with exchange rules that often overlap with similar statutory or other requirements and that require additional time and expense.

DISCUSSION

We received a comment that we should generally defer to exchange requirements where such requirements overlap with securities law requirements. Before we determine whether we should defer in those circumstances, we would first need to conduct a thorough and comprehensive assessment of whether those rules and processes adequately address the specific regulatory concerns to which our rules are directed. We do not expect this to occur within the next 24 months, as we are focusing on other significant initiatives that we have identified as significantly reducing regulatory burden without compromising the relevant regulatory objectives. In the interim, we will continue to reduce overlapping requirements where possible as part of our ongoing policy work.

CONCERN 11: INSURANCE ISSUERS

A substituted compliance regime is lacking in the insurance sector, which results in various regulators imposing requirements that in some cases overlap with, or duplicate, requirements for reporting issuers.

DISCUSSION

We received a comment that there are overlapping and duplicative requirements imposed on insurance reporting issuers by various regulators including the OSC, and that a substituted compliance regime would be appropriate for such issuers. We will share these comments and consider opportunities to work with the insurance regulators on reducing burden for this subset of reporting issuers in the future. However, we are currently prioritizing initiatives that will reduce burden for reporting issuers generally.

CONCERN 12: ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORTING

A lack of consistent requirements with respect to ESG reporting and disclosure imposes additional time and cost on issuers and investors.

DISCUSSION

We received a comment that the lack of consistent standards for reporting of environmental, social and corporate governance imposes costs on issuers and investors. We refer readers to the recently-published CSA Staff Notice 51-358 *Reporting of Climate Change-related Risks*, which provides additional guidance on the application of our existing requirements in this area. We are not currently considering proposing new requirements.

CONCERN 13: MULTIJURISDICTIONAL DISCLOSURE SYSTEM (MJDS)

Misalignments between Canadian and U.S. rules applicable to southbound MJDS create uncertainty for issuers and may require them to seek exemptive relief.

DISCUSSION

We received a comment that there are misalignments between Canadian and U.S. rules applicable to offerings that occur under MJDS that create uncertainty for issuers and, in some cases, require issuers to seek exemptive relief. In our view, any misalignments under MJDS are relatively minor and are outweighed by the resources required to make changes to the MJDS, including managing the risk of disruption to a generally well-functioning system. We will continue to address any misalignments on a case-by-case basis.

6.3 Concerns, Decisions and Recommendations Affecting Investment Funds

We identified 44 suggestions through our consultations about how to change our requirements and processes, reflecting five underlying concerns relating to:

1. **the prospectus regime for investment funds,**
2. **continuous disclosure requirements for investment funds,**
3. **operational requirements for investment funds,**
4. **routine applications for exemptive relief, and**
5. **engagement with investment fund stakeholders.**

We have identified 24 decisions and recommendations to address the concerns. These decisions and recommendations are set out in detail below and focus on:

- streamlining the investment funds prospectus regime,
- streamlining investment fund continuous disclosure requirements,
- increasing operational flexibility, and
- codifying routine exemptive relief to eliminate the need to file exemptive relief applications.

CONCERN 1: INVESTMENT FUND PROSPECTUS REGIME

The prospectus regime for investment funds is cumbersome and the filing process is unnecessarily repetitive and frequent:

- Prospectuses must be filed annually even when there are no substantive changes in content.
- Any change to the prospectus filing process for a particular issuer (e.g., extension of lapse date, extension of preliminary 90-day filing period) must be effected by way of exemptive relief, which results in unnecessary costs for that issuer.
- Investment fund managers face the unnecessary burden of providing similar information to Investment Funds and Structured Products Branch (IFSP) staff twice – once as a registrant under securities legislation, and again for the purpose of security checks.

DECISIONS AND RECOMMENDATIONS

Number	Description	Start	Target Date (from start)	Status	Benefits
F-1	**(a) Publish a consultation paper to consider how to reduce the frequency of investment fund prospectus filings**	Fall 2019	12 months	In progress	Reduced red tape
	(b) implement changes to reduce the frequency of prospectus filings**	Fall 2020	12 months	Pending	
F-2	**Introduce a simplified process to address 90-day preliminary prospectus extension applications, similar to OSC Staff Notice 12-703 *Applications for a Decision that an Issuer is not a reporting issuer***	Fall 2019	12 months	Planning	Reduced red tape
F-3	**Finalize amendments to National Instrument 81-101 *Mutual Fund Prospectus Disclosure* and National Instrument 41-101 *General Prospectus Requirements* to streamline personal information form filing requirements and to rely on the current registration regime****	January 2020	9 months	Pending	Reduced red tape

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Concern 1: Investment Fund prospectus Regime *(continued)*

Number	Description	Start	Target Date (from start)	Status	Benefits
F-4	**Finalize amendments to NI 81-101, NI 81-102 *Investment Funds*, NI 81-106 *Investment Fund Continuous Disclosure*, National Policy 11-202 *Process for Prospectus Reviews in Multiple Jurisdictions*, NI 13-101 *System for Electronic Document Analysis and Retrieval*, and NI 13-102 *System Fees for SEDAR and NRD* to consolidate the simplified prospectus and the annual information form for mutual funds in continuous distribution****	January 2020	9 months	Pending	Reduced red tape
F-5	**Consider potential options for adapting the shelf prospectus system to investment funds and, if viable, publish a consultation paper****	Fall 2019	24 months	Planning	More flexible and tailored regulation

DISCUSSION

We received a comment with respect to the prospectus review process that issuing comment letters and receipts for prospectus through SEDAR can lead to delays, and that such documents should be sent concurrently by email. Completed upgrades to SEDAR have substantially eliminated any delays in posting documents through the system for SEDAR users and the public SEDAR website is updated every 15 minutes. Technical and operational improvements included in SEDAR+ will further enhance secure and centralized communication for prospectus reviews.

Other commenters suggested that it would be appropriate for staff to consider new or revised rules or processes to: (i) establish new financial reporting standards for investment funds in a streamlined reporting format, (ii) establish new, updated rules for scholarship plans, and (iii) remove the requirement to pre-file ETF Facts for new funds prior to being cleared for final receipt. We view all of these as important suggestions, however, further study is required to assess the underlying concerns and to determine potential solutions.

CONCERN 2: INVESTMENT FUND CONTINUOUS DISCLOSURE REQUIREMENTS

Commenters told us that current content and process requirements do not result in meaningful and concise disclosure for investors.

- Certain filings require duplicative information and would be more useful to investors if streamlined.
- Certain disclosure requirements have minimal utility and should be eliminated.
- Providing investors with access to information is costly for filers and can be better achieved using electronic means.

DECISIONS AND RECOMMENDATIONS

Number	Description	Start	Target Date (from start)	Status	Benefits
F-6	**Develop and implement an alternative to the annual notice reminder requirement contained in NI 81-106****	Fall 2019	18 months	Planning	Reduced red tape
F-7	**Develop and implement amendments to streamline the material change reporting regime for investment funds****	Fall 2019	18 months	Planning	Reduced red tape
F-8	**Develop and implement an alternative disclosure model for non-IFRS financial statement content****	Fall 2019	24 months	Planning	More tailored and flexible regulation
F-9	**Streamline duplicative continuous disclosure content requirements (*e.g.*, MRFPs, related party disclosure requirements) and prospectus content requirements****	Fall 2019	36 months	Planning	Reduced red tape
F-10	**Identify opportunities to promote electronic delivery of investment fund continuous disclosure documents and publish a proposal that considers the final recommendations of the *CSA Reducing Regulatory Burden – Enhancing Electronic Delivery Committee***	Winter 2019	24 months	Planning	Reduced red tape

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Concern 2: Investment Fund Continuous Disclosure Requirements *(continued)*

Number	Description	Start	Target Date (from start)	Status	Benefits
F-11	**Finalize amendments that require each investment fund to have a designated website with the potential for investment fund regulatory disclosure to be posted****	January 2020	9 months	Pending	Reduced red tape

DISCUSSION

One commenter suggested that the requirement to file a report of voting results be removed where a news release announcing results has already been filed. Another commenter suggested that we develop a new format of information circular that is tailored to investment funds seeking approval of a fundamental change. In our view, there is sufficient flexibility in the current content requirements of the information circular. We look forward to working with filers on a case-by-case basis.

Other commenters suggested that staff: (i) re-evaluate the value of reports required by NI 81-107 Independent Review Committee for Investment Funds, (ii) replace current requirements in NI 81-102 to publish multiple warnings and disclaimers in sales communications, and (iii) streamline the process for linked notes. These are all important suggestions, however, further study is required to assess the underlying concerns and to determine potential solutions.

CONCERN 3: INVESTMENT FUND OPERATIONAL REQUIREMENTS

Current operational restrictions on investment funds unnecessarily impair operational efficiency and impede investment fund managers from innovating, which can negatively impact investors' returns:

- Limiting investment funds to only one custodian for portfolio assets is unnecessary given the ability of other entities to act as a qualified custodian of investment fund assets.
- Unnecessary proficiency restrictions for Alternative Funds (Alt Funds) create impediments to having a wider distribution network thus limiting investor access to Alt Funds as well as limiting opportunities for greater scale.
- Unnecessary investment restrictions that are not rooted in investor protection concerns place undue limits on portfolio management options, which can negatively impact investor outcomes.
- Unnecessary use of sunset clauses in exemptive relief creates operational uncertainty regarding whether relief will be extended and requires filer time and effort to seek an extension.
- Current pre-approval criteria for investment fund mergers require filers to seek regulatory approval of such mergers which are already subject to securityholder approval and oversight of the investment fund's Independent Review Committee.

DECISIONS AND RECOMMENDATIONS

Number	Description	Start	Target Date (from start)	Status	Benefits
F-12	**Finalize an exemptive relief precedent[11] to allow an investment fund to have more than one custodian for additional operational flexibility without impacting the safety of assets**	Completed	Completed	Completed	More tailored and flexible regulation
F-13	**Clarify CSA expectations on the rehypothecation of an investment fund's assets[12]****	Completed	Completed	Completed	More tailored and flexible regulation
F-14	**Finalize an exemptive relief precedent to allow for more flexibility for Alt Funds to manage how they obtain their leverage while operating within the overall leverage limit**	Fall 2019	12 months	In progress	More tailored and flexible regulation

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11 The CSA recently granted exemptive relief from the single-custodian requirement in NI 81-102 to permit the use of more than one qualified custodian (see *In the Matter of Purpose Investments Inc.* (August 23, 2019) as found in OSC Bulletin Volume 42, Issue 36, page 7161 (September 5, 2019) - https://www.osc.gov.on.ca/en/SecuritiesLaw_ord_20190905_211_purpose.htm). The conditions of this precedent set out a basis for how custodial requirements may be expanded to allow investment funds additional operational flexibility without impacting the safety of assets.

12 The CSA recently granted exemptive relief from the requirement in NI 81-102 that all portfolio assets of an investment fund must be held under the custodianship of one custodian (see *In the Matter of Fidelity Investments Canada ULC* (August 16, 2019) as found in the OSC Bulletin Volume 42, Issue 38, page 7647 (September 19, 2019) - https://www.osc.gov.on.ca/en/SecuritiesLaw_ord_20190919_211_fidelity.htm. Representation 16 of this decision clarifies the CSA' s position on the rehypothecation of an investment fund's assets.

Concern 3: Investment Fund Operational Requirements (continued)

Number	Description	Start	Target Date (from start)	Status	Benefits
F-15	**Develop alternatives to the current Alt Funds proficiency requirements and alternative education programs and propose changes to the proficiency regime for Alt Funds**	Fall 2019	18 months	In progress	More tailored and flexible regulation
F-16	**Adopt an internal process for the IFSP Branch to ensure the use of sunset clauses in exemptive relief decisions only where appropriate**	Completed	Completed	Completed	More tailored and flexible regulation

DISCUSSION

One commenter suggested that there should be a separate carve-out reflecting specific investment restrictions for exchange-traded funds (ETFs) in NI 81-102 similar to what currently exists in NI 81-102 for Alt Funds. The ETF industry is growing rapidly both locally and globally. As a result, modernizing and having the right regulation for ETFs is important to support the industry's continued growth. Policy work on ETFs is already underway as stated in the OSC's Statement of Priorities.

CONCERN 4: APPLICATIONS FOR ROUTINE EXEMPTIVE RELIEF

Applications for routine exemptive relief that do not raise concerns and for which the underlying policy rationale has clearly been established, are expensive and time-consuming:

- Routine relief has not been codified, resulting in unnecessary costs for filers.
- Securities regulation is not regularly updated to crystallize and reflect the OSC's established policy views as evidenced in the terms and conditions that form part of routinely granted exemptive relief.

DECISIONS AND RECOMMENDATIONS

Number	Description	Start	Target Date (from start)	Status	Benefits
F-17	Publish *Revised Approval 81-901 Mutual Fund Trusts: Approval of Trustees Under Clause 213(3)(b) of the Loan and Trust Corporations Act* to codify routinely granted relief to allow any body corporate that is an investment fund manager to act as trustee of any pooled fund organized as a mutual fund trust in Ontario that it manages	Completed	Completed	Completed	Reduced red tape
F-18	Finalize amendments to NI 81-106 to codify exemptive relief granted in respect of notice and access applications**	January 2020	9 months	Pending	Reduced red tape
F-19	Finalize amendments to NI 81-102 and NI 81-107 to codify exemptive relief granted in respect of conflicts applications**	January 2020	9 months	Pending	Reduced red tape
F-20	Finalize amendments to NI 81-102 to broaden pre-approval criteria for investment fund mergers**	January 2020	9 months	Pending	Reduced red tape

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Concern 4: Applications for Routine Exemptive Relief (continued)

Number	Description	Start	Target Date (from start)	Status	Benefits
F-21	**Finalize amendments to NI 81-102 to repeal regulatory approval requirements for a change of manager, a change of control of manager and a change of custodian that occurs in connection with a change of manager****	January 2020	9 months	Pending	Reduced red tape
F-22	**Finalize amendments to NI 81-101 to codify exemptive relief granted in respect of Fund Facts delivery applications and which seek comment on the circumstances in which a combination of Fund Facts is appropriate****	January 2020	9 months	Pending	Reduced red tape

DISCUSSION

When exemptive relief is granted, operational efficiencies and investor protection are duly considered. Accordingly, it is an opportune time to codify such relief and to relieve filers from the need to apply for relief that has been routinely granted and that reflects established policy positions. As discussed above, the exemptive relief process may be further enhanced for common industry-wide issues by the ability to grant blanket orders to classes of market participants.

CONCERN 5: ENGAGEMENT WITH INVESTMENT FUND STAKEHOLDERS

Investment fund managers commented that engagement and relationship management with IFSP and OSC staff are not fully effective:

- Currently, investment fund managers experience duplicative requests for information and inconsistent outcomes between OSC branches.
- It is too difficult to locate relevant and useful information, resulting in filers having to make unnecessary inquiries of staff.
- Policy initiatives relevant to investment funds do not incorporate ongoing technical input from stakeholders as well as they should.

DECISIONS AND RECOMMENDATIONS

Number	Description	Start	Target Date (from start)	Status	Benefits
F-23	**Repurpose the Investment Funds Product Advisory Committee into the Investment Funds Technical Advisory Committee to provide greater focus on technical compliance challenges in the investment funds product regulatory regime**	Completed	Completed	Completed	Better and more accessible information
F-24	**Publish the Investment Funds Practitioner Newsletter with a new focus on providing practical information**	Fall 2019	6 months	Planning	Better and more accessible information

DISCUSSION

Certain commenters requested that we consider more frequent publication of concerns we raise on prospectus filings to alert the industry to staff's expectations. Other commenters suggested that we engage in early consultations with our advisory committees well before policies are developed, establish greater outreach programs to foster open dialogue with stakeholders, and make greater use of investor testing and behavioral economics in our policy development. We agree with these suggestions and will determine how to incorporate these ideas into the decisions and recommendations outlined above with the aim of improving our communication and engagement with stakeholders.

Other commenters suggested that we make changes to how we coordinate our reviews of prospectuses and applications, for example, that we: (i) improve our file assignment processes to ensure that all filings from the same issuer are assigned to the same staff member and all comments between analysts and Review Officers are coordinated before clearing a prospectus for final in SEDAR, (ii) streamline our comments on prospectuses and applications and develop a materiality threshold for same, (iii) reduce the number of conditions in exemptive relief orders, and (iv) promote deference to the views of a firm's lead regulator on filings. We agree that improvements can be made to our internal Branch procedures and we are in the process of implementing changes to address these concerns.

We also heard from certain commenters who suggested that we improve our focus on stakeholder engagement by: (i) developing fund group expertise by establishing a single point of contact at the OSC who acts as the relationship manager to a firm, (ii) publishing a current list of staff contact information to facilitate dialogue between the OSC and registrants, and (iii) redesigning the OSC website to provide relevant information to investment fund stakeholders in a more readily accessible way. We agree with these suggestions and will determine how to address these ideas as part of the OSC's overall approach to improving stakeholder engagement using multiple approaches.

6.4 Concerns, Decisions and Recommendations Affecting Registrants

We identified 44 suggestions through our consultations about how to change our requirements and processes, reflecting nine underlying concerns related to:

1. **registrant information requirements,**
2. **compliance reviews,**
3. **the Risk Assessment Questionnaire,**
4. **registration of fintech firms,**
5. **Client Relationship Managers,**
6. **Chief Compliance Officers,**
7. **dual requirements and oversight for SRO members,**
8. **overlapping Ontario, federal and international requirements; and**
9. **general registrant obligations.**

We have developed 30 decisions and recommendations to address these concerns. These decisions and recommendations are set out in detail below and focus on:

- clarifying and modernizing the registration information registrants must report to us;
- making our compliance reviews more timely and transparent through service standards and better communication with industry;
- reducing the time and cost of completing the RAQ through changes to the form;
- through OSC LaunchPad, providing more support and flexibility when registering fintech firms;
- facilitating the registration of Client Relationship Managers for portfolio manager registrants;
- making it easier for registrants to implement the CCO function in a manner that aligns with their particular operating needs and business models;
- streamlining regulatory requirements for registrants that are SRO members and subject to dual regulation or oversight;
- reducing the overall number of overlapping Ontario, federal and international requirements; and
- clarifying and modernizing general registrant obligations.

Smaller registrants with fewer compliance resources will particularly benefit from knowing what to expect during compliance reviews, changes to the RAQ form, and being able to retain a CCO who also acts as CCO for other unaffiliated registrants.

Innovative fintech firms will benefit from more support and flexibility in the registration process through OSC LaunchPad, as well as from the acceptance of a broader range of business experience to satisfy the experience requirements for CCO applicants.

CONCERN 1: REGISTRATION INFORMATION REQUIREMENTS

Several requirements in NI 33-109 are unclear or complex, which increases the time required to complete the registration process. Other requirements impose burden that is disproportionate to, or does not achieve, the intended regulatory objective. Timelines to file amendments to registration information are too stringent.

DECISIONS AND RECOMMENDATIONS

Number	Description	Start	Target Date (from start)	Status	Benefits
R-1	**Develop and implement an expedited rule amendment to establish a moratorium on outside business activity (OBA) late fees**	Completed	Completed	Completed	Reduced red tape
R-2	**NI 31-103, s. 13.4 – reassess OBA conflicts of interest and reporting obligations****	Fall 2019	24 months	In progress	Reduced red tape
R-3	**Modernize the registration information required by NI 33-109 and associated forms****	Fall 2019	24 months	In progress	More tailored and flexible regulation

DISCUSSION

Through the above decisions and recommendations, we intend to streamline and clarify the registration information that registrants must report to us. We are leading a CSA initiative that was recently announced in the CSA business plan for 2019-2022 that will modernize the registration information required by NI 33-109 and the associated forms. The CSA project committee will consider all the comments provided to us regarding the collection and use of registrant information, including comments that:

- late filing fees may not be effective in encouraging registrants to meet the filing deadlines and should not apply to less material information,
- related party filings are onerous and do not always support the intended regulatory objective,
- the requirement for reporting continuous updates for civil claims is unnecessary, and
- there should be greater public access to registration decisions.

CONCERN 2: COMPLIANCE REVIEWS

Compliance reviews lack service standards and timelines, take too long to complete, and are insufficiently coordinated within the OSC and across the CSA.

DECISIONS AND RECOMMENDATIONS

Number	Description	Start	Target Date (from start)	Status	Benefits
R-4	**Review and revise documents used to communicate compliance review findings to registrants**	Completed	Completed	Completed	Better and more accessible information
R-5	**Commence communication with the industry on how guidance issued to the industry is used during our compliance reviews**	Summer 2019	12 months	In progress	Better and more accessible information
R-6	**Enhance communications with registrants throughout the compliance review process to increase transparency**	Fall 2019	6 months	In progress	Better and more accessible information
R-7	**Review and streamline compliance review books and records requests**	Fall 2019	6 months	In progress	More timely and focused reviews
R-8	**Organize and provide a Registrant Outreach presentation explaining our oversight review processes and the elements of an effective compliance system, and make the presentation available as an ongoing resource for registrants' reference**	Fall 2019	6 months	In progress	Better and more accessible information
R-9	**Reassess the classification of significant vs. non-significant deficiencies and communicate criteria to enhance transparency**	Fall 2019	6 months	In progress	Better and more accessible information
R-10	**Improve coordination of compliance/ desk reviews and other compliance related initiatives with other regulators (CSA and Non-principal regulators (NPRs), SROs)**	January - March 2020	6 months	Planning	More timely and focused reviews

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Concern 2: Compliance Reviews *(continued)*

Number	Description	Start	Target Date (from start)	Status	Benefits
R-11	**Implement the use of a secure file transfer process used to collect registration information on a confidential basis during compliance reviews**	Completed	Completed	Completed	More timely and focused reviews
R-12	**Develop and implement a process for timely oversight of new rules and related compliance issues and a method to communicate related compliance review results in a clear and transparent manner to industry to enhance understanding and communication of compliance issues****	January – March 2020	24 months	Planning	Better and more accessible information

DISCUSSION

We recognize that compliance reviews consume significant registrant resources, and that registrants want these reviews to be timely, transparent, and executed by teams with relevant expertise. Over the years, we have introduced various features into our compliance review program to improve its efficiency and effectiveness, such as: using a risk-based approach to focus on higher risk issues; establishing three operational teams, each having a focus on the different categories of registration and the unique issues related to different business models; and establishing a professional development group to organize staff training on emerging issues, novel products and other developing market trends. We will continue to work on improving registrant compliance reviews through the above decisions and recommendations, as well as the broader organizational initiatives on service standards and improving compliance processes. We will report on this work in the 2020 Summary Report for Dealers, Advisers and Investment Fund Managers.

We also received suggestions for improving the Registrant Outreach program, including the Summary Report for Dealers, Advisers and Investment Fund Managers, organized and executed by the Compliance & Registrant Regulation (CRR) Branch. We will consider these suggestions when organizing future registrant outreach sessions.

Finally, we received suggestions that on-site reviews should be eliminated so long as registrants submit certain information to the OSC. We do not plan to eliminate on-site reviews at this time, as they are an important means of assessing registrant compliance in a more complete manner.

CONCERN 3: RISK ASSESSMENT QUESTIONNAIRE (RAQ)

Responding to and filing the RAQ consumes too much time and resources.

DECISIONS AND RECOMMENDATIONS

Number	Description	Start	Target Date (from start)	Status	Benefits
R-13	**Review the RAQ to determine if any questions can be removed based on information already received through other OSC filings and revise the RAQ accordingly**	Summer 2019	12 months	In progress	More timely and focused reviews
R-14	**Evaluate the OSC's ability to pre-populate certain fields in the RAQ to reduce the number of times information is required to be submitted**	Summer 2019	12 months	In progress	More timely and focused reviews
R-15	**Enhance the existing support tools to assist firms with completing the RAQ, including FAQs and continuing to have staff available to respond to questions**	Summer 2019	12 months	In progress	Better and more accessible information
R-16	**Organize and provide a Registrant Outreach session on the RAQ after issuance of a revised Form**	Summer 2019	12 months	In progress	Better and more accessible information

DISCUSSION

The above decisions and recommendations will seek to address feedback that it is burdensome to have to re-populate answers in the RAQ even if there is no year-over-year change to the response, or to provide information already submitted to the OSC through other filings.

Some commenters suggested that we should request information through the RAQ every three years (instead of every two), and only from a limited group of registrants. These registrants would be identified using a risk-based approach that would take into account the results of compliance reviews conducted during the time between RAQ requests. We have decided not to proceed with this suggestion at this time, as we think that a three-year gap will prevent us from having sufficiently up-to-date information about Ontario capital markets and firm operations for our compliance review program. With the enhancements contemplated above, the time and effort for completing the RAQ should be reduced.

Some commenters also suggested that we share the RAQ risk score with each registrant. The RAQ score is only one component of our risk assessment model, and must be understood in the larger context of the particular business lines and models of our registrant population. We have concerns that providing the RAQ risk score in isolation could result in registrants unduly relying on this number, and therefore we do not plan to share this internal indicator at this time.

CONCERN 4: REGISTRATION OF FINTECH FIRMS

Fintech firms find the initial and ongoing registration requirements confusing and potentially inapplicable to their novel business models or the novel products or services they offer. They also do not understand how OSC staff assess compliance with any terms and conditions imposed on the registration.

DECISIONS AND RECOMMENDATIONS

Number	Description	Start	Target Date (from start)	Status	Benefits
R-17	**Through OSC LaunchPad, evaluate what additional tools may be developed to assist fintech firms**	Summer 2019	12 months	In progress	More tailored and flexible regulation

DISCUSSION

We will actively consider ways to provide more support to fintech firms through OSC LaunchPad. These measures will be in addition to the existing support OSC LaunchPad provides by organizing "Info Days" to assist fintech firms in understanding registration and other regulatory requirements; maintaining a dedicated web page that provides high level summaries of key regulatory requirements; and providing direct support to fintech firms to help them navigate regulatory requirements.

We are also considering how best to address suggestions we received to modify regulatory requirements that are not well-suited to fintech firms. As a first step, we invite firms to help us identify any such regulatory requirements. We will consider the possibility of permitting the collection of client identification information to be outsourced to service providers.

We received comments that the terms and conditions imposed on the registration of novel fintech businesses should be less restrictive. The terms and conditions on registration are intended to allow these novel businesses to operate, while addressing the risks of these business models and any associated novel products. We will consider the suggestions submitted and other potential solutions to support greater flexibility for these businesses.

Some commenters also suggested that the CSA clarify its position on what constitutes a “qualified custodian” in the crypto asset space. A “qualified custodian” is defined in NI 31-103 and includes investment dealers that are IIROC members and permitted to hold client assets. The CSA, together with IIROC, is considering the appropriate requirements for crypto asset custodians as part of the policy project related to Joint CSA/IIROC Consultation Paper 21-402 *Proposed Framework for Crypto-Asset Trading Platforms.*

CONCERN 5: CLIENT RELATIONSHIP MANAGERS (CRMS)

The current experience requirements applicable to Advising and Associate Advising representatives are outdated and restrict registration of otherwise qualified individuals to act as CRMs in large portfolio management firms

DECISIONS AND RECOMMENDATIONS

Number	Description	Start	Target Date (from start)	Status	Benefits
R-18	**Develop a process to permit the registration of Advising and Associate Advising Representatives as CRMs through terms and conditions****	Summer 2019	12 months	In progress	More tailored and flexible regulation

DISCUSSION

In large portfolio management firms, there has been an evolution of responsibilities between advising representatives that are managing portfolios and advising representatives that are client relationship managers. However, the relevant investment management experience required to be registered has not evolved to reflect these different roles.

We are working on a possible solution involving the use of terms and conditions on an individual registration that would expressly define the activity that a Client Relationship Manager Advising and Associate Advising Representative may conduct.

CONCERN 6: CHIEF COMPLIANCE OFFICERS (CCOs)

The registration requirements relating to CCOs do not sufficiently take into account different business models:

- The current requirement for one registered CCO per legal entity may not support the operating needs of businesses with multiple divisions.
- Current business experience requirements may limit the pool of qualified individuals who can register as a CCO for fintech firms.
- Certain business models may not transact often enough to support a full-time CCO.

DECISIONS AND RECOMMENDATIONS

Number	Description	Start	Target Date (from start)	Status	Benefits
R-19	**Facilitate multiple CCOs to be registered for a single legal entity where a business need is demonstrated****	Fall 2019	24 months	In progress	More tailored and flexible regulation
R-20	**For fintech firms in Ontario, accept broader business experience when assessing the sufficiency of a CCO applicant's qualifications****	Fall 2019	Ongoing	Ongoing	More tailored and flexible regulation
R-21	**Permit Ontario registrants in the appropriate circumstances to have a CCO who also is CCO for other unaffiliated registrants****	Fall 2019	Ongoing	Ongoing	More tailored and flexible regulation

DISCUSSION

Through the above measures, we aim to make it easier for registrants to implement the CCO responsibilities in a manner that aligns with their particular operating needs and business models. We will immediately implement all three initiatives in respect of registrants that operate in Ontario only, which will be of particular benefit to small or innovative registrants. Any firms interested in these initiatives should contact the OSC Registration Team. We are committed to working with our CSA partners on a harmonized approach for firms operating in multiple jurisdictions.

We also received a suggestion that a CCO certificate program be developed as an alternative to the current experience requirements for CCOs. Currently, no such program exists in Canada. We will consider this suggestion as part of a broader CSA policy project to update proficiency requirements.

CONCERN 7: DUAL REQUIREMENTS AND OVERSIGHT FOR SELF-REGULATORY ORGANIZATION (SRO) MEMBERS

In some circumstances, registrants are subject to dual requirements and oversight under Ontario securities law and SRO member rules that are cumbersome or duplicative.

DECISIONS AND RECOMMENDATIONS

Number	Description	Start	Target Date (from start)	Status	Benefits
R-22	**Develop expedited rule amendments to OSC Rule 13-502 to allow additional senior officers of a registrant firm to certify the annual participation fee calculation form**	Completed	Completed	Completed	Reduced red tape; Harmonization
R-23	**With the MFDA, clarify and streamline the application process to reactivate registration for MFDA member firms and their dealing representatives after conclusion of MFDA disciplinary proceedings**	Fall 2019	12 months	Planning	Better and more accessible information
R-24	**Evaluate options to reduce duplication in the registration and membership processes for IIROC member firms**	January-March 2020	12 months	Planning	Reduced red tape; Harmonization
R-25	**Evaluate options to reduce duplication in the review of notices required by sections 11.9 and 11.10 of NI 31-103 for IIROC member firms**	January-March 2020	12 months	Planning	Reduced red tape; Harmonization

DISCUSSION

Registrants who are also SRO members are, in certain circumstances, subject to dual regulatory requirements or oversight. Through the above decisions and recommendations, we will be addressing the following duplicative or cumbersome requirements:

- The requirement in the OSC participation fee form that a registrant's CCO certify the form, which results in an IIROC member firm having two different senior officers (the CCO and CFO) certify the registrant's financial statements.
- Duplicative registration and membership requirements and requirements to provide notices relating to acquisitions of registrant securities or assets, which result in IIROC member firms having to file substantially the same/identical information with IIROC and the OSC.

We will also work with MFDA staff to streamline the process for reviewing registration reactivation applications, as well as raise awareness of the different roles played by the OSC and the MFDA. The OSC has a statutory responsibility to act as a gatekeeper that assesses whether a person or company is suitable for registration; while the MFDA regulates the operations, standards of practice and business conduct of its members and their representatives. To fulfill the OSC's gatekeeping role, OSC staff must review the application to reactivate registration, even where the MFDA has concluded its disciplinary proceedings against that particular member firm or individual.

We also received a comment related to IIROC restrictions concerning affiliated exempt market dealers. As this relates to an IIROC requirement, we have forwarded this comment to them.

CONCERN 8: OVERLAPPING DOMESTIC AND INTERNATIONAL REQUIREMENTS FOR REGISTRANTS

Registrants are subject to a broad spectrum of Canadian and international regulatory obligations, that can result in duplicative regulation or create inefficiencies and unnecessary costs:

- Registrants and exempt international firms have UN Suppression of Terrorism and Canadian Sanctions reporting obligations with FINTRAC, CSIS and the RCMP as well as the OSC.
- The *Commodity Futures Act* (CFA) is outdated and not harmonized with Ontario securities law.

DECISIONS AND RECOMMENDATIONS

Number	Description	Start	Target Date (from start)	Status	Benefits
R-26	**With appropriate departments of the Federal Government (Canada), eliminate the requirement for registrants and exempt international firms to submit duplicative information to securities regulators**	Spring 2018	TBD	In progress	Reduced red tape
R-27	**Develop a rule that exempts international dealers, advisers and sub-advisers from registration under the CFA**	Fall 2019	12 months	In progress	Reduced red tape; More tailored and flexible regulation

DISCUSSION

The above items would help to eliminate requirements that either are duplicative, as they are captured by other legal requirements, or require compliance with Ontario securities law requirements for which we already provide exemptive relief.

In April 2018, the OSC submitted a letter to the Department of Finance (Canada) requesting that registrants and exempt international firms be removed from the reporting obligations under the UN Suppression of Terrorism and Canadian Sanctions legislation. Amendments have been made to eliminate five of the seven requirements. However, to completely remove securities regulators from the reporting process, the *Criminal Code* would have to be amended. This is a long-term initiative that is outside the OSC's control. We will continue to advocate with the appropriate departments of the Federal Government (Canada) for the requisite amendments.

Some commenters advocated for the repeal of the CFA and related registration categories, given the duplication with Ontario securities law. We will revisit this issue once a derivatives regime is implemented.

We also received suggestions relating to the current disclosure requirements relating to syndicated mortgages. These relate to requirements pursuant to the mortgage broker regulatory regime. We will consider syndicated mortgage issues as part of the broader, existing initiative regarding certain syndicated mortgages becoming subject to securities law requirements.

CONCERN 9: GENERAL REGISTRANT OBLIGATIONS

Several ongoing registrant obligations in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and related regulatory processes should be evaluated for opportunities to reduce burden, such as:

- The current regulatory requirements and related process to file and execute the notices under sections 11.9 and 11.10 of NI 31-10, which are onerous, time consuming and inefficient.
- The process followed to lift close supervision terms and conditions once the terms and conditions have been satisfied, which lacks clarity.

DECISIONS AND RECOMMENDATIONS

Number	Description	Start	Target Date (from start)	Status	Benefits
R-28	**Evaluate changes to the percentage thresholds that trigger an 11.9 or 11.10 notice under NI 31-103****	January-March 2020	24 months	Planning	Reduced red tape
R-29	**Improve processing of 11.9 and 11.10 notices under NI 31-103**	January-March 2020	12 months	Planning	Reduced red tape
R-30	**Review and enhance the current process followed to remove close supervision terms and conditions**	Summer 2019	6 months	In progress	Reduced red tape

DISCUSSION

In our view, the above decisions and recommendations can reduce regulatory burden without compromising the underlying objective of NI 31-103. With regard to processing of s. 11.9 and 11.10 notices under NI 31-103, we will consider a technology solution to simplify the submission of these notices.

We also received suggestions relating to Phase 2 of the Client Relationship Model (CRM2). At this time, we have decided not to pursue these suggestions given that CRM2 was implemented recently in 2016, and is currently undergoing a CSA Study to evaluate its outcomes. Based on the findings of this and other studies, the CSA could consider potential changes to the reporting obligations at that time.

We also received comments regarding the following:

- Excess working capital requirements,
- Ombudsman for Banking Services and Investments,
- Individuals registered with multiple registrants,
- Exemptions from registration, business trigger analysis and accredited investor guidance, and
- harmonizing the definition of "permitted client" in NI 31-103 and the definition of "institutional client" in IIROC rules to allow for ease of application of waivers for Know Your Client (KYC) and suitability assessments.

We will further study these suggestions to determine the scope of the existing regulatory burden and appropriate next steps. We have also informed IIROC of the comment related to the definitions of "permitted" and "institutional" clients.

We received suggestions regarding the provision, content and delivery of trade confirmations. We encourage the relevant registrant industry associations to come together to discuss these issues and develop a set of recommendations for us to consider.

We also received suggestions relating to the Client Focused Reforms. Once the Client Focused Reforms receive ministerial approval, suggestions concerning implementation issues will be considered through a specialized committee that will be formed.

We also received suggestions to eliminate the requirement to register with the OSC for international dealers that are exempt from registration in their foreign jurisdiction. The registration exemption for international dealers is based on a substituted compliance model; therefore, registration in the home jurisdiction is necessary. We will not be pursuing this suggestion.

6.5 Concerns, Decisions and Recommendations Affecting Markets, Trading and Clearing

We identified 12 suggestions through our consultations, reflecting three underlying concerns relating to:

1. **entity oversight,**
2. **specific rule requirements, and**
3. **our approach to foreign entity regulation.**

We will be implementing eight decisions and recommendations to address the concerns. These decisions and recommendations are set out in detail below and focus on:

- streamlining oversight of various entities we regulate through revising and updating various recognition and approval orders, as well as the reporting requirements for marketplaces,
- revisiting burdensome or unnecessary requirements in several specific rules, and
- reviewing our approach to regulation of foreign entities.

CONCERN 1: ENTITY OVERSIGHT

Certain reporting requirements and regulatory approvals required by entities are onerous:

- Requirements might be in multiple places and are often overlapping.
- Some terms and conditions in orders are onerous and unnecessary.

DECISIONS AND RECOMMENDATIONS

Number	Description	Start	Target Date (from start)	Status	Benefits
M-1	**Revise the terms and conditions of exchange recognition orders to remove burdensome and duplicative reporting requirements for exchanges**	Summer 2019	12 months	In progress	More tailored and flexible regulation
M-2	**Update SRO recognition orders and MOUs to ensure consistency with oversight activities****	Fall 2018	18 months	In progress	More tailored and flexible regulation
M-3	**Update CIPF and MFDA IPC approval orders and MOUs to ensure consistency with oversight activities****	Summer 2018	18 months	In progress	More tailored and flexible regulation
M-4	**Revise the terms and conditions of clearing agency recognition orders to remove burdensome and duplicative requirements for clearing agencies**	Summer 2019	12 months	In progress	More tailored and flexible regulation
M-5	**Amend National Instrument 21-101 *Marketplace Operation* to remove burdensome and duplicative reporting requirements for marketplaces****	Fall 2018	18 months	In progress	More tailored and flexible regulation

(Continued on next page)

Concern 1: Entity Oversight *(continued)*

DISCUSSION

Commenters identified numerous specific regulatory requirements they considered burdensome and duplicative. For exchanges, these included constraints on operations such as OSC approval of changes to internal cost allocation models, outsourcing arrangements and the reorganization of corporate functions. For recognized clearing agencies, these included OSC approval of fees as well as prescriptive requirements regarding the clearing agency's governance structure.

In developing the above decisions and recommendations, we considered the risk that streamlined oversight would unduly compromise investor protection or fair and efficient capital markets, including investor confidence. In our view, this risk will be adequately managed because the decisions and recommendations will target requirements that no longer meaningfully contribute to our oversight of an entity.

In addition to the issues listed above, we received comments that we should review how we regulate non-operating exchange holding companies. We intend to do that after we complete the above recommended action relating to marketplaces.

Lastly, we received comments pertaining to current processes at regulated entities where there might be opportunities for improvement. For example, one commenter noted that there is duplication of processes and requirements for registration of traders by IIROC and the TSX. We have engaged IIROC and TSX on the issue and TSX staff is working to streamline the relevant TSX processes and requirements. Another commenter noted that it would be helpful if we were to review the Canadian Depository for Securities' processes for both ETFs and mutual fund issuances. We will be considering this as part of our ongoing oversight activities.

CONCERN 2: SPECIFIC RULE REQUIREMENTS

Certain requirements in rules are burdensome and unnecessary. For example, National Instrument 24-101 *Institutional Trade Matching and Settlement* (NI 24-101) requires quarterly reports to be filed by dealers and advisers if certain thresholds in the rule are not met, which is burdensome and may no longer be relevant.

DECISIONS AND RECOMMENDATIONS

Number	Description	Start	Target Date (from start)	Status	Benefits
M-6	**Eliminate reporting requirements for investment dealers and advisers in NI 24-101 if certain thresholds are not met****	Summer 2019	12 months	In progress	More tailored and flexible regulation
M-7	**Consider potential changes to the requirements in OSC Rule 48-501 *Trading during Distributions, Formal Bids and Share Exchange Transactions* to eliminate duplicative regulation and trading restrictions**	Summer 2019	12 months	In progress	More tailored and flexible regulation

DISCUSSION

In developing the above decisions and recommendations, we considered whether they would unduly compromise investor protection or fair and efficient capital markets. In our view, they would not because they target prescriptive requirements that no longer meaningfully contribute to our oversight, or in the case of OSC Rule 48-501, they duplicate IIROC requirements where there are general anti-manipulation principles that currently provide adequate protection and that would continue to apply.

CONCERN 3: APPROACH TO FOREIGN ENTITY REGULATION

Foreign entities assert that the frequency and extent of reporting is onerous and that we should defer more to home regulators. Domestic entities are of the view that the current approach of relying on home regulators may create an unlevel playing field, as there are additional requirements on domestic entities.

DECISIONS AND RECOMMENDATIONS

Number	Description	Start	Target Date (from start)	Status	Benefits
M-8	**Review approach to foreign entity regulation and make recommendations**	Summer 2019	12 months	In progress	More tailored and flexible regulation

DISCUSSION

We are considering whether the current approach to rely on home regulators and impose limited requirements continues to be appropriate and whether we can make changes to the current approach that would not compromise investor protection. We are also considering whether requirements imposed on domestic entities should be reduced.

6.6 Concerns, Decisions and Recommendations Affecting Derivatives Participants

We identified 21 suggestions through our consultations regarding our proposed derivatives rules, reflecting seven underlying concerns related to:

1. **margin and collateral requirements for non-centrally cleared OTC derivatives,**
2. **the proposed business conduct rule,**
3. **the proposed registration rule,**
4. **the scope of the mandatory clearing obligation,**
5. **requirements of the trade reporting rule,**
6. **derivatives market fragmentation and inefficiencies, and**
7. **proficiency requirements when advising on recognized options.**

We have identified 18 decisions and recommendations to address the concerns. These decisions and recommendations are set out in more detail below and focus on:

- delaying implementation of margin and collateral requirements for non-centrally cleared OTC derivatives,
- modifying the proposed business conduct rule to eliminate duplication and support cost-effective access to derivatives products for investors and customers,
- modifying the proposed registration rule to eliminate duplication with the existing regime for securities dealers and advisors,
- modifying the mandatory clearing requirement to narrow the scope of its application and streamline reporting requirements, and
- streamline the requirements of the trade reporting rule.

CONCERN 1: MARGIN AND COLLATERAL REQUIREMENTS FOR NON-CENTRALLY CLEARED OTC DERIVATIVES

A rule imposing mandatory margin and collateral requirements would impose unnecessary obligations because such a rule would not currently apply to any entity that is not already covered by the rules of the Office of the Superintendent of Financial Institutions.

DECISIONS AND RECOMMENDATIONS

Number	Description	Start	Target Date (from start)	Status	Benefits
D-1	**Indefinitely delay the implementation of a new rule imposing mandatory margin and collateral requirements for non-centrally cleared derivatives****	Completed	Completed	Completed. See CSA Staff Notice 95-301 *Margin and Collateral Requirements for Non-Centrally Cleared Derivatives*	Reduced red tape

DISCUSSION

In Ontario, we have determined that delaying the implementation of a rule imposing mandatory margin and collateral requirements for non-centrally cleared OTC derivatives will not adversely impact systemic risk because such a rule would duplicate existing requirements applicable to most market participants whose derivatives exposure could have a systemic impact on Canadian financial markets. This recommended action was a data-driven development, taking into account the structure of the Canadian OTC derivatives market, the positions of participants in that market, and any existing requirements that participants already satisfy.

CONCERN 2: PROPOSED BUSINESS CONDUCT RULE

The derivatives dealer and adviser business conduct rule is still subject to ministerial approval. However, many commenters expressed concerns that the rule as proposed is overly broad. To maintain the competitiveness of Ontario's OTC derivatives market, obligations that would be imposed on derivatives dealers and derivatives advisers should be more closely aligned with existing regulations and the global nature of derivatives markets. The need for access to derivatives products for the hedging of risks should be given greater weight through increased reliance on foreign regulators.

DECISIONS AND RECOMMENDATIONS

Number	Description	Start	Target Date (from start)	Status	Benefits
D-2	**Leverage existing regulatory requirements to eliminate duplicative obligations for dealers and advisers that are already registered****	Summer 2019	6 months	In progress	Reduced red tape
D-3	**Ensure domestic and foreign dealers remain active in offering OTC derivatives products to institutions hedging commercial risks associated with their businesses****	Summer 2019	6 months	In progress	More tailored and flexible regulation
D-4	**Expand the availability and ease the use of exemptions for international dealers, and international advisers and sub-advisers****	Summer 2019	6 months	In progress	More tailored and flexible regulation

DISCUSSION

We received a number of comments on how our proposed business conduct rule could be improved. The underlying concern was a potentially negative impact to liquidity in our markets.

In our view, implementing the above decisions and recommendations will eliminate negative consequences to investors and customers in the Canadian OTC derivatives markets by ensuring that access to derivatives products will not be unduly limited and that costs will remain competitive. As we complete our work and identify specific opportunities for improvement, we will assess the impact, if any, of each opportunity on investor protection.

We are not proceeding with suggestions to completely defer conduct oversight of our markets to other domestic regulators that are not conduct regulators. In our view, doing so would compromise investor protections.

CONCERN 3: PROPOSED REGISTRATION RULE

The proposed additional categories of registration (i.e., registered derivatives dealer and registered derivatives adviser) are unnecessary given the existing registration regime for securities dealers and advisers. A burdensome new registration rule would not result in proportionately meaningful benefits for investors and customers.

DECISIONS AND RECOMMENDATIONS

Number	Description	Start	Target Date (from start)	Status	Benefits
D-5	**Leverage the existing registration regime to eliminate duplicative obligations for dealers and advisers that are already registered****	Fall 2019	24 months	In progress	Reduced red tape
D-6	**Review the existing registration regime for potential regulatory gaps to determine whether those regulatory gaps can be addressed by measures that are less burdensome than an OTC derivatives registration rule**	Fall 2019	6 months	In progress	Reduced red tape

DISCUSSION

We are considering the extent to which the existing registration regime for securities dealers and advisers can be utilized in respect of OTC derivatives as a less burdensome measure than the proposed additional categories of registration and corresponding derivatives-specific requirements. In our view, alternative measures may adequately address our concerns regarding investor protection, market integrity and systemic risk, while eliminating duplicative requirements.

CONCERN 4: SCOPE OF THE MANDATORY CLEARING OBLIGATION

The mandatory clearing requirement reduces counterparty risk in the OTC derivatives market by mandating central clearing of prescribed derivatives by market participants whose derivatives exposure could potentially have a systemic impact on Canadian financial markets. The scope of this requirement, however, goes beyond what was originally intended, in that it captures entities that do not contribute to systemic risk and applies in situations where it is not feasible to mandate clearing.

DECISIONS AND RECOMMENDATIONS

Number	Description	Start	Target Date (from start)	Status	Benefits
D-7	**Publish for consultation proposed amendments to the interpretation of affiliated entity status to narrow the scope of entities subject to the mandatory clearing requirement****	Spring 2019	6 months	In progress	More tailored and flexible regulation
D-8	**Publish for consultation proposed amendments that eliminate forms filing requirements where we have alternative sources for obtaining the information that the filings would provide****	Spring 2019	6 months	In progress	Reduced red tape

DISCUSSION

These decisions and recommendations are responsive to the evolving OTC derivatives market and address feedback that certain trusts and investment funds generally should not be subject to a mandatory clearing requirement solely because they are affiliated with another entity. Any potential impact that these actions may have on systemic risk will be considered within the scope of the project.

CONCERN 5: REQUIREMENTS OF THE TRADE REPORTING RULE

The operational burdens and compliance risks market participants face in respect of the OTC derivatives trade reporting requirements may be further reduced.

DECISIONS AND RECOMMENDATIONS

Number	Description	Start	Target Date (from start)	Status	Benefits
D-9	**Monitor international developments to harmonize data fields required to be reported under the provincial trade reporting rules with such international developments****	Fall 2019	24 months	In progress	Harmonization
D-10	**Review the monetary ceiling in the exclusion for reporting of commodity derivatives transactions****	Fall 2019	24 months	In progress	Harmonization
D-11	**Consider whether it would be appropriate to allow greater flexibility in the manner of delegation of reporting responsibility between two non-dealer counterparties**	Fall 2019	24 months	In progress	Harmonization
D-12	**Consider whether it would be appropriate to allow a reporting counterparty greater flexibility in the due diligence required when determining in which jurisdictions a derivatives transaction is reportable****	Fall 2019	24 months	In progress	More tailored and flexible regulation
D-13	**Reduce the frequency of *ad hoc* reporting required to demonstrate compliance**	Summer 2019	6 months	In progress	More tailored and flexible regulation

DISCUSSION

We received a number of comments on the compliance challenges reporting counterparties face with respect to their OTC derivatives trade reporting obligation. We plan to study the challenges identified to improve the operational feasibility of the trade reporting obligation, without unduly compromising investor protection or adversely impacting systemic risk.

We also received a comment that intended-to-be-cleared swaps executed on a swap execution facility that are not accepted for clearing are void as if they never existed, and that a reporting counterparty should not be required to trade report in this context. A reporting counterparty's trade reporting obligation is triggered when a transaction is necessarily involved. Accordingly, we are not proposing to introduce any changes at this time and refer readers to OSC Rule 91-507 *Trade Repositories and Derivatives Data Reporting*, which provides additional guidance.

CONCERN 6: DERIVATIVES MARKET FRAGMENTATION AND INEFFICIENCIES

The OSC should ensure that there are no regulatory-driven inefficiencies or an unlevel playing field among different market participants active in Ontario's derivatives market.

DECISIONS AND RECOMMENDATIONS

Number	Description	Start	Target Date (from start)	Status	Benefits
D-14	**When adopting or amending rules, place increased emphasis on minimizing disparities in the national implementation of global reforms and deploying a risk-based framework for the evaluation of comparability and recognition of derivatives regulatory regimes of foreign jurisdictions****	N/A	N/A	In progress	Harmonization
D-15	**Review the requirement for exempt clearing agencies to deliver a monthly filing relating to their holdings of customer collateral****	Fall 2019	12 months	In progress	More tailored and flexible regulation
D-16	**Review approach to foreign clearing agency and trading facility regulation (i.e., exemption from recognition) and make recommendations**	Summer 2019	12 months	In progress	More tailored and flexible regulation
D-17	**Consider arrangements with the home regulators of foreign entities that may be utilized to eliminate overlapping audits**	Fall 2019	24 months	In progress	More timely and focused reviews

DISCUSSION

In developing the above decisions and recommendations, we are considering our current approach to equivalency assessments of the derivatives regulatory regimes of foreign jurisdictions and reliance on home regulators with limited requirements on foreign entities.

We are considering arrangements that may be entered into with the home regulators of foreign entities so that a single audit process may be leveraged to verify regulatory compliance in more than one jurisdiction.

In addition, as our modernized OTC derivatives regime is developed, we will need to study further any differences in regulations to ensure these differences are purposeful, are responsive to risks posed by the derivatives activities of different market participants, and do not inappropriately favour one type of derivatives market over another.

CONCERN 7: PROFICIENCY REQUIREMENTS WHEN ADVISING IN RECOGNIZED OPTIONS

The application of proficiency requirements with respect to advising in options[13] is unclear.

DECISIONS AND RECOMMENDATIONS

Number	Description	Start	Target Date (from start)	Status	Benefits
D-18	**Review the application of proficiency requirements, relating to registered advising representatives when advising in recognized options, and consider providing clarification**	Fall 2019	12 months	In progress	More tailored and flexible regulation

DISCUSSION

We plan to consider whether proficiency requirements for advising representatives are being applied inconsistently by market participants and the extent to which additional clarification may be required.

13 In September 2019, almost four million listed option contracts were bought and sold.

7.0 NEXT STEPS

Strong and effective regulation keeps our markets safe and fair; however, our regulatory approach must evolve to ensure that markets remain competitive and efficient. We must continually verify that the oversight regime appropriately serves the needs of our market by responding to change, allowing for innovation and maintaining critical investor protections.

We will continue consulting with our stakeholders through our advisory committees and other forums to refine and roll out our decisions and recommendations. We are mindful that they will require time and money on our part to implement. For example, some initiatives will require the procurement of services from outside vendors; others involve the purchasing of specialized data, software and training for staff. For the many that require rule amendments, we will need to publish specific proposals for stakeholder comment, prepare robust regulatory impact analyses, and obtain approval from the Ontario Minister of Finance. We will continue to work in partnership with the Government of Ontario on developing an implementation agenda for those actions that require legislative amendments or ministerial approval.

The implementation plan for each initiative is being integrated into our business plans at the organizational and branch levels. Our progress on these will be reflected in our Statement of Priorities and market updates, as well as in our Annual Report.

We are committed to a process of continuous improvement, and to embedding burden reduction into our organization by building it into our structure, our processes and the way we work. We will continue to identify and act upon opportunities to streamline and simplify things wherever possible, while working with our CSA colleagues on policy initiatives.

Finally, and as a key component of the Ontario Government's five-point plan for creating confidence in Ontario's capital markets, the OSC is creating a new Office of Economic Growth and Innovation. This group will work with other Branches within the OSC to ensure that we keep a close eye on emerging trends and risks, and that we maintain a dialogue with those we regulate, in order to hear and respond to their concerns and suggestions.

APPENDIX 1:
SUMMARY OF DECISIONS AND RECOMMENDATIONS[14]

Reference Number:	
All Market Participants	A-1 to A-14
Companies	C-1 to C-13
Investment Funds	F-1 to F-24
Registrants	R-1 to R-30
Markets, Trading and Clearing	M-1 to M-8
Derivatives Participants	D-1 to D-18
Total:	**107**

ALL MARKET PARTICIPANTS

CONCERN 1: RESTRICTIVE AND DISHARMONIZED *SECURITIES ACT* PROVISIONS

A-1	Recommend an amendment to the *Securities Act* to obtain authority to make exemptive relief orders applicable to multiple market participants ("blanket orders") to avoid the costs associated with filing multiple separate exemptive relief applications	Summer 2019	12 months	In progress	Reduced red tape
A-2	Evaluate whether to recommend relocating various provisions found in the *Securities Act* into National Instruments to harmonize the placement of OSC requirements with those of other Canadian jurisdictions	Summer 2019	24 months	In progress	Harmonization

CONCERN 2: REGULATORY APPROVALS AND REVIEWS

A-3	Adopt and publish service standards that cover more processes, particularly compliance reviews, and establish a framework for performance measurement and continuous improvement	Summer 2019	12 months	In progress	Better and more accessible information More timely and focused reviews
A-4	In consultation with stakeholders, review compliance processes to improve focus on materiality, clarity, consistency, efficiency of interactions with staff and increased reliance on the principal regulator	Summer 2019	12 months	In progress	More timely and focused reviews

14 Throughout the tables the** symbol indicates that CSA participation is required.

ALL MARKET PARTICIPANTS

Number	Description	Start	Target Date (from start)	Status	Benefits
CONCERN 3: POLICYMAKING					
A-5	Enhance regulatory impact analysis for rule-making	Summer 2019	12 months	In progress	More tailored and flexible regulation
A-6	Improve clarity and consistency in drafting OSC rules, policies and guidance	Summer 2019	12 months	In progress	Better and more accessible information
A-7	Work with the CSA to improve clarity and consistency in drafting CSA rules, policies and guidance**	Summer 2019	TBD	In progress	Better and more accessible information
A-8	Engage in targeted consultations with market participants on how to better combine and balance principles-based rules, prescriptive rules and guidance	Summer 2019	24 months	In progress	More tailored and flexible regulation
A-9	Engage in targeted consultations to further understand and address stakeholders' concerns that staff guidance is being applied as rules	Summer 2019	12 months	In progress	More timely and focused reviews Better and more accessible information
CONCERN 4: INTERACTION WITH STAKEHOLDERS					
A-10	Redevelop the OSC website format and content, prioritizing the posting of updated consolidated rules and better access to staff contact information	Summer 2019	12 months	In progress	Better and more accessible information
A-11	Evaluate the extent to which improvements to local filing systems can be made given the scope, resource and timing implications for existing local project work and SEDAR+	Summer 2019	24 months	In progress	Reduced red tape
A-12	Consider improvements to existing outreach programs (e.g., checklists, guides, in-person outreach, and channels of delivery)	Summer 2019	24 months	In progress	Better and more accessible information
A-13	Review the terms of engagement with advisory committees to increase their value as a source of input	Summer 2019	24 months	In progress	Better and more accessible information
A-14	Evaluate existing standards for OSC stakeholders and establish a framework for determination, measurement and continuous improvement	January 2020	24 months	Planning	Better and more accessible information

COMPANIES

Number	Description	Start	Target Date (from start)	Status	Benefits
CONCERN 1: PROSPECTUS REVIEWS					
C-1	Develop a process for mining issuers to request confidential staff review of publicly-filed mining disclosure prior to commencing an offering	Completed	Completed	Completed. See OSC Staff Notice 43-706 *Pre-filing Review of Mining Technical Disclosure*	More timely and focused reviews
C-2	Develop a process for issuers to request confidential staff review of an entire prospectus prior to announcing an offering**	Summer 2019	12 months	In progress	More timely and focused reviews
C-3	Publish guidance about issues that staff would raise during prospectus reviews that may impact the structure of an offering or where there may be questions regarding the interpretation of certain requirements	Fall 2019	12 months	In progress	Better and more accessible information
C-4	Harmonize the requirements for financial statements to be included in a long form prospectus relating to an issuer's primary business**	Fall 2018	24 months	In progress	Harmonization
CONCERN 2: REPORTS OF EXEMPT DISTRIBUTION					
C-5	Review options for extending the filing deadline, and engage in public consultation**	Summer 2019	24 months	In progress	More tailored and flexible regulation
CONCERN 3: CEASE-TRADE ORDERS					
C-6	Provide clearer information on the OSC website on an issuer's CTO status	Summer 2019	18 months	In progress	Better and more accessible information
C-7	Where applicable, include additional information, such as CUSIP numbers or more details regarding individual officers and directors subject to a CTO, in published orders to better identify which securities are covered by the CTO	Summer 2019	18 months	In progress	Better and more accessible information

COMPANIES

Number	Description	Start	Target Date (from start)	Status	Benefits
CONCERN 4: EXEMPT MARKET CAPITAL RAISING					
C-8	Harmonize the crowdfunding exemption and publish proposed amendments for public consultation**	Fall 2018	24 months	In progress	Harmonization
CONCERN 5: CONTINUOUS DISCLOSURE DOCUMENTS					
C-9	Amend the rules to reduce the number of instances when financial statements are required to be filed for significant acquisitions in business acquisition reports (BARs) and other disclosure**	Fall 2018	24 months	In progress. Proposed amendments were published in August 2019	Reduced red tape
C-10	Amend the disclosure required in the Annual Information Form (AIF) and Management Discussion and Analysis (MD&A) to avoid duplicative or unnecessary disclosure**	Fall 2018	24 months	In progress	Reduced red tape
CONCERN 6: ELECTRONIC DELIVERY OF DOCUMENTS					
C-11	Develop a comprehensive approach to modernizing delivery requirements for corporate issuer documents and publish a concept paper for consultation**	Fall 2018	18 months	In progress	Reduced red tape
CONCERN 7: PROSPECTUS OFFERING REQUIREMENTS					
C-12	Develop and publish proposals to make it more cost-effective for issuers to conduct a prospectus offering**	Fall 2018	24 months	In progress	More tailored and flexible regulation
C-13	Amend the rules so that at-the-market (ATM) offerings can be conducted without having to obtain prior exemptive relief**	Fall 2018	24 months	In progress. Proposed amendments were published in May 2019	Reduced red tape

INVESTMENT FUNDS

Number	Description	Start	Target Date (from start)	Status	Benefits
CONCERN 1: INVESTMENT FUND PROSPECTUS REGIME					
F-1	(a) Publish a consultation paper to consider how to reduce the frequency of investment fund prospectus filings	Fall 2019	12 months	In progress	Reduced red tape
	(b) implement changes to reduce the frequency of prospectus filings**	Fall 2020	12 months	Pending	
F-2	Introduce a simplified process to address 90-day preliminary prospectus extension applications, similar to OSC Staff Notice 12-703 *Applications for a Decision that an Issuer is not a reporting issuer*	Fall 2019	12 months	Planning	Reduced red tape
F-3	Finalize amendments to NI 81-101 and NI 41-101 to streamline personal information form filing requirements and to rely on the current registration regime**	January 2020	9 months	Pending	Reduced red tape
F-4	Finalize amendments to NI 81-101, NI 81-102, NI 81-106, NP 11-202, NI 13-101, and NI 13-102 to consolidate the simplified prospectus and the annual information form for mutual funds in continuous distribution**	January 2020	9 months	Pending	Reduced red tape
F-5	Consider potential options for adapting the shelf prospectus system to investment funds and, if viable, publish a consultation paper**	Fall 2019	24 months	Planning	More flexible and tailored regulation
CONCERN 2: INVESTMENT FUND CONTINUOUS DISCLOSURE REQUIREMENTS					
F-6	Develop and implement an alternative to the annual notice reminder requirement contained in NI 81-106.**	Fall 2019	18 months	Planning	Reduced red tape
F-7	Develop and implement amendments to streamline the material change reporting regime for investment funds**	Fall 2019	18 months	Planning	Reduced red tape
F-8	Develop and implement an alternative disclosure model for non-IFRS financial statement content**	Fall 2019	24 months	Planning	More tailored and flexible regulation

INVESTMENT FUNDS

Number	Description	Start	Target Date (from start)	Status	Benefits
CONCERN 2: INVESTMENT FUND CONTINUOUS DISCLOSURE REQUIREMENTS (Continued)					
F-9	Streamline duplicative continuous disclosure content requirements (e.g. MRFPs, related party disclosure requirements) and prospectus content requirements**	Fall 2019	36 months	Planning	Reduced red tape
F-10	Identify opportunities to promote electronic delivery of investment fund continuous disclosure documents and publish a proposal that considers the final recommendations of the *CSA Reducing Regulatory Burden – Enhancing Electronic Delivery Committee***	Winter 2019	24 months	Planning	Reduced red tape
F-11	Finalize amendments that require each investment fund to have a designated website with the potential for investment fund regulatory disclosure to be posted**	January 2020	9 months	Pending	Reduced red tape
CONCERN 3: INVESTMENT FUND OPERATIONAL REQUIREMENTS					
F-12	Finalize an exemptive relief precedent to allow an investment fund to have more than one custodian for additional operational flexibility without impacting the safety of assets	Completed	Completed	Completed	More tailored and flexible regulation
F-13	Clarify CSA expectations on the rehypothecation of an investment fund's assets**	Completed	Completed	Completed	More tailored and flexible regulation
F-14	Finalize an exemptive relief precedent to allow for more flexibility for Alt Funds to manage how they obtain their leverage while operating within the overall leverage limit	Fall 2019	12 months	In progress	More tailored and flexible regulation
F-15	Develop alternatives to the current Alt Funds proficiency requirements and alternative education programs and propose changes to the proficiency regime for Alt Funds	Fall 2019	18 months	In progress	More tailored and flexible regulation
F-16	Adopt an internal process for the IFSP Branch to ensure the use of sunset clauses in exemptive relief decisions only where appropriate.	Completed	Completed	Completed	More tailored and flexible regulation

INVESTMENT FUNDS

Number	Description	Start	Target Date (from start)	Status	Benefits
CONCERN 4: APPLICATIONS FOR ROUTINE EXEMPTIVE RELIEF					
F-17	Publish *Revised Approval 81-901 Mutual Fund Trusts: Approval of Trustees Under Clause 213(3)(b) of the Loan and Trust Corporations Act* to codify routinely granted relief to allow any body corporate that is an investment fund manager to act as trustee of any pooled fund organized as a mutual fund trust in Ontario that it manages	Completed	Completed	Completed	Reduced red tape
F-18	Finalize amendments to NI 81-106 to codify exemptive relief granted in respect of notice and access applications**	January 2020	9 months	Pending	Reduced red tape
F-19	Finalize amendments to NI 81-102 and NI 81-107 to codify exemptive relief granted in respect of conflicts applications**	January 2020	9 months	Pending	Reduced red tape
F-20	Finalize amendments to NI 81-102 to broaden pre-approval criteria for investment fund mergers**	January 2020	9 months	Pending	Reduced red tape
F-21	Finalize amendments to NI 81-102 to repeal regulatory approval requirements for a change of manager, a change of control of manager and a change of custodian that occurs in connection with a change of manager**	January 2020	9 months	Pending	Reduced red tape
F-22	Finalize amendments to NI 81-101 to codify exemptive relief granted in respect of Fund Facts delivery applications and which seek comment on the circumstances in which a combination of Fund Facts is appropriate**	January 2020	9 months	Pending	Reduced red tape
CONCERN 5: ENGAGEMENT WITH INVESTMENT FUND STAKEHOLDERS					
F-23	Repurpose the Investment Funds Product Advisory Committee into the Investment Funds Technical Advisory Committee to provide greater focus on technical compliance challenges in the investment funds product regulatory regime	Completed	Completed	Completed	Better and more accessible information
F-24	Publish the Investment Funds Practitioner Newsletter with a new focus on providing practical information	Fall 2019	6 months	Planning	Better and more accessible information

REGISTRANTS

Number	Description	Start	Target Date (from start)	Status	Benefits
CONCERN 1: REGISTRATION INFORMATION REQUIREMENTS					
R-1	Develop and implement an expedited rule amendment to establish a moratorium on OBA late fees	Completed	Completed	Completed	Reduced red tape
R-2	NI 31-103, s. 13.4 – reassess OBA conflicts of interest and reporting obligations	Fall 2019	24 months	In progress	Reduced red tape
R-3	Modernize the registration information required by NI 33-109 and associated forms**	Fall 2019	24 months	In progress	More tailored and flexible regulation
CONCERN 2: COMPLIANCE REVIEWS					
R-4	Review and revise documents used to communicate compliance review findings to registrants	Completed	Completed	Completed	Better and more accessible information
R-5	Commence communication with the industry on how guidance issued to the industry is used during our compliance reviews	Summer 2019	12 months	In-progress	Better and more accessible information
R-6	Enhance communications with registrants throughout the compliance review process to increase transparency	Fall 2019	6 months	In progress	Better and more accessible information
R-7	Review and streamline compliance review books and records requests	Fall 2019	6 months	In progress	More timely and focused reviews
R-8	Organize and provide a Registrant Outreach presentation explaining our oversight review processes and the elements of an effective compliance system, and make such presentation available as an ongoing resource for registrants' reference	Fall 2019	6 months	In progress	Better and more accessible information
R-9	Reassess the classification of significant vs. non-significant deficiencies and communicate criteria to enhance transparency	Fall 2019	6 months	In progress	Better and more accessible information

REGISTRANTS

Number	Description	Start	Target Date (from start)	Status	Benefits
CONCERN 2: COMPLIANCE REVIEWS (Continued)					
R-10	Improve coordination of compliance/ desk reviews and other compliance related initiatives with other regulators (CSA and NPRs, SROs)	January - March 2020	6 months	Planning	More timely and focused reviews
R-11	Implement the use of a secure file transfer process used to collect registration information on a confidential basis, during compliance reviews	Completed	Completed	Completed	More timely and focused reviews
R-12	Develop and implement a process for timely oversight of new rules and related compliance issues and a method to communicate related compliance review results in a clear and transparent manner to industry to enhance understanding and communication of compliance issues**	January - March 2020	24 months	Planning	Better and more accessible information
CONCERN 3: RISK ASSESSMENT QUESTIONNAIRE (RAQ)					
R-13	Review the RAQ to determine if any questions can be removed based on information already received through other OSC filings and revise the RAQ accordingly	Summer 2019	12 months	In progress	More timely and focused reviews
R-14	Evaluate the OSC's ability to pre-populate certain fields in the RAQ to reduce the number of times information is required to be submitted	Summer 2019	12 months	In progress	More timely and focused reviews
R-15	Enhance the existing support tools to assist firms with completing the RAQ, including FAQs and continuing to have staff available to respond to questions	Summer 2019	12 months	In progress	Better and more accessible information
R-16	Organize and provide a Registrant Outreach session on the RAQ after issuance	Summer 2019	12 months	In progress	Better and more accessible information
CONCERN 4: REGISTRATION OF FINTECH FIRMS					
R-17	Through OSC LaunchPad, evaluate what additional tools may be developed to assist fintech firms	Summer 2019	12 months	In progress	More tailored and flexible regulation

REGISTRANTS

Number	Description	Start	Target Date (from start)	Status	Benefits
CONCERN 5: CLIENT RELATIONSHIP MANAGERS (CRMs)					
R-18	Develop a process to permit the registration of Advising and Associate Advising Representatives as CRMs through terms and conditions**	Summer 2019	12 months	In progress	More tailored and flexible regulation
CONCERN 6: CHIEF COMPLIANCE OFFICERS					
R-19	Facilitate multiple CCOs to be registered for a single legal entity where a business need is demonstrated**	Fall 2019	24 months	In progress	More tailored and flexible regulation
R-20	For fintech firms in Ontario, accept broader business experience when assessing the sufficiency of a CCO applicant's qualifications**	Fall 2019	Ongoing	Ongoing	More tailored and flexible regulation
R-21	Permit Ontario registrants in the appropriate circumstances to have a CCO who also is CCO for other unaffiliated registrants**	Fall 2019	Ongoing	Ongoing	More tailored and flexible regulation
CONCERN 7: DUAL REQUIREMENTS AND OVERSIGHT FOR SRO MEMBERS					
R-22	Develop expedited rule amendments to OSC Rule 13-502 to allow additional senior officers of a registrant firm to certify the annual participation fee calculation form.	Completed	Completed	Completed	Reduced red tape; Harmonization
R-23	With the MFDA, clarify and streamline the application process to reactivate registration for MFDA member firms and their dealing representatives after conclusion of MFDA disciplinary proceedings	Fall 2019	12 months	Planning	Better and more accessible information
R-24	Evaluate options to reduce duplication in the registration and membership processes for IIROC member firms	January - March 2020	12 months	Planning	Reduced red tape; Harmonization
R-25	Evaluate options to reduce duplication in the review of notices required by sections 11.9 and 11.10 of NI 31-103 for IIROC member firms	January - March 2020	12 months	Planning	Reduced red tape; Harmonization

REGISTRANTS

Number	Description	Start	Target Date (from start)	Status	Benefits
CONCERN 8: OVERLAPPING DOMESTIC AND INTERNATIONAL REQUIREMENTS					
R-26	With appropriate departments of the Federal Government (Canada), eliminate the requirement for registrants and exempt international firms to submit duplicative information to securities regulators	Spring 2018	TBD	In progress	Reduced red tape
R-27	Develop a rule that exempts international dealers, advisers and sub-advisers from registration under the CFA	Fall 2019	12 months	In progress	Reduced red tape; More tailored and flexible regulation
CONCERN 9: GENERAL REGISTRANT OBLIGATIONS					
R-28	Evaluate changes to the percentage thresholds that trigger an 11.9 or 11.10 notice under NI 31-103**	January - March 2020	24 months	Planning	Reduced red tape
R-29	Improve processing of 11.9 and 11.10 notices under NI 31-103	January – March 2020	12 months	Planning	Reduced red tape
R-30	Review and enhance the current process followed to remove close supervision terms and conditions	Summer 2019	6 months	In progress	Reduced red tape

MARKETS, TRADING AND CLEARING

Number	Description	Start	Target Date (from start)	Status	Benefits
CONCERN 1: ENTITY OVERSIGHT					
M-1	Revise the terms and conditions of exchange recognition orders to remove burdensome and duplicative reporting requirements for exchanges	Summer 2019	12 months	In progress	More tailored and flexible regulation
M-2	Update SRO recognition orders and MOUs to ensure consistency with oversight activities**	Fall 2018	18 months	In progress	More tailored and flexible regulation
M-3	Update CIPF and MFDA IPC approval orders and MOUs to ensure consistency with oversight activities**	Summer 2018	18 months	In progress	More tailored and flexible regulation
M-4	Revise the terms and conditions of clearing agency recognition orders to remove burdensome and duplicative requirements for clearing agencies	Summer 2019	12 months	In progress	More tailored and flexible regulation
M-5	Amend National Instrument 21-101 *Marketplace Operation* to remove burdensome and duplicative reporting requirements for marketplaces**	Fall 2018	18 months	In progress	More tailored and flexible regulation
CONCERN 2 : REVISIT REQUIREMENTS IN RULES					
M-6	Eliminate reporting requirements for investment dealers and advisers in NI 24-101 if certain thresholds are not met**	Summer 2019	12 months	In progress	More tailored and flexible regulation
M-7	Consider potential changes to the requirements in OSC Rule 48-501 *Trading during Distributions, Formal Bids and Share Exchange Transactions* to eliminate duplicative regulation	Summer 2019	12 months	In progress	More tailored and flexible regulation
CONCERN 3 : APPROACH TO FOREIGN ENTITY REGULATION					
M-8	Review approach to foreign entity regulation and make recommendations	Summer 2019	12 months	In progress	More tailored and flexible regulation

DERIVATIVES PARTICIPANTS

Number	Description	Start	Target Date (from start)	Status	Benefits
CONCERN 1: MARGIN AND COLLATERAL REQUIREMENTS FOR NON-CENTRALLY CLEARED OTC DERIVATIVES					
D-1	Indefinitely delay the implementation of a new rule imposing mandatory margin and collateral requirements for non-centrally cleared derivatives**	Completed	Completed	Completed. See CSA Staff Notice 95-301 *Margin and Collateral Requirements for Non-Centrally Cleared Derivatives*	Reduced red tape
CONCERN 2: PROPOSED BUSINESS CONDUCT RULE					
D-2	Leverage existing regulatory requirements to eliminate duplicative obligations for dealers and advisers that are already registered**	Summer 2019	6 months	In progress	Reduced red tape
D-3	Ensure domestic and foreign dealers remain active in offering OTC derivatives products to institutions hedging commercial risks associated with their businesses**	Summer 2019	6 months	In progress	More tailored and flexible regulation
D-4	Expand the availability and ease the use of exemptions for international dealers, and international advisers and sub-advisers**	Summer 2019	6 months	In progress	More tailored and flexible regulation
CONCERN 3: PROPOSED REGISTRATION RULE					
D-5	Leverage the existing registration regime to eliminate duplicative obligations for dealers and advisers that are already registered**	Fall 2019	24 months	In progress	Reduced red tape
D-6	Review the existing registration regime for potential regulatory gaps to determine whether those regulatory gaps can be addressed by measures that are less burdensome than an OTC derivatives registration rule	Fall 2019	6 months	In progress	Reduced red tape

DERIVATIVES PARTICIPANTS

Number	Description	Start	Target Date (from start)	Status	Benefits
CONCERN 4: SCOPE OF THE MANDATORY CLEARING OBLIGATION					
D-7	Publish for consultation proposed amendments to the interpretation of affiliated entity status to narrow the scope of entities subject to the mandatory clearing requirement**	Spring 2019	6 months	In progress	More tailored and flexible regulation
D-8	Publish for consultation proposed amendments that eliminate forms filing requirements where we have alternative sources for obtaining the information that the filings would provide**	Spring 2019	6 months	In progress	Reduced red tape
CONCERN 5: REQUIREMENTS OF THE TRADE REPORTING RULE					
D-9	Monitor international developments to harmonize data fields required to be reported under the provincial trade reporting rules with such international developments**	Fall 2019	24 months	In progress	Harmonization
D-10	Review the monetary ceiling in the exclusion for reporting of commodity derivatives transactions**	Fall 2019	24 months	In progress	Harmonization
D-11	Consider whether it would be appropriate to allow greater flexibility in the manner of delegation of reporting responsibility between two non-dealer counterparties	Fall 2019	24 months	In progress	Harmonization
D-12	Consider whether it would be appropriate to allow a reporting counterparty greater flexibility in the due diligence required when determining in which jurisdictions a derivatives transaction is reportable**	Fall 2019	24 months	In progress	More tailored and flexible regulation
D-13	Reduce the frequency of *ad hoc* reporting required to demonstrate compliance	Summer 2019	6 months	In progress	More tailored and flexible regulation

DERIVATIVES PARTICIPANTS

Number	Description	Start	Target Date (from start)	Status	Benefits
CONCERN 6: DERIVATIVES MARKET FRAGMENTATION AND INEFFICIENCIES					
D-14	When adopting or amending rules, place increased emphasis on minimizing disparities in the national implementation of global reforms and deploying a risk-based framework for the evaluation of comparability and recognition of derivatives regulatory regimes of foreign jurisdictions**	N/A	N/A	In progress	Harmonization
D-15	Review the requirement for exempt clearing agencies to deliver a monthly filing relating to their holdings of customer collateral**	Fall 2019	12 months	In progress	More tailored and flexible regulation
D-16	Review approach to foreign clearing agency and trading facility regulation (i.e., exemption from recognition) and make recommendations	Summer 2019	12 months	In progress	More tailored and flexible regulation
D-17	Consider arrangements with the home regulators of foreign entities that may be utilized to eliminate overlapping audits	Fall 2019	24 months	In progress	More timely and focused reviews
CONCERN 7: PROFICIENCY REQUIREMENTS WHEN ADVISING IN RECOGNIZED OPTIONS					
D-18	Review the application of proficiency requirements, relating to registered advising representatives when advising in recognized options, and consider providing clarification	Fall 2019	12 months	In progress	More tailored and flexible regulation

APPENDIX 2:
SAVINGS CALCULATIONS

Methodology

Our methodology for calculating savings attempts to approximate the direct costs businesses incur to comply with requirements or processes, and would therefore save if that requirement or process was eliminated or modified.

We started by adapting the Standard Cost Model (SCM),[15] an activity-based costing model that aims to quantify the administrative burden imposed by regulation.

We identified two types of costs directly associated with complying with requirements or processes: fees and administrative costs.

COST TYPE	DESCRIPTION	EXAMPLES	TOTAL ASSOCIATED COST
Fees	Direct payments to the OSC as set out in OSC Rules 13-502 *Fees* and 13-503 *(Commodity Futures Act) Fees*	Participation fees (e.g. annual participation fees paid by reporting issuers) Activity fees (e.g. application fees) Late fees (e.g. fees for documents that were filed after a specified deadline)	*Fee x Quantity* Where: Fee is the amount payable for the fee category Quantity is the number of affected stakeholders and the number of times per year the fee is incurred
Administrative costs	Costs associated with the specific administrative activities required to meet regulatory obligations. Businesses can use in-house staff to perform these activities or outsource them.	Costs associated with: ■ becoming familiar with new obligations that result from regulatory changes ■ notifying the OSC of certain activities ■ recordkeeping and reporting ■ applications/seeking permission to undertake certain activities ■ cooperating with audits/ compliance reviews ■ other administrative activities	*Price x Time x Quantity* Where: Price is ■ in the case of labour costs, the hourly wage plus 25 per cent overhead for in-house labour ■ in the case of non-labour costs, the purchase cost Time is the amount of time required to complete the activity Quantity is the number of affected entities and the frequency of the activity

15 Standard Cost Model (SCM) Network, *International Standard Cost Manual* (2006). www.oecd.org/regreform/regulatory-policy/34227698.pdf

We identified the specific fee and administrative activities required for the relevant requirement or process, and calculated the total associated costs on an annual basis. We relied on internal operational information as well as information from our advisory committees.

We applied two assumptions when determining administrative costs:

- **Overhead for labour costs:** We assumed an overhead of 25 per cent for in-house labour costs, and no overhead for outsourced labour costs. There is a wide range of overhead percentages applied in different industries and jurisdictions. According to the International Standard Cost Model Manual, Denmark, Norway and Sweden apply a 25 per cent overhead. The Netherlands generally applies an overhead percentage of 25 per cent but an overhead percentage of 50 per cent has been applied in the measurement of the regulation of the financial sector. The United Kingdom has an initial overhead percentage of 30 per cent, which is subject to review during the measurement process.
- **Hourly wage costs:** We broke labour costs into four categories of Legal, Accounting/Audit and Assurance Services, Compliance, and IT. We developed hourly wage estimates using average rates based on various salary and compensation guides, using where possible, data specific to the Ontario labour market and for the financial services industry. We further divided wage rates by seniority where applicable, based on years of experience.

The total cost savings from each initiative were calculated in accordance with the following formula:

$$NPV = -C_0 + \sum_{i=1}^{T} \frac{C_i}{(1+r)^i}$$

Where:
NPV = the net present value of total cost savings over a 10-year review period

$-C_o$ = initial investment (i.e., the initial costs borne by market participants as a result of the implementation of the burden reduction initiative)

C_i = total cost savings in each year

r = discount rate

T= Time

Finally, we calculated an average annual amount of cost savings using the following formula:

Average annual cost savings = NPV of total cost savings over the review period / 10

Our formula contains the following key assumptions:

- **Regulatory review period:** The estimated cost savings resulting from a particular initiative were forecast over a 10-year period. The 10-year review period is consistent with the approach taken in other jurisdictions such as the federal government, Australia and the U.K.
- **Time value of money and choice of discount rate:** Cost savings over the 10-year period are discounted using a 2.5 per cent discount rate and assume the initiative has come into effect at the time of calculation. Cost savings are assumed to grow at a rate equal to the average yearly Ontario all-items CPI for the period 2008-2018.

Average annual savings

The chart below outlines the cost savings we have calculated to date for 21 specific decisions and recommendations. We have calculated savings where:

- we have identified a clear and specific requirement or process to be eliminated or modified,
- we have begun work to eliminate or modify that specific requirement or process, and
- we can reasonably identify the activities and time involved to comply with that requirement or process, using information from our operational work, third-party sources or market participants (e.g. advisory committees and industry associations).

DECISION AND RECOMMENDATION		AVERAGE ANNUAL COST SAVINGS (ROUNDED)
R-1	Develop and implement an expedited rule amendment to establish a moratorium on OBA late fees	$830,000
R-7	Review and streamline compliance review books and records requests	$20,000
R-14	Evaluate the OSC's ability to pre-populate certain fields in the RAQ to reduce the number of times information is required to be submitted	$250,000
R-24	Develop expedited rule amendments to OSC Rule 13-502 to allow additional senior officers of a registrant firm to certify the annual participation fee calculation form	$680,000
R-29	Develop a rule that exempts international dealers, advisers and sub-advisers from registration under the CFA	$220,000
R-32	Review and enhance the current process followed to remove close supervision terms and conditions	$2,000
F-3	Finalize amendments to National Instrument 81-101 Mutual Fund Prospectus Disclosure (NI 81-101) and National Instrument 41-101 General Prospectus Requirements (NI 41-101) to streamline personal information form filing requirements and to rely on the current registration regime**	$1,500,000

DECISION AND RECOMMENDATION		AVERAGE ANNUAL COST SAVINGS (ROUNDED)
F-4	Finalize amendments to NI 81-101, NI 81-102, NI 81-106, NP 11-202, NI 13-101, and NI 13-102 to consolidate the simplified prospectus and the annual information form for mutual funds in continuous distribution**	$780,000
F-19	Finalize amendments to NI 81-102 and NI 81-107 to codify exemptive relief granted in respect of conflicts applications**	$1,200,000
F-20	Finalize amendments to NI 81-102 to broaden pre-approval criteria for investment fund mergers**	$310,000
F-22	Finalize amendments to NI 81-101 to codify exemptive relief granted in respect of Fund Facts delivery applications and which seek comment on the circumstances in which a combination of Fund Facts is appropriate**	$100,000
C-9	Amend the rules to reduce the number of instances when financial statements are required to be filed for significant acquisitions in business acquisition reports (BARs) and other disclosure**	$1,600,000
C-13	Amend the rules so that at-the-market (ATM) offerings can be conducted without having to obtain prior exemptive relief**	$59,000
D-8	Publish for consultation proposed amendments that eliminate forms filing requirements where we have alternative sources for obtaining the information that the filings would provide**	$38,000
D-13	Reduce the frequency of ad hoc reporting required to demonstrate compliance	$22,000
M-1	Revise the terms and conditions of exchange recognition orders to remove burdensome and duplicative reporting requirements for exchanges	$48,000
M-2	Update SRO recognition orders and MOUs to ensure consistency with oversight activities**	$10,000
M-3	Update CIPF and MFDA IPC approval orders and MOUs to ensure consistency with oversight activities **	$8,000
M-5	Amend National Instrument 21-101 Marketplace Operation (NI 21-101) to remove burdensome and duplicative reporting requirements for marketplaces **	$60,000
M-6	Eliminate reporting requirements for investment dealers and advisers in NI 24-101 if certain thresholds are not met **	$79,000
M-7	Consider potential changes to the requirements in OSC Rule 48-501 Trading during Distributions, Formal Bids and Share Exchange Transactions (OSC Rule 48-501)	$17,000
		$7,833,000

APPENDIX 3: LIST OF COMMENTERS

Commenter

AGF Investments Inc. (Mark Adams)

Alternative Investment Fund Management Association (Claire Van Wyk Allan, Stacy McLean, Francesca Smirnakis, Sarah Gardiner, Robert Lemon, Tim Baron, Elizabeth Purrier, Michael Burns, Daniel Dorenbush, Belle Kaura, Steve Banquier and Supriya Kapoor)

Amsden, Barbara

AUM Law (Janet Holmes)

Blackrock Asset Management (Margaret Gunawan)

Borden Ladner Gervais (Rebecca Cowdery and Manoj Pundit)

Burgundy Asset Management (Cathy Hui Chun Lin and Jaclyn Moody)

Canadian Advocacy Council for Canadian CFA Institute Societies

Canadian Bankers Association

Canadian Coalition for Good Governance (Marcia Moffatt)

Canadian ETF Association (Pat Dunwoody)

Canadian Foundation for Advancement of Investor Rights (Ermanno Pascutto)

CIBC World Markets Inc. (Robert Lemon)

CI Investments Inc. (Tim Currie and Susan Copland)

Canadian Securities Exchange (Jamie Anderson)

Chartered Professional Accountants of Canada (Joy Thomas)

CME Group Inc. (John McKinlay)

Coerente Capital Management (Len Racioppo)

Davies (Timothy Baron, Robert Murphy, David Wilson and Daniel Pearlman)

Edgepoint Wealth Management (Sayuri Childs)

Enlightened Private Capital Inc. (Norman Light)

Evershed Sutherland (US) LLP, on behalf of the Canadian Commercial Energy Working Group (Alex S. Holtan and Blair P. Scott)

Fasken Martineau DuMoulin LLP (Anil Aggarwal, Stephen Erlichman, Garth J. Foster, Daniel Fuke, Munier M. Saloojee, John M. Sabetti, Tracy L. Hooey, John Kruk, François Brais, Jonathan Halwagi and Élise Renaud)

Federation of Mutual Fund Dealers (Sandra L. Kegie)

Fidelity Investments (Robert Sklar)

Foremost Financial (Ricky Dogon)

GLC Asset Management Group Ltd. (Frank Callaghan)

Global Foreign Exchange Division of the Global Financial Markets Association (James Kemp)

Great West Life Assurance Company (Andrew Fitzpatrick)

Harland, Andrea

Hershaw, James S.

Investment Industry Association of Canada (Michelle Alexander)

Independent Trading Group

International Swaps and Derivatives Association (Katherine Darras)

Intact Financial Corporation (Louis Marcotte)

Investor Advisory Panel (of the OSC) (Neil Gross)

Investment Funds Institute of Canada (Paul C. Bourque)

Kivenko, Ken

Leeds Jones Gable Inc. (Jason Jardine)

Lending Loop (Jenna Hay)

Lysander Funds Ltd. (Raj Vigh)

Manulife Asset Management Ltd. (Bernard Letendre and Rick Annaert)

Manulife Financial Corporation (Chris Donnelly)

Monardo, Sheri

National Bank of Canada (Martin Gagnon)

National Crowdfunding and FinTech Association of Canada

Neo Exchange (Cindy Petlock)

Nexus Investment Management Inc. (Denys Calvin)

Nicola Wealth Management Ltd. (Danielle MacDonald)

Pinnacle Wealth Brokers (Brian Koscak)

Portfolio Management Association of Canada (Katie Walmsley and Margaret Gunawan)

Private Capital Markets Association of Canada (David Gilkes, Nadine Milne, Brian Koscak, Frank Laferriere, Craig Skauge and Georgina Blanas)

Prospectors & Developers Association of Canada (Lisa McDonald)

Refinitiv, on behalf of Thomson Reuters (SEF) LLC and Reuters Transaction Services Ltd. (Daniella Shteynfield)

Resurgent Capital Corp. (Joel Freudman)

Rutke, Jeremy

Seneca College, School of Accounting and Financial Services
(FNT 104 Financial Services Regulatory Landscape and RegTech class)

Shareholder Association for Research and Education (Kevin Thomas)

Silver Maple Ventures Inc, dba FrontFundr (Anthony Couture)

Starkman, Rhonda

Sun Life Financial (Laura Hewitt)

TD Wealth (Leo Salom)

TMX Group Limited (Cheryl Graden)

Torys LLP

Tri-View Capital Ltd. (Jessica Mitchell)

Wildeboer Dellelce LLP (Ronald Schwass)

Xplornet Communications Inc. (Christine J. Prudham)

Zig Zag Applications and Solutions Inc. (Randee Pavalow)

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Ontario

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