

## Corporate Securities Law

June 13, 2016

### OSC Publishes Statement of Priorities for 2016-2017

The Ontario Securities Commission (OSC) recently published its Statement of Priorities for 2016-2017. The Statement of Priorities is published annually and offers stakeholders a glimpse into the OSC's goals and priorities for the upcoming year, including where the OSC intends to focus key resources and actions. A draft of the Statement of Priorities was published on March 10, 2016, in response to which the OSC received 23 comment letters that, with some exceptions, were broadly supportive of the OSC's overall direction.

#### Primary Initiatives and Focus Areas for 2016-2017

Some of the notable initiatives and focus areas for 2016-2017 are:

- 1 *Enhancing Advisor/Client Relationship.* Targeted reforms, including amendments to NI 31-103 – Registration Requirements, Exemptions and Ongoing Registrant Obligations, and the introduction of a Best Interest Standard (BIS) to enhance the advisor/client relationship, by publishing and conducting consultations on proposed regulatory provisions. Notwithstanding mixed feedback on this initiative, the OSC indicated that it continues to believe these measures to enhance the advisor/client relationship should be top priorities.
- 2 *Mutual Fund Compensation.* Addressing compensation arrangements in mutual funds by (i) communicating a policy direction on embedded commissions and other types of compensation arrangements; and (ii) developing regulatory proposals that address conflicts of interest created by compensation arrangements related to investment funds.
- 3 *Shareholder Democracy Matters.* Monitoring developments in respect of shareholder democracy issues such as “say-on-pay” and proxy voting to determine an appropriate regulatory response.
- 4 *Exempt Market Oversight.* Increasing oversight of the exempt market by (i) overseeing market participants relying on the expanded capital raising exemptions in Ontario (due to the recent addition of and changes to a number of prospectus exemptions) through a risk-based supervision program for issuers, registrants and portals; and (ii) collecting and analyzing data on the use of capital market exemptions in Ontario to assess how the exemptions are being used to further capital formation.
- 5 *Fixed Income Market Oversight.* Enhancing oversight of the fixed income market by (i) implementing public transparency of fixed income trading data (in particular corporate debt); (ii) monitoring fixed income trading data to assess the impact of transparency; and (iii) conducting a comprehensive review of dealers' allocation practices for new debt issues.
- 6 *Systemic Risk Oversight and OTC Derivatives Regulatory Regime.* Advancing the OSC's systemic risk oversight and over-the-counter (OTC) derivatives regulatory regime by working with other regulatory agencies to monitor trends and risks across various market segments and participants, including equities, fixed income, OTC derivatives, clearing agencies and derivative dealers.
- 7 *Industry Cybersecurity Oversight.* Enhancing oversight of industry cybersecurity preparedness by (i) improving collaboration and communication with market participants on cybersecurity issues; (ii) assessing the level of market participant cybersecurity resilience, including measures for protection of personal investor data; and (iii) improving market participants' understanding of OSC cybersecurity oversight activities, including providing guidance on expectations for market participants' cybersecurity preparedness.

The Statement of Priorities and the initiatives listed above will serve as the guide for the OSC's operations in 2016-2017. The full Statement of Priorities is available on the OSC's website, *here*.

For further information on the Statement of Priorities or to discuss any of the specific initiatives, please contact any member of our Corporate Securities Group.