rapid change calls for decisive action

Ontario Securities Commission

1999 Annual Review

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New Structure Reflects Markets

Last year saw the re-structuring of the Ontario Securities Commission to reflect the changing face of our capital markets, and the changing needs of our constituents. Seven core branches – Enforcement, Corporate Finance, Capital Markets, Corporate Relations, Corporate Services, Office of the Chief Accountant, and Office of the General Counsel – are now more integrally linked, to best protect investors and support fair and efficient capital markets.

our vision

To be recognized as a regulator that establishes standards and aggressively enforces clear and unambiguous rules to protect investors, while at the same time ensuring efficient capital markets for compliant users.

our mandate

To protect investors from unfair, improper or fraudulent practices and to foster fair and efficient capital markets in Ontario and confidence in their integrity.

our strategy

To be efficient and proactive in carrying out our mandate… to be intelligently aggressive in applying the rules of the marketplace… to be innovative in applying our regulatory powers to a rapidly changing marketplace.

Capital Markets Branch	• is responsible for the regulation of registrants, investment products, markets and clearing and settlement systems. The Capital Markets Branch encompasses the Market Regulation, Compliance, Registration and Investment Funds groups.
Corporate Finance Branch	• is responsible for the regulation of public companies; offerings and financings; continuous disclosure filings; take over bid and merger and acquisition transactions and administration and document management.
Enforcement Branch	• protects investors and fosters market integrity through firm, fair and effective enforcement of Ontario securities laws.
Corporate Relations Branch	• supports and advances the OSC's communication with its stakeholders.
Corporate Services Branch	• works in partnership with Commission programs to provide innovative, value-added, and effective corporate services.
Office of the General Counsel	• provides leadership on legal and policy issues. Participates in policy development and provides support on operational projects.
Office of the Chief Accountant	• provides leadership on accounting and policy issues to OSC staff and reporting issuers and identifies emerging policy problems. Participates in policy development and provides support on operational projects.

Goals

- Redefine Approaches to the Financial Regulatory Framework
- Strengthen the Compliance - Enforcement Continuum
- Develop and Implement Integrated Disclosure System
- Play an Active and Leading Role in Readying the Canadian Capital Markets for the Year 2000 Issue
- Improve Inquiry and Complaint Handling Process
- Communicate Proactively to Enhance Investor Protection
- Successfully Complete the Transition from Government to Business Orientation
- Establish the OSC as a Destination Employer

Our Commission Members

The twelve members of the Ontario Securities Commission comprise the governing body of the Commission. The 9 part-time members, in addition to the full-time Chair and two full-time Vice-Chairs, are an exceptional resource bringing a wealth of experience to the diverse roles which the Commission must play.

The Commission formulates policy, makes rules, and serves as an administrative, or quasi-judicial, tribunal. The Commission also makes recommendations to the Minister of Finance for changes in legislation. The Members now also serve, as a result of the OSC's status as a self-funded Crown corporation, as members of the Commission's Board of Directors, overseeing the operational and financial affairs of the corporation.

Glorianne Stromberg was appointed a Commissioner in 1991 and resigned in December, 1998.

David A. Brown, Q.C.	Chair of the Ontario Securities Commission since April 15, 1998.
John A. Geller, Q.C.	appointed Vice Chair in November 1993. From November 1996 to April 1998, he served as Acting Chair.
Hon. Howard I. Wetston, Q.C	appointed Vice Chair in January of 1999.
Morley P. Carscallen, F.C.A.	Vice Chair from July, 1996 to November, 1998 having served as a Commission member since November 1992. He is currently a Commission member.
Kerry D. Adams, C.A.	appointed September, 1996.
Stephen N. Adams, Q.C.	appointed December, 1996.
Derek Brown	appointed October, 1997.
J.F. (Jake) Howard, Q.C.	appointed November, 1996.
Robert Korthals	appointed March, 1995.
Helen M. Meyer	appointed April, 1994.
R. Stephen Paddon, Q.C.	appointed January, 1998.
G. Patrick H. Vernon, Q.C.	appointed November, 1995.

The Ontario Securities Commission is the regulatory body responsible for overseeing the securities industry in Ontario. It administers the *Securities Act* and the *Commodity Futures Act* as well as certain provisions of the *Ontario Business Corporations Act*.

The following is a summary of Commission objectives and actions taken by the Commission to meet these objectives.

1998/99 Objectives	*Actions*
Complete the transition from Government to Business Orientation	Established the infrastructure to support the Ontario Securities Commission and introduced operating policies and principles for operation. Made substantial progress toward a 50% increase in staff resources to carry out the OSC mandate.
Investing in Service Delivery	• Introduced new Corporate Finance and Capital Markets Divisions. • Introduced a Market Regulation Team to supervise, monitor and encourage the development of the securities, commodities and derivative market and promote confidence in these various markets in Ontario and Canada. • Established an Investment Funds Team to bring focus to this sector through the review of investment funds filings, the development of investment fund regulatory policy and monitoring ongoing compliance with regulatory requirements. • Introduced a Mergers and Acquisitions/Take Over Bids Team that is responsible for reviewing M&A transactions and refining policy in the area. • Redefined the mandate of the General Counsel's Office to provide advice and direction on a broad range of operational, transactional and policy projects to the Chair, the Commissioners, the Executive Director and the staff. • Established a Project Office that supports Commission policy and project management with planning, tracking and resource requirements.
Review Approaches to the Financial Regulatory Framework	Collaborated with the Canadian Securities Administrators (CSA), the Ontario Superintendent of Financial Institutions, Provincial Insurance and Pension Regulators to initiate review of regulation of financial services.

1998/99 Objectives	*Actions*
Harmonization of Canadian Regulatory Requirements	Negotiated a Memorandum of Understanding among Canadian Securities Administrators formalizing the Mutual Reliance Review System. The system provides for "One Stop Shopping" for certain filings.
Develop a Modified Approach to Revenues	Initiated with other CSA regulators a process which will modify our approach to revenues. The goal is to reduce revenues to the level of expenditures, simplify fee structures and provide a more stable and equitable revenue base.
Raise Awareness and Provide Guidance on the Implications of Y2K	Initiated and monitored testing for securities and mutual funds industries. Initiated industry-wide contingency planning for the Y2K problem. Designed and implemented a communications plan to keep market participants and investors aware of progress on Y2K initiatives.
Focus on Implementing an Integrated Disclosure Approach	Established a Continuous Disclosure Team. The new group will focus on the continued movement towards the implementation of an integrated disclosure system which is consistent with the market reality of an expanding secondary market for securities and that more and more investors are making investment decisions based on an issuer's continuous disclosure record.
Increase Emphasis on Integration of Compliance and Enforcement Activities	Strengthened the Compliance and Enforcement continuum with respect to both issuers and registrants. Staffing in these areas has increased by 30%. Investigation and enforcement processes have been streamlined and shortened. Backlogs and referral times have been reduced substantially.
Reinforce Priority for Mutual Fund Regulatory Reform	Developed aggressive policy agenda with new Investment Funds Team. Mutual Funds Sales Practice rule was developed and other rules proposed to establish minimum standards for product distribution and disclosure. Mutual Fund Dealers Association was established and funded.

1998/99 Objectives	*Actions*
Focus on Importance of Alternative Trading Systems and Stock Exchange Reform	Developed guidelines for permitting operations of Alternative Trading Systems. Monitored proposed Stock Exchange reforms including TSE demutualization, exchange alliances and merger proposal.
Propose Proficiency Standards for Financial Planning and Similar Advice	Proposed, with the CSA, to develop new proficiency requirements in cooperation with the Financial Services Commission of Ontario and coordinated with the national insurance regulators. An industry group was organized to obtain consensus on standards of proficiency exams applicable across the financial services sector.
Strengthen Profile of OSC on International Stage	Worked extensively with the Technical Committee of International Organization of Securities Commissions (IOSCO), included were important roles on each of its five working parties and on the joint forum with other international financial regulators.
Improve Inquiry and Complaint Handling Process	Introduced a new structure for inquiry and complaint handling process. Service-oriented approach to handling inquiries is in place, supported by defined performance measures.
Upgrade and Modernize Reporting Requirements for Mining Companies	Co-sponsored with The Toronto Stock Exchange the Mining Standards Task Force which issued its Final Report in February, 1999. Proposed new National Instrument for comment.
Continue Reformulating of Rules	Proposed a number of reformulated rules in conjunction with the CSA. Key among them were the early warning rule, the underwriting conflict rule and a revision of Rule 9.1.
Increase Activity in the Area of Investor Education and Stakeholder Communication	Distributed a broad range of information through the first Investor Education Week, town hall meetings, investor education kits and other materials. Inaugurated www.osc.gov.on.ca.

This calendar represents highlights of completed enforcement actions for the fiscal year 1998/99.

June 11, 1998	*Frank Mersch* agreed not to apply for registration for a period of six months, and the exemptions available under the *Securities Act* were removed from *Peter Cunti* for two years as a result of their deliberately misleading staff of the Commission in the course of an investigation.
July 3, 1998	In *Gaudet, Chesnutt, Cohen and Osler Inc.* the individual defendants received four-year jail sentences arising out of their conduct as principal shareholders and senior officers of the now defunct brokerage firm.The company was fined over $2.6 million.
July 23, 1998	The Commission issued an investor alert regarding *Kipling Investments Ltd.,* purportedly operating out of Toronto and soliciting investors around the world.
September 23, 1998	The Commission ordered that *Koman Info-Link Inc., Koman Investment Inc., Koman Investment Inc. (B.V.I.), Simon Ko, John Ping Sum Lam* and *Jose Castenda* cease trading in securities as a result of their conduct relating to what purported to be a foreign currency trading operation.
October 14, 1998	Orders were made against *Robert Thomislav Adzija, Larry Allen Ayres, David Arthur Bending, Marlene Berry, Douglas Cross, Allan Joseph Dorsey, Allan Eizenga, Guy Fangeat, Richard Jules Fangeat, Michael Hresey, George Edward Holmes, Todd Michael Johnston, Michael Thomas, Peter Kennelly, John Douglas Kirby, Ernest Kiss, Arthur Krick, Frank Alan Latam, Brian Lawrence, Luke John McGee, Ron Masschaele, John Newman, Randall Novak, Normand Riopelle, Robert Louis Rizzuto* and *Michael Vaughan* as a result of their involvement in the sale of securities of *The Saxton Trading Corp.*, *The Saxton Export Corp.*, and various other "Saxton" companies.
December 3, 1998	In *Richard John Smith* and *Synlan Securities Corporation* the respondents' registration was terminated, and their ability to trade in securities was terminated permanently, as a result of Smith's criminal record and his failure to disclose that record to the Commission.

December 15, 1998	In *Belteco Holdings Inc. et al.,* Glen Erikson, Christine Erikson, Kai Hoesslin and Harcourt Wilshire had their exemptions removed for life, subject to certain exceptions, as a result of their involvement in a scheme that was manipulative, deceptive and abusive of the capital markets. Peter Mitchell was reprimanded for his involvement. Glen Erikson and Christine Erikson have appealed the Commission's decision to the Divisional Court.
January 28, 1999	A cease trading order against *Tactman Investments (Canada) Inc.* and *Tanrich Investment Consultant (Overseas) Ltd.* was made permanent.
February 18, 1999	*Asbestos:* On February 18, 1999, the Court of Appeal for Ontario overturned a Divisional Court ruling, and upheld the Commission's decision in the *Societe Nationale de l'Amiante* matter (commonly known as "Asbestos Corporation"). In that case, the Commission dismissed the application of the Committee for Equal Treatment of Asbestos Minority Shareholders (CETAMS) in which CETAMS sought an order against the Quebec government. CETAMS is seeking leave to appeal the Ontario decision to the Supreme Court of Canada.
March 2, 1999	*David Singh, Jeffrey Lipton, Infinity Investment Counsel Ltd.* and *Fortune Financial Corporation* were sanctioned by the Commission regarding an investment made by Infinity mutual funds in a related entity. In subsequent proceedings, all respondents except Fortune were sanctioned as a result of a misleading advertisement relating to the earlier proceeding.
March 11, 1999	*Dax Sukhraj* was reprimanded by the Commission for his failure, for a considerable time, to comply with a representation made to the Commission that he would cover improper losses suffered by clients of a business he had purchased.
March 29, 1999	In *Maple Leaf Sports & Entertainment Ltd., Steve Stavro, Brian Bellmore* and *Donald Crump,* the corporation agreed to pay $1.6 million to the Commission, and the individual respondents agreed not to act as directors of a public company for eighteen months.The sanctions resulted from inadequate disclosure made in connection with the takeover of Maple Leaf Gardens, Limited.

David A. Brown, Q.C.

Chair

A New Energy at the OSC

A message from the Chair There is a new sense of energy at the Ontario Securities Commission. That energy was evident throughout 1998/1999, as the Commission's staff made substantial progress in transforming our organization into a more effective and accountable self-funded Crown Corporation. The details of this accountability are found in the Management's Discussion and Analysis which accompanies this report. Equally invigorating was the regulatory leadership role that the OSC and its staff are increasingly playing on a national and international basis.

At home and around the world, the OSC is gaining a well-earned reputation for shaping innovative, flexible solutions – solutions which protect investors, provide clear and fair rules to market participants, and ensure the vitality of capital markets in a rapidly changing environment.

A New Regulatory Playing Field An excellent example of this reputation at work is our collaboration with the CSA (Canadian Securities Administrators) last year to begin the reformulation of financial services regulation in Canada. To understand this issue, we need to briefly look back: the regulatory system that is currently in existence in this country evolved more than three decades ago. Put simply, it is a system based on the regulation of institutions, rather than on the financial products and services those institutions provide.

While that system may have been appropriate then – when the activities of banks, insurance companies, securities firms and trust companies tended to be unique to each institution – it no longer reflects the realities of present-day markets. Today, the lines between financial services players have blurred: institutions are offering increasingly similar products and services, while being regulated very differently at provincial and federal levels.

Clearly, it no longer makes sense to divide regulatory responsibilities along institutional lines. Accordingly, last year we collaborated with the CSA, federal banking regulators and provincial regulators of insurance, trust and loan, and pension fund companies to lay the groundwork for a level and more effective regulatory playing field which assigns authority along functional lines.

Toward a Virtual National Commission Inherent in this discussion is the issue of regulatory fragmentation. With 13 separate securities regulators (10 provinces and, now, three territories) operating in what is essentially one capital market, there is great potential for inefficiency and inconsistency. While early efforts to build a national securities commission met some regional resistance, the OSC worked with the CSA last year to develop a Mutual Reliance Review System (MRRS).

At its core, the MRRS is an agreement that securities regulators in one province are prepared to rely on the analysis, review, and recommendations of those in another province for certain filings made in more than one jurisdiction. This agreement – which prevents administrative duplication and fills regulatory gaps – reduces fragmentation and encourages greater participation amongst regulators.

The MRRS is but one piece of the Canadian Securities Regulatory System, the national system of harmonized, coordinated rules administered by the CSA.

Bringing Method to Mutual Fund Regulation Last year was also a milestone year for mutual fund regulatory reform. Canadians now have more money invested in mutual funds than they have on deposit at banks and other financial institutions. In response to this unprecedented growth, the OSC – in concert with the CSA – supported a joint venture between the Investment Dealers Association and the Investment Funds Institute of Canada to form the Mutual Fund Dealers Association, a new self-regulatory organization for all mutual fund market participants.

The OSC's new Investment Funds team was instrumental in this process, which also entailed developing stronger prospectus disclosure standards and codes of conduct for the mutual fund industry. In this regard, we have played an important role in carrying out the recommendations made in the 1995 Stromberg report on Regulatory Strategies for the Mid-90s.

Focusing on Alternative Trading Systems Another critical issue that faces securities regulators, market participants and investors alike is the explosive growth of alternative electronic trading systems. In 1998/1999, the OSC played a leading role in establishing guidelines for introducing these systems in Canada.

This process began early in the year when we, along with other CSA members, hosted a public forum – attended by a cross-section of market participants – to table submissions on how a "made-in-Canada" alternative electronic trading system should be designed. Armed with this information, and in consultation with the SEC in the United States, the CSA designed a program which would permit alternative trading systems to operate in Canada without perpetuating the fragmentation of trading systems that we are currently experiencing.

We have prepared the new alternative trading systems rules in ongoing consultation with the Canadian stock exchanges, as well as with potential alternative trading systems providers.

Leading the Year 2000 Drive No annual report, regardless of the sector, would be complete without reference to Year 2000 initiatives. At the OSC, this discussion takes on even greater significance, as it encompasses not only the steps we have taken internally to be Y2K-ready, but the leading role that we have taken along with our CSA colleagues to mobilize the market to address this critical issue.

Our Year 2000 mandate is clear: to protect investors and the integrity of the Canadian capital market. In early 1998, our efforts focused on raising awareness, providing guidance and monitoring market participants' progress. Later in the year, that focus shifted decidedly toward testing and contingency planning.

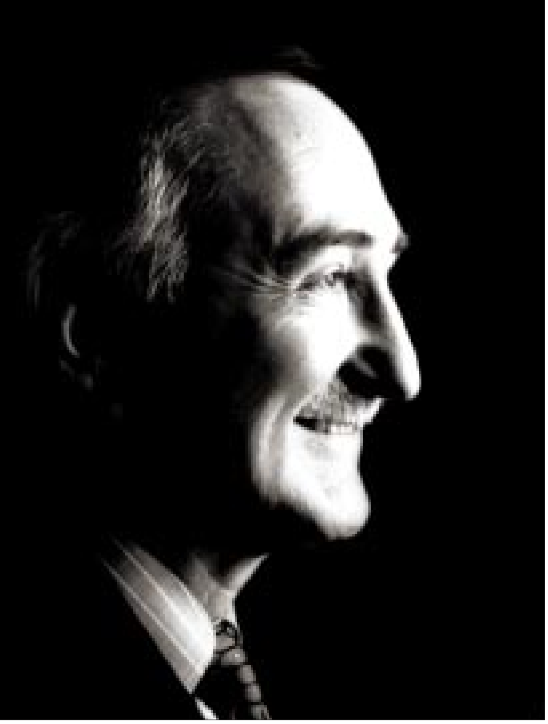
The CSA has designed a mandatory, industry-wide testing regime to help minimize the potential risks associated with the changeover of the millennium. During the year, we also worked alongside the CSA to develop a program to review reporting issuers' Y2K disclosure, and developed a registrants' national status reporting system on Y2K readiness. These status reports, available on our Web site, give market participants and investors a valuable tool to evaluate the readiness of the organizations with which they do business.

A Place at the International Table My predecessors at the OSC began a tradition of involvement in securities regulation on an international level. Today, our contributions to worldwide regulatory harmonization have become even more important as securities trading becomes an increasingly global activity. For example, we play a senior role in the International Organization of Securities Commissions (IOSCO), and members of our staff are active members in all of IOSCO's working groups.

This involvement helps us promote a system under which the products that Canadians have access to outside our borders will be subject to the same regulatory rigours as they are here at home. It also assures Canadian companies that doing business internationally will not become a regulatory burden. Equally important, it gives the OSC access to the most current thinking around securities regulation.

At a global, national and provincial level, the OSC undertook many important initiatives last year. As we look to the coming year, we will be focusing our energies on making even greater progress on these initiatives, remaining responsive to emerging market and enforcement issues, and continuing our role as change agents on every regulatory level.

It's an ambitious agenda. We have the dedication to carry it out.



Charles F. Macfarlane

Executive Director

A New Way of Doing Business

A message from the Executive Director It is, perhaps, an understatement to say that 1998/1999 was a year of unprecedented change at the Ontario Securities Commission. As we embarked on our first full year as a self-funded Crown Corporation, the OSC made enormous strides within our own walls to become a more business-focused, results-oriented organization. Concurrently – as David Brown has discussed – we played a highly active regulatory role, ensuring investors enjoy fair and efficient capital markets.

Our success is due in great part to the efforts of our predecessors. Despite years of chronic under funding, the management and staff of the OSC performed admirably and created the platform on which we are now building.

Building a Business Culture Restructuring the OSC was very much a case of confronting a blank page. We had to build, from the ground up, many systems and infrastructures that had previously not been under our control. We consciously took a very assertive approach – much like that used in a retail organization – to re-build an OSC that is keenly responsive to the needs of the marketplace.

In building that bridge to our marketplace, we are putting in place a number of critical supports. These include new compensation, budgeting and financial accounting systems, and implementing a new technological platform for our internal systems.

We also brought our employee salary structure in line with the marketplace. The benefits of this move are twofold: it allows us to retain the truly talented and dedicated team of employees that was already on board at the OSC, while positioning us to attract even more top candidates as we increase our staff complement by about 50% in the coming year.

Serving Our Markets We made a number of key moves last year to reflect the changing financial landscape in Ontario and across the country. We began by transforming our Market Operations area into two distinct branches: Corporate Finance, which oversees issuers, and Capital Markets, which oversees markets – both existing and emerging – and distributors in those markets.

We also created an Investment Funds Team, which focuses on the policy and disclosure activities of mutual fund issuers, managers and sales forces. This specialized team has its finger on the pulse of emerging issues in the mutual fund industry, enabling the OSC to be more pro-active in regulating this increasingly prominent market.

Similarly, we established a Take Over Bid Team, to review and refine policies relating to take-over bids, mergers and acquisitions, and to provide advice to players involved in these activities before dispute hearings are convened.

A new Market Structures Team, part of our Capital Markets branch, is now in place to oversee self-regulatory organizations (SROs) in the areas of markets and clearing. This team also focuses on new trends and issues, such as the demutualization of the TSE, and is very involved in crafting new policy to deal with the rapid growth of alternate trading systems including those found on the Internet.

We also created a Continuous Disclosure Team: in the past, the OSC's focus on issuers was primarily centered on reviewing prospectuses for primary offerings. Today, however, with more than 90% of the activity happening in the secondary market, we need to protect investors by overseeing the disclosures that companies make on a continuous basis.

These moves directly support our compliance-enforcement function, and ultimately make us that much more effective at protecting investors and maintaining the well-being of capital markets. The best evidence of our success is the fact that, in 1998/1999, we were able to complete a number of significant enforcement initiatives under an accelerated timetable, and to take on an expanded list of investigations.

Making Contact Much Better Last year, the OSC received close to 8,000 calls and letters from individuals with inquiries and complaints. Last year, those same individuals began to encounter a far more customer-friendly reception than in years past. That's because we are in the process of re-positioning our Inquiries and Complaints area as a Contact Centre – not unlike what you would find in a retail distributor. We're backing up this commitment with staff training and are in the process of installing more responsive call centre technology.

The benefit to constituents is more rapid, accurate handling of their calls: for the OSC, it supports our enforcement efforts, as calls can be better assessed for their potential to turn into enforcement issues.

There's Much Afoot There is a great deal happening at the OSC – I've touched on just a fraction of it. With so much activity planned and underway, it is vital that we remain focused on the activities which best serve the interests of our constituents. That's why we have implemented a new project management system, to ensure we allocate the appropriate resources and attention to those projects that will have the greatest impact.

This system – along with our capable and larger team, more dynamic structure, and newfound financial independence – will be critical as we continue to make the OSC a more accountable, responsive and influential organization even while demand for our services grows.

As we look ahead, our focus – in addition to the regulatory initiatives outlined by David Brown – will be on completing the transition and the significant growth we have targeted in all areas; implementing a state-of-the-art case management system and an even more powerful prioritization system in our Enforcement Branch; taking an additional step toward fulfilling our commitment to reduce our fees; and instituting a formal performance measurement program to foster even greater accountability to our constituents.

The pace and level of change at the OSC has been extraordinary. But then, so too has the pace and level of change in our financial markets. Backed by an equally extraordinary team, the Ontario Securities Commission is in excellent shape to meet the demands.

Things just aren't what they used to be. Neither are we.

respond

Being aware of change is all very well and good. One could hardly fail to note the forces of change at work in our financial markets – forces that have given way to the appearance of new providers and products, just as they have prompted the disappearance of global and institutional financial borders. Yet recognizing change is just one step on the path towards our goal of strong capital markets and healthy economic growth. The more critical part of the journey is how well we anticipate the changing tides, and how rapidly we respond with fitting answers.

The OSC's bottom line is simple: we are here to protect investors and to foster fair and efficient capital markets. Inherent in this mandate is the need to set clear, reasonable and flexible rules that will instill confidence in investors.

We are making great strides in balancing these objectives. We are finding innovative ways to safeguard investors while relieving market participants of multiple layers of regulation.

rapid change calls for decisive action

Last year we worked with the CSA to develop reforms to mutual fund regulation. Among other recommendations, the new prospectus disclosure system proposes that investors receive a short, plain-language Simplified Prospectus with fund-specific information provided in a catalogue format to facilitate comparison among funds.

Another initiative last year was our work with more than a dozen industry participants to develop guidelines for alternative trading systems. With Internet trading and offerings becoming increasingly popular, we have, along with the CSA, requested comments on two policies dealing with electronic issues.

Also important is the OSC's contribution toward a new model for Canadian financial services regulation – one which would yield a better supervised regulatory system that deals with all market issues, and a disclosure system that would allow investors to make more accurate product comparisons.

The radical changes we are making to the size, shape and structure of the OSC are our answer to changes in the marketplace. While we are quickly and efficiently reshaping ourselves on the inside, we are by no means complacent on the outside: throughout last year we played an active role in developing new solutions that respond to the needs of investors and market participants in Ontario, Canada and around the globe.

Remaining flexible to the sometimes disparate needs of our constituents can be an intricate dance – one which requires us to form co-operative relationships with investors, companies seeking capital and the intermediaries that bring these two groups together.

In 1998 we laid the groundwork for these more interactive relationships. We began to improve two-way communications by re-thinking the way we deal with inquiries and complaints. With calls to the OSC increasing by 30% over the previous year, plans are well underway to increase Contact Centre staff by 40%, a move that will allow us to respond to calls and inquiries more quickly and accurately. Our new Web site, which averages 3300 visits per week, is another way we are making better contact with our constituents. The

sometimes the greatest strength is flexibility

OSC also played a key role in educating investors during National Investor Education Week, including participating with other investor associations in community education seminars throughout the province.

We also increasingly involved our constituents in policy-making discussions. The joint OSC/Toronto Stock Exchange Mining Standards Task Force is a case in point. More than 100 commentators had an opportunity to provide input into its final report, which contained recommendations to preserve Canada's leadership in the exploration and mining industry, while ensuring investor protection, and reinforcing global investor confidence in the Canadian securities markets.

With these seeds planted, we will be branching out even further to capture and respond to the voices of our constituents: regular surveys and feedback mechanisms to pinpoint their key issues will become an integral part of the OSC mandate. We will also scrutinize our own actions by instituting a formal "balanced scorecard" performance measurement program.

Adding depth and breadth to our already impressive pool of talent is key to improving the efficiency and timeliness of investigations and enforcement activities. And our goal of attracting the best and the brightest is working – by gaining control over our agenda, and bringing our salary structure in line with the marketplace, we are transforming the OSC into a destination employer.

Adding numbers to our ranks is just the beginning. We have also renewed our internal organization to reflect today's market realities. We are encouraging the cross-fertilization of ideas and skills by moving staff between our seven branches, and undertaking targeted training and development programs. We are fostering a team approach, which assures our constituents of more timely, consistent and comprehensive responses.

Our commitment to giving our staff the big picture flows beyond our walls and across national and international borders. This is evident in the contributions that OSC

from each drop springs a pool

representatives make to national regulatory efforts alongside their CSA colleagues. Our leadership role in preparing for the Year 2000 included helping to identify 31 key market participants as crucial links within the Canadian capital markets system and reviewing the adequacy of Y2K disclosure of more than 100 companies.

Our staff also played a key role in the Mutual Reliance Review System. Last year, more than 140 delegates from across Canada attended the OSC-hosted training session for MRRS – a system which will result in far more efficient and effective regulation across the country. The OSC was also well represented on a global level, in particular through the Technical Committee of the International Organization of Securities Commissions.

Call it the ripple effect. Our diversely skilled staff, in tune with our ever-expanding, ever-changing role in the marketplace, is renewing the strength and mandate of the OSC.

1999 - 2000 Corporate Priorities

The Commission will continue to recruit aggressively in the 1999/2000 fiscal year to ensure operations are appropriately staffed to provide consistent, timely and reliable services of superior value. In furtherance of its strategic goals, resources will be focused on the following corporate priorities:

1) Provide leadership in readying the capital markets for Y2K: support industry testing and contingency plan development; perform follow up reviews of registrant and issuer disclosure programs.

2) Significantly increase resources in Capital Markets, Corporate Finance and Enforcement to provide additional focus on monitoring of compliance with disclosure requirements by market participants and increased emphasis on case assessment, investigations and enforcement.

3) Lead initiatives to redefine the mandates and activities of all Canadian regulators of financial service providers. Contribute to increased coordination of financial services regulation within Ontario through participation in Ontario Council of Financial Regulators.

4) In conjunction with CSA partners address issues arising from the proposed restructuring of Canadian exchanges.

5) Provide an effective regulatory regime for existing, alternative, and emerging trading systems including the Internet.

6) Complete fee review with CSA partners and begin to implement restructured fees to bring revenues and costs into closer alignment.

7) Support the establishment and recognition of the Mutual Fund Dealers Association and seek regulatory options to improve the governance of mutual funds.

8) Participate actively in international organizations (e.g. IOSCO) to represent Ontario during the development of regulatory standards and approaches related to international capital markets.

9) Propose reforms of prospectus and continuous disclosure requirements for mutual funds.

10) Develop proficiency standards for financial planning and rules for implementation.

For the detailed operational priorities of the OSC for 1999 - 2000, please refer to the OSC's "Statement of Priorities for 1999 - 2000" which is available on the OSC Web Site, www.osc.gov.on.ca, or through the publications line, (416-593-3699).

ready