ONTARIO SECURITIES COMMISSION

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OSC PERSPECTIVES

OSC sets out its priorities

2007/08 Statement of Priorities identifies four key strategic goals for the Commission

OSC Chair David Wilson

On June 29, the OSC published its Statement of Priorities for the 2007/08 fiscal year. The Statement sets out the Commission's strategic goals for the next five fiscal years, and identifies specific initiatives we will all be focussing on in the current fiscal year.

To meet its mandate to provide protection to investors and foster fair and efficient capital markets and confidence in those markets, the Commission has identified four strategic goals:

1. Identify the important issues and deal with them in a timely way;
2. Deliver fair, vigorous and timely enforcement and compliance programs;
3. Champion investor protection, especially for retail investors; and
4. Support and promote a more flexible, efficient and accountable organization.

"The Statement of Priorities articulates our commitment to investors and to fostering confidence in the integrity of the capital markets," said OSC Chair David Wilson. "We are taking a proactive approach to prevent, detect and deter harm in the capital markets and are working to strengthen the Canadian securities regulatory system."

The 2007/08 Statement of Priorities is available on the OSC website.

2007 Investor Forum

Meeting to be held in October

The 2007 Investor Forum will be held on Wednesday, October 24, from 6:30 p.m. to 8:30 p.m. at the Metro Toronto Convention Centre. The OSC is jointly hosting the forum with the Investment Dealers Association of Canada, the Mutual Fund Dealers Association of Canada and the Ombudsman for Banking Services and Investments.

The event will offer investors useful information on key topics such as the complaint resolution process, the client-adviser relationship and understanding the risks of certain investment products. The Forum is open to all interested persons and offers an opportunity for investors to share views with regulators. More details will be available over the summer.

OSC Investment Funds legal counsel Patricia Callon (left) and plain language editor Susan Swayze display the prototype of the two-page point-of-sale document, *Fund Facts*.

The document, written in plain language, is a key part of the proposed point-of-sale framework for mutual and segregated funds published in June. For more information, see page 2.

Dialogue 2007 to showcase top regulatory speakers

OSC Chair David Wilson welcomes prominent guest speakers at this year's Dialogue with the OSC:

Arthur Levitt, Former Chair, U.S. Securities and Exchange Commission

Linda Chatman Thomsen, Director of Enforcement, U.S. Securities and Exchange Commission

Vernon Everitt, Director, Retail Themes Division, U.K. Financial Services Authority

Event details:

Date: November 27, 2007

Location: Metro Toronto Convention Centre, North Building

Registration opens in September

(File photo)

Regulatory harmonization

OSC Vice-Chair Larry Ritchie participated in a panel discussion about the harmonization and uniformity of securities laws during the annual conference of the Investment Industry Association of Canada, held in Quebec in June.

Principal protected notes

Manager Erez Blumberger (left) and legal counsel Jason Koskela of the OSC's Corporate Finance Branch discussed principal protected notes at the Canadian Institute Conference on Structured Products in Toronto in April.

International co-operation

In April, OSC Office of Domestic and International Affairs Director Tula Alexopoulos (middle) attended meetings at the International Organization of Securities Commissions' annual conference in Mumbai, India. Chair David Wilson also attended the conference.

Regulators release point-of-sale framework

Proposals are aimed at providing investors with improved disclosure information

The Joint Forum of Financial Market Regulators recently issued for public comment a proposed framework for point-of-sale disclosure for mutual funds and segregated funds (Framework).

A cornerstone of the Framework is a new two-page document called *Fund Facts,* which highlights critical information for investors, including fund performance, risks and costs. *Fund Facts* is written in plain language to provide investors with a format that is easy to read and understand. The document would be given to investors before they make a decision to buy a fund.

"Our main intention is to ensure investors have the information they need to make informed decisions at the time they need it most – when they are buying a fund," said Patricia Callon, legal counsel in the OSC Investment Funds Branch. "The research we reviewed was clear – investors want information on risk, returns and costs before they make a decision, not afterwards."

The Joint Forum is seeking public comment on the Framework until October 15, 2007. The Framework, accompanying backgrounder and the *Fund Facts* prototype are available on the OSC website.

The Joint Forum consists of representatives from the Canadian Securities Administrators (CSA), the Canadian Council of Insurance Regulators and the Canadian Association of Pension Supervisory Authorities. The OSC played a key role in drafting the proposed Framework.

OSC publishes proposed *Rules of Procedure*

Rules designed to ensure efficient resolution of proceedings

The Ontario Securities Commission has published for comment proposed new *Rules of Procedure*, which will replace the existing *Rules of Practice* (the comment period ended July 10, 2007). The new rules will apply to all proceedings before the Commission where the Commission is required by law to hold a hearing. The rules are designed to ensure the fair and efficient resolution of Commission proceedings in the most expeditious and cost-effective manner.

The new rules, published through the OSC's Office of the Secretary, will be implemented under the authority of section 25.1 of the *Statutory Powers Procedure Act* (SPPA). Once the rules have been adopted, they will be published in English and French, in accordance with requirements of the SPPA and the *French Language Services Act*.

The new rules are available on the OSC website under the heading *Rules of Procedure of the Ontario Securities Commission*.

Word on The Street

This quarter, OSC Chair David Wilson has delivered three keynote speeches on current key topics in securities regulation. These speeches are available on the OSC website.

Economic Club of Toronto

On April 26, Mr. Wilson spoke to the Economic Club of Toronto about investor protection, compliance and enforcement, and regulatory structure. He stressed the importance of listening to investors and highlighted areas the OSC has been working on to improve investor protection, such as disclosure and the use of plain language.

OSC Chair David Wilson addressed the Economic Club of Toronto on the issues of investor protection, compliance and enforcement and regulatory structure.

International Council of Securities Associations (ICSA)

In a speech to the ICSA annual meeting on May 14 in Toronto, Mr. Wilson discussed how securities regulators and self-regulatory organizations can respond to rapid changes brought on by globalization. He said securities regulators must work effectively with their SRO partners to address challenges such as free trade in securities and mutual recognition of exchanges and brokers.

Hugessen Consulting Inc. executive compensation event

At a June 6 event organized by Hugessen Consulting Inc. in Toronto, Mr. Wilson outlined the CSA's proposals for executive compensation disclosure. He commented on the governance perspective on executive compensation and the important similarities and differences between the CSA requirements and new executive compensation rules in the U.S.

OSC targets illegal distributions

New unit launched to investigate scams

The OSC has launched the Special Investigation Section (SIS) to fight scams and illegal distributions, including boiler rooms.

The SIS, consisting of staff with market, regulatory and law-enforcement expertise, will aggressively target boiler rooms and other scams in an effort to improve investor protection. The SIS's focus is aimed at preventing the distribution of unregistered products by unregistered sellers.

The SIS will work collectively with the RCMP, Integrated Market Enforcement Teams and the Joint Securities Intelligence Unit, as well as the U.S. Securities and Exchange Commission, Federal Bureau of Investigation and the U.S. Department of Justice to disrupt illegal activity at the earliest possible stage.

"Financial crime harms the integrity of our capital markets and the economy as a whole. Such activities will be aggressively investigated and prosecuted by the OSC's Special Investigation Section," said David Wilson, OSC Chair. "Our goal is to respond quickly and use the sanctions available to protect investors."

The SIS was formed in response to an increased number of complaints to the OSC related to scams, as well as the proliferation of boiler room techniques.

Registration reform hits the road

The OSC and staff from other members of the Canadian Securities Administrators (CSA) made presentations across Canada in May to explain the impact of proposed National Instrument 31-103 *Registration Requirements*.

The rule, aimed at harmonizing registration requirements in all CSA jurisdictions, significantly reduces the number of registration categories for firms and individuals. The rule is a key part of the Registration Reform Project.

At the roadshows, held in Vancouver, Calgary, Toronto and Montreal, regulators consulted with industry participants during the comment period, which ended June 30. The CSA also prepared a webcast to outline key issues, the registration trigger, and the registration of fund managers and exempt market dealers. The proposed rule and webcast are available on the OSC website.

OSC Online

OSC Statement of Priorities

The Statement of Priorities for fiscal 2007-08 sets out the Commission's four strategic goals and identifies specific initiatives in support of each goal. The Statement of Priorities is available in the 'About the OSC' section under Governance & Accountability.

Notice on sales practices review

Staff Notice 11-760 outlines the results of a targeted review on mutual fund sales practices used by registered advisers in 2006-07. The review was conducted by Compliance staff in the Capital Markets Branch. The Notice, issued in April, summarizes the findings of the review and provides guidance on complying with the relevant regulatory requirements. The Notice is available in the "Rules, Policies & Notices" section under category 1.

CSA Financial Fitness Challenge winners

The CSA announced the 11 winners of its annual 'Financial Fitness Challenge' contest that took place in April. More than 12,000 Canadians aged 15-21 years participated in the online contest, which featured questions and information on budgeting, saving and investing. To view the list of winners and for more details, please visit the website www.FinancialFitnessChallenge.ca.

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CSA launches XBRL voluntary filing program

The Canadian Securities Administrators (CSA) recently announced the launch of the eXtensible Business Reporting Language (XBRL) voluntary filing program. The voluntary program aims to help the Canadian marketplace gain practical knowledge and experience preparing and using financial statements in XBRL format.

XBRL will make it easier for investors and analysts to quickly access data and analyze information in a company's financial statements. The CSA will make XBRL financial statements available to the public through SEDAR.com. More information about XBRL and the voluntary program is available on the CSA's XBRL website at www.xbrl.ca/e/CSAVP.html.

Seeking Comments

The following national instruments (NI), amendments and papers are currently out for comment:

- Amendments to NI 21-101 *Marketplace Operation*: sets out proposed changes to best execution requirements and new obligations relating to direct access to marketplaces by non-dealers.
- Amendments to NI 23-101 *Trading Rules*: outlines a proposal for a trade-through regime to ensure better-priced orders are filled first.
- NI 81-106 *Investment Funds Continuous Disclosure*: harmonizes continuous disclosure requirements and clarifies or corrects certain existing provisions.
- 81-406 *Proposed Framework for Point of Sale Disclosure for Mutual Funds and Segregated Funds*: outlines a disclosure regime designed to provide mutual and segregated fund investors with key information in an understandable format at the point-of-sale.

Ontario

As the regulatory body responsible for overseeing the capital markets in Ontario, the Ontario Securities Commission administers and enforces the provincial *Securities Act*, 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 responsible for securities regulation.