

NOTICE OF STATEMENT OF PRIORITIES
FOR FINANCIAL YEAR TO END MARCH 31, 2002

The *Securities Act* requires the Commission to deliver to the Minister by June 30 of each year a statement of the Commission setting out its priorities for its current financial year in connection with the administration of the Act, the regulations and rules, together with a summary of the reasons for the adoption of the priorities. The first such statement was delivered for the year ended March 31, 1995 (18 OSCB 2962).

In the notice published by the Commission on March 23, 2001 (24 OSCB 1807), the Commission set out its proposed Statement of Priorities and invited public input in advance of finalizing and publishing the 2001/2002 Statement of Priorities. As of May 25, 2001, eleven responses had been received. The Commission wants to thank all the parties who have provided comments.

The comments received were generally supportive of the identified priorities. Overall, the greatest number of comments appear to support efforts aimed at improving the level of harmonization of regulatory requirements in a rapidly converging marketplace. In parallel with these views is an expectation that such efforts will reduce compliance costs and thereby improve the overall efficiency of our capital markets. A number of supportive comments related to the proposed OSC/FSCO merger as well as the fee reduction initiative were also provided.

The other key issue put forward focused on the integrity and fairness (real or perceived) of the OSC particularly in relation to enforcement activities. Concurrent with this view was the suggestion that the OSC could adopt a more cooperative approach towards achieving effective risk management between regulators and other market participants.

The document has been revised to reflect the input received during the comment process. No additional priorities were added, however, a section providing a financial outlook for the upcoming year was inserted.

June 29, 2001.

For further information contact:

Robert Day
Manager, Business Planning
Ontario Securities Commission
20 Queen St. West
Suite 800, Box 55
Toronto, Ontario
M5H 3S8
(416) 593-8179



THE ONTARIO SECURITIES COMMISSION

STATEMENT OF PRIORITIES

FOR

FISCAL 2001/2002

June 2001

TABLE OF CONTENTS

INTRODUCTION

BUSINESS STRATEGY

STRATEGIC CONSIDERATIONS AND KEY CHALLENGES

OSC PRIORITIES

2002 FINANCIAL OUTLOOK

REPORT ON 2000/2001 ORGANIZATIONAL PRIORITIES

INTRODUCTION

The *Securities Act* requires the Ontario Securities Commission (OSC) to deliver to the Minister, and to publish in its Bulletin by June 30 of each year, a statement by the Chair setting out the proposed priorities for the Commission for its current financial year.

During 2000/2001, additional staffing resources allowed the Commission to significantly increase its regulatory presence and effectiveness, and to respond more effectively to the needs of its constituents. A summary of the performance of the Commission in meeting the goals and priorities identified in the 2000/2001 Statement of Priorities is included in this document.

In the May 2, 2000 Ontario Budget the Minister of Finance announced that the Ontario Securities Commission and the Financial Services Commission of Ontario (FSCO) will be merged into a single agency that will provide regulation of the capital markets and financial services sectors. This new agency will provide more integrated regulation of capital markets and financial services sectors and is the next logical step in the evolution of the financial services regulatory framework. The legislation required to create the proposed new organization and specify its regulatory responsibilities and powers is expected to be introduced during 2001. The merged entity will provide strong consumer and investor protection and education across all financial sectors. It will also contribute to timely regulatory responses to the changing structures of the capital markets and financial services industries.

The Commission remains committed to delivering its regulatory services in a businesslike manner and to working closely with its CSA colleagues and market participants to ensure that the regulatory system remains relevant to the changing market landscape. The 2001/2002 Statement of Priorities articulates the business strategy and priorities the Commission has set to accomplish these goals.

BUSINESS STRATEGY

Our Vision To be and be seen to be a regulator that establishes and diligently enforces clear and unambiguous rules to protect investors and to promote efficiency in our capital markets.

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

Our Approach To be efficient and proactive in carrying out our mandate... to be diligent and fair in applying the rules of the marketplace ... to be innovative in applying our regulatory powers to a rapidly changing marketplace.

STRATEGIC CONSIDERATIONS AND KEY CHALLENGES

The OSC recognizes the challenges in its operating environment that it must address to achieve its goals. These challenges are not unique to the OSC and take the form of changes to the business environment, capital markets, market participants and the regulatory framework.

Global Integration of Markets

Increasingly, the business environment is subject to global influences where firms are being serviced by integrated banking, insurance and securities conglomerates which operate worldwide. The growing mobility of capital flows magnifies the importance of maximizing Ontario market liquidity and eliminating unnecessary regulatory costs.

Rapid Pace of Technological Change

Technology is driving market innovation and facilitating the creation of increasingly more sophisticated financial products, trading techniques and strategies. Technology is facilitating the emergence of a class of retail investor who makes investment decisions without receiving advice or recommendations from an investment dealer. Increases in online trading and anticipated competition from alternative trading systems have prompted changes to existing marketplaces and will continue to have a significant impact on the competitive structure of the industry.

Redefinition of Roles of Regulators of Financial Services

Relaxation of restrictions on the types of financial products offered by financial service providers, increased competition among the different providers, increased consumer demand for new products and services and the rapid pace of new information-based electronic technologies have resulted in regulatory gaps and overlap. Harmonized regulation of similar products and services across sectors and among jurisdictions is required. As a result, there is a need to redefine the mandates and activities of financial regulators.

Increased Direct Investor Participation in Equities Markets

Direct ownership of equities continues to increase dramatically. Explosive growth in use of the Internet has provided enhanced access to and greater reliance on a wide range of information outside the framework of required securities regulatory filings (e.g. bulletin boards, whisper numbers etc.). These trends present challenges to inform, educate and protect investors. The continued growth in investor sophistication heightens the need for continuous disclosure of clear and accurate information in order to ensure the integrity of the secondary market.

Continued Importance of Investment Funds to Investors and for the Canadian Market

Investors continue to invest significant amounts in investment funds, including mutual funds, exchange traded funds, pooled funds and segregated funds. An important component of this investment is intended to fund investors' retirements, often as an alternative to traditional defined benefit pension plans. The investment fund industry is changing through consolidation of players and the proliferation of new products and services in response to increased competition. Investors are seeking, and have access to, many sources of information about their investments, including that provided by third party information providers. The unprecedented importance of investment funds to the Canadian marketplace can be largely explained by continued growth in investments into retirement tax plans.

Need to Foster Public Confidence in the Integrity of the Market

Market participants and investors want regulators to provide clearer rules. Investors want assurance that appropriate safeguards are in place to sustain the integrity of capital markets. Continuing growth in wealth management activities places greater importance on the need for regulators to establish rules which ensure the appropriate training and conduct of investment advisors and other registrants who provide investment advice.

Need For Continued Expansion of OSC Expertise

The OSC is committed to providing high quality, user-friendly services and faster response times. Increasingly competitive labour markets present a challenge for the OSC to attract and build upon staff expertise in order to effectively address increasingly complex issues and to meet the needs of its constituents.

OSC PRIORITIES

The integration activities associated with the merger of the Ontario Securities Commission and the Financial Services Commission of Ontario will be a prime focus during 2001/2002. In parallel with this process, during 2001/2002 the Commission will continue to advance its regulatory agenda by directing its resources towards achievement of the priorities set out below. There is no precedence to the ordering of the priorities. In pursuing these priorities the Commission will be guided by the principle that the regulatory costs and the impact on business should be

proportionate to the regulatory objectives sought to be achieved.

1. *Redefine Approaches to the Financial Regulatory Framework*

The Commission will work to develop approaches to financial regulation which support market integration and innovations due to technological change. The Commission will continue to strive to develop approaches which will maintain or enhance the ability of small businesses to access capital through junior and venture capital markets and which will enhance the efficiency, fairness and integrity of capital markets. Proposed initiatives include:

- a) Develop and implement a coordination and cooperation model for oversight of markets.
- b) Finalize a regulatory response to the exempt market recommendations of the Task Force on Small Business.
- c) Streamline and strengthen registration processes including the development of a National Registration Database.
- d) Consider the implications of growth in electronic communications (i.e. Internet, ATS-s) and develop appropriate regulatory solutions.
- e) Seek amendments to the *Personal Property Security Act* to implement changes to Conflict of Law re: tiered holdings and T + 1.
- f) Respond to the Securities Industry Committee Report on analyst standards.
- g) Support the Ministry of Finance in developing legislation to address issues related to the transfer of securities.
- h) Review and assess the regulatory model governing the provision of financial advice.
- i) Address issues identified as part of the Five Year Legislative Review.
- j) In cooperation with the Joint Forum of Financial Market regulators, develop a comprehensive and integrated consumer complaint management and dispute resolution system.
- k) Review current underwriting practices to determine whether additional regulation is needed (this would include due diligence practices, allocation processes for new issues, indemnification arrangements, roadshows).
- l) Continue to develop rules to address frequently occurring requests for exemptive relief.

2. *Strengthen the Compliance - Enforcement Continuum*

The Commission will increase its focus on disclosure review and strengthen Self Regulatory Organization (SRO) oversight to ensure effective and efficient regulation of the securities industry. The OSC will continue to increase its presence and effectiveness through the following compliance monitoring and enforcement activities:

- a) Continue development of the surveillance and intelligence unit.
- b) Develop and implement a comprehensive, risk-based approach to compliance which will result in more effective OSC oversight of SROs, fund managers and non-SRO members.
- c) Increase resources allocated to SRO oversight activities and review of continuous disclosure documents. Conduct examinations of SROs, non-SRO members and public companies.
- d) Continue to oversee the regulatory functions of the Investment Dealers Association (IDA) and work with the IDA to improve any perceived deficiencies.

- e) Improve effectiveness by continuing to develop and strengthen protocols within the OSC and with external organizations (e.g. IDA, TSE, CIPF etc.).
- f) Provide the Mutual Fund Dealers Association of Canada (MFDA) with reasonable implementation support. Work with the MFDA to:
 - implement an oversight program;
 - ensure adequate membership reviews are undertaken; and
 - develop an approved investor protection plan to which members of the MFDA would be required to belong.

3. *Enhance the Quality of Continuous Disclosure by Reporting Issuers*

The Commission will take action to strengthen the framework of requirements for timely and reliable continuous disclosure of information by reporting issuers and will actively pursue inappropriate financial reporting practices and address emerging issues either directly or through private sector standards setting bodies. Key initiatives will include:

- a) Continue to provide additional resources to the review of continuous disclosure filings.
- b) Continue the comprehensive program for the review of continuous disclosure documents of reporting issuers, complete a targeted review of revenue recognition practices and commence review of interim reporting.
- c) Issue a policy statement to communicate the CSA's interpretation of law in the area of selective disclosure and identify best disclosure practices for both issuers and analysts.
- d) Following implementation of an electronic system for filing of insider trading reports (SEDI), design and implement a comprehensive CSA program for reviewing these reports.
- e) Advocate the adoption of statutory amendments to implement a statutory civil liability regime for misrepresentations in continuous disclosure filings.
- f) In conjunction with other members of the CSA, develop a harmonized, integrated disclosure system ("IDS") for offerings and continuous disclosure filings. Publish for comment a draft rule which harmonizes disclosure requirements across Canada by Spring 2002.

4. *Improve Secondary Market Regulation*

The Commission will focus on completing the legislative, regulatory and operational changes necessary to address the growing importance of continuous disclosure and technological change in the secondary markets. Key initiatives will include:

- a) Review delivery and proxy solicitation requirements in the Internet context.
- b) Conduct a review of foreign issuer requirements for continuous disclosure and prospectuses in light of recent SEC and IOSCO initiatives. Publish a proposed rule by December 2001.
- c) Publish a paper to promote discussion of possible regulatory changes to permit Canadian and foreign reporting issuers to file financial statements prepared in accordance with U.S. Generally Accepted Accounting Principles or International Accounting Standards. Evaluate the results of the consultation process and the need for rule changes.
- d) Review the regulatory regime related to unlisted companies and consider whether changes are necessary.
- e) Examine the practice of ~~equity monetization~~ and consider whether changes to the regulatory regime are necessary in areas such as insider reporting, escrow and resale restrictions.
- f) Review information circulars and consider whether changes to Rule 54-501 or supplementary

guidance are necessary.

- g) Review and consider amending the staff notice on the revocation of cease trade orders.

5. *Foster the Development of Harmonized Regulation and Cooperative Review Mechanisms among Canadian Financial Regulators*

In conjunction with its CSA counterparts and other regulatory entities, the OSC will continue to develop national harmonized approaches to the regulation of financial products, services and SROs in order to maintain a globally competitive regulatory framework. The Commission will continue to work with other CSA members to implement standards for intermediaries and to expand the scope and use of mutual reliance review systems. Key initiatives will include:

- a) Continue to foster the development of a cooperative and efficient Canadian Securities Regulatory System.
- b) Continue development of Mutual Reliance Systems where appropriate.
- c) Initiate the re-architecture of SEDAR into a web-based system.
- d) Develop amendments to the regulatory framework applicable to salespersons and dealers to allow salespersons to provide registerable services through a corporation.
- e) Harmonize the regulation of segregated funds and mutual funds by implementing the Joint Forum recommendations (published in December 1999).
- f) Work with regulators and industry to maintain and update financial planning proficiency standards (exam, experience and continuing education requirements) for financial planners.
- g) Work with the Joint Forum to establish minimum standards for proficiency, continuing education and licensing of financial services intermediaries and, where possible, harmonize these standards across sectors.
- h) Support the Joint Forum in developing regulatory principles for investment disclosure in capital accumulation plans.

6. *Implement Fee Reduction Strategy*

The Commission plans to implement a more streamlined fee structure which aligns its revenues more closely to costs. The new fee approach will be developed through consultation with CSA partners and key industry constituents and a rule establishing the new fee structure will be forwarded to the Minister of Finance for approval.

7. *Enhance Investor Protection Through Education*

The OSC, through its support of the newly created Investor Education Fund as well as through partnerships with other organizations (e.g. CSA, SROs), will place more emphasis on investor education initiatives aimed at enabling investors to protect themselves better. Greater efforts will be made to increase the level of understanding of investors and other market participants through the use of plain language, more transparent rule making and more inclusive consultation. Investor education reach will also be expanded through public awareness campaigns as well as implementation of web-based initiatives.

8. *Foster Development of an Improved Mutual Fund Regulatory Framework*

The Commission is committed to developing approaches to strengthen the governance of mutual funds and to making other changes necessary to improve the structure, management and distribution of mutual funds. The OSC, in cooperation with the CSA, will continue to improve the point of sale disclosure given to investors and to develop approaches for improved continuous disclosure. Key operational initiatives will include:

- a) Develop approaches to strengthen mutual fund governance and the framework applicable to mutual fund managers.

- b) Develop recommendations for an improved financial disclosure regime for mutual funds.
- c) Develop clear parameters for specialized investment products and practices such as funds of funds, commodity pools and pooled funds.

9. *Support the Implementation of the OSC/FSCO Merger*

In the Spring 2000 Budget, the Minister of Finance announced his intention to merge the OSC and FSCO. Since then, and in partnership with FSCO, the OSC has been supporting the Minister in the development and implementation of a new merged financial services agency that will better meet the needs of investors and market participants and continue to provide a high level of protection to consumers. A consultation draft of the legislation required to create the new organization and to specify its regulatory responsibilities and powers has been prepared and released for public comment. The legislation is expected to be introduced during 2001.

10. *Continue the Role of the OSC as a Key Member of the International Securities Regulatory Community.*

The Commission plans to continue to participate proactively in the international regulatory community. Through these efforts the Commission will contribute to the harmonization of international regulation and potentially reduce the regulatory burden on Canadian companies doing business internationally. Key initiatives will include:

- a) Optimize OSC participation in key initiatives of IOSCO and similar bodies.
- b) Continue to work with the Council of Securities Regulators of the Americas (COSRA) towards the development of harmonized standards for clearing and settlement.
- c) Participate actively in promoting the convergence of accounting standards internationally with a view to facilitating the continued development, acceptance and use of a single set of high quality, internationally accepted accounting standards both domestically and in cross-border offerings and listings.
- d) Participate actively in IOSCO's efforts to promote the development and use of high quality, internationally accepted auditing standards, supported by appropriate standards governing auditor independence and quality assurance monitoring systems.

11. *Continue to Develop and Implement Accountability Mechanisms*

The Commission has developed and implemented accountability mechanisms to ensure that it continues to effectively and efficiently meet the needs of its constituents. The Commission will continue to strengthen its accountability through the following:

- a) Communicate pro-actively on progress towards identified OSC priorities.
- b) Provide excellent service through the Contact Centre.
- c) Increase the use of electronic communication initiatives.
- d) Continue to refine balanced scorecard measures and performance targets and to improve internal management information tracking systems.

12. *Foster the Continued Development of the OSC as an Employer of Choice.*

The Commission will strive to provide a dynamic and stimulating environment in order to attract, retain and motivate employees who are capable of and committed to achieving its business goals in a performance-based culture. Key initiatives will include:

- a) Develop and complete an annual employee satisfaction survey and address results as necessary.
- b) Maintain the competitiveness of the OSC compensation package.

- c) Implement competency based performance plans for management and a management competency training program.

As part of the Commission's comprehensive planning process, each operational area develops detailed operating plans for the upcoming fiscal year. Operational priorities for 2001/2002 for each area have been established which will support achievement of the initiatives set out above as well as delivery of our ongoing regulatory services.

2002 FINANCIAL OUTLOOK

The Commission revenue forecast for 2002 is \$84.2 million which is 2.2% higher than the \$82.4 million collected in 2001. The forecast reflects the impact of the 10% fee decreases implemented in August 1999 and June 2000 and a reduction in fee revenues due to an expected decline in market activity. However, the negative effect of these changes is expected to be more than offset by the projected one time \$7.9 million increase in registration revenues which will be collected due to the implementation of a uniform anniversary date for registration.

The Commission has budgeted 2002 operating expenditures of \$54.3 million. The key budget component is salaries and benefits which are projected to rise by 14% to \$34.1 million. This increase reflects the annualized cost impact of hiring which occurred in 2001 as well as further new staff in 2002. Total staffing is projected to reach 361 by March 2002. The Commission has budgeted \$5.8 million for professional services costs in 2002 which is a 3.5% increase from 2001 expenditures. Costs associated with a significant number of legal proceedings are expected to be key contributors to this increase.

REPORT ON 2000/2001 ORGANIZATIONAL PRIORITIES

The significant progress that was achieved against the priorities identified in the 2000/2001 Statement of Priorities is outlined below:

1. *Redefine Approaches to the Financial Regulatory Framework*

OSC/FSCO Merger

In September 2000, the Government released a discussion paper *"Improving Ontario's Financial Services Regulation: Establishing a Single Financial Services Regulator"* and announced public consultations with David Young, Parliamentary Assistant to the Minister of Finance. The discussion paper provided a background of the existing regulatory structure and context for the merger, a vision for the new regulator and outlined the key legislative components of the proposed legislation. The paper served as the basis for consultations with stakeholders which took place in October 2000.

Staff from the Commission, FSCO and the Ministry of Finance have developed for consultation the draft framework legislation to govern the proposed merger of the OSC and FSCO and the necessary consequential amendments to the underlying legislation resulting from the framework legislation. The consultation draft outlines the corporate governance model of the new entity, the enforcement powers of the entity, the ability to collect fees and assessments and the proposed parameters of rule-making authority.

CSA Legislation Co-Ordination Committee

The CSA established a staff committee with a mandate to identify areas where legislative harmonization across Canada is desirable. In November 2000, the committee submitted a report to the CSA Chairs which identified a number of recommendations for legislative convergence. Commission staff have submitted a number of proposed amendments to the Ministry of Finance for inclusion in a proposed red tape legislative package. The CSA Chairs will consider the balance of the recommendations as part of their strategic planning process.

Significant progress was achieved towards completing the reformulation of major OSC rules and policies. The following rules were completed during the past year:

- 61-501: Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions
- 31-502: Proficiency Requirements for Registrants
- 35-502: Non-Resident Advisers

44-101: Prompt Offering Qualification System
44-102: Shelf Distributions
44-103: Post Receipt Pricing
51-501: Annual Information Form and Management's Discussion and Analysis
54-501: Prospectus Disclosure in Certain Information Circulars
43-101: Standards of Disclosure for Mineral Exploration and Development and Mining Properties

OSC Rule 41-501 General Prospectus Requirements and National Instrument 41-101 Prospectus Disclosure Requirements came into force on December 31, 2000. The Commission's adoption of Rule 41-501 and related instruments was the culmination of a huge effort which took place over a five year period to achieve greater harmonization with regard to prospectus provisions and practices across the country.

The Commission's General Counsel is involved as an appointee on the Five Year Legislative Review advisory committee established by the Minister. The Committee published for comment in April 2000 a comprehensive issues list to stimulate public input. OSC staff have been actively involved in preparing background materials and memos on specific issues for the Committee to consider and make recommendations on. The Committee has substantially completed its review of the issues originally published for comment and is well along in formulating recommendations on these issues. The Committee hopes to publish a draft report for comment in the second quarter of 2001. The Committee's report should serve as a blueprint for legislative and regulatory consideration and change pending the next five year review.

In cooperation with an industry advisory group, Commission staff have worked through the issues relating to the provision of financial advice to investors and developed a framework for a new regulatory model. A draft concept proposal has been completed and is expected to be released for comment by June 2001.

As a member of the Joint Forum of Financial Market regulators, the OSC has contributed towards the development of proficiency requirements for financial planners, the development of practice standards for all financial services intermediaries, the harmonization of regulations dealing with individual variable insurance contracts (IVICs) and mutual funds and the preparation of a concept paper dealing with investment disclosure in capital accumulation plans that provide retirement benefits to employees.

Significant development work on streamlining and strengthening registration processes has been completed and the National Registration Database system is expected to be operational by 2002.

The CDNX application for recognition and an exemption order were finalized and published and a memorandum of understanding governing oversight of the CDNX was completed with the Alberta and British Columbia Securities Commissions. Work towards recognition of the ME was substantially completed.

2. *Strengthen the Compliance - Enforcement Continuum*

A coordinated CSA oversight plan for the IDA was developed for implementation in 2001/2002. Compliance examinations and inspections of dealers and advisors, including one national compliance review, were completed as planned. Examinations of the IDA and CIPF were completed and the TSE review will be completed early in 2001/2002.

The Market Integrity Computer Analysis system (MICA) was completed and delivered to the CSA members in June 2000. An agreement to form a RCMP/OSC Securities Fraud Task Force was signed on August 31, 2000.

3. *Strengthen Secondary Market Regulation and Enhance the Quality of Continuous Disclosure by Reporting Issuers*

A comprehensive program for review of continuous disclosure documents provided by reporting issuers was implemented July 1, 2000. The program is on track to complete the targeted number of reviews.

A targeted review of revenue recognition practices commenced in August and a preliminary report was completed.

A CSA Report, a Responses to Comments document and revised draft legislation related to statutory civil liability for continuous disclosure were published for information purposes in November 2000. The draft legislative package was delivered to the Ministry of Finance for consideration. At this time, the Government has made no decision to proceed with the amendments.

Consultations were completed on a proposed Alternative Trading Systems (ATS) rule. An RFP for the ATS Consolidator was completed.

Implementation of the SEDI insider trade reporting system has been delayed until Fall 2001 as its development has required more extensive CSA involvement than expected.

4. *Enhance Investor Protection Through Education*

The OSC stepped up its investor education programs in 2000/01 by expanding the number of initiatives outside the Annual Investor Education Week, and by partnering with community agencies such as the Canadian Association of Retired Persons to deliver community-based seminars.

The OSC established the Investor Education Fund to develop research, programs and partnerships which promote investor education. The articles of incorporation for the fund were filed in June, 2000. The By-Laws establishing the structure and governance requirements for the Investor Education Fund were finalized in September 2000. The Investor Education Fund is funded by enforcement settlements and governed by an independent Board of Directors, which is responsible for developing criteria to determine how funds will be dispersed.

5. *Implement Fee Reduction Strategy*

A further 10% across-the-board reduction in OSC fees was implemented in June 2000. Extensive consultations on proposed fee approaches were completed with stakeholders. A draft concept proposal has been completed and released for comment.

6. *Foster Development of an Improved Mutual Fund Governance Framework*

The MFDA was recognized as a self-regulatory organization for mutual fund dealers on February 6, 2001 and Rule 31-506: SRO Membership - Mutual Fund Dealers came into force on April 23, 2001.

Rules to permit mutual funds to lend their securities and to use repurchase agreements and to permit index mutual funds to track their specified index without investment limits were approved by the Commission.

A report to the CSA on alternatives for a mutual fund governance regime (prepared by Stephen Erlichman) was released in July 2000 and work was commenced by staff on a CSA proposal for a new mutual fund regulatory regime that is to include an independent governance mechanism and additional regulation and registration of fund managers.

All simplified prospectus and annual information forms filed by mutual funds under NI 81-101 were reviewed to ensure compliance with the Form requirements and the goals of the CSA in requiring a new mutual fund prospectus regime. Work is underway to develop proposed new rules defining the financial information mutual funds give investors on a periodic basis after investment.

A two-year implementation plan was agreed to between insurance regulators and CSA partners to achieve harmonization of the regulation of mutual funds and segregated funds in the 15 areas noted in December 1999. Work is underway in accordance with the implementation plan.

7. *Strengthen the Role of OSC as a Key Member of the International Securities Regulatory Community.*

The role of the OSC in the international community was strengthened significantly through the appointment of the Chair of the OSC as chair of the IOSCO Technical Committee. The OSC, as a participant on IOSCO Working Party 3, has assumed responsibility for completing a study on dealer funding and liquidity risk. The OSC also played a key role in the adoption by IOSCO of international accounting standards which will facilitate cross border capital raising activities by issuers.

The OSC continues to represent IOSCO on the Financial Stability Forum. The Forum brings together leading national authorities responsible for financial stability in significant international financial centres, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of

central bank experts. The Forum seeks to co-ordinate the efforts of these various bodies in order to promote international financial stability, to improve the functioning of markets, and to reduce systemic risk.

The OSC led a task force which released a discussion paper examining the regulatory issues raised by stock exchange demutualization and outlining the responses to these issues which have been adopted by various securities regulators.

8. *Continue to Develop and Implement Accountability Mechanisms*

More resources were devoted to the OSC's Contact Centre and to increasing the flow of timely information about OSC initiatives to the news media. The annual *Dialogue with the OSC* conference in Toronto was expanded via satellite to include market participants in Ottawa and London. A benchmark survey of the stakeholder community was conducted to assess their views of the OSC's performance.

9. *Foster the Continued Development of the OSC as an Employer of Choice*

The Commission undertook a comprehensive market salary review to ensure that its compensation package remained competitive. A survey of all employees was conducted to enable the Commission to identify areas on which to focus its ongoing organizational development work. Recruitment efforts also continued with staff increasing by 12% over the fiscal year.