



**Canadian Securities  
Administrators**

**Autorités canadiennes  
en valeurs mobilières**

# **CSA BUSINESS PLAN | 2016-2019**

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## Introduction

This document represents the collective effort by the Canadian Securities Administrators (CSA) to set out, in a clear and comprehensive manner, the priorities that they have collectively committed to pursue over the next three years. This document has been approved by the Chairs of each CSA Member on June 30, 2016.

## About the CSA

The CSA is the umbrella organization of Canada's provincial and territorial securities regulators whose objective is to improve, coordinate and harmonize regulation of the Canadian capital markets, to ensure the smooth operation of Canada's securities industry and to ensure close collaboration in the delivery of regulatory programs and securities law enforcement.

### *Mission*

The CSA remains committed to its mission to give Canada a harmonized securities regulatory system that (i) provides protection to investors from unfair, improper or fraudulent practices, (ii) fosters fair and efficient capital markets, and (iii) reduces risks to market integrity and to investor confidence in the markets, while retaining the regional flexibility and innovation that characterize our system of provincial and territorial regulation.

### *Structure*

The CSA functions through a Secretariat, an IT Systems Office, standing and project committees and national filing systems. Collectively, CSA Members undertake the development of harmonized regulation and rules, and coordinate under passport and other interface policies (i) the approval of prospectuses and decisions regarding discretionary exemptions and (ii) applications for registration, designation and recognition as well as reviews of market participants. The Secretariat ensures the coordination of the regulatory work CSA Members undertake jointly and the IT Systems Office manages the day-to-day operations, maintenance and enhancement of the CSA's National Systems.

The current Chair is Mr. Louis Morisset, Chair and CEO of the Autorité des marchés financiers and the Vice-Chair is Mr. Don Murray, Chair and CEO of the Manitoba Securities Commission.

Oversight and coordination of policy initiatives are the responsibility of the Policy Coordination Committee (PCC), a committee that facilitates decision-making among CSA members. PCC membership consists of the 8 principal regulators.<sup>1</sup> The current Chair of the PCC is Ms. Maureen Jensen, Chair and CEO of the Ontario Securities Commission.

Policy development and delivery of regulatory programs are handled by CSA Committees, either standing or project-related.

The CSA Standing Committees are the following:

- Chief Accountants
- Communications
- Corporate Finance
- Compliance
- Clearing Agency, Trade Repository and Matching Service Utility Oversight
- Data Governance
- Enforcement
- Executive Directors
- Exemptive Relief Applications
- Information Technology
- Investor Education
- Investment Funds
- Legislative and Regulatory Coordination
- Market Structure and Exchange Oversight
- SRO Oversight
- Registrant Regulation
- Systemic Risk
- Take-Over Bids

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<sup>1</sup> British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick and Nova Scotia are members of the PCC.

The CSA Secretariat is responsible for coordinating, monitoring and reporting on all CSA projects and policy initiatives as well as administering CSA activities, including strategic planning and budgeting for the CSA. It also provides project management support to strategic CSA initiatives.

The CSA IT Systems Office is responsible for the management of the CSA's national filing and registration systems (the System for Electronic Document Analysis and Retrieval (SEDAR), the System for Electronic Disclosure by Insiders (SEDI), the National Registration Database (NRD) and the Cease Trade Order (CTO) Database), which are widely used across all CSA jurisdictions.

The CSA is currently undertaking a significant project to redevelop its national filing systems. This project is being funded from the surplus generated from fees collected from market participants' use of the national systems. Significant resources across the CSA will be devoted to this initiative throughout the life of the project.

## **CSA Priorities for 2016-2019**

The CSA priorities over the next three-year period intend to reflect the CSA members' commitment toward the continued protection of investors from unfair, improper and fraudulent practices, the ongoing efficient functioning of capital markets, and the reduction of risks to market integrity and to investor confidence in the markets, through responsive regulation and regulatory harmonization, nationally, and internationally where appropriate.

The objectives set in this plan will be delivered in the context of rapidly evolving technology bringing both threats and new opportunities, expanding market channels and product offerings and of changing demographics at both ends of the spectrum, with a growing number of millennials becoming active investors, and an aging population.

Efforts will also be spent to ensure that regulatory reforms implemented over recent years are achieving their objectives. To this end, CSA members will look to identify opportunities to reduce undue regulatory burden and to streamline regulatory requirements without reducing investor protection or impeding the efficient functioning of capital markets.

The key CSA priorities for the period 2016-2019 are presented below:

## 1. Enhanced Investor Protection

The CSA remains strongly committed to protecting investors from fraudulent, manipulative and misleading practices. CSA members do this by ensuring that investors can rely on rules and regulations that provide them with clear and relevant information to make informed decisions, that only properly authorized persons provide investment services to the public, that their obligations toward their clients are well understood and aligned with their clients' interests, and that market intermediaries are properly supervised. Another important part of this mission consists of educating investors about the risks and responsibilities of investing.

In pursuance of its investor protection mandate, the CSA is committed, over the next three-year period, to the following priorities:

CSA Priorities	Plan
<b>1.1 Enhance Disclosure to Investors</b>	<p>Complete rulemaking and implement requirement for point of sale disclosure and delivery regime for exchange-traded funds (ETFs)</p> <p>Finalize and implement the CSA risk classification methodology for use in the Fund Facts document and the proposed ETF Facts document to identify the fund's risk level</p> <p>Assess the need for additional disclosure requirements from audit committees about auditor oversight and appointment and key areas of focus</p>
<b>1.2 Consider whether regulatory action is needed to address conflicts from embedded commissions</b>	<p>Complete stakeholder consultations to determine whether embedded commissions in investment funds should be addressed to better align the interests of investment fund managers and dealers/representatives with those of the investors they serve, and implement a regulatory proposal as appropriate</p>
<b>1.3 Enhance Advisor-Client Relationship</b>	<p>Complete public consultations to determine the extent of targeted reforms required to enhance current regulatory requirements in this area, and for some CSA members, decide whether to proceed with the development and introduction of a best interest standard for advisors</p> <p>Implement regulatory reforms as appropriate</p>
<b>1.4 Measure impact of CRM2 and POS Reforms</b>	<p>Conduct post-implementation analysis of the impact of the Client Relationship Model – Phase 2 and Point of Sale (POS) amendments on investors and industry</p>
<b>1.5 Improve Canadian Proxy Voting Infrastructure</b>	<p>Finalize and publish industry protocols clarifying the roles and responsibilities of key entities and providing guidance on the kinds of operational processes that they should implement to support accurate, reliable and accountable meeting vote reconciliation</p> <p>Monitor the implementation of improvements and measure their impact on the accuracy, reliability and accountability of meeting vote reconciliation to determine whether additional rules and policy guidance are required</p>
<b>1.6 Educate Investors</b>	<p>Develop retail investor communication programs to optimize implementation of key CSA policy initiatives, including CRM2 and the new annual reports on costs and performance statements</p> <p>Pursue programs encouraging investors to confirm their advisor's registration and promoting the use of the CSA National Registration Search engine</p>

## 2. Fair and Efficient Markets and Reduction of Risks to Market Integrity

Through regulatory initiatives that are aimed at detecting, deterring and penalizing market manipulation and unfair trading practices, CSA Members strive to ensure that investors have a fair and efficient access to capital market facilities and market or price information. These initiatives also have as an objective the reduction of risks to market integrity and to investor confidence in the markets. Key CSA initiatives under this section for the next three years have been developed bearing in mind recent changes implemented under the previous CSA Business Plan through the expansion of capital raising tools for issuers and other market regulation changes. They also consider, more generally, the fast-paced evolution of technology and the increased frequency of cyber-attacks internationally. They are as follows:

CSA Priorities	Plan
<b>2.1 Closely Monitor Prospectus Exempt Markets</b>	<p>Engage in risk-based supervision of issuers and registrants using the new and modified capital-raising exemptions</p> <p>Evaluate emerging trends and levels of compliance</p> <p>Study the current resale regime for prospectus-exempt securities under National Instrument 45-102 <i>Resale of Securities</i> to determine whether the resale provisions continue to be relevant in today's markets and to assess the impact of alternative regulatory approaches</p>
<b>2.2 Improve Access, Transparency and Fairness in Fixed Income Market</b>	<p>Implement public transparency of corporate fixed income trading data, with IROC acting as the information processor for corporate debt</p> <p>Monitor fixed income data to consider the impact of transparency and timeliness of information</p> <p>Consider transparency requirement for government debt data</p> <p>Conduct a review of dealers' allocation practices for new debt issues</p>
<b>2.3 Finalize and Implement OTC Derivatives Framework</b>	<p>Pursue the development and implementation of its rules for an OTC Derivatives regulatory framework. In particular, it plans to:</p> <ul style="list-style-type: none"> <li>▪ develop and implement rules for the mandatory clearing of OTC derivatives</li> <li>▪ develop and implement a registrant regulation framework for derivatives market participants</li> <li>▪ develop and implement rules for customer clearing and protection of collateral for derivatives market participants</li> <li>▪ consult on margin and collateral requirements for non-centrally cleared derivatives</li> <li>▪ develop and implement rules for derivatives trading facilities</li> <li>▪ implement rules for OTC derivatives trade reporting</li> <li>▪ implement rule/policy framework for clearing agencies to incorporate CPMI/IOSCO revised standards</li> </ul>
<b>2.4 Monitor Recent Market Structure Changes</b>	<p>Conduct a review of market share thresholds for protected markets</p> <p>Complete and implement amendments necessary to shorten the settlement cycle (T+2) and mitigate settlement risk</p>
<b>2.5 Review Aspects of Corporate Governance Regime</b>	<p>Conduct a targeted review of certain aspects of the corporate governance regime, including the independence of board and committee members, to assess whether they remain appropriate in today's environment</p>

<p><b>2.6 Review Regulatory Burden for Reporting Issuers</b></p>	<p>Review requirements applicable to reporting issuers, including continuous disclosure, to identify areas that would benefit from a reduction of any undue regulatory burden and seek to streamline these requirements without reducing investor protection or the efficiency of markets</p>
<p><b>2.7 Enhance Cybersecurity</b></p>	<p>Improve collaboration and communication on cybersecurity issues with market participants, including reporting issuers, registrants and other regulated entities</p> <p>Assess the level of market participant cybersecurity resilience, including measures for protection of personal investor data</p> <p>Improve market participants' understanding of CSA members' cybersecurity oversight activities, including providing guidance on expectations for market participants' cybersecurity preparedness</p>
<p><b>2.8 Monitor and Assess Implications of Fintech Innovations</b></p>	<p>Gain a better understanding of how certain disruptive technology innovations, including blockchain, robo advising, online crowdfunding portals and peer-to-peer lending are impacting capital markets, and assess the scope and nature of regulatory implications that may be required</p>

### 3. Enhancement of Enforcement Effectiveness

In enforcing Canada’s securities laws, CSA members seek not only to sanction those who damage the integrity of our markets or cause harm to investors, they seek to deter financial misconduct. Credible deterrence involves several key elements: a strong legal framework with clear repercussions for misconduct; sophisticated mechanisms for detecting and investigating that misconduct; and decisive action and sanctioning against those who violate our securities laws. The CSA’s enforcement efforts will continue to focus on all of these areas.

As the world and financial markets evolve, securities laws and their enforcement must keep up. CSA members need to stay on top of emerging trends in financial misconduct and improve our enforcement process accordingly. Impressive progress was made in recent years, which resulted in increased collaboration, information sharing and innovation among CSA members. Over the next three years, securities regulators, working together under the CSA umbrella, will focus on the following areas:

CSA Priorities	Plan
<b>3.1 Improve Market Analytics Capacity</b>	Develop and implement new marketplace surveillance and analytical system to replace MICA
<b>3.2 Strengthen Enforcement Technology Capabilities and Strategies</b>	Identify and address internal and external Enforcement related technology challenges and opportunities that we can most effectively meet together
<b>3.3 Identify and Respond to Emerging Issues and Trends</b>	Coordinate expertise to develop a timely response to minimize threats to capital markets and investors.  Enhance regulators’ capacity to address issues such as (i) legal privilege, by developing a collective strategy and (ii) binary options, including coordinated action, education, creation of a task force and increased public awareness

### 4. Enhancement of Information Technology

Through various service providers, CSA members operate a number of information technology systems, including SEDAR, SEDI, National CTO Database, NRD, National Registration Search (NRS) and Disciplined List (DL), which serve securities regulatory purposes and functions. CSA members have now initiated a wide scale project to replace these national systems with a single, intuitive and secure filing system for regulators and market participants. The project is expected to be delivered in phases over the next three years. The success of this project will be dependent on the active contribution of a significant number of CSA resources across provinces and territories and the preparedness of CSA members individually.

CSA Priorities	Plan
<b>4.1 Replace CSA National Filing Systems</b>	Develop and build a new national filing system to replace the core CSA national systems (SEDAR, SEDI, NRD, NRS, CTO, DL), including a national exempt distribution reporting system

## **Other CSA Projects and Initiatives**

While the CSA will give priority to the above initiatives, it remains strongly committed to other regulatory projects and ongoing initiatives dealing with the improvement of its internal processes and the maintenance of an efficient and seamless interface/relationship between all Canadian securities regulators.

The CSA must also be ready to address new issues and challenges presented by evolving capital market conditions.