



# CSA YEAR IN REVIEW

**JULY 1, 2022 - JUNE 30, 2023**



## ABOUT THE CSA

The Canadian Securities Administrators (CSA) is the council of Canada's provincial and territorial securities regulators. Its objective is to improve, coordinate and harmonize regulation of the Canadian capital markets to ensure the smooth operation of Canada's securities industry and protect investors. By collaborating on rules, regulations and other programs, the CSA helps harmonize securities regulation in Canada, avoids duplication of work and streamlines the regulatory process for companies seeking to raise investment capital.



## OUR MISSION

The CSA is committed to a harmonized securities regulatory system in Canada that:



provides protection to investors from unfair, improper or fraudulent practices;



fosters fair and efficient capital markets; and



reduces risks to market integrity and maintains investor confidence in the markets, while retaining the regional flexibility and innovation that are integral to our system of provincial and territorial regulation.



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## EVOLVING REGULATION IN A CONNECTED WORLD

The CSA is focused on facilitating the efficient operation of the Canadian capital markets, accomplished, in part, by addressing critical market issues and maintaining investor confidence.

The pan-national CSA structure was formalized 20 years ago in September 2003. Over time, Canadian capital markets responded to economic cycles and uncertainty, international political tensions, technological innovation, environmental, social and governance (ESG) considerations, and more. Recent years also saw changing investor priorities and behaviours, leading to a rise in online and do-it-yourself investing. As the capital markets evolve, the role of the CSA to evolve securities regulation in our connected world has only become more critical.

While the landscape looks different than it did 20 years ago, the commitment of CSA members to maintain fair and efficient markets and improve, coordinate, and harmonize regulation across Canada never changed.

Our first consolidated *Year in Review* highlights our work from July 1, 2022, to June 30, 2023. In this time, we have made significant progress towards fulfilling our mandate and achieving the strategic goals outlined in our 2022-2025 Business Plan.

Our headway this past year highlights our focused plan, the collaboration, and the candour of CSA members around the table. We live in a large country with diverse experience, knowledge, and views.

The securities' regulatory structure established by the CSA allows us to consider all Canadian perspectives and achieve harmonized regulation across the country to serve the interests of our capital markets. We work together to effectively navigate uncertainty and manage challenging files, all while continuing to evolve and enforce regulation and provide crucial investor education and protection.

### **Strengthening the capital markets regulatory system**

This past year, the CSA delivered on its promise to implement a new Self-Regulatory Organization (SRO), the Canadian Investment Regulatory Organization (CIRO), and the new Canadian Investor Protection Fund (CIPF). The creation of CIRO and CIPF is a positive step for industry and provides pan-Canadian regulatory continuity to protect investors, accommodate innovation, and facilitate fair and efficient market operations as the investment industry evolves.

The CSA launched the first phase of SEDAR+ (System for Electronic Document Analysis and Retrieval +) in July 2023. This new, secure web-based platform is used by all market participants to file, disclose, and search for information about Canada's capital markets. SEDAR+ is a significant undertaking by the CSA and members across the country to modernize the electronic filing and data access systems that underpin Canadian securities regulation. SEDAR+ will undergo regular updates that will continue to enhance both the filer and investor experience.

The CSA also established a new Taskforce on Indigenous Peoples in the Capital Markets this past year. I believe our capital markets benefit from a variety of perspectives and we are fostering greater engagement with Indigenous Peoples. The Taskforce

facilitated training by Indigenous consultants for CSA Secretariat and member employees across the country and is working with Indigenous experts to establish an effective strategy to guide how we engage with Indigenous Peoples and organizations and consider their perspectives in our work.

### **Optimizing investors' ability to contribute to policymaking and improve investor protection**

The CSA is more effective in meeting retail investors' needs if it hears what investors and their advocates have to say. Recognizing this, we established the Investor Advisory Panel (IAP) in 2022 to bring valuable investor insights to our decision-making process. The inaugural IAP members come from diverse backgrounds and will be key to bringing the investor perspective to the table.

We also believe it is important that investors have access to the information they need. In collaboration with the Canadian Council of Insurance Regulators (CCIR), we were pleased to publish enhanced total cost reporting (TCR) requirements, an important initiative to improve investor protection. These new requirements will help investors understand the costs they pay to invest and the value they receive in return.

### **Addressing market issues and trends**

ESG considerations are top-of-mind for investors who are seeking enhanced disclosure to aid in their investment decisions, especially around climate change and diversity. The CSA is working towards the adoption of climate-related disclosure rules for Canada that are consistent and comparable with international climate-related disclosure standards published by the International Sustainability Standards Board (ISSB) in June 2023, which also consider Canadian issuers' needs and capabilities.

We continue to consult on recommendations to broaden diversity disclosure beyond the reporting of women on boards and in executive officer positions. In April 2023, the CSA published a proposal for consideration, and we are actively consulting and seeking stakeholder feedback on the most appropriate approach for Canada. It's important that we consider all views, as well as developments in the market, while we work to build upon our current disclosure requirements.

With an increasing number of Canadians investing in crypto assets, the CSA worked collaboratively and efficiently to monitor and strengthen our oversight of crypto trading platforms (CTPs). This past year, we clarified and expanded existing requirements for platforms operating, or intending to operate, in Canada. We encourage all investors to exercise caution and consider seeking advice from a registered investment advisor before investing in these inherently high-risk assets.

Enforcement is a core CSA responsibility. CSA members continued to detect, disrupt and deter wrongdoing and hold securities law violators accountable. In this *Year in Review*, you will learn more about our emphasis on disruption tactics, our collaborative efforts, and our use of technology to progress priority enforcement areas.

### **Building on the CSA mission for the next 20 years**

As we look to the next two decades, the CSA is driven to build on our progress by evolving regulation to meet the needs of investors and capital market participants in our connected world. Our 2022-2025 Business Plan provides a forward-looking framework that re-affirms CSA members' commitment to develop responsive and harmonized regulation that is built on

the best ideas and input from across the country.

The strength of the CSA lies in the hard-working and determined staff from the CSA Secretariat and the Information Technology Systems Office, and our CSA member jurisdictions, who work tirelessly to fulfill our mandate and strengthen market integrity every day.

On behalf of all CSA member chief executives, I would also like to acknowledge the immense contribution of Louis Morisset, who stepped down as President and Chief Executive Officer (CEO) of the Autorité des marchés financiers (AMF) on July 5, 2023. Louis played an important role in the evolution of the CSA while he was with the AMF, and most especially while he was Chair of the CSA for seven years. He is a true leader in fostering collaboration and teamwork, and we will miss his leadership at the CSA table. I wish him all the best in his new adventures.

I look forward to working collaboratively with my colleagues at the CSA Secretariat, CSA members across the country, other regulators, agencies and partners in the coming year to advance our mission and ensure that our capital markets are modern and continue to thrive, now and in the future.



Stan Magidson  
CSA Chair

## 2022–2023 HIGHLIGHTS

758

investor alerts, cautions, and warnings issued to help protect the public, 422 of which related to crypto.

OVER  
1.2  
MILLION

Canadians reached through our Human Disclaimers investor education campaign.

12

policy development initiatives reviewed by the IAP in its first year.



Created a new, consolidated SRO (CIRRO) to drive efficiencies and benefits for Canadians and member firms.



81 individuals and 23 companies banned from participating in the capital markets following enforcement proceedings.

16

crypto-related matters where CSA members took enforcement action to protect the integrity of our capital markets.

12

crypto asset trading platforms signed Pre-Registration Undertakings (PRUs) with CSA members to continue operations while their applications for registration are being reviewed.

33

publications signaling to the public final adoption of rule changes, consultations, blanket orders and guidance on CSA policy developments.

OVER  
100

engagements with stakeholder groups and market participants relating to ongoing policy initiatives.



Published enhanced total cost reporting (TCR) requirements, an important initiative to improve investor protection.



Launched SEDAR+ to modernize and improve disclosure process.

109

instances where CSA members provided formal assistance to one another in enforcement related matters.



## BUSINESS PLAN PROGRESS

On June 27, 2022, the CSA published its 2022-2025 Business Plan, which outlined the CSA's priorities for the three-year period.

Each year, the CSA provides an update on progress that has been made under the current Business Plan, as well as additional priorities or initiatives that arose

or were undertaken during the year in response to emerging issues and changing market conditions.

The 2022-2023 *Year in Review* that follows contains the CSA's achievements for the period of July 1, 2022, to June 30, 2023.

### THE SIX STRATEGIC GOALS SET OUT IN THE 2022-2025 BUSINESS PLAN ARE:

#### 1 STRENGTHEN

the capital markets regulatory system by implementing a single SRO, pursuing collaboration with federal agencies, modernizing the CSA IT National Systems, incorporating Indigenous issues and perspectives in CSA policy work to support more efficient and effective regulation.

#### 2 OPTIMIZE

investors' ability to contribute to policymaking and expand investor education outreach.

#### 3 IMPROVE

investor protection by enhancing investors' ability to obtain redress and strengthening the advisor-client relationship.

#### 4 ADDRESS

emerging issues and trends, including environmental, social and governance (ESG) issues, and emerging technologies and business models.

#### 5 DELIVER

smart and responsive regulation protecting investors while reducing regulatory burden.

#### 6 PROMOTE

the integrity and financial stability of the Canadian capital markets through effective market oversight.



## STRATEGIC GOAL 1 STRENGTHEN THE CAPITAL MARKETS REGULATORY SYSTEM



### Summary:

The capital markets are evolving and becoming increasingly complex. The CSA seeks to improve the Canadian regulatory system by modernizing the self-regulatory framework, enhancing collaboration with federal agencies to monitor and mitigate systemic risk, incorporating Indigenous Peoples' perspectives in our policy work and modernizing the electronic filing and data access systems that underpin Canadian securities regulation.

### Single SRO:

The CSA worked diligently with the Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Fund Dealers Association of Canada (MFDA) to oversee and guide the amalgamation of these two SROs into a single SRO, and the merger of the MFDA Investor Protection Fund and former CIPF into a single investor protection fund. On November 24, 2022, the CSA published CSA Staff Notice of Approval 25-307 *Recognition of New Self-Regulatory Organization of*

*Canada and CSA Staff Notice of Approval 25-308 Approval and Acceptance of Canadian Investor Protection Fund*, effective January 1, 2023. The CSA also introduced changes to the National Registration Database (NRD), ensuring that dual registered firms under the single SRO can register with one NRD number. The new SRO, named CIRO, and the new CIPF officially launched on January 3, 2023. CIRO oversees all investment dealers, mutual fund dealers and trading activity on Canada's debt and equity marketplaces and is committed to the protection of investors, providing efficient and consistent regulation, and building Canadians' trust in financial regulation and the people managing their investments. CIPF is the compensation fund that provides protection within prescribed limits to eligible clients of member firms suffering losses in the event that a client's property comprising securities, cash, and other property is unavailable as a result of the insolvency of the member firm.

### **Collaboration with federal agencies:**

The CSA continues to collaborate and share information with the [Systemic Risk Surveillance Committee \(SRSC\)](#), comprised of various provincial and federal level governmental agencies, and chaired by the Bank of Canada. The SRSC reports to the [Heads of Regulatory Agencies \(HoA\)](#) on the monitoring of risk and assessment of vulnerabilities to the Canadian financial system.

In the spring of 2022, HoA members signed a Memorandum of Understanding for the protection of confidential information shared among its members, namely some securities, banking and financial regulators. The CSA also collaborates with the SRSC on the assessment of investment fund liquidity risks. The CSA monitors different systemic risk factors through the comprehensive systemic risk assessment, a top-down

process that is intended to identify key vulnerabilities for all major Canadian capital market categories. Based on this assessment and other monitoring activities, the CSA prepares an annual [Systemic Risk Status Report](#), which is shared with the SRSC and HoA.

Last year's Systemic Risk Status Report highlighted the main vulnerabilities identified by the CSA comprehensive systemic risk assessment, including vulnerabilities in the areas of benchmarks, clearing agencies, corporate bonds, emerging technologies, exchange-traded funds (ETFs), exempt funds, mutual funds, investment dealers, marketplaces, over-the-counter (OTC) derivatives, and private-label securitization.

The CSA has also introduced several enhancements to the systemic risk monitoring process, including the



annual Systemic Risk Survey to solicit views of market participants on financial risks. Our first annual Systemic Risk Survey solicited views on financial risks from market participants, including more than 600 Canadian portfolio managers and investment dealers.

The CSA also researched and assessed issues with – and impediments to – information sharing and communication to securities regulators by financial institutions. The CSA proposed actions and deliverables to form the basis for a dialogue, including enhanced collaboration with financial institutions, the Canadian Bankers Association (CBA), the Office of the Superintendent of Financial Institutions (OSFI), the [Financial Transactions and Reports Analysis Centre \(FINTRAC\)](#), and the Department of Finance Canada. In addition, the CSA has also increased its engagement with the Royal Canadian Mounted Police (RCMP), specifically the Integrated Market Enforcement Teams (IMET), through high-level meetings, information- and intelligence-sharing, joint training opportunities focused on investigation, market manipulation, fraud, money laundering and crypto enforcement activities.

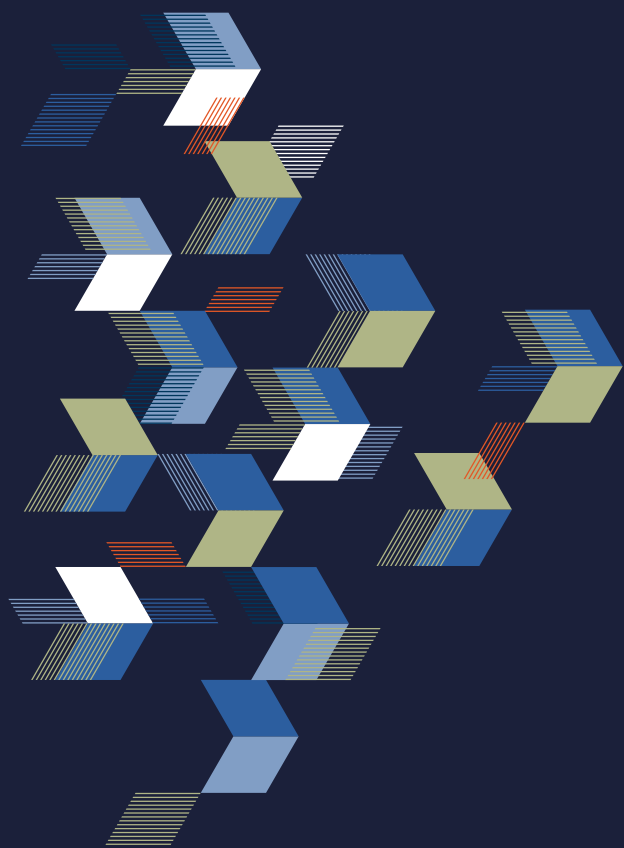
### **Modernizing the CSA IT National Systems:**

The CSA is modernizing the electronic filing and data access systems that underpin Canadian securities regulation. SEDAR+ is the new, secure web-based platform that will be used by all market participants to file, disclose and search for information in Canada's capital markets. The CSA launched SEDAR+ on July 25, 2023, beginning with the first of three phases. Phase 1 of SEDAR+ brought the following legacy systems under one digital roof: SEDAR, CTO (Cease-Trade Order Database), DL (Disciplined List), exempt market systems from British Columbia and Ontario, reporting issuer lists, and filings currently made in paper format or in local electronic filing systems. In advance of the launch, the CSA also

conducted extensive onboarding and training activities for filers, issuers and other stakeholders to prepare market participants for the migration to SEDAR+. Following the launch, the CSA worked to improve certain functionalities and issued updates to address these concerns.

### **Incorporating Indigenous Peoples' issues and perspectives in CSA policy work:**

The CSA created a taskforce in November 2021 to examine the role of securities regulators with respect to Indigenous communities, assess how the CSA could integrate the consideration of Indigenous Peoples and Reconciliation in securities regulation, and provide recommendations on how to engage Indigenous groups to seek their input on capital markets regulation. Since its creation, the Taskforce has organized training and conducted research, analysis and consultations with Indigenous consultants on strategy, communication and engagement, with a view toward creating a communication and engagement plan with Indigenous Peoples.



## **SPOTLIGHT: ESTABLISHING A NEW SRO TO DRIVE EFFICIENCY AND BENEFIT CANADIANS AND MEMBER FIRMS**

When we announced our plan in August 2021 to create a new SRO and to consolidate the two existing investor protection funds (IPFs), we were determined to see our vision quickly become reality.

Three months later, we announced a target date: completing the corporate transactions necessary for amalgamation in a little over a year.

The impetus to move swiftly stemmed from the CSA's public consultation on a self-regulatory framework. That consultation revealed a general consensus among respondents that the investment industry had evolved substantially since the dual-SRO system had been adopted in 1998 and had progressed through the introduction of new models, tools, products, technology and regulations. The dual-SRO system contributed to higher operating costs for registrants

who were regulated by both SROs, which were often passed on to clients. This led to issues with registration categories and barriers to providing investors with a full range of investment products and advice.

Following the consultation, we promptly created a committee of CSA, SRO and IPF staff to help determine the appropriate corporate structure of the new SRO, and to oversee the incorporation of a new governance structure and the integration of the functions of IIROC and the MFDA.

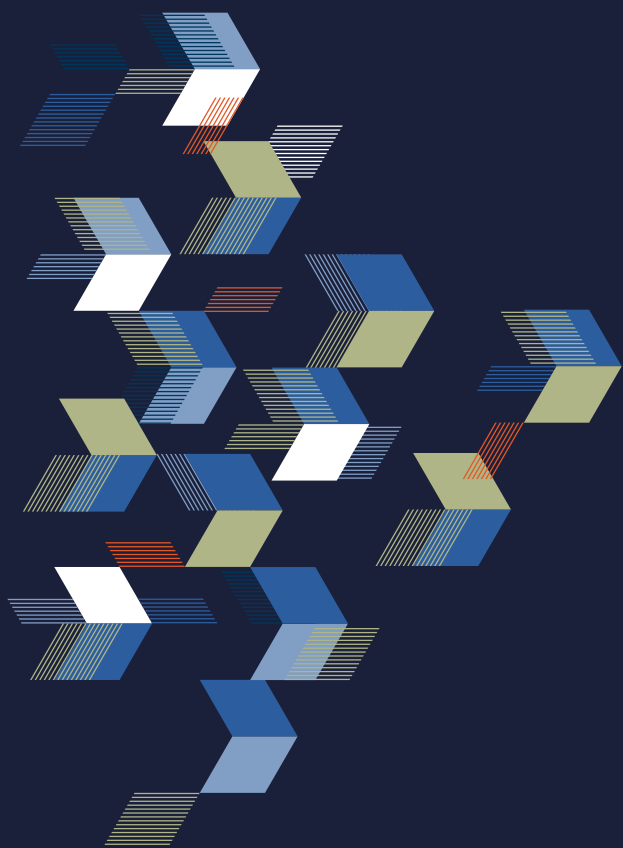




The CSA and SROs kept to the timeline and met each of the following milestones in 12 months:

- Launched a search for board members and a CEO for the new SRO (January 2022);
- Announced proposed board members and published for comment materials necessary for the launch of the new SRO and IPF (May 2022);
- Announced the appointment of a new CEO (June 2022);
- Announced the approval of the amalgamation by members of IIROC and the MFDA through a special resolution (September 2022);
- Published notices that recognized the new SRO and IPF (November 2022); and
- Launched both entities (January 3, 2023).

There is still much work to be done by the CSA, CISO and the CIPF, including consolidating and harmonizing the IIROC and MFDA rulebooks, driving policy work on directed commissions, and improving information-sharing and collaboration between the CSA and CISO. As the consolidated entities mature, they will facilitate easier and more cost-effective access to a broader range of investment products and services for investors. Finally, as a result of enhanced governance structures, CISO's commitment to the public interest will be clarified and reinforced.



## **SPOTLIGHT: LAUNCHING SEDAR+ TO MODERNIZE AND IMPROVE DISCLOSURE PROCESS**

SEDAR+, the new secure digital platform, consolidates a number of legacy systems to help streamline access and use for market participants.

SEDAR+ is designed with the user in mind to simplify the filing process for organizations that file documents frequently. In January 2023, the CSA began the process of preparing filing organizations and other market participants for the changes they would experience with SEDAR+, including implementing a process to ensure market participants had filing access as soon as SEDAR+ was live, creating a dedicated support team, and providing extensive training resources and events.

Now that SEDAR+ is live, we will continuously improve the platform through regularly scheduled updates that will enhance both the filer and investor

experience over time. We are listening to all feedback received as we work to improve the system. Future enhancements will incorporate the System for Electronic Disclosure by Insiders (SEDI), the system to track insider reporting, and the NRD.

Our vision is to have a seamless platform across Canada that re-engineers many of the current processes and reduces the time and cost of regulatory compliance. Such a platform will produce better data for all stakeholders, so that analysts, investors, governments, academics, and others can gain deeper insights into the state of the Canadian capital markets. The first phase of SEDAR+ is a foundational step toward this vision.

## STRATEGIC GOAL 2 OPTIMIZE INVESTORS' ABILITY TO CONTRIBUTE TO POLICYMAKING AND EXPAND INVESTOR EDUCATION OUTREACH



### Summary:

Investors are integral to the Canadian capital markets. The CSA IAP creates a more structured and sustained means to engage with retail investors. This, in turn, enables the CSA to obtain meaningful insight into investor perspectives, which supports our work to formulate rules that enhance investor protection. We continue to deliver targeted education programs in response to emerging trends so retail investors can access unbiased information to make informed financial decisions.

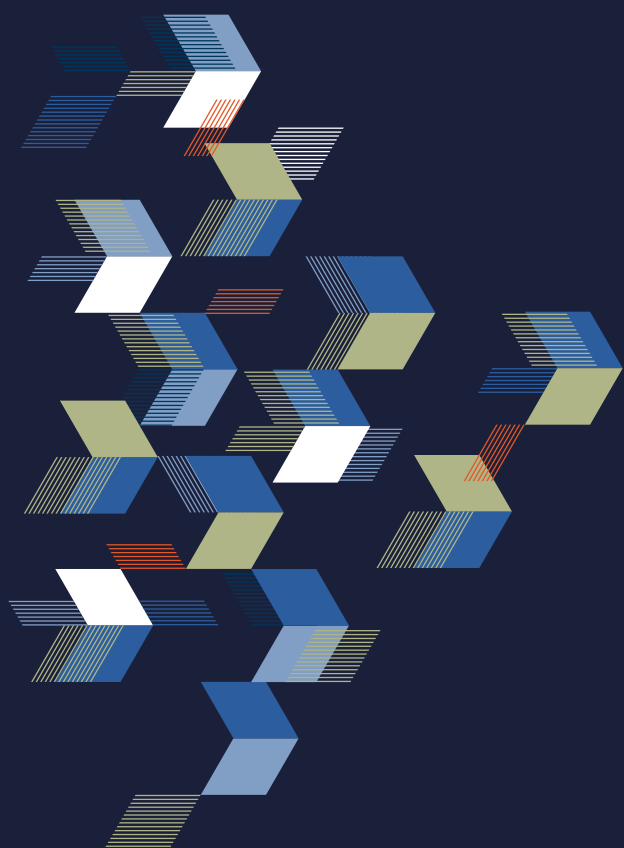
### CSA IAP:

The CSA established the IAP to provide meaningful insight into retail investors' interests and support the CSA's policy development, strengthen Canada's capital markets while enhancing investor protection, and promote coordination of pan-Canadian investor-related issues. The CSA appointed panel members for staggered two- or three-year terms beginning on September 1, 2022. The CSA IAP consists of qualified

individuals with diverse perspectives, broad geographical representation, and expertise providing financial advice to households, conducting market or academic research, or advancing public policy to support the financial well-being of Canadians. The CSA IAP has been collaborating with the CSA on a number of policy initiatives aimed at creating positive regulatory outcomes for retail investors.

### Increasing Canadian investors' awareness of emerging issues and threats:

In 2022-2023, the CSA put out numerous social media campaigns to educate investors of all ages and experience levels on investment risks, elder financial abuse, the pitfalls and risks of investing in cryptocurrency, fraud prevention, and overall financial literacy. CSA members continue to monitor trends affecting Canadian investors' investment habits and adapt their education strategy to the appropriate audiences.



## SPOTLIGHT: CREATING AN IAP TO PROVIDE FURTHER INSIGHT INTO RETAIL INVESTOR CONCERNS

In September 2022, the CSA established the IAP to provide CSA members with meaningful insight into retail investors' concerns and to support the CSA's policy development process.

Born out of a desire to improve regulatory outcomes, as well as enhance and expand retail investor involvement in the financial services market regulation, the IAP formalizes the CSA's commitment to deliver on our investor protection mandate.

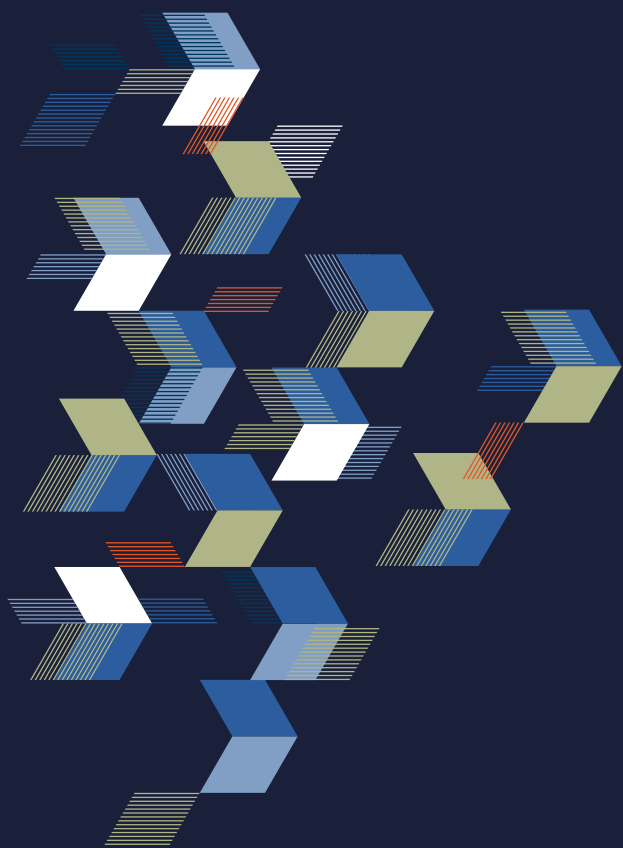
We selected panel members through a rigorous process that ensured broad representation, not only in terms of pan-Canadian participation, but also in terms of key socio-demographic factors, experience, and personal attributes.

Since launching one year ago, the CSA IAP has established a regular cadence for its meetings and

operations, defined its priorities, and reviewed projects under the CSA 2022-2025 Business Plan that would most benefit from an enhanced investor perspective. In addition to efforts to become familiar with CSA policy and regulatory processes, the IAP has already begun interacting with several CSA project committees. While it works to advance its knowledge of the CSA, the IAP's main focus remains safeguarding retail investors' concerns and interests and bringing those perspectives to policy efforts.

The retail investor perspective is key to our work. The feedback provided by the IAP is instrumental to our long-standing commitment to protecting retail investors.





## SPOTLIGHT: DELIVERING IMPACTFUL CAMPAIGNS TO INFORM, EDUCATE AND PROTECT INVESTORS

Providing trustworthy and objective sources of information to support sound investment decision-making is critical.

The CSA is committed to providing resources that Canadians need to make informed investment decisions and protect their financial well-being.

As part of the CSA's investor protection mandate, the CSA Investor Education Committee (IEC) looked for opportunities to provide Canadians with unbiased information on securities and investing so they could make informed decisions to achieve their financial goals, become more aware of investment issues and threats, and recognize, reject and report fraud and market misconduct.

This year, the IEC continued to educate Canadians about CSA policies and regulations to enhance

investor protection. In January, we launched the second year of a national, bilingual social campaign, "Did You Know?" to educate Canadians about the benefits of appointing a Trusted Contact Person (TCP), a CSA initiative designed to help protect older and vulnerable Canadians from financial exploitation. The campaign delivered more than 6.15 million impressions and generated close to 20,000 click-throughs to the CSA website.

For World Elder Abuse Awareness Day in June 2023, the IEC relaunched its "Did You Know?" campaign targeted to Canadians over 65 as well as their caregivers. The goal was to raise awareness that older Canadians are frequent targets of financial scams and abuse, and to encourage them to appoint a TCP to help safeguard financial assets.



Imagery above features content from the Human Disclaimers campaign for Fraud Prevention Month.

This second iteration of the campaign caught the eye of close to 900,000 Canadians and generated more than 20,000 clicks to the CSA website.

We also monitored emerging trends and threats to investors and provided ongoing content through news releases, paid social campaigns, organic posts on CSA social channels and posting to the CSA website.

To shed light on the proliferation of inaccurate, misleading or fraudulent financial advice on social media, we launched our Human Disclaimers campaign

for Fraud Prevention Month in March 2023. The engaging video series featured people acting as “human disclaimers” questioning common “get rich quick” social posts and encouraging Canadians to check their information source, do their own research, and other important steps to take before investing. The campaign reached more than 1.2 million Canadians, delivered more than 4.48 million impressions, and drove 145,000 link clicks to the CSA website, the highest number of clicks for any CSA campaign to date.

## STRATEGIC GOAL 3 IMPROVE INVESTOR PROTECTION BY ENHANCING INVESTORS' ABILITY TO OBTAIN REDRESS AND STRENGTHENING THE ADVISOR-CLIENT RELATIONSHIP



### Summary:

Investor protection drives Canadians' confidence in our capital markets. The CSA strives to improve investors' access to seek redress in cases where registrants' actions cause harm. To foster a relationship of trust between investors and advisors, we are focused on enhancing the proficiency of registrants, ensuring titles are not used in a misleading manner, and expanding the information and transparency that investors receive on costs.

### Ombudsman for Banking Services and Investments (OBSI):

The CSA is committed to improving investor access to redress by supporting and strengthening OBSI as an independent dispute resolution service. The CSA is developing a proposal for comment, which contemplates providing OBSI with the authority to make awards that are binding on firms, and balancing

investors' need for an accessible procedure with the need for fairness, proportionality and efficiency for all parties.

### Review of titles used by registrants:

The CSA has been conducting research and is consulting with stakeholders regarding the client-facing titles used by registered individuals in order to understand the current state of title usage in Canada, determine outstanding investor protection concerns in the use of titles, and formulate recommendations on next steps to better align the use of client-facing registrant titles with the services and products investors are expected to receive. This project is related to the CSA's Client Focused Reforms (CFRs), which introduced a general prohibition against misleading titles that came into effect in December 2021.

**Fee transparency and TCP:**

On April 20, 2023, the CSA, in cooperation with the CCIR, published final amendments to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and changes to Companion Policy 31-103CP *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and matching amendments to the insurance sector guidance to enhance total cost reporting (TCR) disclosure for investment funds and individual segregated fund contracts. These enhancements require annual reporting to clients showing the ongoing costs of owning mutual funds, ETFs, scholarship plans and segregated funds. This information must be expressed both as a percentage for each fund, and as an aggregate amount, in dollars, for all investment funds or segregated funds owned by the investor or policy holder during the year. These

amendments were developed jointly by the CSA, the CCIR, the Canadian Insurance Services Regulatory Organizations (CISRO), the MFDA and IIROC (the latter two, now CIRO), in extensive consultation with investor advocates and market participants. They will take effect on January 1, 2026, and investors in investment funds and segregated funds will receive the first enhanced reports for the year ending December 31, 2026. On June 13, 2023, the CSA and CCIR also announced the launch of a TCR implementation committee with the participation of CIRO.

**Financial exploitation and cognitive impairment of older and vulnerable investors:**

In 2021, the CSA adopted amendments to National Instrument 31-103 *Registration Requirements*,



*Exemptions and Ongoing Registrant Obligations* implementing the framework to enhance the protection of older and vulnerable investors through the trusted contact person component and a regulatory framework for temporary holds on transactions in certain circumstances. Since then, the CSA has been reviewing questions and comments from stakeholders, keeping abreast of relevant policy developments, and considering conducting a retrospective review of the amendments that would assess the efficacy of the framework.

### **Compliance with CFRs:**

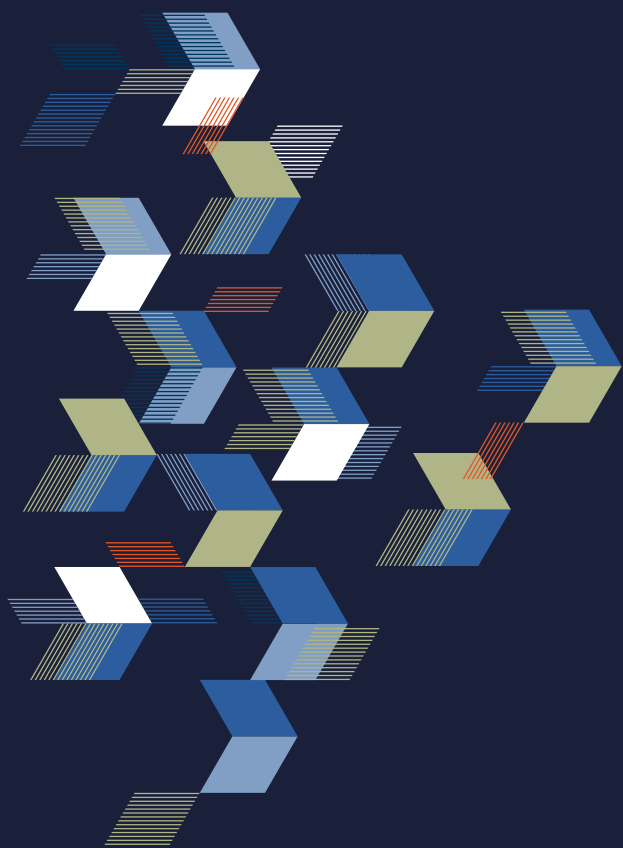
The CSA, jointly with CISO, reviewed conflicts of interest practices at 172 firms across various registration categories to assess their compliance with the CFRs enhanced conflicts of interest provisions that came into force on June 30, 2021. Common deficiencies noted in the review include failure to identify one or more material conflicts of interest, inadequate controls to address certain material conflicts of interest and inadequate or outdated written policies and procedures relating to conflicts of interest. In late summer, the CSA and CISO published a notice summarizing the findings and provided additional staff guidance including suggested practices to comply with the conflicts of interest requirements under the CFRs. Later this year, the CSA and CISO will conduct additional reviews to assess registrants' compliance with other obligations under the CFRs, including the know your client, know your product and suitability determination requirements that came into force on December 31, 2021.

### **Modernization of mutual fund sales practices:**

The CSA is undertaking reviews of the principal distributor model and the use of chargebacks to determine whether additional mutual fund sales

practices rule modernization is needed to improve investor protection and maintain investor confidence in Canadian capital markets. The CSA has surveyed investment fund managers and principal distributors to obtain a better understanding of the scope of current principal distributor arrangements. The information will help the CSA determine whether amendments are needed, and whether such a model remains appropriate. In addition, the CSA has initiated a review of the use of chargebacks in the mutual fund industry due to concerns about potential conflicts of interest associated with this practice. The review will include a survey of securities registrants on their use of chargebacks, which will involve CISO staff participation. Chargebacks involve a compensation practice where a dealer or dealing representative is paid upfront commissions and/or fees when their client purchases securities. Chargebacks occur when investors redeem their securities before a fixed schedule as determined by the dealer firm, and the dealing representative is required to pay back all or part of the upfront commission/fees.





## SPOTLIGHT: IMPLEMENTING TCR TO PROVIDE FEE TRANSPARENCY AND PROTECT INVESTORS

Investors need to be aware of and understand the costs they pay in order to assess the value they receive and make informed financial decisions.

In April 2023, the CSA and CCIR announced enhancements to TCR reporting required for investment funds and individual segregated fund contracts to add transparency around embedded fees.

Annual reports on charges and compensation from dealers and advisors already include helpful information. The TCR enhancements will add an important missing piece to annual reports, by showing the price that investors pay to fund companies as an ongoing cost of owning mutual funds, ETFs, scholarship plans, and segregated funds. The investment costs would all appear in one place, reducing the burden on investors to calculate the

total costs and making it easier to access and review in an easy-to-digest format. The TCR will be done for each investment fund in an investors' account, and the fund expense ratio will be expressed as percentages so investors can make comparisons.

TCR will bolster investors' and policy-holders' awareness of the ongoing embedded costs of owning investment funds and individual segregated fund contracts, including management fees and trading expenses. This additional transparency will help investors ask their dealing representatives and life insurance agents the right questions to support their decision making, which should ultimately result in better outcomes.



Both securities registrants and insurers must deliver the first annual reports that incorporate TCR enhancements for the year ending December 31, 2026.

The final TCR enhancements also draw upon behavioural insights and the results of testing sample documents with investors.

The CSA and CCIR continue to work directly with industry participants and stakeholders to support the efficient implementation of this important initiative.

## STRATEGIC GOAL 4 ADDRESS EMERGING MARKET ISSUES AND TRENDS



### Summary:

Investors have expressed a growing interest in consistent and comparable information about potential risks and considerations that could impact their investments. The CSA is advancing reporting requirements tailored to Canadian capital markets and is considering enhanced market participant disclosure related to sustainable finance matters. At the same time, a broader digital ecosystem is growing both in Canada and globally, leading to a proliferation of crypto asset trading platforms, DIY investing, and more. The CSA continues to identify the emerging issues related to technology that require regulatory action or a tailored and effective response, including compliance oversight and enforcement actions where necessary.

### Climate-related disclosure:

The CSA previously issued guidance on climate-related disclosure, which was intended to assist companies in identifying and improving their

disclosure of material risks posed by climate change. In October 2021, the CSA published for comment climate-related disclosure requirements, addressing the need for more consistent and comparable information to help inform investment decisions. Since publishing the proposed rule, the CSA has been considering international developments and how they may impact or further inform the proposed rule. These international developments included proposed rule amendments by the United States Securities and Exchange Commission (SEC), which would require registrants to provide certain climate-related information in their registration statements and annual reports. Also being considered are the International Sustainability Standards Board (ISSB) standards that were published in final form in June 2023. These provide a general guide for the disclosure of sustainability-related financial information and specific climate-related disclosure standards. The CSA engaged with the ISSB and the [Canadian Sustainability Standards Board \(CSSB\)](#) as the new



international sustainability disclosure standards were in development.

The CSA will conduct further consultations to adopt disclosure standards based on ISSB standards, with modifications considered necessary and appropriate in the Canadian context.

### **Diversity disclosure:**

On April 13, 2023, the CSA published for comment proposed amendments to Form 58-101F1 *Corporate Governance Disclosure (Form 58-101F1)* of National Instrument 58-101 *Disclosure of Corporate Governance Practices* and proposed changes to National Policy 58-201 *Corporate Governance Guidelines* relating to diversity, director nomination process and board renewal. While retaining the current disclosure requirements with respect to women, the CSA sought public comment on two approaches that would require disclosure on aspects of diversity beyond the representation of women. In addition, the CSA proposed changes to the corporate governance policy that would enhance the existing corporate governance guidelines relating to the director nomination process and introduce guidelines regarding board renewal and diversity. The objective of the proposed amendments is to increase transparency about diversity on boards and in executive officer positions, provide investors with decision-useful information that would enable them to better understand how diversity ties into an issuer's strategic decisions, and provide guidance to issuers on corporate governance practices related to board nominations, board renewal and diversity. These proposals were informed by:

- Consultations with a variety of stakeholders to better understand their needs and perspectives;
- How other securities regulators outside of Canada

approach diversity disclosure; and

- Research conducted by several CSA jurisdictions of issuer disclosure practices and key trends identified in eight annual reviews of public disclosure regarding women on boards and in executive officer positions.

Consultations on the proposed amendments are ongoing until the end of September.

### **Emerging digital business models:**

The CSA is dedicated to being open and responsive to new and innovative technology-focused or digital business models, such as start-ups whose activities trigger the application of securities laws (the innovative business models). The CSA's goals are fostering the innovative business models' ability to develop products, services, and applications on digital platforms in the Canadian capital markets that present benefits for investors and preparing for a modernization of the regulatory framework. The CSA also plans to pursue the development of a cohort-based testing environment over the course of 2023.

### **Regulatory, compliance and enforcement regime for crypto asset trading platforms:**

The CSA has continued strengthening its approach to oversight of crypto trading platforms by expanding existing requirements for platforms operating in Canada. The CSA announced that it expected commitments from unregistered crypto trading platforms operating in Canada while they pursue registration and described detailed expectations for the pre-registration undertakings (PRUs) in CSA Staff Notice 21-332 *Crypto Asset Trading Platforms: Pre-Registration Undertakings – Changes to Enhance Canadian Investor Protection*, which was published on February 22, 2023. A number of platforms made such commitments to their principal regulator in the form

of PRU, which included terms and conditions consistent with requirements currently applicable to registered platforms. These PRUs included, among other things, enhanced expectations regarding the custody and segregation of crypto assets held on behalf of Canadian clients and a prohibition on offering margin, credit, or other forms of leverage to any Canadian client. They also prohibited crypto asset-trading platforms from permitting clients to purchase or deposit value-referenced crypto assets (VRCAs) commonly referred to as stablecoins, and proprietary tokens without the prior written consent of the CSA. The platforms that have filed a PRU continue operations while their applications for registration and related relief are reviewed. Those platforms subject to securities legislation in Canada which did not deliver a PRU or did not cease operating in Canada were subject to regulatory action to bring such platforms into compliance with securities law, including enforcement action. The CSA coordinated enforcement activities, including the identification of unregistered and non-compliant crypto asset trading platforms and regulatory disruption and preventive activities.

### **Value-referenced crypto assets (VRCAs aka stablecoins):**

As part of its broader ongoing effort to bring crypto asset trading platforms into compliance with securities laws in Canada, the CSA continued to focus on the trading and use of VRCAs and the specific investor protection concerns and risks they present. Specifically, CSA Staff Notice 21-332 notified CTPs that they would not be permitted to allow trading of VRCAs without the CSA's prior consent, which may be subject to terms and conditions imposed on the CTP and the issuer of the VRCA.

### **ESG-related investment fund disclosure:**

The CSA previously provided guidance on the disclosure practices of investment funds as they relate to ESG considerations, particularly funds whose investment objectives reference ESG factors and other funds that use ESG strategies. The CSA is monitoring the ESG-related disclosure for investment funds and will determine whether an update to the guidance is necessary.

### **Investment fund liquidity risk management:**

The CSA previously issued guidance to investment fund managers on developing and maintaining an effective liquidity risk management framework for investment funds. Liquidity risk refers to the risk that a fund would be unable to satisfy redemption requests without having a material impact on the remaining security holders of that fund. If a fund does not manage liquidity risk properly, there could be adverse outcomes for the fund and its investors. The CSA continues to monitor liquidity risk management by investment funds.

### **Market abuse and abusive promotional activities:**

The CSA formed the Market Abuse Taskforce in October 2021 to develop a comprehensive national strategy for addressing a resurgence of abusive promotional and trading activity by a small number of market participants. Abusive promotions and [pump-and-dump](#) schemes harm the reputation of Canadian markets and increase the cost of capital for legitimate junior market companies. The CSA completed an internal review focused on identifying abusive practices surrounding promotions of companies trading on the venture markets, and the obstacles to successfully detecting, investigating, and prosecuting abusive conduct. It is also pursuing opportunities for wider CSA

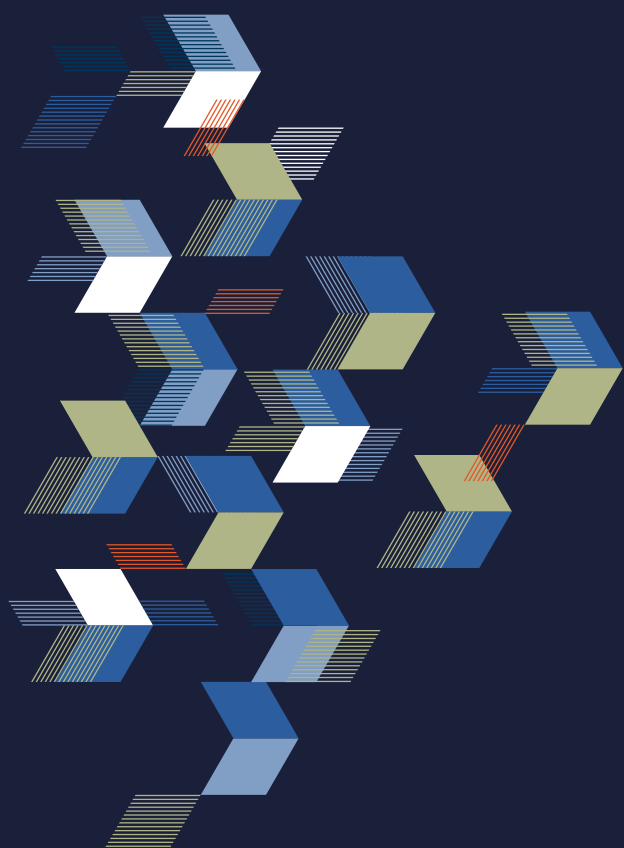


collaboration to detect, monitor, and analyze stock promotions that are broadcasted through social media platforms.

**Enhanced enforcement through technological and analytical capacity:**

The CSA continues to collaborate to identify and develop forensic and analytical tools, improve data delivery standards and share enforcement technology knowledge and expertise across CSA jurisdictions. In particular, the CSA continues to work on enhancements to our Market Analysis Platform (MAP)

and compiling information on social media data mining tools used to analyze social media content relating to investment fraud, market abuse and other unlawful activities. The CSA also organized training for members’ staff on generative AI technology, application programming interfaces (API) specific to crypto assets trading platforms, and on the functionalities and use of some of the leading social media data mining/monitoring tools.



## SPOTLIGHT: DISRUPTING WRONGDOERS AND STOPPING SECURITIES MISCONDUCT

Enforcement is a key pillar of the CSA's mandate. As part of our mission to foster fair, efficient and transparent markets, CSA members take coordinated action to protect Canadian investors.

This past year, CSA members worked to detect, disrupt, and deter wrongdoing and hold securities law violators accountable. We commenced 40 matters involving 90 respondents and concluded 57 cases involving 133 respondents. Importantly, 81 individuals and 23 companies were banned from participating in the capital markets (39 individuals and 16 companies permanently).

Disrupting wrongdoers and stopping securities misconduct continued to play an integral role in our work this year. Through information and knowledge sharing, and collaboration across our member jurisdictions and with law enforcement, other

agencies, and international partners, CSA members used various tactics to disrupt ongoing and potential illegal activity.

Disruption involves intervening as soon as possible to protect investors and minimize harm. There are several tactics used to either disrupt or prevent misconduct. One example is our use of investor alerts, which warn the public about potential harmful or illegal activity. This past year, CSA members issued 758 investor alerts. Other disruptive methods include sending inquiry or caution letters to a person or company whose activities raise concerns. We also collaborate with law enforcement, and we make unannounced visits or virtual calls to offices of companies that may not be complying with securities laws.

This past year CSA members also issued 17 interim cease-trade and asset-freeze orders. Asset-freeze orders help prevent a person or company from transferring assets and increase the chances that there will be funds available to pay any sanctions that might be imposed by a panel or tribunal. In specific circumstances, some regulators can make financial orders that can result in money being returned to investors.

### **Collaboration is at the heart of our efforts**

As schemes continue to grow in their sophistication, we work together and with external agencies to take enforcement action in order to hold those who break the law accountable. CSA members' enforcement teams, including the CSA's Investment Fraud Taskforce (IFTF) worked with our cross-border, local and federal police services, as well as third-party service providers to:

- Shut down illegal websites offering trading and investments;
- Actively warn investors; and
- Pursue legal action through the appropriate channels.

In Canada, we also continued to engage with the Canadian Anti-Fraud Centre, FINTRAC as well as police services such as the RCMP's Integrated Market Enforcement Team (IMET) to address challenges in our capital markets.

Internationally, CSA members also worked with securities regulators in other jurisdictions on particular investigations, and with the North American Securities Administrators Association (NASAA) and the International Organization of Securities Commissions (IOSCO) to exchange knowledge and facilitate information sharing.

### **Old fraud wrapped in new technology;**

#### **Disruption and the digital sphere**

In today's connected world, CSA members worked through the Enforcement Technology and Analytics Working Group to improve and adapt to the new and ever-evolving realities of securities misconduct online. This meant enhancing our analytics and tools with a particular focus on social media channels and platforms.

We continued to identify and develop market surveillance, forensic and investigative tools, improve data delivery standards as well as share enforcement technology knowledge and expertise across our membership so all could benefit from the latest insights. In addition, we focused on compiling and sharing information from social media monitoring that helped uncover important information related to investment fraud, market abuse and other unlawful activities. Efforts to use these tools and analytics provide another avenue to disrupt misleading activities and to take action against those who spread inaccurate and deceptive information.

As part of the ongoing and coordinated effort to ensure that crypto asset trading platforms comply with securities legislation, Canadian securities regulators initiated and completed the CSA Crypto Investigation Project. CSA members came together to pursue enforcement actions against certain unregistered crypto asset trading platforms operating in Canada. As a result, CSA members enforcement proceedings against unregistered crypto asset trading platforms were commenced across multiple jurisdictions. Certain platforms decided to either cease operating in Canada by restricting access for Canadian users or begin engaging with CSA members to bring their operations into compliance.





### **MAP: Gaining efficiency with market data**

The CSA's Market Analysis Platform, introduced nearly three years ago, has increased our efficiency and capacity to gain a more complete view of trading activity in the capital markets for the purpose of detecting and addressing potential market manipulation. MAP allows analysts to explore and analyze trade data more easily and efficiently, thereby supporting early assessment of suspicious trade activity and early intervention disruptive regulatory activities. With access to better tools and data, enforcement personnel across our jurisdictions are able to take immediate action where necessary.

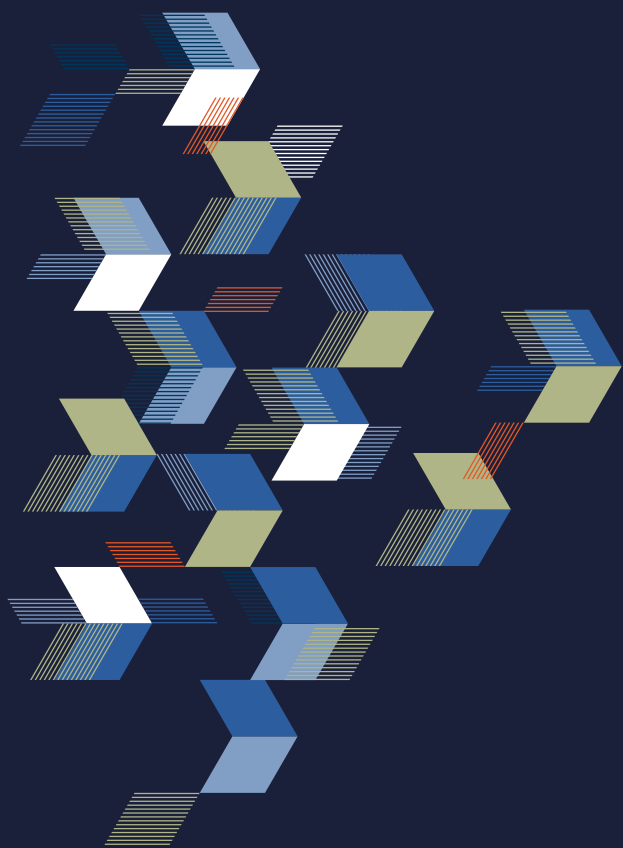
### **Collections and whistleblowers:**

#### **Key programs for CSA members**

Our members pursued all available avenues to collect monetary sanctions, in the form of administrative

penalties and disgorgements ordered by our panels or tribunals. We also value those who come forward with information that enables CSA members to take timely action. Whistleblowers, who expose complex securities misconduct that may not otherwise come to light, continued to play a vital role in the enforcement process this past year.

We continue to investigate and prosecute misconduct across Canada, whether in the digital sphere or traditional channels. You may view CSA members' enforcement across several categories for fiscal year 2022-2023 (April 1, 2022, to March 31, 2023) in this report's [Appendix](#). We remain adaptive to change, whether this results from lessons learned from other members or agencies, or technological improvements. We are evolving the way we engage and address misconduct.



## SPOTLIGHT: CSA ON THE FRONTLINE OF CRYPTO REGULATION

This year, CSA members continued to develop a comprehensive and coordinated regulatory, oversight, compliance and enforcement regime for crypto assets trading platforms.

In August 2022, to address investor protection concerns, we announced that unregistered CTPs would be expected to provide a PRU to their principal securities regulator to continue operating in Canada while their applications for registration and related relief were reviewed.

In December 2022, we announced enhanced expectations and strengthened oversight of these unregistered CTPs in response to several insolvencies involving crypto firms.

*Enhance Canadian Investor Protection*, published in February 2023, outlined the investor protection commitments expected from CTPs in the enhanced PRU to continue operating in Canada. The enhanced PRUs included important investor protection provisions on the custody of assets, a ban on leverage trading and strict conditions for stablecoins.

Platforms operating in Canada were advised they must provide an enhanced PRU by March 24, 2023, or take steps to exit the Canadian market. Several unregistered platforms filed enhanced PRUs by the deadline in order to obtain adequate registration or relief. However, this does not necessarily mean they have been or will be granted registration or related relief.

CSA Staff Notice 21-332 *Crypto Asset Trading Platforms: Pre-Registration Undertakings Changes to*



Trading in crypto assets is extremely risky and regulatory measures cannot eliminate all risks.

To help provide Canadians with as much information as possible to make educated investment decisions, we updated the CSA website with a list of registered CTPs, CTPs that have provided a PRU, and CTPs that have been banned, as well as the Investor's Guide to Cryptocurrencies.



## STRATEGIC GOAL 5 DELIVER SMART AND RESPONSIVE REGULATION PROTECTING INVESTORS WHILE REDUCING REGULATORY BURDEN



### Summary:

Appropriate regulatory oversight is critical for building investor confidence and driving a strong innovation ecosystem in Canada. The CSA continues to adapt regulation to the evolving needs of Canadian market participants and find the right balance to maintain the competitiveness of our capital markets. This includes modernizing our regulatory regime to ensure disclosure is clear and meaningful and that requirements for companies and investment funds continue to be appropriate, necessary, and relevant.

### Streamlining continuous disclosure requirements for non-investment fund issuers:

The CSA previously published for comment proposed amendments to National Instrument 51-102 *Continuous Disclosure Obligations* and other amendments and changes to the continuous disclosure requirements for non-investment fund reporting issuers that would streamline and clarify

their annual and interim filings and promote disclosures that yield decision-useful information for investors. The objective of the proposed amendments was to:

- Eliminate duplicative/overlapping continuous disclosure in the Financial Statements, Management Discussion and Analysis (MD&A) and the Annual Information Form;
- Combine the financial statements, MD&A and, where applicable, Annual Information Form into one reporting document called the annual disclosure statement for annual reporting purposes, and the interim disclosure statement for interim reporting purposes; and
- Amend or eliminate any disclosure requirements that negatively impact the quality, understandability, and usability of such disclosure.

Commenters were generally supportive of the proposed amendments and the CSA is making certain non-material revisions to them in response to the feedback received, including around the delivery requirements for the annual and interim filings.

### **Alternative offering system for Canadian well-known seasoned issuers (WKSIs):**

The CSA previously published CSA Staff Notice 44-306 *Blanket Orders Exempting Well-known Seasoned Issuers from Certain Prospectus Requirements*, along with local blanket orders, which introduced temporary exemptions from certain base shelf prospectus requirements for qualifying WKSIs. The exemptions allowed an issuer that meets WKSI qualifications and certain conditions to file a final base shelf prospectus with its principal regulator and obtain a receipt for that prospectus on an accelerated basis without first filing a preliminary base shelf prospectus. WKSIs are large reporting issuers that are well-known in that they have a wide market following, have a complete public disclosure record and actively participate in capital markets. The CSA is currently working on rule amendments to the base shelf prospectus regime to further facilitate capital raising and reduce regulatory burden for WKSIs in Canadian markets, without compromising investor protection.

### **Access model for corporate issuers and investment funds:**

The CSA published for comment CSA Notice and Request for Comment *Proposed Amendments and Proposed Changes to Implement an Access Equals Delivery Model for Non-Investment Fund Reporting Issuers*, the comment period for which ended on July 6, 2022. The proposed amendments would implement an access equals delivery model for prospectuses generally, annual financial statements, interim financial reports and related MD&A for

non-investment fund reporting issuers. The proposed amendments would not remove an investor's ability to request documents in paper or electronic form or to provide standing instructions. On September 27, 2022, the CSA also published for comment CSA Notice and Request for Comment *Proposed Amendments and Proposed Changes to Implement an Access-Based Model for Investment Fund Reporting Issuers*, which included proposed amendments that would provide an alternative to delivering financial statements and management reports of fund performance for investment fund reporting issuers. The amendments would require investment fund reporting issuers to post continuous disclosure documents on their designated websites, alert investors when new documents are available by issuing a news release, which would also be posted to their designated websites and filed on SEDAR+, and send paper or electronic copies of the documents to investors upon request or in accordance with standing instructions.

### **Modernizing prospectus filing system for investment funds:**

The CSA published for comment proposed amendments to National Instrument 41-101 *General Prospectus Requirements* and National Instrument 81-101 *Mutual Fund Prospectus Disclosure*, and proposed changes to Companion Policy 41-101 *General Prospectus Requirements* and Companion Policy 81-101 *Mutual Fund Prospectus Disclosure*, introducing a two-stage proposal to modernize the prospectus filing model for investment funds without affecting the currency or accuracy of information available to investors. The first stage consists of proposed amendments that would allow investment funds in continuous distribution to file a new prospectus every two years instead of annually as they currently do. The requirement to file a final




prospectus no more than 90 days after the issuance of a receipt for a preliminary prospectus for all investment funds would also be repealed. The CSA also sought public comments on a consultation paper introducing a new shelf prospectus filing model, which could apply to all investment funds in continuous distribution as part of the second stage. Following the review of the public comments, the CSA has been working to seek approval to publish these amendments in final form.

### **Modernizing continuous disclosure for investment funds:**

The CSA conducted research and investor testing with the objective of identifying proposed rule amendments and policy changes that would improve investment fund continuous disclosure for all stakeholders, including investors and the investment fund industry. The CSA will use the results of this research and testing when considering potential rule amendments to modernize continuous disclosure for investment funds.

## STRATEGIC GOAL 6 PROMOTE INTEGRITY AND FINANCIAL STABILITY THROUGH EFFECTIVE MARKET OVERSIGHT



### Summary:

The Canadian capital markets are efficient and effective when they are stable. Through regulatory and operational initiatives, the CSA seeks to maintain effective market oversight to identify, mitigate and reduce systemic risk and promote integrity and financial stability while ensuring that the Canadian regulatory system is consistent with international standards.

### Finalizing and implementing OTC derivatives framework:

On June 9, 2022, the CSA published for comment proposed amendments to Multilateral Instrument 96-101 *Trade Repositories and Derivatives Data Reporting*, and proposed changes to the Companion Policy 96-101CP; Manitoba, Ontario and Quebec also proposed amendments to their respective rules as well as other relevant changes. These amendments to the trade reporting rules incorporated harmonized international derivatives data standards developed by the IOSCO

Committee on Payments and Market Infrastructure. We also issued CSA Staff Notice 96-303 *Derivatives Data Reporting Transition Guidance* on November 10, 2022, providing guidance to market participants in light of changes to swap data reporting rules that will be implemented by the U.S. Commodity Futures Trading Commission (CFTC). The CSA also hosted a virtual roundtable on CSA Staff Notice and Proposed National Instrument 93-101 *Derivatives: Business Conduct* and Proposed Companion Policy 93-101CP *Derivatives: Business Conduct*, with a view to obtaining feedback from experts and stakeholders on a number of regulatory, implementation and compliance issues, to further inform the CSA's work to finalize the derivatives business conduct rule. In addition, the CSA continues working on the derivatives registration rule and monitoring international developments with respect to derivatives trading facilities.

### Assessing the listing function of exchanges:

Following a review by the CSA, significant amendments requested to the policies of the Canadian Securities Exchange (CSE) came into effect on April 3, 2023. Those policy amendments reflect the CSE's growth in number and variety of listings since it was first established and its recent expansion into Senior Tier for certain larger and later stage issuers.

### Analysing developments in short selling:

On December 8, 2022, the CSA and IIROC, now part of CRO, published Joint CSA and IIROC Staff Notice 23-329 *Short Selling in Canada*, seeking input from investors, industry and the public on the current regulatory framework surrounding short selling in Canada and on areas for regulatory consideration, providing an overview of the existing regulation and giving an update on current related initiatives. Simultaneously, the CSA published CSA Staff Notice 25-306 *Activist Short Selling Update*, which provided a summary of comments and responses to CSA Staff Consultation Paper 25-403 *Activist Short Selling*.

### Implementing the T+1 settlement cycle:

On December 15, 2022, the CSA published for comment proposed rule amendments to National Instrument 24-101 *Institutional Trade Matching and Settlement* to support the transition from two days after the date of a trade (T+2) to one day (T+1) for institutional equity and long-term debt market trades in Canada in alignment with upcoming changes to the U.S. settlement cycle. The move to a T+1 settlement cycle is expected to occur in 2024, at the same time as the markets in the U.S. move to a T+1 settlement cycle. The CSA also concurrently published CSA Staff Notice 81-335 *Investment Fund Settlement Cycles*, which advised that the CSA was not proposing rule amendments that would mandate a shorter settlement cycle for investment funds and instead allowed

investment funds to have flexibility to determine whether a shorter settlement cycle is appropriate. CSA Staff Notice 81-335 also stated that mutual funds should voluntarily move to a T+1 settlement cycle unless such a move would be impractical.

### Oversight of issues relating to the cessation of CDOR:

On February 23, 2023, the CSA issued CSA Staff Notice 25-309 *Matters Relating to the Cessation of CDOR and Expected Cessation of Bankers' Acceptances*. The purpose of the notice was to make market participants aware of certain developments and transition issues regarding the upcoming cessation of CDOR and the expected related cessation of the issuance of Bankers' Acceptances. The notice:

- Reviewed how CDOR will be discontinued over a two-stage transition period and will cease to be provided on June 28, 2024;
- Provided market participants with information on alternative rates, transition arrangements for new and existing instruments and fallback language; and
- Encouraged market participants to make appropriate transition arrangements to prevent business and market disruptions following the cessation date.

### Term CORRA:

In early summer, OSC and AMF staff published a Notice and Request for Comment *Application for the Designation of Term CORRA as a Designated Interest Rate Benchmark and CanDeal Benchmark Administration Services Inc. as its Designated Benchmark Administrator*, advising that they have each received an application from CanDeal Benchmark Administration Services Inc. for a decision under applicable securities legislation that Term CORRA be designated as a designated interest rate benchmark

and CBAS be designated as a benchmark administrator of Term CORRA. The notice requested public comment on the application by August 8, 2023. The notice indicated that:

- It is expected that market participants will use the Canadian Overnight Repo Rate Average (CORRA) as the alternative reference rate for most instruments that currently reference CDOR;
- Term CORRA will be a forward-looking measurement of CORRA for one- and three-month tenors, based on market-implied expectations from CORRA derivatives markets; and
- Term CORRA's use will be limited through its licensing agreements to trade finance, loans and derivatives associated with loans.

### **Initiating public consultation regarding Canadian real-time equities market data:**

On November 10, 2022, the CSA published CSA Consultation Paper 21-403 *Access to Real-time Market Data*, seeking input on improving access to real-time market data for equity securities containing critical information about orders sent to and trades executed on all Canadian equity marketplaces. The consultation paper also included several proposed regulatory options to improve real-time market data availability. The consultation paper was informed by market participants' concerns about the accessibility and cost of real-time market data, as well the fragmentation of information about orders and trades for equity securities across multiple trading venues. The consultation paper also presented the outcomes of the CSA fact-finding review of the issues associated with access to real-time market data, as well as data gathering and analysis. Following the analysis of the comments received in response to the consultation paper, the CSA will determine the next steps for initial and longer-term regulatory changes that could

potentially alleviate some of the inefficiencies caused by fragmentation, accessibility and cost of real-time market data.

### **Reviewing the rules relating to special transactions:**

The CSA initiated a review of Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions*, in light of regulatory reviews, changes in market practice, local decisions, exemptive relief orders and evolving policy considerations since the adoption of the instrument.

### **Reviewing the early warning reporting regime:**

The CSA initiated an assessment of potential targeted enhancements to National Instrument 62-103 *The Early Warning System and Related Take-Over Bid and Insider Reporting Issues* as well as NI 62-104 *Take-Over Bids and Issuer Bids*.

## SIGNIFICANT ACHIEVEMENTS OUTSIDE OF THE BUSINESS PLAN



### Summary

In addition to driving strategic goals outlined in the 2022-2025 Business Plan, the CSA maintains an agile approach and remains ready to address new issues and challenges presented by evolving capital market conditions. We continue to monitor emerging trends and international developments in areas falling under our mandate and determine the appropriateness of commencing any additional initiatives. In the past year, the CSA completed or has undertaken several initiatives outside the 2022-2025 Business Plan.

### CORPORATE GOVERNANCE

#### Exemption for reporting issuers incorporated under CBCA:

The CSA published an exemption for reporting issuers incorporated under the Canada Business Corporations Act (CBCA) from the form of proxy requirement for the uncontested election of directors, which has been implemented through local blanket

orders that were substantively harmonized across Canada. The orders exempt CBCA-incorporated reporting issuers from the requirement under securities legislation to specify that securities be “voted” or “withheld” from voting in the form of proxy for the uncontested election of directors where these issuers comply with the applicable requirements under the CBCA and associated regulations.

### PROSPECTUS EXEMPTIONS

#### Changes to the offering memorandum prospectus exemption:

The CSA published final rule amendments to the offering memorandum prospectus exemption, setting out new disclosure requirements for issuers engaged in “real estate activities” and issuers that are “collective investment vehicles” and clarifying or streamlining parts of the instrument to improve disclosure to investors. The amendments came into force on March 8, 2023.



**Listed issuer financing exemption:**

The CSA adopted a new prospectus exemption for issuers listed on a Canadian stock exchange, aimed at providing a streamlined capital-raising option for them. The prospectus exemption is available to issuers that have been a reporting issuer in a Canadian jurisdiction for at least 12 months and have filed all continuous disclosure documents required under Canadian securities legislation. Eligible issuers need to file a short offering document. Issuers using this exemption may annually raise up to the greater of \$5 million or 10 per cent of the issuer’s market capitalization, to a maximum of \$10 million. Securities issued under the exemption are freely tradeable. This exemption came into force on November 21, 2022.

**ONGOING REPORTING OBLIGATIONS**

**Women on boards and in executive officer positions:**

The CSA published the results of [our eighth annual review](#) of the corporate governance disclosures of 625 non-venture issuers, which focused on disclosure requirements regarding the representation of women on boards and in executive officer positions, published by participating securities regulatory authorities in Alberta, Manitoba, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Quebec, Saskatchewan, and Yukon.

**Biennial report on continuous disclosure review:**

The CSA published a biennial report on our continuous disclosure review program, assessing reporting issuers’ compliance with securities laws and helping public companies and their advisors understand and comply with their continuous

disclosure obligations. The report also included results from recent reviews that assessed compliance with certain aspects of non generally accepted accounting principles (non-GAAP) and other financial measures disclosure requirements.

**Public consultation on proposed amendments to the mineral project disclosure obligations:**

The CSA sought public comments on Canada’s standards for disclosing scientific and technical information about mineral projects, as it considered ways to update and enhance those requirements.

**CAPITAL MARKETS REGULATION**

**Commodity benchmarks:**

On June 29, 2023, certain members of the CSA published final amendments to the CSA benchmarks rule, Multilateral Instrument 25-102 *Designated Benchmarks and Benchmark Administrators*, which establish the framework for the designation and regulation of commodity benchmarks and the persons or companies that administer them. MI 25-102 currently provides a comprehensive framework for the designation and regulation of financial benchmarks and their administrators, and the regulation of benchmark contributors and of certain users of designated benchmarks. The amendments to MI 25-102 incorporate provisions intended to enhance the accuracy, integrity and reliability of designated commodity benchmarks and their administrators. Provided all necessary ministerial approvals are obtained, the amendments will come into force on September 27, 2023.



# APPENDIX ENFORCEMENT STATISTICS



This appendix presents CSA members’ enforcement activity across several categories for fiscal year 2022-2023 (April 1, 2022, to March 31, 2023). For previous reporting periods and descriptions of the enforcement activity, [visit the CSA website](#).

## Proceedings commenced

Cases in which a CSA member filed a notice of hearing or statement of allegations, swore an information before the courts or, in the case of Quebec, served a statement of offence.

Type of offence	Number of respondents
Illegal distribution	36
Illegal insider trading	5
Market manipulation	5
Disclosure violations	2
Fraud	17
No-contest settlements	–
Misconduct by registrants	7
Public interest violations and other misconduct	18
<b>Total</b>	<b>90</b>

Referrals and assistance

Enforcement referrals are files referred by a CSA member to another CSA member. Formal assistance in enforcement cases includes the number of times a CSA member formally assisted another CSA member in an enforcement file (e.g., interviewing witnesses, obtaining documents).

	Total cases
Referrals	77
Assistance	32
<b>Total</b>	<b>109</b>

Concluded matters

Concluded matters refer to cases in which a final decision has been issued or a settlement reached.

Number of cases	Number of respondents
Illegal distribution	55
Illegal insider trading	5
Market manipulation	1
Disclosure violations	17
Fraud	22
No-contest settlements	–
Misconduct by registrants	23
Public interest violations and other misconduct	10
<b>Total</b>	<b>133</b>

### Fines, administrative penalties and other

CSA members impose or obtain sanctions for securities laws violations, for conduct contrary to public interest, or through settlements or no-contest settlements. Financial sanctions include penalties and voluntary payments.

Type of offence	Total money ordered
Illegal distribution	\$9,798,358
Illegal insider trading	\$496,008
Market manipulation	\$110,000
Disclosure violations	\$2,405,000
Fraud	\$3,221,000
Misconduct by registrants	\$2,334,000
Public interest violations and other misconduct	\$90,000
<b>Total</b>	<b>\$18,454,366</b>

### Restitution, compensation and disgorgement

In specific circumstances, some regulators or courts possess restitution, compensation and disgorgement powers. In specific circumstances, some regulators can make financial orders that can result in money being returned to investors.

Type of offence	Total money ordered
Illegal distribution	\$10,052,302
Illegal insider trading	\$131,011
Market manipulation	–
Disclosure violations	\$36,790
Fraud	\$9,417,974
Misconduct by registrants	\$300,000
Public interest violations and other misconduct	\$981,764
<b>Total</b>	<b>\$20,919,841</b>

Jail terms

	Number of individuals	Total jail term
Securities Act	3	5.5 years
Criminal Code	2*	27 months
<b>Total</b>	<b>3</b>	<b>5.5 years</b>

\*Two individuals were sentenced in criminal court for a total of 27 months under house arrest.

In certain cases, securities regulators investigate breaches of the Criminal Code, either independently or in collaboration with law enforcement agencies. These can involve search warrants, surveillance, and undercover operations. Subsequently, provincial and federal Crown counsel conduct related prosecutions.

	Number of cases	Number of individuals
Criminal cases commenced		
<b>Total</b>	<b>6</b>	<b>10</b>
Criminal cases completed		
<b>Total</b>	<b>3</b>	<b>3</b>

Preventative and disruptive measures

CSA members protect investors by issuing or obtaining interim cease-trade orders or freezing assets while they conduct investigations. Certain jurisdictions have the legislative authority to halt trading on public exchanges when they suspect or identify irregular trading of securities or derivatives, in turn stopping potential market manipulation. Asset-freeze orders help prevent the loss of assets – for example, bank deposits and personal property, including vehicles and buildings – pending the completion of investigations.

	Number of orders	Number of respondents
Interim cease-trade orders		
<b>Total</b>	<b>17</b>	<b>31</b>
Asset-freeze orders		
<b>Total</b>	<b>15</b>	<b>26</b>

### Investor warnings and alerts

CSA members issue investor warnings and alerts and update their caution lists through their respective websites, email, social media channels, and the CSA website. These alerts inform the public about individuals and companies that are acting in harmful ways. Often, the alerts relate to foreign businesses that are not registered to trade securities in Canada but are targeting Canadian investors.

Total number	
Investor alerts issued	758

### Market bans

As a tool to prevent further misconduct and harm, a tribunal or panel can impose market bans on an individual or company when they have violated securities laws. Individuals or companies can be banned from trading or purchasing, registration, using exemptions, acting as a director or officer, advising in securities, investor relations, or acting in a management or consultative capacity in connection with activities in the market.

	Number of individuals	Number of companies	Total number
Banned from the capital markets			
Total	81	23	104
Banned permanently			
Total	39	16	55

### Recidivism

A recidivist is someone sanctioned for breaching securities laws after being previously sanctioned for a securities violation by a securities regulator or the court. Repeat offenders, or recidivists, are a reality in every legal system. CSA members collaborate to identify recidivists across Canada, and impose fair, credible, and progressive sanctions that are proportionate to each case and aim to be more severe than those incurred by first-time violators.

Total number	
Number of individuals	4
Number prosecuted in court	2

Whistleblower programs

Several CSA members have whistleblower programs that enable individuals and employees to report possible securities laws violations. These programs offer key protections, including confidentiality, the option to report anonymously and anti-reprisal measures. These innovative programs continue to provide valuable information about complex securities misconduct that may not otherwise have come to light.

Total number	
Whistleblower tips received	403

[Click here to go back to Spotlight: Disrupting wrongdoers and stopping securities misconduct.](#)





Canadian Securities Administrators  
Autorités canadiennes en valeurs mobilières

