

YEAR IN REVIEW

2023-2024

July 1, 2023 – June 30, 2024



CSA/ACVM

Canadian Securities Administrators
Autorités canadiennes en valeurs mobilières

ABOUT THE CSA

As the council of Canada's provincial and territorial securities regulators, the Canadian Securities Administrators' (CSA) 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.



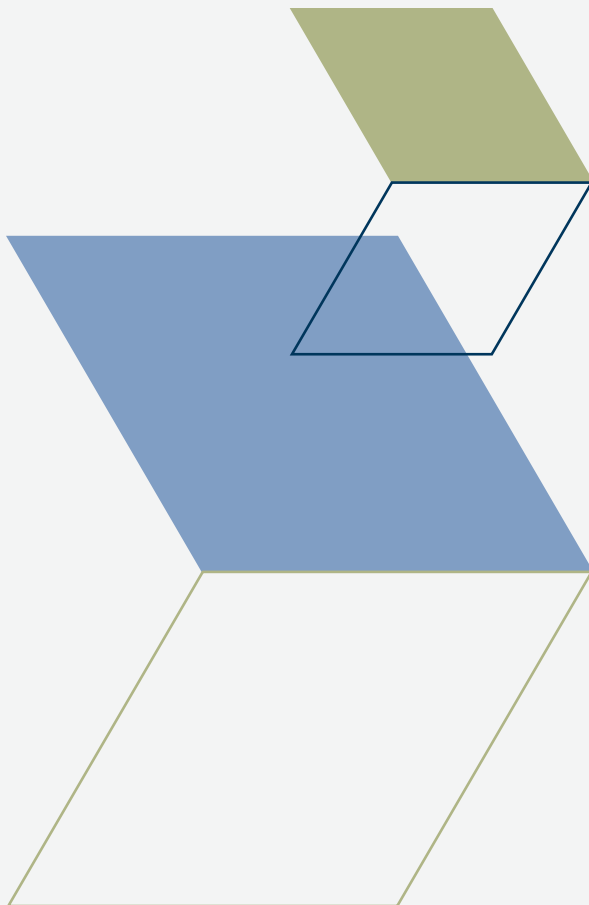
TABLE OF CONTENTS

Introduction & Six strategic goals	03
2023-2024 Highlights	04
Message from the Chair	05
STRATEGIC GOAL 1	
Strengthen the capital markets regulatory system	09
Spotlight: Promoting integrity and financial stability through systemic risk monitoring	11
Spotlight: Listening to stakeholders, incorporating learnings and making enhancements to improve national systems.	13
STRATEGIC GOAL 2	
Optimize investors' ability to contribute to policymaking and expand investor education outreach	14
Spotlight: Strengthening investor protection and incorporating investor perspectives through the IAP.	15
Spotlight: Responding to the evolving profiles of Canadian investors.	17
Spotlight: Strengthening investor protection through creative education and awareness campaigns	20
STRATEGIC GOAL 3	
Improve investor protection by enhancing investors' ability to obtain redress and strengthening the advisor-client relationship	22
STRATEGIC GOAL 4	
Address emerging market issues and trends.	25
Spotlight: Developing a robust regulatory regime for crypto assets	28
Spotlight: Summary of enforcement activities	30
Anatomy of a disruption.	33
STRATEGIC GOAL 5	
Deliver smart and responsive regulation protecting investors while reducing regulatory burden	35
STRATEGIC GOAL 6	
Promote integrity and financial stability through effective market oversight	38
Other significant achievements	41
Appendix: Enforcement statistics	43

INTRODUCTION

The CSA's 2022-2025 Business Plan outlines the organization's strategic goals over a three-year period. It reflects CSA members' commitment to maintaining investor confidence in the Canadian capital markets and ensure their efficient operation.

Each year, the CSA provides a *Year in Review* report as an update on progress made under the current Business Plan, as well as additional priorities or initiatives undertaken in response to emerging issues and changing market conditions. This year's report covers the period between July 1, 2023, and June 30, 2024 and highlights progress toward fulfilling the CSA's mandate and achieving the strategic goals outlined in the Business Plan.



SIX STRATEGIC GOALS

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

01

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.

02

Optimize

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

03

Improve

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

04

Address

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

05

Deliver

smart and responsive regulation protecting investors while reducing regulatory burden.

06

Promote

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

2023-2024 HIGHLIGHTS



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



individuals and 39 companies banned from participating in the capital markets following enforcement proceedings.



Published the Systemic Risk Committee's report on Capital Markets, outlining an assessment of key trends and vulnerabilities of our financial system and the CSA's efforts to monitor and assess them.



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



system updates that continue to enhance SEDAR+ functionalities.



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



initiatives reviewed by the Investor Advisory Panel (IAP) since its inception in 2022 and one official comment letter published.



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



Canadians reached through our Human Disclaimers and Check Registration investor education campaigns.



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



published the seventh CSA Investor Index, our longest-standing survey that tracks and measures investor behaviour, knowledge, confidence, attitudes towards risk and incidences of investment fraud among Canadians.



STRENGTHENING OUR REGULATORY SYSTEM, PROTECTING INVESTORS, HARMONIZING REGULATION

The CSA continues to focus on delivering on the six strategic goals outlined in our 2022-2025 Business Plan, working to maintain investor confidence in the Canadian capital markets and facilitating their efficient operation.

Over the last year, our markets have been influenced by significant international political and social events, developments in emerging technologies, environmental, social and governance (ESG) considerations, investor behaviours and more. The CSA monitors each of these issues and considers possible implications for our work. This past year, we also reached out to Canadian market participants and sought feedback on a number of initiatives. We have appreciated the opportunity to listen to different perspectives and to incorporate this feedback into our work.

CSA members are committed to responsive and harmonized regulation built on the best ideas and input from across the country. Together, we effectively navigate uncertainty and advance regulatory changes aimed at enhancing transparency, while serving the interests of our capital markets and protecting investors.

This *Year in Review* is an opportunity for us to reflect on both the milestones we have achieved in the past year and the steps we will be taking as we begin executing the final year of our three-year plan. We could not have accomplished what we have without the knowledge, experience and hard work of CSA members who came together in the spirit of meaningful collaboration. I would like to thank each of our CSA members for their ongoing dedication and contributions over the past year.

Enhancing investor protection and education

The CSA made major strides in our mandate to protect investors by proposing a modernized approach to dispute resolution. Canada's financial system offers investors a variety of options to help meet their financial goals, but it is currently limited in the event an investor has a dispute with their investment firm. While investors can contact the Ombudsman for Banking Services and Investments (OBSI), any redress available from that body is not currently binding, resulting in compensation offers that may be too low or refused altogether.

In November 2023, we shared a proposed regulatory framework that designates OBSI as the independent dispute resolution service whose decisions would be binding. Under the proposed framework, OBSI would provide firms and investors with a more attractive avenue for resolving disputes than litigation in court, which can be complicated, expensive and stressful for all parties. We received numerous submissions from industry and investor advocate organizations alike. The feedback is being carefully considered and we will share an update once we have completed a detailed review.

We remained dedicated to educating investors, helping them make informed investment decisions, and providing the foundational knowledge to recognize, avoid and report fraud. This included collaborating with partners to provide consistent information on the risks of crypto investments to Canadians. We also provided more specific messaging for seniors, recognized World Elder Abuse Awareness Day and encouraged investors to name a Trusted Contact Person. Additionally, we ran campaigns on social media to reach and inform younger investors of the importance of doing research, checking if an individual or firm is registered and what to know about do-it-yourself (DIY) investing. Later in the year, we completed an Investor Index Study to continue tracking investor trends in Canada.

Addressing market issues and trends

We recognize that investors are seeking enhanced disclosure and transparency to aid in their investment decisions and, as part of this, we continue to prioritize environmental,

social and governance (ESG) considerations. We are pursuing approaches to climate-related and diversity disclosure that are suited to Canada's capital markets.

Following the adoption of the International Sustainability Standards Board (ISSB)'s first two sustainability disclosure standards, the Canadian Sustainability Standards Board (CSSB) continued to advance sustainability disclosure standards in Canada. The CSSB published its Canadian Sustainability Disclosure Standards 1 and 2 and sought feedback on these standards. We are following this process and will be reviewing the feedback the CSSB receives closely, as it may help inform revisions to our proposed climate-related disclosure rule. This is a complex project that requires our team to monitor and assess international developments in this area, including the U.S. Securities and Exchange Commission (SEC)'s climate-related disclosures rule approved on March 6, 2024. We remain committed to working towards Canadian disclosure requirements and will seek public comments on a number of matters when we publish our revised rule.

Another key project involves enhanced diversity disclosure for boards and executive officer positions. The CSA is considering how broader aspects of diversity that go beyond the representation of women can be incorporated into our corporate governance disclosure requirements. This builds on work the CSA completed in 2023 when we published proposed amendments to our corporate governance instrument and sought comments from the market on possible approaches. We received thoughtful feedback

on the best way to encourage meaningful diversity disclosure and look forward to publishing final amendments.

We also continued to advance a coordinated regulatory regime for crypto assets and crypto asset trading platforms (CTPs). This past year, the CSA proposed regulatory requirements for public investment funds that seek to invest in crypto assets and provided more clarity on our interim approach to value-referenced crypto assets (or stablecoins).

As part of our mission to foster fair and efficient markets, CSA members continued to detect, disrupt and deter wrongdoing and hold securities law violators accountable through vigilant enforcement. In this *Year in Review*, we share additional insight into the use of new and emerging technology, along with our collaborative efforts to disrupt online misconduct and fraud, which has increased significantly in recent years.

Considering diverse perspectives and innovation to advance our regulatory system

I believe our capital markets benefit from a variety of perspectives, and through the CSA's Taskforce on Indigenous Peoples in the Capital Markets we have made further progress this past year. The Taskforce worked with Indigenous experts to establish an effective plan to guide how we engage with Indigenous Peoples and organizations and consider their perspectives in our work.



We also launched our Financial Innovation Hub “FinHub” (previously the Regulatory Sandbox), an initiative designed to support innovations in the Canadian capital markets that benefit investors. Through the FinHub, we take a proactive approach to considering new technologies and innovative business models, including assessing the scope and nature of regulatory implications. The FinHub is also currently exploring how artificial intelligence (AI) is being increasingly considered for various applications in the capital markets. We recognize that new technologies and applications also come with possible risks, and AI is no exception. We are meeting with market participants and consulting with other financial regulators where appropriate to understand how AI may be deployed in the capital markets.

As we look ahead to the final year of our 2022-2025 Business Plan, we maintain our dedication to delivering on our six strategic goals to meet the needs of investors and capital market participants. Our uniquely Canadian strategy offers a robust structure, enabling adaptable and coordinated regulation, fostered by the cooperative efforts of CSA members nationwide.

The CSA’s ability to deliver on its mandate is made possible through the dedicated and persistent staff within the CSA Secretariat, the Information Technology Systems Office and our CSA member jurisdictions. Their unwavering commitment ensures the fulfillment of our mission and the enhancement of market integrity on a daily basis.

I look forward to continuing to work alongside my colleagues within the CSA, other regulators, agencies and partners in the coming year to advance our mission and ensure strong capital markets that balance regulation and innovation while emphasizing transparency, efficiency and investor protection.



Stan Magidson
CSA Chair

STRATEGIC GOAL 1

Strengthen the capital markets regulatory system

SUMMARY

As our capital markets evolve and become more complex, the CSA seeks to improve its regulatory system to support more effective regulation. This includes the implementation of a Single Self-Regulatory Organization (SRO), collaboration with federal agencies, reporting on systemic risk and modernizing our IT systems.

Single Self-Regulatory Organization

The new SRO, named the Canadian Investment Regulatory Organization (CIRO), and the new Canadian Investor Protection Fund (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 investor protection, 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 if client property comprising securities, cash, and other property held by such member firms is unavailable as a result of the insolvency of the member

firm. Since the creation of CIRO and CIPF, the CSA has provided close oversight of their governance, structure and continuing amalgamation activities. On March 28, 2024, the CSA published the *Oversight Review Report of CIRO*, which evaluated whether regulatory processes were effective, efficient, and applied consistently and fairly, and whether CIRO had complied with the terms and conditions of its Recognition Orders. CSA staff completed a risk-based oversight review of CIRO in March 2024 that targeted specific processes within the areas of corporate governance, trading review and analysis, and financial compliance of investment dealers and mutual fund dealers. At the same time, the CSA published the *2023 Annual Activities Report on the Oversight of CIRO and CIPF*, summarizing key information, activities and observations related to the CSA's oversight of CIRO and CIPF during the 2023 calendar year, the first year after the amalgamations to form CIRO and CIPF.

Collaboration with federal agencies

To ensure comprehensive monitoring of emerging and systemic risks and the development of appropriate strategies to mitigate these risks, the CSA collaborates with other financial sector regulatory agencies

at the federal and provincial levels. CSA members engage with these agencies both directly and through the Heads of Regulatory Agencies (HoA), a federal-provincial forum for the discussion of financial sector issues. The HoA is chaired by the Governor of the Bank of Canada and the HoA's Systemic Risk Surveillance Committee (SRSC) was established in 2020 to support collaboration among member agencies for the purpose of monitoring and assessing systemic risk. In 2023, the CSA Systemic Risk Committee shared its draft 2023 Annual Report on Capital Markets with SRSC and HoA members. The report, which analyzes recent financial market trends and key vulnerabilities in Canadian capital markets, was published on February 15, 2024. In addition, the CSA believes that fostering cooperation and information-sharing among different regulatory and law enforcement agencies is crucial for strengthening the detection, prosecution and deterrence of investment fraud, which is increasingly committed by bad actors outside of Canada targeting Canadian victims. To learn more about the CSA's collaboration with federal agencies on enforcement matters, view our [Enforcement Spotlight](#).

Modernization of the CSA IT National Systems

The CSA launched SEDAR+, a new system used by market participants to file, disclose and search for issuer information in Canada's capital markets on July 25, 2023. SEDAR+ streamlines disclosure for issuers by consolidating and replacing SEDAR, the national Cease Trade Order (CTO) database, the Disciplined List (DL) database and

certain filings that were made in paper or in the BC Securities Commission's (BCSC) eServices system and the Ontario Securities Commission's electronic filing portal. This past year, we continued to provide training, instructional guides and other helpful resources to filers, issuers and other market participants. To continually improve SEDAR+, the CSA has implemented and continues to work on filing and search experience enhancements. We are also exploring opportunities to further integrate Canada's securities filings and information systems.

Incorporating Indigenous Peoples' issues and perspectives in CSA policy work

The CSA Taskforce on Indigenous Peoples in the Capital Markets continued to examine the role of securities regulators in relation to Indigenous communities. The Taskforce assessed how the CSA could integrate consideration of and reconciliation with Indigenous Peoples into securities regulation and provided recommendations on how to engage Indigenous groups to seek their input in capital markets regulation. The Taskforce has worked with an external expert on strategy, communication, Indigenous engagement and reconciliation action planning.

CSA data strategy

The CSA continues to develop a data strategy to support greater use of data for policy development and in regulation. The CSA also continues to assess data implications resulting from rulemaking projects.

SPOTLIGHT

Promoting integrity and financial stability through systemic risk monitoring



The Canadian capital markets and the broader financial system have a long history of stability. However, while that financial evolution delivers substantial benefits, it may also bring new risks. Different elements of the financial markets have also become increasingly interconnected, which can have the effect that risks, when they materialize, spread quickly and multiply.

Earlier in 2024, we made public for the first time our [Systemic Risk Committee's Annual Report on Capital Markets](#) — a flagship publication on key trends and vulnerabilities in Canadian capital markets. CSA members have been analyzing and monitoring systemic risk since 2009 through the establishment of the Systemic Risk Committee.

This report underscores the vital role the CSA plays in maintaining fair and efficient capital markets by actively monitoring systemic risk.

This year's report, which is intended to inform industry practices to reduce financial vulnerabilities, provides in-depth analyses of key trends and vulnerabilities, and outlines the CSA's efforts to mitigate those vulnerabilities and associated risks, a core component of our mandate. Overall, our report demonstrates that systemic risks to financial stability in Canadian capital markets are being appropriately assessed and monitored.



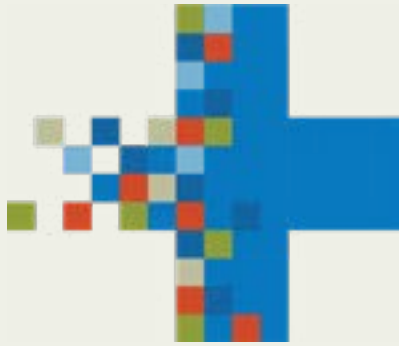
Two key highlights in the report include:

- High inflation and interest rates have continued to weigh on the economy and financial markets. The Canadian economy slowed considerably while bond yields reached highs not seen since the 2007-2008 global financial crisis. The future path of interest rates and the economic outlook remain highly uncertain. Nonetheless, major stock market indices have rebounded following significant declines in 2022.
- The significant rise in interest rates and the tightening of monetary conditions have also created challenges for market participants, putting pressure on household finances and compelling investors to reassess investment strategies to navigate potential volatility in asset prices.

The Systemic Risk Committee plays a crucial role in the coordination and information-sharing of systemic risk monitoring with other Canadian agencies at the provincial and federal level. By making this report public, the CSA has contributed the securities regulators' perspective to the comprehensive monitoring of potential vulnerabilities in our financial markets, as well as complemented the work of fellow provincial and federal regulators and agencies.

SPOTLIGHT

Listening to stakeholders, incorporating learnings and making enhancements to improve National Systems



Bringing SEDAR+ to the market represented a significant change for market participants and a major milestone for our National Systems, yielding benefits that will be increasingly evident over time. A key advantage of the modernized system, and the heart of SEDAR+, is its ability to support regulatory changes that impact filers and investors. The new system produces better quality data that enables analysts, researchers, investors and regulators to gain deeper insights into the Canadian capital markets.

To implement system enhancements, evolve the long-term vision for our National Systems, and ensure continuous improvement, the CSA continues to gather feedback from market participants about SEDAR+, both directly and through industry associations, committee meetings, webinars and other forums.

We continue to enhance the SEDAR+ user experience, including filing and search, through quarterly system updates. At the strategic level, leaders from securities administrators across Canada have taken note of the successes and challenges of bringing SEDAR+ to the market. This valuable knowledge feeds into planning the modernization of other systems and engaging market participants, including investors, in the coming years.

STRATEGIC GOAL 2

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

SUMMARY

To effectively protect Canadian investors, it is vital to consider their varied perspectives, understand their interests and the risks they face, and to provide effective education programs to mitigate these risks. The CSA established the Investor Advisory Panel to engage with retail investors in a more sustained and structured way, and to gain meaningful insights into their perspectives. The CSA continues to deliver targeted education programs in response to emerging trends, to provide access to unbiased information and support informed decision making.

CSA Investor Advisory Panel (IAP)

The CSA established the IAP in 2022 to provide meaningful insight into retail investors' interests, to support CSA policy development and to promote coordination of pan-Canadian investor-related issues. In the past year, the CSA appointed a new IAP Chair and an additional Panel member. The IAP has been collaborating with the CSA on several policy initiatives aimed at providing beneficial regulatory outcomes for retail investors. As part of its work, the IAP has been providing advice throughout the course of

CSA policy initiatives, commenting on existing and proposed national and multilateral instruments, policies and concept papers. Since its inception, the IAP has reviewed 26 policy and investor protection initiatives.

Increasing Canadian investors' awareness of emerging issues and threats

This past year, the CSA has put out numerous social media campaigns educating investors of all ages and levels of experience on various topics to increase their understanding of investment risks and enhance overall financial literacy. The CSA continued to monitor trends affecting Canadian investors' investment habits and adapted its education strategy to the appropriate audiences. The CSA launched two campaigns focused on increasing awareness among Canadians on the risks of unqualified financial advice and the importance of checking registration to vet advisors. In addition, the CSA published multiple investor alerts, news releases and social media posts warning investors of common scams and abuses. In mid-2024, the CSA released its seventh Investor Index Study.

SPOTLIGHT

Strengthening investor protection and incorporating investor perspectives through the IAP



During its second year, the IAP continued its in-depth reviews of critical investor-oriented projects, putting into practice its members' wide-ranging knowledge and expertise, and building on the foundation established in its first year. The IAP's unique role enables the group to provide insight and feedback on proposals before they are made public, as well as participate in later phases of CSA policy development initiatives. This allows the IAP to influence the course of projects from inception and to consider investor perspectives throughout the process.

As a priority in its workplan, the IAP identified the [CSA's initiative to modernize dispute resolution in Canada](#), also known as the OBSI reform, to which it would provide feedback publicly. Published in March 2024, the IAP's first comment letter expressed support for this initiative, highlighted the need for a dispute resolution body with binding authority in the Canadian market, and underscored that the proposed reform would ensure procedural fairness for investors and industry alike. Panel members collaborated on this initiative to benefit from their respective experience and expertise, and sought out additional information from CSA policy staff to provide constructive and meaningful feedback to this critical reform. This letter was a clear reflection of the CSA IAP's commitment to investors across Canada.

The IAP's impact on CSA initiatives is most significant when the Panel collaborates closely with CSA committees and working groups. As such, the IAP continues to engage actively with CSA staff on ongoing policy projects that impact retail investors and proposed initiatives to enhance retail investors' abilities to participate in Canada's capital markets.

Finally, the IAP invited external speakers, including academics, researchers, advocacy and international regulatory groups focused on retail investors and retirees, who focus on investor advocacy and protection, to present to the group. Engaging in open dialogue with these experts allows IAP members to not only learn first-hand from their peers, but also to identify opportunities to have a greater positive impact on Canadian investors.



SPOTLIGHT

Responding to the evolving profiles of Canadian investors



The retail investor landscape continues to see significant transformation. Our longest-running survey, the [Investor Index Study](#), tracks and measures investor behaviour, knowledge, confidence, attitudes towards risk and reported incidences of investment fraud among Canadians throughout these transformations going back nearly 20 years. This research helps CSA members develop more targeted, relevant and timely investor education programs and campaigns that focus on the information needs of diverse Canadian investor audiences and are delivered where and when investors are most receptive to receiving it.

The most recent Index, released in June of 2024, revealed that the investing landscape continues to converge with the online and digital space. Some key trends identified in

this Index were: an increasing use of social media for investment information, a decrease in the use of financial advisors, an increase in DIY investing, and an increase in reported fraud attempts.

In general, fewer investors are turning to financial advisors for guidance. After remaining consistently between 69 to 71 per cent since 2012, the percentage of investors who reported they currently work with a financial advisor has dropped to 61 per cent. Nearly half of Canadians (45 per cent) now engage in some form of self-directed investing. This trend is driven by factors like age (with younger Canadians being more likely to identify as DIY investors), an enjoyment of managing investments themselves (31 per cent), and self-confidence in their abilities and knowledge (16 per cent).



In particular, younger DIY investors are shifting away from using financial advisors and opting instead to manage their own portfolios. However recent entrants to the self-directed space demonstrate lower confidence and knowledge levels, preferring to rely on social media sources for investment information. Younger investors (age 18 to 24) who already spend a great deal of time online use at least one social platform as a source for investing or financial information. Channels like TikTok, Instagram and YouTube are the most popular choices among younger investors, though YouTube is the most common online source of information for almost all age groups. This highlights the need for unbiased and trustworthy educational resources geared towards new DIY investors.

To address this need for unbiased information presented in appropriate tone and platform, the CSA issues social media content and campaigns focused on the importance of relying on verified and trustworthy sources of information, checking registration (of advisors and crypto-trading platforms), and understanding the product and investment goals and risk tolerance before investing. Campaigns are delivered on social media channels and digital spaces occupied by many of these investors, including YouTube, Facebook, Instagram and Reddit.

With information widely available on social platforms, the Index also confirmed a growth of investment opportunities being advertised online. This is where online investment opportunities and the CSA's critical work to protect investors intersect.

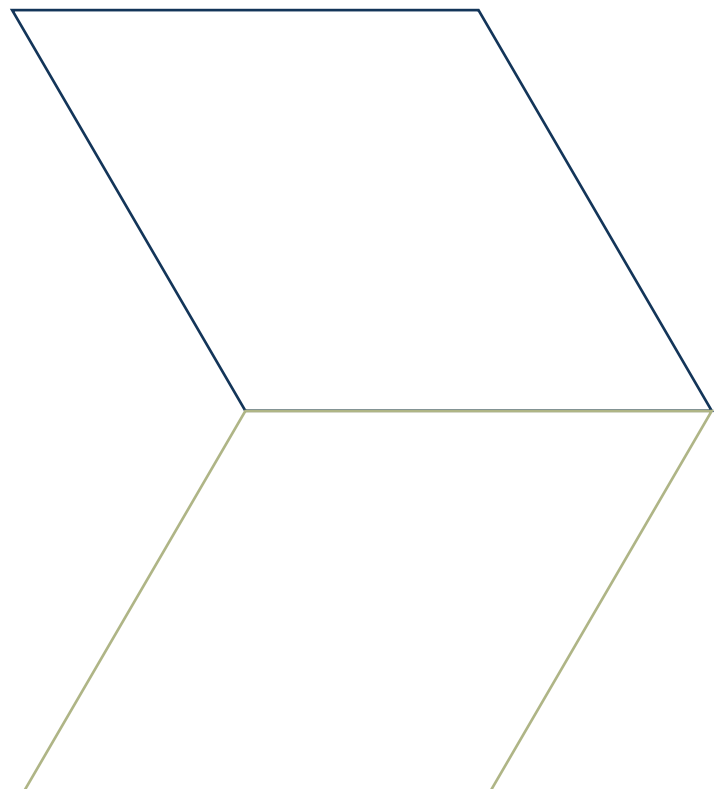
While the number of Canadians who report falling victim to fraud remains steady, reported fraud attempts are on the rise particularly among those with no savings, or the “accidental investors” who are looking for new ways to earn money as a way to make ends meet. After several years of decline, 2024 saw a five per cent increase in reported fraud attempts (23 per cent). While email (35 per cent) and telephone (20 per cent) remain the most common methods, social media (11 per cent) is gaining traction, having almost doubled since 2020. Further, although reported rates of fraud victimization were stable overall, the demographics are shifting with victimization falling for Canadians over 55 while rising for many younger age groups.

Despite the prevalence of investing information online, the investment literacy of Canadians has remained relatively consistent since 2017. Within the Index we asked questions about investment knowledge, allowing us to group Canadians by level of comprehension and understanding. The proportions of those who have higher knowledge remained consistent to past Index iterations. However, 40 per cent of respondents exhibited lower levels of knowledge compared with previous years, and those who identified themselves as

having no savings demonstrated an even lower score, making them potentially more vulnerable to fraud and misconduct. These findings demonstrate a need for the CSA to encourage the investing public to report what they are experiencing to their securities regulator. While CSA enforcement teams work to disrupt investment misconduct, efforts to educate and reach investors with timely and relevant information has never been more critical.

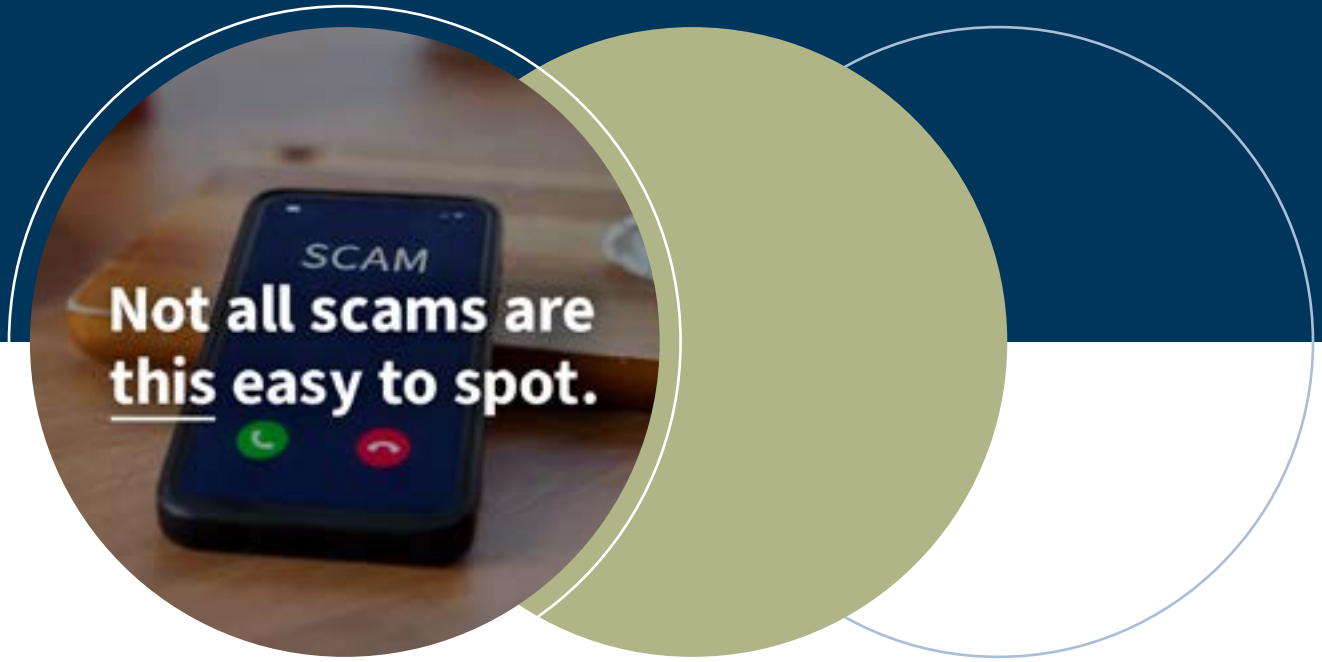
Tapping into Canadians’ investing attitudes and behaviours is essential to our work. Using this data, the CSA will continue to develop new programs and enhance existing ones based on the needs of Canadians.

You can view the key findings and the full Investor Index [here](#).



SPOTLIGHT

Strengthening investor protection through creative education and awareness campaigns



The CSA's Investor Education Committee (IEC) plays an important role in protecting investors by providing them with reliable, unbiased and bilingual resources to support sound investment decision-making. In an era where “influencers” or fraudsters presenting themselves as financial experts are increasingly prevalent and difficult to detect, the IEC ramped up its efforts to educate Canadians on the risks they face and the importance of using reliable sources of information.

The IEC launched the innovative “Human Disclaimers” campaign, which creatively features individuals acting as “human disclaimers” to urge Canadians to scrutinize their investment information sources and remain vigilant against fraudulent advice. First launched during Financial Literacy Month

(November), the campaign aims to combat financial scams and misinformation prevalent on social media, encouraging investors to verify their advisors’ registration. The campaign videos were viewed over one million times, and resulted in more than 145,000 visits to the CSA’s Check Registration landing page where investors receive five simple steps to follow to check out the person providing advice before investing.

Aligned with its mission to protect investors, the IEC also marked World Elder Abuse Awareness Day in June with a targeted four-week bilingual campaign. This campaign focused on safeguarding older Canadians, who are often prime targets for financial scams, and encouraged the appointment of a Trusted Contact Person.



The campaign included content across the CSA's social media channels to amplify awareness about the financial abuse of vulnerable older adults.

Further reinforcing its commitment to investor protection, the IEC launched the "Check Registration" campaign in May 2024. This bilingual campaign used examples of notorious financial scammers to warn Canadians about the dangers of engaging with unqualified and unregistered individuals offering investment advice. Notably, this campaign marked the CSA's first venture into Reddit advertising, aiming to reach the platform's substantial DIY investor community. Leveraging Meta, YouTube and Reddit, the campaign has garnered 10,803,563 impressions between May 1 and June 30, and will continue running until July 31.

In addition to these campaigns, the IEC shared important updates through press releases, social media, and through the CSA and CSA members' websites. These updates highlight emerging trends, potential risks, educational resources and relevant research. The IEC's comprehensive educational content spans topics including securities regulation, the evolving landscape of crypto assets, common investment scams, strategies for navigating high inflation, and the crucial importance of verifying the registration status of financial professionals and entities.

Through these creative marketing and social media campaigns, the IEC underscores its commitment to protecting investors and ensuring they are well-informed in making investment decisions.

STRATEGIC GOAL 3

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

SUMMARY

Investor confidence is a crucial foundation for healthy, vibrant capital markets. To instill and maintain that confidence, investors need fair, efficient, accessible and meaningful recourse if they can't resolve a complaint with a firm and must be able to trust their advisors. For these reasons, the CSA focused on improving access to a binding and efficient means of dispute resolution, 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.

Binding independent dispute resolution

On November 30, 2023, the CSA put forward a proposed regulatory framework for an independent dispute resolution service whose decisions would be binding. Under the proposed framework, OBSI would be designated or recognized as the independent dispute resolution service for the investment industry. The proposal also includes an optional second stage in which OBSI could use additional processes – such as cross-examination – that it deems necessary to

find a fair solution efficiently and clearly. This new dispute resolution framework would help people get fair compensation without going to court, which can be complex and costly. Most CSA members proposed rule amendments to complaint handling provisions as part of the proposed framework. The CSA is currently reviewing the 42 comment letters received during the comment period, which ended on February 28, 2024.

Review of titles used by registrants

The CSA has been conducting research, stakeholder surveys and data collection focused on client-facing titles used by registered individuals in order to understand the current state of titles usage in Canada. The CSA is also working to determine outstanding investor protection concerns in the use of titles and to formulate recommendations to better align the use of client-facing registrant titles with the services and products investors expect to receive. This project is related to the CSA's Client Focused Reforms, which introduced a general prohibition against misleading titles that came into effect in December 2021.

Proficiency requirements

The CSA has started to develop a modern proficiency regime to support the professionalization of registered individuals. This project will review registrant proficiency requirements with the objective of addressing inherent structural limitations in the current registrant proficiency framework. The regime is also aimed at strengthening the level of proficiency to support the enhanced registrant obligations introduced through the Client Focused Reforms and recent amendments to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

Fee transparency and total cost reporting

To improve the transparency of total fees and costs to holders of investment funds and segregated funds, the CSA and Canadian Council of Insurance Regulators (CCIR) published final changes to enhance cost reporting disclosure for investment funds and individual segregated fund contracts on April 20, 2023. These regulations 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 announced the creation of a total cost reporting implementation committee with CIRO's participation. The committee has made good progress in its work to support industry stakeholders in their implementation of the total cost reporting enhancements within the transition period, which ends December 31, 2025, by providing guidance and responding to questions. There has been broad engagement with the committee from a wide variety of industry stakeholders. The committee encourages industry participants to consult regulators on questions related to implementation and allows regulators to

be informed of industry progress toward the implementation of the total cost reporting enhancements.

Financial exploitation and cognitive impairment of older and vulnerable investors

In 2021, National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* adopted amendments that implemented a framework to enhance the protection of vulnerable investors through the Trusted Contact Person component and to enable temporary holds on transactions in certain circumstances. Since then, the CSA has started a retrospective review to measure the efficacy of the amendments after implementation and determine whether the framework is meeting its objectives.

Compliance with Client Focused Reforms

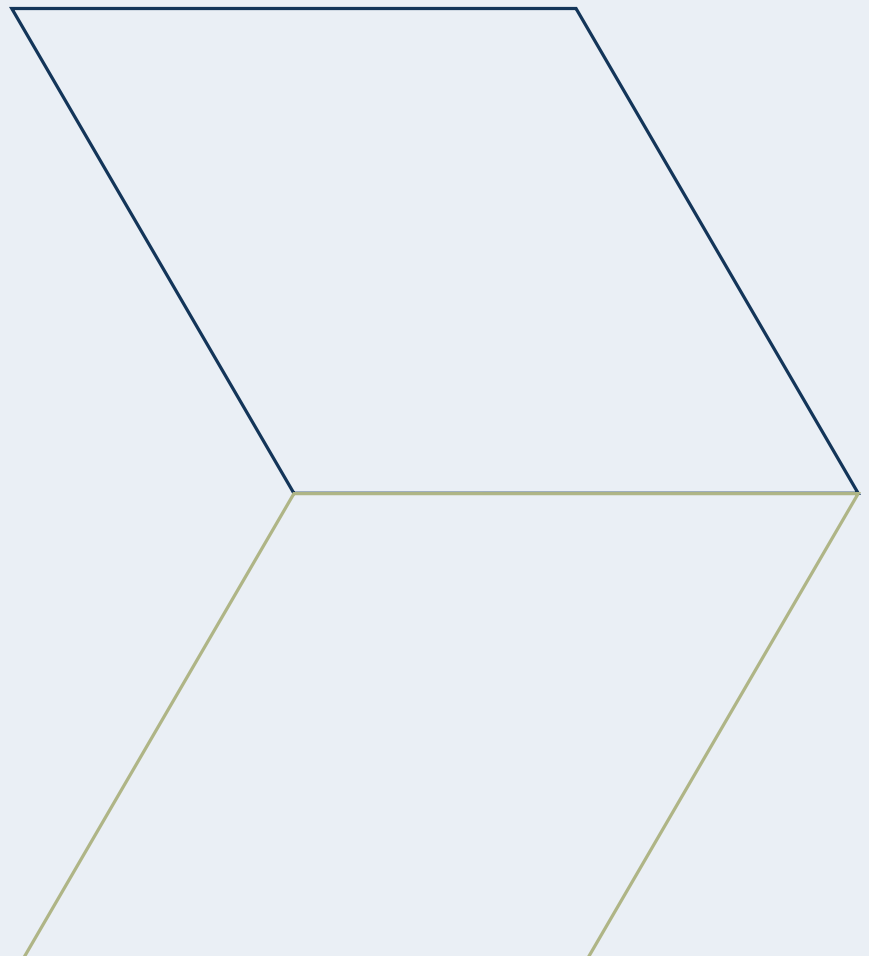
The CSA and CIRO published joint Staff Notice 31-363 *Client Focused Reforms: Review of Registrants' Conflicts of Interest Practices and Additional Guidance* on August 3, 2023. The notice summarized the findings of a joint CSA-CIRO compliance review of conflicts of interest practices at 172 registrant firms to determine any deficiencies and gaps in compliance with the enhanced conflicts of interest provisions that came into force on June 30, 2021, as part of the Client Focused Reforms. The review noted certain deficiencies, including 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. Based on these reviews, the notice also provided additional guidance for market participants on conflicts arising from internal compensation arrangements and incentive

practices, third-party compensation, proprietary products, fees charged to clients, supervisory compensation, director positions with issuers, referral arrangements, trades alongside clients, gifts and entertainment, and other conflict of interest situations. The CSA and CIRO are conducting additional reviews to assess registrants' compliance with other obligations under the Client Focused Reforms, including the know-your-client, know-your-product and suitability determination requirements.

Modernization of mutual fund sales practices

The CSA is working on two projects related to mutual fund sales practices: (1) Proposed amendments to National Instrument 81-105 *Mutual Fund Sales Practices*, to modernize the principal distributor model, and (2) A review of chargebacks, which involve a compensation practice where a dealer

or dealing representative is paid upfront commissions and/or fees when their client purchases securities; when investors redeem their securities before a fixed schedule as determined by the dealer firm, the dealing representative is required to pay back all or part of the upfront commission/fees. The CSA is undertaking this review because of concerns that chargebacks may cause a misalignment between the interests of the dealing representatives and their clients.



STRATEGIC GOAL 4

Address emerging market issues and trends

SUMMARY

To make informed decisions, investors need access to consistent and comparable information. For this reason, the CSA has focused on advancing reporting requirements on key topics, including climate- and diversity-related disclosure. In addition, the CSA remains adaptive to the evolving digital ecosystem and associated crypto asset trading platforms and has launched the Financial Innovation Hub to support innovation in Canada.

Climate-related disclosure

Recognizing the need for globally aligned disclosure and access to comparable data, the CSA welcomed the CSSB consultation on Canadian Sustainability Disclosure Standards 1 and 2. Once the CSSB consultation is complete and its standards are finalized, the CSA expects to seek comment on its revised proposed rule on climate-related disclosure requirements. It is expected that the CSA proposal will be based on the final CSSB standards, with modifications appropriate for the Canadian capital markets. The CSA has indicated that it anticipates adopting only those provisions of the sustainability standards that are necessary to support climate-related disclosures.

The CSA continues to monitor and assess other international developments in this area.

Diversity disclosure

The CSA had previously published for comment proposed amendments to corporate governance disclosure rules and policy relating to diversity, the director nomination process and board renewal, seeking public comments on two approaches to require disclosure on aspects of diversity beyond the representation of women. The consultation period ended on September 29, 2023. CSA staff are considering the comments received and are working towards publishing final amendments.

Emerging digital business models

The CSA is taking a proactive and coordinated approach to building regulatory capacity for emerging digital business models through the launch of the FinHub, intended to support innovation in the Canadian capital markets that benefits investors. Through the FinHub, the CSA will consider new technologies and innovative business models, assess the scope and nature of regulatory implications and evaluate approaches to modernizing the securities regulatory framework for such innovations. Any firm that has developed

an innovative business model or is using a new technology, including dealers, financial institutions and start-ups, may be eligible to participate in appropriate FinHub activities. The FinHub is also developing a cohort-based testing environment, which will allow eligible businesses to test novel technology or business solutions.

Regulatory, compliance and enforcement regime for crypto asset trading platforms (CTPs)

The CSA has continued developing a coordinated regulatory, compliance and enforcement regime for CTPs, focusing on enhanced investor protection. CTPs trading in crypto assets that are securities or derivatives are subject to securities legislation and must register with provincial or territorial securities regulators and abide by different conditions to protect investors. In addition, certain unregistered CTPs that met certain eligibility requirements, and were operating in Canada while pursuing their application for registration or exemptive relief, were expected to provide an enhanced pre-registration undertaking containing several commitments. These commitments include enhanced expectations regarding the custody and segregation of crypto assets held on behalf of Canadian clients, a prohibition on offering margin, credit, or other forms of leverage to any Canadian client, and a prohibition from permitting clients to purchase or deposit value-referenced crypto assets. CSA members may take enforcement action against CTPs that operate in Canada without registration or CTPs that have filed a pre-registration undertaking but aren't making a bona fide effort to register. Such enforcement actions may include: naming a CTP on a CSA investor alert or investor warning list; directing a CTP to implement off-boarding of Canadian investors and to impose access restrictions; and imposing cease trading orders and other

penalties or sanctions against the CTP and its principals. To help investors navigate the world of crypto assets and CTPs, the CSA regularly updates the list of CTPs authorized to do business with Canadians, CTPs that have filed pre-registration undertakings and banned CTPs.

Value-referenced crypto assets

Throughout the year, the CSA continued strengthening our oversight of the trading in value-referenced crypto assets (VRCAs) and enhancing investor protection. On October 5, 2023, the CSA published CSA Staff Notice 21-333 *Crypto Asset Trading Platforms: Terms and Conditions for Trading Value-Referenced Crypto Assets with Clients*, which set out interim terms and conditions, including a requirement that the issuer of a VRCA must maintain an appropriate reserve of assets with a qualified custodian, as well as disclosure of certain information related to governance, operations and asset reserves by the VRCA issuer and CTPs trading in them. The CSA also set a deadline of April 30, 2024, for CTPs to discontinue allowing clients in Canada to buy, deposit, or enter into crypto contracts to buy or deposit fiat-backed crypto assets, which are a type of VRCA that do not comply with the interim terms and conditions. In response to concerns expressed by CTPs relating to technical issues with meeting the April 30 deadline, the CSA extended the deadline to October 31, 2024.

ESG-related investment fund disclosure

The CSA provided updated guidance on the disclosure practices of investment funds as they relate to environmental, social and governance (ESG) considerations by publishing Staff Notice 81-334 (Revised) *ESG-Related Investment Fund Disclosure* on March 7, 2024. The guidance, which takes into account

findings from the CSA's ESG-focused reviews of the disclosure and sales communications of investment funds, aims to bring greater clarity and consistency to ESG-related fund disclosure and sales communications to help investors make more informed investment decisions. In particular, the updated guidance includes:

- An explanation of the different levels of disclosure expectations for funds that do not reference ESG factors in their investment objectives but that use ESG strategies, depending on the degree of significance of ESG factors in the fund's investment process.
- Specific guidance for certain types of funds and funds in certain circumstances.
- A reminder to investment fund managers about existing requirements relating to written ESG-related policies and procedures; and
- A clarification on whether certain ESG-related communications are sales communications, as well as the use of disclaimers or explanatory language in sales communications.

Investment fund liquidity risk management

The CSA continues to monitor liquidity risk among investment fund managers, including through our systemic risk monitoring activities and consideration of future policies. Liquidity risk refers to the risk that a fund would be unable to satisfy redemption requests without having a material impact on the fund's remaining securityholders. If a fund does not manage liquidity risk properly, there could be adverse outcomes for the fund and its investors.

Market abuse and abusive promotional activities

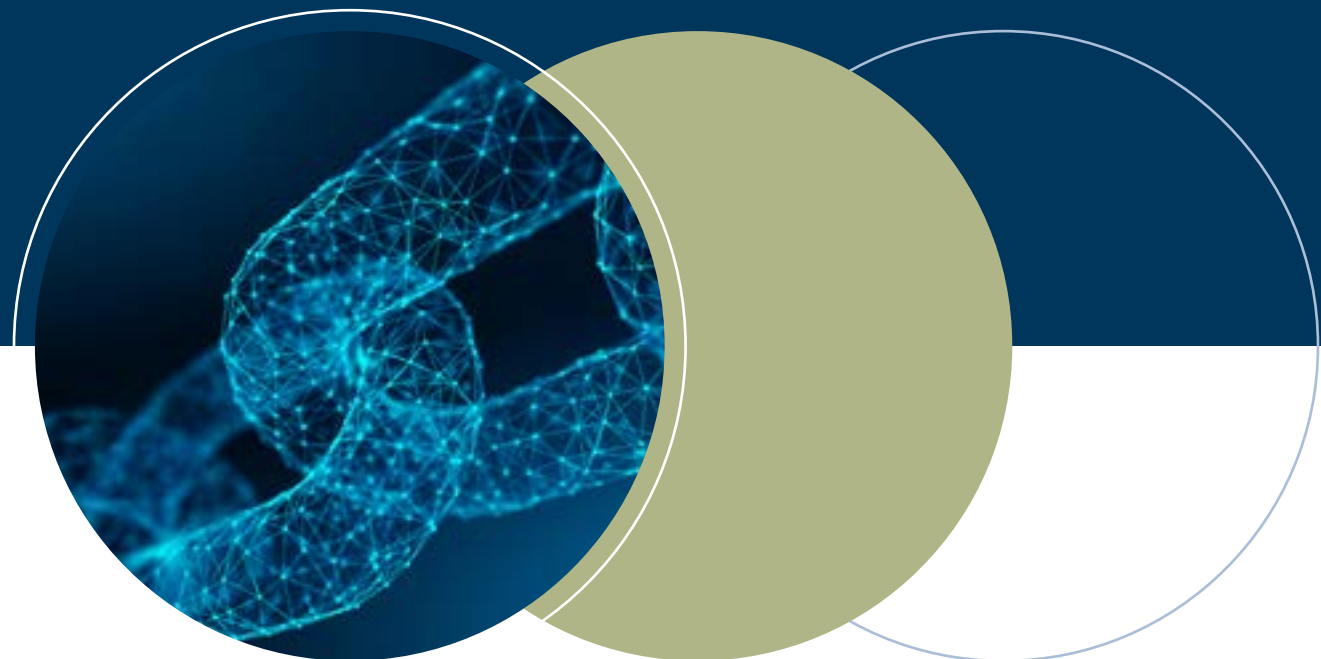
This past year, the CSA Market Abuse Task Force identified and gathered information about abusive promotional activities and techniques, and challenges with investigating and prosecuting this misconduct. It shared its findings with and sought feedback from CIRO and relevant Canadian exchanges and is currently developing recommendations to address issues identified. It is also pursuing opportunities for wider CSA collaboration in detecting and analyzing fraudulent or misleading promotions that are broadcast through social media.

Enhanced enforcement through technological and analytical capacity

The CSA continues to facilitate regular cooperative information sharing on the use of technology by enforcement staff for electronic evidence management, eDiscovery, advanced analytics, surveillance and work product management issues. The CSA also works to identify technology trends and monitor technological developments in the financial markets. Cybercrime presents an ever-increasing risk to Canadians, often through websites offering an investment or service that violates securities legislation. CSA members are exploring tools to detect and respond to investment scam websites and the threats they pose to the securities industry and the investing public. The CSA organizes regular training sessions for our members on various surveillance, forensic and analytical tools and techniques.

SPOTLIGHT

Developing a robust regulatory regime for crypto assets



As part of the CSA's continued response to emerging market issues, this past year we continued to develop a coordinated regulatory, oversight, compliance and enforcement regime for CTPs. Digital assets continue to grow in popularity, which presents a challenge requiring cooperation and collaboration with other regulators. By working together, we are able to examine and address potential supervisory gaps and risks.

This included publishing guidance in July 2023 to help fund managers understand and comply with securities law requirements for investment funds holding crypto assets. Following up on this guidance, we published for comment in January 2024 a set of proposed regulatory requirements for investment funds that seek to invest in crypto assets. The proposed amendments are the second

phase of a project to implement a Canadian regulatory framework for public investment funds holding crypto assets. In the project's third phase, the CSA will consult publicly on a broader framework.

We also provided further regulatory clarity and guidance to CTPs about the CSA's interim approach to the trading of VRCAs, commonly referred to as stablecoins. In October, we set out an interim approach that included terms and conditions for which the CSA would consent to registered CTPs – or those that provided a pre-registration undertaking – to continue allowing their clients to buy, deposit, or enter into crypto contracts to buy or deposit VRCAs. The CSA continues to welcome submissions on the long-term regulation of these assets.

As part of our continued educational efforts, we developed informational resources to support investors' understanding of crypto assets and the risks they pose as an investment.

CSA members collaborate internationally and lend their expertise to publications that help set the tone for the development of policy recommendations for crypto and digital assets.



SPOTLIGHT

Summary of enforcement activities



This past year, CSA members continued to work to detect, disrupt, and deter wrongdoing and hold securities law violators accountable. As part of our ongoing enforcement efforts, we concluded 55 cases involving 138 respondents and commenced 36 matters involving 83 respondents. Importantly, 64 individuals and 39 companies were banned from participating in the capital markets (36 individuals and 31 companies permanently).

CSA members received timely information through their whistleblower programs. In November 2023, the BC Securities Commission launched a whistleblower program, making it the fourth Canadian securities regulator to do so, along with the securities regulators of Alberta, Ontario and Quebec, and the second Canadian securities regulator (with Ontario) to offer monetary awards for eligible tips. Whistleblowers who expose complex securities

misconduct continue to play a vital role in the enforcement process. Across Canada, our members received 468 tips that helped regulators pursue securities misconduct.

Warning the public about securities misconduct also continued to play a big role in our ongoing work. We issued 1,054 investor alerts, cautions and warnings, alongside 23 interim and asset-freeze orders. Cease-trade orders are decisions issued by a CSA member against a company or an individual for reasons such as failing to meet disclosure requirements or as a result of an enforcement action that involves an investigation of potential wrongdoing. Asset-freeze orders prevent a person or company from transferring assets and allow CSA members to conduct investigations while safeguarding these assets for potential sanctions that might be imposed by a panel or tribunal.

Monetary sanctions are ordered by panels and tribunals and come in the form of administrative penalties, disgorgements and other costs. These types of orders are designed to deter securities misconduct and are not reflective of a person or company's ability to pay. Where assets do exist, securities regulators give priority to returning money to investors, if possible, and pursue all available avenues to collect on sanctions ordered.

Tackling evolving online investment fraud and protecting investors through collective efforts

The investing landscape continues to change rapidly due to technological innovation and the evolution of how Canadians consume and react to investing information.

With inflation and cost-of-living increases, more people are looking for new ways to supplement their incomes. Additionally, a growing portion of the population spends a significant amount of time online. According to our Investor Index Study, many Canadians are using social media to find investing information and are no longer seeking guidance or advice from professional investment advisors. They are turning to online "investment opportunities" as a way make ends meet.

Unfortunately, these factors are making it easier for fraudsters to exploit such behaviour and target vulnerable investors through misleading advertising and design techniques.

This is where CSA members come in: Through our disruptive efforts, we are helping protect Canadians from online investment fraud.



Online investment fraud continues to be a top issue for our enforcement teams, and is the area where cooperation is critical within our own groups, with external agencies such as the Canadian Anti-Fraud Centre (CAFC), the RCMP Integrated Market Enforcement Team (IMET), as well as with industry.

This year, the work of [the Investment Fraud Taskforce \(IFTF\)](#), [the Cooperation with Federal Agencies Working Group](#) and [the Enforcement Technology and Analytics Working Group](#) continued to intersect around disrupting online investment harm.

We advanced processes for timely information sharing, training, data collection and the use of innovative tools that can facilitate a speedier response to disrupt potentially harmful or illegal activities. In particular, the IFTF's cross-collaborative efforts to shut down illegal websites, actively warn investors and disrupt this type of harm as it is taking place.

In addition to information and intelligence sharing focused on investigation of fraud, market manipulation, money laundering and other types of misconduct, the CSA continued exploring opportunities with the Royal Canadian Mounted Police (RCMP) and its Integrated Market Enforcement Teams (IMET) for creating a formal framework for CSA-RCMP collaboration aimed at combating online investment fraud. CSA members also continued to collaborate with local and provincial police forces to investigate misconduct and lay charges. Because successful disruption of fraud requires timely access to complaints and intelligence, the CSA continued to work with the CAFC to improve data sharing of complaints received by the CAFC, that in turn can support CSA members' interventions. We also launched a multi-workstream project to improve information sharing by financial institutions and new ways to receive information related to potential securities misconduct earlier

from the Financial Transactions and Reports Analysis Centre of Canada.

Furthermore, [acknowledging the borderless nature of online investment fraud](#), the CSA extended our reach beyond police and regulatory partners. This year our enforcement working groups:

- Fostered relationships with industry participants, such as payment intermediaries and web hosting sites. We also consulted with academics, whose research focused on methodologies, including data collection and analysis, that can support enforcement activities.
- Engaged with registered CTPs to exchange information on trends related to online investment scams. These efforts were focused on fostering a safer investment environment for those who wish to invest in crypto assets.
- Presented at various symposiums and conferences to share knowledge on the red flags of investment fraud and to support early intervention.
- Explored tools and techniques to detect and respond to investment scam websites and the threats posed by them to the investment industry and the investing public.
- Worked with the IEC to develop and share messaging on how to recognize, avoid and report investment fraud.

This type of collaborative effort to disrupt securities misconduct epitomizes the CSA's role. Through information sharing and collaboration among our members and with law enforcement, other agencies and international partners, CSA members work together to protect investors and minimize harm. The complete enforcement statistics for the fiscal year 2023-2024 can be found in this report's [Appendix](#).

Anatomy of a disruption

It started with a click and ended with a cross-Canadian effort to prevent investors from being victimized in real time.

In early 2023, an investigator at a Canadian securities regulator came across a suspicious promoted social media post. Although the post claimed to be from a real business located in the United States, the content didn't feel right.

When the investigator clicked on the link, his suspicions were confirmed. The link led to a convincingly crafted but fake CBC news article claiming billionaire Elon Musk had launched a new investment platform, which promised to be more profitable than Bitcoin and Tesla. The article was targeted to Canadians, featuring glowing – but fictitious – quotes from a real CBC reporter. The platform was presented as a once-in-a-lifetime opportunity to get rich with minimal risk. But CSA members doubted its authenticity.

The article provided instructions to open a free account on the supposed investment platform. The investigator signed up using a fake name. The response was immediate: he received phone calls and emails from an “account manager” who was keen to guide him through the account setup process. The account manager was smooth-talking, offering assurances about the platform's legitimacy and encouraging the investigator to make the minimum deposit of \$340.

As investigators dug deeper, they discovered more red flags and details that didn't add up. Despite claiming to be in operation for three years, the website had been registered only a few weeks earlier. The fake CBC article looked real and included quotes from an actual reporter, but the web address wasn't a CBC domain. The phone number had a Canadian area code despite the caller being purportedly from the United States. The listed office address turned out to be fake as well.

Staff recognized all the signs of a potential fraud, including:

- Details provided in the telephone call were similar to other scams staff had dealt with;
- The phone call included a very high-pressure sales pitch;
- The minimum deposit was in line with the initial amounts requested in other offshore investment frauds; and
- False profits were provided via fake account balances on fictitious investment trading websites.

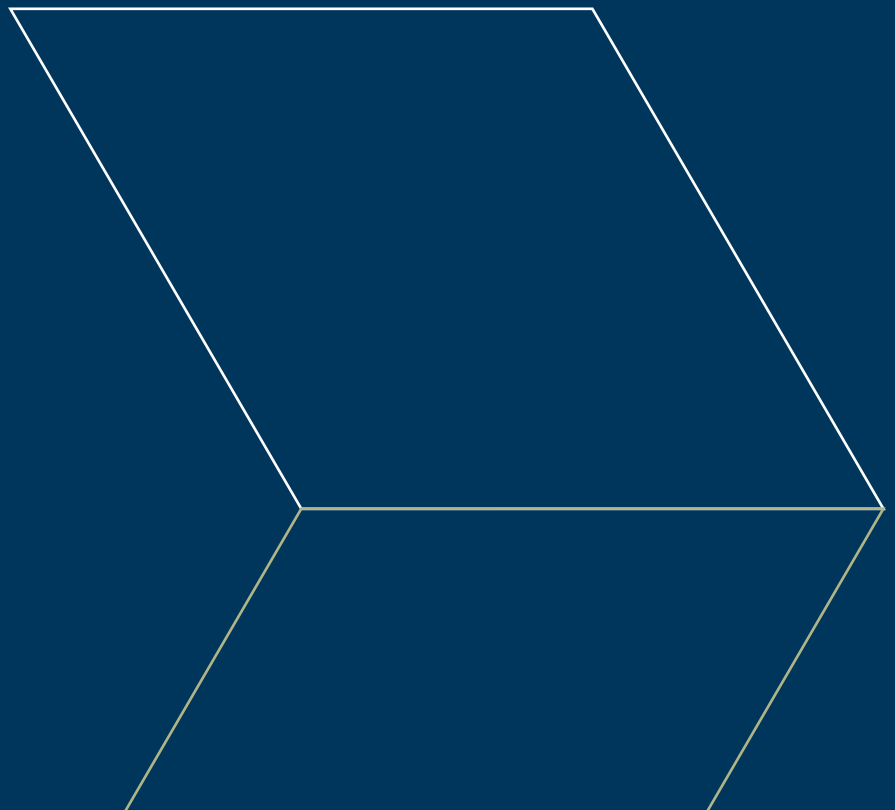
Everything pointed to a scam and it was time to act. The CSA's IFTF mobilized, initiating a cross-Canadian effort to disrupt the fraud.

The IFTF obtained the names and contact information of 1,300 Canadians who had sent money to recipients associated with the fraudulent investment platforms. Investigators divided up the list and began making phone calls, reaching out to each person to prevent further victimization. Of the people contacted, 99 per cent were victims of fraud and many were still in active contact with the scammers and were at risk of losing more money. More than \$3 million had already been lost to the fraud, but the CSA's prompt collaboration and direct outreach to victims prevented many of them from sending additional money to the fraudulent platform.

Cooperation between securities regulators across the country allowed the CSA to add 92 fraudulent investment platforms to our warning lists and collect intelligence on offshore entities suspected of being involved in online investment scams. The IFTF also closed a channel that scammers used to transfer victim funds out of Canada.

In addition, the CSA issued an investor alert about the online investment scam. These types of alerts are one of the CSA's key mechanisms for informing the public about people or companies who appear to be engaging in activities that may pose a risk to investors.

Although it began with one suspicious post discovered by one investigator, it took CSA members working together to disrupt the sophisticated scam – underscoring how crucial cooperation is in the fight against investment fraud.



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 is modernizing regulations to boost investor confidence and innovation in Canada's capital markets. This includes streamlining annual and interim filings for non-investment fund issuers, introducing an expedited shelf prospectus regime for well-known seasoned issuers, and implementing an access model for electronic prospectus access via SEDAR+. Additionally, the CSA is allowing biennial prospectus filing for continuous distribution funds and enhancing disclosure documents for investment funds based on research and feedback.

Streamlining continuous disclosure requirements for non-investment fund issuers

In 2021, the CSA published for comment proposed amendments to the continuous disclosure requirements for non-investment fund reporting issuers. These amendments would streamline and clarify issuers' annual and interim filings. They would also promote

clear information and eliminate duplicative and overlapping disclosure in financial statements, the management discussion and analysis and the annual information form, where applicable, and combine them into one reporting document for each reporting period. In addition, the CSA has implemented an access model for prospectuses for non-investment fund reporting issuers. In 2022, the CSA published for comment an access model for certain continuous disclosure. The CSA is currently considering the feedback received in response to the consultation and the evolving needs of the marketplace. We expect that the access model will apply to the annual and interim disclosure statement. The CSA anticipates that the amendments that would introduce the annual and interim disclosure statements will be implemented following the advancement of the new access model.

Alternative offering system for Canadian well-known seasoned issuers

On September 21 2023, the CSA published for public comment a proposed regulatory framework to enable well-known seasoned issuers (WKSIs) to raise capital through public markets. The proposed amendments will reduce regulatory burden and foster capital-

raising by WKSIs in the Canadian capital markets. Issuers who meet the qualification criteria and specific conditions can submit a final base shelf prospectus directly and will be considered to have received approval for it without needing to submit a preliminary base shelf prospectus or undergo regulatory review beforehand. The prospectus receipt will be effective for a period of 37 months from the date of its deemed issuance, subject to the issuer reassessing its qualifications to use the WKSI regime annually. The CSA is reviewing the comments received in response to the publication for comment.

Access models for corporate issuers and investment funds

Corporate issuer: In April 2024, the CSA implemented amendments and changes to several national instruments and companion policies introducing an access model for prospectuses for non-investment fund reporting issuers (the Access Model). The purpose of the Access Model is to modernize the way investors can access prospectuses and to provide a more cost-efficient, timely and environmentally-friendly option for communicating information to investors. Under the Access Model, which is not mandatory, a reporting issuer will satisfy the conditions of an exemption from the requirements under securities legislation to send a prospectus (in British Columbia, Québec and New Brunswick), or will satisfy the delivery requirement under securities legislation (in the other CSA members' jurisdictions) by providing public electronic access to a prospectus and alerting investors, where applicable, that the document is accessible through SEDAR+. The Access Model continues to allow investors to request a copy of a prospectus in electronic or paper form. In 2022, the CSA published for comment an access model for certain

continuous disclosure documents. The CSA is currently considering the feedback received in response to the consultation and evolving needs of the marketplace.

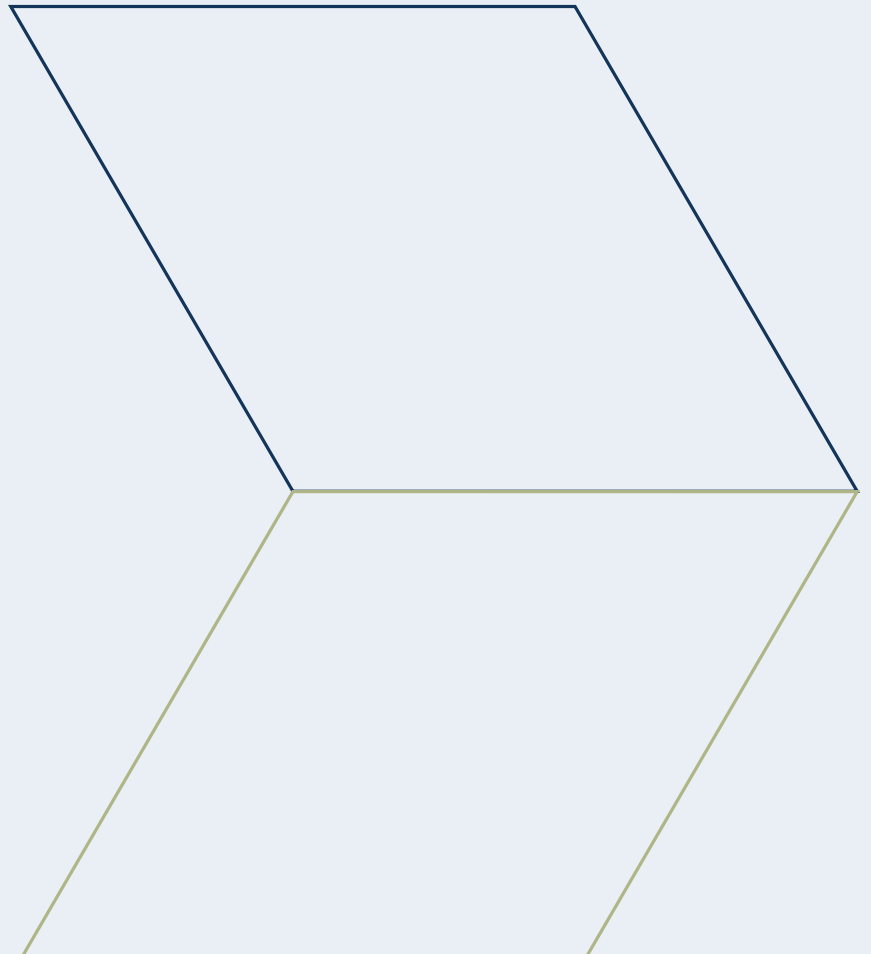
Investment funds: The CSA had previously published for comment proposed amendments that would provide an alternative to delivering financial statements and management reports of fund performance for investment fund reporting issuers. The CSA has reviewed the comments received in response to this consultation and is currently conducting additional research and industry consultations to explore different options and formulate policy recommendations.

Modernizing prospectus filing system for investment funds

The CSA had previously published for comment proposed amendments to modernize the prospectus filing model for investment funds without affecting the currency or accuracy of information available to investors. The proposed amendments would allow investment funds in continuous distribution to file a new prospectus every two years instead of on an annual basis as they currently do, and would repeal 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. The CSA is finalizing the amendments and executing system changes required to implement these amendments.

Modernizing continuous disclosure for investment funds

Following initial research and investor testing, the CSA is preparing rule amendments to modernize continuous disclosure for investment funds and improve investment fund continuous disclosure documents for all stakeholders, including investors and the investment fund industry.



STRATEGIC GOAL 6

Promote integrity and financial stability through effective market oversight

SUMMARY

Effective market oversight is key to supporting stable Canadian capital markets. To support this objective, the CSA undertakes regulatory and operational projects focused on key areas, including short-selling and facilitating access to real-time market data products and services by retail investors and their advisors.

Finalizing and implementing over-the-counter (OTC) derivatives framework

On September 28, 2023, the securities regulatory authorities of Alberta, Manitoba, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island, Quebec, Saskatchewan, and Yukon adopted Multilateral Instrument 93-101 *Derivatives: Business Conduct* and Proposed Companion Policy 93-101 CP *Derivatives: Business Conduct* setting out a comprehensive regime for regulating the business conduct of dealers and advisors in the OTC derivatives market. The rule, which will come into force on September 28, 2024, establishes fundamental obligations for dealers and advisors that are

aligned with international standards and include requirements related to fair dealing, conflicts of interest, suitability, reporting non-compliance, and record-keeping. The BCSC intends to adopt a substantially similar rule at a later date. In addition, the CSA reviewed the comments submitted in response to the consultation on proposed amendments to trade reporting rules incorporating harmonized international derivatives data standards developed by the IOSCO Committee on Payments and Market Infrastructure. It is preparing the amendments for adoption. Finally, the CSA conducted research and is currently preparing to publish for comment proposed amendments to National Instrument 94-101 *Mandatory Central Counterparty Clearing of Derivatives*, updating the list of OTC derivatives that are mandated to be cleared by a central counterparty.

Assessing the listing function of exchanges

The CSA worked with the Canadian Securities Exchange (CSE) to update its listing policies of the Canadian Securities Exchange to reflect its growth in listing and expansion as a senior exchange. These changes will ensure that the CSE will achieve CSA's expectation in respect of an exchange acting as a gatekeeper in relation to its listed issuers.

Analyzing developments in short-selling

On November 16, 2023, the CSA and CIRO published a summary of a public consultation on the current regulatory framework for short-selling in Canada in CSA/CIRO Staff Notice 23-332 *Summary of Comments and Responses to CSA/IIROC Staff Notice 23-329 Short Selling in Canada*. The CSA and CIRO received comment letters from a wide range of stakeholders, including industry associations, exchanges, dealers, issuers, and investors, which demonstrated that there was no consensus on the appropriate regulatory regime for short-selling. Some commenters believed the current rules governing short-selling were adequate and needed only minor amendments, if any. Others believed that more substantial amendments were needed. In addition to the comment summaries, Staff Notice 23-332 outlined potential areas for further study and the following next steps:

- CIRO is working on clarifying and strengthening its existing requirement to have a reasonable expectation to settle a short-sale trade on the settlement date. In January 2024, CIRO published for comment a rule proposal and will soon commence the approval process.
- CIRO and the CSA have created a working group to examine short-selling issues in the Canadian market context more broadly, beginning with an analysis of potential mandatory close-out or buy-in requirements.

Implementing the T+1 settlement cycle

The CSA published final amendments to National Instrument 24-101 *Institutional Trade Matching and Settlement* and changes to the Companion Policy on December 14, 2023. The amendments reflect the upcoming shortening

of the standard settlement cycle for equity and long-term debt market trades in Canada from two days after the date of a trade (T+2) to one day after the date of a trade (T+1). The move to a T+1 settlement cycle in Canada occurred on May 27, 2024, the same day the amendments came into force. This timing was closely aligned with the move to T+1 in the United States on May 28, 2024, and associated regulatory changes.

Overseeing issues relating to the Canadian Dollar Offered Rate (CDOR)

The CSA had previously issued a staff notice announcing the upcoming cessation of the Canadian Dollar Offered Rate (CDOR) by its administrator, Refinitiv Benchmark Services (UK) Limited (RBSL), which would proceed in two stages, with the final CDOR cessation date on June 28, 2024. The staff notice also provided market participants with information about the two-stage transition period, alternative rates expected to be used by most derivative contracts and securities currently referencing CDOR, transition arrangements for new and existing instruments, and provided guidance on fallback language, written transition plans for certain market participants, prospectuses, as well as the expected cessation of the issuance of Bankers' Acceptances in connection with the cessation of CDOR, and replacement products. In addition, the CSA published for comment proposed amendments to Multilateral Instrument 25-102 *Designated Benchmarks and Benchmark Administrators*, relating to the assurance reports required for designated benchmark administrators of, and benchmark contributors to, designated critical benchmarks and designated interest rate benchmarks. Finally, on June 6, 2024, Staff of the OSC, Autorité des marchés financiers (AMF), BCSC and ASC published CSA Multilateral Staff Notice 25-312 *Reminder*

of *Cessation of CDOR* on June 28, 2024 to remind market participants that CDOR will cease to be published, describing the transition arrangements and referring to the guidance issued by the Canadian Alternative Reference Rate group published on April 30, 2024.

Update regarding Canadian real-time equities market data

The CSA published CSA Staff Notice 21-334 *Next Steps to Facilitate Access to Real Time Market Data* on April 18, 2024, summarizing the comments received in response to the consultation paper published in November 2022, and advising market participants of the measures already taken and the next steps to address access to real-time market data. In particular, the OSC has implemented an enhanced transparency regime for the marketplaces it regulates, by requiring that marketplaces publish proposals related to real-time market data products and services for feedback. The ASC and the BCSC will consider whether to apply a similar approach to the TSX Venture Exchange. In addition, the CSA announced that it will pursue further study through industry committees on the data fees methodology, ways to facilitate access to real-time market data products and services by retail investors and their advisors, and standardization of key terms and definitions for agreements to access consolidated real-time market data products. The CSA further clarified that the industry committees involved in these studies will proceed based on a staggered approach and will be chaired by consultants retained by the CSA. The CSA invited industry stakeholders

interested in participating in the industry committee on the data fees methodology to submit their expressions of interest.

Reviewing the rules relating to special transactions

The CSA has completed research and informal consultations aimed at reviewing the rule protecting minority security holders in special transactions. The CSA is currently preparing to publish for comment proposed amendments to Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* as well as updated guidance to clarify the role of boards of directors and/or special committees of independent directors and enhance disclosure obligations.

Reviewing the early warning reporting regime

The CSA has conducted research and informal consultations and is currently preparing to publish for comment proposed targeted amendments to National Instrument 62-104 *Take-Over Bids and Issuer Bids* as well as guidance aimed at enhancing the early warning reporting regime.

OTHER SIGNIFICANT ACHIEVEMENTS

While the CSA structures our strategic goals according to the three-year Business Plan, we maintain an agile approach and remain 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 has completed or has undertaken several initiatives in addition to the projects outlined in the 2022-2025 Business Plan.

INVESTMENT FUNDS

Review of exchange-traded funds

The CSA initiated a review of exchange-traded funds (ETFs), which comprise approximately 15 per cent of total publicly offered investment fund assets in Canada, to assess whether the current regulations applicable to ETFs remain appropriate, focusing on the unique features of ETFs, such as secondary market trading, creation and redemption of ETF units by authorized dealers and the arbitrage mechanism.

Research on impact of Client Relationship Model amendments on investment industry and investor behaviour

The CSA published the results of the post-implementation review of the impacts of the Client Relationship Model 2 (CRM2) annual cost and performance reports on investment fees and performance and investor behaviour. The research looked at trends in investment fund fees and risk-adjusted, gross performance over 2013-2020, which included the period before and after the CRM2 amendments took effect. The main findings of the reports have shown that management expense ratios and management fees decreased for both mutual funds and ETFs, while investment performance improved over the study period.

ONGOING REPORTING OBLIGATIONS AND CORPORATE GOVERNANCE

Women on boards and in executive officer positions

The CSA published the results of our ninth annual review of the corporate governance disclosures of 602 non-venture issuers. The review focused on disclosure requirements regarding the representation of women on

boards and in executive officer positions, published by securities regulatory authorities in Alberta, Manitoba, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Quebec, and Saskatchewan.

OSC and AMF multilateral continuous disclosure review of investment fund managers and guidance for Independent Review Committees

OSC and AMF published a multilateral review of continuous disclosure filings of investment funds managed by 24 Investment Fund Managers, including conventional mutual funds, ETFs, scholarship plans and alternative funds, whose principal regulator is either OSC or AMF. The OSC and AMF also provided guidance to further enhance and support the role of Independent Review Committees under National Instrument 81-107 *Independent Review Committee for Investment Funds*.

Guidance on virtual shareholder meetings

The CSA provided updated guidance for reporting issuers on virtual shareholder meetings following the initial guidance provided in February 2022, including guidance on disclosure to shareholders on how to access and participate in virtual meetings and on facilitating shareholder participation in virtual meetings.

Canadian roundtable on audit quality

The CSA, jointly with the Canadian Public Accountability Board and OSFI, co-hosted the annual Canadian Audit Quality Roundtable, which discussed risks impacting external audits, the role of governance, implementation of the new Canadian auditing standard on quality management

systems, fraud detection and prevention, developments in sustainability and climate-related disclosure reporting standards and practices, and risks related to emerging technologies, including artificial intelligence, among other topics.

TAKEOVER BIDS

International Takeover Regulators' Conference

The CSA hosted the seventh International Takeover Regulators Conference and welcomed representatives from all over the world. The three-day conference provided an opportunity to discuss issues of common interest, cultivate networks among regulatory staff, and foster collaboration and information sharing among regulators on mergers and acquisitions (M&A). These meetings facilitate consultation on transactional and policy matters that have cross-border aspects and provide regulators with a better understanding of how M&A transactional and policy issues are dealt with in different jurisdictions. This year's conference tackled topics including acting jointly and in concert, insider participation in control transactions, dual class share structures, and shareholder activism.

APPENDIX:

Enforcement statistics

This Appendix presents CSA members' enforcement activity across several categories for fiscal year 2023-2024 (April 1, 2023, to March 31, 2024). 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 served a statement of offence.

Type of offence	Number of respondents
Illegal distribution	27
Illegal insider trading	–
Market manipulation	9
Disclosure violations	13
Fraud	16
No-contest settlements	–
Misconduct by registrants	11
Public interest violations and other misconduct	7
Total	83

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).

	Referrals	Assistance
Total cases	69	57

CONCLUDED MATTERS

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

Type of offence	Number of respondents
Illegal distribution	41
Illegal insider trading	3
Market manipulation	3
Disclosure violations	29
Fraud	22
No-contest settlements	–
Misconduct by registrants	18
Public interest violations and other misconduct	25
Total	141*

*The FY2023-2024 results have been updated in January 2025.

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	\$12,474,900
Illegal insider trading	\$600,000
Market manipulation	\$1,055,000
Disclosure violations	\$7,475,000
Fraud	\$1,775,000
Public interest violations and other misconduct	\$1,405,000
Misconduct by registrants	\$2,773,500
Total	\$27,558,400

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	\$44,013,179
Illegal insider trading	–
Market manipulation	–
Disclosure violations	\$26,203,959
Fraud	\$5,437,542
Public interest violations and other misconduct	–
Misconduct by registrants	–
Total	\$75,654,680

JAIL TERMS

Number of cases	Number of individuals	Total jail term
Securities Act	3	2 years
Criminal Code	3	14.5 years
Total	6	16.5 years

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.

CRIMINAL CASES COMMENCED

	Number of cases	Number of individuals
Total	3	3

CRIMINAL CASES COMPLETED

	Number of cases	Number of individuals
Total	5	5

PREVENTATIVE AND DISRUPTIVE MEASURES

CSA members protect investors by issuing or obtaining interim 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.

INTERIM ORDERS

	Number of orders	Number of respondents
Total	23	64

ASSET-FREEZE ORDERS

	Number of orders	Number of respondents	Amount frozen at the date of the order
Total	17	45	\$9,021,434

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.

	Investor alerts issued
Total	1,054

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.

BANNED FROM THE CAPITAL MARKETS

	Number of individuals	Number of companies	Total number
Total	64	39	103

BANNED PERMANENTLY

	Number of individuals	Number of companies	Total number
Total	36	31	67

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.

	Number of individuals	Number prosecuted in court
Total number	8	5

Of the five individuals prosecuted before the courts, two received jail time.

WHISTLEBLOWER PROGRAMS

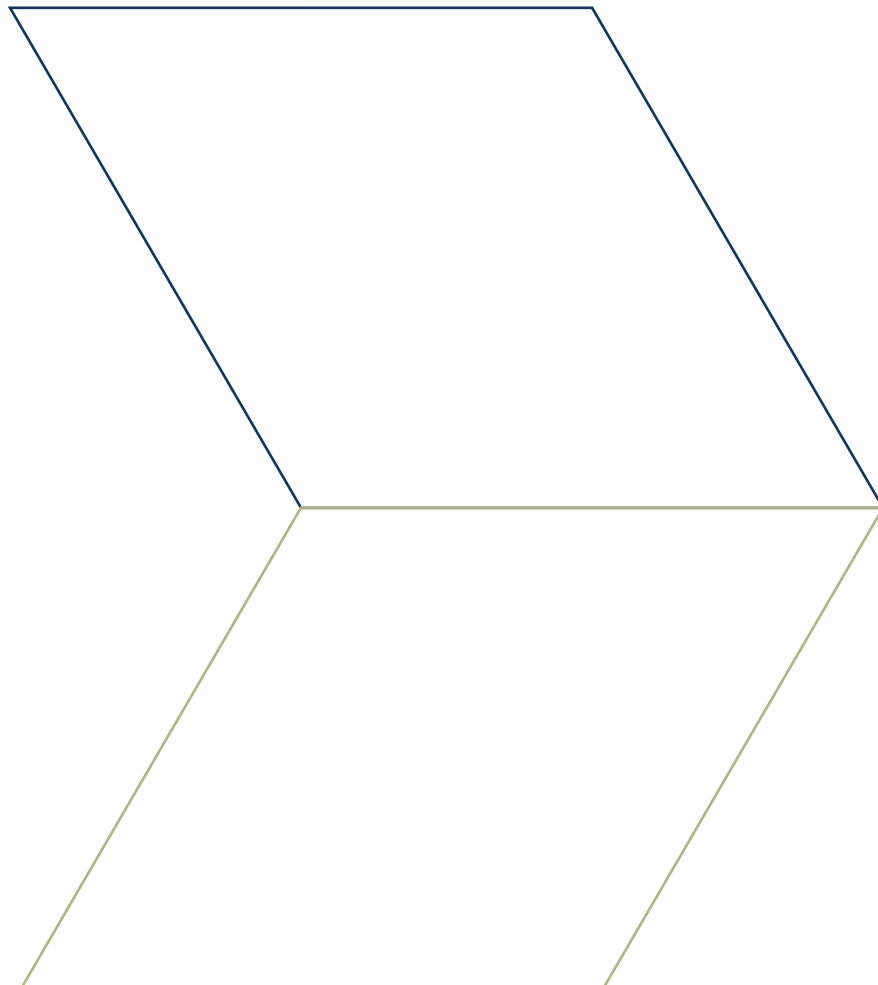
Several CSA members have whistleblower programs that enable individuals and employees to report possible securities laws violations. These programs offer key protections, including confidentiality, the option to report anonymously and anti-reprisal measures. These innovative programs continue to provide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

Whistleblower tips received	
Total number	468

[Click here to go back to](#)



[the Enforcement Spotlight.](#)



CSA/ACVM

Canadian Securities Administrators
Autorités canadiennes en valeurs mobilières

