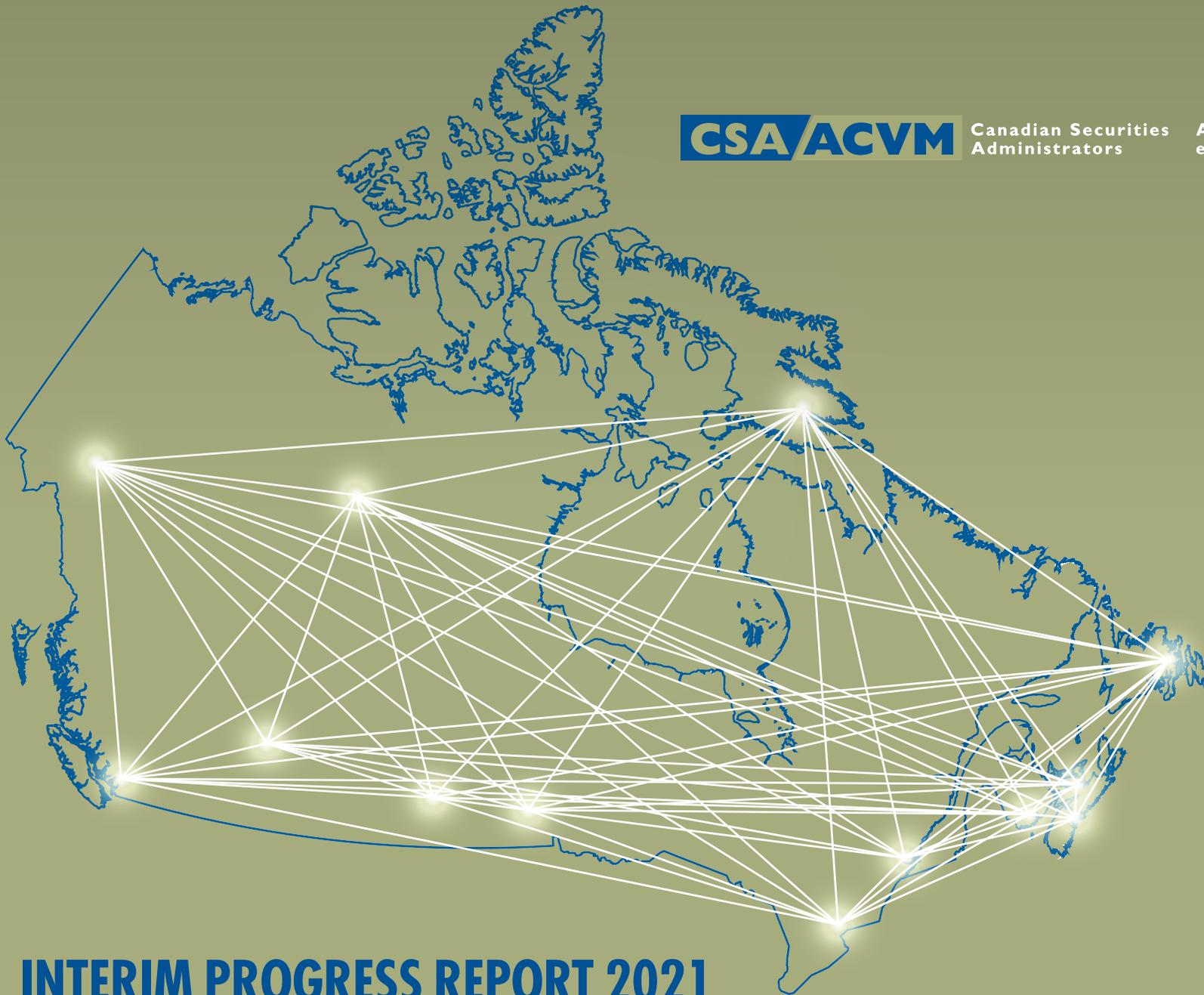




Canadian Securities  
Administrators

Autorités canadiennes  
en valeurs mobilières



# INTERIM PROGRESS REPORT 2021

CSA 2019-2022 BUSINESS PLAN AND OTHER POLICY INITIATIVES

## INTRODUCTION

The CSA is the umbrella organization 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 to secure close collaboration in the delivery of regulatory programs and securities law enforcement.

On June 13, 2019, the CSA published its Business Plan for 2019-2022, which outlined the CSA priorities over the next three-year period, reflecting CSA members’ commitment toward the continued protection of investors from unfair, improper and fraudulent practices, the ongoing efficient functioning of capital markets, and the reduction of risks to market integrity and maintaining investor confidence in the markets.

The CSA published the first interim report on its Business Plan on June 30, 2020. Now, the CSA is publishing the second interim progress report to continue providing additional transparency and accountability on its achievements and tasks at hand. In the past year, the CSA continued to pursue its goals under the Business Plan while also focusing on unique challenges and uncertainties brought by the COVID-19 pandemic and other important market and regulatory developments.

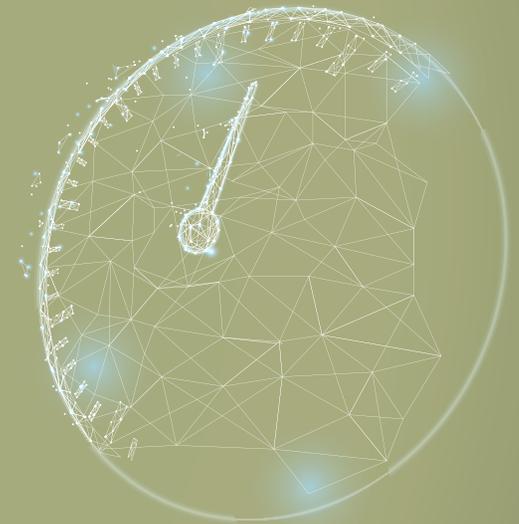
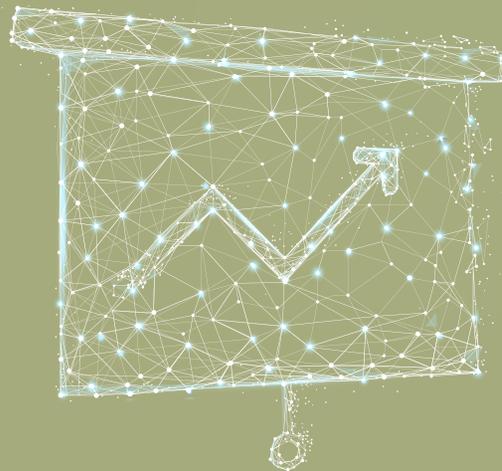
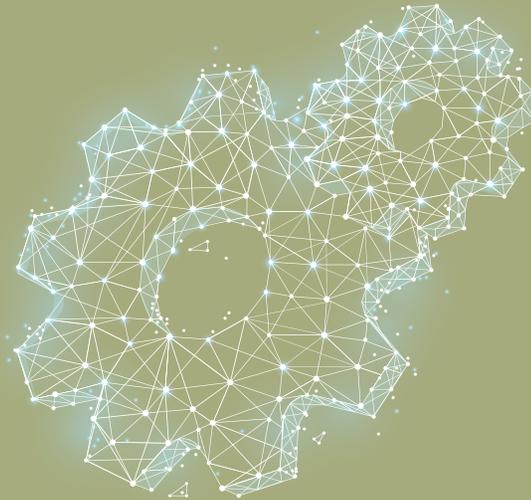
### **This report consists of three parts:**

**Part 1** provides an interim progress report on the strategic goals and initiatives under the CSA 2019-2022 Business Plan;

**Part 2** includes CSA accomplishments outside of the Business Plan; and

**Part 3** provides an overview of regulatory work the CSA intends to undertake within the next year.

In the upcoming year, the CSA will initiate its strategic planning process to develop the next business plan for the 2022-2025 period.



## **PART 1 – PROGRESS REPORT UNDER THE CSA 2019-2022 BUSINESS PLAN**

| CSA PRIORITIES   | STATUS  | ACHIEVEMENTS   |
|--|---|--|
| <b>Enhanced Investor Protection</b>  |   |  |
| <b>Strategic goal 1 – Enhance the advisor-client relationship and the registrant conduct rules to improve investor protection</b>  |   |  |
| <p><b>To achieve this strategic goal, the CSA undertook to enhance the advisor-client relationship, promote investment fund fee transparency, reduce fund embedded commissions and related conflicts, develop a regulatory framework to address financial exploitation and cognitive impairment, and strengthen the powers of the Ombudsman for Banking Services and Investments (OBSI).</b></p> | <p>Completed</p>  <p>(pending coming into force)</p> | <p><b>Client Focused Reforms:</b> The CSA had previously reported that final rule amendments to implement the Client Focused Reforms, including the relationship disclosure provisions, would come into effect over a period of time through December 31, 2021. The CSA is providing guidance to industry stakeholders relating to the implementation of the Client Focused Reforms. To that end, we have launched an interactive web page on the CSA website, where we provide the list of pertinent publications, guidance and answers to frequently asked questions. The CSA will continue pursuing other reforms to enhance advisor-client relationships.</p>  |
|  | <p>In progress</p>                                   | <p><b>Client-facing Registrant Title Research:</b> the Client-Focused Reforms, once they come into effect on December 31, 2021, will, among other requirements, prohibit the use of misleading registrant titles. In addition, the CSA is conducting research and consulting with stakeholders regarding the client-facing titles used by registered individuals in order to understand the current state of titles usage in Canada and to formulate recommendations on next steps.</p>  |
|  | <p>Completed</p>  <p>(pending coming into force)</p> | <p><b>Ban on Trailing Commissions for Order-Execution-Only Dealers:</b> The CSA published in final form a rule that prohibits the payment of trailing commissions by fund organizations to dealers who only execute orders and do not provide advice or make a suitability determination, such as order-execution-only dealers. The rule will come into effect on June 1, 2022. On the same date, rules implementing a ban on deferred sales charges on mutual funds will come into effect across all CSA jurisdictions, following the May 7, 2021 Ontario Securities Commission’s announcement that it would join the rest of the CSA. While this transition period was deemed necessary to allow dealer firms and representatives to adapt their systems and processes to comply with these new rules, the CSA strongly encouraged investment fund managers and order-execution-only dealers to accelerate their transition away from mutual fund series with trailing commissions.</p>  |
|  | <p>In progress</p>                                 | <p><b>Full Cost Disclosure and Product Performance Reports for Segregated Funds and Investment Funds:</b> The CSA continues collaborating with the Canadian Council of Insurance Regulators (CCIR) on a regulatory project to ensure a consistent approach to disclosure to investors of all relevant information related to costs and performance by investment funds and segregated funds. On June 10, 2021, the CSA, together with other Joint Forum of Financial Regulators members, held two roundtables with industry associations and investor advocates to gain executive-level insight into relevant issues and create the most propitious conditions for the project to succeed.</p> <p><b>Financial Exploitation and Cognitive Impairment:</b> The CSA has reviewed and analyzed comments received on proposed amendments introducing rules for dealing with investors having diminished mental capacity and potential financial exploitation of older or vulnerable clients, and is preparing to adopt the final rules in the summer of 2021. The amendments will come in effect on December 31, 2021.</p> |

| CSA PRIORITIES | STATUS   | ACHIEVEMENTS  |
|----------------|--|---|
|                | <p>In progress</p>  | <p><b>Strengthening OBSI Powers:</b> National Instrument 31-103 <i>Registration Requirements, Exemptions and Ongoing Registrant Obligations</i> makes the Ombudsman for Banking Services and Investments (OBSI) available to clients as an independent dispute resolution service in all provinces and territories other than Québec. However, registered firms are not bound by an OBSI recommendation that the firm compensate the client. There have been a number of instances where firms have refused to compensate complainants when OBSI has recommended compensation or have paid less than the full amount recommended by OBSI. Further, the lack of binding authority may act as a deterrent for clients to escalate their complaints to OBSI. The CSA has renewed its focus on strengthening the OBSI as an independent dispute resolution service provider and developing and recommending a binding authority framework that is fair, efficient and accessible. The CSA is reviewing the current OBSI decision processes, legal issues related to binding decision authority framework, and international best practices, which will be taken into account in its recommendations for next steps.</p> |

**Strategic goal 2 – Deliver programs and expand outreach to increase awareness of CSA investor education initiatives and messaging**

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|---|--|---|
| <p><b>The CSA undertook to enhance relevance and resonance of CSA investor education messaging, expand the visibility of its investor education messages and increase awareness of emerging matters</b></p> | <p>In progress</p>  | <p>The CSA continues to provide relevant investor education and conduct research on investor knowledge, preferences and behavior with the view of strengthening investor protection and enhancing relevance and resonance of its education messaging. In the past year, the CSA published findings from a four-year research study that assessed investors’ awareness of fees and the performance of their investments, and their interaction with advisers. The CSA also published the Investor Index survey, which evaluated investment knowledge and behaviour and incidences of investment fraud among Canadians. The CSA continued developing innovative investor education initiatives designed to make Canadians aware of fraudulent or abusive schemes and emphasize the importance of caution, diligent research and checking registration when making investment decisions. This year the CSA introduced a new recurring campaign, <i>Investor School</i>, which introduces investing audiences to basic investing concepts such as fees. It published several investor alerts, such as an alert on a scam using fake regulatory accreditation and a fraudulent scheme purporting to be an investment opportunity offered by a reputable investment fund.</p> |
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| CSA PRIORITIES   | STATUS  | ACHIEVEMENTS  |
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| <b>Strategic goal 3 – Enhance enforcement and deterrence effectiveness</b>   |   |   |
| <p><b>To achieve this goal, the CSA is working on a number of initiatives to improve market analytics capacity, strengthen enforcement technology capabilities and strategies, identify and respond to emerging issues and threats and explore new opportunities with federal agencies</b></p> | <p>Completed</p>  <p>(phase 1)</p> <p>In progress</p>  <p>(future phases)</p> | <p><b>Market Analysis Platform (MAP):</b> In October 2020, the CSA successfully implemented the first phase of the financial market analysis platform (MAP). MAP collects market and regulatory data into a repository with advanced tools for analysis and visualization for the purpose of enforcement investigation of insider trading and market abuse cases as well as research and policy development. The first phase focused on equity securities traded on Canadian marketplaces while listed derivatives are in the process of being included. Future phases will expand advanced analytics and integrate automated detection of potential market offenses.</p>   |
|  | <p>In progress</p>   | <p><b>Enforcement technology capabilities:</b> The CSA facilitates regular, cooperative information sharing on the use of technology by enforcement staff, for such purposes as electronic evidence management, eDiscovery, advanced analytics, surveillance, and work product management issues. CSA enforcement staff identifies technology trends and monitors developments in the field of computer science (i.e. artificial intelligence and machine learning) with a focus on the development and implementation of detection tools. Over the past year, the CSA enhanced enforcement staff’s knowledge on Amazon Web Services digital forensics and data mining.</p> <p><b>Investment Fraud Task Force (IFTF):</b> this task force identifies and addresses a wide range of emerging threats which currently include frauds and scams related to COVID-19, cryptocurrency, ICOs and Forex fraud. The IFTF strategies for disrupting, deterring and preventing investment fraud and addressing other emerging threats include developing tools and best practices to investigate the ecosystem; educating advertisers; engaging financial facilitators; engaging with law enforcement and other agencies; and fostering and supporting effective investor education. The IFTF has continued monitoring the market activity related to digital asset marketplaces and products to identify new frauds and scams.</p> |
|  |   | <p><b>Cooperation with Federal Agencies:</b> The CSA has been holding discussions with representatives of the RCMP Integrated Market Enforcement Team (IMET), seeking to improve coordination with the RCMP on securities-related white-collar crime matters. The CSA is also pursuing enhanced cooperation with financial institutions to help ensure that the work we undertake will best protect Canadians from investment fraud related victimization.</p>  |

| CSA PRIORITIES   | STATUS   | ACHIEVEMENTS   |
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| <b>Fair and Efficient Markets</b>  |  |  |
| <b>Strategic goal 4 – Promote financial stability and reduce systemic risk through effective market oversight</b>  |  |  |
| <p><b>To achieve this goal, the CSA has undertaken to implement the regulatory framework for over-the-counter derivatives and benchmarks and to develop a plan for testing the CSA Market Disruption Coordination Plan</b></p> | <p>Completed</p>    | <p><b>Testing of the Market Disruption Coordination Plan:</b> Cybersecurity and stability of the markets remain key priorities for the CSA. The CSA developed the CSA Market Disruption Coordination Plan, which includes steps for information sharing and coordination among CSA jurisdictions in the event of a large-scale market disruption, and subsequently tested the Plan. The CSA will continue to periodically update and test the Plan. The CSA also participates in Canada-wide and international business continuity planning tests and cybersecurity exercises.</p>   |
|  | <p>In progress</p>    | <p><b>Over-the-Counter (OTC) Derivatives:</b> The CSA continues working on numerous regulatory initiatives aimed at enhancing the supervision of the OTC derivatives markets to mitigate and reduce systemic risk in Canada and ensure that Canada complies with its international commitments. In the past year, the CSA published for second comment period proposed amendments to National Instrument 94-101 <i>Mandatory Central Counterparty Clearing of Derivatives</i> and proposed changes to the accompanying Companion Policy. In addition, it published CSA Staff Notice 95-302 <i>Margin and Collateral Requirements for Non-Centrally Cleared Derivatives</i>. It also recently published CSA Staff Notice 94-304 <i>Frequency of the filing of Form 94-102F3 Customer Collateral Report: Regulated Clearing Agency</i>. At the same time, Ontario published final amendments to its rule and the other CSA members published blanket orders to exempt counterparties from filing the report monthly and instead mandating quarterly filing. CSA members also continue working on proposed National Instruments 93-101 <i>Derivatives: Business Conduct</i> and 93-102 <i>Derivatives: Registration</i>. Finally, the CSA is preparing to publish for comment proposed amendments to Multilateral Instrument 96-101/91-507 <i>Trade Repositories and Derivatives Data Reporting</i> to reflect international changes in the data fields and responsibilities of trade repositories.</p> |
|  | <p>Completed</p> <br><p>(financial benchmarks)</p> <p>In progress</p> <br><p>(commodities benchmarks)</p> | <p><b>Benchmarks:</b> The securities regulatory authorities of British Columbia, Alberta, Saskatchewan, Ontario, Québec, New Brunswick, and Nova Scotia adopted final rules establishing a comprehensive regime for the designation and regulation of benchmarks and their administrators and providing a framework for the regulation of persons or companies that contribute data used to determine a designated benchmark. The participating CSA jurisdictions further announced their intent to designate the Canadian Dollar Offered Rate (CDOR) as the sole designated benchmark and Refinitiv Benchmarks Services Limited (RBSL) as its administrator upon the implementation of the new rules. The CSA also published a staff notice informing market participants of recent developments regarding interest rate benchmarks. Finally, the securities regulatory authorities of British Columbia, Alberta, Saskatchewan, Ontario, Quebec, New Brunswick and Nova Scotia published for comment a proposed framework for the designation and regulation of commodity benchmarks and their administrators.</p>  |

| CSA PRIORITIES  | STATUS   | ACHIEVEMENTS   |
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| <b>Strategic goal 5 – Enhance fairness and ensure equal access to capital markets for all participants</b>  |  |  |
| <p><b>The CSA has undertaken a number of initiatives to achieve this goal, including the internalization review, examining the role of exchanges in issuer regulation and the trading fee rebate pilot study.</b></p> | <p>Completed</p>  | <p><b>Internalization Review:</b> Following the publication of a joint consultation paper on internalization in the Canadian equity markets, the CSA and the Investment Industry Regulatory Organization of Canada (IIROC) reviewed stakeholders' comments and published a joint staff notice outlining issues and concerns and providing conclusions and recommendations for next steps. Internalization generally refers to trades that are executed with the same dealer as both the buyer and the seller, with the dealer either acting as an agent for its clients on both sides of the trade, or trading as principal and taking the other side of a client order. The CSA and IIROC announced that they will continue to monitor the data on an ongoing basis and will consider appropriate responses if there are any indications that changes to internalization practices, including internalization that is enabled through the use of dealer systems, may be impacting Canadian market quality in a negative way.</p> <p><b>Examining the Role of Exchanges in Issuer Regulation:</b> The CSA conducted a review of exchange practices for issuers that become public companies through a reverse takeover (RTO) transaction or a direct listing on an exchange. In contrast to initial public offerings (IPO), which are reviewed by the issuer's Principal Regulator, RTOs and direct listings are generally reviewed by the listing exchange. The CSA review evaluated Canadian venture exchange (TSX-V and CSE) review practices and the quality of disclosure in the documents (e.g. information circular, listing statement, filing statement) used by an issuer in RTOs and direct listings. A number of deficiencies were identified in the review; however, there was no indication of significant investor protection issues. The CSA used the findings from this review to recommend changes to issuer disclosures in the RTO context that are substantively consistent with securities law requirements, ensuring that the exchange review procedures are sufficiently robust to enable it to identify and remedy significant disclosure deficiencies. The CSA communicated the results of the review and addressed identified deficiencies with the TSX-V and CSE both verbally and in writing.</p> |
|   | <p>Closed</p>   | <p><b>Trading Fee Rebate Pilot Study:</b> The CSA had previously published a staff notice outlining the planned pilot study that would analyze the effects of the prohibition of marketplace trading fee rebate payments on market participants. The CSA indicated that proceeding with the pilot study was conditional on a similar study being implemented by the Securities and Exchange Commission (SEC) in the United States. However, due to a U.S. court decision that vacated the SEC rule related to the pilot study, the SEC halted its study and therefore, the CSA will not be moving forward with the pilot study in Canada.</p>  |

| CSA PRIORITIES  | STATUS   | ACHIEVEMENTS  |
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| <b>Strategic goal 6 – Respond to technology-related emerging regulatory issues</b>  |  |   |
| <p><b>The CSA has undertaken a number of initiatives, such as considering the implications of activist short selling, proposing a regulatory regime for crypto-asset trading platforms, and custodial requirements in relation to crypto-assets</b></p> | <p>In progress</p>  | <p><b>Regulatory Regime for Crypto-Asset Trading Platforms:</b> The CSA published guidance to improve the quality of disclosures provided by issuers that engage materially with crypto assets. It outlines the disclosure expectations of CSA staff in key areas such as safeguarding crypto assets, the use of crypto asset trading platforms, risk factors, material changes and promotional activities. The notice also provides guidance to crypto asset reporting issuers on navigating certain complex accounting and disclosure issues.</p> <p>The CSA and IIROC also jointly published a notice outlining securities law requirements that apply to crypto asset trading platforms. The notice provides guidance on securities law requirements applicable to platforms trading crypto assets that are securities, derivatives, contractual rights or claims to underlying crypto assets. The notice outlines the process for submitting an application to the relevant CSA jurisdictions and IIROC. The guidance also describes interim approaches that may be available to crypto asset trading platforms, which are intended to foster innovation and provide flexibility, while ensuring that the platforms are subject to appropriate regulatory oversight.</p> <p><b>Activist Short Selling:</b> the CSA published a consultation paper seeking comments on potential concerns about activist short sellers targeting Canadian companies and the ability of the existing regulatory framework to address the issue. The consultation paper outlined the Canadian and international regulatory frameworks for activist short selling and described CSA Staff’s findings regarding the nature and extent of activist short selling in Canada. The CSA is reviewing comments received in response to the consultation and preparing recommendations for next steps.</p> |

| CSA PRIORITIES   | STATUS   | ACHIEVEMENTS   |
|--|--|--|
| <b>Streamline Regulation</b>   |  |  |
| <b>Strategic goal 7 – Reduce regulatory burden while maintaining necessary investor protections</b>  |  |  |
| <p><b>To achieve this goal, the CSA undertook ten initiatives aimed at addressing regulatory burden for a broad range of market participants, including public and exempt issuers, investment funds and registrants, to ensure requirements continue to be appropriate, necessary and relevant</b></p> | <p>Completed</p>    | <p>To fulfill various undertakings to reduce regulatory burden for investment funds, non-investment fund issuers and registrants, while maintaining necessary investor protections, the CSA has published the following rules and proposed rules:</p> <p><b>Non-Investment Fund Issuers:</b></p> <ul style="list-style-type: none"> <li>• Final amendments related to the Business Acquisition Report requirements</li> <li>• National Instrument 45-110 <i>Start-up Crowdfunding Registration and Prospectus Exemptions</i> (final publication) and CSA Staff Notice 45-329 <i>Guidance for Using the Start-Up Crowdfunding Registration and Prospectus Exemptions</i></li> </ul>   |
|  | <p>In progress</p>  | <ul style="list-style-type: none"> <li>• Proposed streamlining amendments to National Instrument 51-102 <i>Continuous Disclosure Obligations</i> and Companion Policy</li> <li>• The CSA is also working on a number of initiatives to harmonize the interpretation of “primary business” (which triggers the obligation to file financial statements); develop an alternative offering system; and enhance electronic access to documents</li> </ul> <p><b>Investment Funds:</b></p> <ul style="list-style-type: none"> <li>• The CSA is preparing to implement the final rule amendments aimed at reducing regulatory burden for investment funds</li> </ul> <p><b>Registrants:</b></p> <ul style="list-style-type: none"> <li>• The CSA proposed amendments to National Instrument 33-109 <i>Registration Information</i> to modernize registration information requirements, clarify outside activity reporting and update filing deadlines</li> </ul> |

| CSA PRIORITIES   | STATUS  | ACHIEVEMENTS  |
|--|---|---|
| <b>Enhanced Performance through Information Technology and Data Strategy</b>   |   |   |
| <b>Strategic goal 8 – Enhance information technology capacity and understanding of technological emerging trends</b>   |   |   |
| <p><b>The CSA is pursuing initiatives to replace its National Filing Systems and to implement a Market Analysis Platform</b></p>   | <p>In progress</p>   | <p><b>SEDAR+:</b> The CSA is building SEDAR+, a renewed national system for electronic data analysis and retrieval, which will become an integrated and comprehensive filing system and a simplified point of access for market participants such as issuers, insiders, registrants, and investors. It will be completed in phases: the first phase will replace the National Cease Trade Order Database, the Disciplined List and the current System for Electronic Document Analysis and Retrieval (SEDAR). Subsequent phases will replace the Search for Electronic Disclosure by Insiders (SEDI), the National Registration Database (NRD), the National Registration Search and certain filings made in paper format or in local electronic filing systems. In addition, the CSA is taking steps to carry out regulatory and policy changes to create the necessary legal foundation for SEDAR+. It is preparing to publish in final form a new rule that would require filers to electronically transmit all documents to securities regulators through the new system, subject to certain exceptions, and amendments to the system fee rule. Furthermore, the CSA has been regularly updating an information hub on its website providing an overview of SEDAR+, its status and project phases to keep industry participants up-to-date.</p> <p><b>MAP:</b> The development of the Market Analysis Platform is described above under Strategic Goal 3.</p> |
| <b>Strategic goal 9 – Develop a common data strategy to support effective regulation</b>   |   |   |
| <p><b>To fulfill this strategic goal, the CSA undertook to develop the CSA data management foundation, put this foundation into practice for the CSA National Systems, and develop a common data strategy.</b></p> | <p>In progress</p>  | <p>The CSA has updated and will continue to revisit as needed, a common set of CSA data principles, standards, security, policies and procedures for current and future CSA National Systems, which may be used by local jurisdictions where appropriate. The CSA is also working on these foundational data management areas:</p> <ul style="list-style-type: none"> <li>• identifying the technical, process-related, and human capabilities needed to secure, manage, and maintain CSA data;</li> <li>• documenting a consolidated catalogue of existing CSA data in the CSA National Systems and, where appropriate, jurisdictional systems;</li> <li>• identifying additional data not currently held by the CSA to support regulation such as systemic risk and advanced analytics and devising a strategy to access and manage it accordingly; and</li> <li>• identifying data no longer required to be collected.</li> </ul>  |



## **PART 2 – OTHER SIGNIFICANT ACHIEVEMENTS**

While the CSA structures its strategic goals by adopting a three-year Business Plan, it maintains an agile approach and remains ready to address new issues and challenges presented by evolving capital market conditions. It continues monitoring emerging trends and international developments in areas falling under its mandate and determines 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 2019-2022 Business Plan. Some of these achievements are highlighted below.

## COVID-19 - Related Initiatives

**Investor-Focused Efforts:** CSA members continued publishing regular and timely investor alerts on COVID-19 fraudulent activities and wide-reaching investor-focused social media campaigns and advertisements about current news events or trends and how they may affect the investing public. We also provided up-to-date information on the COVID-19 Information Hub on the CSA website to help investors identify investment fraud and remain aware of the latest regulatory developments. CSA members reminded issuers of the importance of disclosing high quality financial information, given the significant impacts of the pandemic, stressing that investors need meaningful and transparent information.

**Guidance to Issuers on Reporting Impact of COVID-19:** As part of the CSA's biennial report on its continuous disclosure review program, it provided guidance to reporting issuers on furnishing clear disclosure on how COVID-19 is impacting their business, including impact on their operating performance, financial position, liquidity and future prospects.

**Findings of COVID-19 Disclosure Review:** The CSA also published key findings of completed reviews of issuers' COVID-19 disclosure, while providing additional guidance and disclosure examples to assist issuers with reporting on the impacts of COVID-19 to their business and operations. This review demonstrated that a majority of issuers reviewed provided detailed, quality disclosure, including adequate explanation of the impact of COVID-19 on their industry, operations, customers and suppliers and impairments of non-financial assets in light of deterioration in their business since the onset of the COVID-19 pandemic.

## Investor Advocates

**Investor Advocates Meeting:** As an organization with a strong mandate for investor protection, the CSA considered new forms of communication with investor advocates. The CSA invited several investor advocacy groups to present and discuss their key topics of interest in the current regulatory climate. The goal of the Investor Advocates Meeting was to create a space for a constructive dialogue on matters of importance to investors. The CSA recognizes the value in creating a more structured approach to engaging with investor advocates to continuously improve our understanding of Canadian investors' concerns.

## Ontario Capital Markets Modernization Taskforce (Taskforce)

**Responses to the Taskforce Recommendations:** The securities regulatory authorities of British Columbia, Alberta, Saskatchewan, Manitoba, Québec, Nova Scotia, Prince Edward Island, New Brunswick, Newfoundland and Labrador, Nunavut, Northwest Territories and Yukon (the participating CSA members) provided their comments on the Taskforce consultation report, and later published their comments on the final Taskforce recommendations. The participating CSA members noted that a significant number of Taskforce proposals reflected key CSA priorities and ongoing or pending CSA policy projects outlined in the 2019-2022 CSA Business Plan, while other recommendations raised policy topics that have either been addressed in previous CSA policy work or in recently adopted policy changes, or may be considered as part of the CSA's future policy work. However, the participating CSA members also emphasized that a critical opportunity not identified in the Taskforce Report was Ontario's adoption of the passport rule, implemented by all other CSA members to provide market participants with streamlined access to Canada's capital markets. Finally, the participating CSA members also urged caution with respect to several proposals aimed at introducing changes to the enforcement processes, which, if implemented, could reduce the efficacy of the securities regulatory regime in Canada.

## Self-Regulatory Organizations

**SRO Regulatory Framework Review:** Following substantial preparatory analysis, the CSA published a consultation paper seeking feedback on the current self-regulatory organization framework of two SROs, IIROC and Mutual Funds Dealers Association (MFDA), overseen by provincial and territorial securities regulators. The CSA reviewed the comment letters received and met with specific commenters to clarify issues raised and information provided, and obtained additional data from IIROC, the MFDA and the Canadian Investor Protection Fund. The CSA also examined other data and analysis, such as academic publications pertaining to SRO design, operations and best practices, and their applicability to the Canadian capital markets. The CSA is preparing to release a position paper with specific recommendations on the SRO framework this summer.

## Prospectus, Exemptions and Reporting Obligations

**Syndicated Mortgages:** The CSA published final amendments that substantially harmonized the regulatory framework for syndicated mortgages in Canada. The final amendments excluded syndicated mortgages from the private issuer exemption, ensuring they are offered under an exemption more appropriate for this type of security, and removed the prospectus and registration exemptions that applied to syndicated mortgages in certain jurisdictions. The amendments also enhanced investor disclosure through revisions to the offering memorandum prospectus exemption for offerings of syndicated mortgages under that exemption.

**Women on Boards and in Executive Officer Positions and Broader Diversity in Corporate Leadership:** the CSA published the results of its sixth annual review of the disclosure of 610 issuers, which focused on disclosure requirements regarding the representation of women on boards and in executive officer positions. The CSA also announced that it is launching further research and consultations with issuers, investors and other industry stakeholders on broader diversity on corporate boards and in executive officer positions.

**Automatic Securities Disposition Plans (ASDPs):** The CSA published guidance for issuers and insiders on the establishment, use and disclosure of ASDPs, which enable insiders to make preplanned sales of securities of an issuer through a dealer or an arms-length administrator, according to a predetermined schedule and set of instructions. The guidance introduces recommended best practices such as oversight by the issuer, a waiting period prior to the first transaction made under the plan, and meaningful restrictions for amendments, suspension and termination of an ASDP.

**Offering Memorandum Prospectus Exemption:** the CSA published for comment proposed changes to the offering memorandum prospectus exemption, which set out new disclosure requirements for issuers that are engaged in “real estate activities” or issuers that are “collective investment vehicles”.

## Investment Funds

**Liquidity Risk Management:** the CSA published guidance to help investment fund managers develop and maintain effective liquidity risk management frameworks for investment funds, tailored both for normal and stressed market conditions, such as the global financial crisis in 2008 or the COVID-19 pandemic. The CSA also encouraged investment fund managers to consult the Global Liquidity Risk Management Recommendations developed by the International Organization of Securities Commissions (IOSCO).

**Additional Proficiency Options for Distributing Alternative Mutual Funds:** the CSA members issued blanket exemptive orders providing dealing representatives in the MFDA channel and outside the MFDA channel in Québec with additional proficiency options for distributing alternative mutual funds. The blanket relief makes available additional course options, with updated and relevant information on alternative mutual funds, that may be completed instead of the courses required under National Instrument 81-104 *Alternative Mutual Funds*.

## Registrants

**Flexible Chief Compliance Officer (CCO) Arrangements:** the CSA published CSA Staff Notice 31-358 *Guidance on Registration Requirements for Chief Compliance Officers and Request for Comments*, seeking comments on a guidance that would allow firms to implement more flexible CCO arrangements tailored to the needs of small businesses, specialized businesses, and firms with multiple lines of business. These flexible CCO arrangements would reduce the regulatory burden and better align with their operational needs and business models.

## Accounting and Auditing Rules

**Non-GAAP Financial Measures:** The CSA published in final form National Instrument 52-112 *Non-GAAP and Other Financial Measures Disclosure* and the accompanying Companion Policy. This new rule has replaced CSA Staff Notice 52-306 (Revised) *Non-GAAP Financial Measures*, which provided guidance to reporting issuers to ensure that the disclosure of non-GAAP and other financial measures was not misleading.

## Market Regulation

**Joint CSA/IIROC Statement on Market Volatility:** In the midst of significant volatility in some stock movements at the start of 2021, the CSA and IIROC issued a joint statement reassuring market participants and investors that they were closely monitoring the price movement of certain stocks and their impact on volatility in Canada's capital markets and they were ready to take appropriate regulatory action to protect investors if they identified any abusive or manipulative trading activity. They also warned investors to consider the source of information and advice on which they were relying to make investment decisions, to be aware of unregulated online chat rooms and always check the registration of any person or business offering securities or investment advice.



## **PART 3 – REGULATORY AND OPERATIONAL WORK PLANNED FOR THE UPCOMING YEAR**

While the CSA will continue giving priority to the initiatives described in Part 1, it is also prepared to address new issues and challenges presented by evolving capital market conditions. In the upcoming year, the CSA will focus its regulatory efforts on initiatives described below.

Under our enhanced investor protection work, CSA members will complete the implementation work for the Client Focused Reforms and the ban on deferred sales charges on mutual funds and on trailing commissions for order-execution-only dealers; publish final rule amendments addressing financial exploitation of older and vulnerable clients and continue their work on strengthening OBSI as an independent dispute resolution service provider. In collaboration with CCIR, we aim to propose a consistent approach to disclosure of relevant information related to costs and performance by investment funds and segregated funds.

In line with our goal to reduce regulatory burden while maintaining necessary investor protection, we will implement rule changes aimed at the reduction of regulatory burden for investment funds, non-investment fund issuers and registrants, and will implement rule amendments modernizing the offering memorandum exemption.

Additionally, the CSA will publish a position paper outlining our recommendations for the Self-Regulatory Organization regulatory framework and will work to implement these recommendations.

The CSA contemplates implementing a Canadian regulatory regime for the commodity benchmarks. As per our international commitments, we will continue to advance our work on the registration and business conduct rules for derivatives and on amendments to the derivatives trade repositories rule.

CSA members will also be consulting with market participants to determine the evolving needs of Canadian investors for disclosure relating to broader diversity in corporate leadership. Furthermore, the CSA will complete its review of climate-related disclosure in summer 2021, which will update the findings from the similar review conducted in 2017. In addition, a consultation on proposed climate-related disclosures based on the recommendations of the Task Force on Climate-related Financial Disclosures is contemplated in fall 2021.

Finally, the CSA will work on the implementation of the first phase of SEDAR+, which will replace the current SEDAR filing system, the National Cease Trade Order Database and the Disciplined List, and will continue expanding advanced analytical capabilities of MAP.