

## **CSA BUSINESS PLAN**

**2013-2016**

### **Introduction**

This document represents the collective effort by the Canadian Securities Administrators (CSA) to set out, in a clear and comprehensive manner, the priorities that the Canadian Securities Administrators have committed to pursue over the next three years. This document has been approved by the Chairs of each CSA member in June 2013.

### **About the CSA**

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

### *Mission*

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

### *Structure*

As an informal body, the CSA functions through meetings, conference calls and day to day cooperation among the provincial and territorial securities regulatory authorities. The current Chair is Mr. William S. Rice, Q.C., Chair and CEO of the Alberta Securities Commission and the Vice-Chair is Ms. Sarah P. Bradley, Chair and CEO of the Nova Securities Commission.

Oversight and coordination of policy initiatives are the responsibility of the Policy Coordination Committee (PCC), a committee that facilitates decision-making among CSA members. PCC membership consists of the 8 principal regulators<sup>1</sup>. The current Chair of the PCC is the Honourable Howard I. Wetston, Q.C., Chair and CEO of the Ontario Securities Commission. The PCC meets every two weeks by conference call and provides a forum for the timely resolution of policy development issues at the CSA.

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

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

The CSA Standing Committees are the following:

- Chief Accountants
- Communications
- Corporate Finance
- Compliance
- Enforcement
- Executive Directors
- Exemptive Relief Applications
- Information Technology
- Investor Education
- Investment Funds
- Legislative and Regulatory Coordination
- Market Structure and Exchange Oversight
- SRO Oversight
- Registrant Regulation
- Systemic Risk
- Take-Over Bids

The CSA Secretariat is responsible for coordinating, monitoring and reporting on all CSA projects and policy initiatives as well as administering CSA activities, including strategic planning and budgeting for the CSA.

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

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

### **CSA Priorities for 2013-2016**

While the CSA priorities over recent years were established in consideration of the recommendations and emerging standards adopted by the G20 and other international organizations as a consequence of the most recent global financial crisis, the CSA priorities over the next three-year period intend to reflect the CSA members' commitment toward the enhancement of the Canadian regulatory framework, with particular emphasis on the implementation of investor protection initiatives.

CSA work will also focus on other fundamental areas to its mission, such as access to capital for small and medium enterprises, shareholder democracy and protection, increased market regulation effectiveness, enhanced collective enforcement efforts and efficiency gains through the enhancement of CSA National systems, amongst others.

The key CSA priorities for the period 2013-2016 will be as follows:

## 1. Enhanced Retail Investor Protection

CSA members share a mandate to protect investors from fraudulent, manipulative or misleading practices through investor education, enhancing enforcement processes and mandating compliance with disclosure requirements.

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

CSA Priorities	Deliverables
<b>1. Enhanced Disclosure to Investors</b>	<p>Complete rulemaking and implement point of sale disclosure and delivery regime for conventional mutual funds</p> <p>Introduce summary document and delivery obligation for comparable products such as ETFs and complete rule-making and implementation</p> <p>Publish the CSA risk calculation methodology to identify a mutual fund's risk level on the scale prescribed in the Fund Facts</p>
<b>2. Mutual Fund Fees</b>	<p>Conduct stakeholder consultations and determine extent of regulatory response, as appropriate</p>
<b>3. Consumer Complaint Resolution</b>	<p>Mandate OBSI as dispute resolution provider, and implement oversight regime to monitor OBSI's effectiveness</p>
<b>4. Standard of Conduct for Registrants</b>	<p>Complete and implement amendments to National Instrument 31-103 <i>Registration Requirements, Exemptions and Ongoing Registrant Obligations</i> and National Instrument 33-109 <i>Registration Information Requirements</i> to provide clarity and needed guidance in certain areas of the registration regime and promote stronger investor protection</p> <p>Require implementation of harmonizing amendments by relevant self-regulated organizations (SRO)</p> <p>Complete review of current regime and alternatives and determine (a) whether the introduction of a best interest standard is required and feasible, and (b) if so, the most efficient way to implement such a standard</p>
<b>5. Investor Education</b>	<p>Develop and proceed with a CSA investor education media campaign to provide education on fundamental principles of investing and raise retail investors' awareness about the CSA as a trusted source of investor education</p>

## 2. Capital Raising by Small and Medium Sized Enterprises and Exempt Market Initiatives

In light of market developments in recent years, CSA members have undertaken a review of the accredited investor, minimum amount and short term debt exemptions to assess whether these exemptions continue to be appropriate for our capital markets.

In addition, CSA members are considering whether there is potential to foster greater access by small and medium sized issuers to capital markets and for providing investors with greater access to investment opportunities in the exempt market while maintaining appropriate investor protection. In particular, CSA members have agreed to explore securities crowdfunding, which is a method of raising capital from many people over the internet through the issuance of securities.

Key CSA initiatives to which the CSA is committed in this area over the next three years are the following:

CSA Priorities	Deliverables
<b>1. Prospectus Exemptions</b>	<p>Amend as appropriate current prospectus exemptions based on investor sophistication/accreditation, investment size or short-term debt issuance</p> <p>Complete review and amendment, as appropriate, of exemption and disclosure rules relating to securitized and complex products</p> <p>Evaluate whether to adopt a prospectus exemption to permit the distribution of securities through crowdfunding and the appropriate registration regime</p> <p>Consider further harmonizing the exempt market regulatory framework, including the development and implementation of any new prospectus exemptions that are harmonized across CSA members to the extent possible</p>

## 3. Shareholder Democracy and Protection

The scope of shareholder voting rights and how they can be exercised, whether in the context of director elections or transactional matters, has a significant impact on confidence in the capital markets.

The CSA work over the next three years in this area will focus on the following initiatives:

CSA Priorities	Deliverables
<b>1. Canadian Proxy Infrastructure Review</b>	Identify and analyze possible material weaknesses in the processes used by parties in the Canadian indirect holding system to collect, manage and transmit data regarding

	voting entitlements and voting instructions (the proxy voting infrastructure) that undermine the accuracy of proxy voting results, and propose improvements through regulations, regulatory guidance and/or industry best practices, as appropriate, to address concerns regarding the system's integrity
<b>2. Proxy Advisory Firms</b>	Assess whether a regulatory intervention is required further to concerns raised and risks identified with respect to activities conducted by proxy advisory firms and propose relevant regulatory regime, as appropriate
<b>3. Take-over Bid Regime</b>	Review and amend rules as applicable to the early warning system, shareholders' rights plans and defensive tactics

#### 4. Market Regulation

In support of their mandate to foster fair and efficient capital markets, CSA members monitor the rapid evolution of market structures and interconnectedness of global financial markets.

To this end, the CSA will be focusing over the next three-year period on the following priorities:

CSA Priorities	Deliverables
<b>1. Review of Order Protection Rule and Market Data Fees</b>	Examine the impact of the order protection rule and market data fees and, if appropriate, develop a strategy to address any issues identified
<b>2. Designated Rating Organizations</b>	Develop and implement oversight regime
<b>3. OTC Derivatives Framework</b>	Develop and implement rules for an OTC Derivatives regulatory framework, including clearing and trade reporting  Implement operational and technological frameworks to carry out the CSA regulatory responsibilities

#### 5. Enhancement of Enforcement Effectiveness

CSA members continually seek to strengthen coordination on enforcement matters. Over recent years, this has been achieved through various means, including the creation of working groups within the CSA Enforcement Committee and the creation of the Joint Assessment Committee.

Key priorities in enforcement over the next three years will be:

CSA Priorities	Deliverables
<b>1. Reciprocal Orders</b>	Promote greater use of reciprocal orders across CSA members
<b>2. Information Sharing</b>	Develop measures to address impediments to information sharing with other international jurisdictions and investigatory agencies
<b>3. Surveillance Tools</b>	Increase access to investigatory tools, including the development of marketplace surveillance and analytical systems
<b>4. Case Management System</b>	Explore the development of a consolidated case management system

## **6. Enhancement of Information Technology**

The members of the CSA and certain of the SROs operate, through various service providers, a number of information technology systems (National Filing Systems) that serve securities regulatory purposes and functions. CSA plans to replace the National Systems in phases over the next five years to integrate the stand-alone systems into a single, intuitive, secure filing system for regulators and market participants.

The CSA is committed to the following key priorities over the next five years:

CSA Priorities	Deliverables
<b>1. CSA National Filing Systems</b>	Develop and build a new national filing system to replace the core CSA national systems (SEDAR, SEDI, NRD), including a national exempt distribution reporting system
<b>2. Data Repositories</b>	Explore the aggregation of data warehouses located in the relevant provinces and territories

## **7. Other CSA projects and initiatives**

While the CSA will give priority to the above initiatives, the CSA remains strongly committed to other regulatory projects and ongoing initiatives dealing with the improvement of its internal processes, which include the possible expansion of passport and mutual reliance to other regulatory areas, the development of recommendations to streamline the legislative amendments process across the different jurisdictions and the enhancement of the CSA's project management process and capability.

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