

CSA BUSINESS PLAN | 2019-2022



Introduction

This document represents the collective effort by the Canadian Securities Administrators (CSA) to set out, in a clear and comprehensive manner, the priorities that they have committed to pursue together over the next three years. This document was approved on May 28, 2019.

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 (i) the smooth operation of Canada's securities industry and (ii) 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 maintains investor confidence in the markets, while retaining the regional flexibility and innovation that characterize our system of provincial and territorial regulation.

Structure

The CSA functions through a Secretariat, an IT Systems Office, standing and project committees and national filing systems. Collectively, CSA Members undertake the development of harmonized regulation and rules, and coordinate under passport and other interface policies (i) the approval of prospectuses and decisions regarding discretionary exemptions and (ii) applications for registration, designation and recognition as well as reviews of market participants.

The current Chair is Mr. Louis Morisset, Chair and CEO of the Autorité des marchés financiers and the Vice-Chair is Mr. Kevin Hoyt, Executive Director, Securities, Financial and Consumer Services Commission of New Brunswick.

Oversight and coordination of policy initiatives are the responsibility of the Policy Coordination Committee (PCC), a committee that facilitates decision-making among CSA members. The current Chair of the PCC is Ms. Maureen Jensen, Chair and CEO of the Ontario Securities Commission.

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

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

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

CSA Priorities for 2019-2022

The CSA priorities over the next three-year period intend to reflect the CSA members' commitment toward the continued protection of investors from unfair, improper and fraudulent practices, the ongoing efficient functioning of capital markets, and the reduction of risks to market integrity and maintaining investor confidence in the markets. These priorities will be achieved through responsive regulation and regulatory harmonization both nationally and internationally, where appropriate. Increased focus will be brought to the elimination of undue regulatory burden and streamlining of regulatory requirements without reducing investor protection or impeding the efficient functioning of capital markets.

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

The CSA will continue to invest in people and technologies. A project to rebuild and improve the key components of the CSA IT National Systems, presently underway, will be delivered in phases over the next three years. A common data strategy to support more efficient and effective regulation will be developed as well.

The following sections outline key CSA priorities and implementation initiatives for the period of 2019-2022.



Enhanced Investor Protection

In pursuance of its investor protection mandate, the CSA members have identified three strategic goals under this area. We aim at (i) enhancing the advisor-client relationship and the registrant conduct rules; (ii) developing targeted demographic programs and expanding public outreach to educate investors about the risks and responsibilities of investing and (iii) strengthening our enforcement and deterrence effectiveness through increased collaboration, information sharing and innovation among CSA members.

Strategic Goal 1

Enhance the advisor-client relationship and the registrant conduct rules to improve investor protection

The CSA aims to enhance the quality of recommendations made to investors; clients' understanding of their relationship with their advisors; the client's ability to secure redress for harms caused by registrants; and to improve the advisor-client relationship by specifically addressing issues of financial exploitation and cognitive impairment and fee transparency.

CSA Initiatives

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| <i>1.1. Enhance advisor-client relationship</i> | Complete rulemaking to better align the interest of registrants with the interest of their clients, improving outcomes for clients, and making clearer to clients the nature and the terms of their relationship with registrants by amending provisions relating to conflicts of interest, know-your-client (KYC) and know-your-product (KYP) rules, suitability and relationship disclosure information. Continue work to better align the interests of registrants with the interests of their clients by enhancing various specific obligations that registrants owe their clients, proficiency and use of titles and designations. |
| <i>1.2. Promote investment fund fee transparency and reduce fund embedded commissions and related conflicts</i> | Propose rule changes to mitigate the conflict of interest and related investor harms arising from the use of the deferred sales charge (DSC) purchase option and discontinue the payment of trailing commissions by fund organizations to dealers who do not provide suitability advice. Collaborate with self-regulatory organizations on initiatives that aim at further enhancing fund fee transparency. |
| <i>1.3. Develop regulatory framework to address financial exploitation and cognitive impairment</i> | Develop framework to address issues of financial exploitation and cognitive impairment among older and vulnerable investors. This encompasses a trusted contact requirement with respect to advisors and firms disclosing information and direction for placing temporary holds on disbursements of funds or securities from the accounts of older or vulnerable clients, when there is reasonable belief of financial exploitation or cognitive impairment. |
| <i>1.4. Strengthen Ombudsman for Banking Services and Investment powers</i> | Improve investor access to redress for losses resulting from improper or fraudulent transactions by supporting and strengthening OBSI as an independent dispute resolution service. |

Strategic Goal 2

Deliver programs and expand outreach to increase awareness of CSA investor education initiatives and messaging

The CSA aims to deliver targeted programming and to collaborate with other organizations in order to increase the visibility of CSA investor education messages and raise awareness of emerging investor education and protection issues.

CSA Initiatives	2.1 <i>Enhance relevance and resonance of CSA investor education messaging</i>	Develop targeted campaigns and messaging using demographics and psychographics based on CSA data, investor profiles, audience needs and identified at-risk groups (e.g. seniors, youth, novice investors, etc.).
	2.2 <i>Expand visibility of CSA investor education protection messages</i>	Expand the reach of investor education and protection messaging through a strategic approach to social media use.
	2.3 <i>Increase Canadians' awareness of investor education and emerging matters</i>	Develop materials and campaigns that support Canadians' knowledge of investor education and protection issues and raise awareness of emerging policy issues as they pertain to investor education and protection (e.g., embedded commissions, client focused reforms, cryptocurrency, robo-advisors).
	2.4 <i>Strengthen relationships with other government agencies and organizations</i>	Increase collaboration with other foreign, international and national agencies and organizations to raise awareness and expand the reach of CSA investor education programs and tools.

Strategic Goal 3

Enhance enforcement and deterrence effectiveness

CSA members seek to sanction those who damage the integrity of our markets or cause harm to investors, and to deter financial misconduct by developing sophisticated mechanisms for detecting and investigating that misconduct. CSA members will stay on top of emerging trends in financial misconduct and improve their enforcement process accordingly.

CSA Initiatives	3.1 <i>Improve market analytics capacity</i>	Implement new marketplace analytics system to conduct insider trading and market manipulation investigations.
	3.2 <i>Strengthen enforcement technology capabilities and strategies</i>	Identify and address internal and external enforcement-related technology challenges and opportunities that can be most effectively responded to by working together.
	3.3 <i>Identify and respond to emerging issues and threats</i>	Coordinate expertise to ensure a timely response and to minimize and deter threats to capital markets and investors.
	3.4 <i>Explore new opportunities with federal agencies</i>	Explore new cooperation opportunities with federal agencies to strengthen the detection, prosecution and deterrence of white-collar crime and securities law violations.



Fair and Efficient Markets

The CSA will continue to identify and assess market developments and determine the need for regulatory responses to promote investor confidence and maintain fairness and stability in the financial markets. The strategic goals under this area include (i) the promotion of financial stability and reduction of systemic risk through effective market oversight, (ii) enhancement of fairness and equal access to capital markets for all participants and (iii) continued response to evolving and novel products like block-chain related emerging trends.

Strategic Goal 4

Promote financial stability and reduce systemic risk through effective market oversight

Through a number of regulatory and operational initiatives, the CSA seeks to maintain effective market oversight in order to identify, mitigate and reduce systemic risk and promote financial stability in Canada and ensure that Canada is in compliance with its international commitments.

CSA Initiatives

- 4.1 *Finalize and implement over-the-counter (OTC) derivatives framework* Continue to develop and implement regulation for OTC derivatives through the implementation of business conduct and registration and derivatives trading facilities rules. Continue to monitor data related to the eligibility for the proposed margin rule.
- 4.2 *Implement benchmarks regulatory regime* Implement a Canadian regulatory regime for domestically important financial benchmarks to reflect international developments in benchmark regulation and reduce market impairment risk stemming from potential benchmark manipulation or other improper practices.
- 4.3 *Develop a plan for testing the CSA Market Disruption Coordination Plan* Develop a plan for and conduct testing of the CSA Market Disruption Coordination Plan. The CSA will continue to periodically update the CSA Market Disruption Coordination Plan, which includes steps for information sharing and coordination in the event of a large-scale market disruption.

Strategic Goal 5

Enhance fairness and ensure equal access to capital markets for all participants

The CSA remains dedicated to its core mission of fostering fair and efficient markets, and to that end will work on a number of initiatives to ensure a level playing field and equal access to capital markets for all participants.

CSA Initiatives

- 5.1 *Internalization review* Consider comments received in response to Joint CSA/IIROC Staff Notice 23-319 *Internalization in the Canadian Market* and determine what, if any, action is required to ensure that the Canadian market continues to be fair and efficient.
- 5.2 *Collective investment vehicle regime consistency* Analyze differences among the regulatory regimes that apply to various collective investment vehicles such as investment funds, venture capital, private equity and mortgage investment entities, as well as the regulation of investment funds versus corporate issuers, for evidence of regulatory arbitrage and inconsistent investor protection, and if necessary, propose investment vehicle regime changes.
- 5.3 *Monitoring global approach to market data* Continue to monitor international developments and consider the Canadian approach to market data, including the application of fair access, the regulatory review process and the use of the Data Fees Methodology.

5.4 Effective issuer regulation with respect to promotional activities in the venture market

Several stakeholders play an important role in market oversight. All have well established processes relating to their responsibilities and engage in frequent communication on many market-related issues. However, some promotional activities in the venture market have recently raised questions about whether stakeholders' processes are working in the most effective way to ensure that all relevant information is shared and that all regulatory issues are properly dealt with. The CSA will conduct a two-phase project which may include (1) a research project on the effectiveness of the stakeholder processes, using venture market promotional activities as a case study and, if it agrees there are issues that need further consideration, (2) publication of a concept paper outlining the considerations and possible proposals in this area.

5.5 Examining the role of exchanges in issuer regulation

Exchanges play a significant role in ensuring market integrity in the listed issuer context and are often the initial gatekeepers in deciding issues that affect our markets. The CSA will consider whether the current approach for certain issuer-related decisions made in the public interest remain the most effective and efficient way for regulating the Canadian markets.

5.6 Trading Fee Rebate Pilot Study

Examine the effects of trading fees charged by Canadian marketplaces to one trading party and rebated to the other party on the behaviour of market participants and on market access to better understand and address potential issues associated with them, such as conflicts of interest for dealer routing decisions, increased segmentation of order flow and increased intermediation of actively traded securities.

Strategic Goal 6

Respond to technology-related emerging regulatory issues

The CSA is considering the implications of emerging technologies, such as the growing influence of social media and innovation in distributed ledger technology (DLT), including blockchain. As the influence of social media platforms grows, companies, dealers, advisers, intermediaries and investors have immediate, direct and widespread access to an unprecedented amount of information that was previously available only to institutions and sophisticated investors. The CSA should consider implications of activist short selling in the context of this technology. DLT has the potential to transform the landscape of the financial industry. Crypto-assets are probably the most well-known and widespread application of blockchain. The CSA will consider possible changes to adapt the current regulatory framework to address the unique challenges brought by crypto-assets that fall under the CSA jurisdiction. This strategic goal consists of (i) identifying the emerging regulatory issues related to technology that require regulatory action or clarity, and (ii) developing a tailored and effective regulatory response for significant issues identified.

CSA Initiatives

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| <i>6.1 Consider the implications of activist short selling, including the use of social media</i> | Gather information to analyze the implications of activist short selling, including the use of social media, and determine the nature and extent of activist short seller behaviour and whether regulatory action is required. |
| <i>6.2 Propose a regulatory regime for crypto-asset trading platforms</i> | Consider developing a tailored regulatory regime for crypto-asset trading platforms that are subject to securities or derivatives regulation. There are currently no platforms facilitating the secondary trading of crypto-assets that are regulated as a marketplace in Canada. Some of these platforms, depending on how they operate and the crypto-assets they offer, may be subject to securities or derivatives regulation. |
| <i>6.3 Consider custodial requirements in relation to crypto-assets</i> | Continue research and propose, if appropriate, custodial requirements for registrants and investment funds that facilitate custody solutions for the trading and holding of regulated crypto-securities. |
| <i>6.4 Consider the capital raising and issues that may be unique to aspects of blockchain-based securities</i> | Analyze whether there are specific characteristics that warrant a more tailored approach to capital raising and disclosure requirements when crypto assets such as tokens or coins are used to raise funds for various types of enterprises. |



Streamline Regulation

The CSA will increase its focus on the streamlining of regulation by undertaking a wide range of initiatives that will aim at reducing the regulatory burden without compromising investor protection or the efficiency of the capital markets. Shifts in market conditions, investor demographics, technological innovation and globalization have changed our markets and had a real impact on all market participants. As capital markets evolve, our approach to regulation needs to reflect the realities of Canadian market participants to remain competitive. Over-regulation can dampen innovation. Under-regulation can reduce investor confidence. Either can undermine the competitiveness of our capital markets.

Strategic Goal 7

Reduce regulatory burden while maintaining necessary investor protections

The CSA will continue to address 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.

CSA Initiatives	7.1 <i>Streamlining continuous disclosure requirements</i>	Streamline the disclosure requirements for public companies in their annual and interim filings, with a view to reducing regulatory burden while also improving the quality and utility of such disclosures. As part of this initiative, the CSA will also consider the frequency of reporting.
	7.2 <i>Business Acquisition Report (BAR) requirements</i>	Reduce the burden for public companies by amending the criteria associated with filing a BAR when a public company completes a significant acquisition.
	7.3 <i>Primary business</i>	Clarify the amount and nature of historical financial information that must be included when prospectus-level disclosure is required for an entry point transaction (such as an initial public offering or reverse take-over transaction) to provide investors with sufficient information.
	7.4 <i>At-the-market (ATM) offerings</i>	Liberalize the regulatory framework to facilitate ATM offerings which enable public companies to continuously distribute securities over an exchange at prevailing market prices. Specifically, the CSA plans to remove regulatory impediments to ATM offerings, such as the need to seek exemptive relief from securities legislation requirements.
	7.5 <i>Alternative offering system</i>	Research, identify and consult on an alternative and streamlined offering system for public companies, with a view to facilitating greater access to capital.
	7.6 <i>Enhancing electronic delivery of documents</i>	Given the widespread use of technology in communications, identify options for enhancing electronic delivery of documents. Specifically, consider whether new methods of electronic delivery of documents should be permitted and whether additional guidance should be provided to further reduce the use of paper to fulfill delivery requirements under securities legislation, thus reducing costs for public companies.
	7.7 <i>Securities-based crowdfunding</i>	Harmonize the prospectus and registration exemptions across CSA jurisdictions by adopting a start-up crowdfunding exemption as a national instrument, increase the accessibility of crowdfunding as a capital raising vehicle and facilitate its greater use.

- 7.8 Rationalization of investment fund disclosure* Rationalize the current investment fund disclosure regime through proposed rule amendments to remove redundant and ineffective disclosure and reporting requirements to reduce the regulatory burden for investment funds and provide more streamlined and useful disclosure for investors.
- 7.9 Registration information* Modernize, streamline, and improve the existing registration process to make it more efficient, reduce the regulatory burden associated with applying for and maintaining registration and increase transparency with respect to the collection and use of personal information.
- 7.10 Streamlining information reported by marketplaces and information processors and enhance systems-related requirements* Streamline the reporting requirements for marketplaces and information processors to mitigate the regulatory burden associated with these requirements while maintaining a robust reporting framework that supports the objectives of oversight.
- Enhance the systems-related requirements for marketplaces and information processors by harmonizing these requirements with the systems requirements for other market infrastructure entities in applicable rules.



Enhanced Performance through Information Technology and Data Strategy

The CSA seeks to enhance performance by investing in people and technologies. We have identified two strategic goals aimed at the development of improved tools in support of our mandate and mission. These are (i) enhanced information technology capacity and understanding of technological emerging trends and (ii) the development of a common data strategy to support effective regulation.

Strategic Goal 8

Enhance information technology capacity and understanding of technological emerging trends

To continue the CSA’s digital evolution, we aim at improving the ways in which the CSA interacts with market participants and the public, conducts sophisticated analytics in policy, compliance and investigations, and anticipates the impact of new technologies in its operations and regulation.

CSA Initiatives

- 8.1 *Replace CSA National Filing Systems* Modernize the CSA National systems including SEDAR, SEDI, NRD, CTO, DL, and NRS to provide a secure, web-based filing and disclosure system for the marketplace and investors supporting data-centric regulation.
- 8.2 *Implement a Market Analytics Platform* Develop and implement a data repository with analytic tools to enhance enforcement effectiveness, including insider trading and market manipulation investigations. The platform will also expedite focused policy research and aid in investigating more sophisticated and complex cases.

Strategic Goal 9

Develop a common data strategy to support effective regulation

The CSA will develop a common strategy for data and its management including the identification, collection, protection, maintenance and use of the data being collected to support more efficient and effective regulation. From a pragmatic foundation, we will engage business, data and IT leaders to build a data-centric CSA.

CSA initiatives

- 9.1 *CSA data management foundation* Develop or revisit the common set of CSA data principles, standards, security, policies and procedures for use in CSA National, and where appropriate, local Systems. Identify the technical, process-related, and human capabilities needed to secure, manage, and maintain CSA data.
- 9.2 *Data management in CSA Systems* Put into practice the Data Management Foundation for the CSA National Systems technology initiatives of the National Systems Renewal Project (NSRP) and the Market Analytics Platform (MAP), as well as the internal data guidelines for policy development.
- 9.3 *Data strategy* Document a consolidated catalogue of existing CSA data in the CSA National Systems and, where appropriate, jurisdictional systems. Identify additional data not currently held by the CSA to support regulation such as systemic risk and advanced analytics and devise a strategy to access and manage it accordingly. Identify data no longer required to be collected.



Other CSA Projects and Initiatives

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

The CSA will continue to monitor international developments in areas falling under our mandate and determine the appropriateness of commencing any additional initiatives.

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