

The logo for the Ontario Securities Commission (OSC) is a white square containing the letters "OSC" in a bold, sans-serif font.

OSC

ONTARIO
SECURITIES
COMMISSION

Annual Report 2021

Promoting Confidence, Fostering Innovation

Promoting Confidence, Fostering Innovation

OSC VISION

To be an effective and responsive securities regulator – fostering a culture of integrity and compliance and instilling investor confidence in the capital markets.

OSC MANDATE

The mandate of the OSC is to provide protection to investors from unfair, improper or fraudulent practices, to foster fair, efficient and competitive capital markets and confidence in the capital markets, to foster capital formation, and to contribute to the stability of the financial system and the reduction of systemic risk.

OSC VALUES

Professional

- Protecting the public interest is our purpose and our passion
- We value dialogue with the marketplace
- We are professional, fair-minded and act without bias

People

- To get respect, we give it
- Diversity and inclusion bring out our best
- Teamwork makes us strong

Ethical

- We are trustworthy and act with integrity
- We strive to do the right thing
- We take accountability for what we say and do



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OSC At a Glance in 2020–2021

Delivering at a high level for our stakeholders

- There are **1,319** registered firms and **67,758** registered individuals in Ontario
- Reviewed **645** public company prospectuses, up more than **67%** from the previous fiscal year, and a further **280** prospectuses from investment funds and structured products
- **52%** of Canada's equity market value came from reporting issuers where the OSC is the principal regulator
- Responded to more than **5,800** market participant inquiries through our Inquiries and Contact Centre

52%

of Canada's equity market value came from **reporting issuers** where the OSC is the principal regulator

Supporting investors and firms during unprecedented times

- Reached **12.8 million** impressions on our #COVIDFraudChat Twitter campaign, as part of our investor education efforts with law enforcement, community organizations, and regulatory partners
- Hosted **123** outreach events for seniors, newcomers, and multicultural groups with a combined **6,895** attendees
- Waived approximately **\$127,900** of late fees for registrant firms during the COVID-19 blanket relief order period from April 17 to September 30, 2020
- Offered extended filing deadlines and exemptions during the blanket relief order period, which were used by:
 - **37%** of registrant firms, for delivering annual financial statements
 - **13%** of registrant firms, for delivering quarterly financial statements
 - **711** funds, for prospectus filings and renewals and exemptions on redemption requests
 - **15%** of venture issuers and **6%** of non-venture issuers for filing interim or annual continuous disclosure filings due between March 23, 2020, and August 31, 2020

12.8 million

impressions reached through the **#COVIDFraudChat** Twitter campaign, as part of our investor education efforts with law enforcement, community organizations, and regulatory partners

Maintaining market integrity and protecting investors

- Assessed a record **807** cases in the Enforcement Branch, including **188** files transferred to disruptions, **64** files referred to other OSC branches or external agencies/organizations, and **25** transferred for further investigation
- The Quasi-criminal Serious Offenses Team completed **11** cases, with two charges laid against four respondents
- Issued **42** administrative sanctions, up from 22 in the previous fiscal year, handing down **\$11.1 million** in monetary sanctions
- Received **164** tips under our Whistleblower Program
- Ran a **paid public service campaign on Reddit** highlighting the risks of investing using information from social media, the first securities regulator in the world to do so

42
administrative
sanctions

up from 22 in the previous fiscal year, handing down **\$11.1 million** in monetary sanctions

Building toward an innovative future

- Established a **Digital Solutions Branch** to improve data-related processes used internally and by market participants when interacting with the OSC
- Created the **Office of Economic Growth and Innovation**, expanding on the work of OSC LaunchPad to accelerate innovation, bolster capital formation and reduce regulatory burden in Ontario's capital markets
- Completed **62** initiatives as part of ongoing efforts to reduce regulatory burden
- Approved North America's **first bitcoin ETF**, the first crypto trading platform through CSA Regulatory Sandbox, and supported the publication of a joint CSA and IIROC framework and guidance for **crypto asset trading**

Approved North
America's first

**Bitcoin
ETF**

the first crypto trading platform through CSA Regulatory Sandbox, and supported the publication of a joint CSA and IIROC framework and guidance for **crypto asset trading**

A Message from the Chair

It was an extraordinary year at the Ontario Securities Commission as we navigated the challenges of the global pandemic while staying focused on a busy regulatory agenda and responding to dynamic market forces.

We continued to implement the Ontario government's five-point capital markets plan focused on strengthening investment in Ontario, promoting competition, and facilitating innovation.

COVID-19 had wide-ranging impacts on our operations as we moved to remote working arrangements that included virtual compliance reviews and tribunal hearings. Our Enforcement Branch effectively responded to misconduct and new threats in our markets by quickly pivoting to virtual investigations and hearings. Innovative enforcement tools such as our Whistleblower Program continued to grow in effectiveness, with tips rising 13% from last fiscal year.

Venture issuers and registrants made effective use of the coordinated relief we, along with the Canadian Securities Administrators (CSA), provided early in the pandemic, demonstrating that these measures were both necessary and valuable. We also provided guidance for smaller firms about reporting the effects of the pandemic on their businesses. We launched an online hub for investors with information, tools, and fraud alerts related to COVID-19. We continue to approach our work bearing in mind the economic hardships that the pandemic has brought upon many families, businesses, and communities across Ontario.

Moving forward with critical reforms

Against this backdrop, we made excellent progress on critical initiatives to better protect investors and make it easier to interact with us.

Along with the CSA, the OSC adopted final rules that prohibit order-execution-only (OEO) dealers, such

as online discount brokers, from receiving trailing commissions from fund organizations where advice is not provided. In addition, Ontario joined other CSA jurisdictions to harmonize the ban of deferred sales charges, eliminating the incentive for dealers to sell mutual funds that charge fees to investors if they sell their holdings before a defined time. These bans take effect on June 1, 2022. Advisors must always treat investors fairly and recommend suitable products, with renewed focus given the current economic uncertainty caused by the pandemic.

I am pleased that the CSA's Client Focused Reforms (CFR) remain on schedule for implementation by the end of this calendar year. These are fundamental reforms that provide retail investors with greater confidence that they are receiving investment products that are right for them and advice that puts their interests first. Our staff is working with registrants as they prepare for the new requirements.

The OSC continues to streamline regulation and save time and money for issuers, registrants, investors, and other market participants. We have completed 62 of the initiatives set out in our 2019 report on reducing regulatory burden, with more than 20 on track to be completed by the end of 2021. We are embedding a culture of burden reduction across the OSC, which includes providing a detailed cost/benefit analysis of proposed rules, ten of which we published this year.

The OSC's new website, launched in February, addresses long-standing issues we heard from our stakeholders, providing streamlined content that is easier to search and navigate. The new site is critical to how we interact with the public and those we regulate, and initial feedback has been very positive.

Responding to powerful market trends

During the year, the OSC responded to several trends that are fundamentally impacting our markets. There has been greater retail investor participation as Canadian online brokers saw record numbers of account openings and trade volumes, and we all witnessed the social media-fueled spikes in so-called meme stocks.

This increased retail activity highlights the importance of transparency about fees charged by intermediaries. It also highlights the importance of stepping up investor education in the online spaces where new traders go for tips, which is why the OSC's Investor Office has become active on Reddit forums and uses behavioural principles to better reach investors.

Capital market financing has increased dramatically since the start of the pandemic. We received an unprecedented volume of prospectus filings, a 67% year-over-year increase, and a greater than 200% increase in the fourth quarter. Our system is working well and is enabling companies to do public offerings when there is sufficient investor demand. Our staff has done incredible work to review and process these filings well within published OSC service standards.

Following a comprehensive review of best practices in leading jurisdictions, we published an updated service commitment that provides investors, registrants, and other market participants with added transparency on the standards and timelines to expect when interacting with the OSC. Our performance against these targets can be found on page 57 of this report.

Market innovation continues to disrupt the financial services industry with the advent of new technologies and product offerings. Activity in the crypto asset sector has accelerated, with global crypto asset market capitalization doubling from January to April 2021 to reach US\$2 trillion. These assets challenge existing regulatory structures and raise significant investor protection concerns, especially regarding where client assets are held and what controls are in place to safeguard them.

In June, we highlighted these risks by taking the rare step of publishing our investigative report into the crypto asset trading platform QuadrigaCX. We determined that a lack of internal controls allowed more than 76,000 investors to be defrauded in a Ponzi-like scheme.

Along with our CSA partners and the Investment Industry Regulatory Organization of Canada (IIROC), we announced steps that crypto asset trading platforms must take to comply with securities legislation. The OSC issued a deadline for platforms operating in Ontario to engage with us to start compliance discussions or face potential enforcement action.

Appropriate regulatory oversight is critical for building investor protection and confidence in this nascent industry and ultimately for building a robust innovation ecosystem.

Accelerating modernization

Financial innovation is a powerful driver of competition and consumer choice, and it plays a critical role in Ontario's pandemic recovery and long-term growth. Our engagement with the innovation community is led by the OSC's Office of Economic Growth and Innovation, first announced in 2019. The Office is now fully staffed, including experts in capital raising and new financial intermediation technologies, which allows us to support and encourage innovative business models.

We also established a new Digital Solutions Branch (DSB) to lead the OSC's data-driven transformation by building the data capabilities needed to support all aspects of our work. The team has begun engaging with our other branches to understand their future needs and will work closely with them as we update our technology systems across the OSC.

The Ontario government announced in its spring budget that it would move forward with legislative amendments to expand the mandate of the OSC and modernize its governance structure, following recommendations of the Capital Markets Modernization Taskforce. The Taskforce's review of the capital markets ecosystem in Ontario was timely and important, and I commend its members and our government for their bold action and confidence in the OSC to take on broader responsibilities. Our staff was active throughout the year in providing technical expertise and input to the Taskforce on potential reforms.

We are working to embed our new mandates to promote competition and foster capital formation into our work and reflect them in our policymaking. We are also moving forward with key structural changes, including greater separation of our Tribunal under the OSC umbrella.

We are collaborating closely with the Ministry of Finance on these changes and other proposed initiatives. Among these are two areas of growing importance to investors: mandated disclosure of material environmental, social, and governance (ESG) information and requirements to set targets and adopt policies to improve corporate board diversity for public issuers. We are pleased to consult on these important issues.

The OSC has embarked on our journey of improving our diversity by developing an Inclusion and Diversity Strategy to remove barriers to inclusion and to achieve a consistent employee experience for all. It is vital for us, and to me personally, that our workforce reflects the diversity of Ontario and that every employee feels they belong and can succeed at the OSC.

The OSC has an excellent culture of adapting to change and I thank our staff for their energy, resilience, and commitment to public service during the year. We recognize that Ontario's capital markets will have a key part in creating the conditions for economic growth as we emerge from the pandemic, and the OSC will perform an essential role.

We will respond to new trends, product offerings, and investor appetites in Ontario through a firm commitment to our expanded mandate, building our technical capabilities, and working closely with our government and regulatory partners. Together, we will strive to achieve globally competitive, efficient, and robust capital markets and a regulatory system that attracts investment from around the world.

Grant Vingoe

Chair and Chief Executive Officer

Our Executive Team

(As of March 31, 2021)

D. Grant Vingoe

Chair and Chief Executive Officer

Leslie Byberg

Executive Director

Wendy Berman

Vice-Chair

Timothy Moseley

Vice-Chair

Deana Djurdjevic

Chief Administrative Officer

Manjish Abraham

Chief Digital Officer, Digital Solutions

Mary Campione

Chief Financial Officer and Director,
Financial Management and
Reporting

Raymond Chan

Director, Investment Funds &
Structured Products

Pat Chaukos

Director, Office of Economic Growth
and Innovation

Cezar Drugescu

Chief Information Security Officer

Kevin Fine

Director, Derivatives

Tyler Fleming

Director, Investor Office

Debra Foubert

Director, Compliance & Registrant
Regulation

Susan Greenglass

Director, Market Regulation

Naizam Kanji

General Counsel, General Counsel's
Office

Jeff Kehoe

Director, Enforcement

Grace Knakowski

Secretary to the Commission, Office
of the Secretary

Elle Koor

Director, Business Planning and
Corporate Performance Branch

Jason Koskela

Director, Office of Mergers and
Acquisitions

Cameron McInnis

Chief Accountant, Office of the Chief
Accountant

Sonny Randhawa

Director, Corporate Finance

Paul Redman

Chief Economist and Director,
Regulatory Strategy and Research

Stephen Rotstein

Director, Global and Domestic
Affairs

Carolyn Shaw-Rimington

Director, Communications and
Public Affairs

Doug Steiner

Executive Advisor, Innovation

Russell White

Chief Information Officer

Lisa Wilkins

Chief Human Resources Officer and
Director, Corporate Services

Governance

Composition of the Board

The Ontario Securities Commission is a self-funded Crown corporation, accountable to the Ontario Minister of Finance. The Commission operates under the direction of the Commissioners, who are also called Members.

The Commissioners perform three distinct functions in support of the organization's mandate: serving as the board of directors of the Commission, reviewing and approving policies and rules, and adjudicating administrative proceedings.

Our Board of Directors is composed only of the Commissioners. The Chair is the Chief Executive Officer of the Commission. The Chair & CEO and Vice-Chairs are full-time Commissioners, and the other Commissioners are part-time. A Lead Director is selected by the part-time Members to represent them and provides leadership and oversight of the governance obligations of the Board and its committees. Each Commissioner is appointed for a fixed term by Ontario's Lieutenant Governor in Council, and appointments are made according to the procedures of the Public Appointments Secretariat of the Government of Ontario. Government appointments reflect the needs of the entity to which they have been appointed, but also reflect the diversity of the people of Ontario and the need to deliver services and decisions in a professional, ethical and competent manner.

Members of the Commission

(as of March 31, 2021)

D. Grant Vingoe, Chair & CEO

Wendy Berman, Vice-Chair

Tim Moseley, Vice-Chair

Mary Anne De Monte-Whelan

Garnet W. Fenn

Lawrence P. Haber, Lead Director

Craig Hayman

Raymond Kindiak

Frances Kordyback

Cathy Singer

M. Cecilia Williams

Heather Zordel¹

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More information about the Members of the Commission can be found in the Ontario Securities Commission Charter of Governance, which is available at www.osc.ca.

¹ Term ended in February 2021.

Gender Disclosure

We follow the best practices of corporate governance for public companies, where appropriate for a regulatory body. This includes the policies outlined in National Instrument 58-101 Disclosure of Corporate Governance Practices relating to women on boards and in executive officer positions, which were implemented in December 2014 by the OSC and other Canadian Securities Administrators members.

	2020-21				2019-20			
	Women		Men		Women		Men	
	(#)	(%)	(#)	(%)	(#)	(%)	(#)	(%)
Board of Directors (Commission)	6	50%	6	50%	5	45%	6	55%
Executive Committee (Chair, Vice-Chairs, Executive Director, Chief Administrative Officer)	3	60%	2	40%	3	60%	2	40%
Senior Management (including Executive Committee)	11	41%	16	59%	10	43%	13	57%

Board and Commission Committees

(as of March 31, 2021)

Audit and Finance Committee

Garnet W. Fenn (Chair)
 Craig Hayman
 Frances Kordyback
 M. Cecilia Williams

Governance and Nominating Committee

Lawrence P. Haber
 Craig Hayman (Chair)
 Raymond Kindiak
 Cathy Singer
 D. Grant Vingoe (non-voting member)

Human Resources and Compensation Committee

Mary Anne de Monte-Whelan
 Garnet W. Fenn
 Raymond Kindiak
 Cathy Singer
 M. Cecilia Williams (Chair)

Risk Committee

Mary Anne de Monte-Whelan (Chair)
 Garnet W. Fenn
 Craig Hayman
 Timothy Moseley
 M. Cecilia Williams

Adjudicative Committee

Wendy Berman
 Lawrence P. Haber
 Grace Knakowski (non-voting member)²
 Frances Kordyback
 Timothy Moseley (Chair)

The responsibilities of the Chair & CEO, Vice-Chairs, Lead Director and committees are found in the Ontario Securities Commission Charter of Governance available at www.osc.ca.

² The Secretary to the Commission is a non-voting member of the Adjudicative Committee.

Meeting Attendance

April 1, 2020 to March 31, 2021

Member	Type of meeting ³						
	Commission Policy	Board	Audit and Finance Committee	Governance and Nominating Committee	Human Resources and Compensation Committee	Risk Committee	Adjudicative Committee
Wendy Berman (Vice-Chair) ⁴	12/12	8/8					3/3
Mary Anne De Monte-Whelan	19/19	15/15	3/3		2/2	3/3 ⁵	
Garnet W. Fenn	19/19	15/15	7/7		7/7	4/4	
Lawrence P. Haber (Lead Director)	19/19	15/15	7/7 ⁶	8/8 ⁷	7/7 ⁵	4/4 ⁵	4/4 ⁶
Craig Hayman	19/19	15/15	7/7	8/8		3/4	
Maureen Jensen (former Chair & CEO) ⁸	1/1						
Raymond Kindiak	19/19	15/15		8/8	7/7		
Frances Kordyback	19/19	15/15	4/4				4/4
Timothy Moseley (Vice-Chair)	19/19	14/14				3/4	4/4
C. Singer ⁹	14/14	11/11		7/7	5/5		
D. Grant Vingoe (Chair & CEO) ¹⁰	19/19	15/15		8/8 ¹¹			
M. Cecilia Williams	19/19	15/15	7/7		7/7	4/4	4/4
Heather Zordel ¹²	15/15	12/12	6/6				3/3
Total Attendance	100%	100%	100%	100%	100%	89%	100% ¹³

³ Includes both regular and special meetings

⁴ Term of appointment commenced on June 19, 2020

⁵ Term of appointment expired on February 14, 2021 with reappointment on February 18, 2021

⁶ The Lead Director may attend any meetings of the Board committees as a non-voting member and the Lead Director's participation is not reflected in a committee's Total Attendance

⁷ Attendance as a member of the Committee

⁸ Resigned as Chair & CEO effective April 15, 2020

⁹ Term of appointment commenced on June 18, 2020

¹⁰ Appointed Chair & CEO effective April 15, 2020

¹¹ The Chair & CEO is a non-voting member of the Governance and Nominating Committee

¹² Term of appointment expired on February 14, 2021

¹³ Includes attendance by the Secretary to the Commission, who is a non-voting member of the Adjudicative Committee

Member Remuneration

April 1, 2020 to March 31, 2021

		Term of Appointment		Total Member Remuneration	Remuneration Categorized by Activity				
		Start	End		Policy ¹⁴	Tribunal ¹⁵	Governance ¹⁶	Orientation and Approved Events ¹⁷	Retainer ¹⁸
Full-time Members¹⁹									
1	D. Grant Vingoe (Chair & CEO)	August 2015	April 2022	\$ 714,377	Included	Not applicable	Included	Included	Not applicable
2	Wendy Berman (Vice-Chair)	June 2020	June 2021	\$ 351,117	Included	Included	Included	Included	Not applicable
3	Timothy Moseley (Vice-Chair)	November 2017	November 2022	\$ 494,205	Included	Included	Included	Included	Not applicable
4	Maureen Jensen ²⁰ (Former Chair & CEO)	February 2016	April 2020	\$ 145,282	Included	Not applicable	Included	Included	Not applicable
Part-time Members²¹									
5	Mary Anne De Monte-Whelan	February 2019	February 2019	\$ 178,653	\$ 48,000	\$ 55,750	\$ 51,000	\$ 13,250	\$ 10,653
6	Garnet W. Fenn	July 2015	July 2015	\$ 84,423	\$ 25,500	\$ 7,500	\$ 27,250	\$ 10,750	\$ 13,423
7	Lawrence P. Haber (Lead Director)	January 2018	January 2018	\$ 164,750	\$ 29,750	\$ 66,000	\$ 35,250	\$ 20,750	\$ 13,000
8	Craig Hayman	April 2019	April 2019	\$ 129,750	\$ 25,000	\$ 60,500	\$ 28,250	\$ 3,000	\$ 13,000
9	Raymond Kindiak	April 2019	April 2019	\$ 153,000	\$ 33,500	\$ 76,250	\$ 25,500	\$ 8,750	\$ 9,000
10	Frances Kordyback	February 2020	February 2020	\$ 143,896	\$ 32,750	\$ 59,250	\$ 22,750	\$ 20,750	\$ 8,396
11	Cathy Singer	June 2020	June 2020	\$ 54,711	\$ 15,750	\$ 3,500	\$ 17,500	\$ 11,250	\$ 6,711
12	M. Cecilia Williams	November 2017	November 2017	\$ 178,302	\$ 25,500	\$ 103,250	\$ 29,500	\$ 6,750	\$ 13,302
13	Heather Zordel ²²	February 2019	February 2019	\$ 197,600	\$ 35,250	\$ 99,750	\$ 42,750	\$ 12,000	\$ 7,850
Subtotal – part-time Members				\$ 1,285,085	\$ 271,000	\$ 531,750	\$ 279,750	\$ 107,250	\$ 95,335
Total Remuneration				\$ 2,990,066					

¹⁴ Includes preparation for and attendance at Commission policy meetings, exemptive relief applications and other policy-related matters

¹⁵ Includes remuneration for preparation and attendance at OSC Tribunal hearings, as well as panel deliberations, decision writing, adjudicative roundtables and Adjudicative Committee meetings

¹⁶ Includes preparation for and attendance at Board and Board committee meetings and governance roundtables

¹⁷ Includes pre-approved participation in such events as new part-time Member orientation, Society of Ontario Adjudicators and Regulators / Osgoode Professional Development Certificate in Adjudication for Administrative Agencies, Boards & Tribunals, regulatory roundtables, OSC Dialogue, and Biennial Canadian Securities Administrators Commissioners Conference

¹⁸ Annual retainer amounts are paid to a part-time Member for serving as a member of the Commission, a member or chair of a committee, and Lead Director

¹⁹ The Chair & CEO and each Vice-Chair are compensated under their respective employment agreements with the Commission

²⁰ Effective April 15, 2020, Maureen Jensen resigned as Chair & CEO

²¹ Part-time Members are compensated in accordance with the [Remuneration Schedule for Part-Time Commissioners](#)

²² Term of appointment ended on February 14, 2021 with continued participation in Tribunal decisions as required by section 4.3 of the *Statutory Powers Procedure Act*

Advisory Committees

OSC Advisory Committees

As part of policy and rule development, the OSC has established several advisory committees to gather input on securities regulation issues and industry trends. Below is a complete list of OSC Advisory Committees and their members as of March 31, 2021.

The **Continuous Disclosure Advisory Committee** advises OSC staff on the development, implementation and review of continuous disclosure policies and practices.

Michael Balter (Chair)	Ontario Securities Commission
Ivan Chittenden	Ernst & Young LLP
Joseph Cosentino	Magna International Inc.
Catherine De Giusti	TMX Group Limited
Lucy Durocher	PricewaterhouseCoopers LLP
Bill Gorman	Goodmans LLP
Wendi Locke	McCarthy Tétrault LLP
Catherine McCall	Canadian Coalition for Good Governance
Matthew Merkley	Blake, Cassels & Graydon LLP
Chris Polson	PricewaterhouseCoopersLLP
Penny Rice	Shorecrest Group
Anthony Scilipoti	Veritas Investment Research Corporation
Julia Suk	Deloitte LLP
Jonathan Tong	Miller Thomson LLP
Robin Upshall	Davies Ward Phillips & Vineberg LLP
Chris Vollmershausen	Agnico Eagle Mines Limited

The **Fintech Advisory Committee** advises OSC staff on developments in the fintech space as well as the unique challenges faced by fintech businesses in the securities industry.

Bram Abramson	Decentral Inc.
George Bordianu	Balance
Torstein Braaten	Instinet Canada Ltd
Pat Chaukos (Chair)	Ontario Securities Commission
Geoffrey Cher	Wildeboer Dellelce LLP
Lucille D'Souza	Royal Bank of Canada
Brady Fletcher	TMX
Karim Gillani	Luge Capital
Brian Mosoff	Ether Capital
Randee Pavalow	Regulatory and Legal Consultant
Laurence Rose	Omega ATS Inc., 4C Clearing Corp.
Omar Soliman	Stikeman Elliott LLP
Bradley Tagieff	BDO Canada LLP
Peter-Paul Van Hoeken	FrontFundr
John Willock	Tritum Inc.
Tanya Woods	Chamber of Digital Commerce Canada

The Fintech Advisory Committee was suspended on September 30, 2020. With the creation of the Office of Economic Growth and Innovation, the OSC is considering next steps for the committee and remains committed to supporting economic growth through innovation in Ontario's capital markets.

The **Investment Funds Technical Advisory Committee** advises OSC staff on technical compliance challenges in the investment funds product regulatory regime, and opportunities for improving alignment between investor, industry and regulatory goals.

Steve Banquier	TD Securities Inc.
Michael Burns	McMillan LLP
Mario Cianfarani	Vanguard Investments Canada Inc.
Wayne Hong	Fundserv Inc.
John Kruk	Fasken Martineau DuMoulin LLP
Robert Lemon	CIBC World Markets Inc.
Steven Leong	BlackRock Asset Management Canada Limited
Ruth Liu	Lysander Funds Ltd.
Valerie Lockerbie	The Canada Life Assurance Company
Paul Mayhew	RBC Global Asset Management
Florence S. Narine	AGF Investments Inc.
Anne Ramsay	EMJ Capital Ltd
Melissa Schofield (Chair)	Ontario Securities Commission
Gillian Seidler	Mackenzie Financial Corporation
Michael Thom	CFA Societies Canada
Rob Turnbull	BMO Capital Markets

The **Investor Advisory Panel**, an independent committee advising the Commission, provides advice and comments in writing on proposed rules, policies, and investor protection issues. Members include a mix of thought leaders with backgrounds in investor advocacy, investment industry operations, public policy development and professional regulation.

Jacqueline Allen	Independent consultant/advisor, former capital markets executive
Patti Best	Former senior executive in investment industry
Daniel Brunet	National Director, Board of the National Association of the Federal Retirees
Neil Gross (Chair)	President, Component Strategies Consulting and former Executive Director, Canadian Foundation for Advancement of Investor Rights (FAIR Canada)
Serge Kalloghlian	Partner, Kalloghlian Myers LLP, representing investors in securities class actions and investor rights litigation
Harvey Naglie	Former Senior Policy Advisor, Ontario Ministry of Finance's Financial Services Policy Division
Ilana Singer	Vice-President and Corporate Secretary, Canadian Investor Protection Fund, former Chief Operating Officer and Deputy Director, FAIR Canada, and Capital Markets Expert, World Bank Group
Leslie Wood	Former senior executive in the investment fund industry

The **Market Structure Advisory Committee** serves as a forum to discuss issues and policy- and rule-making initiatives associated with market structure and marketplace operations in the Canadian and global capital markets.

Rizwan Awan	TMX Group
Stephen Bain	Independent
Katie Gouinlock	Vanguard Investments Canada
Robert Gouley	OMERS Capital Markets
Susan Greenglass (Chair)	Ontario Securities Commission
David Hecht	TD Securities
Dan Kessous	Nasdaq Canada
Lafèche Montreuil	Desjardins Securities
Alex Perel	Scotia Capital
Martin Pizel	Omega ATS
Kelly Reynolds	Hillsdale Investment Management
Ryan Riordan	Queen's University
Nick Savona	ITG
Daniel Schlaepfer	Select Vantage Canada
Jeff Varey	RBC Capital Markets
Mark Wilkinson	Citadel Securities Canada

The **Registrant Advisory Committee** serves as a forum to discuss issues and challenges faced by registrants in interpreting and complying with Ontario securities law, including registration and compliance-related matters.

Brad Beuttenmiller	Franklin Templeton Investments Corp.
Kevin Brown	1832 Asset Management L.P.
Debra Foubert (Chair)	Ontario Securities Commission
Melissa Ghislanzoni	Portfolio Management Association of Canada
Christopher Kozub	Private Capital Markets Association of Canada
Cathy Lin	Burgundy Asset Management Ltd.
Robyn Mendelson	Fidelity Investments Canada ULC
Liis Palmer	Cassels Investment Management Inc.
Paul Spagnolo	Sionna Investment Managers Inc.
Rob Wortzman	Wildeboer Dellelce LLP

The **Securities Advisory Committee** provides advice to the OSC on legislative and policy initiatives and capital markets trends.

Chris Birkett	Toronto Stock Exchange
Margaret Chow	Richardson GMP Limited
Katie Daniels	Canada Pension Plan Investment Board
Bradley Freelan	Fasken Martinea DuMoulin LLP
Linda Fuerst	Norton Rose Fulbright Canada LLP
Desmond Lee	Osler, Hoskin & Harcourt LLP
Jennifer F. Longhurst	Davies Ward Phillips Vineberg LLP
Julie Mansi	Borden Ladner Gervais LLP
Leila Rafi	McMillan LLP
Rima Ramchandani	Torys LLP
Naizam Kanji (Chair)	Ontario Securities Commission
Chris Sunstrum	Goodmans LLP
Ora Wexler	Dentons Canada LLP

The **Securities Proceedings Advisory Committee** provides comments and advice to the Office of the Secretary on policy and procedural initiatives relating to the Commission's administrative tribunal proceedings.

Robert Blair	Manager, Adjudication Legal Services, Office of the Secretary, OSC
James Camp	Camp Advocacy
Adam Chisholm	McMillan LLP
David Conklin	Goodmans LLP
Derek Ferris	Senior Litigation Counsel and Case Lead, Enforcement, OSC
Lara Jackson	Cassels Brock & Blackwell LLP
Craig Lockwood	Osler, Hoskin & Harcourt LLP
Grace Knakowski (Chair)	Secretary to the Commission, OSC
Karen Manarin	RCMP, Toronto Integrated Market Enforcement Team
Doug McLeod	Blake, Cassels & Graydon LLP
Brad Moore	Fasken Martineau DuMoulin LLP
David Sischy	Groia & Company Professional Corporation
Carolyn Slon	Senior Legal Counsel, Office of the Secretary, OSC (secretary to SPAC)
Johanna Superina	Deputy Director, Enforcement, OSC
Natalia Vandervoort	TD Bank Group

The **Seniors Expert Advisory Committee** serves as a forum to discuss issues and challenges faced by seniors. The Committee provides OSC staff with expert opinions and input on securities-related policy, operational, education and outreach activities that are designed to meet the needs of Ontario's older investors.

Dr. Joe Bornstein	Health Innovations Group
Arthur Fish	BLG LLP
Tyler Fleming (Chair)	Ontario Securities Commission
Harold Geller	MBC Law Professional Corporation
Marta C. Hajek	Elder Abuse Prevention Ontario
Kelley Keehn	Consumer Advocate and Personal Finance Educator
Sidney Peters	Legal Director, Ontario Government
Lindsay Rogan	Investment Management (Portfolio Management Association of Canada representative)
Keith Sjogren	Investor Economics
Laura Tamblyn Watts	CanAge
Danielle Tetrault	IG Wealth Management and Investors Group Financial Services Inc.
James (Jim) Turner	Former OSC Vice-Chair
Minal Upadhyaya	Investment Funds Institute of Canada
Kimberly Whaley	Principal, Whaley Estate Litigation Partners
Terri Williams, CFP	Canadian Foundation for Economic Education

The **Small and Medium Enterprises Committee** advises OSC staff on policy and rule-making initiatives relevant to small issuers, and on the emerging issues and unique challenges faced by small issuers.

The OSC is committed to serving small and medium enterprises. We are currently in the process of recruiting new members to join the OSC's Small and Medium Enterprises advisory committee. We will announce the committee's new membership once finalized.

CSA Advisory Committees

The OSC also participates on advisory committees of the Canadian Securities Administrators.

The **Financial Reporting Advisory Committee** provides advice to the CSA Chief Accountants Committee on relevant policy initiatives and various technical accounting and auditing issues that relate to financial reporting requirements and guidance in securities legislation in Canada. The committee also serves as a forum to discuss financial reporting practices and trends in the Canadian and global capital markets.

Carolyn Anthony	PricewaterhouseCoopers LLP
Richard Cracknell	BDO LLP
Craig Cross	RSM Canada
Laney Doyle	Ernst & Young LLP
Carla-Marie Hait	British Columbia Securities Commission
Kelly Khalilieh	Canadian Accounting Standards Board
Deanne Kennedy	Deloitte LLP
Cheryl McGillivray	Alberta Securities Commission
Cameron McInnis (Chair)	Ontario Securities Commission
Brad Owen	KPMG LLP
Suzanne Poulin	Autorité des marchés financiers
Rinna Sak	Grant Thornton LLP
Eric Turner	Auditing and Assurance Standards Board

The **Mining Technical Advisory and Monitoring Committee** provides advice to the CSA on technical issues relating to disclosure requirements for the mining industry. The committee also serves as a forum for continuing communication between the CSA and the mining industry.

Brian Abraham	Dentons Canada LLP
Luc Arsenault (Observer)	Toronto Stock Exchange
Sébastien Bernier	Yamana Gold Inc.
James Brown	Osler Hoskin & Harcourt LLP
Natalie Caciagli	Barrick Gold Corporation
Chris Collins (Co-Chair)	British Columbia Securities Commission
Guy Desharnais	Osisko Gold Royalty Ltd.
Daniella Dimitrov	IAMGOLD Corporation
Jason Dunning	Adventus Mining Corporation
Greg Gosson	Wood PLC
Thomas Hasek (IIROC Observer)	IIROC
Tania Ilevia	Micon International Ltd.
Garth Kirkham (CIM Observer)	Kirkham Geosystems Ltd.
Darcy Krohman (CSE Observer)	Canadian Securities Exchange
Stefan Lopatka (Observer)	TSX Venture Exchange
Deborah McCombe (CIM Observer)	SLR Consulting
Ross Pritchard	Teck Resources Ltd.
Rolf Schmitt	ERM Consultants Canada Ltd.
Shervin Teymouri	Mineit Consulting Inc.
Craig Waldie (Co-Chair)	Ontario Securities Commission



ONTARIO
SECURITIES
COMMISSION

2020–2021
OSC Statement of Priorities

Report card

2020–2021 Report Card

Each year, the OSC publishes a Statement of Priorities that sets out the OSC's strategic goals, priorities, and specific initiatives for the year. Our priorities are aligned with our statutory mandate and the annual mandate letter from the Minister of Finance.

This Report Card contains performance highlights and success measures against the 2020–2021 OSC Statement of Priorities, demonstrating how we have fulfilled the obligations set out in our mandate letter.

Our 2020–2021 OSC Goals are:

GOAL 1

Promote
confidence in
Ontario's capital
markets

GOAL 2

Reduce
regulatory
burden

GOAL 3

Facilitate
financial
innovation

GOAL 4

Strengthen our
organizational
foundation

GOAL 1

Promote confidence in Ontario's capital markets

Priority

Implement the Client Focused Reforms

Why it's important

We work to make Ontario an attractive place for investors. When rules are clear, fair and align the interests of registrants with the interests of their clients, investor outcomes improve. The Client Focused Reforms establish a higher level of protection for investors and a higher standard of care for the investment industry.

Success measures

- Investors will benefit from registrants addressing material conflicts of interest in the investor's best interest
- Registrants must consider specific factors when deciding if an investment product is suitable and whether their recommendations put the client's interest first
- Investors will receive greater clarity around the products and services they can expect from their registrants.
 - Registrants will need to:
 - explain the potential impact on a client's investment returns from management expense fees or other ongoing fees connected with the investment product (and their compounding effect over time)
 - provide investors with more information about any restrictions on a client's ability to liquidate or resell an investment product
 - Increased investor confidence in the industry by better aligning industry conduct with investor expectations, as reflected by fewer compliance review recommendations relating to information collection, inadequate KYP due diligence, and unsuitable investments

PLANNED ACTIONS

The OSC, with other CSA jurisdictions, will establish an implementation committee to provide guidance, respond to questions and otherwise assist registrants as they implement the amendments

PROGRESS/OUTCOMES/MEASURES OF SUCCESS

In Progress: The CFR Implementation Committee continues to meet regularly with external stakeholders. Responses were published on September 28, 2020, December 18, 2020, and March 31, 2021, to questions received to assist registrants as they prepare for the new CFR requirements coming into effect on June 30, 2021 (Conflicts of Interest) and December 31, 2021 (Know-Your-Client, Know-Your-Product, Suitability, Relationship Disclosure Information, and all other reforms).

Responses to additional questions submitted to the CFR Implementation Committee will be published periodically as the guidance is developed.

Priority

Continue CSA Policy Consultations on Mutual Fund DSC and OEO Embedded Commissions

Why it's important

When investors understand the costs of their investments, they are better positioned to make decisions that support their overall financial goals. A more transparent fee model for mutual funds better balances the interests of investors with those of advisors and mitigates any potential conflicts of interest.

Success measures

- Limiting deferred sales charge (DSC) sales practices that are harmful to investors in Ontario
- Instead of embedded fees, investors are charged applicable direct fees for mutual fund trades on order-execution-only platforms

PLANNED ACTIONS	PROGRESS/OUTCOMES/MEASURES OF SUCCESS
Review public comments on the OSC proposal	<p>Completed: Review of public comments on the Ontario (DSC) proposal is complete. The DSC proposal is an expanded public consultation of the CSA-proposed OEO dealers embedded fees amendments published on September 13, 2018.</p>
Work with the CSA with a focus on transitional issues when finalizing the CSA proposal	<p>Completed: Final amendments to NI 81-105 <i>Mutual Fund Sales Practices</i>, on the prohibition of mutual fund trailing commissions where no suitability determination was required, were published on September 17, 2020, with an effective date of June 1, 2022.</p> <p>Publication of these amendments provides a clear final policy direction. With this clarity, dealers and investment fund managers can transition to adopting trailer-free mutual fund options as well as converting or transferring existing trailing commission paying mutual fund products to trailer-free options on order execution only dealers. By June 1, 2022, under the final amendments, no mutual fund products with trailing commissions are permitted where no suitability determination is required.</p> <p><i>Subsequent Event:</i></p> <p>In May 2021, the OSC announced that staff will bring forward final amendments to implement a DSC ban, which would go into effect on June 1, 2022. Under the amendments, the payment of upfront sales commissions by fund organizations to dealers resulting from new sales will be prohibited, harmonizing the DSC ban across Canada. Rule amendments to implement a DSC ban were adopted by the Commission on June 3, 2021.</p>

Priority

Improve the Retail Investor Experience and Protection

Why it's important

Financial markets are evolving and becoming increasingly complex, with new investment opportunities and products continually being introduced. Investors are the lifeblood of our capital markets, and they must have the information they need to make informed financial decisions.

Success measures

- Financial education resources and channels such as GetSmarterAboutMoney.ca continue to be used by large numbers of investors and seen as a leader in Canada and internationally
- Regulatory framework to address issues of financial exploitation and cognitive decline among older and vulnerable investors published for comment
- Timely and responsive investor research conducted and published
- Effectiveness of OSC policies and programs improved through the integration of behavioural insights

PLANNED ACTIONS	PROGRESS/OUTCOMES/MEASURES OF SUCCESS
Stakeholder consultations on ways to improve the investor experience	<p>Completed: Published the <i>Investor Experience 2020</i> research study that explored several topics relevant to the retail investing experience in Canada including working with an advisor, understanding investments, avoiding investment fraud, and the impact of the COVID-19 pandemic.</p> <p>Ongoing/Delayed: Further consultation on improving the investor experience for retail investors has been delayed due to reduced staff capacity as well as the work related to the Capital Markets Modernization Taskforce.</p>
Continue expansion of the use of behavioural insights in OSC policy work	<p>Completed: Published OSC Staff Notice 11-790 <i>Protecting Aging Investors through Behavioural Insights</i>, which identifies behaviourally informed techniques dealers and advisors can use to encourage their older clients to provide the necessary information for enhanced investor protection measures.</p>

PLANNED ACTIONS	PROGRESS/OUTCOMES/MEASURES OF SUCCESS
<p>A focus on investor education and financial literacy activities</p>	<p>Completed: Focused on the following priorities to advance financial literacy across communities:</p> <ul style="list-style-type: none"> – Published a new resource hub on <i>GetSmarterAboutMoney.ca</i> (COVID-19 and Your Money) to help investors manage the challenges of the pandemic with educational information and tools, financial support links, and fraud alerts – Modernized and relaunched the investor questions and answers website as <i>InvestingQuestions.ca</i> to improve search functionality and overall user experience – Developed innovative initiatives, including social media campaigns, to educate investors. These included a Reddit-based initiative and Twitter chats, resulting in a reach of 2.4 million and 16.4 million respectively – Delivered 123 virtual and telephone-based investor outreach events, including 82 events for seniors and 36 events for multicultural communities, reaching 6,895 Ontarians <p>In Progress: Initiated refresh of <i>GetSmarterAboutMoney.ca</i></p>
<p>Continue implementation of the OSC Seniors Strategy, including consultation on the proposed regulatory framework to address issues of financial exploitation and cognitive decline among older and vulnerable investors</p>	<p>Completed: Consultations on the proposed regulatory framework to address financial exploitation and diminished mental capacity among older and vulnerable investors closed on July 20, 2020. The CSA project committee reviewed and considered all stakeholder comments.</p> <p>Published articles on topics such as the impact of COVID-19 on RRIFs and retirement savings, as well as steps for seniors to take before offering a financial lifeline to family members during the pandemic.</p> <p>In Progress: The CSA project committee is finalizing amendments to <i>NI 31-103 Registration Requirements, Exemptions, and Ongoing Registrant Obligations and Related Instruments</i> and the <i>Companion Policy</i>, and preparing the materials that will accompany the amendments, with the view to publishing the final amendments in early summer 2021, subject to all necessary approvals.</p> <p>Issued a call for applications to refresh the membership of the Seniors Expert Advisory Committee.</p>
<p>Collaboration on financial literacy initiatives with the Government of Ontario, including the Ministry of Finance, Ministry of Education, and Ministry of Seniors and Accessibility</p>	<p>Completed: The newly formed Ontario Intra-governmental Committee on Financial Literacy, chaired by the Director of the Investor Office, will strengthen collaboration and dialogue among provincial ministries and agencies on initiatives and opportunities to improve financial literacy in Ontario.</p>

Priority

Continue to Expand Systemic Risk Oversight

Why it's important

Appropriate safeguards are necessary to protect market participants and investors and to allow Ontario capital markets to flourish.

Success measures

- Published amendments to the Business Conduct Rule for derivatives dealers
- Expanded database development completed
- Operational procedures for new compliance and oversight processes documented
- New templates for systemic risk analysis operationalized
- Increased use of analytical support for internal reporting, presentations, research, inter-agency projects, and policy development
- Improved resilience and preparedness through effective coordination and cooperation with regulatory partners

PLANNED ACTIONS	PROGRESS/OUTCOMES/MEASURES OF SUCCESS
Subject to Ministerial pre-approval, publish amendments to the Business Conduct Rule for derivatives dealers, limiting the scope of the rule and outlining jurisdictions that will be granted equivalency	Ongoing/Delayed: A revised version of the proposed Business Conduct Rule will be published for comment. The scope of the rule has been narrowed to ensure that access to derivatives products will not be unduly limited and includes a list of jurisdictions that will be granted equivalency.
Work with CSA on the next version of the proposed Derivatives Dealer Registration Rule	In Progress: The OSC continues to work with the CSA on the next version of the proposed Derivatives Dealer Registration Rule.
Establish a monitoring regime for data relevant to the applicability of a proposed margin rule for uncleared derivatives to Ontario entities	Completed: The OSC, along with other CSA members, implemented a harmonized monitoring process involving current data from derivatives trade repositories. The most recent review found no material changes in the prior findings. The OSC will continue to monitor and review the data for any material changes.

PLANNED ACTIONS	PROGRESS/OUTCOMES/MEASURES OF SUCCESS
Propose amendments to the Trade Reporting Rule concerning internationally adopted data standards	Ongoing: Work is continuing with the CSA to draft the the Trade Reporting Rule amendments and implement the international reporting standards. The expected publication for comment is in October 2021.
In coordination with other IOSCO members, design and implement enhanced data collection to monitor vulnerabilities associated with the use of leverage in the asset management industry	Ongoing: Designed a survey to facilitate monitoring of leverage and liquidity in the investment fund sector. Data collection will start in the first quarter of fiscal year 2021-2022 and be conducted in coordination with other CSA members. The data collection survey will be conducted annually.
Subject to Ministerial pre-approval, publish for comment a revised version of the Clearing Rule and Companion Policy	Completed: The OSC, along with other CSA members, published proposed amendments for comment on September 3, 2020, and is in the process of drafting final amendments to NI 94-101 <i>Mandatory Central Counterparty Clearing of Derivatives</i> (the “Clearing Rule”) and <i>Companion Policy</i> . Publication of final amendments is anticipated in 2021.
Work with other provincial and federal agencies to enhance the identification of financial system vulnerabilities and promote financial system resilience	<p>Completed: The OSC shares information with other provincial and federal agencies as a member of the Heads of Regulatory Agencies (HoA). The HoA membership consists of the Bank of Canada (Chair of the HoA), Department of Finance Canada, Office of the Superintendent of Financial Institutions, Alberta Securities Commission, Autorité des marchés financiers (Quebec), British Columbia Securities Commission, and the OSC.</p> <p>The HoA created the Systemic Risk Surveillance Committee (SRSC) to collaborate and share information to improve financial system monitoring and systemic risk assessment. The OSC is a member of the SRSC along with other provincial and federal agencies with an interest in promoting financial stability. The SRSC reports to the HoA and informs the discussion at the HoA level.</p> <p>Ongoing: OSC will contribute analysis and insights to the SRSC, whose work informs the Bank of Canada’s assessment of financial system vulnerabilities and risks.</p>
Develop compliance review program for the Clearing Rule	Completed: A compliance program was developed and implemented to ensure the requirements in NI 94-101 <i>Mandatory Central Counterparty Clearing of Derivatives</i> are followed.
Create data quality reports to inform decisions as to which reporting counterparties should be reviewed	In Progress: The OSC continues to develop a process that incorporates data quality metrics to inform which entities undergo a compliance review.

PLANNED ACTIONS	PROGRESS/OUTCOMES/MEASURES OF SUCCESS
<p>Conduct ad hoc compliance reviews on issues as they become present in the data</p>	<p>Completed: The OSC conducted nine ad hoc compliance reviews of derivatives market participants during the year where we noted instances of incomplete and incorrect submitted data. The OSC will continue to perform these ad hoc reviews when necessary to improve the quality of the data it receives.</p>
<p>Design and build an enhanced derivatives data mart that ingests and relates data from multiple reporting entities</p>	<p>Completed: A strategic review of the derivatives data mart project was completed which focused on scope, goals, and timelines.</p> <p>Ongoing/Delayed: The initial phase of building an enhanced derivatives data mart was completed. Further phases of development are required to enable all desired functionality of this multi-year project. The Derivatives and Digital Solutions branches will collaborate going forward to deliver on the goals identified through the strategic review.</p>
<p>Provide inter-provincial data support and analytics</p>	<p>Ongoing/Delayed: Completed a redevelopment program to accommodate the system re-architecture at one of the trade repositories that provides data, including data we receive on behalf of other provincial securities commissions. As a result, inter-provincial support and analytics were delayed but will resume in early 2021.</p>

Priority

Bring Timely and Impactful Enforcement Actions

Why it's important

Securities misconduct doesn't just hurt the investors who lose money, it threatens the trust people have in our markets.

Success measures

- Implementation of new tools supports the increased use of data to support case selection and investigation decisions
- Enhanced profile for the OSC Whistleblower Program increases the number of credible tips
- Increased number of visible, effective disruption actions completed
- Increased visibility of priority case outcomes with strong regulatory messages aligned with OSC strategic priorities
- Improved use of data analytics in market conduct cases to strengthen the detection of harmful conduct
- In conjunction with our CSA partners, roll out the first phase of the Market Analysis Platform implementing a data repository with analytic tools to enhance enforcement effectiveness, including insider trading and market manipulation investigations

PLANNED ACTIONS	PROGRESS/OUTCOMES/MEASURES OF SUCCESS
<p>Continue to identify and develop surveillance and analytical tools including working with the CSA to Implement the Market Analysis Platform (MAP)</p>	<p>Completed: Launched MAP Phase 1. General and closing statistics algorithms were developed and implemented for use in some types of market manipulation assessments.</p> <p>In Progress: The Enforcement Branch continues to support next-phase developments of MAP following the initial launch. Enforcement has identified opportunities in using market tools and vendors to increase monitoring and analysis capabilities within crypto asset markets. Development of algorithms to help insider trading assessments of negative news events is progressing.</p> <p>Ongoing/Delayed: Development continues towards full functionality of MAP.</p>

PLANNED ACTIONS	PROGRESS/OUTCOMES/MEASURES OF SUCCESS
<p>Focus investigative and litigation resources on cases expected to have a strong regulatory impact and that are aligned with our strategic priorities</p>	<p>Completed: Sent strong messages on OSC crypto regulatory priorities and enforcement around the world through:</p> <ul style="list-style-type: none"> – the public release of an investigative report (including its microsite and embedded video) on the QuadrigaCX fraud and misappropriation of millions in client assets, – publication of the settlement agreement reached with Coinsquare who admitted to conducting around 840,000 illicit wash trades on their platform worth almost \$5.5 billion. <p>Enforcement’s regulatory actions continued with the shift to working remotely. A virtual examination best practices guide was developed by April 2020 and all examinations shifted to virtual.</p> <p>Completed a record number of assessments, primarily due to increases in complaints from the public and to expedite support for an Enforcement project sweep.</p> <p>In Progress: Eleven active and impactful investigations are ongoing. One quasi-criminal fraud trial was heard in Ottawa in January 2021. A decision is pending. A quasi-criminal fraud case is currently being heard in provincial court in Toronto.</p> <p>Ongoing/Delayed: Abbreviated assessment practices were implemented beginning in January 2021 due to high volumes and are ongoing. Provincial courts remain backlogged due to the COVID-19 pandemic.</p>
<p>The quasi-criminal team will work in cooperation with policing partners and continue to focus on fraudulent behaviour and recidivism</p>	<p>In Progress: Two joint investigations are ongoing with the RCMP and Integrated Market Enforcement Team. Initiated a selection process for onboarding an OPP officer on a three-year secondment.</p> <p>Ongoing/Delayed: The OPP secondment has been delayed due to the COVID-19 pandemic.</p>

PLANNED ACTIONS	PROGRESS/OUTCOMES/MEASURES OF SUCCESS
<p>Proactive and timely disruption activities mitigate or stop investor harms</p>	<p>Completed: A record number of cases were identified and transferred for disruption or other alternative enforcement measures, with 23% of the total assessed, primarily related to an increase in global internet scams.</p> <p>Completed 122 disruption activities, including issuing warning letters cautioning against potential misconduct, alerting the public through press releases and warnings on the OSC website, and actively engaging with regulatory and law enforcement partners.</p> <p>Additional disruption action continued despite the pandemic including receiverships, off-boarding of clients, freeze directions, and warning letters.</p>
<p>The Whistleblower group will triage tips to focus action on impactful enforcement proceedings with effective regulatory messages</p>	<p>Completed: Whistleblower tips rose by 13% from the previous fiscal year, highlighting continued growth in awareness of the OSC Whistleblower Program.</p> <p>The OSC announced award payments of \$1.1 million to four whistleblowers who provided critical information in advancing enforcement proceedings with impactful regulatory messages. One of those awards was accounted for in the 2019–2020 fiscal year and not announced until April 2020 for confidentiality reasons.</p> <p>Enforcement settled its first matter involving allegations of misconduct contrary to the whistleblower anti-reprisal provisions of the Securities Act.</p> <p>The OSC also publicly issued joint whistleblower guidance with IIROC appealing to whistleblowers to submit tips on potential abusive trading in the securities of Ontario reporting issuers.</p>

OSC Enforcement activity

OSC Enforcement Branch: Intake

Fiscal year	2020–2021	2019–2020
Number of cases assessed	807	732
Number transferred for investigation	25	42

OSC Enforcement Branch: Investigations

Fiscal year	2020–2021	2019–2020
Number of completed investigations	33	52
Number transferred for litigation	12	19

OSC Enforcement Branch: Litigation

Fiscal year	2020–2021	2019–2020
Proceedings commenced before the Commission	10	15
Number of respondents	25	34
Quasi-criminal proceedings	2	2
Number of accused	4	3
Criminal Code proceedings	0	2
Number of accused	0	2
Search warrants executed	80	15
ENFORCEMENT TIMELINES:		
Average number of months from intake to commencement of a proceeding	19.5	19.9

Concluded matters before the Commission

If someone contravenes Ontario securities law or commodity futures law, the OSC can bring an enforcement proceeding against them. Some of these cases are heard by a panel of Commissioners who

act as independent adjudicators. Hearing panels have the power to impose sanctions, including ordering someone that has not complied with Ontario securities law or commodity futures law to pay an administrative

penalty or to disgorge to the Commission any amounts obtained as a result of the non-compliance. Panels may also approve voluntary payments to the Commission under settlement agreements.

Fiscal year	2020–2021	2019–2020
Number of proceedings concluded	7	14
Number of respondents	18	21
SANCTIONS INCLUDE:		
Cease trade orders	10	6
Exemptions removed	9	4
Director and Officer bans	11	5
Registration restrictions	12	7
Administrative penalties, disgorgement orders, settlement amounts (excluding amounts received under No Enforcement Action Agreements)	\$ 11,122,639	\$ 41,307,703
Costs ordered	\$ 480,000	\$ 3,120,307
Amounts due directly to investors or other third parties pursuant to settlements	\$ —	\$ 995,966
Number of No Enforcement Action Agreements concluded	3	—
Amounts received under the NEAAs	\$ 36,677	\$ —

Collections

The Commission’s annual collections rate is calculated based on the amounts ordered during that year and the amounts collected from those orders. The rate may later be adjusted upward if amounts are recovered

on an unpaid order in a future year. Collections actions can generally be commenced only after all appeals have been concluded, and they often take time to produce results.

The Commission’s collections rate with respect to orders in both contested proceedings and settlements is **51.6%** for the fiscal year.

Concluded matters before the courts

Fiscal year	2020–2021	2019–2020
Total number of proceedings	3	4
Total number of accused	3	4

SANCTIONS INCLUDE:

Jail sentences	0	119 months
Conditional sentences/House arrest	24 months	24 months
Fines	\$1,000	\$15,679,088
Restitution	\$24,000	\$14,468,682

Adjudicative activities of the Commission

Proceeding type ²³	2020–2021			2019–2020		
	Applications commenced ²⁴	Applications closed ²⁵	Oral hearing days scheduled ²⁶	Applications commenced ²⁴	Applications closed ²⁵	Oral hearing days scheduled ²⁶
Enforcement proceeding²⁷ (an application for an order requested in a statement of allegations – s. 127)	16	14	158	22 ²⁸	21	106
Authorization to disclose (an application to authorize disclosure of information – s. 17)	13	13	1	12	15	0
Temporary order (an application for a temporary order – s. 127)	1	1	4	2	1	5
Hearing and review (an application for a review of a Director's or a self-regulatory organization's decision – s. 8 or s. 21.7)	6	1	14	1	4	10
Further decision/revocation or variation of a decision (an application for a further decision or a revocation or variation of a decision – s. 9(6) or s. 144)	3	1	8	6	6	0
Transactional proceeding (an application relating to a take-over bid, issuer bid, amalgamation, statutory arrangement, merger or acquisition, related party transaction or meeting of security holders – s. 104 or s. 127(1))	2	2	5	2	2	6
Other (an application for an order not specified above)	1	1	0	0	0	0
Total	42	33	190	45²⁸	49	127

²³ Sections cited relate to Securities Act (Ontario).

²⁴ An application is commenced when it is filed with the Registrar.

²⁵ An application is closed when a final order or reasons, if any, are issued, or an application is withdrawn.

²⁶ The number of oral hearing days scheduled that proceeded. Excludes written hearings.

²⁷ Includes enforcement proceedings, inter-jurisdictional proceedings and settled enforcement proceedings.

²⁸ Restated from the 2019–2020 report.

Priority

Enhance Economically Focused Rulemaking

Why it's important

Part of our role as a regulator is to be transparent about what we are doing, why it matters, and the impact we expect it to have. We are working to ensure that proposed rules are supported by a robust, publicly available analysis of the anticipated benefits and costs for stakeholders.

Success measures

- High-quality analyses are delivered within agreed timelines
- Rulemaking is supported by impact analyses that confirm the costs of the proposed changes are proportionate to the benefits sought and aligned with the OSC's mandate
- Post-implementation reviews confirm that no major potential impacts were missed in the initial analysis
- Reviews will confirm whether the intended benefits have been achieved and if further policy change should be considered
- Published analysis generates positive feedback from internal and external stakeholders

PLANNED ACTIONS	PROGRESS/OUTCOMES/MEASURES OF SUCCESS
Develop a more comprehensive and structured approach to analyzing costs and benefits that includes qualitative and quantitative analysis of anticipated costs and benefits for all OSC rulemaking initiatives	<p>In Progress: Work to enhance the OSC's internal framework for assessing the impact of regulatory policy continues based on lessons learned from analyses completed during the year. Once completed, the framework will be used as a template for future impact analysis, helping to ensure a consistent and transparent approach.</p>
Provide analytical support and advice on impact analyses for regulatory initiatives	<p>Completed: Published qualitative and quantitative analysis of anticipated costs and benefits in support of 10 rule proposals.</p> <p>Ongoing: Continue to deliver research and analysis on anticipated impacts of proposed rulemaking to help ensure that proposals are informed by analysis of potential impacts.</p>
Conduct retrospective reviews of past regulatory changes to assess if intended impacts were achieved	<p>Completed: With the CSA, published findings from a four-year research study that measured what investors know and think about fees and the performance of their investments, and how they interact with advisors. The research found improvements between 2016 and 2019 in 40% of the issues examined, particularly in knowledge about fees. The insights gleaned from the research will help inform future CSA policy-making and educational efforts to improve the investing experience for Canadians.</p> <p>In Progress: Research continues into the trends related to mutual fund fees and product offerings.</p>

Priority

Initiate Consultation to Consider the Current Self-Regulatory Organization Framework

Why it's important

The self-regulatory organizations (SROs) have critical public interest responsibilities and their structure should reflect today's financial industry, which has evolved significantly since the current model was established. The CSA is undertaking a consultation to modernize the SRO model to better protect investors, streamline regulation, and ultimately to better serve the public interest.

Success measures

- Updated SRO recognition orders that are consistent with our oversight activities and that maintain appropriate levels of investor protection
- Consideration and public feedback on whether the current SRO framework is appropriate in light of the evolution of the market

PLANNED ACTIONS	PROGRESS/OUTCOMES/MEASURES OF SUCCESS
Consultation paper published for comment	Completed: Published CSA Consultation Paper 25-402 – Consultation on the Self-Regulatory Organization Framework for comment on June 25, 2020.
Clarify and streamline SRO Memoranda of Understanding and recognition orders	Completed: Published SRO Memoranda of Understanding in final form on March 25, 2021, effective April 1, 2021.

Priority

Support Transition to the Cooperative Capital Markets Regulatory System

Why it's important

The proposed cooperative capital markets regulatory system (CCMR) is intended to give Canadians a straightforward and uniform approach to capital markets regulation. This approach would provide an opportunity for enhanced investor protection, foster efficient rulemaking, and promote globally competitive markets in Canada.

Success measures

- The OSC is ready to seamlessly transition to the proposed CCMR

PLANNED ACTIONS	PROGRESS/OUTCOMES/MEASURES OF SUCCESS
<p>Re-prioritize, mobilize resources, and adopt change management activities once workstreams are activated to prepare for CCMR launch</p>	<p>Completed: Human Resource policies were reviewed and recommended for the CCMR, with organization structure design completed to reflect all participating jurisdictions and change management plans established and implemented in alignment with phases of organization design.</p>
<p>Work with other CCMR partners to develop effective legislation, regulations, and efficient regulatory oversight processes</p>	<p>Completed: Provided input on draft legislation at the request of the Ministry of Finance. Together with the General Counsel's Office and the Enforcement workstream, provided input on the application of Evidence Acts in the participating jurisdictions. Together with GCO, provided input on a consultation draft of the CMRA Act.</p> <p><i>Subsequent Event:</i></p> <p>Effective March 31, 2021, the Capital Markets Authority Implementation Organization (CMAIO), which was established to assist in the transition to the CCMR, put its operations on pause.</p>

GOAL 2

Reduce regulatory burden

Priority

Complete Actions Identified in the OSC Burden Reduction Plan

Why it's important

Reducing regulatory burden and enhancing competitiveness in Ontario's capital markets will save time and money for issuers, registrants, investors, and other market participants. The OSC has committed to an ongoing program of burden reduction aimed at eliminating unnecessary rules and processes while protecting investors and the integrity of our markets.

Success measures

- New tools and use of technology to assist with navigating the regulatory process
- More transparency around our processes
- More manageable timelines for certain filings
- Greater clarity and flexibility on what is required to fulfill regulatory requirements
- Less duplication of requirements and form filings
- Improved coordination of reviews
- A more tailored regulatory approach that considers the size and type of businesses
- Clearer communication from staff
- Improved coordination between the OSC and our regulatory partners
- Rules and guidance that are easier to read and understand
- Information will be easier to find and better organized on our website

PLANNED ACTIONS

Complete the burden reduction items identified in the Report for completion by the planned dates

PROGRESS/OUTCOMES/MEASURES OF SUCCESS

Completed: The OSC has completed 62 of the initiatives set out in the 2019 report *Reducing Regulatory Burden in Ontario's Capital Markets*.

In Progress: By December 31, 2021, 85 of the initiatives (79% of the total) are projected to be complete.

Ongoing/Delayed: Thirty-three of the initiatives have been delayed due to impacts of the COVID-19 pandemic. Many of these are joint CSA projects and so follow CSA timelines.

PLANNED ACTIONS	PROGRESS/OUTCOMES/MEASURES OF SUCCESS
Engage in further study of the items identified for follow up in the Report	<p>Completed: Created the Office of Economic Growth and Innovation with a mandate that includes leading and facilitating the OSC’s continuing efforts to reduce regulatory burden, including the recommendations identified in the burden reduction report.</p> <p>In Progress: The OSC continues to pursue opportunities to reduce undue burden and to make its interface with market participants easier and less costly, including new ideas beyond those identified in the 2019 report.</p>
Issue regular status updates on the progress against the actions identified in the Report	<p>Completed: The OSC published a status update on May 27, 2020, for the decisions and recommendations published in the <i>Reducing Regulatory Burden in Ontario’s Capital Markets</i> issued in November 2019. This status update is consistent with our commitment to provide market updates on the progress of implementing the report’s decisions and recommendations.</p>

GOAL 3

Facilitate financial innovation

Priority

Develop and Begin Implementation of Multi-Year Plan for the Office of Economic Growth and Innovation

Why it's important

Innovation offers economic opportunity and choices for investors. We support the creation of a globally competitive and efficient capital markets regulatory system that helps innovative businesses succeed and attracts investments from around the world. The OSC has established a dedicated office to lead our efforts in reducing burden, supporting innovation, and facilitating capital formation to drive competitiveness in our markets.

Success measures

- The Office of Economic Growth and Innovation (Innovation Office) is fully operational and delivering on its mandate
- Accelerated innovation in financial services through the proliferation of technology, reduced costs, and increased competition
- Impacts of regulatory actions are assessed in the context of small or medium-sized market participants
- Increased innovation supports capital formation and economic growth within Ontario

PLANNED ACTIONS	PROGRESS/OUTCOMES/MEASURES OF SUCCESS
<p>Identify and recommend improvements to processes, programs, and decision-making at the OSC that will contribute to economic growth and innovation and develop performance measures that can be used to show evidence of successful delivery</p>	<p>Completed: The Innovation Office published its Charter in October 2020 that sets out its strategic objectives, vision, and proposed initiatives.</p> <p>Recruited the Innovation Office team, including Modernizing Regulation and Outreach & Engagement units that align with the strategic objectives in its Charter.</p> <p>In Progress: Development and implementation of a broader outreach and engagement strategy are underway to achieve more timely input and feedback and engage stakeholder groups more proactively.</p> <p>Development of improved processes to address novel, innovative ideas is underway and includes the following tools for eligible businesses:</p> <ul style="list-style-type: none"> – enhancing the LaunchPad support program to provide businesses with tailored support and resources that align with their stage of development; – refining the LaunchPad support forum to gather additional information to assist in tailoring support we provide which could include educational content, access to a directory of external consultants offering pro bono initial consultations and/or a meeting with Innovation Office and OSC operational staff; – developing a program to provide businesses with a controlled testing environment for Ontario’s capital markets. Details on this initiative will be announced later in 2021. <p>Ongoing/Delayed: Performance measures will be delayed until key functions have been operationalized.</p>
<p>Oversee the process for identifying opportunities to reduce regulatory burden including conducting outreach programs with market participants to solicit their insight and input</p>	<p>Completed: Created the Modernizing Regulation Unit within the Innovation Office with the mandate to modernize regulation, including reducing regulatory burden on capital market participants.</p> <p>In Progress: The Innovation Office is designing a process to effectively manage and integrate ongoing efforts across the OSC to reduce regulatory burden.</p> <p>Developing methods to gather timely feedback from stakeholders in the innovation community is underway. We plan to seek structured feedback from stakeholders through surveys, Requests for Comment, and other interactive processes.</p>

PLANNED ACTIONS	PROGRESS/OUTCOMES/MEASURES OF SUCCESS
<p>Develop and implement innovation programs for the OSC to test innovative ideas</p>	<p>In Progress: The Innovation Office is building a dedicated website to support the innovation community.</p> <p>Ongoing: The OSC participates with international regulators in the Global Financial Innovation Network’s (GFIN) cross-border testing initiative that offers firms an environment to test their innovative financial products, services, and business models across international borders. Reviews of applicants for the second cohort of firms are in progress.</p>
<p>Monitor innovation and economic growth initiatives and engage actively with innovation hubs and similar groups within domestic and global regulatory organizations</p>	<p>Completed: The Innovation Office works closely with stakeholders and regulators to strengthen partnerships, monitor innovation and economic growth initiatives, and improve access to opportunities for businesses and investors on a domestic and international level. We met with over 230 stakeholders and attended/hosted 19 events in the year.</p> <p>Ongoing: Engagement included:</p> <ul style="list-style-type: none"> – collaboration with the CSA Regulatory Sandbox, an initiative consisting of several Canadian securities regulators designed to support businesses offering novel and innovative products, services, and applications throughout Canada; – participation in the GFIN, which includes a cross-border testing initiative and a framework for cooperation between financial services regulators on innovation topics, sharing different experiences, trends, and approaches; – pursuing fintech co-operation agreements with certain international financial regulators to make it easier for Canadian and Ontario-based innovators to attract and do business with investors around the globe; – enhancing our outreach and engagement with external stakeholders such as innovation hubs and post-secondary fintech programs that work directly with future entrepreneurs and businesses at various stages of development; and – participation in a forum with IOSCO, the Fintech Network, and the ICO Consultation Network to discuss regulatory issues, trends, and emerging risks regarding initial coin offerings.

Priority

Engage with Fintech and Support Innovation in Capital Markets

Why it's important

By working with innovative businesses, the OSC has an opportunity to directly identify opportunities for modernizing regulation and reducing burden for Ontario capital markets. Supporting innovation in capital markets, while balancing the need for investor protection and market stability, can help improve efficiency and reduce costs for investors.

Success measures

- Costs and time to market for innovations are reduced
- Potential tools are identified, assessed, and implemented
- Lessons from working with innovative businesses are used to modernize regulation for the benefit of Ontario businesses
- Positive feedback from stakeholders regarding guidance issued and support provided to fintech businesses
- OSC LaunchPad website updated to reflect new fintech-related notices, news releases and guidance

PLANNED ACTIONS	PROGRESS/OUTCOMES/MEASURES OF SUCCESS
Evaluate additional tools to assist fintech firms that want to test novel products and services	In Progress: The Innovation Office is developing a user-friendly dedicated website to support the innovation community and our mandate to foster innovation, economic growth and capital formation.
Identify issues and potential regulatory gaps relating to fintech developments and integrate lessons from working with innovative businesses	Completed: The CSA and IIROC published a notice on March 29, 2021, outlining securities law requirements that apply to crypto asset trading platforms (CTPs) including interim regulatory approaches that may be available to CTPs and are intended to foster innovation and provide flexibility while ensuring the CTPs operate in an appropriately regulated environment.
Issue guidance and notices on key issues affecting these businesses	Completed: Refer to the CTP notice described above for more details.
Work with the OSC Fintech Advisory Committee to ensure we are responsive to unique issues faced by innovative businesses	In Progress: The new Outreach & Engagement Team is implementing a broader outreach and engagement strategy. As part of this process, we are assessing the continued role of the OSC Fintech Advisory Committee and how to use this forum effectively.

PLANNED ACTIONS	PROGRESS/OUTCOMES/MEASURES OF SUCCESS
<p>Engage with other international regulators that have similar innovation initiatives to better understand international trends and developments</p>	<p>Completed: Members of the CSA, including the OSC, signed a fintech co-operation agreement with the Financial Supervisory Commission of Taiwan (FSC) effective June 11, 2020. The agreement provides a comprehensive framework for cooperation and referrals related to the innovation functions that were established through the CSA Regulatory Sandbox initiative and the FSC.</p>
<p>Enhance and maintain a dedicated microsite to provide the fintech community with important insights and information into securities law requirements including information for start-ups on whether and how securities regulations may apply to their business</p>	<p>In Progress: The Innovation Office microsite is under development and is scheduled to go live in Q1 2021/2022. The microsite will provide an enhanced user experience and easy navigation to recent publications and news, information about securities law requirements, and enhanced support for businesses that would like to seek support from the LaunchPad program.</p>
<p>Work with the CSA Sandbox to issue timely approvals for Ontario fintech businesses to operate in Canada as registered firms (offering novel products and services) or marketplaces</p>	<p>Completed: Nine businesses were supported through the CSA Sandbox this year. Support included providing novel exemptive relief to smooth the progress of innovation and the use of new technologies. Several businesses received time-limited registration or exemptive relief.</p> <p>Ongoing: Continue to provide direct support to several novel businesses as part of the OSC LaunchPad, which included 54 businesses this year.</p>

GOAL 4

Strengthen our organizational foundation

Priority

Continue
Redevelopment of
CSA National Systems

Why it's important

Feedback from market participants has identified CSA national systems, including filing systems, as an area for improvement. We are working together with our CSA partners to provide users with integrated solutions for filing and service delivery.

Success measures

- Launch of SEDAR+ meets user needs and is aligned with OSC local systems
- Improved operational functions and more efficient service delivery to market participants
- CSA Systems Fee Rule is completed within applicable timelines

PLANNED ACTIONS	PROGRESS/OUTCOMES/MEASURES OF SUCCESS
Support the CSA initiative to implement SEDAR+, a modern, accessible, integrated, searchable, secure, and robust database and system to deliver capabilities that support existing regulatory requirements and can be easily modified to support the future needs of market participants and regulators	<p>In Progress: The first phase of SEDAR+, which is focused on issuer filings and will replace the Cease Trade Order database, the Disciplined List, SEDAR, and local exempt distribution reporting and issuer exempt relief systems, will be rolled out gradually. Business readiness work is in progress.</p> <p>Once all phases of the program are completed, SEDAR+ will be the CSA's national system for all market participants for filings, disclosure, payment, and information searching in Canada's capital markets.</p>

PLANNED ACTIONS	PROGRESS/OUTCOMES/MEASURES OF SUCCESS
Amend the CSA Systems Rule and CSA Systems Fee Rule	<p>Completed: Comments received on Proposed Repeal and Replacement of Multilateral Instrument MI 13-102 <i>System Fees for SEDAR and NRD</i> (SFR) and Proposed National Systems Renewal Program Rule and Related Amendments NI 13-103 – <i>System Replacement Rule</i> were reviewed.</p> <p>In Progress: Final materials for MI 13-102 and NI 13-103 are expected to be published in January 2022.</p>
Complete work on OSC local systems and related processes, workflows, and policies to ensure they are aligned with SEDAR+ when it is launched	<p>In Progress: System and process updates of the eight impacted OSC local systems are ongoing to integrate with SEDAR+ functionality. Operational readiness work is in progress.</p> <p>Ongoing/Delayed: The scheduled deployment of the eight impacted OSC applications remains aligned with the SEDAR+ program.</p>

Priority

Modernize OSC Technology Platform

Why it's important

Strong technology systems support us in providing efficient and effective regulation. We are modernizing our OSC technology platform to enhance our operations and better serve those we regulate.

Success measures

- Insights gained from improved data reporting and analytics
- Improved information security oversight and reporting
- Successful implementation of the Information Security Program results in secure operations of OSC systems
- Improved cybersecurity defence agility
- Increased awareness of information security risks among staff

PLANNED ACTIONS	PROGRESS/OUTCOMES/MEASURES OF SUCCESS
Improved data reporting and analytics	<p>In Progress: The Digital Solutions Branch is working with other OSC branches to understand the capability needs around data and analytics. The need for an Enterprise Data Analytics and Reporting (e-DARP) platform was identified and is now part of the overall platform strategy. Work is underway to develop requirements and an implementation plan for e-DARP. Completion of a modern e-DARP will enhance OSC productivity and effectiveness.</p>
Continuation of OSC data governance activities with additional data elements added	<p>Completed: Master Data Management Phase 1: the de-duplication of Issuers and Registrant Firms was completed.</p> <p>In Progress: With the establishment of the DSB, the data governance practice is being revamped. Data cataloging activities are progressing.</p>
Enhanced derivatives database developed with improved reporting and analytics	<p>In Progress: The initial phase of building an enhanced derivatives data mart that included enhanced reporting and analytics is complete. Further development phases are required to enable all desired functionality on this multi-year project.</p>
OSC website redevelopment	<p>Completed: The redeveloped OSC website launched on February 24, 2021. Along with a refreshed design, to make it easier for users to find information quickly and simply, the website features expanded search functionality, mobile responsiveness, enhanced site navigation, streamlined content, and consolidated instruments.</p>

PLANNED ACTIONS	PROGRESS/OUTCOMES/MEASURES OF SUCCESS
Introduction of additional data management and analytical tools	<p>Completed: Completed key systems – namely:</p> <ul style="list-style-type: none"> – Enforcement Information System Sandbox – Compliance Field Review enhancements – RAQ enhancements (i.e. a new streamlined form that was auto-populated with registrant data, reducing the amount of data entry burden for registrants) – Various financial systems improvements (e.g. SEDI Integration, Cognos Reporting changes and improvements, SafePay, Vendor Workflow, Concur integration) <p>In Progress: Work is underway to identify the requirements and draft an implementation plan to create an enterprise-wide, modern, scalable, and well-governed data, analytics, and reporting platform.</p> <p>The COVID Market Analysis Project was initiated to develop a process and a tool to monitor market risk and the consequences of large fluctuations in the derivatives markets.</p>
Ongoing platform upgrades and improvements to various internal operational systems	<p>Completed: Migration to Windows 10 from Windows 7, various systems upgrades (e.g. Windows Server, SQL Server, etc.), and an e-hearing solution (i.e. FileMaker) upgrade.</p>
Implementation of additional tools and technology to allow staff to work more effectively and efficiently from home	<p>Completed: Additional tools and technology were implemented to allow staff to work remotely more effectively and efficiently, including Microsoft Teams, Microsoft Whiteboard, Microsoft Forms, Microsoft MyAnalytics, CISCO Jabber Softphones for some OSC staff, and additional laptop and mobile devices as required.</p>
Replacement of legacy systems with new modern technology	<p>Completed: Implemented a new e-discovery solution, Relativity, and decommissioned the legacy Summation system. Implemented a new CSA Market Analytics Platform and decommissioned MICA, the OSC legacy application.</p> <p>In Progress: OSC legacy systems are being modernized using new technologies and platforms. As the first step, an OSC platforms landscape was published. Existing legacy systems will be ported to the new platforms as a multi-year initiative. Currently working on the prioritization of these initiatives.</p>

PLANNED ACTIONS	PROGRESS/OUTCOMES/MEASURES OF SUCCESS
<p>Improve ongoing information security operations and remediation of information security risks</p>	<p>Completed: Improved the security incident investigation and response process.</p> <p>Performed regular review of privileged access accounts. Successfully completed the annual ICFR audit.</p> <p>In Progress: Continue to improve the vulnerability scanning and patch management process.</p>
<p>Continue to improve information security governance</p>	<p>In Progress: Updating and creating new information security policies and standards.</p>
<p>Implement additional information security tools and technology</p>	<p>Completed: Improved network perimeter protection by upgrading to a next generation firewall.</p> <p>Implemented a new Privileged Access Management tool.</p> <p>Implemented a new security awareness training platform.</p> <p>Ongoing/Delayed: Work is underway to implement new access control and monitoring tools.</p>
<p>Continue ongoing information security awareness training for all staff</p>	<p>Completed: Conducted regular information security awareness and phishing simulation campaigns.</p>

Priority

Ensure Competitiveness and Clear Service Standards

Why it's important

Maintaining effective and transparent service standards is integral to strengthening accountability and building trust with our stakeholders.

Success measures

- Improved understanding of relative competitiveness of Ontario's capital markets
- Better service and trend analysis
- Improved transparency for stakeholders

PLANNED ACTIONS	PROGRESS/OUTCOMES/MEASURES OF SUCCESS
<p>Report on metrics that track the competitiveness of Ontario's capital markets relative to other jurisdictions</p>	<p>In Progress/Delayed: Staff continue to research peer markets and regulators to identify appropriate measures of market competitiveness. Progress on this item was delayed as the COVID-19 pandemic and other developments led to the redeployment of OSC staff.</p>
<p>Enhanced and expanded service standards will be introduced covering a broader range of regulatory processes and services</p>	<p>Completed: In November 2020, the OSC published an updated Service Commitment that provides investors, registrants, and market participants with added transparency on the standards and timelines they can expect when interacting with the OSC. The updated Service Commitment encompasses more processes and interactions with the OSC, provides additional clarity to stakeholders, and enhances tracking and accountability.</p>
<p>Results against those standards will be tracked relative to securities regulators in leading jurisdictions</p>	<p>Ongoing: The updated Service Commitment, published in November 2020, was informed by a comprehensive review of the OSC's current service standards as well as the service standards of securities regulators in leading jurisdictions.</p> <p>The OSC will publicly report on the results of its service standards. The results of this years' service standards can be found in the following pages.</p>

Priority

Improve Efficiency and Regulatory Responsiveness through Internal Innovation

Why it's important

As the market evolves and technological change continues, the OSC is working to stay at the forefront of digital transformation for its internal processes to support effective market surveillance and regulation.

Success measures

- Interactions with businesses are easier and more efficient
- Enhanced service/innovation culture in the OSC
- The OSC demonstrates the ability and capacity to deliver transformational change on complex projects and initiatives

PLANNED ACTIONS	PROGRESS/OUTCOMES/MEASURES OF SUCCESS
Provide a framework, shared standards, and tools to effectively adapt to complex change and realize business benefits	In Progress: Applying change framework and tools to key initiatives including Information Security Modernization, Business Continuity Planning, SEDAR+, and responding to the Capital Markets Modernization Task Force. Communication and training interventions identified and implemented based on change needs analysis.
Support staff to proactively identify and remove barriers to change	In Progress: Providing change management training to managers and employees involved in key OSC initiatives (e.g. IS Modernization, BCP). Enabling employees and managers to anticipate and address change resistance and provide additional support to enable successful change adoption.
Assess OSC internal regulatory processes and address key process inefficiencies	Completed: Identified process automation as a key enabler. Identified priority automation use-cases across the branches. Published a process automation platform strategy. In Progress: Implementing the process automation platform.
Increase the use of online applications that save time and reduce the occurrence of missing information	In Progress: Part of the goal of the DSB is to create a digital culture and facilitate the adoption of modern platforms and applications. DSB is working with the regulatory branches to understand the gaps and create a roadmap.

2020–2021 Service Standard Results

Performance Measures against the OSC Service Commitment

Background

The [OSC Service Commitment](#) was created to provide investors, registrants, and market participants with transparency on the standards and timelines they can expect when interacting with the OSC.

This year, the OSC updated the Service Commitment in response to the Ontario Government's five-point capital markets plan and the stakeholder recommendations in the 2019 report *Reducing Regulatory Burden in Ontario's Capital Markets*, and to reflect our commitment to

accountability and transparency. The revised Service Commitment encompasses more processes and provides additional clarity around timing. A measure of how we performed against the updated service standards can be found below.

Performance Measurement

Each service standard has a corresponding **performance target**, which represents our commitment to the service level that stakeholders can expect when interacting with the OSC. The performance target generally applies to routine matters

and assumes that applications and filings are received in an acceptable form. For more information on what this means, refer to the full [OSC Service Commitment](#) document on the OSC website.

Performance results against each standard are collected and presented quarterly for greater transparency.

Important Note

As the OSC provided an updated Service Commitment this year, a number of new service standards were put into place mid-year. We have presented the data for these standards based on when we were able to adopt the new processes and implement tracking capabilities (quarters where tracking was not

available have been denoted with N/A). Furthermore, a small number of new standards will not be reported on until next fiscal year due to factors such as the COVID-19 pandemic. These standards have been identified in the results section below.

2020–2021 Summary

This year, while facing an unprecedented volume of prospectuses, and shifting the organization to a fully operational remote environment due to the COVID-19 pandemic, the OSC continued to deliver on its core business operations in addition to providing timely pandemic-related support to investors and market participants. For the 2020–2021 fiscal year, the OSC met 86%²⁹ of its quarterly performance targets.

1.0 General Questions and Complaints

Service	Target	Q1	Q2	Q3	Q4
1.1 Answer telephone calls received at the OSC Inquiries and Contact Centre <i>(Note: This target accounts for a 5% call abandonment rate which may include spam, robocalls, misdials, and signal issues among other uncontrollable variables.)</i>	95%	97%	97%	97%	97%
1.2 Answer telephone calls received at the OSC Inquiries and Contact Centre <i>within 60 seconds</i>	80%	92%	91%	92%	89%
1.3 Respond to written inquires or complaints about routine matters received by e-mail, mail, fax, or online form <i>within 3 working days or less</i>	95%	99%	99%	99%	99%

2.0 Investing and Personal Finance Questions

Service	Target	Q1	Q2	Q3	Q4
2.1 Respond to questions received through <i>InvestingQuestions.ca</i> <i>within 10 working days</i> of receiving the question	80%	87%	100%	98%	100%

²⁹ This includes 96 out of 112 quarterly results where the performance result was met in comparison to the performance target.

3.0 Prospectus Filings with the OSC ³⁰

Service	Target	Q1	Q2	Q3	Q4
Prospectus Filings					
For preliminary or pro forma prospectuses					
3.1 Provide a first comment letter for long form prospectus or simplified prospectus <i>within 10 working days</i> of the date of the preliminary receipt (for preliminary filings) and related materials in acceptable form	80%	100%	100%	80%	96%
3.2 Provide a first comment letter for short form prospectus or shelf prospectus <i>within 3 working days</i> of the date of the preliminary receipt and related materials in acceptable form	80%	98%	100%	95%	100%
3.3 Complete our review for routine offerings <i>within 40 working days</i> of the issuance of a receipt (for preliminary filings) and receipt of related materials in acceptable form	80%	92%	98%	96%	95%
3.4 Issue receipt by end of the <i>same working day</i> for final prospectus materials filed by noon EST	100%	100%	100%	100%	100%
Prospectus Amendments					
Filing a preliminary prospectus amendment before the OSC issues a comment letter					
3.5 Issue a comment letter for long form prospectus or simplified prospectus on the later of the date that is <i>5 working days</i> after the date of the receipt for the preliminary prospectus amendment and the original due date for the comment letter	80%	N/A	100%	100%	100%
3.6 Issue a comment letter for short form prospectus or shelf prospectus <i>within 3 working days</i> after the date of the receipt for the preliminary prospectus amendment and the original due date for the comment letter	80%	N/A	100%	100%	100%
Prospectus Amendments					
Filing an amendment to a prospectus after a final receipt has been issued by the OSC					
3.7 Issue a comment letter for long form prospectus or simplified prospectus <i>within 3 working days</i> after the date that related materials are received in acceptable form	80%	N/A	N/A	N/A	98%
3.8 Issue a comment letter for short form prospectus or shelf prospectus <i>within 2 working days</i> after the date that related materials are received in acceptable form	80%	N/A	N/A	N/A	100%

³⁰ Prospectus filing results typically include those reviewed by Corporate Finance and Investment Funds and Structured Products. Due to building tracking capabilities, the Q1-Q3 results for service standards 3.1, 3.2, and 3.4 reflect only the prospectuses reviewed by Corporate Finance; the Q4 results for these standards include the prospectuses reviewed by both branches.

Service	Target	Q1	Q2	Q3	Q4
Prospectus Amendments					
Providing our decision on amendment filings					
3.9 Complete our review for routine offerings <i>within 40 working days</i> of the issuance of a receipt (for preliminary filings) and receipt of related materials in acceptable form	80%	100%	100%	100%	100%

4.0 Exemption Applications, Recognition/Designation, and Exemption from Recognition Applications with the OSC

Service	Target	Q1	Q2	Q3	Q4
Exemption Applications³¹					
4.1 Issue first comment letters <i>within 10 working days</i> of receiving a complete and adequate application in acceptable form	80%	100%	100%	96%	99%
4.2 Provide a decision on requests for routine exemptive relief <i>within 40 working days</i> of receiving a complete and adequate application	80%	91%	96%	89%	89%
Application for recognition/designation, and exemption from recognition³²					
4.3 Issue first comment letters <i>within 20 working days</i> of receiving a complete and adequate application in acceptable form	80%	Nil Applications	Nil Applications	100%	100%
4.4 Complete our review for routine items <i>within 6-9 months</i> from receipt of a final application	80%	100%	100%	Nil Applicable Reviews	Nil Applicable Reviews

³¹ Exemption application results include those reviewed by a number of OSC branches including Corporate Finance (CF), Office of Mergers & Acquisitions (OMA), Market Regulation (MR), Derivatives (DER), Compliance & Registrant Regulation (CRR), and Investment Funds and Structured Products (IFSP). Due to building tracking capabilities and the service standard being new to some branches, the Q1 and Q2 results for service standard 4.1 represents all aforementioned branches except CF, CRR and IFSP; the Q3 result represents all branches except CRR and IFSP; the Q4 result represents all branches except CRR. CRR will begin reporting on this standard starting Fiscal 2021-22.

³² Recognition/designation and exemption from recognition application results include those reviewed by Corporate Finance and Market Regulation. Due to building tracking capabilities, the Q1 and Q2 results for service standards 4.3 and 4.4 includes only the applications reviewed by Market Regulation; the Q3 and Q4 results for these standards include the applications reviewed by both branches.

5.0 Circular Filings with the OSC

Service	Target	Q1	Q2	Q3	Q4
Management Information Circulars (Conflict of Interest Transactions)					
5.1 Provide comments, if applicable, <i>within 5 working days</i> from the date of filing of the circular	90%	N/A	N/A	N/A	100%
5.2 Complete our review <i>within 14 working days</i> from the date of filing of the circular	80%	N/A	N/A	N/A	100%
Take-over/Issuer Bid Circulars					
5.3 Provide comments, if applicable, <i>within 7 working days</i> from the date of filing of the circular	90%	N/A	N/A	N/A	100%
5.4 Complete our review <i>within 21 working days</i> from the date of filing of the circular	80%	N/A	N/A	N/A	100%
Dissident Proxy Circulars					
5.5 Provide comments, if applicable, <i>within 5 working days</i> from the date of filing of the circular	90%	N/A	N/A	N/A	Nil Circulars Filed
5.6 Complete our review <i>within 14 working days</i> from the date of filing of the circular	80%	N/A	N/A	N/A	Nil Circulars Filed

6.0 Registration Material Filings with the OSC

Service	Target	Q1	Q2	Q3	Q4
New Business Submissions					
6.1 Acknowledge applications <i>within 5 working days</i> after receipt	95%	94% ³³	100%	94% ³³	96%
6.2 Provide initial comments on firm registration applications <i>within 30 working days</i> of receiving a complete and adequate application in acceptable form	80%	Data is currently unavailable. Tracking for this standard will begin in Fiscal 2021-2022.			
6.3 Provide a decision on routine applications and notify you <i>within 90 working days</i> of receiving a complete and adequate application in acceptable form	80%	100%	67% ³³	100%	67% ³³
Dealing Representatives					
6.4 Provide a decision on routine applications <i>within 5 workings days</i> of receiving a complete and adequate application in acceptable form	80%	89%	91%	78% ³³	26% ³⁴
Advising Representatives, Associate Advising Representatives, and CCOs					
6.5 Provide a decision on routine applications <i>within 20 working days</i> of receiving a complete and adequate application in acceptable form	80%	82%	67% ³³	64% ³³	75% ³³
Notice of Termination					
6.6 Complete our acknowledgement of a notice of termination <i>within 24 hours</i> of receipt	100%	N/A	100%	100%	100%

³³ OSC staff shifting to work from home on March 16, 2020, as a result of the COVID-19 pandemic, applied pressure to registration staff's ability to process registration applications within typical service timelines, as communicated in the public e-mail blast to stakeholders on April 22, 2020. Also, the Compliance & Registrant Regulation Branch (CRR) experienced a series of staff vacancies throughout each quarter this year, which reduced staff capacity to process registration applications. Mitigation measures were deployed to reduce the impact of staff vacancies including reallocating certain registration work to other CRR staff.

³⁴ The Q4 performance result for processing dealing representative applications is a reflection of staff completing a greater number of applications in the quarter; this includes reviewing applications that were received earlier in the year but were unable to be processed within the five working days timeline due to reduced staff capacity.

7.0 OSC Reviews

Service	Target	Q1	Q2	Q3	Q4
Continuous Disclosure Reviews (Full Reviews)					
7.1 Respond to issuer's correspondence <i>within 10 working days</i> of receipt	80%	N/A	N/A	N/A	100%
7.2 Complete our review <i>within 120 days</i> from the issuance of our first comment letter	80%	N/A	N/A	N/A	Nil Applicable Reviews
Insider Reporting Reviews					
7.3 Respond to the issuer's correspondence <i>within 10 working days</i> of receipt	80%	Data is currently unavailable. Reviews have been temporarily suspended due to COVID-19. Reporting will begin when review program resumes.			
7.4 Complete our review <i>within 120 days</i> from the issuance of our first comment letter	80%				
Compliance Reviews – Registrants Risk-based assessment of the registrant's compliance with Ontario securities laws and commodity futures laws					
7.5 Complete our review and communicate our findings <i>within 10 weeks</i> of the initial meeting with the registrant (this excludes sweeps)	80%	Data is currently unavailable. Tracking for this standard will begin in Fiscal 2021–2022.			

8.0 Requesting OSC Records (Calling or Emailing Records and Information Management)

Service	Target	Q1	Q2	Q3	Q4
Requesting copies of company filings or Commission hearing materials					
<i>(Note: This pertains to records available to the public through Records and Information Management only. This does not include records related to current proceedings before the Commission, as they are separately handled through the OSC Registrar.)</i>					
8.1 Acknowledge receipt of your request <i>by the end of the next working day</i>	100%	100%	100%	100%	100%
8.2 Complete requests <i>within 5 working days</i>	100%	94% ³⁴	90% ³⁴	98% ³⁴	93% ³⁴
Registrants requesting copies of their own registration records and related forms					
8.3 Acknowledge receipt of your request <i>by the end of the next working day</i>	100%	100%	100%	100%	100%
8.4 Complete requests <i>within 5 working days</i>	100%	100%	97% ³⁴	98% ³⁴	94% ³⁴

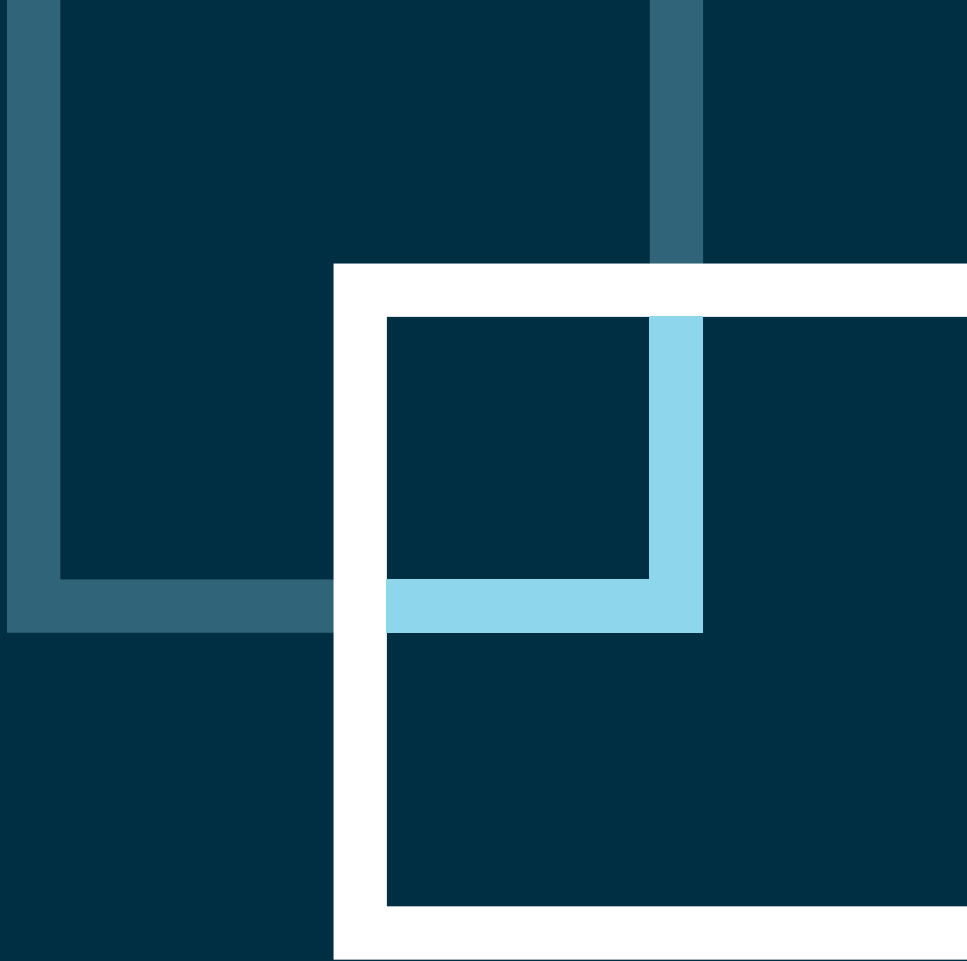
³⁴ Delays in completing record requests resulted from a number of factors including: COVID-19 restrictions limiting staff from accessing the office to review and process the physical records, errors in fulfilling shipping records from offsite storage to the office, the number of records to be scanned, the time needed for the business area and/or legal review, and time needed to address confidentiality concerns.

9.0 Requesting Support from OSC LaunchPad

Service	Target	Q1	Q2	Q3	Q4
9.1 Acknowledge your Request for Support (RFS) form <i>within 2 working days</i> of receipt	100%	100%	100%	100%	100%
9.2 Conduct our eligibility review and contact you <i>within 10 working days</i> of receipt of your RFS form	80%	100%	100%	100%	100%
9.3 For eligible businesses, a telephone call or in-person meeting will be held to provide direct support <i>within 20 working days</i> of receipt of your RFS Form	80%	94%	100%	100%	88%
9.4 If you are eligible to receive continued support from OSC LaunchPad, <i>within 20 working days</i> of your direct support meeting, we may ask you to provide us with additional materials or a filing	80%	100%	83%	86%	100%



ONTARIO
SECURITIES
COMMISSION



MD&A

Management's Discussion And Analysis
For the year ended March 31, 2021

Management's Discussion and Analysis

This Management's Discussion and Analysis (MD&A) contains management's interpretation of the Ontario Securities Commission's (OSC) financial performance for the fiscal year ended March 31, 2021. While the financial statements reflect actual financial results, the MD&A explains these results from management's perspective and sets out the OSC's plans and budget for the year ahead.

This MD&A should be read in conjunction with the OSC's 2021 Financial Statements and related notes. Together, the MD&A and financial statements provide key information about the OSC's performance.

Important information about this MD&A

- The information in this MD&A is prepared as of June 14, 2021.
- The terms "we", "us", "our," "Commission" and "OSC" refer to the Ontario Securities Commission.
- This MD&A contains forward-looking information and statements regarding strategies, objectives, expected operations and financial results, which are based on the OSC's current views of future events and financial performance. Key risks and uncertainties are discussed in the Risks and Risk Management section of this MD&A. However, some risks and uncertainties are beyond the control of the OSC and are difficult to predict. Actual future outcomes may substantially differ from the expectations stated or implied in this MD&A.
- The words "believe", "plan", "intend", "estimate", "expect", "anticipate" and similar expressions, as well as future conditional verbs, such as "will", "should", "would" and "could" often identify forward-looking statements.
- Unless otherwise specified, references to a year refer to the OSC's fiscal year ended March 31.
- Notes to the financial statements refer to the OSC's 2021 Notes to the Financial Statements.
- All financial information related to the current and preceding fiscal years has been prepared in accordance with International Financial Reporting Standards (IFRS). For more information, see the notes to the financial statements, in particular, Note 2 *Basis of presentation*, Note 3 *Significant accounting policies* and Note 21 *Accounting pronouncements*.
- Amounts shown in this MD&A are expressed in Canadian dollars, unless otherwise specified.
- Due to rounding, some variances may not reconcile, and analysis of components may not sum to the analysis for the grouped components.

About the OSC

A summary of our role, mandate, and goals

The Ontario Securities Commission is responsible for regulating the capital markets of Ontario. We are an independent self-funded Crown corporation of the Province of Ontario. Our powers are given to us under the *Securities Act* (Ontario), the *Commodity Futures Act* (Ontario) and certain provisions of the *Business Corporations Act*.

We operate independently from the government and are funded by fees charged to market participants. We are accountable to the Ontario Legislature through the Minister of Finance.

The OSC operates under the direction of the members of the Commission. The members have three distinct functions in support of the OSC's mandate – making policies and rules, serving as the board of directors, and adjudicating. As policy and rule-makers, members of the Commission approve and oversee the implementation of regulatory initiatives and priorities. As directors of the Board, they oversee the management of the financial and operational affairs of the OSC. As adjudicators, Commission members (other than the Chair and CEO who does not adjudicate) act independently of their other roles and preside over administrative proceedings brought before the OSC's Tribunal

– the administrative tribunal that is assigned the power to conduct hearings under Ontario securities law and commodity futures law.

The OSC oversees the operation of marketplaces, self-regulatory organizations (SROs), clearing agencies, and investor protection funds in Ontario. We work to regulate market participants including firms and individuals who sell securities and derivatives, firms who provide investment advice in Ontario and companies raising capital in Ontario. We use our rule making and enforcement powers to help safeguard investors, deter misconduct and regulate market participants in Ontario.

We are an active member of the Canadian Securities Administrators (CSA), the forum for the 13 securities regulators of Canada's provinces and territories. The CSA works to foster a nationally coordinated and modernized securities regulatory framework.

The OSC also contributes to the international securities regulatory agenda by actively participating in the International Organization of Securities Commissions (IOSCO) and other international organizations.

Mandate

To provide protection to investors from unfair, improper or fraudulent practices; to foster fair, efficient and competitive capital markets and confidence in capital markets; to foster capital formation; and to contribute to the stability of the financial system and the reduction of systemic risk.

Vision

To be an effective and responsive securities regulator – fostering a culture of integrity and compliance and instilling investor confidence in the capital markets.

Goals

1. Promote confidence in Ontario's capital markets
2. Reduce regulatory burden
3. Facilitate financial innovation
4. Strengthen our organization foundation

For more information about our goals, see our Statement of Priorities at www.osc.ca.

About Our Fees

The OSC is funded by fees from market participants and we typically re-evaluate fee rates every three years. Our fee structure is designed to recover costs and is set out in OSC Rules 13-502 *Fees* and 13-503 (*Commodity Futures Act*) *Fees* ("Fee Rules"). When re-evaluating fee rates, the OSC considers the

existing surplus, projected level of revenue and expenses, capital spending and the level of cash resources required to fund operations through capital market downturns. In 2020 we performed an analysis of our fee rates, but many of the underlying assumptions have since changed in light of COVID-19. We

anticipate reassessing Fee Rule amendments including fee rates once market conditions stabilize and the direction on adoption of the Ontario Government's Capital Markets Modernization Taskforce (Taskforce) recommendations is finalized.

Participation fees are charged for a participant's use of Ontario's capital markets. They cover the cost of a broad range of regulatory services that cannot be practically or easily attributed to individual activities of market participants. Fees are calculated, using an increasing tiered structure, based on average market capitalization for issuers and Ontario specified revenues for registrants. Other market participants are charged participation fees based on their market share or a fixed rate. The basis for calculating participation fees is on a market participants' most recent fiscal year. The timing of participation fee revenue affects our cash flow. For more information, see the Liquidity and financial position section.

Activity fees are charged when market participants file documents, such as prospectuses and other disclosure documents, registration applications and applications for discretionary relief, and are set to reflect the costs associated with providing the related services. Activity fees are also charged for requests, such as making changes to a registration or searching for records. Activity fees are flat-rate fees based on the estimated direct cost for the OSC to review documents and respond to requests.

Late fees are charged when market participants submit filings after applicable filing deadlines, and/or are late paying the fees related to a filing.

2021 Organizational Developments

Novel Coronavirus Disease (COVID-19)

In response to the unprecedented turbulence created by COVID-19, we adjusted our operational focus to include increased support to employees, investors, and market participants. We delivered investor information initiatives relevant to the situation created by COVID-19 while also seeking new and innovative ways to provide investor education and support retail investors in today's complex and uncertain investing environment. We supported market participants through various regulatory relief measures such as regulatory filing exemptions, extensions, and temporary relief from late fees. We transitioned our workforce to a virtual environment while maintaining operational effectiveness. Our enforcement activities remain robust, as we

shifted from in-person to virtual investigations, interviews, and hearings. We continue to collaborate with the Canadian Securities Administrators (CSA) and the Investment Industry Regulatory Organization of Canada (IIROC) by identifying and implementing support measures for market participants where appropriate.

At the onset of the pandemic, the OSC implemented a targeted cost reduction plan to address the potential revenue implications from uncertain capital market conditions. While we delivered on the majority of the targets outlined in our Statement of Priorities, a key element of the cost reduction plan included deferring some capital expenditure programmes that would create the least disruption to fulfilling our mandate.

The markets have so far proven themselves to be largely resilient, having recovered from the initial stresses experienced in March and April 2020. Staff workload significantly increased as they reviewed 645 public company prospectuses, up 67% from the previous fiscal year, and enforcement case assessments increased by 10.2%. We continue to monitor market developments and operational workload to assess whether additional operating capacity is required. The OSC continues to remain flexible through our financial management oversight framework, which makes the necessary resources available to meet shifting organizational demands during these difficult times while still maintaining cost prudence.

Ontario Capital Markets Modernization Taskforce

The OSC embraces the Government of Ontario's commitment to making Ontario's capital markets globally competitive and to making Ontario an attractive place in North America in which to invest, grow businesses, and create jobs. In its 2021 budget, the Ontario government

announced that it would seek to advance the recommendations made by the Taskforce in its final report, published on January 22, 2021. Though it continues to review the report, the government has stated that it will adopt Taskforce recommendations to enhance the

structure of the OSC and expand the OSC's mandate, as defined in the new standalone Securities Commission Act. The mandate has been expanded to include fostering capital formation and competition in the markets to facilitate economic growth. Under the new structure,

the previous OSC Chair and Chief Executive Officer (CEO) role will be split into two distinct and separate positions of Chair and CEO. In addition, the OSC's Board will continue to provide financial, regulatory and operational oversight while a separate Tribunal will be

created to oversee adjudicative matters. The government anticipates publishing for comment a draft *Capital Markets Act* to replace the current *Securities Act* and incorporate some of the Taskforce recommendations that require legislative changes.

The OSC is also conducting an analysis to inform its regulatory consultation process on the Taskforce's recommendations that fall within the purview of OSC rules.

Chair and CEO extension

The term of Grant Vingoe, Chair and CEO of the OSC, has been extended by the Ontario Ministry of Finance for up to one year, effective April 15, 2021. His extension will ensure continuing executive

leadership as the OSC transitions into the new governance framework and other proposed changes under the new standalone Securities Commission Act.

Workforce challenges

Our ability to meet identified goals and strategic objectives in a remote environment is dependent upon having sufficient and appropriate resources. Attracting, motivating, and retaining top talent with specialized knowledge in a

competitive environment continues to be a priority. While the number of permanent full-time staff remained relatively stable throughout the year, the OSC remains flexible in adjusting our workforce in response to higher volumes of regulatory

activities and the Government of Ontario's direction on the Taskforce recommendations.

Cooperative Capital Markets Regulatory System (CCMR)

Effective March 31, 2021, the Board of Directors of the Capital Markets Authority Implementation Organization (CMAIO) put a pause on its operations. The development of a Cooperative Capital Markets Regulatory System has been delayed, as the participating governments—including British

Columbia, New Brunswick, Nova Scotia, Ontario, Prince Edward Island, Saskatchewan, and the Yukon, in addition to the Federal government—continue to take action in response to the COVID-19 pandemic. Steps have been taken to preserve knowledge, assets, and output so that CMAIO's work can

be resumed at a future time when there is greater certainty around a cooperative system launch timeline.

Financial Highlights

A summary of our financial results and a discussion of our revenue and expenses

As a self-funded Crown corporation, the Ontario Securities Commission (OSC) operates on a cost-recovery basis. The chart below provides a comparison of our results over the last two years. The general surplus on March 31, 2021 was \$89.0 million, which increased by \$9.9 million from the previous year.

Total revenue for the fiscal year ended March 31, 2021 was \$4.0 million (3.0%) higher than the previous year. The increases in revenue were the result of higher capital markets participation fees from growth in Ontario's financial markets and higher capital raising activity fees. Total expenses before recoveries and finance costs

were \$2.8 million (2.2%) higher than the previous year, primarily due to an increase in salaries and benefits partially offset by lower professional services.

Total assets and liabilities increased by \$13.4 million and \$3.5 million, respectively. The growth in assets was primarily in cash as a result of excess of revenue over expenses.

The increase in liabilities was primarily attributed to an increase in the vacation accrual as staff took less vacation during the year, and timing of vendor and staff payments partially offset by a decrease in lease liabilities.

(Thousands of dollars)	2021 Actual	2020 Actual	2019 Actual
Revenue	\$ 138,434	\$ 134,396	\$ 129,353
Expenses	127,972	123,087	117,488
Excess of revenue over expenses	\$ 10,462	\$ 11,309	\$ 11,865
General surplus	\$ 88,982	\$ 79,080	\$ 67,516
Property, plant, equipment and intangibles (additions)	\$ 3,810	\$ 3,839	\$ 5,657
Total assets*	\$ 460,293	\$ 446,915	\$ 340,233
Total liabilities*	\$ 351,312	\$ 347,835	\$ 252,717

*Totals in 2021 includes \$267.6 million of restricted funds from designated orders and settlements as well as funds collected by the CSA to operate and redevelop national systems (2020- \$267.1 million, 2019- \$227.4 million).

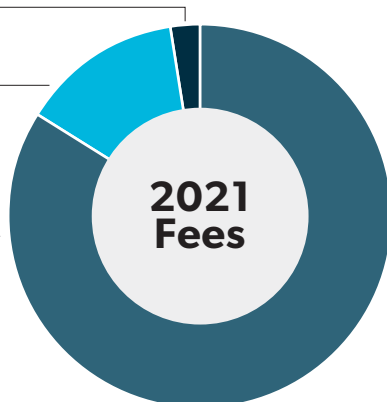
Revenue

For the fiscal year ending March 31, 2021, total revenue of \$138.4 million was \$4.0 million (3.0%) higher than 2020 and \$8.1 million (6.2%) higher compared to budget. This increase is due to higher participation fees and higher capital raising activity fees.

2.3% Late Filing Fees

13.7% Activity Fees

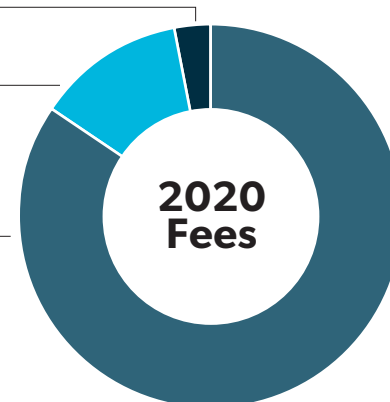
84.0% Participation Fees



2.8% Late Filing Fees

12.0% Activity Fees

85.2% Participation Fees

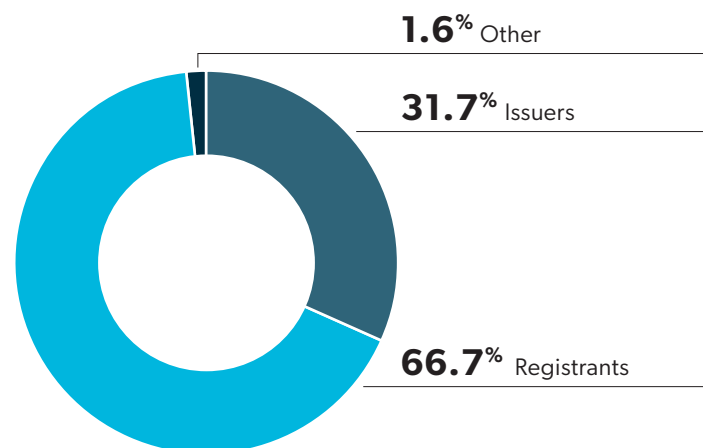


(Thousands of dollars)	2021 Actual	2021 Budget	2020 Actual	Variance Favourable/(Unfavourable)			
				Budget		Prior Year	
				\$	%	\$	%
REVENUE							
Participation fees	\$ 115,272	\$ 110,441	\$ 112,610	\$ 4,831	4.4%	\$ 2,662	2.4%
Activity fees	18,816	15,350	15,918	3,466	22.6%	2,898	18.2%
Late filing fees	3,165	2,955	3,695	210	7.1%	(530)	-14.3%
Total fees	\$ 137,253	\$ 128,746	\$ 132,223	\$ 8,507	6.6%	\$ 5,030	3.8%
Miscellaneous	\$ 689	\$ 574	\$ 763	\$ 115	20.0%	\$ (74)	-9.7%
Interest income	492	992	1,410	(500)	-50.4%	(918)	-65.1%
Total revenues	\$ 138,434	\$ 130,312	\$ 134,396	\$ 8,122	6.2%	\$ 4,038	3.0%

The following is a discussion of the most significant changes in our revenue components for the past fiscal year.

Participation Fees

2021 Actual	\$115.3M
2021 Budget	\$110.4M
2020 Actual	\$112.6M

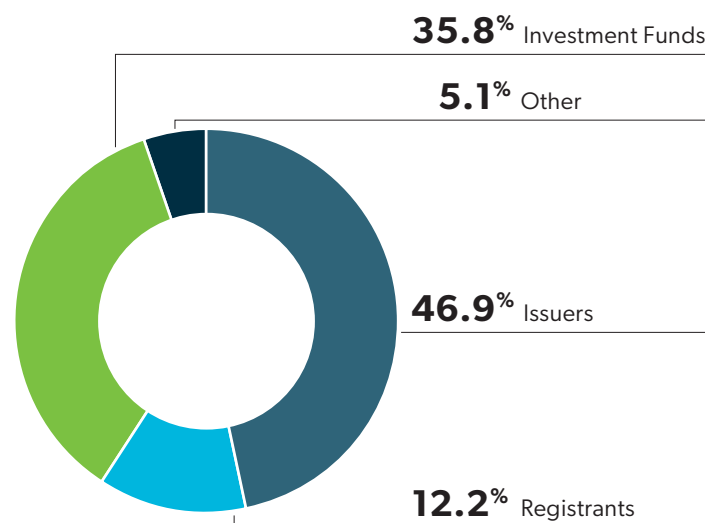


Participation fee levels are set using a tiered structure based on Ontario specified revenues for registrants and unregistered capital market participants and on average market capitalization for reporting issuers. In 2021, participation fee revenues were \$2.7 million (2.4%) higher compared to 2020, largely owing to growth in revenue from registrant firms and unregistered capital market participants moving them into higher fee tiers.

Participation fee revenues were \$4.8 million (4.4%) higher in 2021 compared to budget, primarily from registrants and unregistered capital market participants.

Activity Fees

2021 Actual	\$18.8M
2021 Budget	\$15.4M
2020 Actual	\$15.9M

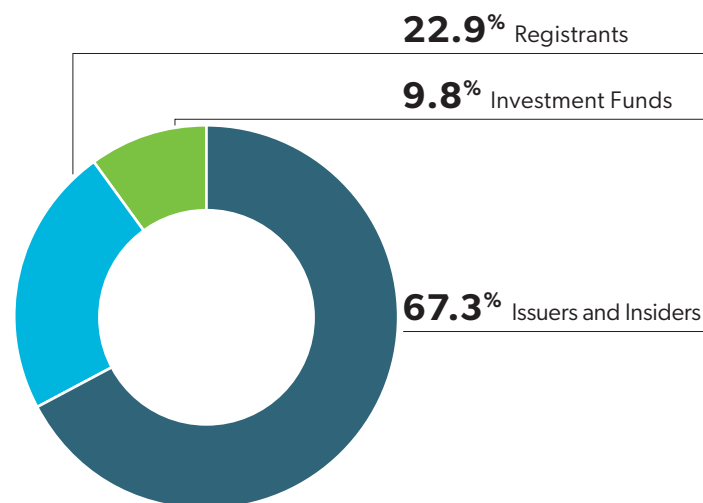


The majority of issuer activity fees are charged for services relating to securities offerings and applications, such as prospectus filings or exemptive relief applications from Ontario's Securities Act requirements. The majority of registrant activity fees are charged for services relating to registrations for a new firm or individual, and from applications.

Activity fee revenues were \$2.9 million (18.2%) higher in 2021 compared to 2020, and \$3.5 million (22.6%) higher compared to budget, mostly as a result of an increase in capital raising activities for issuers, including investment funds.

Late Fees

2021 Actual	\$3.2M
2021 Budget	\$3.0M
2020 Actual	\$3.7M



Late fees are triggered when market participants do not pay or do not file regulatory forms by established due dates as required by securities legislation. Late fees are intended to promote compliance with securities legislation to allow for filings to be made publicly available on a timely basis and to ensure the OSC can carry out our required regulatory tasks.

Late fee revenues in 2021 were \$0.5 million (14.3%) lower compared to 2020 mainly due to a temporary waiver on late fees for part of the fiscal year as a COVID-19 accommodation for market participants. Late fee revenues were comparable to the 2021 budget.

Interest

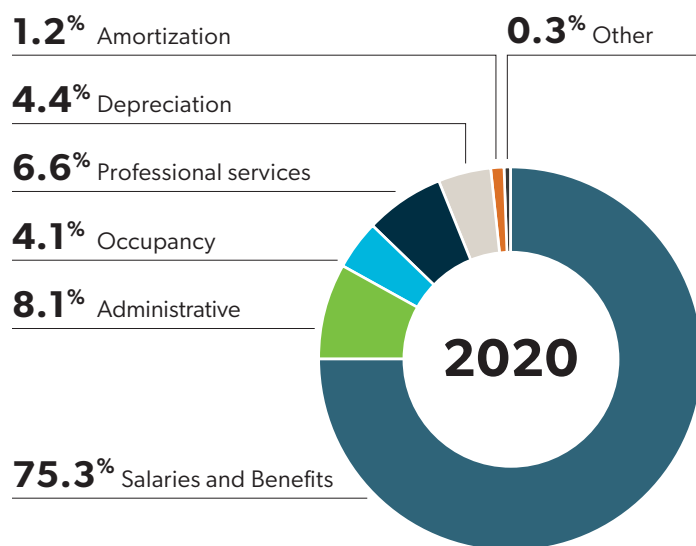
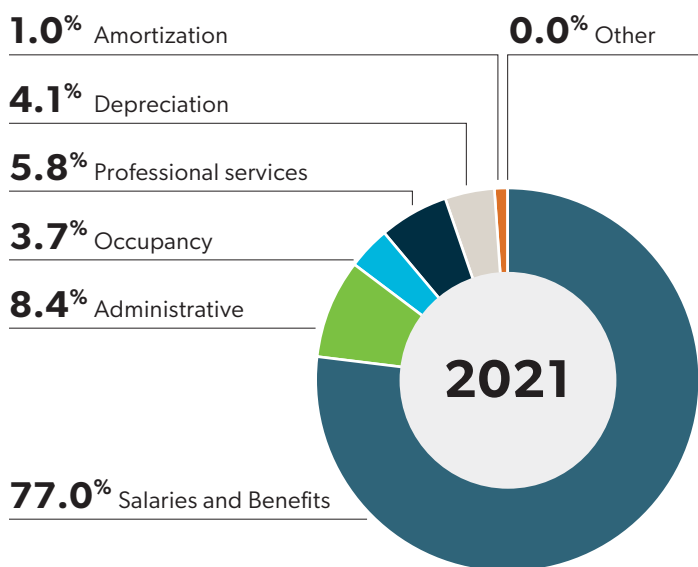
2021 Actual	\$0.5M
2021 Budget	\$1.0M
2020 Actual	\$1.4M

Interest income is received for cash and reserve balances held at Canadian banking institutions. As balances held at banking institutions and interest rates fluctuate throughout the year, so does the level of interest income received. Interest income in 2021 was \$0.9 million (65.1%) lower compared to 2020 and \$0.5 million (50.4%) lower compared to budget as result of a lower average interest rate of 0.63% received in 2021 compared to 2.08% in 2020.

Expenses

For the fiscal year ending March 31, 2021, total expenses before recoveries and finance costs of \$129.1 million was \$2.8 million (2.2%) higher than 2020 and \$6.9 million

(5.1%) lower compared to budget. The increase compared to 2020 is primarily due to an increase in salaries and benefits partially offset by lower professional services.



(Thousands of dollars)	2021 Actual	2021 Budget	2020 Actual	Variance Favourable/(Unfavourable)			
				Budget	Prior Year		
				\$	%	\$	%
EXPENSES							
Salaries and benefits	\$ 99,330	\$ 97,645	\$ 95,099	\$ (1,685)	-1.7%	\$ (4,231)	-4.4%
Administrative	10,808	13,337	10,188	2,529	19.0%	(620)	-6.1%
Occupancy	4,779	5,427	5,137	648	11.9%	358	7.0%
Professional services	7,538	11,117	8,304	3,579	32.2%	766	9.2%
Depreciation	5,268	6,119	5,540	851	13.9%	272	4.9%
Amortization	1,309	1,521	1,521	212	14.0%	212	14.0%
Other	47	839	482	792	94.4%	435	90.2%
Total expenses (before recoveries and finance costs)	\$ 129,079	\$ 136,005	\$ 126,271	\$ 6,926	5.1%	\$(2,808)	-2.2%
Finance costs	\$ 1,900	\$ 1,820	\$ 1,793	\$ (80)	-4.4%	\$ (107)	-6.0%
Recoveries of insurance proceeds net of loss on asset disposals	—	—	(622)	—	—	(622)	-100.0%
Recoveries of enforcement costs	(528)	(1,000)	(2,993)	(472)	-47.1%	(2,465)	-82.4%
Recoveries of investor education and knowledge enhancement costs	(2,479)	(1,682)	(1,362)	797	47.5%	1,117	82.0%
Total expenses	\$ 127,972	\$ 135,143	\$ 123,087	\$ 7,171	5.3%	\$(4,885)	-4.0%

The following is a discussion of the most significant changes in our expense components for the OSC in the past fiscal year.

Salaries and Benefits

2021 Actual	\$99.3M
2021 Budget	\$97.6M
2020 Actual	\$95.1M

The OSC's largest cost is salaries and benefits, representing 77.0% of total expenses (before recoveries and finance costs). In 2021, salaries and benefits were \$4.2 million (4.4%) higher compared to 2020, primarily as a result of performance-based compensation increases, and an increase in expenses for unused vacation time. The OSC's average active headcount increased by 3 positions to 575 in 2021 from 572 in 2020.

Salaries and benefits expenses were \$1.7 million (1.7%) higher compared to budget, primarily due to an increase in expenses for unused vacation time.

For details on the composition of the expenses from salaries and benefits, see Note 16 of the financial statements.

Administrative

2021 Actual	\$10.8M
2021 Budget	\$13.3M
2020 Actual	\$10.2M

Administrative expenses primarily consist of ongoing information technology (IT) maintenance and support charges, Commission expenses, research, and stakeholder outreach costs. Administrative expenses were \$0.6 million (6.1%) higher compared to 2020, primarily due to higher IT maintenance costs as we continue to invest in cloud hosted software.

Administrative expenses were \$2.5 million (19.0%) lower compared to budget. Information technology, research, and stakeholder outreach costs were lower than budget due to cost-reduction measures introduced during the year, resulting in deferring IT projects to 2022. Additionally, cost savings arose from lower monthly usage fees on select IT applications. Commission expenses were lower as a result of fewer hearings and Commissioners compared to budget.

For details on the composition of administrative expenses incurred, see Note 17 of the financial statements.

Professional Services

2021 Actual	\$7.5M
2021 Budget	\$11.1M
2020 Actual	\$8.3M

Professional services include consultants who provide specialized services to meet corporate and regulatory needs and CSA shared costs. As a member of the CSA, the OSC paid 38.8% (38.7% in 2020) of the costs to operate the CSA's office and joint CSA projects based on the population of its jurisdiction as a percentage of all participating jurisdictions.

Professional services expenses were \$0.8 million (9.2% lower compared to 2020 and \$3.6 million (32.2%) lower compared to budget primarily as a result of cost reduction measures including lower spend on IT projects, and decreased spending on external legal services on collections of unpaid monetary sanctions and enforcement matters. In 2021, total CSA spending on shared projects was \$2.5 million (\$2.3 million in 2020). The OSC contributed \$1.0 million (\$0.9 million in 2020).

Recovery of Enforcement Costs

Recoveries of enforcement costs are recorded as offsets to total expenses on the date that a monetary sanction is issued, unless management determines that collecting the monetary sanction is significantly doubtful, in which

case, recovery is recognized when payment is received. In 2021, \$0.5 million in enforcement costs were recorded (\$3.0 million in 2020).

Recovery of Investor Education and Knowledge Enhancement Costs

Subparagraph 3.4(2)(b)(ii) of Ontario's Securities Act states that enforcement monies may be designated "for use by the Commission for the purpose of educating investors or promoting or otherwise enhancing knowledge and information of persons regarding the operation of the securities and financial markets."

During the year, the OSC recorded \$2.5 million in recoveries of investor education and knowledge enhancement costs from funds held pursuant to

designated settlements and orders (\$1.4 million in 2020). The increase is primarily due to a recovery of OSC website redevelopment costs, and behavioural research projects that meet the definition of eligible recoverable activities as defined in Ontario's Securities Act and approved by the OSC Board. The recoveries are reviewed and approved by the Audit and Finance Committee on a quarterly basis.

Liquidity and Financial Position

A discussion of our liquidity, cash flows, financing activities and changes in our financial position

Liquidity

As of March 31, 2021, the OSC held \$101.7 million in cash (\$84.2 million in 2020) and \$20.0 million in reserve fund assets (\$20.0 million in 2020), for a combined total of \$121.7 million (\$104.2 million in 2020). The OSC also has access to a \$52.0 million revolving line of credit. We hold a sufficient level of cash, reserve fund assets, and credit access to ensure liquidity for our forecasted cash requirements.

Historically, approximately 72% of our revenues are received in the last quarter, between January 1 and March 31 of each fiscal year, while expenses are incurred relatively evenly over the year. Funds received in the last quarter primarily represent annual participation fees that are

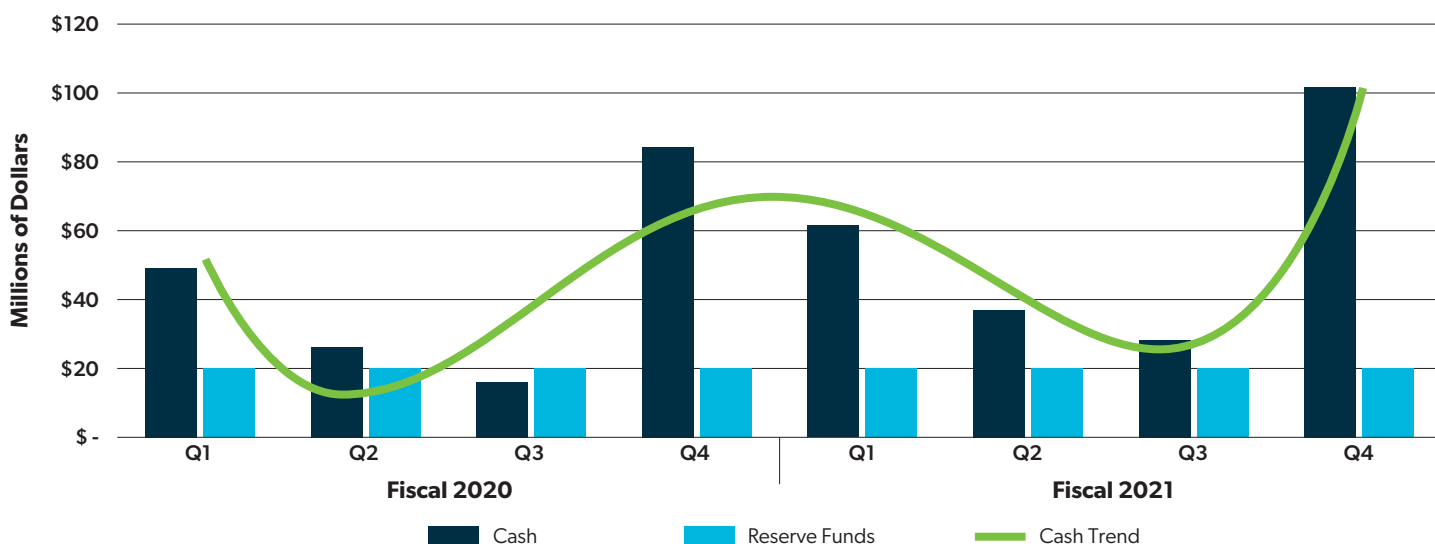
used to fund most of our operating expenses during the following year. As depicted in the “Cash Flow Trend” graph, we usually experience a steady decline in our cash balances between the second quarter and the beginning of the fourth quarter, with cash balances at their lowest points between the second and third quarter each year.

Approximately 83% of the OSC’s revenues are from participation fees, which we collect using a tiered structure that fluctuates with capital market activities. The OSC prudently manages liquidity risk from seasonal cash deficits and capital market downturns by utilizing three critical levers (in the following order): cash,

a \$20.0 million reserve fund and a \$52.0 million revolving line of credit.

Since 2001, the OSC has held \$20.0 million in reserve funds, as approved by Ontario’s Minister of Finance, to guard against revenue shortfalls or unexpected expenses, or to cover discrepancies between timing of revenue and expenses. The primary investment consideration is protection of capital and liquidity. The OSC records interest income generated by the reserve fund with general operations. Reserve fund assets are segregated on the Statement of Financial Position to reflect their restricted use. For more information on reserve fund assets, see Note 8 of the financial statements.

Cash Flow Trend



The line of credit is a critical tool to fund seasonal deficits during periods of projected deficiency of revenues over expenses. There are no financial covenant requirements on the line of credit. The agreement for the current line of credit expires on June 30, 2022, as approved by the Minister of Finance.

As approved by our Board, we aim to maintain combined cash and reserve funds of approximately six months

of operating expenditures. These financial management strategies are necessary to minimize the disruption during downturns so that the OSC can continue carrying out its mandate effectively. This strategy also benefits market participants by reducing the need to raise fees during capital market downturns. The OSC uses multi-year forecasts to project and maintain cash to ensure that we can meet ongoing

operational needs and significant capital expenditure requirements.

As of March 31, 2021, the OSC had current assets of \$107.6 million (\$91.8 million in 2020) and current liabilities of \$26.7 million (\$22.2 million in 2020) for a current ratio of 4.0:1 (4.1:1 in 2020). The decrease in the current ratio is primarily due to an increase in trade and other payables.

Cash Flows

In 2021, no reserve fund assets were used, and neither was the revolving line of credit. This was true in 2020 as well, for both the reserve funds and the line of credit. Cash flows from operating activities produced an inflow of \$21.8 million (\$15.4 million

in 2020). Cash flows used in investing activities amounted to \$2.2 million (\$3.2 million in 2020). Cash flows used in financing activities amounted to \$2.1 million (\$2.0 million in 2020).

Financial Instruments

The OSC uses cash and reserve fund assets to manage its operations. Both are recorded at fair value. See Note 3(a) of the financial statements for the OSC's accounting policies related to financial instruments.

The OSC acts as a custodian of funds held pursuant to designated settlements and orders, and funds restricted for CSA Systems operations and redevelopment. Both are recorded at fair value.

Funds restricted for CSA Systems operations and redevelopment includes investments of \$150.6 million. The OSC is not exposed to significant interest rate, currency, or liquidity risks from these investments because they are short-term, redeemable, and all balances are denominated in Canadian dollars. For a complete analysis of the risks relating to these financial instruments, see Note 4 of the financial statements.

Trade and other receivables and trade and other payables (including accrued liabilities) are recorded at amortized cost, which approximates fair value given their short-term maturities. For more information on trade and other receivables, see Note 5 of the financial statements. For more information on trade and other payables (including accrued liabilities), see Note 11 of the financial statements.

The OSC is not exposed to significant interest rate, currency, or liquidity risks.

Financial Position

(Thousands of dollars)	2021 Actual	2020 Actual	Variance	
			\$	%
ASSETS				
CURRENT				
Cash	\$ 101,683	\$ 84,220	\$ 17,463	20.7%
Trade and other receivables	3,414	3,624	(210)	-5.8%
Prepayments	2,493	3,968	(1,475)	-37.2%
NON-CURRENT				
Funds held pursuant to designated settlements and orders *	\$ 117,001	\$ 118,394	\$ (1,393)	-1.2%
Funds restricted for CSA Systems operations and redevelopment **	150,623	148,730	1,893	1.3%
Reserve funds	20,000	20,000	—	—
Lease receivable	3,270	3,404	(134)	-3.9%
Right of use assets	48,584	51,620	(3,036)	-5.9%
Property, plant & equipment	5,224	6,000	(776)	-12.9%
Intangible assets	8,002	6,955	1,047	15.1%
LIABILITIES				
CURRENT				
Trade and other payables	\$ 24,464	\$ 20,022	\$ 4,442	22.2%
Lease liabilities	2,212	2,138	74	3.5%
NON-CURRENT				
Lease liabilities	\$ 51,900	\$ 54,112	\$ (2,212)	-4.1%
Pension liabilities	5,112	4,439	673	15.2%
Funds held pursuant to designated settlements and orders *	117,001	118,394	(1,393)	-1.2%
Funds restricted for CSA Systems operations and redevelopment **	150,623	148,730	1,893	1.3%

* Represents funds recognized from designated orders and settlements restricted for use in accordance with section 3.4(2)(b) of the Securities Act.

** Represents funds collected and managed by the CSA to operate and redevelop national systems.

The following is a discussion of the significant changes in our Statement of Financial Position.

Assets

Cash

2021	\$101.7M
2020	\$84.2M

Cash increased by \$17.5 million (20.7%) in 2021, primarily as a result of an excess of revenues over expenses and an increase in trade and other payables.

Prepayments

2021	\$2.5M
2020	\$4.0M

Prepayments decreased by \$1.5 million (37.2%), primarily as a result of shorter renewal terms for various IT contracts in the last quarter of 2021 compared to 2020.

Funds held pursuant to designated settlements and orders

2021	\$117.0M
2020	\$118.4M

(i) Background on monetary sanctions

If someone contravenes Ontario securities law or commodity futures law, the OSC can bring an enforcement proceeding against them. Some of these cases are heard by a panel of OSC Commissioners who act as independent adjudicators and may result in monetary sanctions. Monetary sanctions reflect what the panel believes is appropriate in the circumstances, regardless of a respondent's ability to pay. Monetary sanctions are also intended to deter others from contravening securities laws.

(ii) Designated funds

A hearing panel may designate funds payable to the Commission under orders and settlement agreements ("designated funds") to be allocated in accordance with section 3.4(2)(b) of Ontario's Securities Act. The Act permits designated funds to be allocated to or for the benefit of third parties or to be used by the Commission for the purpose of educating investors or promoting or otherwise enhancing knowledge and information of persons regarding the operation of the securities and financial markets. Third party recipients of these funds have included harmed investors, whistleblowers, and those dedicated to advancing the interests of investors.

(Thousands of dollars)	2021	2020
Total monetary sanctions assessed during the year	\$ 11,123	\$ 42,304
Total amount paid or payable to investors	4,030	7,467
Amount recovered by the OSC for investor education and knowledge enhancement activities	2,483	1,235
Total amount paid to whistleblowers	585	525

In general, we include payments made directly by respondents to harmed investors in total monetary sanctions assessed during the year. There were no such payments in 2021 (\$1.0 million in 2020). While this amount is considered for our enforcement sanctions statistics, as part of the total monetary sanctions assessed during the year, it does not form part of the funds held pursuant to designated settlements and orders balance as the amounts owing are paid from respondents to investors directly and not by the OSC.

Total amounts paid or payable to harmed investors, by the OSC or respondents directly, were \$4.0 million (\$7.5 million in 2020). In 2021, total amounts for the recovery of OSC investor education and knowledge enhancement costs approved by the Board amounted to \$2.5 million (\$1.2 million in 2020). In 2021, the OSC paid \$0.6 million to whistleblowers (\$0.5 million in 2020). Whistleblower payments are inherently uncertain and not susceptible to a trend.

As at March 31, 2021, the accumulated balance of designated funds was \$117.0 million (\$118.4 million in 2020). Of this amount, \$116.6 million was held in cash (\$117.0 million in 2020) and \$0.4 million was deemed as being receivable (\$1.4 million in 2020). After considering funds set aside for possible allocation to harmed investors, \$110.1 million (\$75.5 million in 2020) of the funds on hand are available for distribution. The increase in funds on hand for distribution in 2021 is mainly due the collections and allocations of large dollar orders in recent years. There is a total of \$43.7 million of funds earmarked for whistleblower payments, recoveries of investor education costs, knowledge enhancements, and other investor-related activities.

For more information on funds held pursuant to designated settlements and orders, see Note 6 of the financial statements.

Collecting monetary sanctions

While the OSC actively works to collect unpaid monetary sanctions, material differences between sanction assessments and collections have persisted since we began imposing sanctions. Historically, collection rates from market participants have been much higher than from respondents sanctioned on matters related to fraud – where assets are typically non-existent or inaccessible. The collections rate decreased in 2021 to 51.6% from 96.7% in 2020 as a result of higher assessments from contested hearings compared to settlements. The collection rate will vary each year, depending on the nature of the cases brought by the Enforcement Branch.

A list of respondents who are delinquent in paying monetary sanctions to the Commission is available on the OSC website at www.osc.ca.

The table below shows the collection rates on sanction amounts for the last two years.

(Thousands of dollars) 2021	Assessed*	Collected**	% Collected
Settlements	\$ 5,958	\$ 5,744	96.4%
Contested hearings	5,165	—	—
Total	\$ 11,123	\$ 5,744	51.6%
2020	Assessed*	Collected**	% Collected
Settlements	\$ 39,963	\$ 39,963	100.0%
Contested hearings	1,345	—	—
Total	\$ 41,308	\$ 39,963	96.7%

*Does not reflect amounts paid directly by respondents to investors.

**Collections are based on the amounts ordered, by fiscal year, and the amounts collected from those orders.

Funds Restricted for CSA Systems Operations and Redevelopment

2021	\$150.6M
2020	\$148.7M

The core CSA Systems consist of the System for Electronic Document Analysis and Retrieval (SEDAR), the National Registration Database (NRD), and the System for Electronic Disclosure by Insiders (SEDI) and marketplace surveillance and analytics system.

The OSC has been appointed the Designated Principal Administrator – Operations (DPA) to collect, hold, and administer the surplus funds accumulated from system fees charged to market participants that use the CSA Systems. This is essentially a custodial role. The funds restricted for CSA Systems operations and redevelopment include surplus funds accumulated from operation of the CSA Systems, which are received, held, and managed by the DPA on behalf of the Principal Administrators (PAs). The use of these surplus funds is restricted by various agreements between the PAs.

In June 2016, the PAs signed an agreement with CGI Information Systems and Management Consultants Inc. to replace the core CSA National Systems with one system to support existing and future requirements for the benefit of market participants. Redevelopment began in a multi-year phased approach beginning in 2018. The PAs have certain rights to terminate the agreement, with and without cause, as set out in the agreement. For more information on CSA National Systems contractual arrangements and financial results, see Note 7 and Note 18(a) of the financial statements.

For more information on the judgement exercised with respect to the appropriate accounting treatment of these surplus funds, see Note 2(d) of the financial statements.

Right of Use Assets

2021	\$48.6M
2020	\$51.6M

Right of use assets decreased by \$3.0 million (5.9%) due to the amortization of the lease agreements for rent of office space and printer equipment. For more information on right of use assets, see Note 12 of the financial statements.

Property, Plant, and Equipment

2021	\$5.2M
2020	\$6.0M

Property, plant, and equipment decreased by \$0.8 million (12.9%) in 2021 due to higher depreciation on assets compared to purchases during the year. For more information on property, plant and equipment, see Note 9 of the financial statements.

Intangible Assets

2021	\$8.0M
2020	\$7.0M

Intangible assets increased by \$1.0 million (15.1%) in 2021 due to spending on the development of the SEDAR+ integration initiative. For more information on intangible assets, see Note 10 of the financial statements.

Liabilities

Trade and Other Payables

2021	\$24.5M
2020	\$20.0M

Trade and other payables increased by \$4.4 million (22.2%) primarily due to an increase in the vacation accrual (as staff took less vacation during the year), and because of the timing of vendor and employee compensation accruals. For more information on trade and other payables, see Note 11 of the financial statements.

Non-Current Lease Liabilities

2021	\$51.9M
2020	\$54.1M

Non-current lease liabilities decreased by \$2.2 million (4.1%) due to payments made on the lease contracts. For more information on lease liabilities, see Note 12 of the financial statements.

2022 Strategy

Our plans and outlook for fiscal year 2022

Every year, the OSC publishes a *Statement of Priorities* outlining specific areas we will focus on to fulfil our mandate. The public has an opportunity to comment on the draft document before it is finalized and delivered to the Minister of Finance.

In the fall of 2020, the OSC published for comment its proposed *Statement of Priorities* for fiscal year 2022. In January 2021, the Taskforce published its report and the Government of Ontario has since adopted recommendations related to structure

and the mandate and are considering other recommendations some of which require legislative changes. The OSC's final *Statement of Priorities* for 2022 incorporates impacts of recommendations adopted by the Government and stakeholder

comments on the draft priorities. The most updated *Statement of Priorities* can be found at www.osc.ca/en/about-us/accountability/osc-statement-priorities.

Statement of priorities

Promote confidence in Ontario's capital markets

- Support implementation of client-focused reforms
- Implement mutual fund embedded commissions rules and discontinuance of the mutual fund deferred sales charges payment option in coordination with the CSA harmonized rule
- Improve the retail investor experience and protection
- Strengthen investor redress through the Ombudsman for Banking Services and Investments, through policy and oversight activities
- Bring timely and impactful enforcement actions
- Publish position paper regarding the framework for SROs
- Continue to expand systemic risk oversight
- Strengthen oversight of crypto asset trading platforms and other dealers
- Advance work on the Taskforce policy recommendations identified in the Ontario Government's 2021 Budget
- Improve climate change-related disclosures

- Integrate new mandates for fostering capital formation and competition in our activities

Reduce regulatory burden

- Develop an enhanced framework for reducing burden and modernizing regulation
- Continue to implement burden reduction initiatives

Facilitate financial innovation

- Implement multi-year plan for the Office of Economic Growth and Innovation
- Engage with innovative businesses and support innovation in capital markets

Strengthen our organizational foundation

- Redevelopment of CSA national systems
- Modernize OSC technology platform
- Foster inclusion, equity and diversity
- Continue to monitor and adapt to the impacts of the COVID-19 pandemic
- Implement the OSC structural changes as set out in the Securities Commission Act

2022 Financial Outlook

Revenues in 2022 are budgeted at \$127.9 million, reflecting a decline of \$10.5 million (8.1%) from 2021 actual results. A majority of our revenues are directly impacted by capital market conditions, which have become significantly volatile since the onset of the pandemic. The strong capital markets recovery experienced during the second half of the fiscal year is reflected in the 2021 results, since most participation fees are received in the fourth quarter. This recent growth has not been reflected in the 2022 revenue budget.

Expenses, not including implementation of adopted Taskforce recommendations, are budgeted at \$140.8 million, reflecting a 4.2% increase from the 2021 budget and a 10.1% increase from 2021 actual results. Cost savings experienced in 2021 were primarily driven by targeted cost reductions and natural savings resulting from lockdown measures, such as reduced travel and office expenses. While lockdown measures may continue to impact costs next year, we do not plan on continuing our cost reduction plan but rather to deliver on deferred 2021 initiatives. The 2022 OSC operating and capital budgets include investments focused in the following growth areas:

- Investor education through expanded outreach and financial literacy initiatives, including the introduction of other methods to advance investor education and protection

- Full operation of the OSC's new Office of Economic Growth and Innovation, including increased engagement with fintech companies to support innovation in capital markets
- Support systematic risk oversight through continued development of an over-the-counter derivatives trades data repository
- Implementation of an enterprise-wide strategy to modernize OSC technology, acquire appropriate market data, and accelerate digitalization of OSC operations. The strategy consists of developing a digital transformation roadmap and replacing legacy systems with modern cloud-based platforms to optimize both our regulatory and back-office operations. In addition, we plan to use robotic process automation technology to achieve efficiencies in some areas of operation with repetitive manual tasks. This strategy requires significant spending over the next few years and the movement towards cloud-based solutions shifts costs into the operating budget from the capital budget.

Capital expenditures in 2022 are budgeted at \$5.4 million, primarily comprised of costs towards integrating local systems into SEDAR+, leasehold improvements to complete the build-out of an additional floor leased in fiscal year 2020 and technology infrastructure refresh projects.

The OSC is projecting to draw down on its surplus in upcoming fiscal years to fund key multi-year programmes. Areas of focus include the aforementioned growth areas, which require significant investments. Additionally, we anticipate a sizable increase in one-time and ongoing expenditures to deliver adopted Taskforce recommendations. We continue to assess whether fees charged to market participants remain appropriate by assessing future cash flow requirements, including recent resource needs to deliver on Taskforce recommendations and growth in regulatory activities.

Critical Accounting Estimates

Judgements, estimates, and assumptions related to preparing IFRS financial statements

In preparing financial statements consistent with International Financial Reporting Standards (IFRS), the OSC's management must make judgements, estimates, and assumptions that affect reported amounts of assets and liabilities for the date of the financial statements, as well as reported amounts of the revenues and expenses for the periods.

These judgements, estimates, and assumptions are considered "critical" if any of the following conditions are met:

- they require assumptions about highly uncertain matters when made;
- we could reasonably have used different judgements, estimates, or assumptions in the period;
- related changes are likely to occur between periods that would materially affect our financial condition or the results of our operations.

Judgement was used to determine the appropriate accounting treatment for the recoveries of investor education and knowledge enhancement costs, lease obligations, and funds restricted for CSA Systems operations and redevelopment.

Sources of estimation uncertainty primarily consisted of the supplemental pension plan defined benefit obligation liabilities, lease obligations, funds held pursuant to designated settlements and orders, and recoveries of enforcement costs.

For more information on judgements and sources of estimation uncertainty that impact the OSC, see Note 2(d) of the financial statements.

Accounting pronouncements

Refer to Note 21 of the audited financial statements for pronouncements that are new or have been revised, but that are not yet in effect.

Risks and Risk Management

How we manage risks threatening our ability to achieve our strategic objectives

Risk Management Overview

The OSC must manage a growing range of risks arising from the pace of change and the increase in complexity of financial markets in Canada and globally. The OSC has an established Risk Management Framework in place, leveraging the International Risk Management Standard ISO 31000. The goal of the framework is to embed risk management within all elements of our operations and across all levels of staff. The framework sets out a process for identifying and assessing risks and for highlighting and reviewing controls.

The OSC employs a “three lines of defense” model consisting of the following:

- branch specific risk management processes utilizing a bottom-up process to identify, assess and manage branch specific risks. Management is responsible for ongoing control and reduction of operational risk by ensuring that appropriate procedures, internal controls and processes, other necessary actions, and compliance measures are undertaken as and when needed.
- centralized risk management function to facilitate activities

related to enterprise risks and maintenance of an enterprise risk inventory. This function includes a top-down and bottom-up view of the risks and controls in place within the OSC. The top-down portion describes the environment in which the OSC works and the bottom-up portion deals with day-to-day operational risks that could affect our ability to do our work.

- Internal audit function helping the OSC develop, evaluate, and improve risk-management practices, risk-based internal controls, good governance, and sound business practices. Internal audits at the OSC are governed by a charter approved by the OSC’s Board of Directors and by an annual internal audit plan that is also approved each year by the Board. The Chief Internal Auditor reports the results of internal audits to the Board Risk Committee and provides an annual summary of key internal audit findings to the Board of Directors.

Oversight of risk management is performed by the Risk Steering Committee, comprised of OSC senior and executive management, as well as the Board Risk Committee. Processes are in place to regularly review significant changes to the OSC’s enterprise risk inventory, the OSC’s risk profile, and new

or emerging risks. In addition, a Code of Conduct and governance practice has been approved by the Board of Directors (details available at <https://www.osc.ca/en/about-us/governance>) which outlines key compliance requirements and accountabilities for all employees.

Systems Risk

The OSC’s Information Services branch regularly monitors and reviews the OSC’s systems and infrastructure to maintain optimal operation.

The OSC relies on CSA Systems, which are operated by CGI, to collect most of its fee revenue and permit regulatory filings by market participants. The CSA requires CGI to provide an annual third-party audit report (CSAE 3416 – Type II) providing a review and evaluation of internal controls design and effectiveness of the CSA Systems and CGI’s outsourcing operations. CGI is also required to have an operating disaster recovery site for operating these systems and to test this site annually. The most recent test was performed in January 2021 concluding CSA Systems used to collect fees recovered successfully.

The OSC could be contingently liable for claims against, or costs related to, CSA Systems operations. See Note 18 of the financial statements for more information.

Information Security Risk

The OSC has implemented security controls to safeguard the confidentiality, integrity, availability, accountability, and assurance of the information the OSC is collecting, generating, and processing as part of our normal business operations.

Following industry best practices, we have developed and implemented a comprehensive information security program aligned with the National Institute of Standards and Technology (NIST) Cybersecurity framework. The program implements a security governance framework and establishes a set of policies, standards, and procedures. The policies are supported by technical controls and operational processes designed to identify, detect, protect, respond, and recover from information security incidents. Security risks are tracked and monitored as part of our risk management framework. In addition, the OSC maintains cybersecurity insurance.

We recognize that the risk of a breach to its systems and networks cannot be entirely eliminated. A significant breach could produce adverse effects within the financial markets and negatively affect the OSC's reputation.

Business Continuity

The OSC has a detailed Business Continuity Plan (BCP), a Pandemic Plan, and Branch Business Continuity Plans (BBCPs) to ensure critical regulatory services can continue if an external disruption occurs. The BCP and BBCPs are continually reviewed and refined and include strategies to effectively address various business and market disruption scenarios. The OSC effectively executed its business continuity and pandemic plans in response to the COVID-19 pandemic and was able to continue the delivery of its core operations.

Financial Risk

The OSC has implemented financial risk mitigation measures to maintain financial health and deliver its mandate. The risk of capital market volatility on OSC revenues is mitigated by relying on various levers, consisting of cash, reserve funds, and a line of credit. The OSC's primary credit risk is its concentration of 84.9% of its financial assets with two Schedule 1 financial institutions. For a complete analysis of the risks relating to financial instruments, see Note 4 of the financial statements.

The OSC has strong internal controls, including management oversight, to provide reasonable assurance of financial management and financial reporting reliability consistent with IFRS. These controls are tested annually through our internal control over financial reporting (ICFR) program.

Legal Risk

Occasionally, the OSC is involved in legal actions arising from the ordinary course of business. Settlements from these actions are accounted for when they occur. The outcome and ultimate disposition of any actions cannot currently be determined. However, management does not expect the outcome of any legal actions, individually or in aggregate, to have a material impact on the OSC's financial position.

Internal Control Over Financial Reporting (ICFR)

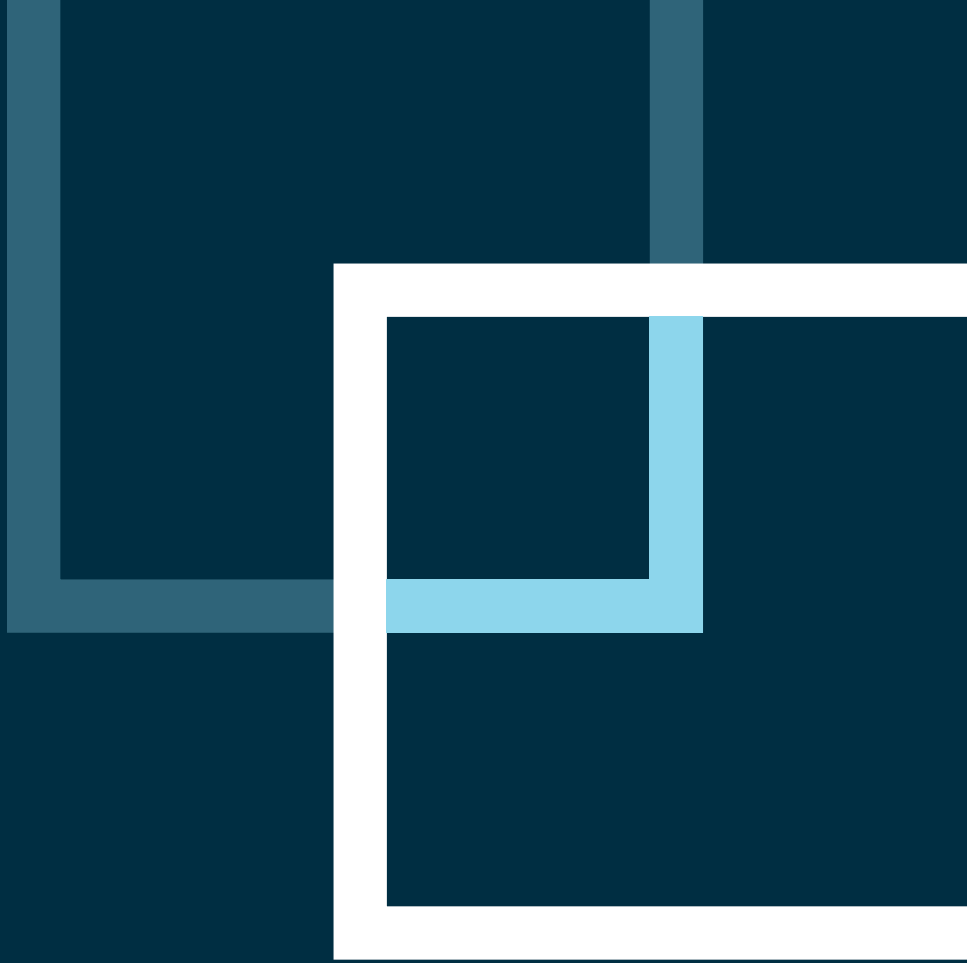
A summary of our ICFR program results

During the year, the OSC's ICFR processes were reviewed and updated where necessary. Staff performed an evaluation, under the supervision and with the participation of management, of the effectiveness of the OSC's ICFR processes as of March 31, 2021. The evaluation used the framework and criteria established in "Internal Control – Integrated Framework (2013 version)" issued by the Committee

of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, the OSC concluded that there were no material weaknesses and that ICFR processes are designed and operating effectively to reduce the risk of material misstatement to an acceptably low level.



ONTARIO
SECURITIES
COMMISSION



Financial Statements

For the year ended March 31, 2021

Management's Responsibility and Certification

Management is responsible for the integrity, consistency and reliability of the financial statements and other information presented in the annual report. The financial statements have been prepared by Management in accordance with International Financial Reporting Standards.

We certify that we have reviewed the financial statements and other information contained in the annual report, and, based on our knowledge, they do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the statements and the annual report.

Based on our knowledge, the financial statements together with other financial information included in the annual report fairly present in all material respects the financial condition, results of operations and cash flows of the Ontario Securities Commission (the "OSC") as of the dates and for the periods presented. The preparation of financial statements involves transactions affecting the current period which cannot be finalized with certainty until future periods. Estimates and assumptions are based on historical experience and current conditions, and are believed to be reasonable.

We are responsible for establishing and maintaining internal control over financial reporting for the OSC. We have designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

We evaluated, or caused to be evaluated under our supervision, the effectiveness of the OSC's internal control over financial reporting at the financial year-end, and the OSC has disclosed in its annual MD&A our conclusion about the effectiveness of internal control over financial reporting at the financial year-end based on that evaluation.

We have also disclosed in the MD&A any change in our internal control over financial reporting that occurred during the year that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

The Board of Directors ensures that management fulfills its responsibility for financial reporting and internal control. The financial statements have been reviewed by the Audit and Finance Committee and approved by the Board of Directors. The Auditor General's Report, which follows, outlines the scope of the Auditor's examination and opinion on the financial statements.

Grant Vingoe

Chair and Chief Executive Officer

Mary Campione

Chief Financial Officer, and Director,
Financial Management & Reporting

June 14, 2021



Independent Auditor's Report

To the Ontario Securities Commission

Opinion

I have audited the financial statements of the Ontario Securities Commission (OSC), which comprise the statement of financial position as at March 31, 2021, and the statements of comprehensive income, statement of changes in surplus and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the OSC as at March 31, 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the OSC in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the OSC's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless OSC either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the OSC's financial reporting process.

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Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the OSC's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the OSC's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the OSC to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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Toronto, Ontario
June 14, 2021



Bonnie Lysyk, MBA, FCPA, FCA, LPA
Auditor General

Statement of Financial Position

(in Canadian dollars)

As at March 31, 2021	Note(s)	2021	2020
ASSETS			
Current			
Cash		\$ 101,682,897	\$ 84,220,419
Trade and other receivables	4, 5	3,414,406	3,623,677
Prepayments		2,492,750	3,967,772
Total current		\$ 107,590,053	\$ 91,811,868
Non-current			
Funds held pursuant to designated settlements and orders	3(e), 6	\$ 117,001,434	\$ 118,393,872
Funds restricted for CSA Systems operations and redevelopment	2, 7, 18	150,622,699	148,730,211
Reserve funds	8	20,000,000	20,000,000
Lease receivable	12	3,270,120	3,403,919
Right of use assets	12	48,583,552	51,620,297
Property, plant & equipment	9	5,223,955	5,999,888
Intangible assets	10	8,001,587	6,955,229
Total non-current		\$ 352,703,347	\$ 355,103,416
Total assets		\$ 460,293,400	\$ 446,915,284
LIABILITIES			
Current			
Trade and other payables	11	\$ 24,463,855	\$ 20,021,724
Lease liabilities	12	2,211,636	2,138,206
Total current		\$ 26,675,491	\$ 22,159,930
Non-current			
Lease liabilities	12	\$ 51,900,279	\$ 54,111,915
Pension liabilities	13(b)	5,111,690	4,438,979
Funds held pursuant to designated settlements and orders	3(e), 6	117,001,434	118,393,872
Funds restricted for CSA Systems operations and redevelopment	2, 7, 18	150,622,699	148,730,211
Total non-current		\$ 324,636,102	\$ 325,674,977
Total liabilities		\$ 351,311,593	\$ 347,834,907
SURPLUS			
General		\$ 88,981,807	\$ 79,080,377
Reserve	8, 14	20,000,000	20,000,000
Operating surplus		\$ 108,981,807	\$ 99,080,377
Total liabilities and surplus		\$ 460,293,400	\$ 446,915,284

The related notes are an integral part of these financial statements.

On behalf of the board of the Commission.

Grant Vingoe
Chair and Chief Executive Officer

Garnet Fenn
Chair, Audit and Finance Committee

Statement of Comprehensive Income

(in Canadian dollars)

For the year ended March 31, 2021	Note(s)	2021	2020
REVENUE			
Fees	3(d), 15	\$ 137,253,164	\$ 132,223,073
Miscellaneous		688,721	763,120
Interest income		491,643	1,409,983
		\$ 138,433,528	\$ 134,396,176
EXPENSES			
Salaries and benefits	16	\$ 99,330,299	\$ 95,099,273
Administrative	17	10,808,309	10,187,885
Occupancy		4,779,314	5,136,563
Professional services		7,537,405	8,303,515
Depreciation	9, 12	5,267,750	5,540,152
Amortization	10	1,308,392	1,521,440
Other		47,061	482,446
		\$ 129,078,530	\$ 126,271,274
Finance costs	12	1,900,142	1,793,099
Recoveries of insurance proceeds net of loss on asset disposals	9	—	(621,662)
Recoveries of enforcement costs	3(h)	(527,897)	(2,993,014)
Recoveries of investor education and knowledge enhancement costs	3(h), 20	(2,478,763)	(1,362,373)
		\$ 127,972,012	\$ 123,087,324
Excess of revenue over expenses		\$ 10,461,516	\$ 11,308,852
OTHER COMPREHENSIVE INCOME			
Remeasurements of defined benefit pension plans	13(b)	\$ (560,086)	\$ 255,527
Other comprehensive gain/(loss)		\$ (560,086)	\$ 255,527
Total comprehensive income		\$ 9,901,430	\$ 11,564,379

The related notes are an integral part of these financial statements.

Statement of Changes in Surplus

(in Canadian dollars)

For the year ended March 31, 2021	Note(s)	2021	2020
Operating surplus, beginning of year		\$ 99,080,377	\$ 87,515,998
Total comprehensive income		9,901,430	11,564,379
Operating surplus, end of year		\$ 108,981,807	\$ 99,080,377
Represented by:			
General		\$ 88,981,807	\$ 79,080,377
Reserve	8, 14	20,000,000	20,000,000
		\$ 108,981,807	\$ 99,080,377

The related notes are an integral part of these financial statements.

Statement of Cash Flows

(in Canadian dollars)

For the year ended March 31, 2021	Note(s)	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of revenue over expenses		\$ 10,461,516	\$ 11,308,852
Adjusted for:			
Interest received		558,420	1,448,582
Interest income		(491,643)	(1,409,983)
Pension liabilities		112,625	250,752
Depreciation - right of use asset	12	3,036,745	2,934,489
Depreciation	9	2,231,005	2,605,663
Amortization	10	1,308,392	1,521,440
		\$ 17,217,060	\$ 18,659,795
Changes in non-cash working capital:			
Trade and other receivables		\$ 147,025	\$ 14,639
Prepayments		1,475,022	(1,965,925)
Trade and other payables		2,944,251	(1,347,588)
		\$ 4,566,298	\$ (3,298,874)
Net cash flows from operating activities		\$ 21,783,358	\$ 15,360,921
CASH FLOWS USED IN INVESTING ACTIVITIES			
Principal payments on lease receivable	12	\$ 129,269	\$ 135,408
Purchase of intangible assets	10	(2,051,607)	(3,101,258)
Purchase of property, plant & equipment	9	(260,336)	(206,836)
Net cash used in investing activities		\$ (2,182,674)	\$ (3,172,686)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Principal payments on lease liabilities	12	\$ (2,138,206)	\$ (1,973,260)
Net cash used in financing activities		\$ (2,138,206)	\$ (1,973,260)
Net increase in cash position		\$ 17,462,478	\$ 10,214,975
Cash, beginning of year		\$ 84,220,419	\$ 74,005,444
Cash, end of year		\$ 101,682,897	\$ 84,220,419
SUPPLEMENTAL CASH FLOW INFORMATION			
Finance costs paid		\$ 1,900,142	\$ 1,793,099
Finance income received		119,863	113,724
Property, plant & equipment and intangible assets funded by trade and other payables		1,497,879	530,443

The related notes are an integral part of these financial statements.

Notes to the Financial Statements

1. Reporting Entity

The Ontario Securities Commission (OSC) is a corporation domiciled in Ontario. The address of the OSC's registered office is 20 Queen Street West, Toronto, Ontario, M5H 3S8. The OSC is a corporation without share capital and is the

regulatory body responsible for regulating the province's capital markets. As a Crown corporation, the OSC is exempt from income taxes.

2. Basis of Presentation

(a) Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). These financial statements are as at March 31, 2021 for the year then ended and includes comparatives. These financial statements were authorized for issue by the Board of Directors on June 14, 2021.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain pension liabilities that are measured net of actuarial gains and losses, as explained in Note 3(f). Historical cost is generally based on the fair value of the consideration given in exchange for assets.

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the OSC's functional currency. Amounts have been rounded to the nearest dollar.

(d) Use of judgements and sources of estimation uncertainty

(i) Judgements

The preparation of financial statements in accordance with IFRS requires that management make judgements in applying accounting policies that can affect the reported

amounts of assets and liabilities as at the date of the financial statements, as well as the reported amounts of revenue and expenditures for the period.

The following are the judgements in applying accounting policies, apart from those involving estimates, that have the most significant effect on the amounts recognized in the financial statements.

Lease accounting

In determining the lease liabilities and corresponding right of use assets, significant judgement is required in determining the lease term.

The lease term is defined as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

The OSC exercised significant judgement in determining the lease term, particularly the premise lease, by considering all facts and circumstances that create an economic incentive to exercise a renewal option or to not exercise a termination option including investments in major leaseholds, past practice and the length of time remaining before the option is exercisable.

Revenue recognition

The OSC exercised significant judgement in determining whether participation fees and other certain fees are within the scope of IFRS 15. Since these fees do not arise from contracts with customers as envisioned in IFRS 15, the OSC has exercised judgement in deciding to apply IFRS 15, by analogy, to such fees.

Significant judgement is required to determine the nature and extent of the OSC's performance obligations arising from participation fees and determining the timing of the transfer of control – at a point in time or over time. The OSC recognizes revenue when (or as) the organization satisfies a performance obligation by transferring the promised service to the market participant. This transfer happens when the market participant obtains control of the service.

Recoveries of investor education and knowledge enhancement costs

Beginning April 1, 2015, the OSC began recovering costs that are in accordance with subparagraph 3.4(2)(b)(ii) of the *Securities Act* (Ontario) which was amended on June 20, 2012 to expand the purposes for which enforcement monies may be designated to include “for use by the Commission for the purpose of educating investors or promoting or otherwise enhancing knowledge and information of persons regarding the operation of the securities and financial markets” (“investor education and knowledge enhancement costs”). The OSC developed guidelines to assist in determining which costs would be in accordance with subparagraph 3.4(2)(b)(ii). The OSC exercised judgement in evaluating the types of costs incurred which would be in accordance with these guidelines. See Note 20 for a summary of costs recovered.

Funds restricted for Canadian Securities Administrators (CSA) Systems operations and redevelopment (Funds Restricted for CSA Systems)

The OSC was appointed to administer the financial management processes of the CSA Systems net assets and act as custodian over any surplus funds. The use of the CSA Systems surplus funds is governed by the four Principal Administrators (PAs), each having one vote on the CSA Systems matters. The four PAs are the OSC, British Columbia Securities Commission (BCSC), Alberta

Securities Commission (ASC) and l’Autorité des marchés financiers (AMF).

Based on an evaluation of the contractual terms and conditions related to the arrangement, OSC management has exercised significant judgement to determine that participants in the capital markets, rather than the OSC (or other CSA members, including the Investment Industry Regulatory Organization of Canada (IIROC) in the case of NRD system fee surplus funds accumulated prior to October 12, 2013), obtain the benefit or rewards from the restricted funds or any future development of the CSA Systems. The OSC does not control or have significant influence over how the restricted funds are managed in performing its custodial role for the CSA Systems.

See Note 7 for more information, including summary financial information related to CSA Systems operations and redevelopment.

(ii) Sources of estimation uncertainty

The preparation of financial statements in accordance with IFRS requires management to make assumptions about the future and other sources of estimation uncertainty that have a significant risk of affecting the carrying amounts of assets and liabilities within the next fiscal year.

Determining the carrying amounts of some assets and liabilities requires management to estimate the effects of uncertain future events on those assets and liabilities at the end of the reporting period. Actual amounts can differ from these estimates to the extent future outcomes differ significantly from management's estimations. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The following are the key assumptions and other major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year.

Leases

In determining the carrying amount of right of use assets and lease liabilities, the OSC is required to estimate the incremental borrowing rate specific to each leased

asset if the interest rate implicit in the lease is not readily determined. The OSC determines the incremental borrowing rate using a prime rate with an adjustment that reflects, among other things, the OSC's credit rating, lease term, value of the underlying leased asset, and the economic environment in Ontario.

Supplemental pension plan

Supplemental pension plan liabilities represent the estimated present value of the OSC's obligation for future payments on March 31, 2021. The OSC utilizes an independent actuarial expert to determine the present value of the defined benefit obligation of the supplemental pension plan and related impact to the Statement of Comprehensive Income and Other comprehensive income (OCI).

In some cases, this determination will involve management's best estimates and information from other accredited sources. A change in one or more of these assumptions could have a material impact on the OSC's financial statements.

The significant actuarial assumptions used to determine the present values of the defined benefit obligations and sensitivity analysis of changes in the actuarial assumptions used are outlined in Note 13(b).

Designated settlements and orders and recoveries of enforcement costs

Funds held pursuant to designated settlements and orders and recoveries of enforcement costs are recorded when settlements are approved or orders are made by the Commission, unless management determines that collecting the settlement and order is significantly doubtful, in which case it is recognized when payment is received. Estimation is required to determine the collectible amount of monetary sanctions and recoveries of enforcement costs.

Management considers the ability of the respondent to pay the sanction amount, the ability to locate the respondent and whether the respondent owns any assets. A change in any of these factors could have a material impact on the OSC's financial statements. Assets and liabilities will change based on estimated designated settlements and order amounts deemed to be collectible. Expenses may change based on recoveries of enforcement costs. For more information on designated settlements and orders, see Note 6.

Allowance for credit losses

The determination of the OSC's expected credit losses for trade receivables depends on several highly related variables and is subject to estimation uncertainty. In determining expected credit losses, the OSC considers historical data, existing market conditions, and forward-looking information to determine, among other things, expected loss rates. The OSC must rely on estimates and exercise judgement regarding circumstances that may cause future assessments of expected credit losses to be materially different from current assessments, which could require an increase or decrease in the allowance for credit losses.

Trade and other receivables, and funds held pursuant to designated settlements and orders are subject to measurement uncertainty due to the credit risk of debtors. Due to the COVID-19 pandemic, additional measurement uncertainty exists around the collectability of these amounts. The uncertainty is caused by potential collection delays and an increase in the rate of doubtful accounts from these parties due to the economic slowdown in Ontario brought on by emergency measures to combat the spread of COVID-19. See Note 5 and Note 6 for further detail on the trade and other receivables, and funds held pursuant to designated settlements and orders.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. See Note 21 for discussion related to accounting standards, interpretations and amendments that became effective in the year.

(a) Financial instruments

Trade receivables and borrowings issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the OSC becomes a party to the contractual provisions of the instrument. Financial assets and

financial liabilities are initially measured at fair value, plus or minus transaction costs that are directly attributable to their acquisition. The measurement of financial instruments in subsequent periods and the recognition of changes in the fair value depend on the category in which they are classified. All financial assets and financial liabilities are categorized and subsequently measured at amortized cost.

Classification of financial assets depends on the business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. A financial asset is subsequently measured at amortized cost if both of the following conditions are met.

- a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Currently, OSC’s financial assets meet the conditions for subsequent measurement at amortized cost. Gains or losses on disposal and impairment losses are recorded in the Statement of Comprehensive Income. Premiums, discounts and transaction costs are amortized over the term of the instrument on an effective yield basis as an adjustment to interest income. Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire or when the contractual rights to receive the cash flows of the financial asset are transferred. A financial liability is derecognized when it is extinguished; that is, when the contractual obligation is discharged, cancelled or expires.

The OSC recognizes an allowance for expected credit losses for all financial assets not held at fair value through profit and loss. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the OSC expects to receive, discounted at an approximation of the original effective interest rate.

In relation to trade receivables, the OSC measures expected credit losses for trade receivables by establishing a provision based on aging at year end

through the application of a provision matrix. The provision matrix is based on historically observed default rates over the expected life of the trade receivables, adjusted for forward looking estimates.

The carrying amount of trade receivables is reduced through the use of an allowance account and the expected credit loss is recognized in the Statement of Comprehensive Income.

The gross carrying amount of a trade receivable is written off to the extent there is no reasonable prospect of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, insolvency of the debtor and the exhaustion of reasonable collection efforts.

(b) Property, plant & equipment

Items of property, plant & equipment are recorded at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

The cost of property, plant & equipment, less any residual value, is depreciated and recognized in excess of revenues over expenses on a straight-line basis over the estimated useful life of the asset, as follows:

Computer hardware and related applications	3 years
Network servers and cabling	5 years
Office furniture and equipment	5 to 10 years
Leasehold improvements	Lesser of lease term and useful life of asset

The estimated useful lives, residual values and depreciation method are reviewed at the end of each fiscal year. Any changes in estimates are accounted for on a prospective basis.

An item of property, plant & equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the disposal or retirement of an item of property, plant & equipment is determined as

the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in excess of revenue over expenses.

Items of property, plant & equipment are reviewed for impairment at each reporting date. If any impairment is indicated, the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

(c) Intangible assets

Intangible assets represent identifiable non-monetary assets and are acquired either separately or internally generated. The OSC's intangible assets consist primarily of software enhancement and development and purchased software.

Development costs that are directly attributable to internally developed software are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use it;
- there is an ability to use the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use the software are available; and
- the expenditures attributable to the software during its development can be reliably measured.

For internally generated intangible assets, cost includes all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. Subsequent expenditures on a specific intangible asset is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including maintenance, are recognized in profit or loss as incurred. Research expenditures and certain development expenditures

that do not meet the criteria for capitalization above are recognized as an expense as incurred.

For purchased software, the cost of separately acquired intangible assets include its purchase price and directly attributable costs of preparing the asset for its intended use.

For software enhancement and development, amortization of an intangible asset begins when development is complete, and the asset is available for use. After initial recognition, an intangible asset is carried at its cost less any accumulated amortization and accumulated impairment losses. Amortization expense is included in the Statement of Comprehensive Income. Intangible assets are amortized using the straight-line method over the following periods:

Software enhancement and development	10 years
Purchased software	3 years

Amortization methods, useful lives and residual values are reviewed at the end of each fiscal year and adjusted if appropriate, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired. Intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. If any impairment is indicated, the intangible asset's recoverable amount is estimated. The recoverable amount is the higher of an intangible asset's fair value less costs to sell and value in use. An impairment loss is recognized for the amount by which the intangible asset's carrying amount exceeds its recoverable amount. An impairment loss is recognized on the Statement of Comprehensive Income in the period in which the impairment is identified.

Impairment losses previously recognized are assessed and reversed if the circumstances leading to the impairment are no longer present. Reversal of any impairment loss will not exceed the carrying amount of the intangible asset that would have been determined had no impairment loss been recognized for the asset in prior periods.

(d) Revenue recognition

IFRS 15 sets out the principles for when revenue should be recognized and how it should be measured, together with related disclosures.

Participation fees

Participation fees are recognized when the OSC has permitted (or not restricted) market participant access to the Ontario capital markets. Typically, this occurs at a point-in-time when both the access is granted (or not restricted) and the associated fees are received.

These fees represent the payment for the right to participate in the Ontario capital markets. The OSC has no specific obligations throughout the year to any individual market participant. As such, the OSC's performance consists of a single act, which is provision of access. Once the access is provided (or not restricted), the OSC has the right to the stipulated participation fees, there is no obligation to refund the fees, the market participant has the legal right to access and participate in the capital market including the risks and rewards associated with such participation and there are no unfulfilled conditions on behalf of the OSC to the market participant.

Activity fees

Activity fees represent the direct cost of OSC staff resources expended in undertaking certain activities requested of staff by market participants. Activity fees are recognized when the filing is received, as the activities undertaken are normally completed in a relatively short period of time.

Late filing fees

Late fees may apply if certain documents that are required to be filed under Ontario Securities law are not filed on time. Additional fees may be charged for payments made past the required due date. Revenue from late fees is recognized when the respective document is filed or the corresponding outstanding fee is paid. In addition, the transaction price is measured as the amount of the fee.

(e) Funds held pursuant to designated settlements and orders

Funds held pursuant to designated settlements and orders are recorded when settlements are approved or orders are made by the Commission, unless management determines that collecting the settlement amount is significantly

doubtful, in which case they are recognized when payment is received. Due to the restricted use of funds held pursuant to designated settlements and orders, a corresponding non-current liability that equals the related non-current asset is reflected in the Statement of Financial Position.

(f) Employee benefits

Ontario Public Service Pension Plan (OPSPP)

The OSC provides pension benefits to its full-time employees through participation in the OPSPP. The Province of Ontario is the sole sponsor of the OPSPP. This plan is accounted for as a defined contribution plan because sufficient information is not provided to the OSC or otherwise available for the OSC to apply defined benefit plan accounting to this pension plan.

The plan sponsor is responsible for ensuring that the pension funds are financially viable. Any surpluses or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the OSC. The OSC is not exposed to any liability to the plan for other entities' obligations under the terms and conditions of the plan.

In addition, there is no agreed allocation of a deficit or surplus on wind-up or withdrawal by the OSC from the plan. Payments made to the plan are recognized as an expense when employees have rendered the service entitling them to the benefit. For more information on the OPSPP, see Note 13(a).

Supplemental pension plan

The OSC also maintains unfunded supplemental pension plans for its current and former Chairs and Vice-Chairs as described in Note 13(b). These plans are final salary pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of the target benefits provided depends on the member's length of service and their salary in the final years prior to retirement. In some plans, the target benefits are indexed with inflation. The target benefits are then offset by the benefits payable from the OPSPP (registered and supplemental plans), which are linked to inflation.

The defined benefit liability recognized in the Statement of Financial Position for the supplemental pension plans is the present value of the defined benefit obligation at the reporting date.

Actuarial gains and actuarial losses resulting from remeasurements of the net defined benefit liability arising

from the supplemental pension plans are recognized immediately in the Statement of Financial Position with a corresponding debit or credit through OCI in the period in which they occur. Remeasurements are not reclassified to excess of revenues over expenses in subsequent periods.

Other post-employment obligations

The costs of non-pension benefits for eligible pensioners are paid by the Government of Ontario and are not included in the Statement of Comprehensive Income, as described in Note 19(b).

Termination benefits

Termination benefits are generally payable when employment is terminated before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these benefits. The OSC recognizes a liability and an expense for termination benefits at the earlier of the date the OSC has demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without a realistic possibility of withdrawal or when the OSC has recognized costs for providing termination benefits as a result of a restructuring involving a fundamental reorganization that has a material effect on the nature and focus of OSC operations.

Short-term benefits

Short-term employee benefits, such as salaries, pension contributions, paid annual leaves and bonuses, are measured on an undiscounted basis and are expensed as the related service is provided to the OSC.

(g) Leases

A contract is or contains a lease if it conveys the right to control the use of an identified asset for a specified period in exchange for consideration. When the OSC leases assets from other parties, the OSC is the lessee. When the OSC leases or subleases assets to other parties, the OSC is the lessor.

Lessee accounting

At the lease commencement date, a lease liability and right of use asset are recognized on the Statement of Financial Position for the leased asset. These two amounts are determined as follows:

- a) Lease liability – the present value of fixed payments from commencement date, variable payments that

depend on an index or a rate, exercise price of a purchase option (if the lessee is reasonably certain to exercise that purchase option), payments for penalties for terminating a lease (if the lease term reflects the lessee exercising an option to terminate the lease), and amounts expected to be payable by the lessee under residual value guarantees.

- b) Right of use asset – the sum of the initial lease liability, initial indirect costs and expected restoration costs, and lease payments made at or prior to commencement, less any lease incentives received.

In determining the carrying amount of lease liabilities and right of use assets, the lessee is required to use the incremental borrowing rate specific to each leased asset, if the interest rate implicit in the lease is not readily determined.

Most of the OSC's leases are comprised of premise leases, for which fixed payments covering lease components are included in the value of the right of use assets and lease liabilities. As lease payments are made and the leases elapse, lease liabilities are reduced by the principal portion of payments, finance costs are recognized for the interest portion of payments, and the right of use assets are depreciated. Depreciation and finance costs are recognized in the Statement of Comprehensive Income.

For non-lease components payments (i.e. common area maintenance), amounts are recognized within occupancy costs in the Statement of Comprehensive Income and are not recognized in the Statement of Financial Position.

Payments for short-term leases (12 months or less and do not have a purchase option) and low-value leases are recognized on a straight-line basis within occupancy costs in the Statement of Comprehensive Income and are not recognized in the Statement of Financial Position.

Lessor accounting

The OSC engages in subleasing arrangements for premise leases on a full cost recovery basis. When the OSC makes the underlying leased asset available for use to the lessee, the OSC classifies each lease as either an operating lease or a finance lease. A lease is a finance lease if it transfers substantially all the risks and rewards of the underlying asset to the lessee; otherwise, the lease is an operating lease.

For leases classified as finance leases, the underlying assets are derecognized, lease receivables are recognized on the Statement of Financial Position and finance income is recognized.

The OSC assesses the sublease classification by reference to the right of use assets. Among other things, the OSC considers factors such as whether the sublease term covers a major portion of the head lease term. For those subleases classified as finance leases, a lease receivable is recognized within the trade and other receivables, with an offsetting reduction in the right of use assets, on the Statement of Financial Position, and finance income is recognized. For those classified as operating leases, there is no impact on the right of use assets and lease income is recognized. Refer to Note 12 for details on subleasing activities.

(h) Recoveries

Recoveries of enforcement costs

Recoveries of enforcement costs are recorded as offsets to total expenses on the date a settlement is approved or an order is issued by the OSC, unless management determines that collecting the settlement amount is significantly doubtful, in which case, recovery is recognized when payment is received.

Recoveries of investor education and knowledge enhancement costs

Recoveries of investor education and knowledge enhancement costs are recorded as offsets to total expenses on a quarterly basis based on eligible expenses recorded in the quarter.

(i) Provisions

A provision is recognized when a present legal or constructive obligation results from past events, it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

4. Financial Instruments Risks

The OSC is exposed to various risks in relation to financial instruments. The OSC's objective is to manage risks to acceptably low levels. The OSC's financial assets and liabilities by category are summarized in Note 3(a). The main types of risks related to the OSC's financial instruments are currency risk, interest rate risk, credit risk and liquidity risk. This note provides information about the OSC's exposure to these risks and the OSC's objectives, policies and processes for measuring and managing these risks.

Currency risk

The OSC's exposure to currency risk is minimal due to the low number of transactions denominated in currencies other than Canadian dollars.

Interest rate risk

The OSC's financial assets and liabilities are not exposed to significant interest rate risk due to their short-term nature. The OSC's cash, funds held pursuant to

designated settlements and orders, funds restricted for CSA Systems operations and redevelopment and reserve funds are held by Schedule I financial institutions (and credit unions in British Columbia with respect to funds restricted for CSA Systems operations and redevelopment). The bank balances earn interest at a rate of 1.85% below the prime rate. The average rate of interest earned on bank balances for the year was 0.63% (2020 – 2.08%).

A 25 basis points change in the interest rate would impact the OSC's operating surplus as follows:

	Impact on operating surplus	
	25 basis points increase in rates	25 basis points decrease in rates
Reserve funds	\$ 50,236	\$ (50,236)
Cash balance	150,365	(150,365)
	\$ 200,601	\$ (200,601)

Credit risk

The OSC is exposed to credit risk related to cash, funds held pursuant to designated settlements and orders, funds restricted for CSA Systems operations and redevelopment, reserve funds and trade and other receivables.

Schedule I financial institutions hold approximately 84.9% of the OSC's financial assets including those held for funds restricted for CSA Systems operations and redevelopment and another 15.1% are held in two credit unions in British Columbia (for cash components of funds restricted for CSA Systems operations and redevelopment exclusively). The remaining balance of financial assets are accounts receivable. The Credit Union Deposit Insurance Corporation (CUDIC), a statutory corporation, guarantees the deposits of one of the British Columbia credit unions, as set out in the *Financial Institutions Act* of British Columbia. All other deposits are guaranteed to a maximum of \$0.1 million by Canada Deposit Insurance Corporation. Given the nature of these counterparties, it is management's opinion that the credit risk exposure due to concentration is low.

Trade receivables balances consist of a large number of debtors owing individually immaterial balances.

Other receivables in aggregate are material, with most debtors owing individually and in aggregate immaterial amounts, and a small number of debtors owing larger

amounts, which are material in aggregate or individually, and are receivable from:

- Funds restricted for CSA Systems operations and redevelopment, to recover staff and occupancy costs and other charges incurred,
- Funds held pursuant to designated settlements and orders, to recover investor education and knowledge enhancement costs,
- Government of Canada for recovering Harmonized Sales Tax paid during the year, and
- Government of Canada to recover costs for OSC leasing activity under a sublease.

Therefore, the OSC's exposure to credit risk is considered low.

The OSC maintains an allowance for credit losses. Therefore, the carrying amount of trade and other receivables generally represents the maximum credit exposure. The expected credit loss is not expected to have a significant impact on trade and other receivables and the lease receivable as a significant component of these balances are owing from the Government of Canada, the CSA and the designated fund. Collection efforts continue for trade and other receivables balances, including those that are captured in the allowance for credit loss. The aging of trade and other receivables is as follows:

	Note	March 31, 2021	March 31, 2020
Current		\$ 2,467,909	\$ 2,794,524
Past due 31 to 60 days		732,710	314,540
Past due 61 to 90 days		177,642	204,243
Past due greater than 90 days (net)		36,145	310,370
Total Trade and other receivables	5	\$ 3,414,406	\$ 3,623,677

Past due greater than 90 days detail	Note	March 31, 2021	March 31, 2020
Past due greater than 90 days (gross)		\$ 505,956	\$ 542,105
Allowance for credit losses	5	(469,811)	(231,735)
		\$ 36,145	\$ 310,370

Reconciliation of allowance for credit losses is as follows:

	Note	March 31, 2021	March 31, 2020
Opening balance		\$ 231,735	\$ 212,234
Current year provision		550,303	618,400
Written-off during the year		(253,477)	(598,899)
Closing balance	5	\$ 528,561	\$ 231,735

In 2021, after reviewing the collectability of trade and other receivables, \$0.3 million of balances were deemed uncollectable and were written off, resulting in a reduction to the allowance for credit losses and a corresponding reduction of trade and other receivables for the same amount. The amount written off was charged to bad debt expense in prior years. The current year provision of \$0.6 million was charged to bad debt expense in fiscal 2021. Credit losses are calculated at an amount equal to the lifetime expected credit losses.

Liquidity risk

The OSC's exposure to liquidity risk is low as the OSC has sufficient cash, reserve fund assets, and access to a credit facility to settle all current liabilities. As at March 31, 2021, the OSC had a cash balance of \$101.7 million and reserve

fund assets of \$20.0 million to settle current liabilities of \$26.7 million.

The OSC has a \$52.0 million credit facility to address any short-term cash deficiencies. Interest on the credit facility is charged at a rate of 0.5% below the prime rate. During the year, the OSC did not utilize the credit facility (2020 - \$0).

The overall assessment of the OSC's exposure to liquidity risk is low and remains unchanged from 2020.

Supplemental pension plan risks

The OSC's overall exposure to supplemental pension plan risks is low due to the plan being a supplemental plan and the limited number of plan members entitled to plan benefits. For more information, see Note 13(b).

5. Trade and Other Receivables

	Note(s)	March 31, 2021	March 31, 2020
Trade receivables		\$ 1,338,947	\$ 651,287
Other receivables		1,277,679	1,585,724
Allowance for credit losses	4	(528,561)	(231,735)
		\$ 2,088,065	\$ 2,005,276
Interest receivable		61,924	128,700
Amount recoverable from investor education and knowledge enhancement costs	20	762,938	527,762
Sales taxes recoverable		367,680	832,670
Lease receivable	12	133,799	129,269
Total Trade and other receivables	4	\$ 3,414,406	\$ 3,623,677

The lease receivable represents the current portion of the receivable due from the Government of Canada as part of the subleasing arrangement.

The OSC is an intermediate lessor in the arrangement to sublease office space to the Government of Canada. For more information, see Note 12.

6. Funds Held Pursuant to Designated Settlements and Orders

The OSC has a number of settlement agreements and orders arising from enforcement proceedings where monies from these settlements and orders are to be set aside and allocated to such third parties in accordance with section 3.4(2)(b) of the *Securities Act* (Ontario). These funds are eligible to be allocated to the OSC for the purpose of educating investors, or promoting or otherwise enhancing knowledge and information of persons regarding the operation of the securities and financial markets, including such designated internal costs as approved by the Board.

On July 14, 2016, the OSC established the Whistleblower Program (the "Program"). Under the Program, whistleblowers may be eligible for awards of between 5% to 15% of total monetary sanctions imposed and/or voluntary payments made if their information leads to an administrative proceeding where these amounts total

\$1.0 million or more. The maximum amount of the award has been set at \$1.5 million where monetary sanctions and/or voluntary payments are not collected and \$5.0 million where these amounts have been collected. Whistleblowers will be paid out of funds held pursuant to designated settlements and orders. Since inception of the program in 2016, \$8.6 million has been paid to whistleblowers.

The accumulated funds are held in a segregated bank account and earn interest at the monthly average bank prime rate less 1.85%. The Board allocates these funds as it determines appropriate at its discretion. This includes allocations to harmed investors, where appropriate and where an allocation can be reasonably determined.

As at March 31, 2021 the accumulated balance is determined as follows:

	March 31, 2021	March 31, 2020
Opening balance	\$ 118,393,872	\$ 84,379,977
Assessed during the year	\$ 11,122,639	\$ 42,303,669
Less:		
Amounts paid or payable directly to investors	—	(995,966)
Orders deemed uncollectible	(5,378,943)	(1,238,203)
Amount recorded from assessments in year	\$ 5,743,696	\$ 40,069,500
Add: Adjustments to amounts assessed in prior years	192,925	989,545
Interest	712,707	2,076,842
Less: Payments to		
Whistleblowers	(585,000)	(525,000)
OSC for recovery of investor education and knowledge enhancement costs	(2,483,493)	(1,235,049)
External collections firm	(118,416)	(891,266)
Harmed investors	(4,029,857)	(6,470,677)
Investor education and advocacy organizations	(825,000)	—
Closing balance	\$ 117,001,434	\$ 118,393,872
Represented by:		
Cash	\$ 116,609,817	\$ 117,029,772
Receivable	391,617	1,364,100
	\$ 117,001,434	\$ 118,393,872

The \$5.7 million (2020 – \$40.1 million) identified as the total amount recorded from assessments in year reflects the portion of \$11.1 million (2020 – \$42.3 million) in settlements and orders that were assessed during the year, for which payment was either received or has been deemed collectible. The total includes reductions of nil (2020 – \$1.0 million) for amounts paid or payable directly to investors and \$5.4 million (2020 – \$1.2 million) in orders deemed uncollectible. The amounts paid or payable directly to investors represents orders that require respondents to distribute monies directly to harmed investors, which are not captured in the OSC’s accounting records.

The OSC collected a total of \$5.7 million (2020 – \$39.1 million) of the designated settlements and orders assessed during the year less amounts paid or payable directly to investors, resulting in an average collection rate of 51.6% (2020 – 94.6%). As authorized by the Board, the OSC made payments from the designated funds totalling \$8.0 million (2020 – \$9.1 million). Details on the recipients of these payments are included in the table above.

7. Funds Restricted for CSA Systems Operations and Redevelopment

(Funds restricted for CSA Systems)

The core CSA Systems consist of the System for Electronic Document Analysis and Retrieval (SEDAR), the National Registration Database (NRD) and the System for Electronic Disclosure by Insiders (SEDI). The CSA has implemented the first phase of the new marketplace surveillance and analytical system to improve market analytics capacity and is continuing with the next phases to develop additional capabilities.

The OSC has been appointed the Designated Principal Administrator – Operations (DPA) to collect, hold, and administer the surplus funds accumulated from system fees charged to market participants that use the CSA Systems. This role is essentially that of a custodian. The funds restricted for CSA Systems operations and redevelopment include surplus funds accumulated from operation of the CSA Systems, which are received, held and managed by the DPA on behalf of the PAs. The use of these surplus funds is restricted by various agreements between the PAs.

CGI Information Systems and Management Consultants Inc. (CGI), as service provider, hosts and maintains the CSA Systems. A CSA Systems Governance Committee (SGC), consisting of members of the four PAs, was established through an agreement signed on April 2, 2013. This agreement also created a governance framework for management and oversight of the CSA Systems, including that of CGI. It outlines how user

fees will be collected and deployed, and addresses allocation and payment of liabilities that may arise. User fees are charged to recover systems operations and redevelopment costs, which are used to benefit the CSA National Systems users.

Use of the surplus funds within the terms of the various agreements requires the approval of members of the SGC. Majority approval is required for all permissible uses of the surplus funds as outlined within the various agreements, with the exception of the following, which all require unanimous approval of the PAs:

- any financial commitments in excess of the lesser of (i) \$5.0 million and (ii) 15% of the accumulated surplus at such date,
- significant changes to the design of the systems, and
- any changes to system fees.

In the case of NRD, IIROC approval is required for any use of the surplus funds that deviates from the contractually agreed uses for funds accumulated prior to October 12, 2013.

The CSA is redeveloping the CSA Systems in a multi-year phased approach. Funding for the redevelopment is coming from the accumulated CSA surplus funds.

The 2021 financial results of the CSA Systems operations and redevelopment are presented below. Assets include cash and investments of \$150.6 million (2020 - \$148.7 million) presented on the OSC's Statement of Financial

Position. Assets also include intangible assets of \$39.1 million (2020 - \$33.5 million) primarily consisting of costs towards the redevelopment of the CSA National Systems.

Summarized Statement of Financial Position

As at March 31	2021	2020
Assets	\$ 195,936,866	\$ 187,149,789
Liabilities	\$ 3,249,428	\$ 3,532,059
Surplus	192,687,438	183,617,730
Liabilities and surplus	\$ 195,936,866	\$ 187,149,789

Summarized Statement of Comprehensive Income

For the year ended March 31	2021	2020
Revenue	\$ 29,532,418	\$ 29,350,540
Expenses	20,462,710	19,171,292
Excess of revenues over expenses	\$ 9,069,708	\$ 10,179,248

Summarized Statement of Cash Flows

For the year ended March 31	2021	2020
Net cash flows from operating activities	\$ 7,331,399	\$ 10,894,227
Net cash flows used in investing activities	(7,152,492)	(8,085,785)
Net (decrease)/increase in cash position	178,907	2,808,442
Cash, beginning of year	\$ 23,058,713	\$ 20,250,271
Cash, end of year	\$ 23,237,620	\$ 23,058,713

For more information on the net assets held for CSA Systems operations and redevelopment, see Note 2(d) and Note 18.

8. Reserve Funds

As part of the approval of its self-funded status, the OSC was allowed to establish a \$20.0 million reserve to be used as an operating contingency against revenue shortfalls and unanticipated expenditures, or to cover the discrepancy between timing of revenue and expenses. The prime investment consideration for the reserve is

the protection of principal and appropriate liquidity to meet cash flow needs. Interest earned on investments is credited to the operations of the OSC. Reserve funds are held in a segregated bank account and earn interest at the monthly average bank prime rate less 1.85%.

9. Property, Plant & Equipment

The table below presents the property, plant & equipment continuity schedule.

2021	Office furniture	Office equipment	Computer hardware and related applications	Networks and servers	Leasehold improvements	Total
COST						
Balance as at April 1, 2020	\$ 4,983,475	\$ 759,983	\$ 22,601,462	\$ 3,722,586	\$ 10,669,511	\$ 42,737,017
Additions	223,326	—	352,915	16,581	862,250	1,455,072
Disposals	—	—	—	—	—	—
Balance as at March 31, 2021	\$ 5,206,801	\$ 759,983	\$ 22,954,377	\$ 3,739,167	\$ 11,531,761	\$ 44,192,089
ACCUMULATED DEPRECIATION						
Balance as at April 1, 2020	\$ (4,863,598)	\$ (622,914)	\$ (20,856,770)	\$ (2,214,858)	\$ (8,178,989)	\$ (36,737,129)
Depreciation for the year	(54,475)	(32,400)	(433,100)	(482,955)	(1,228,075)	(2,231,005)
Disposals	—	—	—	—	—	—
Balance as at March 31, 2021	\$ (4,918,073)	\$ (655,314)	\$ (21,289,870)	\$ (2,697,813)	\$ (9,407,064)	\$ (38,968,134)
Carrying amount as at March 31, 2021	\$ 288,728	\$ 104,669	\$ 1,664,507	\$ 1,041,354	\$ 2,124,697	\$ 5,223,955
2020						
COST						
Balance as at April 1, 2019	\$ 4,935,268	\$ 759,983	\$ 22,549,033	\$ 3,611,662	\$ 10,499,532	\$ 42,355,478
Additions	48,207	—	52,429	110,924	169,979	381,539
Disposals	—	—	—	—	—	—
Balance as at March 31, 2020	\$ 4,983,475	\$ 759,983	\$ 22,601,462	\$ 3,722,586	\$ 10,669,511	\$ 42,737,017
ACCUMULATED DEPRECIATION						
Balance as at April 1, 2019	\$ (4,793,166)	\$ (590,456)	\$ (20,040,611)	\$ (1,748,155)	\$ (6,959,078)	\$ (34,131,466)
Depreciation for the year	(70,432)	(32,458)	(816,159)	(466,703)	(1,219,911)	(2,605,663)
Disposals	—	—	—	—	—	—
Balance as at March 31, 2020	\$ (4,863,598)	\$ (622,914)	\$ (20,856,770)	\$ (2,214,858)	\$ (8,178,989)	\$ (36,737,129)
Carrying amount as at March 31, 2020	\$ 119,877	\$ 137,069	\$ 1,744,692	\$ 1,507,728	\$ 2,490,522	\$ 5,999,888

10. Intangible Assets

Intangible assets consist of assets with finite useful lives. Finite life intangible assets include assets such as purchased software and software enhancement and

development. Amortization on intangible assets only commences once the software is available for use.

2021	Purchased software	Software enhancement and development	Total
COST			
Balance as at April 1, 2020	\$ 5,953,535	\$ 5,632,949	\$ 11,586,484
Additions	318,578	2,036,172	2,354,750
Disposals	—	—	—
Balance as at March 31, 2021	\$ 6,272,113	\$ 7,669,121	\$ 13,941,234
ACCUMULATED AMORTIZATION			
Balance as at April 1, 2020	\$ (4,450,124)	\$ (181,131)	\$ (4,631,255)
Amortization expense	(1,109,993)	(198,399)	(1,308,392)
Disposals	—	—	—
Balance as at March 31, 2021	\$ (5,560,117)	\$ (379,530)	\$ (5,939,647)
Carrying amount as at March 31, 2021	\$ 711,996	\$ 7,289,591	\$ 8,001,587

2020	Purchased software	Software enhancement and development	Total
COST			
Balance as at April 1, 2019	\$ 4,441,291	\$ 3,688,195	\$ 8,129,486
Additions	1,512,244	1,944,754	3,456,998
Disposals	—	—	—
Balance as at March 31, 2020	\$ 5,953,535	\$ 5,632,949	\$ 11,586,484
ACCUMULATED AMORTIZATION			
Balance as at April 1, 2019	\$ (3,109,815)	\$ —	\$ (3,109,815)
Amortization expense	(1,340,309)	(181,131)	(1,521,440)
Disposals	—	—	—
Balance as at March 31, 2020	\$ (4,450,124)	\$ (181,131)	\$ (4,631,255)
Carrying amount as at March 31, 2020	\$ 1,503,411	\$ 5,451,818	\$ 6,955,229

11. Trade and Other Payables

	March 31, 2021	March 31, 2020
Trade payables	\$ 1,217,527	\$ 2,284,630
Payroll accruals	18,098,334	14,537,703
Other accrued expenses	5,147,994	3,199,391
	\$ 24,463,855	\$ 20,021,724

12. Leases

Lessee Accounting – Lease Liabilities and Right of Use Assets

The OSC's leasing activities, as a lessee, relate to a premise lease and office equipment leases.

The OSC entered into a new premise lease as of September 1, 2017 for a term of ten years, ending August 31, 2027. The lease contains two consecutive options to extend the term beyond August 31, 2027, each for a period of five years. The lease was approved by the

Minister of Finance under the *Financial Administration Act* section 28, which required review of contingent liabilities inherent in the lease.

Additionally, the OSC entered into a lease agreement for office equipment (printers) as of March 20, 2020 for a term of five years ending March 19, 2025.

The tables below provide reconciliations of the right of use assets and lease liabilities for the year ended March 31, 2021:

Right of use assets	Premise Lease(s)	Office Equipment Lease(s)	Total
COST			
Balance as at April 1, 2020	\$ 57,712,103	\$ 511,279	\$ 58,223,382
Additions—new contracts	—	—	—
Sublease to Government of Canada	(3,668,596)	—	(3,668,596)
Balance as at March 31, 2021	\$ 54,043,507	\$ 511,279	\$ 54,554,786
ACCUMULATED DEPRECIATION			
Balance as at April 1, 2020	\$ 2,934,489	\$ —	\$ 2,934,489
Depreciation expense	2,934,489	102,256	3,036,745
Balance as at March 31, 2021	\$ 5,868,978	\$ 102,256	\$ 5,971,234
Carrying amount as at March 31, 2021	\$ 48,174,529	\$ 409,023	\$ 48,583,552

Right of use assets	Premise Lease(s)	Office Equipment Lease(s)	Total
COST			
Balance as at April 1, 2019	\$ —	\$ —	\$ —
Adoption adjustment	57,712,103	—	57,712,103
Additions—new contracts	—	511,279	511,279
Sublease to Government of Canada	(3,668,596)	—	(3,668,596)
Balance as at March 31, 2020	\$ 54,043,507	\$ 511,279	\$ 54,554,786
ACCUMULATED DEPRECIATION			
Balance as at April 1, 2019	\$ —	\$ —	\$ —
Depreciation expense	(2,934,489)	—	(2,934,489)
Balance as at March 31, 2020	\$ (2,934,489)	\$ —	\$ (2,934,489)
Carrying amount as at March 31, 2020	\$ 51,109,018	\$ 511,279	\$ 51,620,297

Lease liabilities	Premise Lease(s)	Office Equipment Lease(s)	Total
Balance as at April 1, 2020	\$ 55,746,158	\$ 503,963	\$ 56,250,121
Additions - new contracts	—	—	—
Balance as at March 31, 2021	\$ 55,746,158	\$ 503,963	\$ 56,250,121
Increase(s) to Lease liabilities			
Finance costs	\$ 1,891,192	\$ 8,949	\$ 1,900,141
Decrease(s) to Lease liabilities			
Lease payments	\$ (3,930,771)	\$ (107,576)	\$ (4,038,347)
Lease liabilities balance as at March 31, 2021	\$ 53,706,579	\$ 405,336	\$ 54,111,915
Non-current portion of Lease liabilities	\$ 51,595,511	\$ 304,768	\$ 51,900,279
Current portion of Lease liabilities	2,111,068	100,568	2,211,636
Lease liabilities balance as at March 31, 2021	\$ 53,706,579	\$ 405,336	\$ 54,111,915

Lease liabilities	Premise Lease(s)	Office Equipment Lease(s)	Total
Balance as at April 1, 2019	\$ —	\$ —	\$ —
Adoption adjustment	57,712,103	—	57,712,103
Additions - new contracts	—	511,279	511,279
Balance as at March 31, 2020	\$ 57,712,103	\$ 511,279	\$ 58,223,382
Increase(s) to Lease liabilities			
Finance costs	\$ 1,793,099	\$ —	\$ 1,793,099
Decrease(s) to Lease liabilities			
Lease payments	\$ (3,759,044)	\$ (7,316)	\$ (3,766,359)
Lease liabilities balance as at March 31, 2020	\$ 55,746,158	\$ 503,963	\$ 56,250,121
Non-current portion of Lease liabilities	\$ 53,706,579	\$ 405,336	\$ 54,111,915
Current portion of Lease liabilities	2,039,579	98,627	2,138,206
Lease liabilities balance as at March 31, 2020	\$ 55,746,158	\$ 503,963	\$ 56,250,121

Lessee Accounting – Depreciation, Finance Costs, and Payments

The related right of use depreciation and interest charges are recorded on the Statement of Comprehensive Income under the depreciation and finance costs expense line items, respectively. For the year ended March 31, 2021, depreciation and finance costs were \$3.0 million (2020 – \$2.9 million) and \$1.9 million (2020 – \$1.8 million), respectively.

For the year ended March 31, 2021, payments of lease principal and interest on the leases recorded as lease liabilities were \$4.0 million (2020 – \$3.8 million).

The following table sets forth the OSC's future aggregate undiscounted lease payments over the lease term:

	March 31, 2021	March 31, 2020
Less than one year	\$ 8,715,889	\$ 8,965,022
Between one and five years	36,100,094	36,892,605
More than five years	102,589,209	114,985,784
	\$ 147,405,192	\$ 160,843,411

The OSC has some office equipment leases that qualify as short-term leases. The OSC recognized the lease payments associated with such office equipment leases as an expense on a straight-line basis over the lease term. For the year ended March 31, 2021, lease payments were \$0.03 million (2020 – \$0.2 million).

The OSC has leases that qualify as low-value leases. The OSC recognized the lease payments associated with these leases as an expense on a straight-line basis over the lease term. For the year ended March 31, 2021, lease payments were \$0.003 million (2020 – \$0.003 million).

The OSC makes non-lease payments (i.e. common area maintenance, property tax, and insurance) on leased properties. For the year ended March 31, 2021, \$4.6 million (2020 – \$4.7 million) was recognized within occupancy costs in Statement of Comprehensive Income.

As of March 31, 2021, the OSC has not committed to leases with future cash outflows beyond those recognized and presented above.

Lessor Accounting

Lessor accounting is applicable in office space subleasing agreements where the OSC is the lessor. The two sublease arrangements, to the CSA IT Systems Project Office and the Government of Canada, are on a cost-recovery basis.

The OSC has classified the sublease with the CSA as an operating lease since the arrangement does not

substantially transfer all the risks and rewards incidental to ownership of the underlying asset. Accordingly, the OSC recognizes income from the sublease within miscellaneous revenue on the Statement of Comprehensive Income. For the year ended March 31, 2021, sublease payments totaling \$0.2 million (2020 – \$0.2 million) were recorded for the operating lease.

The OSC has classified the sublease with the Government of Canada as a finance lease since all of the risks and rewards incidental to ownership of the underlying asset have been substantially transferred to the lessee. Accordingly, the OSC recognizes a lease receivable, with an offsetting reduction to the right of use asset, on the Statement of Financial Position and finance income on the

Statement of Comprehensive Income. For the year ended March 31, 2021, sublease payments totaling \$0.2 million (2020 – \$0.2 million) were recorded for the finance lease. The table below provides a reconciliation of the lease receivable and finance income for the year ended March 31, 2021:

Lease receivable	Note(s)	March 31, 2021	March 31, 2020
Opening balance		\$ 3,533,188	\$ —
Adoption adjustment		—	3,668,596
Sublease payments		(249,132)	(249,132)
Finance income		119,863	113,724
Closing balance		\$ 3,403,919	\$ 3,533,188
Current portion of Lease receivable	5	\$ 133,799	\$ 129,269
Non-current portion of Lease receivable		3,270,120	3,403,919
Total Lease receivable		\$ 3,403,919	\$ 3,533,188

The current portion of the lease receivable is presented within trade and other receivables in the Statement of Financial Position. For more information, see Note 5.

The non-current portion of the lease receivable is presented as a separate non-current asset in the Statement of Financial Position.

The accompanying table presents the OSC's expected aggregate undiscounted sublease payment receipts for operating and finance leases:

	March 31, 2021	March 31, 2020
Less than one year	\$ 461,855	\$ 461,855
Between one and five years	1,088,089	1,062,537
More than five years	3,135,976	3,410,660
	\$ 4,685,920	\$ 4,935,052

13. Pension Plans

(a) Ontario Public Service Pension Plan (OPSPP)

All eligible OSC employees must, and members may, participate in the OPSPP. The OSC's contribution to the OPSPP for the year ended March 31, 2021 was \$6.6 million (2020 – \$6.4 million), which is included under salaries and benefits in the Statement of Comprehensive Income. The expected contributions for the plan for fiscal 2022 are \$7.0 million.

(b) Supplemental pension plans

The OSC also has unfunded supplemental defined benefit pension plans for its current and former Chairs and Vice-Chairs. These supplemental pension plans have no plan assets. The actuarial liability and the current service cost are determined by independent actuaries using the projected benefit method prorated on services and management's best estimate assumptions. The supplemental defined benefit pension plans are non-registered plans. The benefit payments are made by the OSC as they become due.

The OSC is responsible for governance of these plans. The OSC Board's Audit and Finance Committee assists in the management of the plans. The OSC has also appointed experienced, independent professional actuarial experts to provide a valuation of the pension obligation for the supplemental plans in accordance with the standards of practice established by the Canadian Institute of Actuaries.

Under the projected benefit method, the pension liabilities are the present value of benefits accrued in respect of service prior to the valuation date, based on projected final average earnings. The current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period. The current service cost, expressed as a percentage of pensionable earnings, will be stable over time if the demographic characteristics of the active membership remain stable from valuation to valuation. However, all other things being equal, the current service cost of an active membership whose average age rises between actuarial valuations will result in an increasing current service cost.

The supplemental pension plans expose the OSC to the following risks:

- Changes in bond yields – a decrease in corporate bond yields will increase the plans' liabilities.
- Inflation risk – in plans where the target benefit is not indexed, given that the pension offset amounts are linked to inflation, higher inflation will lead to lower liabilities. Conversely, for plans where the target benefits are linked to inflation, the OSC's liability increases when inflation increases.
- Life expectancy – the majority of the obligations are to provide benefits for the life of the members. Therefore, increases in life expectancy will result in an increase in the plans' liabilities.

There were no plan amendments, curtailments or settlements during the period. The duration of all supplemental pension plans combined is approximately 12 years (2020 – 12 years).

	March 31, 2021	March 31, 2020
Defined benefit obligation, beginning of year	\$ 4,438,979	\$ 4,443,754
Current service cost	174,422	340,255
Interest cost	162,261	140,684
Benefit payments	(224,058)	(230,187)
Actuarial (gain)/loss on obligation	560,086	(255,527)
Defined benefit obligation, end of year	\$ 5,111,690	\$ 4,438,979

Actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation were as follows:

	March 31, 2021	March 31, 2020
Discount rate(s)	3.15%	3.75%
Inflation	2.00%	2.00%
Expected rate(s) of salary increase	0%	0%
CPP YMPE increase	2.50%	2.50%
Increase in Canada Revenue Agency limit	\$ 3,245.56	\$ 3,092.22

The assumptions for mortality rates are based on the 2014 Public Sector Mortality Table (CPM2014Pub), with fully generational improvements using the CPM-B improvement scale with a size adjustment for monthly income of \$6,000 or more as at March 31, 2021.

Sensitivity analysis

Changes in the actuarial assumptions used have a significant impact on the defined benefit obligation.

	March 31, 2021	March 31, 2020
Discount rate increased by 0.5% (obligation will decrease by)	5.6%	5.5%
Discount rate decreased by 0.5% (obligation will increase by)	6.1%	6.0%
Life expectancy increased by 1 year (obligation will increase by)	2.7%	2.6%
Life expectancy decreased by 1 year (obligation will decrease by)	2.8%	2.7%
Inflation rate increased by 0.5% (obligation will decrease by)	0.4%	—
Inflation rate decreased by 0.5% (obligation will increase by)	1.0%	0.6%

The following is an estimate of the sensitivity of the defined benefit obligation to a change in the significant actuarial assumptions (the sensitivity assumes all other assumptions are held constant):

The OSC's pension expense relating to the supplemental pension plans for the year ended March 31, 2021 was \$0.3 million (2020 – \$0.5 million). The OSC expects to

incur \$0.3 million in benefit payments relating to the supplemental pension plan during the next fiscal year.

14. Capital Management

Since 2001, the OSC has held a \$20.0 million reserve fund, as described in Note 8, which it considers as capital. The primary objective of maintaining this capital is to fund OSC's operations in the event of revenue shortfalls and unanticipated expenditures, or to cover the discrepancy between timing of revenue and expenses.

The OSC maintains an investment policy where reserve funds are restricted to direct and guaranteed obligations of the Government of Canada and its provinces, and to instruments issued by Canadian Schedule I financial institutions to protect the principal.

The OSC has a \$52.0 million credit facility with a Schedule I financial institution to provide additional support for short-term cash deficiencies. The Minister of Finance approved the renewal of the credit facility as of July 1, 2020 for two years expiring on June 30, 2022.

The OSC is not subject to any externally imposed capital requirements.

15. Fees

The OSC's fee structure is designed to generate fees that recover the OSC's cost of providing services to market participants. The fee structure is based on the concept of participation fees, activity fees, and late filing fees.

Participation fees are based on the cost of a broad range of regulatory services that cannot be practically or easily attributed to individual activities or entities and are intended to serve as a proxy for the market participants' use of the Ontario capital markets.

Activity fees represent the direct cost of OSC staff resources expended in undertaking certain activities requested of staff by market participants.

Late fees represent fees applied to market participants for not filing required documents and/or paying their participation and activity fees on time.

Fees received are as follows:

	March 31, 2021	March 31, 2020
Participation fees	\$ 115,272,481	\$ 112,610,373
Activity fees	18,816,096	15,917,830
Late filing fees	3,164,587	3,694,870
	\$ 137,253,164	\$ 132,223,073

16. Salaries and Benefits

	March 31, 2021	March 31, 2020
Salaries	\$ 81,591,826	\$ 77,668,843
Benefits	10,000,903	9,297,530
Pension expense	6,903,748	6,871,881
Severance/termination payments	833,822	1,261,019
	\$ 99,330,299	\$ 95,099,273

17. Administrative

	March 31, 2021	March 31, 2020
Technology maintenance & support	\$ 5,831,462	\$ 5,007,133
Communications & publications	1,870,892	1,959,122
Commission expenses	1,368,962	954,283
Other expenses	655,910	739,477
Bad debt	550,303	598,899
Training	474,618	631,622
Supplies	56,162	297,349
	\$ 10,808,309	\$ 10,187,885

18. Contingent Liabilities and Contractual Commitments

The OSC has committed to paying in full any liability with respect to CSA Systems operations and custody of the related surplus funds that arises as a result of wilful neglect or wilful misconduct on behalf of the OSC.

Under the agreements described in Note 7, the OSC, ASC, BCSC and AMF, as PAs, have committed to paying an equal share of any claim or expenses related to operation and redevelopment of the CSA Systems that exceed the surplus funds held.

In 2020 and 2021, there were no such claims or expenses. As described in Note 7, the OSC, in its capacity as DPA, is holding funds in segregated bank

and investment accounts that may be used to settle claims and expenses relating to the operation and redevelopment of the CSA Systems.

Occasionally, the OSC is involved in legal actions arising from the ordinary course of business. Settlements from these actions are accounted for when they occur. The outcome and ultimate disposition of these actions cannot currently be determined. However, management does not expect the outcome of any legal actions, individually or in aggregate, to have a material impact on the OSC's financial position.

19. Related Party Transactions

(a) Funds restricted for CSA Systems operations and redevelopment

In the course of normal operations, the OSC fulfills transactions for CSA Systems with the funds restricted for CSA Systems operations and redevelopment. During the year, total related party charges incurred and to be reimbursed were \$5.9 million (\$5.8 million in 2020). At March 31, 2021, \$0.5 million (2020 – \$0.5 million) was still owed to the OSC. For more information, see Note 7.

(b) The Province of Ontario

In the course of normal operations, the OSC entered into the following transactions with the Province of Ontario:

The *Securities Act* (Ontario) states that when ordered to do so by the responsible Minister, the OSC shall remit to the Province of Ontario such surplus funds as determined by the Minister. In light of the fee model as described in Note 15 and the OSC's practice of setting fees periodically, the OSC is not required to make remittances of its surplus to the Consolidated Revenue Fund.

Surpluses retained by the OSC are subject to appropriate terms and conditions to be agreed with the Minister.

Costs of non-pension benefits for eligible pensioners are paid by the Government of Ontario and are not included in the Statement of Comprehensive Income. Certain payments to harmed investors from the funds held pursuant to designated settlements and orders are made through the Ministry of the Attorney General (MAG) via the Crown Law Office – Civil (CLOC) and Victims and Vulnerable Persons Division (VVPD). Payments are made to MAG from the OSC pursuant to forfeiture orders obtained by CLOC under the *Civil Remedies Act*.

(c) Compensation to key management personnel

The OSC's key management personnel are the members of the Board of Directors, Chair, Vice-Chairs, Chief Administrative Officer, and Executive Director. The remuneration of key management personnel includes the following expenses:

	March 31, 2021	March 31, 2020
Short-term employee benefits	\$ 3,577,209	\$ 3,138,516
Post-employment benefits	462,044	564,356
	\$ 4,039,253	\$ 3,702,872

20. Recoveries of Investor Education and Knowledge Enhancement Costs

During the year, as described in Note 3(h), the OSC recorded recoveries of investor education and knowledge

enhancement costs from the funds held pursuant to designated settlements and orders as follows:

	March 31, 2021	March 31, 2020
Salaries and benefits	\$ 1,285,177	\$ 706,812
Consulting costs	616,245	258,072
Media Campaign costs	279,087	307,077
Website and other IT costs	183,853	70,709
Investor Advisory Panel costs	113,028	—
OSC in the Community costs	1,373	19,703
	\$ 2,478,763	\$ 1,362,373

The amount recorded from expenses in the year was \$2.5 million (2020 – \$1.4 million). Eligible capital additions of \$0.2 million (2020 – \$0) related to OSC website

redevelopment were also recorded. Of the total amounts recovered, \$0.8 million (2020-\$0.5 million) was owing to the OSC at March 31, 2021.

21. Accounting Pronouncements

Current period changes

The International Accounting Standards Board issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain

aspects of the definition. The amendments are effective for annual periods on or after January 1, 2020 and applied prospectively. The OSC has applied the amendments, with no impact on the financial statements.



ONTARIO
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The logo for the Ontario Securities Commission (OSC) consists of the letters "OSC" in a bold, white, sans-serif font, centered within a white square. The background of the entire page is a dark blue gradient with abstract white and light blue geometric shapes, including a large white square on the right side and several blue lines of varying thicknesses.

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Ontario

As the regulatory body responsible for overseeing the capital markets in Ontario, the Ontario Securities Commission administers and enforces the provincial Securities Act and the provincial *Commodity Futures Act*, and administers certain provisions of the provincial *Business Corporations Act*. The OSC is a self-funded Crown corporation accountable to the Ontario Legislature through the Minister of Finance.