

PROVINCIAL/TERRITORIAL COUNCIL OF MINISTERS OF SECURITIES REGULATION

ANNUAL PROGRESS REPORT

January 2016 to December 2016

BACKGROUND

Under the 2004 *Provincial/Territorial Memorandum of Understanding Regarding Securities Regulation* (2004 MOU), the Provincial-Territorial Council of Ministers of Securities Regulation (Council) and their securities regulators committed to harmonize, modernize and reform the Canadian securities regulatory system. Implementation of the fully operational passport system in 2009 resulted from an unprecedented level of cooperation, coordination and consensus among governments to streamline and modernize securities regulation in Canada.

All provinces and territories, except Ontario, signed the 2004 MOU.

2016 DEVELOPMENTS

Cooperative Capital Markets Regulatory System (CCMR) Initiative

On January 8, 2016, the , the CCMR jurisdictions (Canada, Ontario, British Columbia, Saskatchewan, New Brunswick, Prince Edward Island and Yukon) posted comment letters on the revised consultation draft of the provincial and territorial Capital Markets Act and draft initial regulations.

On May 5, 2016, Finance Canada released for public comment a revised consultation draft of the Capital Markets Stability Act. Comment letters on the revised draft were posted on July 27, 2016

On July 22, 2016, the CCMR jurisdictions announced the selection of the initial board of directors of the Capital Markets Regulatory Authority and set new timelines for implementing the Authority by June 30, 2018.

On November 17, 2016, Kevan Cowan was named as the initial Chief Regulator of the future Capital Markets Regulatory Authority. As Chief Regulator, Mr. Cowan will also be the Chief Executive Officer of the Regulatory Division of the Authority

Partnership Agreement for Securities Regulation (Partnership Agreement)

Alberta, Québec and Manitoba jointly oppose the national securities regulator initiative, preferring a provincially led-regulatory system. The other jurisdictions continue to evaluate their options.

Alberta, Québec and Manitoba remain committed to signing the Partnership Agreement. The remaining provinces and territories will be invited to participate in the Partnership Agreement.

The Partnership Agreement builds on the strengths of the passport system and commits the participating governments and their regulators to work cooperatively to further improve securities regulation that meets the needs of all provinces and territories as well as the expectations of investors. Key elements of the Partnership Agreement are outlined in the Council 2014 Progress Report.

At the request of the Council, government officials continue to review developments relating to:

- regulation of financial planners;
- the incorporation of registered representatives;
- derivatives; and,
- the proposed statutory best interest standard for dealers and advisors.

Québec Constitutional Reference

The Québec government has challenging the constitutional validity of the CCMR initiative and the complementary federal legislation.

In November 2016, the Québec Court of Appeal heard submissions from the Governments of Quebec, Manitoba, Canada and British Columbia on the two constitutional questions referred to the Québec Court of Appeal:

1. Does the Constitution of Canada authorize the implementation of pan-Canadian securities regulation under the authority of a single regulator, according to the model established by the most recent publication of the Memorandum of Agreement regarding the Cooperative Capital Markets Regulatory system?
2. Does the most recent version of the draft federal Capital Markets Stability Act exceed the authority of the Parliament of Canada over the general branch of the trade and commerce power under section 91(2) of the *Constitution Act, 1867*?

The Québec Court of Appeal is not expected to release its decision on the Québec Reference until summer 2017.

2016 Accomplishments

We remain committed to maintaining a modern and responsive securities regulatory system in Canada to ensure that it reflects the realities of today's 21st century markets and keeps in step with evolving international standards and global regulatory reform.

Provincial and territorial governments' commitments to enact legislation to support initiatives identified in the Council's 2016 Progress Report do not commit provinces and territories participating in the CCMR initiative, unless otherwise noted.

On July 7, 2016, the Canadian Securities Administrators (CSA) released its Business Plan for 2016-2019, which outlines eighteen priorities with action plans in four areas: investor protection, fair and efficient markets, enforcement effectiveness and

information technology. The 2016 Council Progress Report highlights key elements of the CSA Business Plan.

Passport System Expansion

The passport system is a harmonized pan-Canadian system that gives a market participant automatic access to capital markets in other jurisdictions by obtaining a decision only from its principal (home) regulator and complying with a harmonized set of laws. The regulatory areas currently covered under the passport system include prospectus clearances, exemptive relief applications, registration applications and the designation of credit rating organizations.

In April 2015, the Canadian Securities Administrators (CSA) published proposals to further expand the passport system to two new areas: applications to cease to be a reporting issuer and cease trade orders from the failure to file continuous disclosure documents. As with the other passport areas, streamlined interfaces between the passport jurisdictions and Ontario have also been proposed to ensure that passport benefits continue to be available for all market participants across Canada.

Status of legislation

- Most jurisdictions already have in place legislative amendments to support the proposed expansion of the passport system.
- In 2016 Quebec followed Alberta (2014, Nova Scotia (2015) and Ontario (2015) in passing passport expansion-related legislative amendments.
- All jurisdictions remain committed to bring forward any necessary legislative amendments to facilitate the expansion of passport system.

Status of G-20 Commitments

**Derivatives Regulation*

Work continues on the harmonization of derivatives regulation across the country.

- By 2016, all Canadian provinces and territories have passed legislative amendments to implement a regulatory framework for over-the-counter (OTC) derivatives. This includes the mandatory clearing of standardized OTC derivatives transactions through a central counterparty and the trading of OTC derivatives transactions on exchanges or electronic platforms, where appropriate. On June 30, 2016, the securities regulators of Alberta, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Prince Edward Island, Saskatchewan and Yukon (the "Announcing Jurisdictions") announced that they had finalized certain amendments to the derivatives trade reporting rules that recently came into effect in each of the Announcing Jurisdictions as well as in British Columbia. These amendments are substantively harmonized with recently amended local OTC derivatives reporting rules in Manitoba, Ontario and Québec.
- All jurisdictions remain committed to bringing forward necessary derivatives-related legislative amendments to implement a harmonized framework for derivatives regulation across Canada.

**OTC Derivatives- Cash Collateral*

- In all provinces and territories (except Québec) *Personal Property and Security Act* (PPSA) legislation does not address the use of cash as collateral for OTC derivatives transactions, especially those cleared through a central counterparty.
- The difficulty faced by Canadian market participants in granting a first priority security interest in cash collateral to secure obligations resulting from OTC derivatives transactions is a critical issue that affects all Canadian market participants. This includes end-users such as major Canadian corporations that use derivatives transactions to manage business risks.
- On January 1, 2016, amendments to the *Civil Code of Québec* came into effect. These amendments facilitate a perfection control regime for cash collateral that ensure a first ranking security interest can be granted for cash collateral for OTC derivatives transactions.
- All jurisdictions remain committed to bring forward harmonized PPSA amendments to facilitate the use of cash as collateral for OTC derivatives transactions. These jurisdictions await the release of the final report and recommendations of the Ontario expert committee that has been reviewing available options for creating such a security interest. The final report is expected to be released during spring 2017

International Financial Reporting Standards (IFRS)

- Most Canadian jurisdictions have passed IFRS-related amendments to support the adoption of IFRS in Canada.

Other Securities-Related Initiatives

Incorporation of Individual Representatives of Registered Dealers and Advisers

- Alberta and Saskatchewan have passed (but have not yet proclaimed) incorporation-related legislative amendments to provide representatives of registered dealers or advisers with the option of providing securities-related services through a professional corporation, without compromising investor protection.
- Manitoba, Nova Scotia, Newfoundland and Labrador, Northwest Territories and Nunavut remain committed to bring forward harmonized incorporation-related amendments. Québec does not plan to adopt the amendments at this time.

Canadian Public Accountability Board (CPAB)

- Most jurisdictions have passed CPAB-related legislative amendments to provide CPAB with the powers and protections necessary to fulfil its mandate to ensure the integrity of financial reporting by public companies in Canada.
- Nova Scotia, Newfoundland and Labrador and Nunavut remain committed to bring forward harmonized CPAB-related legislative amendments.

Investor Protection

The Council and the CSA continue to focus on enhancing investor protection. These enhancements range from prohibiting fraudulent, manipulative and misleading practices

to a variety of mechanisms dealing with investor education, effective disclosure and market oversight. Examples include:

New Automatic Reciprocal Enforcement Regime Implemented in Alberta and Quebec

- In December 2014, Alberta passed amendments to its *Securities Act* to create a new automatic reciprocal enforcement regime in Alberta, which came into force on July 1, 2015. Québec passed similar amendments in spring 2015, which came into force on June 23, 2015.
- Securities regulatory authorities in the other jurisdictions are currently required to conduct a separate hearing in order to reciprocate an enforcement order against a person or company sanctioned by another Canadian securities regulatory authority.
- Jurisdictions are committed to bring forward harmonized legislative amendments to improve the interjurisdictional reciprocal enforcement regime in Canada.

Secondary Market Civil Liability

- On December 4, 2015, the Supreme Court of Canada (by a 4-3 majority) ruled that leave is required to suspend the limitation period for statutory secondary market misrepresentation claims under the Ontario *Securities Act*.
- Alberta, Ontario and New Brunswick (2014) and Nova Scotia (2015) passed legislative amendments to provide for the suspension of the limitation period upon filing of motion material.
- Jurisdictions remain committed to bring forward amendments to address the limitation period applicable to secondary market misrepresentation claims.

Point of Sale Disclosure Project

Since 2010, the CSA has proceeded with a three staged-approach for implementing the Point of Sale (POS) disclosure project. The focus of the POS disclosure document is to provide investors with more meaningful and effective prospectus disclosure of mutual funds and segregated funds.

Stage 1

- All provinces and territories have amended their legislation to support a disclosure regime for mutual funds to support the use of a Fund Facts disclosure document.

Stage 2

- Most jurisdictions have amended their legislation to support Stage 2 of the POS project requiring dealers to deliver the Fund Facts within two days of buying a conventional mutual fund.
- Newfoundland and Labrador and Nunavut remained committed to follow suit to bringing forward Stage 2-related legislative amendments.

Stage 3

- Significant progress has been made by the regulators to complete the final stage of the POS project, which consists of three sub-projects (see Appendix).

- Ontario (2011), Alberta and Nova Scotia (2015), followed by Québec (2016) amended their legislation to support Stage 3 of the POS project to support the use of a ETF Facts disclosure document for exchanged-traded mutual funds.
- Manitoba already has the necessary legislative authority in place.
- Newfoundland and Labrador, Northwest Territories and Nunavut remain committed to bring forward Stage-3 related legislative amendments.

Canadian Securities Administrators 2016-19 Business Plan

The CSA 2016-19 Business Plan has replaced the CSA priorities and projects outlined in the CSA 2013-16 Business Plan. CSA members are now focused on making significant progress on initiatives outlined in the new CSA 2016-10 Business Plan. Additional information on the CSA 2016-10 Business Plan can be obtained at www.securities-administrators.ca/.

The Appendix highlights the CSA's progress on meeting deliverables outlined in its 2016-19 Business Plan.

REVIEWING PROGRESS

Ministers are committed to keeping stakeholders informed of the progress being achieved in fulfilling their governments' commitments to maintain and enhance the status of Canada's securities regulatory system, which is consistently ranked as one of the best in the world.

Previous Council annual progress reports, Council communiqués, and other relevant securities-related information can be obtained at www.securitiescanada.org.

Appendix: 201619 CSA Business Plan – Progress on Deliverables of Selected CSA Priorities

CSA Priorities	Identified Deliverables	Progress on Deliverables
<ul style="list-style-type: none"> • Enhanced Investor Protection 		
1. Enhanced Disclosure to Investors	<ul style="list-style-type: none"> • Complete rulemaking and implement requirement for point of sale disclosure and delivery regime for exchange-traded funds (ETFs) • Finalize and implement the CSA risk classification methodology for use in the Fund Facts document and the proposed ETF Facts document to identify the fund's risk level. • Publish the CSA risk calculation methodology to identify a mutual fund's risk level on the scale prescribed in the Funds Facts. • Assess the need for additional disclosure requirements from audit committees about auditor oversight and appointment and key areas of focus. 	<ul style="list-style-type: none"> • On December 8, 2016, the CSA published in final form amendments requiring ETFs to produce and file a summary disclosure document similar to the Fund Facts called "ETF Facts", designed to summarize key elements relevant to an investor's decision to invest in an ETF. • The amendments also introduce a new delivery regime requiring dealers that receive an order to purchase ETF securities to deliver ETF Facts to investors within two days of the purchase. • The ETF Facts filing requirement will become effective on September 1, 2017, while the ETF Facts delivery requirement for dealers will become effective on December 10, 2018. • Legislative amendments are required in most jurisdictions in order to implement delivery of the ETF Facts. In winter 2017, the CSA will conduct a preliminary analysis of the potential impact of imposing a pre-sale delivery requirement for ETF purchases. • On December 8, 2016, the CSA published in final form a rule that requires fund managers to use a standardized risk classification methodology when determining a risk level for conventional mutual funds and ETFs in the Fund Facts and in the proposed ETF Facts, (amendments to NI 81-102 <i>Investment Funds</i> and consequential amendments to NI 81-101 <i>Mutual Fund Prospectus Disclosure</i> and CP). The risk classification methodology amendments will come into effect on March 8, 2017. • The CSA has completed research and consultations with key stakeholders and is currently drafting a Concept Paper to obtain views from stakeholders about the need for additional disclosure requirements about audit committee activities. .

CSA Priorities	Identified Deliverables	Progress on Deliverables
2. Embedded commissions: - consider whether regulatory action is needed to address conflicts	<ul style="list-style-type: none"> Conduct stakeholder consultations and determine whether the use of embedded commissions in investment funds should be addressed to avoid conflicts of interest and better align the interests of fund managers, dealers and their representatives with those of investors. 	<ul style="list-style-type: none"> The CSA hired two independent researchers to review Canada's mutual fund fee structure: (1) the Brondesbury Group conducted a financial literature review to assess the extent to which the use of fee-based vs. commission-based compensation changes the nature of advice and impacts investment outcomes over the long-term (published on June 11, 2015); and (2) Douglas J. Cumming, Professor of Finance and Entrepreneurship at the Schulich School of Business, York University, collected and reviewed detailed fund data, obtained directly from manufacturers of publicly offered mutual funds in Canada, to examine the effect of sales and trailing commissions on mutual fund sales (published on October 22, 2015). The CSA has considered the results of both studies, as well as comments received during previous consultations, to determine whether to effect certain policy changes with respect to Canada's mutual fund fee structure. On June 29, 2016, the CSA published CSA Staff Notice 81-327 Next Steps in the CSA's Examination of Mutual Fund Fees, which outlined its plan to consult on the possible option of banning the use of embedded commissions. The CSA expects to publish a consultation paper on the option of discontinuing embedded commissions and transitioning to direct pay arrangements in January 2017 and to hold roundtables to discuss the impact of discontinuing embedded commissions.
3. Enhanced Advisor – Client Relationship	<ul style="list-style-type: none"> Complete consultation to determine the extent of targeted reforms required to enhance regulatory requirements in this area; and Implement regulatory reforms as appropriate 	<ul style="list-style-type: none"> The CSA conducted a series of consultations aimed at defining an appropriate standard of conduct for advisers and dealers, and, in particular, exploring the appropriateness of introducing a statutory best interest duty when advice is provided to retail clients. On April 28, 2016, after reviewing the current regime, the CSA published CSA Consultation Paper 33-404 Proposals to Enhance the Obligations of Advisers, Dealers, and Representatives toward their Clients. The consultation paper identified problems with the relationship between clients and their advisers/dealers that warrant regulatory reform, and how those problems may (or may not) be mitigated or eliminated by a regulatory best interest standard for advisers/dealers in addition to targeted reforms to current regulatory requirements. The comment period ended on September 30, 2016, with the CSA receiving 121 comment letters. The committee completed multiple consultations with stakeholders, both locally and CSA-wide, between June and September 2016, and held roundtables in December 2016. In addition, the CSA published CSA Staff Notice 33-318 Review of Practices Firms Use to Compensate and Provide Incentives to Their Representatives on December 15, 2016.

CSA Priorities	Identified Deliverables	Progress on Deliverables
4. Measure Impact of CRM2 and POS Reforms	<ul style="list-style-type: none"> Conduct post-implementation analysis of the impact of the Client Relationship Model – Phase 2 and Point of Sale (POS) amendments on investors and industry 	<ul style="list-style-type: none"> On August 22, 2016, the CSA issued a press release announcing a multi-year research project to measure the impacts of requirements introduced by Phase 2 of the Client Relationship Model (CRM2) and the Point of Sale (POS) amendments on investors and the industry. The research will measure outcomes related to investor knowledge, attitude, and behavior, registrant practices, and fund fees and product offerings. It will cover activity from 2016 through 2019 and is expected to be completed by 2021.
5. Improve Canadian Proxy Voting Infrastructure:	<ul style="list-style-type: none"> Finalize and publish industry protocols clarifying the roles and responsibilities of key entities and providing guidance on the kinds of operational processes that they should implement to support accurate, reliable and accountable meeting vote reconciliation Monitor the implementation of improvements and measure their impact on the accuracy, reliability and accountability of meeting vote reconciliation to determine whether additional rules and policy guidance are required 	<ul style="list-style-type: none"> The CSA reviewed Canada's proxy voting infrastructure to determine whether it adequately supports accurate and reliable vote counting. The review's findings confirmed that the current proxy voting infrastructure is fragmented and needs to be modernized and improved. To address weaknesses identified in the proxy voting infrastructure, the CSA developed industry protocols in the form of a CSA staff notice containing expectations and guidance, which was published for comment in March 2016. The CSA plans to publish final protocols on January 26, 2017, and the CSA also has established a technical committee to support and monitor voluntary implementation of improvements for the 2017 proxy season.

CSA Priorities	Identified Deliverables	Progress on Deliverables
6. Educate investors	<ul style="list-style-type: none"> Develop retail investor communication programs to optimize implementation of key CSA policy initiatives, including CRM2 and the new annual reports on costs and performance statements Pursue programs encouraging investors to confirm their advisor's registration and promoting the use of the CSA National Registration Search engine 	<ul style="list-style-type: none"> The CSA launched a campaign to educate retail investors about changes they will see to their investment statements introduced by the Client Relationship Model 2 (CRM2) in conjunction with Investor Education Month in October 2016. The campaign includes several short animated videos that explain in clear words and images various disclosure requirements introduced by CRM2, which became effective in three phases: July 15, 2014, July 15, 2015 and July 15, 2016, and is being promoted via social media. As checking the registration of person or company offering an investment is a key way to avoid investment fraud, the CSA also prepared an online advertising campaign to promote the use of the CSA's National Registration Search engine (NRS) that runs from October 2016 through March 2017.
<ul style="list-style-type: none"> Fair and Efficient Markets and Reduction of Risks to Market Integrity 		
1. Closely Monitor Prospectus Exempt Market	<ul style="list-style-type: none"> Engage in risk-based supervision of issuers and registrants using the new and modified capital-raising exemptions Evaluate emerging trends and levels of compliance Study the current resale regime for prospectus-exempt securities under National Instrument 45-102 <i>Resale of Securities</i> to determine whether the resale provisions continue to be relevant in today's markets and to assess the impact of alternative regulatory approaches 	<ul style="list-style-type: none"> The CSA established a working group to review and modernize the Canadian resale regime. The project involves a review of the resale regime in general as it applies to both reporting and non-reporting domestic and foreign issuers, and will be completed in two phases: (1) research and analysis of the resale regime and publication of a consultation paper; and (2) drafting and implementation of any amendments to the resale regime recommended in Phase 1. The CSA has completed the economic and legal research as part of Phase 1 of the project and held consultations with stakeholders in the fall of 2016. The CSA is currently drafting amendments to National Instrument 45-102 <i>Resale of Securities</i> to address concerns identified by stakeholders with the resale regime for investors in foreign issuers with objective to publish the amendments for comment in June 2017.
2. Improve Access, Transparency and	<ul style="list-style-type: none"> implement public transparency of corporate fixed income trading data, with IIROC acting as the 	<ul style="list-style-type: none"> IIROC started acting as an information processor effective July 4, 2016. As an information processor, IIROC makes transparent, on its website, trade data for highly liquid corporate bonds and retail trades in corporate bonds.

CSA Priorities	Identified Deliverables	Progress on Deliverables
Fairness in Fixed Income Market	<ul style="list-style-type: none"> information processor for corporate debt • Monitor fixed income data to consider the impact of transparency and timeliness of information • Consider transparency requirement for government debt data • Conduct a review of dealers' allocation practices for new debt issues 	<ul style="list-style-type: none"> • The data is disseminated with a two-day delay and volume caps are applied to mask the true size of the trades. • In the middle of 2017, IIROC plans to make transparent, as an information processor, trade data for all corporate bonds reported to it. • This will complete the implementation of a key element of CSA staff's initiative to enhance fixed income regulation, to facilitate more informed decision making by all market participants. • CSA staff will also start considering transparency for government debt data in the near term. Another important aspect of the plan to enhance fixed income regulation consisted of evaluating whether access to the fixed income market is fair and equitable to all investors. • CSA staff have conducted a survey of dealers' fixed income allocation practices in order to evaluate access to the fixed income market. Staff have reviewed the responses and are summarizing the findings. • The CSA plans to publish a notice describing the findings in the first quarter of 2017. •
3. Finalize and Implement OTC Derivatives Framework	<ul style="list-style-type: none"> • Develop and implement rules for the mandatory clearing of OTC derivatives • Develop and implement a registrant regulation framework for derivatives market participants • Develop and implement rules for customer clearing and protection of collateral for derivatives market participants • Consult on margin and collateral requirements for non-centrally cleared derivatives • Develop and implement rules for derivatives trading facilities • Implement rules for OTC 	<p>In 2016, the CSA Derivatives Committee developed and published the following consultation papers and rules for over-the-counter (OTC) derivatives:</p> <p>Consultation Papers:</p> <ul style="list-style-type: none"> • 95-401 <i>Margin and Collateral Requirements for Non-Centrally Cleared Derivatives</i>: published on July 7, 2016, the comment period ended on September 6, 2016. <p>Rules:</p> <ul style="list-style-type: none"> • 94-101 <i>Derivatives Mandatory Central Counterparty Clearing</i>: published for comment on February 12, 2015 and February 25, 2016; the comment period ended on May 24, 2016. The CSA plans to publish the rule in final form on January 19, 2017. NI 94-101 is expected to become effective on April 3, 2017 for clearing members and on October 3, 2017 for non-clearing members. • 94-102 <i>Derivatives Customer Clearing and Protection of Customer Positions and Collateral</i>: published for comment on January 21, 2016; the comment period ended on April 19, 2016. The CSA plans to publish this rule in final form on January 19, 2017 as well. It is expected to come into effect on July 3, 2017 <p>The CSA Derivatives Committee is in the process of working on the following draft regulations:</p> <ul style="list-style-type: none"> • NI 93-101 <i>Derivatives Firms – Business Conduct Obligations and Exemptions</i> • NI 93-102 <i>Derivatives Registration - Requirements, Exemptions, and Ongoing Obligations</i> • NI 92-401 <i>Derivatives Trading Facilities</i>.

CSA Priorities	Identified Deliverables	Progress on Deliverables
	derivatives trade reporting <ul style="list-style-type: none"> Implement rule/policy framework for clearing agencies to incorporate CPMI/IOSCO revised standard. 	
4. Monitor Recent Market Structure Changes	<ul style="list-style-type: none"> Conduct a review of market share thresholds for protected markets Complete and implement amendments necessary to shorten the settlement cycle (T+2) and mitigate settlement risk 	<ul style="list-style-type: none"> On April 7, 2016, the CSA published in final form the order protection rule amendments to NI 23-101 <i>Trading Rules</i> and changes to its companion policy. Those amendments became effective on July 6, 2016, except for the market share threshold, which came into force on October 1, 2016. The CSA intends to conduct periodic reviews of the market impact of the threshold. In addition, on April 7, 2016, the CSA published for comment amendments to NI 23-101, containing a new trading fee cap for non-interlisted securities. The comment period ended on July 6, 2016, with the CSA receiving six comment letters. The CSA plans to publish the new trading fee cap amendment in final form on January 26, 2017. It will come into effect on April 10, 2017. On August 18, 2016, the CSA published proposed amendments to NI 24-101 <i>Institutional Trade Matching and Settlement</i> and CSA Consultation Paper 24-402 <i>Policy Considerations for Enhancing Settlement Discipline in a T+2 Settlement Cycle Environment</i>. Amendments to NI 24-101 are being proposed as part of the Canadian securities industry's plans to shorten the standard settlement cycle for trades from three days after a trade (T+3) to two days after a trade (T+2). The transition to T+2 will occur on September 5, 2017, the same date the markets in the United States are planning to move to a T+2 settlement cycle. A shorter settlement cycle is expected to mitigate risk in securities clearing and settlement by reducing counterparty exposure between the parties to a trade. CSA Consultation Paper 24-402 is seeking comment on the adequacy of the current settlement discipline regime for a T+2 cycle and whether enhancements to the regime might be desirable to help support a smooth transition to T+2. The comment period for the proposed amendment and the consultation paper ended on November 16, 2016. The CSA received seven comment letters and is in the process of reviewing them and preparing the proposed amendments for final publication.
5. Review Aspects of Corporate	<ul style="list-style-type: none"> Conduct a targeted review of certain aspects of the corporate governance 	<ul style="list-style-type: none"> The CSA is preparing a project mandate to undertake a targeted review of the corporate governance regime. The scope of the project is expected to be limited to a targeted review of the current regulatory approach

CSA Priorities	Identified Deliverables	Progress on Deliverables
Governance Regime	regime, including the independence of board and committee members, to assess whether they remain appropriate in today's environment	
6. Review Regulatory Burden for Reporting Issuers	<ul style="list-style-type: none"> Review requirements applicable to reporting issuers, including continuous disclosure, to identify areas that would benefit from a reduction of any undue regulatory burden and seek to streamline these requirements without reducing investor protection or the efficiency of markets 	<ul style="list-style-type: none"> CSA staff are currently drafting a CSA Consultation Paper to solicit feedback from all market participants and stakeholders on potential options for reducing regulatory burden on non-investment fund reporting issuers. The Consultation Paper will identify a broad range of potential new areas to further support reducing securities regulatory burden for reporting issuers, without reducing investor protection or capital market efficiency, including soliciting feedback on a range of potential options. In addition, the CSA has initiated a similar regulatory burden reduction initiative for investment funds, which will focus on a revision of both financial and non-financial disclosure provided to investors, to reduce regulatory burden on investment funds and to enhance clarity and reduce confusion for investors.
7. Enhance Cybersecurity	<ul style="list-style-type: none"> Improve collaboration and communication on cybersecurity issues with market participants, including reporting issuers, registrants and other regulated entities Assess the level of market participant cybersecurity resilience, including measures for protection of personal investor data Improve market participants' understanding of CSA members' cybersecurity oversight activities, including providing guidance on expectations for market participants' cybersecurity preparedness 	<ul style="list-style-type: none"> On September 27, 2016, the CSA published CSA Staff Notice 11-332 Cyber Security. The Staff Notice highlights the importance of being vigilant about cyber risks; informs stakeholders about recent and upcoming CSA initiatives; references existing standards and work published, including work published by IIROC, the MFDA and international regulatory authorities and standard-setting bodies; communicates general expectations for market participants with respect to their cyber-security frameworks; and examines ways to coordinate communication and information sharing between regulators and market participants. On November 17, 2016, the CSA issued a press release announcing a cybersecurity roundtable with market participants, including marketplaces, clearing agencies, registrants and reporting issuers. The roundtable will take place in Toronto on February 27, 2017. Participants had until December 16, 2016 to sign up. In January 2017, the CSA plans to publish another notice with details and agenda of the roundtable.

CSA Priorities	Identified Deliverables	Progress on Deliverables
8. Monitor and Assess Implications of Fintech Innovations	<ul style="list-style-type: none"> Gain a better understanding of how certain disruptive technology innovations, including blockchain, robo advising, online crowdfunding portals and peer-to-peer lending are impacting capital markets, and assess the scope and nature of regulatory implications that may be required 	<ul style="list-style-type: none"> As part of its 2016 systemic risk assessment process, the CSA has conducted a study of cyber security and block chain technology to develop an understanding of potential risks and identify any information or data gaps from the perspective of systemic risk. The CSA has launched a regulatory sandbox initiative to foster innovative technology-focused or digital business models whose activities trigger the application of securities laws. The innovative business models may include online platforms such as crowdfunding portals, marketplace lenders, apps for securities trading and advising, angel investor networks, any business models using artificial intelligence for trades or recommendations, cryptocurrency or distributed-ledger technology based ventures, and technology service providers (known as “regtech”) to the securities industry. The regulatory sandbox initiative will include, among other things, providing flexibility and rapidity in the treatment of registration and other applications and providing exemptive relief based on innovative business models, while insuring appropriate investor protection and articulating the criteria for determining whether an innovative business model is admissible for acceleration of the review and exemptive relief.
Enhancement of Enforcement Effectiveness		
1. Improve Market Analytics Capacity	<ul style="list-style-type: none"> Develop and implement new marketplace surveillance and analytical system to replace MICA 	<ul style="list-style-type: none"> In consideration of the capital markets evolution over the last decade, the CSA currently requires extensive historic records of complex structural information, which necessitate upgraded technological foundations, tools and applications. Following these market evolutions, the CSA must retire its current system (MICA), a system mainly used to assist with investigations of market manipulation and insider trading, and create an enhanced and scalable IT solution for a financial market analysis platform (MAP). Following an RFP review process initiated on September 2, 2015, the CSA hired an advisory consulting firm, which assisted the CSA in preparing a MAP business case. The MAP project intends to replace the existing process and software with a solution that will (1) collect as much data as possible in a timely fashion, including targeted broker data, into a CSA-specific central data repository so as to avoid the existing time-lagged piecemeal approach; and (2) provide a rich functionality toolset, including automated re-construction of the order book, to navigate, analyze and visualize the data resulting in meaningful information. An RFP to find an optimal MAP solution, based on the business case, is expected to be issued in January 2017
2. Strengthen Enforcement Technology Capabilities	<ul style="list-style-type: none"> Promote greater use of reciprocal orders across CSA members 	<ul style="list-style-type: none"> The CSA Enforcement Committee is working on two initiatives to strengthen enforcement technology capabilities. It is completing a Technology Survey, an inventory of internal tools used by members to detect, investigate and prosecute securities violations. This Technology Survey will assist the CSA in

CSA Priorities	Identified Deliverables	Progress on Deliverables
and Strategies		<p>identifying most significant technology challenges and disseminating best practices.</p> <ul style="list-style-type: none"> In addition, in coordination with the Canadian Bank Association, it is developing a data delivery standard for the major local and national banks to be used during investigations by CSA members.
3. Identify and Respond to Emerging Issues and Trends	<ul style="list-style-type: none"> Coordinate expertise to develop a timely response to minimize threats to capital markets and investors. Enhance regulators' capacity to address issues such as (i) legal privilege, by developing a collective strategy and (ii) binary options, including coordinated action, education, creation of a task force and increased public awareness 	<ul style="list-style-type: none"> The CSA has created a Binary Options Taskforce, comprised of enforcement staff, to address the risks to the Canadian investors posed by binary options platforms. Most CSA jurisdictions have taken a position that binary options fall within the definition of securities or derivatives under the securities laws, and therefore companies offering investments in binary options must be registered to trade in securities in Canada. The Taskforce has identified four strategies to respond to the threat of binary options fraud: (1) implementing a plan to share intelligence between the CSA and other Canadian and international agencies that have similar concerns with binary options fraud; (2) minimizing the binary options fraud threat through the use of social media, mobile applications, partnering with payment processing companies and multijurisdictional enforcement, (3) conducting a multijurisdictional action against a leading binary options trading platform to send a message of deterrence; and (4) investor education campaign. The Binary Options Taskforce has made progress with all four strategies. The CSA has issued several investor alerts warning investors to exercise caution when considering an investment in binary options and to check the registration of any person or company offering binary options to Canadians. A major investor education campaign is planned for the Fraud Prevention Month in March 2017. The CSA is also taking initial exploratory steps toward developing a collective strategy with respect to legal privilege issues and implementing protocols, processes and/or formal rules or legislation to ensure that privilege claims do not create litigation risks or barriers to effective investigation.
Enhancement of Information Technology		
1. CSA National Filing Systems	<ul style="list-style-type: none"> Develop and build a new national filing system to replace core CSA national systems (SEDAR, SEDI, NRD), including a national exempt distribution reporting system 	<ul style="list-style-type: none"> CSA members have initiated a project to develop a unified renewed filing system that will replace the current CSA systems and databases, including SEDAR, SEDI, NRD, the CTO Database and Disciplined Persons List. The goal of this project is to develop one modern, accessible, integrated, searchable and secure national database and system. On June 1, 2016, the CSA executed agreements with CGI and Foster Moore for the development of a new national filing system. The CSA and the outside contractors are currently developing business requirements for the new system.

CSA Priorities	Identified Deliverables	Progress on Deliverables
		<ul style="list-style-type: none"> The CSA is also taking steps to carry out regulatory and policy changes to create the necessary legal foundation for the new CSA IT system.
5. Other CSA Projects and Initiatives		
Other projects and initiatives, in addition to initiatives already identified in the CSA 2016-19 Business Plan	<p>The CSA has identified 4 new projects;</p> <ul style="list-style-type: none"> Climate-Change Related Disclosure: Research and Consultation Rule and Policy Amendments Relating to Designated Rating Organizations NSRP – System Fee Rule Addressing Concerns with the New Report of Exempt Distribution 	<p>Climate-Change Related Disclosure: Research and Consultation – to be completed by October 2017</p> <p>Rule and Policy Amendments Relating to Designated Rating Organizations – to be completed by May 31, 2018</p> <p>NSRP – System Fee Rule – to be completed by September 24, 2018</p> <p>Addressing Concerns with the New Report of Exempt Distribution- to be completed by February 3, 2019</p>
Completed or Closed Projects	Systemic Risk Standing Committee	Completed December 2016
Published In Final Form	ETF Fact Amendments to NI 41-101 <i>General Prospectus Requirements</i> , 41-101CP and consequential amendments	Published: December 8, 2016 Effective date: March 8, 2017