

PROVINCIAL/TERRITORIAL COUNCIL OF MINISTERS OF SECURITIES REGULATION

ANNUAL PROGRESS REPORT

January 2018 to December 2018

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.

2018 DEVELOPMENTS

Cooperative Capital Markets Regulatory System (CCMR) Initiative

On January 26, 2017 – Kevan Cowan, CEO of the Capital Markets Regulatory Authority Implementation Organization (CMAIO) announced the initial management team that will lead the work to operationalize a cooperative regulator, the Capital Markets Regulatory Authority (CMRA) in Canada.

Several members of the new team were recruited from the Ontario Securities Commission. Joining Kevan Cowan and Keith Persaud, Chief Administrative Officer, are Frank Switzer, Chief Communications Officer, Frank Panzetta, Head of Finance, Linda Cowan, Head of Information Systems, Joe Annibale, Head of Facilities, Morag MacGougan, Corporate Secretary, and Ramona Tobler, Chief Human Resources Officer.

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 – Appeal

In 2016, the Québec government challenged the constitutional validity of the CCMR initiative and the complementary federal legislation and referred two constitutional questions to the Québec Court of Appeal.

On May 10, 2017, the Québec Court of Appeal released its decision on the Québec Reference with a majority of the Court of Appeal answering both questions in the negative:

On June 9, 2017, Canada, British Columbia and Québec submitted notices of appeal to the Supreme Court of Canada. Since then, Alberta, Prince Edward Island, Manitoba, New Brunswick, Nova Scotia, Ontario and Saskatchewan indicated their intention to intervene in the reference, which was heard on January 19, 2018.

On November 9, 2018, the Supreme Court of Canada released its ruling on an appeal by Canada, heard on March 22, 2018 on two questions:

- (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 Supreme Court of Canada overturned the Québec Court of Appeal by finding:

- on the first question that the proposed structure does not improperly tread on provincial jurisdiction; but
- on the second question of whether draft federal legislation to deal with systemic risk violates the constitution, agreed with the Court of Appeal that it did not.

2018 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.

In July 2016, the Canadian Securities Administrators (CSA) released its Business Plan for 2016-2019 outlining 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 designation of credit rating organizations.

The Canadian Securities Administrators (CSA) further expanded the passport system in 2015 into two new areas: applications to cease to be a reporting issuer and cease trade orders from the failure to file continuous disclosure documents.

Status of legislation

- Most jurisdictions already have in place legislative amendments in place 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 had passed legislative amendments to implement a regulatory framework for over-the-counter (OTC) derivatives. This included 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, the *Civil Code of Québec* was amended to facilitate a perfection control regime for cash collateral to ensure the granting of a first ranking security interest in cash collateral for OTC derivatives transactions.
- Jurisdictions continue to 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 before bringing harmonized PPSA amendments forward to facilitate the use of cash as collateral for OTC derivatives transactions.

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

- To date, only 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.

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.
- Newfoundland and Labrador and Nunavut remain have yet to enact CPAB-related (auditor oversight) legislative amendments.

Strengthening OBSI's Powers to Secure Redress for Investors

Currently, registered firms are required to make available an independent dispute resolution service and to take reasonable steps to ensure that the Ombudsman for Banking Services and Investments (OBSI) is the dispute resolution service made available to the client. A major concern identified in the 2016 OBSI evaluation was OBSI's inability to bind firms to its compensation recommendations to secure redress for clients who have been wronged. To address this concern, the CSA has recommended that OBSI decisions be made binding on firms.

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:

Implementation of Automatic Reciprocal Enforcement Regime Across Canada

- In December 2014, Alberta passed amendments to its *Securities Act* to create a new mechanism providing for the automatic reciprocation of enforcement orders granted by other Canadian provincial and territorial securities regulators.
- In July 2015, Alberta implemented the new automatic reciprocal of enforcement orders mechanism.
- Similar amendments have been adopted in Québec (2015), Nova Scotia (2016), New Brunswick (2016), Manitoba (2017), Northwest Territories (2018) and Prince Edward Island (2018).
- 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.
- While the former Ontario government supported these provisions, the new Ontario government has not yet indicated whether or not it will support these provisions.
- The other jurisdictions remain 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*.
- The CSA's ad hoc committee recommended that amendments be made to securities act provisions that create limitation periods in respect of statutory causes of action under the secondary market civil liability regime to ensure that the limitation period does not continue to "run" whilst a plaintiff is seeking the required leave from the Court to commence such a statutory cause of action.
- Alberta, Ontario and New Brunswick (2014), Nova Scotia (2015) and Québec and the Northwest Territories (2018) passed legislative amendments to provide for the suspension of the limitation period upon filing of motion material.
- The remaining 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.

On December 8, 2016, the CSA published final amendments that require exchange traded mutual funds (ETFs) to produce and file a summary disclosure document called "ETF Facts" beginning on September 1, 2017.

The amendments also introduce a new disclosure delivery regime for ETFs. Beginning on December 10, 2018, dealers that receive an order to purchase ETF securities will be required to deliver the ETF Facts, instead of the prospectus, to investors within two days of the purchase. The prospectus will continue to be made available to investors upon request, at no cost.

Statutory provisions that were implemented to facilitate delivery of the Fund Facts document in lieu of the prospectus to investors in conventional mutual funds are not sufficient in all jurisdictions to facilitate delivery of the ETF Facts since current legislation does not contemplate delivery of a disclosure document in connection with a secondary market trade. In particular, it was determined that legislative amendments would likely be required in all jurisdictions, other than Alberta and Saskatchewan, to facilitate:

- the creation of a new prospectus delivery requirement for all ETF trades that would shift the current prospectus delivery requirement from the dealer when acting as underwriter in an ETF distribution (the “sell” side) to the dealer when acting as agent of the purchaser of an ETF security (the “buy” side);
- delivery of a new summary disclosure document for ETFs in lieu of the prospectus in connection with all ETF purchases;
- a carve-out from the existing prospectus delivery obligation for distributions of ETF securities over an exchange; and
- the creation of new right of rescission in connection with the failure to deliver the new summary disclosure document for ETFs.

Based on information received, most jurisdictions have either obtained the necessary amendments or have determined that amendments are not necessary. The remaining jurisdictions are: British Columbia, Newfoundland and Labrador, Nunavut and Yukon.

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 CSA 2016-19 Business Plan. Additional information on the CSA 2016-19 Business Plan can be obtained at <https://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: 2016-19 CSA Business Plan – Progress on Deliverables of Selected CSA Priorities

CSA Priorities	Identified Deliverables	Progress on Deliverables
<i>Enhanced Investor Protection</i>		
1. Enhanced Disclosure to Investors	<ul style="list-style-type: none"> Assess the need for additional disclosure requirements from audit committees about auditor oversight and appointment and key areas of focus. 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. Complete rulemaking and implement requirement for point of sale disclosure and delivery regime for exchange-traded funds (ETFs). 	<p>Final update</p> <ul style="list-style-type: none"> The CSA reported it had completed research and consultations with key stakeholders regarding additional disclosure requirements for audit committee activities. The CSA decided not to proceed with the publication of a concept paper on enhancing audit committee disclosure at this time due to mixed feedback during targeted consultations and the current CSA priority to review regulatory burden of reporting issuers. CSA staff will continue monitoring changes to the Canadian Audit and Assurance Standards Board's (AASB) position on key audit matters, international developments, and results of the CSA's regulatory burden review. The CSA reported publishing 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. Respectively (amendments to NI 81-102 <i>Investment Funds</i> and consequential amendments to NI 81-101 <i>Mutual Fund Prospectus Disclosure</i> and Companion Policy). The risk classification methodology amendments came into effect on September 1, 2017. 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 introduced 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 became effective on September 1, 2017, while the ETF Facts delivery requirement for dealers became effective December 10, 2018. Legislative amendments are required in most jurisdictions in order to implement delivery of the ETF Facts, and are in the process of being obtained.

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"> Complete stakeholder consultations to determine whether embedded commissions in investment funds should be addressed to better align the interests of investment fund managers and dealers/representatives with those of the investors they serve. 	<p>Final update</p> <ul style="list-style-type: none"> The CSA reports it has considered the results of consultations and two independent studies of Canada's mutual fund fee structure: the Brondesbury Group's 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 Douglas J. Cumming's study of data obtained 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). On June 29, 2016, the CSA published CSA Staff Notice 81-327 <i>Next Steps in the CSA's Examination of Mutual Fund Fees</i>, which outlined its plan to consult on the possible regulatory action regarding embedded commissions. CSA Consultation Paper 81-408 <i>Consultation on the Option of Discontinuing Embedded Commissions</i> was published for a 150-day comment period on January 10, 2017. The comment period closed on June 9, 2017, and the CSA received approximately 127 comment letters. The CSA has reviewed the comment letters and results of stakeholder consultations, and formulated recommendations for regulatory reforms, which are in the process of being implemented.
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. 	<p>Final Update</p> <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. The CSA has reviewed the current regime and alternatives and on April 28, 2016, published CSA Consultation Paper 33-404 <i>Proposals to Enhance the Obligations of Advisers, Dealers, and Representatives toward their Clients</i>. 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 120 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 <i>Review of Practices Firms Use to Compensate and Provide Incentives to Their Representatives</i> on December 15, 2016 and CSA Staff Notice 33-319 <i>Status Report on CSA Consultation Paper 33-404 Proposals to Enhance the Obligations of Advisers, Dealers, and Representatives Toward Their Clients</i> on May 11, 2017. CSA staff finalized its recommendations on the proposed reforms and next steps. Based on a thorough review of feedback received during the research and consultation phase, the CSA published for comment on June 21, 2018 proposed regulatory amendments to National Instrument 31-103 <i>Registrant Requirements, Exemptions and Ongoing Registrant Obligations</i> to enhance adviser-client relationships and the standard of conduct for advisers

CSA Priorities	Identified Deliverables	Progress on Deliverables
		<p>and dealers, including conflicts of interest, know-your-client, know-your-product, suitability and relationship disclosure reforms (the Client Focused Reforms). The comment period ended on October 19, 2018. The CSA received 135 comment letters and are currently reviewing them. The Client Focused Reforms aim to better align the interests of registrants and investors, improve investor outcomes, and raise the bar for registrant conduct.</p> <ul style="list-style-type: none"> • The CSA is committed to changes at the core of the Client Focused Reforms which would require registrants to promote the best interests of clients and put clients' interests first. This is a fundamental change that focuses on the client's interests in the client-registrant relationship. The Client Focused Reforms also include proposed rule and companion policy amendments related to conflicts of interest stemming from embedded fees, given this policy project's interconnection with another CSA project aimed at reforming the investment fund fees structure (for more information see section A.2). • The Client Focused Reforms set out important principles across the spectrum of investment advice, and thereby enhance investor protection while preserving investor choice across products and advice models, and accordingly fostering fair and efficient capital markets.
<p>4. Measure Impact of CRM2 and POS Reforms</p>	<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. The CSA has completed the first phase of the research gathering baseline data and is conducting subsequent rounds of data collection for certain aspects of the project.

CSA Priorities	Identified Deliverables	Progress on Deliverables
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. 	<p>Final Update</p> <ul style="list-style-type: none"> The CSA reviewed Canada's proxy voting infrastructure in order to determine whether it adequately supports accurate and reliable vote counting. The review's findings confirmed that the current proxy voting infrastructure was fragmented and needed 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. CSA Staff Notice 54-305 Meeting Vote Reconciliation Protocols, which outlined CSA staff expectations and guidance for improving the processes involved in the tabulation of proxy votes, was published in final form on January 26, 2017. The CSA has established a technical committee to support and monitor voluntary implementation of improvements for the 2017 and 2018 proxy seasons. The technical committee continues to track data on implementation and effectiveness of the Meeting Vote Reconciliation Protocols that were published in January 2017.
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 	<p>Final Update</p> <ul style="list-style-type: none"> The CSA held a campaign to educate retail investors about changes in investment statements introduced by the Client Relationship Model 2 (CRM2) in conjunction with Investor Education Month in October 2016. The campaign included several short videos that explained 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 were promoted via social media. In addition, from October 2016 through March 2017, the CSA ran an online public awareness campaign to promote the use of the CSA's National Registration Search engine (NRS) and to highlight the importance of checking the registration of persons or companies offering an investment (NRS from October 2016 through March 2017).
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 	<p>Final Update</p> <ul style="list-style-type: none"> <i>Exempt Markets Analysis:</i> In 2018, the CSA conducted an analysis of the exempt markets in Canada through a review of filings made. This review covered the total amounts raised in 2017 in Canada and in the relevant jurisdictions in the prospectus-exempt market by Canadian, American and other international issuers, and analysis of exempt markets by industry,

CSA Priorities	Identified Deliverables	Progress on Deliverables
	<p><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.</p>	<p>in foreign issuers and introducing a new prospectus exemption for the resale of securities of a foreign issuer who is not a reporting issuer in any jurisdiction of Canada, and where the resale is on an exchange or a market outside of Canada or to a person or company outside of Canada. The amendments came into effect on June 12, 2018. Alberta and Ontario published the new prospectus exemption as part of their local instruments in order to provide overall consistency to their approach to cross-border trading for both primary distributions outside Canada and the resale of securities outside Canada.</p>
<p>2. Improve Access, Transparency and Fairness in Fixed Income Market</p>	<ul style="list-style-type: none"> • Implement public transparency of corporate fixed income trading data, with Investment Industry Regulatory Organization of Canada (IIROC) acting as the information processor for corporate debt. • Monitor fixed income data to consider the impact of transparency and timeliness of information. • Conduct a review of dealers' allocation practices for new debt issues. • Consider transparency requirement for government debt data. 	<p>Final Update</p> <ul style="list-style-type: none"> • On June 23, 2016, the CSA published CSA Staff Notice 21-318 <i>Information Processor for Corporate Debt Securities</i>, announcing that IIROC would start acting as an information processor effective July 4, 2016. The objective of this initiative was to increase post-trade corporate debt transparency, to facilitate more informed decision making by all market participants, to improve market integrity, and to evaluate whether access to the fixed income market is fair and equitable to all investors. 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. The data is disseminated with a two-day delay and volume caps are applied to mask the true size of the trades. Starting on July 1, 2017, IIROC publishes all retail and institutional trade data for corporate bonds reported to it. This completes 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. • 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 conducted a survey of dealers' fixed income allocation practices and evaluated access to the fixed income market. The results of the survey were shared with the commissions. <p>Update</p> <ul style="list-style-type: none"> • On December 14, 2017, the CSA published CSA Staff Notice 21-320 <i>On NI 21-101 Marketplace Operation</i> concerning the expiration of the government debt exemption in NI 21-101 <i>Marketplace Operation</i>, announcing upcoming amendments to NI 21-101 and its Companion Policy to introduce post-trade transparency for government debt securities. • On May 24, 2018, the CSA published for comment CSA Staff Notice and Request for Comment 21-323 <i>Proposal for Mandatory Post-Trade Transparency of Trades in Government Debt Securities and Proposed Amendments to NI 21-101</i>. The comment period ended on August 29, 2018. The CSA received eight comment letters and following their review and analysis, will provide responses to the comments received when the amendments will be published in final form.

CSA Priorities	Identified Deliverables	Progress on Deliverables
<p>3. Finalize and Implement OTC Derivatives Framework</p>	<ul style="list-style-type: none"> • Implement rules for OTC derivatives trade reporting. • Develop and implement rules for the mandatory clearing of OTC derivatives. • Develop and implement rules for customer clearing and protection of collateral for derivatives market participants. • Develop and implement a registrant regulation framework for derivatives market participants. • Consult on margin and collateral requirements for non-centrally cleared derivatives. • Develop and implement rules for derivatives trading facilities. • Implement rule/policy framework for clearing agencies to incorporate CPMI/IOSCO revised standards. 	<p>Final Update</p> <ul style="list-style-type: none"> • Local Rule 91-507 <i>Trade Repositories and Derivatives Data Reporting</i> was adopted on June 6, 2013 in Ontario, Manitoba and Québec. In addition, Multilateral Instrument 96-101 <i>Trade Repositories and Derivatives Data Reporting</i> was adopted on January 21, 2015 in British Columbia, Alberta, Saskatchewan, New Brunswick and Nova Scotia. <p>Final Update</p> <ul style="list-style-type: none"> • 94-101 <i>Derivatives Mandatory Central Counterparty Clearing</i> was published in final form on January 19, 2017. NI 94-101 became effective on April 3, 2017 for clearing members, and on October 4, 2017 for non-clearing members. <p>Final Update</p> <ul style="list-style-type: none"> • 94-102 <i>Derivatives Customer Clearing and Protection of Customer Positions and Collateral</i> was published in final form on January 19, 2017 as well. It came into effect on July 3, 2017. • In addition, on September 28, 2017, all CSA jurisdictions except British Columbia published in final form Multilateral Instrument 91-102 <i>Prohibition of Binary Options</i>. It became effective on December 12, 2017. The British Columbia Securities Commission elected not to participate in this publication, and instead to proceed by way of a local notice confirming that binary option schemes are illegal in BC. <p>Update</p> <ul style="list-style-type: none"> • Since 2016, the CSA Derivatives Committee has developed and published the following consultation papers and proposed rules for over-the-counter derivatives, and is working on the following draft regulations: <p>Consultation Papers</p> <ul style="list-style-type: none"> • 95-401 Margin and Collateral Requirements for Non-Centrally Cleared Derivatives: published on July 7, 2016, the comment period ended on September 6, 2016. <p>Rules</p> <ul style="list-style-type: none"> • Proposed amendments to NI 94-101 <i>Derivatives Mandatory Central Counterparty Clearing</i>: published for comment on October 12, 2017. The comment period ended on January 10, 2018. On May 31, 2018, the CSA published CSA Staff Notice 94-303 <i>Variation, Amendment or Revocation of certain Blanket Orders Exempting Certain Counterparties from the Requirement to Submit a Mandatory Clearable Derivative for Clearing</i> and Update on Proposed Amendments to NI 94-101. The proposed amendments to NI 94-101 are planned to be published for the second comment period in spring 2019.

CSA Priorities	Identified Deliverables	Progress on Deliverables
		<ul style="list-style-type: none"> 93-101 <i>Derivatives - Business Conduct</i> (proposed) was first published for comment on April 6, 2017 and then republished for the second comment period on June 14, 2018. The second comment period ended on September 17, 2018, 20 comment letters were received. The CSA is in the process of reviewing the comment letters received. NI 93-102 <i>Derivatives Registration</i>: this proposed rule was published for comment on April 19, 2018. The comment period ended on September 17, 2018, 28 comments letters were received. The CSA is in the process of reviewing the comment letters received. NI 92-101 <i>Derivatives Trading Facilities</i>: This rule has not yet been proposed and the the CSA continues monitoring international developments. NI 95-101 <i>Margin and Collateral Requirements for Non-Centrally Cleared Derivatives</i>: this proposed rule is under review.
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. 	<p>Update</p> <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 are in effect since October 1, 2016. The CSA intends to conduct periodic reviews of the market impact of the threshold. In addition, on January 26, 2017, the CSA published final amendments to NI 23-101 <i>Trading Rules</i>, which lower the cap on active trading fees for securities that are listed on a Canadian exchange, but not listed on a U.S. exchange (non-inter-listed securities). The amendments came into effect on April 10, 2017. On April 27, 2017, the CSA published in final form amendments to NI 24-101 <i>Institutional Trade Matching and Settlement</i>. These amendments, which came into effect on September 5, 2017, are 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 occurred on September 5, 2017, the same date the markets in the United States moved 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. On August 31, 2017, all CSA jurisdictions except the BCSC and FCAA published in final form amendments to NI 81-102 <i>Investment Funds</i> that shorten the settlement cycle for conventional mutual funds to T+2. The amendments came into effect in the participating jurisdictions on November 14, 2017. The FCAA published the amendments to NI 81-102 in final form on September 14, 2017, and they came into effect in Saskatchewan on November 14, 2017. The BCSC published advance notice of adoption of the T+2 amendments to NI 81-102 <i>Investment Funds</i> for conventional mutual funds on March 29, 2018, and they became effective on May 31, 2018.

CSA Priorities	Identified Deliverables	Progress on Deliverables
5. Review Aspects of Corporate Governance Regime	<ul style="list-style-type: none"> Conduct a targeted review of certain aspects of the corporate governance regime, including the independence of board and committee members, to assess whether they remain appropriate in today's environment. 	<p>Final Update</p> <ul style="list-style-type: none"> On October 26, 2017, the CSA published CSA Consultation Paper 52-404 <i>Approach to Director and Audit Committee Member Independence</i>, which solicited comments on the appropriateness of, or need for, any changes to the current approach to director independence to determine whether the approach continues to be appropriate for all issuers in the Canadian market, including for controlled companies. The comment period ended on January 25, 2018, and the CSA received 27 comment letters. Following the review and analysis of the comment letters received, the CSA has concluded that it is appropriate to maintain its current approach to determining director and audit committee member independence. On July 26, 2018, it published CSA Staff Notice 52-330 Update on CSA Consultation Paper 52-404 <i>Approach to Director and Audit Committee Member Independence</i>, advising of this recommendation.
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. 	<p>Update</p> <ul style="list-style-type: none"> On April 6, 2017, the CSA published for comment CSA Consultation Paper 51-404 <i>Considerations for Reducing Regulatory Burden for Non-Investment Fund Reporting Issuers</i> to solicit feedback from all market participants and stakeholders on potential options for reducing regulatory burden. The Consultation Paper identified 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. The CSA received 57 comment letters, has reviewed this feedback and developed recommendations for future work, which were published on March 27, 2018. The CSA Staff Notice 51-353 <i>Update on CSA Consultation Paper 51-404 Considerations for Reducing Regulatory Burden for Non-Investment Fund Reporting Issuers</i> announced the initiation of six new policy projects, aimed at reducing regulatory burden for non-investment fund reporting issuers: introducing an alternative offering system; streamlining certain continuous disclosure requirements; reviewing the Business Acquisition Report requirements; revisiting the primary business requirements; facilitating at-the-market offerings, and; enhancing the electronic delivery of documents. In addition, the CSA continues working on a project to rationalize the investment fund disclosure, whose primary objective is to remove redundant and ineffective disclosure and reporting requirements in order to reduce the regulatory burden for investment funds and provide <i>more</i> streamlined and useful disclosure for investors. The CSA has completed a comprehensive review of the current investment fund disclosure regime; a comparative review of the non-investment fund reporting issuer regime; international benchmarking and consultations with stakeholders such as dealers, institutional investors and SROs, and formulated recommendations for the next steps. The CSA is finalizing amendments and a consultation document for publication.

CSA Priorities	Identified Deliverables	Progress on Deliverables
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. 	<p>Final Update</p> <ul style="list-style-type: none"> • The CSA hosted a roundtable to explore cybersecurity issues and opportunities for greater collaboration, communication and coordination among market stakeholders, including representatives of marketplaces, clearing agencies, registrants, reporting issuers, regulatory bodies and cybersecurity experts. In developing its coordination process to address a market disruption, including one that stems from a large-scale cybersecurity incident, the CSA held several consultations with other regulators in order to clarify roles and improve communication and information sharing. It also issued a number of publications, including CSA Staff Notices 11-332 Cyber Security, 11-336 Summary of CSA Roundtable on Response to Cyber Security Incidents and 11-338 CSA Market Disruption Coordination Plan, which highlight the importance of being vigilant about cyber risks; informed stakeholders about recent and upcoming CSA initiatives and referenced existing standards and work published by IIROC, the MFDA and international regulatory authorities and standard-setting bodies. The CSA continues to follow developments in incident management practices and to interact with market participants and other stakeholders on cybersecurity issues. It also continues to monitor the compliance of regulated entities with their obligations with respect to cybersecurity issues, including notification requirements to regulators and dissemination of information to the public. Cybersecurity will remain a key priority for the CSA.
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. 	<p>Update</p> <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. • On February 23, 2017, the CSA launched the Regulatory Sandbox 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, angel investor networks, any business models using artificial intelligence for trades or recommendations, cryptocurrency or distributed-ledger technology-based ventures, and technology service providers to the securities industry. The objective of this initiative is to facilitate the ability of those businesses to offer innovative products and services across Canada, while ensuring appropriate investor protection. The CSA Regulatory Sandbox considers applications, including for time-limited registrations and exemptive relief, on a coordinated and flexible basis to provide a harmonized approach throughout Canada for innovative business models, whether they are start-ups or incumbents, while providing flexibility and rapidity in the treatment of registration and other applications. For example, following discussions among the members of its Regulatory Sandbox, the CSA has granted exemptive relief to issuers for their initial coin offering (ICO) and has authorized registered firms to launch cryptocurrency investment funds distributed under prospectus

CSA Priorities	Identified Deliverables	Progress on Deliverables
		<p>exemptions.</p> <ul style="list-style-type: none"> Activities of the CSA Regulatory Sandbox also include informing industry of CSA's approach to innovative business models. On June 11, 2018, the CSA Regulatory Sandbox published CSA Staff Notice 46-308 Securities Law Implications for Offerings of Tokens, which complements CSA Staff Notice 46-307 Cryptocurrency Offerings by providing additional guidance on the applicability of securities laws to offerings of coins or tokens, including ones that are commonly referred to as "utility tokens". The CSA Regulatory Sandbox had published CSA Staff Notice 46-307 Cryptocurrency Offerings in August 2017 to provide guidance on various aspects of cryptocurrency offerings which may involve sales of securities. On June 6, 2018, the CSA Regulatory Sandbox also published an investor alert on crypto-asset trading platforms advertised as "exchanges".
Enhancement of Enforcement Effectiveness		
<p>1. Improve Market Analytics Capacity</p>	<ul style="list-style-type: none"> Develop and implement new marketplace surveillance and analytical system to replace MICA. 	<p>Update</p> <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 this market evolution, 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). This 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, analyse and visualise the data resulting in meaningful information. Through an RFP process, the CSA selected Kx, a division of First Derivatives plc, to build and manage a next-generation market analytics platform designed to identify, assess and investigate potential market abuse cases. On September 13, 2018, the CSA issued a news release announcing the contract with Kx. The CSA and Kx are advancing on the development of a market analytics platform.
<p>2. Strengthen Enforcement Technology Capabilities and Strategies</p>	<ul style="list-style-type: none"> Identify and address internal and external Enforcement related technology challenges and opportunities that we can most effectively meet together. 	<p>Update</p> <ul style="list-style-type: none"> The CSA Enforcement Committee continues working on a number of initiatives to strengthen enforcement technology capabilities. The CSA Enforcement Technology and Analytics Working Group facilitates regular, cooperative information sharing on the use of technology by enforcement staff, for such purposes as electronic evidence management, eDiscovery, advanced analytics, surveillance, and work product management issues. In consultation with subject matter experts, the Working Group also identifies technology trends and monitors developments in the field of computer science (i.e. artificial intelligence and machine learning) with a focus on the development and implementation of detection tools. The working group is developing and providing technology and analytics training sessions for CSA members; normalizing and standardising data sources used by enforcement staff for analytics purposes

CSA Priorities	Identified Deliverables	Progress on Deliverables
<p>3. Identify and Respond to Emerging Issues and Trends</p>	<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. 	<p>and creating information and source code repositories.</p> <p>Final Update Binary Options:</p> <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) taking preventive measures against binary options trading platforms to send a message of deterrence; and (4) investor education campaign. • The Binary Options Taskforce has made progress with all four strategies. It has created an intelligence database and updates it quarterly; developed relationships with credit card companies and financial institutions to have them restrict payments to binary options companies using credit cards or bank wires; and developed relationships with partner agencies, including the Canadian Anti-Fraud Centre, the FBI, the SEC and Europol. The Taskforce presented at the Europol Binary Options Summit in The Hague, Netherlands in January 2017, and at a Binary Option Briefing in San Francisco, California to various law enforcement, financial and social media companies, including the FBI, SEC, IRS, Visa, MasterCard, Amex, Apple, Google, and Twitter. In addition, the Taskforce identified and contacted domain registry and website hosting companies used by binary option marketers targeting Canadians in an effort to have the identified websites shut down. Fifty percent of the identified websites have been disabled as a result of the initiative. • The Taskforce, together with the CSA Investor Education Committee, launched an educational campaign on March 2, 2017 to mark Fraud Prevention Month. The campaign was designed to combat binary options fraud by raising public awareness of what binary options fraud looks like, how to protect yourself and others and how to report incidences of binary options fraud. The campaign consisted of a public relations campaign, development of a binary options website and online twitter and Search Engine Marketing advertising campaigns. This CSA initiative was widely covered in the media and shared with numerous other investor protection organizations. • In addition, the participating CSA jurisdictions implemented Multilateral Instrument 91-102 <i>Prohibition of Binary Options</i>, as described in section B (3) of this report. • The Binary Options Task Force has been repurposed as the Investment Fraud Task Force, whose aim is to identify and target emerging investment frauds, such as fraudulent schemes involving cryptocurrencies and initial coin offerings, using strategies developed by this working group against binary options schemes.

CSA Priorities	Identified Deliverables	Progress on Deliverables
		<p><i>Legal Privilege</i></p> <ul style="list-style-type: none"> CSA staff have developed the Legal Privilege Toolbox Table, a privileged document for internal use, providing a practical reference for staff in each jurisdiction to access appropriate privilege protection tools in various circumstances. CSA staff also prepared and continues to update periodically a shared-access database of key court and tribunal decisions relating to legal privilege. The group continues reviewing legal privilege issues on an ongoing basis and developing efficient collective strategies to deal with such issues.
Enhancement of Information Technology		
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. 	<p>Update</p> <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 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 working on Phase 1 of the project, which consists of the replacement of SEDAR, CTO, DL and exempt market filing systems. In addition, the CSA is taking steps to carry out regulatory and policy changes to create the necessary legal foundation for the new CSA IT system.
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 2 new projects:</p> <ul style="list-style-type: none"> Streamlining of Marketplace Reporting Requirements. Improving and Harmonizing the Start-Up Crowdfunding Prospectus and Registration Exemptions. 	<ul style="list-style-type: none"> April 17, 2020 (effective date of amendments) January 31, 2020 (effective date of amendments)
Completed or Closed Projects	<ul style="list-style-type: none"> CSA Market Disruption & Cybersecurity Coordination Group. Women on Boards and in Executive Officer Positions, Phase 1 and Phase 2. 	<ul style="list-style-type: none"> November 2018 (recommendations for next steps) October 2018 (recommendations for next steps)
Published for Comment	<ul style="list-style-type: none"> CSA Staff Notice and Request for Comment 23-323 <i>Trading Fee Rebate Pilot Study</i>. Proposed Amendments to NI 	<ul style="list-style-type: none"> March 1, 2019 January 16, 2019

CSA Priorities	Identified Deliverables	Progress on Deliverables
	<p data-bbox="415 232 758 380"><i>24-102 Clearing Agency Requirements and Proposed Changes to Companion Policy 24-102 Clearing Agency Requirements.</i></p> <ul data-bbox="369 415 758 586" style="list-style-type: none"> <li data-bbox="369 415 758 586">• Proposed Amendments to NI 31-103 <i>Registration Requirements, Exemptions and Ongoing Registrant Obligations – Custody-Related Amendments.</i> 	<ul data-bbox="800 415 1079 440" style="list-style-type: none"> <li data-bbox="800 415 1079 440">• December 24, 2018
Published In Final Form	None	