

Agenda

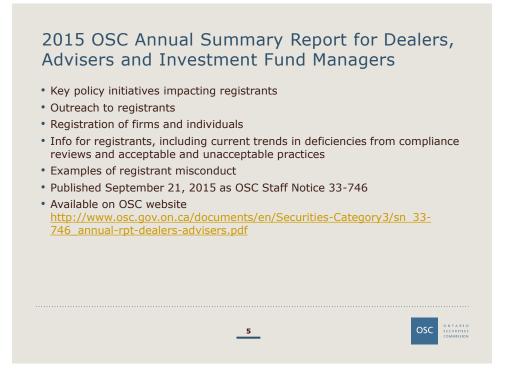
- What we do and who we regulate
- Overview of 2015 OSC Annual Summary Report
- Common portfolio manager (PM) deficiencies and acceptable and unacceptable practices
- Examples of referral arrangements with improper delegation of KYC and suitability obligations to referral agents
- Examples of inadequate updating of clients' KYC information
- Overview of PMs operating as online advisers ("robo-advisors")
- Guidance for PMs operating as online advisers
- Questions

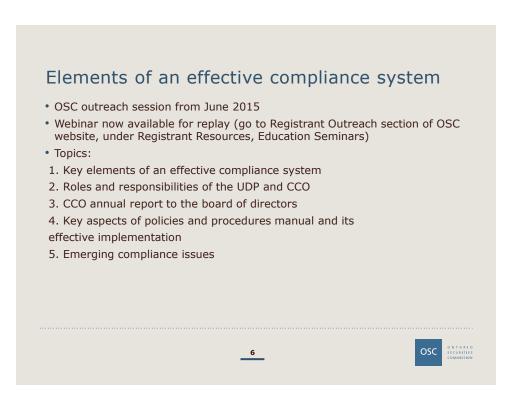
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What we do and who we regulate

* As of January 6, 2016. Firms can be registered in multiple categories

Investment fund managers721540Investment fund managers504362Exempt market dealers682523Investment fund managers682523	Registration category	Total firms registered in Ontario	Total firms OSC is principal regulator for
Investment fund managers 504 362			
	Portfolio managers	721	540
Exempt market dealers 682 523 Image: Comparison of the second se	Investment fund managers	504	362
	Exempt market dealers	682	523
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Outcomes of compliance reviews

• Outcomes of compliance reviews*:

Outcomes of compliance reviews (all registration categories)	Fiscal 2015
Enhanced compliance	40%
Significantly enhanced compliance	47%
Terms and conditions on registration	9%
Surrender of registration	0%
Referral to the Enforcement Branch	3%
Suspension of registration	1%

 \ast - the statistics apply to compliance reviews of firms and does not include action taken involving registration of individuals

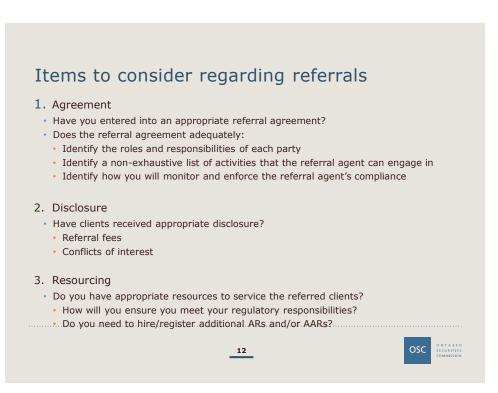
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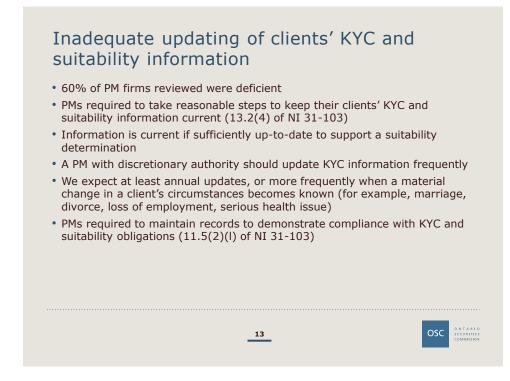
PM-IIROC dealer arrangements Arrangements whereby IIROC dealer provides custody, trading, and other services to PM and its clients No regulatory framework CSA and IIROC staff continue to discuss • PM must maintain own books and records of client holdings and trades • Discussing agreement between PM and dealer, and disclosure to clients • Exploring alternatives to requirement for both PM and IIROC dealer to separately issue account statement to shared clients Until this work is complete, PMs are to comply with the existing account/additional statement requirements in s.14.14 and 14.14.1 of NI 31-103 But may consider interim guidance in section 4.3.3 of OSC Staff Notice 33-742 osc 8

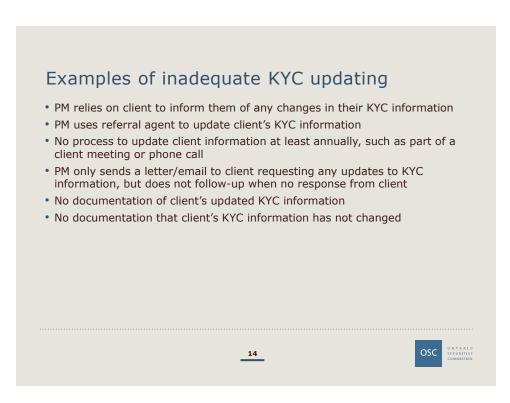


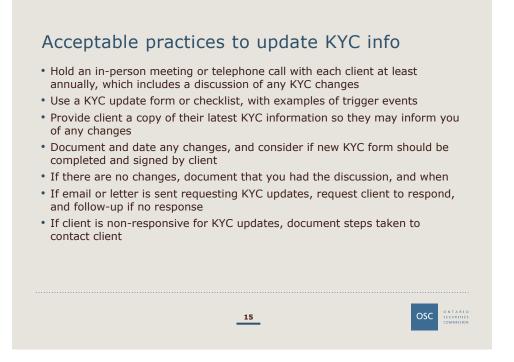


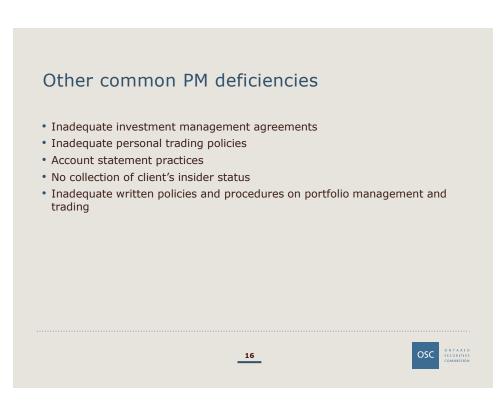


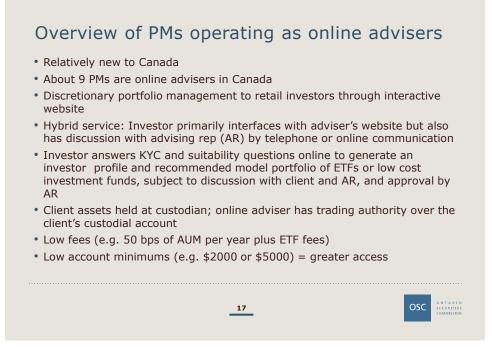


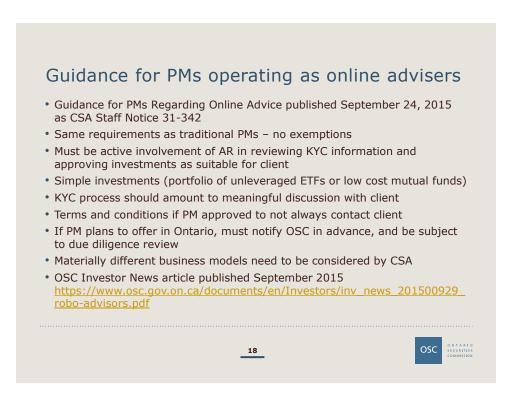












Compliance reviews of online advisers

- Compliance reviews after 1-2 years of operation
- Do clients understand nature of services
- KYC and suitability process
- How client identity obligations being met
- Active involvement of AR
- Meaningful discussion with client
- Suitability of investments
- System security
- Ratio of AR/AARs to clients
- KYC updating
- Marketing claims
- Books and records and account statements

19

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