

# LAUNCHING INTO THE OFFICE FOR ECONOMIC GROWTH AND INNOVATION – FROM LAUNCHPAD TO NEW BRANCH OF THE OSC

*Posted on November 11, 2020*

**Categories:** [Insights](#), [Publications](#)

On October 29, 2020, the Ontario Securities Commission (the “**OSC**”) published a Charter for the Office of Economic Growth and Innovation (the “**Innovation Office**”). [1] The Innovation Office is a new branch of the OSC that is focused on supporting economic growth and innovation in Ontario’s capital markets. Launched in June 2020, the Innovation Office originated from the Ontario Government’s Five Point Plan to create confidence in Ontario’s capital markets as outlined in the April 2019 Ontario budget. The OSC’s LaunchPad (“**LaunchPad**”) was also instrumental in the creation of the Innovation Office, as it was the first dedicated team by a securities regulator in Canada designed to assist innovative businesses in the capital markets. As Pat Chaukos, the Director of the Innovation Office has noted, “the Innovation Office is the next evolution of the work [that’s been] done in LaunchPad.” The OSC has indicated that the Office will be fully operational by March 2021.

The Charter outlines the three overarching strategic objectives of the Innovation Office for the capital markets in Ontario.

1. Promotion of innovation and capital formation.
2. Reduction of regulatory burden.
3. Strengthen the outreach and engagement of the OSC.

In addition to establishing the objectives of the Innovation Office, the Charter also sets out supporting initiatives that will assist the Innovation Office in achieving its objectives and initial focus areas for each objective. The OSC has indicated that these initial areas of focus may change based on further research and engagement with stakeholders, reflective of the intended nimble nature of the Innovation Office itself.

## **Promoting Innovation and Capital Formation in Ontario’s Capital Markets**

The first objective described above is focused on the aiding and fostering, and as applicable, the testing of innovative business models and methods in capital formation. In pursuit of this objective, the Innovation Office

will become home to a sandbox for Ontario businesses to test novel ideas. Particularly, the Innovation Office will aim to build a better experimental testing framework, using intelligence gathered from LaunchPad experience from 2016 to date. The Innovation Office will be focused on efficiency and fairness in its processes and anticipates an optimized LaunchPad offering over time, with a solid approach for a sandbox in Ontario by spring of 2021.

To further support the promotion of capital formation in Ontario, the Innovation Office will also focus on improving engagement through research and position papers in 2021 centered on supporting innovative processes in the capital markets, signaling a willingness to have firms and organizations experiment with novel business methods. This is part of a broader initiative aimed at improving consultation and feedback on novel business methods and finance. Ultimately the Innovation Office appears to be aimed at promoting innovation through sandboxes and experimentation, as well as through outreach and engagement.

### **Reducing Regulatory Burden in Ontario's Capital Markets**

The second objective described above will rest in the close collaboration between the Innovation Office and the other branches of the OSC regarding the monitoring of the progress of the recommendations in the Regulatory Burden Reduction initiative in the OSC's report, *Reducing Regulatory Burden in Ontario's Capital Markets*, published in 2019 (the "**Burden Reduction Report**").<sup>[2]</sup> The Burden Reduction Report was the product of the OSC's Burden Reduction Task Force, established in 2018 to identify ways to enhance competitiveness for Ontario businesses by saving time and money for issuers, registrants, investors and other market participants. The Burden Reduction Report put forth 107 recommendations to alleviate regulatory burden. Consistent with its objective of reducing regulatory burden, the Innovation Office will have a dedicated team to oversee progress on the Burden Reduction Report's recommendations. This team will also be tasked with overseeing progress on the recommendations of Capital Markets Modernization Taskforce.<sup>[3]</sup> The Ontario government established this taskforce in February 2020, and in July 2020, the taskforce released its initial Consultation Report that made 47 proposals intended to overhaul and modernize Ontario's capital markets to enhance competition and innovation, among other things. The Final Report is expected to be published in December, 2020, and will contain recommendations of the taskforce based on feedback received from its initial Consultation Report. The dedication of a specific team to interact with the findings and recommendations of both the Burden Reduction Taskforce and the Capital Markets Modernization Taskforce, demonstrates the Innovation Office's commitment to engendering change in Ontario's capital markets.

In addition, the Innovation Office will be key in obtaining stakeholder feedback on opportunities to reduce burden and improve efficiency, modernize the OSC's regulatory programs and policy formulation, with the goal of assessing and increasing the effectiveness of initiatives to reduce burden. The Innovation Office will also consider whether existing rules are in need of modification. Finally, beginning in fall of 2021, the Innovation

Office will also assess how regulatory technology and supervisory technology can benefit both market participants and the OSC internally. Relatedly, the Innovation Office also seek to encourage greater access to data that will aid businesses in providing newer products and services. The OSC has indicated that it expects periodic announcements by the Innovation Office in relation to its on-going efforts to reduce regulatory burden in Ontario.

### **Strengthen the Outreach and Engagement of the OSC**

As its third and final objective as described above, the Innovation Office will aim to increase the OSC's visibility as an innovative regulator, demonstrate visible connections to stakeholder groups, innovation hubs and other regulators, and engage in proactive outreach with the broader stakeholder community. The Innovation Office will also seek to garner more timely feedback from its stakeholders. In support of this objective, the Innovation Office will focus on the fostering of new methods of engagement to effectively reach stakeholders. The Innovation Office plans to integrate interactive communication into its activities to drive faster interactions and turnaround times. In particular, the Innovation Office is looking to develop an ability to poll and receive feedback from staff, market participants and external stakeholder groups. To this end, the Innovation Office is also searching for specialists in interactive engagement and user experience engagement techniques.

All of the Innovation Office's objectives complement one other. Outreach and engagement with the stakeholder community is an important part of fostering innovation, and it is critical in understanding how to reduce regulatory burden. Similarly, reducing regulatory burden will support capital formation and encourage innovation in Ontario's capital markets. For that reason, overlap can often be seen in the goals and initiatives of the Charter as they relate to each objective. As such, it seems that the Innovation Office is well suited to meet its objectives, as the advancement of one objective necessarily means the advancement of others.

### **Key Takeaways**

Hopefully the Innovation Office will serve as a central hub of innovation and modernization at the OSC. Indeed, the OSC in its foreword to the Charter noted that its vision of the Office includes "fostering a culture that encourages experimentation, embraces failures as necessary learning steps and allows for a quick pivot to the next idea". With the establishment of the Innovation Office, the OSC is taking a leading role in facing innovation in the reality of the capital markets in Ontario. These advancements will allow businesses and other organizations who have sought to introduce technological innovations and creative modernized solutions to flourish and hopefully drive the industry into new and cutting edge directions. At the same time, organizations employing innovative technologies, such as fintech companies, will have the ability to continue developing new and creative ways to promote financial innovation through the OSC's regulatory sandbox without unreasonably jeopardizing the integrity of the Ontario capital markets and its securities regime.

As industries continue to evolve and market participants continue to develop and experience new business models and delivery methods utilizing the latest technologies, through branches like the Innovation Office, the OSC will be better positioned to encourage such growth and not stifle it.

by Leila Rafi, Robert Piasentin and Troy Hilson

[1][ps2id id='1' target=''] Office of Economic Growth and Innovation, “Charter” (October 29, 2020), online (pdf): [OSC Office of Economic Growth & Innovation Charter](#).

[2][ps2id id='2' target=''] Ontario Securities Commission, “Reducing Regulatory Burden in Ontario’s Capital Markets” (2019), online (pdf): [OSC Reducing Regulatory Burden in Ontario’s Capital Market](#).

[3][ps2id id='3' target=''] Capital Markets Modernization Taskforce, “Consultation Report” (July 2020), online (pdf): [Government of Ontario - Capital Markets Modernization Taskforce](#).

### **A Cautionary Note**

The foregoing provides only an overview and does not constitute legal advice. Readers are cautioned against making any decisions based on this material alone. Rather, specific legal advice should be obtained.

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