2023 annual report of OSC's investor advisory panel: Staying safe

June 27, 2024

Earlier this month, the Ontario Securities Commission's Investor Advisory Panel (the Panel) released its annual report. The Panel is an advisory committee to the OSC, that represents the views of retail investors on policy and rule-making initiatives. Among other topics, the Panel examined risks and opportunities for retail investors from the digitalization of financial services, digital engagement practices by trading platforms, and the use of AI by those wishing to commit fraud. Other topics looked at by the Panel include the expansion of alternative assets, such as crypto, being made available to retail investors, as well as privately placed alternative assets such as private equity and private debt.

The Panel had several suggestions for improving investor protection, including the following:

- evaluating the types of advice that could benefit DIY investors;
- compliance reviews of "finfluencers";
- measuring the effect of the Client Focused Reforms (CFRs) on investors;
- strengthening oversight of crypto trading platforms and addressing ease of access to alternative assets which are considered speculative and high-risk;
- increasing investor awareness of fraud risks; and
- using the Designated Fund (funds from sanctions and settlements) so that is it seen to directly benefit investors.

With respect to DIY investors, the Panel is concerned that investors who may not be sophisticated can too easily access leverage-based or other complex investments on order execution only (OEO) channels, and thus investors may not receive the information needed to offer them increased protection. Suggestions include requiring OEO firms to publish risk warning pop-ups or product disclaimers immediately prior to the placing of trade orders by clients. In connection with the CFRs, the Panel believes it is important to review whether they have resulted in unintended consequences, such as a reduced product shelf or additional compliance fees being passed along to investors.

The Panel also mentioned dispute resolution in its report, supporting the CSA's binding authority proposal for the Ombudsman for Banking Services and Investments (OBSI).

By

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