



# News Release

For Immediate Release

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## Ontario Securities Commission Inaction has Cost Investors Billions of Dollars: Auditor General

(TORONTO) The Ontario Securities Commission has not fully protected investors from hidden and unfair fees or alerted them sufficiently to potentially risky investments, says Auditor General Bonnie Lysyk in her *2021 Annual Report*.

In part because of government intervention and heavy financial-industry lobbying, it will have taken more than a decade to ban deferred sales charges and partially ban trailing commissions (effective June 2022), which have been completely banned in the UK and Australia since 2012. In just four years (2016-2020) these sales practices have cost Ontario investors an estimated \$13.7 billion in commissions.

“Investors here could be better protected if the OSC simply followed what has already been done for investors in other countries, by eliminating trailing commissions still paid to full-service dealers,” said Lysyk.

The audit also found that though the OSC imposed fines between 2011/12 and 2020/21 amounting to \$525 million, it had collected only 28% of that money. Unlike the BC securities regulator, the OSC does not have the power to seize assets to collect unpaid fines. The lack of effective enforcement tools has hindered the OSC in deterring wrongful conduct by unregulated companies and individuals.

Even when the OSC does collect fines for the fund that can be used to compensate investors who were harmed, it does not pay out much of the money to benefit investors. Between 2016/17 and 2020/21 it paid out only 6% to 11% of the collected money a year.

The report also found that the OSC does only limited vetting of certain companies seeking to enter Ontario’s capital markets. More thorough reviews of entrants using methods other than the traditional Initial Public Offering could better protect Ontario’s investors from potential losses.

“New OSC reforms fall short when it comes to protecting investors and need to be strengthened,” Lysyk said. “Moreover, the OSC needs stronger authority to penalize violators, enforce securities laws and seize assets to better protect Ontario investors.”

The audit report contains 26 recommendations for improvement.

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