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DELIVERED BY EMAIL

December 20, 2024

The Secretary
Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto Ontario M5H 3S8
comments@osc.gov.on.ca

Dear Ms. Sirs/Mesdames:

Re: OSC Notice 11-799 – Statement of Priorities – Request for Comments regarding Statement of Priorities for Fiscal Year 2025-2026

Wealthsimple is pleased to provide comments to the Ontario Securities Commission (OSC) on its draft Statement of Priorities for fiscal year 2025-2026 (SofP).

Wealthsimple is one of Canada's fastest growing and most trusted financial institutions. We offer a full suite of simple, sophisticated products across managed investing, do-it-yourself trading, cryptocurrency, tax filing, spending and saving. Wealthsimple serves more than 3 million Canadians, including 1 in 5 adults under 40, and holds over \$50 billion in assets.

Wealthsimple has a track record of launching innovative and inclusive financial products, including digital advice, Canada's first Shariah-compliant ETF and fractional shares trading. In 2020 we became Canada's first regulated crypto platform and, in 2022, we became the first ever non-bank, non-credit union to be granted approval for a settlement account with the Bank of Canada. This progress has been possible due to early and ongoing engagement with the OSC and other regulators. We therefore appreciate the opportunity to share our perspective on the OSC's 2025 priorities.

In the sections that follow, we comment specifically on the goals and priorities that are most relevant to our clients and the products that they use.

Goal 1 - Quickly Deliver Effective Regulatory Actions in Anticipation of Emerging Trends

Registration of Crypto Trading Platforms

We believe that the OSC, together with the rest of the CSA and CIRO, should continue to accelerate efforts to bring all crypto asset trading platforms serving Canadians into compliance by being registered and CIRO-regulated. We note that there are several platforms that continue to be in the pre-registration undertaking stage, all having been in that state since March 2023 or earlier. We urge the CSA, OSC and CIRO to immediately place restrictions on the ability for unregistered platforms to open new accounts until they are registered or exit the Canadian market. Time has long passed for offshore platforms to be allowed to operate in Canada without proper registration. This is a critical investor protection issue, and the longer it goes unaddressed, the more difficult it will be to help Canadian investors who have accounts with international platforms that ultimately leave Canada. Even worse would be the collapse of another unregulated international platform serving Canadians, similar to the recent collapses of FTX and Celsius. The status quo is unacceptable.

We continue to be concerned that the rules for crypto asset trading platforms and certain crypto assets are being developed without transparent public consultation. Instead of formal rulemaking, rules are effectively being made through staff notices and terms and conditions of exemptive relief granted to registered firms and firms that have signed pre-registration undertakings.

We are also concerned that the CSA's approach has caused unnecessary regulatory burden for crypto asset trading platforms because of increasingly prescriptive requirements, frequent changes to requirements and overlap between different sets of requirements being developed in different CSA jurisdictions and at CIRO. Consistent with the OSC's multiyear effort to reduce regulatory burden, the OSC should eliminate duplication between CSA and CIRO exemption orders, and transparently develop common requirements that will apply to all crypto asset trading platforms. Streamlining and eliminating duplicative requirements will have the benefit of protecting consumers while also giving smaller, home-grown crypto assets trading platforms a fighting chance to succeed in the face of competition from deep-pocketed foreign competitors.

Stablecoins

Wealthsimple strongly encourages the OSC and CSA to consult with and coordinate the regulatory framework for oversight of stablecoins in Canada with the federal Department of Finance. The Department is currently undertaking targeted engagement with industry stakeholders on the regulatory approach for stablecoins. As both federal and provincial policy makers and regulators have noted, a failure to harmonize and coordinate compromises predictability, ease of doing business and the attractiveness of the Canadian market for investors.

We encourage both the OSC and CSA to consider the potential chilling effect that the application of securities laws to USDC and other fiat-backed stablecoins could have on the adoption of such instruments as a payment technology. In particular, the failure of the CSA's guidance to address whether the dealer registration and prospectus requirements would apply to transactions in stablecoins outside of accounts at registered crypto asset trading platforms creates a cloud of uncertainty that hangs over every send/receive transaction in stablecoins by a payment service provider, merchant, other business or individual in Canada. Canada will fall far behind the rest of the world in adoption of payments technology if we attempt to apply dealer registration and prospectus requirements to all transactions in stablecoins. At a time when Canada faces delay after delay in adopting a modern, real-time payment system, this is an unacceptable outcome.

International Coordination

Finally, we encourage the OSC to work closely with the new U.S. Securities and Exchange Commission (SEC) leadership, to ensure that Ontario's regulatory priorities and positions are not in opposition to our largest trading partner. We believe that the OSC should expressly reference maintaining close coordination with the SEC in its SofP going forward.

Goal 2 - Enhance the Experience of Individual Investors

Transfers

In order to enhance the experience of individual investors, the OSC must focus on the switching costs and delays that make it very hard and costly for investors to move their assets between registrants. We were disappointed to see that automated account transfers were not specifically referenced under Goal 2. The experience of individual investors clearly suffers if they experience weeks or months of being out of the market when they move their investments to a new registrant. How can we expect to encourage competition in capital markets if investors cannot access better service, innovative products and lower fees without waiting for their life savings to be sent between institutions by cheques and faxes?

It's important to be specific about the problem at hand. Canadians who want to move their investments from one financial institution to another face fees of up to \$250, with no service standard governing the speed of the transfer, and no specific recourse when there is an unreasonable delay. Nearly 50% of all account transfers into Wealthsimple are still performed manually, using antiquated technology such as fax, mail and cheque, despite widespread availability of automated technology. 1 in 6 of these manual transfers takes more than 4 weeks, and many take 8 weeks or longer. We estimate that Canadians are charged upwards of \$100M in investment account transfer fees annually (Wealthsimple itself does not charge transfer fees). This stifles competition, creates inertia in the market, and incentivizes financial institutions to use high fees and slow processes as strategies to retain clients.

CIRO has identified developing a proposed harmonized rule requirement to facilitate more timely transfers as a priority. We welcome this step and believe that a requirement to automate account transfers is appropriate in most cases, as it would serve consumer interests and increase competition in the investment management sector. Further, we believe that now is the time for the OSC to clearly label transfer fees as junk fees and take action to ban or cap the \$100M+ in exit fees retail investors are taxed for moving their money. For years, the OSC has been focused on curtailing the high fees that continue to plague the investment industry. Low-hanging fruit would be to ban the fees that institutions charge clients for the privilege of moving their accounts.

The fact that retail investors can pay up to \$250 to move an account is a tax on competition and consumer choice. The current regime sees these exit taxes disproportionately impact younger, marginalized and less affluent investors. Reminiscent of telecommunications giants refusing to allow clients to retain phone numbers when they change providers, it is clear many institutions will not pass on the savings that digital transfers have unlocked without a regulatory mandate. Charging \$250 for an action that costs less than \$1 to perform is predatory.

OEO platforms and non-tailored advice

We strongly support the OSC's goal to clarify the ability of order execution only (OEO) firms to provide non-tailored advice to meet the needs of self-directed investors. We applaud CIRO for its recent publication of a [consultation paper](#) that is reconsidering, among other things, permitted tools that OEO dealers may provide to clients.

We continue to strongly support regulatory reform to enable OEO dealers to better help their clients to make informed financial decisions for themselves. It's important that Canadians have access to clear, informed and unbiased financial tools and information from their OEO dealers given the proliferation of scams and bad financial information online, and the reality that many Canadians wish to make their own financial decisions rather than rely on an advisor.

Whether it be online advice or DIY trading of stocks or crypto, Wealthsimple has always believed in the importance of investors having access to credible information, education and support to become better investors. We don't have account minimums, we're transparent on our fees, and we've taken steps to make it easier for anyone to buy any stock they want, by being the first brokerage in Canada to offer fractional trading of Canadian securities. We also created a media division that publishes a weekly financial newsletter. This newsletter, which is read by millions of Canadians, is evidence of consumer demand for topical, relevant and accurate information about financial markets and investing.

CIRO and the OSC's efforts to expand the ability for OEO dealers to provide non-tailored advice is consistent with OSC Staff Notice 11-782 - *Getting Started: Human-Centred Solutions to*

Engage Ontario Millennials in Investing, and the recommendation it makes to “meet millennials where they are by providing personalized, achievable steps that make it easy to get started” and “inspire trust by putting the user’s needs first”. Unlike influencers, OEO dealers must already satisfy robust business conduct requirements, including satisfying proficiency requirements, avoiding conflicts of interest and providing robust disclosures to clients.

Wealthsimple has additional specific ideas for how to improve the investment experience and outcomes for clients of OEO dealers. We look forward to providing CIRO staff with our ideas in response to the consultation.

Open Banking

Finally, we believe that Open Banking is essential to fostering innovation and competition in Canada's financial services sector, and for providing Canadians with high-quality, low cost financial services. As communicated in the recent Fall Economic Statement, the framework for Open Banking will be finalized in 2025 and go live in early 2026.

We strongly believe that the benefits of open banking should extend to investment accounts, rather than be a regime that applies only to bank accounts. The OSC should play an active role in advocating for the extension of open banking requirements to all securities registrants, in addition to banking entities.

We rely on clients being able to easily and securely share financial data with us, and our clients increasingly expect us to be able to fulfill their instructions to invest or save their money, and take into account their up-to-the-minute financial position when providing financial advice. Clients expect us to deliver on the promise of open banking. Enabling clients to share their financial data in an efficient, frictionless and secure manner is a key component of enhancing the investing experience of individual investors.

Goal 5 - Foster Conditions for Capital Formation and Innovation in both Public and Private Markets

We strongly support the OSC’s goal of fostering an environment that encourages investment and is welcoming to new products, services and methods. We believe that the OSC should consider a number of options to address financing gaps along the public-private continuum, including:

- considering expanding the friends, family and business associates prospectus exemption to include customers and suppliers, and
- continuing existing work to expand the accredited investor definition to be based on knowledge and experience, and not solely wealth.

Additionally, we believe that resale restrictions must track changes to primary distribution restrictions. Policy changes must ensure that where it is easier for more people to buy private securities, it is also easier for these investors to sell these securities. Otherwise, investors who are eager to support capital formation and Canadian enterprise risk being left holding securities that they cannot sell. This liquidity risk is real and significant.

Goal 6 - Strengthen OSC's Position as a Trusted and Influential Voice in Canadian Capital Markets

We applaud the OSC's goal of enhancing its strong and highly respected voice internationally, including within IOSCO. In furthering the OSC's goal of strengthening its position as a trusted and influential voice, we encourage the OSC to also ensure that it is engaging collaboratively with the rest of the CSA and with Canadian industry, especially on issues of innovation and emerging technologies.

We hope that our comments will be considered positively by the OSC and helpful in establishing the OSC's priorities. We welcome the opportunity to discuss our comments with you.

Yours very truly,

"Blair Wiley"

Blair Wiley
Chief Legal Officer and President, Wealthsimple Investments Inc.

cc: Michael Katchen, *Wealthsimple*
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