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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 11-798 – Statement of Priorities – Request for Comments regarding Statement of Priorities for Fiscal Year 2024-2025

Wealthsimple is pleased to provide comments to the Ontario Securities Commission (OSC) on its draft Statement of Priorities for fiscal year 2024-2025 (SofP).

Wealthsimple is a financial services company on a mission to help everyone achieve financial freedom. Using smart technology, we take financial services that are often confusing, opaque and expensive and make them simple, transparent and low-cost. Founded as an automated investment manager in 2014, we now serve over 3 million Canadians with products across investing, DIY trading, cryptocurrency, tax filing, saving and spending. 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 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.

Our comments below reflect the perspective Wealthsimple offers as a financial institution particularly focused on serving the needs of younger Canadians who are in the wealth-building stage of life. Wealthsimple is the financial institution most trusted by Canadians under 40 (evidenced by [third party consumer surveys](#)), 1 in 5 of whom are clients. Of the First Time Homebuyers Accounts opened by Canadians in 2023, more than 30% of those were with Wealthsimple.

Key Priority 6 - Study the Limitation of Advice in the Order Execution Only Channel

We support regulatory reform to enable order-execution only (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.

The proliferation of unqualified social media "finfluencers", low-quality advice and scams online reduces Canadians' confidence and willingness to participate in the financial system as a whole. It also confirms that many investors seek advice online generally and on their mobile devices in particular. Consistent with [OSC Staff Notice 11-782 - Getting Started: Human-Centred Solutions to Engage Ontario Millennials in Investing](#) (SN 11-872), 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", we believe that the OSC should expand the ability of OEO dealers to provide education and helpful resources directly to clients and the public. Unlike finfluencers, OEO dealers must already satisfy robust business conduct requirements, including satisfying proficiency requirements, avoiding conflicts of interest and providing robust disclosures to clients.

We believe that the OSC should implement and support policy changes that will facilitate the ability of regulated actors in the capital markets to provide financial tools, information and education to investors. In this regard, we recommend that the OSC work with the Canadian Investment Regulatory Organization (CIRO) to amend [Guidance Note GN-3400-21-003 on Order Execution Only Services and Activities](#) (Guidance Note).

The Guidance Note, which prohibits OEO dealers from providing beneficial tools, guidance, resources and support to clients and the public, because they might constitute "recommendations", must change. The Guidance Note sets out requirements that are counter to the interests of investors and drives investors to third party sites and third party tools, none of which need be registered or subject to regulatory oversight.

Our user experience research shows that the lowest point in the customer journey for first-time investors is the "discovery" phase, when they are just starting to learn about investing and before they have selected a platform. This again is consistent with SN 11-872, which outlined barriers to engaging Ontario millennials in investing. Regulatory policy should encourage OEO dealer initiatives designed to empower and educate investors, and facilitate access to investment services.

We believe that the definition of “recommendation” should be narrowed to capture only unsolicited advice intended for the sole purpose of encouraging a client to buy, sell or hold a particular security. This simple change would result in meaningful benefits. It would enable OEO dealers to inform clients about the factual features of a security (e.g. a meme stock) that is not tailored to the particular investment needs of the client, consistent with registration exemption for generic advice. This will lead to more informed, and we believe better, investor behaviour. Put clearly, the investor protection objective of securities regulation should not be to prevent registered OEO dealers from influencing a client to make an investment decision. Instead, the objective should be for OEO dealers to support clients in making informed investment decisions for themselves, and avoid making bad, uninformed decisions.

The revised Guidance Note should also allow for trading tools that help clients build a balanced portfolio and conduct basic financial forecasting to manage risk. Under the current guidance, this would be prohibited in most cases. However, clients are looking for ideas and guidance on how to build their own portfolios responsibly, and will look outside the OEO dealer if they cannot get this support from the registrant. OEO dealers should be able to provide ideas and information based on best practice, consistent with the generic advice exemption.

Importantly, the suitability-exempt status of OEO dealers must be preserved. The entire purpose of the OEO category will be undercut if suitability requirements are imposed. The purpose of the OEO category is to enable investors to decide what is suitable for themselves. Preserving the suitability-exempt status of OEO dealers is also important to make clear that the onus is on the client. Missed opportunities or losses that result from a client’s own investment decisions are their own.

Wealthsimple has additional specific ideas for how to amend the Guidance Note to improve the investment experience and outcomes for clients of OEO dealers. We would be happy to engage with OSC and CIRO staff to share our ideas.

Key Priority 9 - Conduct Initiatives for Retail Investors Through Specific Education, Policy, Research and Behavioural Science Activities

An evolving risk related to technological change is the abundance of low-quality financial advice accessible to Canadians online. Studies in [Canada](#) and the [United States](#) have confirmed that investors are increasingly taking information and advice from social media. Although some high-quality information is available via social media, investors are not easily able to identify credible sources, and are increasingly exposed to misinformation and scams.

The OSC makes admirable efforts to provide credible and reliable information through its own websites, campaigns and social channels. However, though this information is of high quality, it reaches only a small fraction of Canadians, as regulators do not have the required brand recognition for investors to seek it out.

The OSC should therefore bolster its education and policy initiatives by collaborating more closely with industry players, and, as discussed above in our comments on Key Priority 6, empower industry players to also play a role in financial education. We believe that OSC initiatives on their own are unlikely to have the reach necessary to be impactful.

Key Priority 11 - Strengthen Oversight and Enforcement in the Crypto Asset Sector

We believe that the OSC, together with the rest of the Canadian Securities Administrators (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 agree with the SoP that consistently applying regulatory obligations to crypto trading platforms is needed to ensure investor protection and a level playing field.

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 note that the SoP makes reference to five staff notices, and not a single rule, instrument or policy. As an example, the CSA has suggested that stablecoins come within securities regulators' jurisdiction and introduced a regulatory framework for stablecoins without consulting the public on how stablecoins are being used and the effect of restricting access to stablecoins. Informed and effective regulation requires the study of how rules could adversely affect Canadian businesses and Canadian consumers, in this example by limiting the ability to access stablecoins. The approach being taken by the CSA to date is different from approaches taken in other jurisdictions, notably the United Kingdom, the European Union and Singapore, where formal consultation and/or legislative or rule-making processes have been adopted. This must change.

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. Once Wealthsimple's crypto asset trading platform has been transitioned to its CIRO member investment dealer, Wealthsimple's crypto asset trading platform will be subject to a 50+ page exemption order from the CSA and multiple CIRO exemptions that duplicate many of the same terms and conditions. This is in addition to the CIRO rules and general securities law requirements that will apply to this business. The exemptive relief granted by the CSA is time limited to only two years, which will require Wealthsimple to renew or extend the relief to continue the business and impacts long term business planning. 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.

Key Priority 13 - Facilitate Financial Innovation

Facilitating financial innovation is a very important priority. New entrants increase competition, thereby placing downward pressure on prices for consumers, while incentivizing improvements in product and service quality. Conversely, when competition is restricted, the tangible disadvantages to consumers — high fees, poor service standards and a lack of innovation and choice — outweigh any risk associated with newer entrants.

When supporting new entrants and innovating business models, speed is of the essence. Timelines need to be measured in days and weeks, not months and years, in order to be appealing for new entrants. Too often, sandbox relief has taken too long and has had a suffocating effect on innovators. To this end, we encourage the OSC to study where internal teams and processes can be enhanced to move faster to yield better results. The introduction of SLAs could be a useful tool to measure progress.

More broadly, the OSC should better define the results it hopes to achieve in supporting innovation in Canada, and tie those results to economic indicators, including capital formation, job creation and more choices for consumers. While “support” is appreciated, we believe that support for innovation alone is not sufficiently tangible to yield the desired outcomes.

Key Priority 14 - Further Initiatives that Promote Capital Formation and Foster Competition

In order to foster competition that benefits retail investors, the OSC should focus on the switching costs that make it very hard and costly for investors to move their assets between registrants.

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. In 2023, nearly 50% of all account transfers into Wealthsimple were performed manually, including using antiquated technology such as facsimile, despite widespread availability of automated technology. 1 in 6 of these manual transfers take more than 4 weeks, and many take 8 weeks or longer.

We estimate that Canadians are charged \$50M-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.

In its [first annual report](#), CIRO 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 in most cases, as well as enforceable limits on transfer fees and timelines, would serve consumer interests and increase competition in the investment management sector. We believe that now is the time for the OSC to address this

issue head-on, given the high fees that continue to plague the financial industry and the hit that has on everyday investors.

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.

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