

Intelligence MEMOS



From: Harvey Naglie
To: Financial Regulation Observers
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Re: **THE ONTARIO BUDGET'S MISSED OPPORTUNITIES FOR CAPITAL MARKET MODERNIZATION**

The 2025 Ontario budget landed at a pivotal moment for the province's economy, marked by heightened US trade risks and economic uncertainty.

The stated focus was on protecting jobs, supporting businesses, and investing in critical public services and infrastructure. Yet, for those concerned with the vibrancy and competitiveness of Ontario's capital markets, the budget's initiatives are lacking. It failed to address the urgent need for capital market modernization and the attraction of new investment in a rapidly changing and increasingly competitive global economy.

There were a few positive initiatives, including:

- **Significant Infrastructure Investment:** The budget maintains a strong commitment to infrastructure, with \$200 billion planned over 10 years. This long-term investment is vital for supporting economic growth, job creation, and competitiveness, especially as Ontario navigates global trade turbulence.
- **Support for Manufacturing and Business:** The enhancement of the Ontario Made Manufacturing Investment Tax Credit (OMMITC), delivering \$1.3 billion over three years, offers tangible support to manufacturers facing tariff pressures and economic headwinds. Additionally, targeted business supports, and tax relief measures are intended to help Ontario firms weather ongoing uncertainty.

Prudent Fiscal Planning: Despite a deteriorating fiscal outlook, the budget includes a \$3-billion contingency fund and a \$2-billion annual reserve in the face of unpredictable economic conditions.

Still, the budget notably overlooks capital markets – a domain where Ontario has long enjoyed significant comparative advantages. With appropriate attention and investment, the province could leverage recent geopolitical developments to become an even more prominent and influential player in global capital markets.

1. Limited Focus on Innovation and Capital Markets

The budget's economic strategy remains narrowly focused on traditional sectors, with the lion's share of new investment directed toward manufacturing assets and physical infrastructure. The \$90 million allocated to Venture Ontario for defence and life sciences lacks the scale and ambition required to foster a vibrant ecosystem for high-growth, innovation-driven sectors such as artificial intelligence, fintech, and clean technology.

There is no comprehensive strategy to attract global capital or to support startups and scale-ups, and the incremental approach to venture capital funding does not address Ontario's persistent gaps in commercialization and late-stage financing.

2. Absence of Regulatory Modernization

Perhaps the most significant omission is the lack of substantive regulatory reform to modernize Ontario's capital markets. The budget offers no new measures to streamline securities regulation, modernize the IPO process, or facilitate easier access to public and private markets for small and medium-sized enterprises. This is despite the comprehensive set of [proposals](#) to foster innovation, enhance competition, and strengthen investor protection in the 2020 Capital Markets Modernization Taskforce final report.

Other leading jurisdictions have implemented [regulatory sandboxes](#), [updated ESG standards](#), and democratized investment opportunities through equity crowdfunding – areas where, while there have been tentative initiatives (as with sandboxes), Ontario continues to lag.

3. Insufficient Support for Digitization and Technology Adoption

The budget highlights digital improvements in tax administration but does not extend similar efforts to financial services. There is no investment in digitizing securities trading platforms, regulatory filings, or investor onboarding, nor is there support for AI or regtech adoption in [capital markets](#). This leaves Ontario behind [global peers](#) investing in blockchain-based settlement systems and regulatory sandboxes for fintech and regtech innovation.

4. Gaps in Investor Protection

Ontario's silence on granting binding authority to the Ombudsman for Banking Services and Investments (OBBSI) is notable. As national regulators move toward empowering OBBSI with binding dispute resolution, Ontario's lack of action risks undermining investor trust and the integrity of its capital markets.

Recommendations

The Capital Markets Modernization Taskforce provided a blueprint with its [74 recommendations](#) aimed at enhancing governance, fostering innovation, and strengthening investor protection across the province's capital markets. These recommendations are [designed](#) to make Ontario's markets more efficient, resilient, and globally competitive.

Here are three key moves the government should make:

- **Streamline and digitize regulatory processes:** Modernize regulatory systems to reduce red tape, accelerate approvals, and enable digital filings and disclosures, making it easier for companies to access capital and for investors to participate in the market.
- **Expand access to private markets and crowdfunding:** With appropriate consumer protection, broaden opportunities for retail and institutional investors to participate in private placements and equity crowdfunding, democratizing investment, and supporting early-stage companies.

Strengthen investor protection and dispute resolution mechanisms: Enhance enforcement powers, improve governance standards, and introduce binding dispute resolution (such as granting binding authority to the Ombudsman for Banking Services and Investments) will build investor confidence and ensure a fair marketplace.

Together, these measures will help position Ontario as a global leader in capital formation and innovation. Budget 2025 was a missed opportunity. The government should take the next one.

Harvey Naglie has spent 40 years in financial services, working in both the public and private sector. Most recently, he served as a Senior Policy Advisor with the Ontario Ministry of Finance.

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