

# FAIR

Canadian Foundation *for*  
Advancement of Investor Rights

March 5, 2014

British Columbia Securities Commission  
Alberta Securities Commission  
Financial and Consumer Affairs Authority of Saskatchewan  
The Manitoba Securities Commission  
Ontario Securities Commission  
Autorité des marchés financiers  
Financial and Consumer Services Commission of New Brunswick  
Registrar of Securities, Prince Edward Island  
Nova Scotia Securities Commission  
Superintendent of Securities, Newfoundland and Labrador  
Registrar of Securities, Northwest Territories  
Superintendent of Securities, Yukon Territory  
Registrar of Securities, Nunavut

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**RE: Proposed Amendments to Regulatory Framework for Dealers, Advisers and Investment Fund Managers**

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FAIR Canada is pleased to offer comments on the Canadian Securities Administrators' ("CSA") proposed amendments to the current regulatory framework for dealers, advisers and investment fund managers (the "**Consultation Document**") published on December 5, 2013.

FAIR Canada is a national, non-profit organization dedicated to putting investors first. As a voice of Canadian investors, FAIR Canada is committed to advocating for stronger investor protections in securities regulation. Visit [www.faircanada.ca](http://www.faircanada.ca) for more information.

## 1. Limit Exempt Market Dealer Activities

- 1.1. FAIR Canada supports the CSA's proposal to limit the activities that may be conducted under the exempt market dealer category of registration. Under the proposals, exempt market dealers would not be permitted to conduct brokerage activities (i.e. trading securities listed on an exchange in foreign or Canadian markets) or trade freely tradeable exchange-traded securities off marketplace, and would only be permitted to underwrite securities in a private placement, not in a prospectus offering.
- 1.2. In FAIR Canada's view, only those registered as investment dealers, who are required to be members of the Investment Industry Regulatory Organization of Canada ("IIROC"), should be permitted to conduct brokerage activities in Canada. Exempt market dealers are subject to lighter regulation, less oversight (and suffer from many compliance deficiencies) and are not participants in a scheme of compensation in the event of insolvency, and as such, their activities should be properly circumscribed. The alternative would be that if they perform investment-dealer like activities, they should be required to join IIROC and not avoid SRO oversight.

## 2. Conduct Activities Under Registration

- 2.1. FAIR Canada supports the proposed amendments that would prohibit registrants from relying on exemptions in Part 8 of NI 31-103 to conduct activities their registration permits. We believe that it is important that the CSA require registrants to conduct their activities under their category of registration, in full compliance with securities legislation, including the requirements in NI 31-103. As noted by the Consultation Document, certain jurisdictions currently do not allow firms registered in the exempt market dealer category to concurrently rely on the international dealer exemption because this activity may present concerns with respect to client confusion, oversight issues, maintenance of books and records or know-your-client obligations. We therefore support the proposed amendments which would prohibit registrants from relying on such exemptions.
- 2.2. The requirements of NI 31-103 provide fundamental protections for investors, and registered firms should not be permitted to "opt-out" of their obligations by relying on an exemption.
- 2.3. FAIR Canada recommends that the proposed restrictions on the availability of the corresponding exemptions in NI 31-103 should also be extended to the Ontario similar exemptions through amendments to the *Securities Act* (Ontario).

### 3. Advisor Incorporation Would Weaken Consumer Protection

- 3.1. FAIR Canada notes that the CSA has received numerous standard form letters from industry participants calling for amendments to permit Dealing Representatives “to receive compensation to their corporation”.
- 3.2. As outlined in our letter to the Working Group of Provincial/Territorial Council of Ministers of Securities Regulator<sup>1</sup> dated April 30, 2012 and our comments to the Working Group dated February 25, 2011<sup>2</sup>, FAIR Canada is opposed to the incorporation of individual registrants of registered dealers and advisers in Canada as it will weaken efforts to protect Canadians and will not further the essential mandate of securities regulation. It is essential that regulators guard the public interest with respect to securities regulation. Allowing the incorporation of individual registrants will impede rather than help governmental and regulatory efforts to protect consumers. Please refer to our letter dated April 30, 2012 for further details.

We thank you for the opportunity to provide our comments and views in this submission. We welcome its public posting and would be pleased to discuss this letter with you at your convenience. Feel free to contact Neil Gross at 416-214-3408 ([neil.gross@faircanada.ca](mailto:neil.gross@faircanada.ca)) or Lindsay Speed at 416-214-3442 ([lindsay.speed@faircanada.ca](mailto:lindsay.speed@faircanada.ca)).

Sincerely,



Canadian Foundation for Advancement of Investor Rights

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<sup>1</sup> See <http://faircanada.ca/wp-content/uploads/2011/01/120430-FAIR-Canada-submission-re-Incorporation-of-Individual-Reps.pdf>.

<sup>2</sup> See [http://faircanada.ca/wp-content/uploads/2011/01/CSA-incorporation\\_of\\_dealer\\_reps.pdf](http://faircanada.ca/wp-content/uploads/2011/01/CSA-incorporation_of_dealer_reps.pdf).