FAIR | Canadian Foundation *for* Advancement *of* Investor Rights
Fondation canadienne *pour* l'avancement *des* droits *des* investisseurs

October 23, 2020

Alberta Securities Commission
Autorité des marchés financiers
British Columbia Securities Commission
Financial and Consumer Services Commission (New Brunswick)
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Nova Scotia Securities Commission
Nunavut Securities Office
Office of the Superintendent of Securities, Newfoundland and Labrador
Office of the Superintendent of Securities, Northwest Territories
Office of the Yukon Superintendent of Securities
Ontario Securities Commission
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island

Sent via email to:

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

Me Philippe Lebel, Corporate Secretary and Executive Director, Legal Affairs
Autorité des marches financiers
Place de la Cité, tour Cominar
2640, boulevard Laurier, bureau 400
Québec (Québec) G1V 5C1
Email: consultation-en-cours@lautorite.qc.ca

CSA Consultation on the Self-Regulatory Organization Framework

FAIR Canada is pleased to provide our comments and recommendations on CSA Consultation Paper 25-402 *Consultation on the Self-Regulatory Organization Framework (Consultation Paper)*.

FAIR Canada is a national, independent charitable organization dedicated to being a catalyst for the advancement of the rights of investors and financial consumers in Canada. As a voice of the

Canadian investor and financial consumer, FAIR Canada advances its mission through outreach and education, public policy submissions to government and regulators, proactive identification of emerging issues and other initiatives.[1]

Organization of Submission

This submission is organized as follows:

1. Summary of FAIR Canada's key submissions
2. Introductory comments
3. General question C - Issues 5 and 6 relating to investor confidence are the most important issues to be addressed.
4. General question B
5. Proposed merger of IIROC and MFDA
6. Issue 6: Public Confidence in the Regulatory Framework
7. Issue 5: Investor Confusion
8. Issue 4: Structural Inflexibility
9. Issue 2: Product-Based Regulation
10. Issue 3: Regulatory Inefficiencies
11. Issue 7: Market Surveillance
12. Issue 1: Duplicative Operating Costs for Dual Platform Dealers

Our responses to specific issues set out in the Consultation Paper are presented in order of priority based on our assessment of the impact to investors. In our submissions for each issue, we provide specific suggestions on how to improve the regulatory system for investors.

1. Summary of key submissions

1) **The CSA review of self-regulatory organizations (SROs) should focus on ensuring self-regulation is serving the public interest**. The SROs' current practices in corporate governance, transparency and enforcement raise important concerns that require attention before other issues and proposals are considered.

2) **We strongly recommend that the CSA give investor issues the greatest weight in its review of the SRO framework.** Proposed changes should respond to the public confidence in the integrity and effectiveness of the securities regulatory system. To the extent that regulators rely on self-regulation in delivering their regulatory mandates, investors should have confidence that such reliance is appropriate.

3) **The accountability of SROs must be strengthened.** Currently there is a lack of public confidence in SROs and accountability on the part of SROs. The existing regulatory

[1] Visit www.-faircanada.ca for more information.

framework and the SROs' practices have not adequately addressed the conflicts of interest that are inherent in self-regulation. The general perception is that SRO members and the industry have outsized influence on SROs' policies, priorities, and regulatory programs. The SROs public interest regulatory mandates should be defined, publicly disclosed, and included in the CSA's recognition orders. The effectiveness of SROs in meeting their public interest mandate should be assessed in the CSA's SRO oversight processes.

4) **SRO governance must be reformed to be more inclusive and representative of the broader public interest.** Strong governance is essential to deliver effective management and operation of an SRO, to minimize conflicts of interest, and to earn the confidence and trust of investors in regulated markets. Changes are needed to address concerns regarding the qualification and selection of directors, in particular independent directors.

5) **The SROs need broader stakeholder input into their strategic priorities and policy proposals**. SROs should be required to engage proactively with investor groups to ensure they obtain balanced input and comment on regulatory issues and proposals. Allowing for broader input would result in more informed and balanced perspectives being considered in policies. Current policy advisory committees and policy decision making bodies at SROs are dominated by industry representatives, to the exclusion of investor representatives.

6) **SRO enforcement programs must better address responsibility for failures in a firm's supervision and compliance systems**. SRO enforcement actions are rarely taken against investment firms or their senior executive management. To change business behaviour and improve investor protections, executive management of dealers must be held accountable for failures of supervision and compliance processes. If not, other investors could suffer harm.

7) **SRO enforcement programs should prioritize compensation of investors harmed by industry misconduct.** SROs should have the power to order disgorgement of profits and to direct payment of disgorged profits to harmed investors where appropriate. SROs should also prioritize how they can better ensure firms and dealer representatives provide fair compensation for losses of aggrieved clients in cases decided by hearing panels and cases resolved by a settlement agreement.

8) **The CSA should regularly assess an SRO's effectiveness in meeting its public interest mandate.** This should include assessing the SRO's governance in terms of the role and contribution of independent directors in providing a voice on behalf of investors. If a merger of SROs results in a larger, more powerful SRO, it will be even more important to strengthen CSA oversight.

36 King Street East | Toronto, ON | M5C 1E5 | www.faircanada.ca

9) **The CSA must address the confusion, inefficiencies, and obstacles that the current SRO system creates for investors.** Why does the Consultation Paper focus the discussion of regulatory inefficiencies almost exclusively on industry concerns about costs? The obstacles investors face when dealing with the self-regulation system extend well beyond access to products and services. Investors must navigate a confusing and unnecessarily difficult client complaints system and have limited access to reasonable processes to obtain compensation for losses caused by industry misconduct. These inefficiencies and obstacles create significant costs for investors who rely on the regulatory system for protection and they deserve equal or even greater attention from the CSA.

10) **The proposed merger of SROs should be squarely addressed in the CSA's review.** The proposed merger of IIROC and MFDA is a major issue that is currently under discussion by the industry, and investors, including a government-initiated Task Force, the Capital Market Modernization Task Force (Ontario). The CSA needs to address these developments in its consultation.

11) **In considering any potential merger of the SROs, we recommend the CSA first propose a new self-regulatory model and SRO organization for public feedback and discussion.** It is important to complete the CSA's current review and make policy decisions on needed reforms to the SRO system before any formal application to create a merged SRO entity is considered by the regulators. Simply merging the two existing SROs under the current self-regulatory model is not an acceptable outcome given the shortcomings of the current SRO system.

2. Introductory comments

During the informal consultation process, FAIR Canada posed a fundamental question: how should the CSA address the inherent conflicts of interest between the SROs' mandates to regulate in the public interest and to promote investor protection while being responsive to the needs of their members, including both dealers and marketplaces? The scope of the CSA's review covers many of the issues FAIR Canada advocated for during the informal consultations**.** However, the Consultation Paper does not propose to re-examine the value of self-regulation from first principles as we suggested, nor assess whether self-regulation is working effectively in the public interest and protecting investors.

FAIR Canada proposed that the review should encompass a broader range of public concerns about the role and effectiveness of the SROs because the framework had not been assessed in many years. This review presents an opportunity to undertake a comprehensive review of the SRO system. We called for it to cover all elements of the system, including:

36 King Street East | Toronto, ON | M5C 1E5 | www.faircanada.ca

- The rationale for using SROs and whether self-regulation is working in the public interest
- The scope of SRO regulation
- The SROs' corporate governance systems
- The SROs' mandates and responsiveness to the public interest
- The effectiveness of SROs in regulating markets and registrants, and protecting investors from abuses and unfair practices
- The CSA's oversight of the SROs

Considering current proposals to merger IIROC and the MFDA and create a new single SRO, a thorough consideration of these issues is even more important than before.

We believe the CSA should focus on ensuring self-regulation is working effectively in the public interest and in providing investor protections. The SROs' current practices in areas like corporate governance, transparency and enforcement raise important concerns. These concerns raise questions about the SROs' priorities and level of commitment to disciplining member firms and protecting investors. If the regulatory system is to continue to rely on SROs, they need to improve their practices and outcomes in these areas.

FAIR Canada also believes it is important for the CSA to clearly address the proposed merger of IIROC and MFDA as part of its consultation. It is a major public interest issue that the CSA's review raises but the Consultation Paper does not address.

Recently FAIR Canada made submissions to the Ontario Taskforce on Capital Markets Modernization (Modernization Taskforce) in response to their SRO proposals which are consistent with this response to the CSA. FAIR Canada agrees with the issues and concerns expressed by the Taskforce about the current SRO system and how it is governed and operates. We reiterate the comments we made to the Taskforce in this comment letter to the CSA, in particular our comments on the proposed merger. See sections 5 and 6 below.

We requested that the Taskforce endorse completion of the CSA's review of the SRO system before a proposed merger of IIROC and MFDA is approved and implemented. We believe that is essential to ensuring that a new SRO operates in the public interest and that the existing shortcomings in the SRO system are resolved.

In considering a potential merger of the SROs, we urge the CSA to first propose a new self-regulatory model and SRO organization for public feedback and discussion. Rather than simply integrate IIROC and MFDA as they currently exist, FAIR Canada believes that a new and different SRO based on updated principles and conditions of recognition by the CSA are required.

36 King Street East | Toronto, ON | M5C 1E5 | www.faircanada.ca

3. General Question C

Are any of the CSA targeted outcomes listed more important from your perspective than other outcomes? Please explain.

FAIR Canada submits that the needs of investors and the public interest should be the regulators' paramount concerns in its review. We strongly recommend that the CSA give investor confidence and investor protection the greatest weight in its review of the SRO framework. Proposed changes should respond to the public interest in the integrity and effectiveness of the securities regulatory system. This is particularly important given the inherent conflicts when relying on the industry to regulate itself.

FAIR Canada submits that issues 5 and 6 relating to investor confusion and public confidence are the most important issues to be addressed. Regulators have two core statutory mandates: to provide protection to investors from unfair, improper, or fraudulent practices; and to foster fair and efficient capital markets and confidence in capital markets. It is, therefore, important that investors understand the extent to which regulators rely on self-regulation by industry when delivering on their mandates, and that they have confidence such reliance is appropriate. It is critical that investor confidence and fairness issues be prioritized. Investors deserve much greater attention by regulators rather than the industry's focus on achieving efficiencies, cost savings and flexibility in the SRO structure.

Several of the concerns raised in issues 1 – 4 primarily concern costs and business opportunities for dealers and other industry participants impacted by the existing regulatory framework. While the goals reflected in issues 1 - 4 are important and may have some benefits for investors, they should only be pursued if they can be achieved in a way that improves public confidence. Our concern is that the industry may push for quick fixes to reduce costs and improve their ability to sell a wider range of products, while downplaying the need to fully address issues 5 and 6.

As the MFDA's paper[2] suggested, the CSA's review should consider whether changes to the SRO framework will:

- increase public trust and confidence in the SRO system
- enhance SRO governance
- increase the level of investor protection
- reduce investor confusion
- expand protection fund coverage
- reduce potential risks of conflicts of interest and regulatory capture

[2] *A Proposal for a Modern SRO, Special Report on Securities Industry Self-Regulation*, MFDA, February 2020

- increase SROs' accountability
- result in more effective oversight of SROs.

All these considerations speak to outcomes that reflect an investor's perspective and address the needs of all investors and public stakeholders.

In contrast, we believe the 7 outcomes set out in the Consultation Paper are not sufficiently clear or focussed on investors' needs. They are too vague to be meaningful for the purpose of identifying necessary or desirable changes to the regulatory framework for SROs. It would be preferable to focus on more concrete outcomes that are clearer to investors and provide practical solutions to the many issues discussed in the paper.

4. General Question B

B. Are there other issues with the current regulatory framework that are important for consideration that have not been identified? If so, please describe the nature and scope of those issues, including supporting information if possible.

FAIR Canada recommends that the CSA address the issues of the SRO enforcement programs' ability to provide for compensation of investors for losses due to misconduct of a firm or salesperson. This is noted under issue 6, iv) but is not meaningfully discussed. It would be useful to consider how requiring compensation might be achieved, the key issues that would arise in making this change and how the process should operate.

We also suggest that empowering OBSI to make decisions that are binding on firms be addressed more thoroughly. The issue is noted under issue 5 as one option for resolution of complaints. What are the CSA's current plans to address this problem and what considerations need to be addressed if decisions are to be made binding on SRO members?

5. Proposed merger of IIROC and MFDA

Investor impact: High
FAIR Canada notes that the Consultation Paper does not directly address current proposals to merge IIROC and the MFDA. We believe it is important for the CSA to clearly address and seek feedback on the proposed merger as part of its review. A merger is clearly an issue that significantly impacts the regulatory framework for self-regulatory organizations. The CSA should address the merger question given that IIROC has formally proposed a merger, the MFDA issued a concept paper on SRO consolidation and the Modernization Taskforce endorsed a merger in its recent draft report. The issue is currently the subject of debate in the industry, media and among investor advocates.

36 King Street East | Toronto, ON | M5C 1E5 | www.faircanada.ca

Given the significant implications of the proposed merger, FAIR Canada is of the view that the CSA should address it directly as part of this review.

A fundamental question that the CSA needs to address up front is whether the objective of merging the SROs is principally to achieve cost savings and efficiencies for industry, or to develop an improved SRO framework that best serves the public interest and strengthens confidence in the regulatory system? We strongly believe the latter should be the overriding objective.

We suggest that the CSA should first address the question of whether consolidating SRO jurisdiction over all, or most, dealers would be in the best interests of the investing public. What changes to both the SRO framework and the governance and operation of SROs themselves are needed for such a change to best serve the public interest? Rather than just integrating IIROC and the MFDA as they currently exist and rationalizing any differences, FAIR Canada believes that a new and different SRO based on updated principles and conditions of recognition by the CSA should be developed for public consideration.

Merging IIROC and the MFDA could have a significant impact on how the investment industry in Canada is regulated. A merged entity, in addition to overseeing all trading on debt and equity marketplaces in Canada, would become the primary regulator of more than 107,000 sales representatives and about 260 firms across the country. In addition to the sheer size and scope of its responsibility, the merged entity would have an impact on the CSA's current approach to oversight. It would require rethinking how oversight could be effectively performed by multiple regulators overseeing a single, more powerful self-regulatory organization.

FAIR Canada is firmly of the view that before considering a merger, the shortcomings of the existing SRO system should be addressed. FAIR Canada has long expressed concerns about SROs' existing standards of corporate governance, transparency, regulatory operations, and enforcement programs. More independent directors who truly represent investors' interests and bring an independent perspective to each Board meeting are needed. The SROs need to listen to and consider investors' views more when setting rules and policies. Their enforcement programs must be more effective and hold firms and their executive management accountable for extensive or systemic compliance issues.

Sound operation and effectiveness of the SRO system is important to all investors because CSA regulators rely extensively on the SROs to protect our rights as investors and resolve complaints in a fair and timely manner. If a new SRO structure is put in place, getting the model right at the outset will be critical.

The CSA should ensure that a new SRO, if proposed, is an improvement on, not just an extension of, the current system. A more powerful SRO with a bigger role in regulating industry

members while serving investors requires higher standards of governance and stronger oversight by the CSA regulators. Without these, it will be more difficult to ensure that the SRO meets its commitments to sound regulation and its public interest responsibilities. The current governance and oversight framework for IIROC and the MFDA would not be adequate to consistently ensure alignment with the public interest.

The CSA needs to ensure that any new SRO framework respond to the public interest and manages the inherent conflicts of self-regulation, as well as potential concerns around the growing hegemony of, and reliance on, the SRO structure within Canada.

6. Issue 6: Public Confidence in the Regulatory Framework

Investor impact: High
Outcome Statement: A regulatory framework that promotes a clear, transparent public interest mandate with an effective governance structure and robust enforcement and compliance processes.

FAIR Canada supports this proposed outcome statement, but we suggest it is not sufficient to simply promote a clear and transparent public interest mandate. The outcome must focus on ensuring that the SROs' actions serve the public's interest, particularly in situations where the public's interest and industry's interest may conflict. We also recommend that the outcome move beyond just endorsing "robust processes" for enforcement and compliance. The desired outcome should focus on achieving meaningful, timely and responsive enforcement and compliance outcomes for investors.

Public Confidence in the Regulatory Framework

> *"Stakeholders noted concerns regarding a possible lack of public confidence in the current SRO regulatory framework. Some stakeholders stated that the SRO governance structure does not adequately support the SROs' public interest mandate due to an industry-focused board of directors and lack of a formal mechanism to incorporate investor feedback. In addition, these stakeholders expressed concern regarding regulatory capture and ineffective SRO compliance and enforcement practices contributing to the erosion of public confidence in the SROs' ability to deliver on their public interest mandate."*

FAIR Canada believes the issues cited above undermine public confidence in our SROs. Investors and investor advocates remain concerned that the conflicts of interest inherent in self-regulation have not been sufficiently addressed. There is also a general perception that SRO members and the industry have outsized influence on SROs' policies, priorities, and regulatory programs.

36 King Street East | Toronto, ON | M5C 1E5 | www.faircanada.ca

The MFDA itself acknowledges this lack of trust in SROs in its recent paper on self-regulation.[3] Based on a survey of 2,000 Canadians with an investment account, the MFDA found only 48% trust the investment industry to make decisions that are in the public interest rather than their own. Further, 60% agreed that the current model for investment industry regulation in Canada is not working and think that government securities administrators should be involved more directly in regulating the industry.

The Modernization Taskforce came to a similar conclusion. In its recent consultation report it stated: "The Taskforce heard from multiple stakeholders that the current governance and oversight framework is inadequate for IIROC and the MFDA, does not consistently ensure alignment with the public interest, and results in unnecessary regulatory burden and cost on SRO-regulated firms."[4]

FAIR Canada submits that to improve public confidence, the SRO framework must ensure:

- SROs not only prioritize their public interest responsibilities, but are held to account on whether, and how, they are achieved,
- meet higher standards of governance,
- engage more broadly and meaningfully with investors and other stakeholders,
- deliver compliance and enforcement programs that more effectively respond to investors' needs, and
- be subject to higher standards of oversight by the CSA.

These issues are discussed below.

Public Interest Mandate

During the informal consultations with the CSA we recommended the nature and meaning of the SROs' public interest responsibility, and how the CSA can ensure that it is met, be raised for discussion. Despite making 17 references to the public interest in the Consultation Paper, the CSA does not articulate what the phrase means from its perspective.

The CSA has long taken the view that SROs must regulate to serve the public interest in protecting investors, which is reflected in their recognition orders. We believe that issues arise over how that mandate is interpreted by the SROs and CSA members, what it means in practice, and how it is assessed to ensure it is fulfilled.

The term public interest is hard to explain in most contexts, and perhaps even more so within the realm of securities regulation and SRO functions. The MFDA's paper suggests that, in the

[3] Ibid., MFDA, s. 3.3
[4] Consultation Report, Capital Markets Modernization Task Force (Ontario), July 2020, proposal 3

context of the securities industry, the term is further informed by investor protection, fair and efficient capital markets and confidence in the capital markets.[5] We endorse that view and believe SROs should aim to achieve those objectives.

The CSA should consider defining what "public interest" means in the context of the SROs and identifying key factors of the public interest to be met by the SROs. Clarity in what the mandate promotes would foster greater accountability and confidence in our SROs.

While an SROs' boards of directors should ensure that adopting a rule or taking a new initiative is consistent with, or supportive of, their public interest mandate, it is often unclear how or on what basis that determination is made. FAIR Canada recommends that the SROs describe how the public interest is expected to be achieved in the context of SROs' new rules and policies for public comment.

Suggestions for Reinforcing the Public Interest Mandate of SROs

- Define what an SRO's public interest responsibility is in its recognition order or set out key considerations for interpreting the term.
- Require SROs to provide guidance to boards of directors, committees, management and staff on interpreting their public interest mandate.
- Assess effectiveness in meeting the public interest mandate in the CSA's SRO oversight assessments, as part of assessing governance and overall effectiveness in meeting its mandate.
- Require SROs to assess whether the public interest test is met by proposed changes to rules and policies, in both public consultations and rule filings with the regulators.

Concerns with the existing Governance Structure

Strong SRO governance is essential to minimizing conflicts of interest and to earn the trust of investors.

There has been a conspicuous absence of directors with experience in individual investors' concerns on the IIROC and MFDA boards of directors. IIROC's board has tended to comprise mainly current and former financial industry members. After only a 2 year "cooling off period" a former industry member qualifies for appointment as an independent director. The MFDA has a shorter cooling off period of only 1 year. These time periods are too short and do not serve as a

[5] Ibid., MFDA, s. 3.1

useful proxy for independence. A better approach would be to create objective criteria for assessing independence and ensuring those criteria are applied.

We believe these concerns are also recognized by IIROC itself, which recently announced plans to improve representation of retail investor, senior and consumer issues on its board of directors. This initiative is welcome, but we think the issue still needs to be addressed in the CSA's review.

Strong independent directors are needed to ensure appropriate balancing of the public's and the industry's interests. A strong governance system would emphasize the need for truly independent directors who are willing to challenge the industry's view of issues, as well as any perceived deference by SRO management to the industry's views and interests. The role of independent directors is critical to avoiding "regulatory capture" of SROs by the industry they regulate.

The qualifications and selection process of independent directors should be strengthened. The nominations process for independent directors should be more transparent and robust, and run entirely by the Governance or Nominations Committee of the SRO's board. One option would be to require the use of an executive search firm to identify candidates based on pre-determined objective criteria. Management should not be involved in identifying potential candidates for any director positions.

Currently, IIROC's Corporate Governance Committee must be comprised entirely of independent directors, except if the Board chair is an industry director then he/she is a member. The MFDA's Corporate Governance Committee, on the other hand, is comprised of both industry and public directors and must be chaired by a public director. We recommend that the SROs' Nominations Committees should be comprised of and chaired by an independent director.

SROs should be responsible for their governance, subject to CSA oversight. Given the issues described above, we suggest that the CSA should have a more direct role through changes to the CSA oversight process.

That oversight could include, empowering the principal regulator responsible for overseeing an SRO with the ability to vet candidates for independent director seats through a fit and proper assessment process. While SRO directors are currently required to be fit and proper, the responsibility for making such determination is with the SRO, not the CSA.

We propose that the CSA regulators more clearly define the principles of governance that SROs must abide by. The conditions on SROs' governance structures in their recognition orders should be updated to reinforce the independence of boards and to ensure independent

36 King Street East | Toronto, ON | M5C 1E5 | www.faircanada.ca

directors truly bring perspectives to the board that are independent of the industry and reflect investor and consumer needs. Revised conditions could address:

1) the role and responsibilities of independent directors
2) the definition of independence for director candidates and nominees for independent seats on advisory committees and district or regional councils
3) the qualifications and experience required of candidates for independent directors
4) the nominating process used to identify candidates for independent directors.

The composition of SRO committees and district or regional councils should also be covered in the CSA's review. Those bodies should also be required to have independent members**.** Committees and district or regional councils wield considerable influence and have important disciplinary and decision-making powers. These bodies also form part of the consultative and decision-making process at SROs, and so form part of the governance structure.

Suggestions for Improving Governance of SROs

- The Chair of the board of an SRO should be an independent director.
- Redefine who qualifies as an independent director to ensure full independence from the industry and representation of investor and consumer interests.
- Reform the nominations process for independent directors to ensure it is robust, transparent and free from industry and management influence.
- Revise the conditions on SRO governance in their recognition orders to reflect the principles listed here.
- SROs should provide guidance to independent directors on their specific role and responsibilities within the governance system. Their role should reflect the specific responsibilities of non-industry directors in the SRO system including matters such as the SRO's public interest mandate and the need to properly manage conflicts of interest in SRO governance and operations.
- Require all SRO regulatory policy committees that advise the board, and district or regional councils, to have independent members.
- SROs' annual reports on their governance should address the board's role in ensuring that the organization meets its public interest responsibilities. The board's role in ensuring the SRO effectively carries out its mandate to protect investors should also be covered.
- The board should be required to expressly address why it determined that a rule or policy change it approves is in the public interest.

Formal Investor Advocacy Mechanisms

FAIR Canada agrees with the Modernization Taskforce that the SROs need broader stakeholder input into their priorities and policy proposals. SROs should be required to engage directly with investor groups, including FAIR Canada, to ensure they obtain balanced input and comment on regulatory issues and proposals. Allowing for broader input would enable more diverse voices to be heard.

SROs' public consultation policies and processes should be improved. The SROs have formal procedures for consulting on their regulatory proposals, through a public notice and comment process. These consultations are dominated by responses from their members, who have greater resources and access to subject matter experts. Investor groups, individual investors, and members of the public are at a significant disadvantage in raising their concerns. This not only undermines confidence in the SROs' public interest mandate, but it also leads to sub-optimum policy responses.

Internal discussions and comment through IIROC's and the MFDA's policy advisory committees, which are an integral part of the SROs' policy and rule development processes, are dominated by SRO members. We suggest requiring that all SRO regulatory policy advisory committees include independent representatives.

Recently IIROC announced that it would form an "expert investor issues panel" to obtain feedback from people with experience in investor and consumer issues. It is seeking input on how the panel will operate. We believe this can be a sound initiative and plan to provide input to IIROC on the panel's role and processes. However, it remains to be seen whether IIROC will seek to genuinely consult with independent investor advocates and appoint experts who truly represent the interests of retail investors.

36 King Street East | Toronto, ON | M5C 1E5 | www.faircanada.ca

Suggestions for Improving Stakeholder Input to SROs

- Require SROs to engage with investor advocates in a similar way to how they engage with member firms on issues and proposed rule changes.
- Require SROs' regulatory policy advisory committees to include public or independent members to represent non-industry interests.
- Encourage SROs to hold roundtables on important issues involving all stakeholders.
- Ensure IIROC's new investor issues panel is comprised of well-qualified people who speak for investors, has a mandate to address issues proactively (as well as dealing with issues sent to them) and has access to IIROC's board of directors. The OSC's investor advisory panel (IAP) could provide a model in some areas.
- Require all SROs to establish similar investor advisory panels.
- Require such panels to report publicly on their activities.

SRO Compliance and Enforcement Concerns

The CSA should consider requiring several important changes in the SROs' compliance and enforcement programs as set out below

SRO compliance programs tend to focus on technical compliance with SRO rules rather than outcomes achieved. As part of compliance or other reviews, SROs should document findings where client outcomes do not meet public interest expectations, including situations where a firm or representative has been found to have technically complied with the rules. Technical compliance is still important, however, ensuring that firms' policies, procedures, and compliance practices deliver the results intended by the rules is more important.

For example, if a firm's retail account supervision, compliance and trade testing systems meet regulatory requirements but the firm still experiences a significant number of problems with unsuitable investments then additional steps should be taken to address the issue. Examination reports should include guidance on how the firm can improve outcomes.

IIROC and the MFDA rarely discipline investment firms or senior management in cases where investors suffer harm. SROs appear to impose sanctions mainly against dealer representatives, even in situations that call into question the firm's policies, standards of supervision or adequacy of its compliance program. In many cases, there is also a lack of transparency in the decisions regarding the accountability of the investment firm and its senior management. This

36 King Street East | Toronto, ON | M5C 1E5 | www.faircanada.ca

includes whether the adequacy of supervision of dealer representatives (salespersons) was considered in the case, and any related findings.

Of the 78 disciplinary cases the MFDA brought last year, a member firm was sanctioned for supervision failures in only two cases. Similarly, of the 36 disciplinary actions pursued by IIROC in 2019, only two cases against firms were for supervision failures. Given the nature of most cases, it is surprising that there were not more findings of failures in supervision by firms and the senior management.

The following cases are examples of our concerns about this issue:

- IIROC – Sharon Crane: https://www.iiroc.ca/Documents/2019/702f7319-c141-44ae-88e6-6b272673e712_en.pdf
- MFDA – Keybase Financial Group: https://mfda.ca/reasons-for-decision/reasons2017100/
- MFDA – Peak Investment Services Inc.: https://mfda.ca/reasons-for-decision/reasons202038/

SRO enforcement must address broader failures in a dealer's supervision and compliance systems to effectively address compliance risks. FAIR Canada is concerned that, if issues in supervision and compliance systems and practices are not addressed; other clients of the firm may suffer similar harm. While the SROs play an important role in weeding out "bad apples," they should be similarly focused on fixing "bad systems."

Compensating investors for losses caused by misconduct

The SROs' enforcement actions do not provide compensation of investors harmed by misconduct. The rules that govern the enforcement process permit the SRO to impose penalties to punish improper conduct and deter similar conduct, but do not provide for compensation orders for victims of misconduct. The penalties that can be imposed do not enable hearing panels to order disgorgement of profits from misconduct be paid to clients who suffered damages as a result of the conduct, or order firms to pay compensation to such clients whether profits were earned or not.

Notices of decision on enforcement cases rarely state whether the firm voluntarily compensated the client for losses, which would usually be a mitigating factor in deciding the penalty to be imposed. Occasionally a firm will agree to pay compensation to a client as part of a settlement agreement on an SRO enforcement action but that is not the norm.

FAIR Canada has repeatedly flagged concerns over the significant obstacles investors face when they seek compensation for losses caused by misconduct. Investors must rely on complicated, confusing, and lengthy complaints processes, an OBSI claims process with no

power to make a binding decision[6], or civil lawsuits whose costs are generally prohibitive to most investors. In all those processes, investment firms have huge advantages over a client in knowledge, experience, and human and monetary resources. Those big advantages give firms a lot of power to resolve complaints in their favour – if they choose to offer any resolution.

Currently, too many SRO disciplinary cases result in minor fines for failure to meet the duties owed to investors, while investors end up eating their losses because of inadequate ways to recover them. If SRO enforcement programs are revised to address compensation for investor losses, it would go a long way towards addressing the problems with the current dispute resolution processes.

FAIR Canada recommends that the SROs prioritize compensating investors who suffer losses due to misconduct in their enforcement programs. Currently, FINRA states that its highest priority, when addressing misconduct, is returning money to harmed investors. It also mandates that its adjudicative tribunals and enforcement staff prioritize the compensation of investors for harm caused by member firms through its sanction guidelines and its policy on credit for cooperation in enforcement matters. This stands in stark contrast to the priorities and sanction guidelines of IIROC and the MFDA. The SROs should amend their rules to enable this outcome, including rules on the types of sanctions and remedies that they can impose after a hearing or through a settlement.

[6] MFDA and IIROC dealers must become members of the Ombudsman for Banking Services and Investments (OBSI), which offers an independent dispute resolution service for investors. Although the CSA requires registered firms to offer OBSI's services to clients with certain types of disputes with a firm, OBSI's decisions are not binding on the firms.

Suggestions for Improving SROs' Compliance and Enforcement Programs

- SRO compliance examinations and reviews should assess whether an investment firm's policies, procedures and practices achieve a rule's intended outcomes for investors, in addition to technical compliance with the rule.
- SRO examination reports should include guidance and suggestions on how the firm can improve outcomes, if needed.
- Investigations of all cases involving sales compliance violations should include an assessment of whether the investment firm's supervision and compliance systems were sufficient and whether they were adequately performed on the facts in question. Any material failures in supervision and compliance at the firm level should be prosecuted, particularly if charges are brought against an individual salesperson.
- SRO hearings to consider approval of a settlement agreement should be open to the public.
- Enforcement programs should prioritize compensating investors for losses due to misconduct over fines for violations. SROs should have the power to order disgorgement of profits and direct compensation for losses in cases decided by hearing panels and cases resolved by a settlement agreement.
- SROs sanction guidelines should include compensation for clients harmed by misconduct as a mitigating factor (or an aggravating factor if no or inadequate compensation was provided) in assessing appropriate sanctions.
- SRO policies on "credit for cooperation" in investigations should cover compensation of clients harmed as a factor in determining the degree of credit to be provided.
- SRO enforcement should address charging and penalizing senior management of dealers in cases involving a systemic failure to comply with rules, particularly KYC, KYP and suitability rules, or systemic problems in supervision or compliance systems.
- SRO enforcement notices should state that the SRO considered whether senior management of the dealer was responsible for failures to conduct supervision and compliance monitoring and explain the reasons for the SRO's determination on the issue.

CSA Oversight of SROs

FAIR Canada recommends that the regulators strengthen oversight of the SROs. The Modernization Taskforce also proposed strengthening OSC oversight of the SROs. If a merger of SROs results in a larger, more powerful SRO, it will be even more important to strengthen oversight of that SRO. The bigger the role an SRO plays in protecting investors and regulating the industry, the more important it will be for the CSA to ensure that its oversight system is comprehensive and effective in ensuring that the new SRO is accountable and responsive to the public interest.

It is vital for regulators to periodically carry out an overarching assessment of an SRO's effectiveness in meeting its public interest mandate and regulatory responsibilities. These broader oversight reviews should focus on higher-level issues such as the quality of governance and independence of directors, overall operational effectiveness and outcomes that promote the public interest, the level of public transparency provided by the SRO, and ensuring that investors' rights are respected.

Suggestions for Improving Oversight of SROs

- Create an oversight module for assessing overall performance of SRO based on its mandate and responsibilities. It should include onsite and offsite review processes.
- Ensure the module includes assessing performance of SROs' public interest mandate.
- Revise the governance module to assess the board of directors' effectiveness in ensuring the public interest mandate is met and public accountability is achieved.
- Revise the governance module to include specific assessment of independent directors' role and contributions, particularly on providing an independent voice from industry directors and on assessing performance of the organization's public interest mandate.
- Annual meeting with chair of the board and with select independent directors.

7. Issue 5: Investor Confusion

"Several stakeholders expressed concern that investors are generally confused by the current regulatory structure; specifically, the inability to access similar investment products and services from a single source, the complaint process,

investor protection fund coverage, and multiple registration categories and titles."

Investor impact: High

Outcome Statement: A regulatory framework that is easily understood by investors and provides appropriate investor protection.

FAIR Canada does not consider this outcome statement to be described appropriately. While we agree with the objective of having a system that is easily understood, such a goal is an enormous undertaking given the current level of complexity and fragmentation. This complexity is hard to overcome because part of it stems from the constitutional divisions of powers, the multiplicity of governments and regulators involved in the framework, and numerous entrenched regulatory, institutional and business models which are difficult to change.
A more realistic objective would be to ensure that each new regulatory proposal should prioritize the investor's perspective and experience when designing it. Once adopted, feedback from investors should be sought on their understanding and experience with the proposal. We would also encourage regulators do undertake more investor surveys and focus group research as part of their rule-making efforts.

In addition, regulators and the SROs need to continue their efforts to address the use of misleading and confusing titles in the industry. The industry should market itself in ways that are consistent with their registration categories and proficiencies.

We also disagree that the outcome should only be to provide "appropriate" investor protection. The outcome should aim higher, such as providing protections that investors consider effective, and that provide fair and timely compensation when investors are harmed by misconduct.

Regulatory overlap

Investors are confused by the system generally. It is not simply the result of regulatory overlap from having two SROs or multiple categories of registrants. There are no easy fixes for making the system simple to understand. While some may argue that merging the two SROs would reduce complexity, it would only result in marginal improvements for investors. A bigger issue is how the industry markets itself, which tends to create gaps between investors' expectations and industry's legal obligations, particularly in situations where losses are incurred due to industry misconduct.

SRO system structure

In summary, investors would be better served by a simpler, clearer SRO system with consistent standards, processes, rules, and interpretations. However, FAIR Canada reiterates that it does not support an SRO merger unless the public confidence issues noted under issue #6 are addressed in this CSA review and the CSA requires, or obtains agreement from, the SRO(s) to implement concrete reforms to their governance, transparency, responsiveness to and engagement with investors, compliance programs and enforcement programs.

Even if a single SRO is created, investors do not understand what the role of SROs is and what the role of the regulators is. Few investors understand what self-regulation means and how it works. It immediately sounds like a suspicious approach to setting standards and regulating the industry. That presents a double challenge to addressing investor confusion: first to explain the system and how it operates (including how SROs' roles differ from the regulators' roles), and secondly to explain how conflicts of interest can be effectively mitigated.

The average investor has little concept of self-regulation generally or knowledge of the SROs specifically. If a single merged SRO is established, it will create an opportunity to better inform investors because the new system will be simpler. Outreach, education, and promotion to investors will be needed.

This is an important issue because SROs are the front line of protection for investors and it is important for clients to understand this. SROs deal with many issues that are most likely to affect investors and their dealings with investment firms and advisors including client relationship management standards, sales compliance rules and supervision, complaints and misconduct, market surveillance and market conduct, etc.

Ideally a single set of basic information and investor education tools, such as website content, pamphlets and videos, should be deployed by all SROs, regulators, firms and industry organizations on what the SROs do for investors and how the system works.

Complaint resolution

> "*Many stakeholders noted that investors have difficulty understanding and accessing the complaint process to pursue recourse caused by misconduct. Specifically, they raised concerns regarding where to direct complaints, how to file a complaint and from which regulatory body or organization to seek redress. While investors can rely on many avenues of recourse in the current securities regulatory framework, they may not be able to efficiently access them or may choose not to access them. The avenues of recourse available to investors include:*

- *the internal complaint resolution process of the entity from which they purchased the security (e.g. customer service group and internal ombudsman),*
- *the independent dispute resolution services of the Ombudsman for Banking Services and Investments (**OBSI**)[32] notwithstanding that such decisions are not legally binding and are subject to compensation limits,*
- *making a complaint directly with the applicable SRO,*
- *an arbitration mechanism, or*
- *litigation.*

Additionally, in Quebec, the AMF also processes complaints filed by consumers and provides them with access to dispute resolution services."

FAIR Canada believes the current complaints system is unnecessarily complicated and fails to serve investors well. Investors need a clear, simple, timely and responsive system for resolution of complaints. Not only do investors find it hard to understand the complaints process), the system does not address their complaints effectively in many cases, especially if they are seeking compensation for losses caused by misconduct or non-compliance.

Ideally a consolidated complaints portal and process should be provided for filing all types of complaints with investment firms, SROs, and regulators. The system should be organized so that complaints are automatically routed to the right body. Further, a consistent process should apply to all types of complaints and be subject to service standards that apply consistently across organizations.

The complaints system imposes these burdens on investors:

- **Complicated complaint processes.** Complaint processes vary not only by the type of firm, SRO and product involved but also vary depending on the procedures in place at the firm, SRO and CSA regulator that may be involved. Current complaint processes are confusing for investors and difficult to navigate. They do not have ready access to useful help or guidance on filing complaints and descriptions of the process on many websites, including the SROs' sites are inadequate.
- **Challenges in obtaining compensation for losses caused by broker misconduct** If the complaint is escalated to OBSI, the investor must deal with yet another set of processes to file and pursue a claim. Even if OBSI ultimately finds that an investor should be compensated for losses, the firm might not comply with it.
- Firms often offer "low-ball" offers to investors in attempts to close the complaint. While firms are equipped to manage such negotiations, investors are often further disadvantaged in these situations.
- The range of processes, rules, forms, documentation, and other requirements involved in all these complaint and compensation claims files collectively impose a huge burden

on the least sophisticated party to sort out – the investor. It is very difficult to persevere to the stage where one might – only might – obtain a fair and reasonable resolution of the matter.

Suggestions for Improving Complaint Handling to Better Serve Investors

- Establish a universal online portal for all complaints that investors can access to file any type of investment complaint. The portal should filter complaints to SROs, regulators or marketplaces, leaving it to the industry and regulators to figure out how best to route complaints to the right organization.
- Use fintech to carry out initial screening of complaints and deliver them to the right organization.
- Set up a central complaint process advisory service. This should be provided by the SROs at least, and ideally include the regulators. It should include a website with clear step-by-step guides to filing a complaint, video guides (which could be posted on social media), a FAQ and access to advice by automated response, phone or chat. (Most queries could be answered on an automated basis.)
- Use data analytics tools to analyze the data on complaints filed. Use results as an input to provide compliance guidance to firms, risk assessment for compliance examinations and for regular reporting to regulators and the public.
- Mandate standardized, clear and transparent processes on handling complaints by firms, SROs and regulators, including timelines and content of responses.

Investor protection fund coverage

The current protection funds should be consolidated on terms that provide a uniform level of protection to investors. It does not make sense to have two different protection funds maintained by IIROC and the MFDA with different terms and conditions. A single fund would have a higher profile with investors and one level of protection would be easier to understand.

Significant gaps exist in the system because firms that are not SRO members are not covered. Yet those firms generally have a higher risk of insolvency, being mostly small, specialized dealers. Few investors are aware of this gap. Ideally, all registrants that deal with public investors should be obligated to participate in the investor protection fund, even if they remain outside the SRO system.

8. Issue 4: Structural Inflexibility

Investor impact: Medium
Targeted Outcome for Consideration: A flexible regulatory framework that accommodates innovation and adapts to change while protecting investors.

FAIR Canada does not consider this outcome statement to be appropriately worded. While accommodating and adapting to innovation is a laudable and necessary goal, we need to recognize there are many barriers to innovation. stemming from entrenched business models and compensation structures. One only must look at DSCs and how the industry resisted new regulatory approaches designed to protect investors to appreciate the point that existing business models also limit innovation.

Moreover, innovation is typically viewed from the perspective of industry, and not with the investor in mind.

Although many in the industry complain about the inefficiencies and inflexibility of the system, the industry is still resistant to changes that would benefit both firms and investors. For example, many want to retain the current full-service, discount and mutual fund dealer models and their respective customized rules for a long transition period to minimize the costs of adapting to a new system. Such plans again focus on dealers' needs and objectives instead of the investor's needs.

We are also concerned that the CSA's outcome statement does not address fundamental "access to advice" issues experienced by retail investors. The industry is increasingly focused on serving high net worth clients and people seeking wealth management solutions. Canadians with higher net worth and/or in urban settings tend to have access to a broader range of products and services through investment dealers, while less affluent Canadians and/or those living in rural communities tend to have access to limited services through mutual fund dealers.

The statement would be better worded as: A framework that accommodates regulatory and industry innovation while optimizing investment opportunities and protections for all investors. The current regulatory framework and structure of the industry have a negative impact on investors. Investors, particularly retail investors, would prefer a simpler system where most products and investment services are available through a single source. This finding is supported by IIROC's recent report *Enabling the Evolution of Advice in Canada*[7] and their

[7] *Enabling the Evolution of Advice in Canada,* IIROC and Accenture Consulting, 2019, https://www.iiroc.ca/industry/Documents/Evolution%20of%20Advice%20Report_EN.pdf

investor study *Access to Advice*[8], which found that Canadians want access to a broader suite of products and services through one firm and account, as well as the ability to consume investment advice on their own terms.

Investors are not well served by a system that provides for many firms that sell mostly high fee mutual funds only. It is very difficult to reconcile the best interest approach – or even the existing suitability standard – for investment advice with a regulatory system that provides for dealers that only can offer a narrow range of products. MFDA-regulated mutual fund dealers have been able to offer ETFs to clients only recently, which are much lower cost products than mutual funds. The MFDA promulgated new proficiency and training requirements for that purpose.

More flexible rules on dealer structure and access could help to mitigate such limitations. The system should encourage firms to offer advisory services to a wider audience. That means the legal framework and the SRO system should be streamlined to avoid imposing additional processes and costs that impede access to services unless those processes are necessary to protect investors.

Suggestions for Improving Access to Investment Services

- Permit all SRO firms to offer access to all types of investment products offered to the public and to most types of investment services.
- Streamline account opening and contract procedures that are necessary to provide access to additional products and services (such as online trading, options, USD trading)
- Encourage wider provision of online services and self-help tools to reduce the costs of servicing investors and thus reduce fee and geographic barriers.

9. Issue 2: Product-Based Regulation

Investor impact: low to medium
Targeted Outcome for Consideration: A regulatory framework that minimizes opportunities for regulatory arbitrage, including the consistent development and application of rules.

FAIR Canada agrees that it is important to minimize regulatory arbitrage and that rules be applied and interpreted consistently among the CSA and SROs. The issues identified in the Consultation Paper regarding investor confusion about registration categories and use of

[8] *Access to Advice,* IIROC and The Strategic Council, January 2020, https://www.iiroc.ca/investors/Documents/Access-to-Advice-Presentation-FD_en.pdf

misleading business titles by salespersons are not captured by this outcome statement. We believe it is also important that the regulatory framework minimizes opportunities for investor confusion, as well as recognizing the reality that many investors, particularly average retail investors, would prefer a one-stop solution to meet their investment needs. As discussed above under Issue 4, the structure of the current system has a negative impact on investors.

Investors expect a system where similar investment products are similarly regulated and with similar levels of compliance oversight. Different investors buying similar or the same investment services and products should not be treated differently or have varying levels of protection based simply on the type of product or firm they are dealing with.

FAIR Canada also recommends that the CSA rethink the concept of "proficiency" in today's capital markets Given the increasing preference for one-stop solutions, Dealers and advisers must, in addition to any client-focused reforms, meet new and enhanced proficiency standards. Considering the range of products available, the interrelationship between markets, and product complexity and risk profiles, itis time to treat registrants as a profession rather than as licensees able to sell a limited set of products and services.

Suggestions for Improving Access to Investment Products

- Promote a uniform set of rules and standards governing the client relationship and providing investment advice as soon as possible.
- Move away from a product-based licensing regime, and replace it with enhanced proficiency requirements, supplemented by specific certifications as needed.
- Ensure that one-stop shopping for different products and services is truly appropriate for investors, and investors are clearly informed about important differences in their rights and protections depending on which products they purchase or services they use.

10. Issue 3: Regulatory Inefficiencies

Investor impact: low to medium
Targeted Outcome for Consideration: A regulatory framework that provides consistent access, where appropriate, to similar products and services for registrants and investors.

FAIR Canada does not believe this outcome statement is appropriately worded. This section of the Consultation Paper covers concerns over product/service access, issues resolution, regulatory burden and inefficiencies, and duplication in some costs. The statement is too narrowly focused on access to products and services for some categories of registrants. Moreover, while this section also speaks to regulatory costs and other inefficiencies, the issue of costs is viewed solely from the perspective of CSA oversight or in terms of SRO overheads. What about the costs and inefficiencies from an investor's perspective?

"Where appropriate" is an important qualifier in this outcome statement. We assume that the qualifier reflects a concern that in some cases it would not be appropriate for some types registrants to sell certain products or provide certain services to investors. To the extent the CSA wishes to focus on the issue of consistency in access to products and services, the investor's perspective should be paramount

The inefficiencies and the obstacles the current system creates for investors merit equal attention from the CSA. The obstacles extend well beyond issues of access to products and services or to SRO and regulator processes that investors must navigate. Again, we question a discussion of regulatory inefficiencies that focuses mainly on industry's concern about costs.

11. Issue 7: Market Surveillance

Investor impact: low to medium
Targeted Outcome for Consideration: An integrated regulatory framework that fosters timely, efficient access to market data and effective market surveillance, to ensure appropriate policy development, enforcement, and management of systemic risk.

Robust market surveillance programs are essential to protect investors and maintain market integrity. FAIR Canada supports a strong national and integrated market surveillance solution that relies on the latest technology and is adequately staffed to ensure all alerts and issues are analyzed and investigated. It is important for the market supervision program to also include an effective central complaints process (including gathering tips on potential concerns) and onsite examinations of trading operations at investment firms.

IIROC effectively operates a national market surveillance monitoring program across the full range of marketplaces that it supervises. They also have a role in monitoring trading in debt markets and publishes information on corporate bond trading on a website.

FAIR Canada supports IIROC's continued performance of market surveillance functions and related market supervision functions based on its track record. Its national, integrated market monitoring system appears to be working well and it is difficult to see how various provincial regulators could effectively operate a national surveillance program. Transitioning to a CSA-

36 King Street East | Toronto, ON | M5C 1E5 | www.faircanada.ca

operated program would be difficult, costly and carry risk. We believe that the CSA's oversight processes are capable of ensuring that IIROC's program is operating effectively, that its surveillance tools are up to date with leading solutions and that its functions are adequately staffed to provide sound market supervision.

Market surveillance programs also require major investment in IT tools including an integrated platform for surveillance alert generation, exceptions reporting and trading analysis. Effective and timely analysis of anomalies in trading requires sophisticated data analytics and filtering programs that enable a wide range of market data to be analyzed across all marketplaces. IIROC has maintained state of the art surveillance systems that support a national consolidated solution for all equities marketplaces plus debt markets. Last year IIROC completed the implementation of a new, leading-edge surveillance IT platform that significantly improved its ability to supervise markets.

It is important for the regulators to have access to trading data and analytical tools to both conduct investigations of violations of securities laws and develop regulatory policy. The Consultation Paper notes the CSA is developing a market analytics platform (MAP) to support both market policy research and investigation of complex cases such as insider trading and market manipulation. IIROC is supporting the launch of MAP and is providing solutions to securely transfer equities and debt trade data to MAP daily.

12. Issue 1: Duplicative Operating Costs for Dual Platform Dealers

Investor impact: low
Targeted Outcome for Consideration: A regulatory framework that minimizes redundancies that do not provide corresponding regulatory value.

This outcome statement is vague and difficult to clearly understand. We also question why the issue of dual platform dealers should be addressed by reconsidering the regulatory framework for self-regulatory organizations. It might be better to address the concerns of the 25 firms providing services on dual platforms in a separate initiative. Only a small subset of dealers (about 10% of all registered firms) would directly benefit. Many other dealers might see an increase in their operating costs, new compliance functions and information technology system requirements.

The issue of duplicative operating costs for dual platform dealers should not be a significant consideration in this review. It is not a priority issue compared to SRO governance and other public interest concerns.

36 King Street East | Toronto, ON | M5C 1E5 | www.faircanada.ca

We wish to acknowledge the contribution of John Carson, Capital Markets Consultant, who greatly assisted FAIR Canada in reviewing the Consultation Paper and developing these comments and submissions.

We thank the CSA for the opportunity to provide our comments in this submission. Please note we intend to make our submission public by posting it to the FAIR Canada website. We would be pleased to answer questions or discuss our submission with the CSA to further explain our views.

For further information:

Jean-Paul Bureaud, Executive Director, FAIR Canada
jp.bureaud@faircanada.ca

Douglas Walker, Deputy Director, FAIR Canada
douglas.walker@faircanada.ca