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FAIR Focus: Should Canada continue to rely on the securities industry to regulate itself?

The Canadian Securities Administrators (CSA), the umbrella organization of Canada's provincial and territorial statutory securities regulators, is seeking feedback on Canada's framework for self-regulatory organizations (SRO). Canada's securities regulators rely on a system of SROs, under the oversight of the CSA, to directly register and regulate securities industry firms, investment representatives and advisors. This is the first comprehensive review of this type by the CSA since 2006. Other organizations have also proposed reforms to the framework, including the SROs themselves - Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Fund Dealers Association (MFDA) - and the Capital Markets Modernization Taskforce (Ontario)

FAIR Canada provided [feedback](#) to the CSA, including offering numerous concrete suggestions on how to better address the inherent conflicts of interest within an SRO, to help better protect investors, and support the public's confidence in SROs. These include:

- 1) The CSA's focus should be on ensuring self-regulation is serving the public interest, and not just on costs savings and reducing regulatory burden for the industry. To the extent that the CSA does rely on



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SROs to provide investor protection and public confidence in the integrity and fairness of capital markets, the public must be reassured that such reliance is appropriate.

2) The existing framework and specific SROs practices should be improved in the following areas:

- The SRO's Board of Directors should be more inclusive and representative of the public interest and investors.
- SROs should pro-actively seek broad public input into their rule-making, policy and strategic priorities decision-making and should give priority to investor protection issues and concerns in these processes.
- In addition to taking enforcement actions against individual representatives for misconduct that leads to investors being harmed, the SROs should also do more to impose sanction on firms' that fail to properly supervise their representatives or to adequately monitor compliance with the rules.
- The SROs should make compensating harmed investors a priority in their enforcements.

3) The CSA needs to assess how well the SROs are working and serving the public interest as part of their oversight reviews.

4) The current SRO system is confusing and produces unnecessary obstacles and inefficiencies for investors. We need to improve the client complaints processes and find ways compensate investors that have been harmed by industry misconduct.

5) We need to address these keys problems before embarking on any proposal to merge the two main SROs, IIROC and the MFDA.

Standing up for Investors ~ The Investment Executive profiled FAIR Canada's new Executive Director, Jean-Paul Bureaud in an October 9 article titled [Standing up for Investors](#). Mr. Bureaud spoke about the importance of FAIR Canada's work and it's continuing efforts to be a catalyst for change and an advocate for investors: "It's still very important to have an independent national organization that can do its own research and tap into the experience of investors from across this country to help inform policy-making choices and improve the regulatory system in Canada for everyone, including the retail investors". He also noted his optimism that FAIR Canada would be receiving additional funding to help support its mission.

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FAIR Canada calls on all Canadians who value investor protections, shareholders rights, fairness and integrity of the capital markets to express their support for FAIR Canada and its mission, to show your support by subscribing to this newsletter and to help us reach more Canadians by asking your friends and colleagues to [subscribe](#).

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