



Letter from the President

Learning from Our Member Firms: How IIAC Can Strengthen Its Role as an Industry Association

IIAC's credibility as the industry's spokesperson depends on how well we reflect and represent our members' concerns, priorities and views. To help ensure that our agenda is in line with member expectations, in March we conducted a survey of member firms on IIAC's effectiveness as an association for the Canadian securities industry.

Survey Construct and Member Expectations

Survey respondents were asked about the role they expected the Association to perform and their assessment of the Association's recent activities and successes. Specifically, member firms were asked to identify the business challenges facing dealers in today's markets, and the role and specific initiatives that should be undertaken by the Association. Firms were also asked to assess the effectiveness of the Association in responding to industry needs, and communicating its activities to member firms.

The survey strongly demonstrated that the Association strategic agenda that has been in place for several years – placing the focus on advocacy and member firm support – reflects the expectations of member firms for their association. This outcome can be traced to the effectiveness of the Association's industry "listening posts" to identify firm needs, an important source of input into the strategic plan. The congruence between expectations and the IIAC strategy also reflects the responsiveness of staff to regulatory and tax initiatives, and the mobilization of many professionals to serve on Association working groups and committees. Indeed, the majority of survey respondents were involved in IIAC working groups and committees, giving them first-hand knowledge of its operations. While the survey indicates the Association is oriented in the right direction to serve members, there is still room for improvement in terms of the quality of the industry response, the depth of our committees and their ability to reach constructive consensus, and the effectiveness of communicating initiatives and outcomes to member firms at large.

Two of the top three business challenges identified in the survey related to business and market conditions – the volatility of the markets and underlying uncertainty and unpredictability that has dampened active participation by investors and issuers, and

the need to build revenues and profitability through expansion of client activity in the capital markets. The third top challenge identified is the need to keep aware of regulatory changes and ensure compliance. This latter challenge is echoed in the need to maintain strong cost control, ranked in order just below the first three business challenges.

Industry expectations for IIAC relate to these business challenges. The respondents indicated the priorities should be i) to represent and advocate on behalf of investment dealer firms in the Canadian securities industry – the Association should be a strong and credible voice making the case for a necessary rule framework that is practical and cost-effective to implement and administer, and ii) to support member firms by making them aware of new rules and helping them comply through tools, templates, best practices and roundtables.

Advocacy and Member Support

The survey gives the Association good marks for its advocacy and member support efforts, reflecting these areas' priority in the strategic plan. The IIAC advocacy agenda includes the rules related to the Client Relationship Model; regulation of multiple markets – notably market data pricing and best execution across markets; U.S. tax-reporting obligations under FATCA legislation; and the U.S. FINRA rules related to U.S. affiliate back-office clearing and settlement. We have had notable success in influencing changes in these rules and regulations. Further, the Association has been an active proponent of a national securities regulator for Canadian capital markets. All these advocacy initiatives were identified as priorities in the survey.

The IIAC strategic plan also focuses on member support to enhance awareness of imminent rules, including developing tools, templates and best practices. Some IIAC achievements have included industry best practices for new product due diligence, outside business activities and the treatment of fee-based accounts. However, the industry has also convened an annual Small Dealers Symposium in recent years to deliver strategic advice to smaller firms on growing their businesses and containing costs, and managing corporate mergers and acquisitions with other firms. The small dealer roundtable has

grown in popularity as firms have convened to discuss new regulations, the related compliance challenges, compliance techniques and technology.

The Association has played an important industry liaison role in the design and construction of a centrally cleared repo netting system, input in the regulatory framework for the OTC derivatives market, and the clearing technology to facilitate portfolio adjustments for stock splits (the “due bills” project).

Survey respondents ranked the weekly email newsletter and personal staff contacts as the most useful communications with member firms. While the results noted an overall positive assessment of the IIAC website, concerns were raised about its accessibility to users, particularly accessing information from the private members-only site. Despite this positive survey assessment, we need to improve our communications in terms of clearer and more targeted messaging to our key stakeholders. To help achieve this, we made the decision to place less emphasis on broad-based marketing, a decision consistent with a low survey ranking for initiatives designed to raise image and profile. We believe profile and image should evolve over time as we succeed in our core mandate of advocacy and member support.

Conclusion

The survey results are an ongoing assessment of how the Association is doing, and how we can do our job better. Over time, we will continue to survey segments of the industry and the industry at large, for ideas and an assessment of our efforts. It is all about improving our role as industry advocate for member firms, and providing related support to our member firms on the compliance challenges that arise from the new rules. The real strength of the Association derives from its ability to identify the key regulatory and public policy issues at play, build a deep and diversified pool of industry opinion, and forge a strong consensus embracing industry objectives and the public interest. As we improve our effectiveness at building consensus and articulating positions on policy and regulation, we will be recognized as the thought leader for the securities industry. This will reinforce the credibility of the Association's positions, and the success of our advocacy agenda.

Yours sincerely,



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