

NEWS RELEASE

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IIAC Supportive of PCMA and CMSA Consultation Drafts

*Warns that pending legislation must adhere
to principles in existing securities law legislation*

Tuesday, December 9, 2014 (Toronto) – In its submission to the participating governments regarding the Provincial Capital Markets Act (PCMA) and the Capital Markets Stability Act (CMSA) consultation drafts, the Investment Industry Association of Canada (IIAC) underscored the importance of ensuring the proposed legislation is aligned and congruent with the existing statutes to the extent possible. This, according to the IIAC, will avoid disruption in market activity, and confusion and unnecessary costs to market participants. Moreover, the existing statutes embed principles of securities law developed through extensive consultation and debate, and have stood the test of time.

The IIAC reiterated support for a national cooperative securities regulator, noting that the proposed Cooperative Capital Markets Regulatory System (CCMRS) will:

- Foster more efficient and globally competitive markets;
- Provide one voice on the international stage; and
- Enhance efficiencies by strategic priority settings.

According to the IIAC submission, additional benefits include:

“The CCMRS will also protect regional interests and provide a more streamlined process for small regional businesses to raise and grow capital by eliminating differing rules, regulatory arbitrage and duplication that exist in the provincial securities system. The CCMRS will provide a better balance between financial stability/investor protection and market efficiency. Finally, it will enhance the ability of law enforcement and prosecutors to achieve better criminal enforcement across Canada.”

The IIAC has provided a blueprint to realize these benefits:

- Ensure the transition to the PCMA is seamless to avoid additional costs for market participants.
- During the transition to the PCMA no material changes can be made to existing securities laws and practices, including discretionary relief that market participants currently rely upon in the participating provinces.

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- The CMSA must not impose undue regulatory burdens on capital market participants. The authority to regulate systemic risk should be used judiciously, with utmost coordination between other prudential regulators such as the Office of the Superintendent of Financial Institutions, and the Bank of Canada.
- A simplified and transparent common set of fees needs to be developed to promote efficiency benefitting large and small dealers, and market participants.
- The policy and regulation-making process should be open and transparent, and hear and consider the perspectives, interests and concerns of market participants and investors from all regions of Canada.
- The governance structure will need to embed the best corporate governance practices, including clearly articulated guidelines and procedures for selection and appointment of the Authority's board members and senior officials, based on merit and expertise.

Ian Russell, IIAC President and CEO, said the Association will continue to work with the participating governments to ensure these proposals are included in the pending legislation.

IIAC Concerns with the Consultative Drafts

Despite the IIAC's ongoing support for the cooperative regulator, Russell said there are concerns with the Acts which need to be addressed. But one example involves how the new regulatory system will interact with non-participating jurisdictions and the industry's primary regulator, IIROC. According to the submission:

"It is vital that this interaction not increase the costs to market participants or result in disruption of their activities in the non-participating jurisdictions. The IIAC urges the participating governments to provide guidance on how it expects this interaction to work, and whether there will be an enhanced and revised 'passport' regime.

"Consideration must be given to providing guidance on the role that a newly formed Authority would play with the non-participating jurisdictions. In addition, as our members' primary regulator is IIROC, we are concerned about how the existing oversight of Self-Regulatory Organizations will be maintained and what the interplay will be with the oversight and recognition provided by the non-participating jurisdictions."

Additional concerns can be found in the [IIAC's submission](#).

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The IIAC – Representing Canada’s Investment Professionals

The Investment Industry Association of Canada (IIAC) is the national association representing the investment industry’s position on securities regulation, public policy and industry issues on behalf of our 160 IIROC-regulated investment dealer Member firms in the Canadian securities industry. These dealer firms are the key intermediaries in Canadian capital markets, accounting for the vast majority of financial advisory services, securities trading and underwriting in public and private markets for governments and corporations. The IIAC provides leadership for the Canadian securities industry with a commitment to a vibrant, prosperous investment industry driven by strong and efficient capital markets.

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