

Michelle Alexander
Vice-President and Corporate Secretary

May 9, 2017

Mr. Robert Day
Senior Specialist, Business Planning
Ontario Securities Commission
20 Queen Street West
Suite 2200
Toronto, Ontario M5H 3S8
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Dear Mr. Day:

Re: Request for Comments Regarding the Statement of Priorities for Fiscal Year Ending March 31, 2018 (the “Priorities”)

The Investment Industry Association of Canada (“IIAC”) appreciates the opportunity to respond to the request for comments on the OSC Priorities. The IIAC advances the position of the Canadian investment industry on regulatory and public policy issues. As the professional association for the industry, 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.

Overview

The IIAC and our member firms remain supportive of the OSC’s efforts to execute its mandate: providing protection to investors, fostering fair and efficient markets and fostering confidence in the capital markets. The delineation of strategic goals and initiatives is important to better focus efforts on building a more efficient and cost-effective regulatory system.

Best Interest Standard and Embedded Commissions

The IIAC supports the OSC’s decision to ensure alignment between the interest of investors and their advisors. As stated in previous IIAC submissions on these issues, and in our soon to be submitted comment on CP 81-408, the IIAC supports the principles of advisors putting clients first and ensuring that fees and charges are fully transparent and understood, thereby enabling investors to make the most informed decisions possible.

The IIAC has also indicated its willingness to work cooperatively with the regulators, notably IIROC, as it develops next steps following the completion of its review of compensation-related conflicts of interests and how firms currently identify, monitor and manage these conflicts.

We are pleased to note that the OSC is planning to conduct a regulatory impact analysis of proposed regulatory provisions to create a best interest standard and targeted regulatory reforms. As outlined in previous submissions, such an analysis is necessary to assess whether the incremental benefits of any new rules, both with respect to a regulatory best interest standard or a discontinuation of embedded commissions, outweighs the costs of implementing and complying with these additional rules, in terms of an increased compliance burden and costs that would be imposed on registered firms, advisors and clients. The IIAC would offer its full support and assistance in the OSC undertaking a cost-benefit analysis.

Investor Education

The IIAC continues to call for improved investor education and recognizes and appreciates the work of the OSC's Investor Office. Given the rapid changes in the regulatory landscape in recent years (notably with the introduction of CRM2), the work of the Investor Office has increased in importance.

Recommendations on OBSI

The IIAC looks forward to working with OBSI and the Joint Regulators to continue to improve OBSI's processes in a manner that promotes fair and impartial outcomes for all stakeholders.

Regulatory Burden

The IIAC continues to stress the increasing regulatory burden for market participants. We fully support the OSC's efforts in maintaining robust investor protection and also recognize that a cost-effective regulatory framework is necessary to ensure innovation and competition.

We recently followed up with the OSC on a project from several years ago where the IIAC provided a list of regulatory requirements that were identified as potentially obsolete, duplicative and ineffective and, if addressed, would help to alleviate the regulatory burden placed upon our member firms.

Continued review and modification of the existing rulebook should be integral to the reform exercise to mitigate rule complexity and the compliance burden on market participants and investors, and to ensure market efficiency without jeopardizing investor protection. Furthermore, an ongoing review of the existing regulatory requirements should be a high priority due to recent changes in investor behaviour and market structure.

We have asked the OSC, in addition to the other provincial securities commissions, to re-engage in this project with the IIAC given the importance of this initiative to our member firms and the OSC's ongoing stated commitment to help to ensure that rules do not impose an unnecessary regulatory burden on firms, and the OSC's newly stated priority to seek feedback to identify specific areas of securities legislation that may duplicate other requirements, may not be achieving the OSC's regulatory objectives, or where the regulatory burden may be disproportionate to the regulatory objectives that are achieved. The IIAC appreciates the actions of the CSA to identify opportunities to reduce or eliminate redundant or

unnecessary non-investment fund reporting issuer disclosure and also options for streamlined disclosure for investment fund regulation.

Fintech

The IIAC supports the OSC's efforts to engage with the Fintech community, to the extent it helps the industry take advantage of opportunities to develop business structures adaptable to the future. It is critical, however, that the OSC's support of a regulatory framework does not favour the emerging Fintech industry over more traditional financial industry business models, such that businesses operating under long standing business principles and practices are put at a regulatory and competitive disadvantage to the emerging actors.

Cybersecurity Preparedness

We support the OSC's approach to promoting cybersecurity through collaboration on risk preparedness and responsiveness, rather than increasing regulation. By facilitating sharing of information and best practices, and monitoring the state of the industry, the OSC can help its constituents develop effective plans and processes tailored to their specific circumstances.

OTC Derivatives Regulatory Framework

The IIAC appreciates the leadership demonstrated by the OSC to develop an over-the-counter (OTC) derivatives regulatory framework in Canada that will meet the G20 commitments and align with international standards. The IIAC is currently reviewing the proposed regulatory regime that would establish conduct rules similar to those for equities markets, but with unique measures. We are hoping there will be alignment and harmonization of OTC derivatives rulemaking across Canadian jurisdictions, both with respect to timing and content of rules. We understand that given the complexities of derivatives legislation, it may not be possible to develop a national framework; however, regulators must work carefully to ensure provincial regulations are harmonized. We urge the OSC to increase its efforts to harmonize with the other CSA jurisdictions with the goal of reducing confusion and risk for participants, improving overall efficiency, and ensuring that Canada's marketplace remains competitive globally.

Cooperative Capital Markets Regulatory Authority

The IIAC is pleased to see the OSC's continued support for the transition to the CMRA. The IIAC shares the OSC's view that the CMRA will deliver more effective regulation for Canadian markets and ensure the timely implementation of regulation in response to rapidly changing market developments.

Again, we appreciate the opportunity to comment on the Priorities. Please do not hesitate to contact me to discuss the matters raised in this letter.

Yours sincerely,

