

May 18, 2018

BY EMAIL

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Dear Sirs/Mesdames:

Re: OSC Notice 11-780 *Statement of Priorities – Request for Comment Regarding Statement of Priorities for Financial Year to End March 31, 2019* (the “Statement of Priorities”)

The Canadian Advocacy Council¹ for Canadian CFA Institute² Societies (the CAC) appreciates the opportunity to comment on the Statement of Priorities.

We support the focus of the Ontario Securities Commission (the “OSC”) on delivering strong investor protection as mandated by the *Securities Act* (Ontario). In this regard, we note that the Statement of Priorities sets out various regulatory actions that the OSC seeks to undertake, including publishing regulatory reforms and regulatory actions to address the best interests of the client and embedded commissions. The regulatory reforms and regulatory actions contemplated include rule proposals and policy recommendations. We have previously commented extensively in connection with these initiatives which are important for investor protection, and look forward to a speedy conclusion of these issues.

As an example, we strongly support the proposed reform that registrants who provide advice to clients abide by a best interest standard as well as heightened obligations of advisers and dealers towards their clients. We also support a stricter

¹The CAC represents more than 15,000 Canadian members of CFA Institute and its 12 Member Societies across Canada. The CAC membership includes portfolio managers, analysts and other investment professionals in Canada who review regulatory, legislative, and standard setting developments affecting investors, investment professionals, and the capital markets in Canada. See the CAC's website at <http://www.cfasociety.org/cac>. Our Code of Ethics and Standards of Professional Conduct can be found at <http://www.cfainstitute.org/ethics/codes/ethics/Pages/index.aspx>.

² CFA Institute is the global association of investment professionals that sets the standard for professional excellence and credentials. The organization is a champion for ethical behavior in investment markets and a respected source of knowledge in the global financial community. The end goal: to create an environment where investors' interests come first, markets function at their best, and economies grow. CFA Institute has more than 155,000 members in 165 countries, including more than 148,900 CFA charterholders and 149 member societies. For more information, visit www.cfainstitute.org.

approach to regulating titles, which could assist investors in understanding the roles and responsibilities of the registrants with whom they deal. We look forward to further work on potential enhanced proficiency requirements for registrants. Together with our previous submissions with respect to discontinuing embedded commissions, we believe these measures may reduce conflicts, improves disclosure of fees and compensation and puts investor interests first, all important reforms that CAC has advocated for and remains open to discuss at any time.

Further, we are of the view that the OSC's proposed actions with respect to enhancing compliance with recommendations of the Ombudsman for Banking Services and Investments (including investor redress), are critical. CFA Institute has published a study recommending an increase in the availability and quality of redress mechanisms in retail financial markets.³

We fully support the OSC's proposed actions with respect to its Seniors Strategy and will be making separate comments on this initiative.

We note the efforts of the OSC in seeking to work with Fintech businesses (including in the context of online advisors) as part of delivering responsive regulation. It is important that the Fintech regime is sufficiently flexible to allow for new technologies and transactions, including for example in the context of digital currency, in order to bring legitimacy, attract investors and promote economic activity. Enforcement of the current framework should be a priority, while permitting potential exemptions when the framework is unable to accommodate the technology (and not the business model). It is also important for all regulators in the space to be transparent with respect to requests for exemptions received and policy options in order to land on a consolidated approach with a level playing field.

A recent study by CFA Institute of more than 3,000 individual investors and 800 institutional investors across 12 markets, including 501 retail investors and 36 institutional investors in Canada, identified that technology enhances investor trust. Investors of all ages and from all regions want more technology applied to investing, and trust in technology is generally high. Moreover, the effective use of technology increases trust in a financial adviser or firm, and new blockchain technology holds the promise of creating more trust in the system⁴.

While we support initiatives aimed at reducing regulatory burden while still maintaining adequate investor protection, we think stronger oversight and more robust guidance in respect of cybersecurity is warranted in light of various cyber-attacks that market players have been subject to over the past few years.

We look forward to the publication of the effectiveness evaluation regarding Phase 2 of the Client Relationship Model and the impact of the Point of Sale amendments. In addition, as we have previously submitted to other regulators in Canada, we continue

³ CFA Institute, Redress in Retail Investment Markets: International Perspectives and Best Practices (2014).

⁴ CFA Institute, The Next Generation of Trust: A Global Survey on the State of Investor Trust, online <https://nextgentrust.cfainstitute.org/wp-content/uploads/2018/03/CFAITrust-Global-Report.pdf>.

to support regulatory reforms on disclosure of women on boards and in executive officer positions and welcome further movement on that front.

We also support initiatives that aim to build capacity within the OSC through better use of data driven governance and building data analytics teams to move towards real-time monitoring and predictive analytics. In addition, we welcome collaboration with the OSC on behavioral research, which is a key priority for the Investor Office.

Finally, OSC's work with other regulators as it relates to the derivatives regulatory regime, and the publishing of various related rules will seek to promote financial stability and allow regulators to monitor and assess financial stability risks. There are a number of rule changes included in the Statement of Priorities in this respect, and the success of these initiatives will, in part, depend on the collaboration of the OSC with its global partners.

Concluding Remarks

We thank you for the opportunity to provide these comments. We would be happy to address any questions you may have and appreciate the time you are taking to consider our points of view. Please feel free to contact us at cac@cfacanada.org on this or any other issue in future.

(Signed) *The Canadian Advocacy Council for
Canadian CFA Institute Societies*

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