

CAC Member Report to Local Board

March 29, 2019

The CAC met on the phone on March 12th, 2019. The CAC is actively engaged in preliminary discussions on three proposals: equity market internalization (CSA/IIROC 23-406), designated benchmarks (NI 25-102) and syndicated mortgages (NI 45-106 and NI 31-103).

The internalization proposal focuses on the “tragedy of the commons” and ask how regulators should balance the best interest of the broker, client, and investor with the best interest of the marketplace overall.

The designated benchmark proposal seeks to establish a regulatory regime for Canadian benchmarks that is compatible with the European Union’s equivalency regime (the focus is initially on CDOR and CORRA rates).

The syndicated mortgage proposal is still being reviewed by the council.

Since the February report, the CAC provided comments on the following consultation (all letters can be seen on the CAC website, www.cfaadvocacy.ca)

- OSC Staff Notice 11-784 Burden Reduction (filed March 1, 2019)

About the notice

The OSC is looking for ways to reduce unnecessary regulatory burden, with a focus on (1) Operational and procedural changes. In particular, identifying changes to make day-to-day interactions with the OSC easier, less costly and provide certainty regarding regulatory requirements and outcomes. (2) Rule changes with a focus on identifying rules that are inconsistent with the rules of other jurisdictions and specific requirements that no longer serve a valid purpose. (3) Enhancing and improving investor experience with the disclosure provided to them, for example, by promoting plain language disclosure.

Overview of the Council's comments

The council applauded the OSC's intention and efforts to reduce regulatory burden and the willingness to seek feedback. In its survey response, the CAC provided targeted recommendations in the three areas in question. In summary, the council suggested the OSC work in tandem with other CSA jurisdiction to reduce regulatory burdens. For example, removing duplicative disclosure requirements in fund prospectus and fund facts documents. The council also suggested a more data driven approach to suggesting new regulations to help articulate how new regulations will improve outcomes. A transparent risk-based approach to targeting deficient registrants. The council suggested more technology oriented solutions to improve interaction, transparency and engagement between investors and market participants and regulators. The council also recommended a mechanism for regulated firms to escalate compliance review disagreements and ask questions about regulatory expectations and seek regulatory feedback.

The CAC is actively working on a response to the following consultations:

- Joint CSA/IIROC Consultation Paper 23-406- Internalization within the Canadian Equity Market (due May 13, 2019)

About the notice

The CSA and IIROC seek feedback in response to concerns regarding the internalization of retail/small orders within the Canadian equity market. While there are a variety of competing interests, the underlying goal is to ensure the protection of investors, and to foster fair and efficient capital markets and confidence in capital markets. In addition to the specific questions put forth throughout the Consultation Paper, general comments in relation to internalization were welcomed.

General Affairs:

The CAC is still looking to add a few members to its membership base. If you are a dedicated volunteer with strong communication skills and interested in helping shape the future of our capital markets we would like to hear from you! Feel free to contact us for more information at cac@cfacanada.org.

Reminder:

All letters can be seen on the CAC website, www.cfaadvocacy.ca

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Chair, Canadian Advocacy Council