



Independent Financial Brokers of Canada
740-30 Eglinton Avenue West, Mississauga, ON L5R 3E7

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Alberta Securities Commission
Autorité des marchés financiers
British Columbia Securities Commission
Financial and Consumer Services Commission (New Brunswick)
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Nova Scotia Securities Commission
Nunavut Securities Office
Office of the Superintendent of Securities, Newfoundland and Labrador
Office of the Superintendent of Securities, Northwest Territories
Office of the Yukon Superintendent of Securities
Ontario Securities Commission
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island

Submitted by email to:

The Secretary
Ontario Securities Commission
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Dear Sirs & Mesdames:

Subject: CSA Position Paper 25-404, *New Self-Regulatory Organization Framework*

Independent Financial Brokers of Canada (IFB) appreciates the opportunity to comment on the [CSA's consultation paper](#) proposing a framework for a new national SRO.

About IFB

IFB is a national, professional association whose members are licensed financial advisors and planners. Many IFB members are regulated by either the Mutual Fund Dealers Association (MFDA) or the Investment Industry Regulatory Organization of Canada (IIROC). Most are also life insurance licensees, and as such are regulated by their provincial insurance regulator(s). Some are exempt market or scholarship plan registrants whose activities are regulated by their provincial securities commission(s).



IFB members are self-employed individuals who own small to medium sized financial services practices in their local community. They provide personalized advice and planning to families, individuals, and businesses across Canada - often over many years and spanning generations.

Advisors who have chosen to be independent provide an important community-based alternative to the financial advisory services offered by large integrated financial firms, and those restricted to the sale of proprietary products. IFB does not represent employees of financial firms/institutions or career agents of life insurance companies.

IFB members have become increasingly concerned with the impact a growing regulatory burden and costs associated with their financial advisory practice will have on their ability to advise clients, particularly those clients who are just beginning to invest or have smaller investment accounts. We think a new, more streamlined SRO framework, can be more efficient, reduce costs for registrants and their clients and, importantly, mitigate the confusion the current bifurcated SRO structure creates for the investing public.

We applaud the work the CSA has done in considering the many viewpoints expressed by commenters, such as IFB, to the previous consultations and believe the approach set out in this consultation demonstrates a positive move forward for the securities industry, its registrants, and investors.

Our comments

General comments on the New SRO framework:

IFB supports the proposed framework which will create a New SRO. We further agree with the CSA's phased approach which will initially, in Phase 1, integrate the existing SROs (the MFDA and IIROC) and their respective investor protection funds (New IFP). Phase 2 would examine the integration of the other registration categories, such as Portfolio Managers, Exempt Market Dealers and Scholarship Plan Dealers into the New SRO.

However, we are concerned that no timelines have been provided for either Phase 1 or Phase 2. The industry and its clients should not have to wait for a framework that is years away from implementation. Now that the CSA has examined the various alternatives, and set its direction, we urge the CSA to move forward as expeditiously as possible.

IFB supports national solutions which level the field for investors, firms, and advisors – regardless of the jurisdiction in which they conduct financial transactions. The current regulatory structure for securities and insurance is complex with 13 statutory provincial securities and insurance regulators and two national securities SROs. We are hopeful that the New SRO will address jurisdictional differences, current SRO differences, and reduce barriers for market participants and investors.

IFB encourages the CSA and its insurance counterparts, the CCIR/CISRO to work closely throughout the development of the New SRO to align the goal to treat all consumers fairly, regardless of the regime under which it is regulated. We agree that the Joint Forum of Financial Markets Regulators provides the



opportunity to consider harmonizing, where appropriate, securities and insurance regulation. We question why this is not scheduled to begin until Phase 2 and would encourage this to be a higher priority.

Governance:

IFB supports the proposed governance structure. In particular, we believe the public interest mandate, increasing the number of independent directors, and requiring the Chair to be independent, are important steps to improve upon the existing SRO structure. We also agree with increasing the CSA's oversight of the New SRO.

Given the size and power of this new SRO, an enhanced accountability framework will be essential. It must be reflective of the many types of SRO member firms that will be regulated by it and include strong investor representation.

Investor advocacy and representation:

The New SRO will be required to establish a separate investor office and investor advisory panel. IFB agrees that for the New SRO to adequately represent investors and fulfill its public interest mandate, there must be input from both industry stakeholders and investors.

Complaint handling:

IFB supports a centralized complaint reporting process. Consumers should have a single portal to lodge a complaint or report other infractions, such as suspected fraud, or unlicensed individuals or firms holding out in a misleading way.

IFB agrees that there should be service standards so those who file a complaint can have confidence that they will receive feedback within a specified time. Service standards are an important way for a regulator to set clear expectations and targets on what stakeholders and consumers can expect.

IFB recommends service standards more generally should form part of an overall performance measurement plan applicable to the New SRO, in its entirety. It should be reviewed by the Board as part of evaluating the New SRO's success in meeting its overall goals and objectives.

Greater transparency in enforcement:

IFB supports the CSA's intention to introduce greater transparency in the New SRO's enforcement processes and reasons for disciplinary decisions. As an advisor led association, we view transparency, fairness and a consistent approach to enforcement and disciplinary actions, as fundamental to ensuring the New SRO can deliver not only better investor protection but ensure registrants can be confident they will be treated in a fair and impartial manner.

IFB recommends that the New SRO publish its enforcement policies and processes on its website, so they are easily accessible to investors and those it regulates. The Financial Services Regulatory Authority of Ontario (FSRA) just completed a consultation on improving transparency in enforcement. It may be helpful for the CSA to consult with FSRA on its review.



Other matters

Directed Commissions:

IFB is pleased the CSA intends to establish a Directed Commission Working Group to examine the various tax and regulatory matters related to directed commission arrangements. As you note, Alberta and Saskatchewan amended their securities acts¹ to permit directed commissions after conducting research which found no reduction in regulatory authority in such instances. Currently, the MFDA and insurance regulators permit similar arrangements. Many of our members would welcome a harmonized, consistent approach to this matter.

Professional liability insurance:

IFB notes that there is no current requirement for mutual fund registrants to maintain valid Errors and Omissions insurance (E&O). We recommend that under the New SRO, all registrants be required to have, and maintain, E&O insurance as a mandatory licensing condition. This would bring mutual fund registrants in line with IIROC registrants and life insurance licensees. E&O provides an accessible and affordable recourse for investors in the event of a complaint.

Continuing Education:

Continuing education is considered to be a hallmark of professional development. IIROC has a CE requirement and the MFDA intends to introduce its CE at the end of 2021. As the New SRO moves forward, it will be important to streamline these two frameworks to reduce duplication and inconsistencies.

In addition, we urge the CSA to consider how best to encourage innovation and competition in the provision of CE. Currently, the IIROC CE approval process is expensive and uncompetitive. The MFDA system, through its proposed accreditation process, is very limiting for many educational providers. IFB supports a CE framework which is competitive and delivers a high standard of professional education. We believe the New SRO provides opportunities to improve upon the MFDA and IIROC models.

Access to advice:

IFB members are concerned that any newly formed SRO may lead to increased costs that will reduce their ability to advise clients of moderate means or be prohibitive to continuing to operate their financial practice. Access to advice will be undermined if existing mutual fund firms (and by extension their advisors) exit the investment industry due to an increase in cost or regulatory burden.

It will be important to reassure MFDA registrants that there will be a level regulatory field for mutual fund dealers and IIROC firms. The potential impact of increased costs will be far greater on smaller, independent mutual fund firms and their advisors, than on large integrated firms (like bank-owned investment firms). Clearly, large integrated firms are likely to realize a substantial reduction in costs under a single SRO, since they will no longer have to operate on both platforms.

In closing, IFB commends the CSA on its approach to implementing a New SRO. Our major concerns relate to the timing of its implementation, and potential costs for smaller, MFDA-only, firms and advisors. We are hopeful the process will move forward without significant delay and in a way that will

¹ These amendments have not been proclaimed.



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recognize the importance of ensuring professional investment advice remains accessible for consumers regardless of their resources.

IFB looks forward to working with the CSA and commenting further as future consultations are published.

Should you have any questions or wish to discuss our comments, please contact the undersigned or Susan Allemang, Director, Policy & Regulatory Affairs (E: sallemang@ifbc.ca).

Yours truly,
"Nancy Allan"

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