

VIA the FSRA website

October 5, 2021

Re: Proposed revisions to Rule 2019-001 – Assessments and Fees (FSRA “Fee Rule”)

The IIAC’s 115 IIROC-regulated investment dealer member firms are the key intermediaries in Canadian capital markets, account 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.

The Federation of Mutual Fund Dealers (“Federation”) has been, since 1996, Canada’s only dedicated voice of mutual fund dealers. We currently represent dealer firms with over \$124 billion of assets under administration and greater than 24 thousand licensed advisors that provide financial services to over 3.8 million Canadians and their families. As such we have a keen interest in all that impacts the dealer community, its advisors, and their clients.

Summary: The IIAC and the Federation continue to advocate for an exemption for both FPs and FAs employed by registrants who are subject to the oversight of an SRO, especially given the announcement of the New SRO.

Recommendations: The FSRA should consider the following when examining the benefits of an exemption from the titling framework for SRO registrants:

- The New SRO will harmonize existing SRO rules, policies, compliance and enforcement processes, as well as develop an enhanced governance process.
- The New SRO will retain the high standards of professionalism and proficiency in the industry.

- In addition to the enhanced titling requirements under the CFRs, the CSA is examining an expansion of titling requirements. Additional changes to titles by different regulators will only further confuse the existing public.
- The investor protection mandate of both the current and New SRO would ensure that the public interest is not harmed by such an exemption.
- Such an approach achieves the stated intention to enhance consumer protection without introducing unnecessary regulatory burden, while being mindful of the current regulatory oversight of licensees and registrants.
- A New SRO can address titling from a national and harmonized perspective across jurisdictions which will provide a consistent level of protection for all Canadians.

These and other recommendations, including some general comments on the Fee Rule, are detailed below.

Within days of the fee proposal being released by FSRA, the Canadian Securities Administrators (“CSA”) issued its Position Paper 25-404 – *New Self-Regulatory Organization Framework* (“the New SRO”). Since then, the CSA has also distributed a survey entitled “CCO Survey on the Use of Titles by Client-Facing Registered Individuals” to collect additional information on title usage in the industry.

These initiatives, we believe, further support the need to exempt SRO registrants from the titling framework proposed not only by FSRA, but other jurisdictions such as New Brunswick and Saskatchewan.

The CSA supports the development of a single, enhanced national self-regulatory organization for Canadian capital markets. There is broad support for one SRO system, and its recognized benefits including increased efficiencies from harmonization.

This New SRO will harmonize existing SRO rules, policies, compliance and enforcement processes. Furthermore, the New SRO will have an enhanced governance process, as well as more nuanced proficiency-based registration that would retain the high standards of professionalism in the industry. In addition to the enhancements to the titling requirements for CSA and SRO registrants pursuant to the Client Focused Reforms, the CSA has indicated that the New SRO will leverage upcoming CSA consultations on titles. Any changes to titles that the CSA implements that may require registrants to revise current titles used will be greatly complicated if consideration must be given to FSRA approved titles. This would only further confuse the investing public.

Given these recent proposals, we would urge FSRA to reconsider an exemption for both IIROC and MFDA registrants from its titling framework.

In its 2020 request for comments, FSRA recognized that a “good proportion” of individuals currently using the FA title are already regulated by a financial services regulator or registered with IIROC or the MFDA. As such, the conduct of many existing FA title users is overseen by a regulatory body.

FSRA also stated that if exemptions are to be made available under the framework, they would need to be grounded in the following key policy principles:

- Exemptions should only be made available if the benefits outweigh any potential harm to the public. FSRA would need to be satisfied that the public interest would not be harmed because the exempt credentialing body already meets, and will continue to meet, the approval criteria for credentialing bodies and FP or FA credentials as prescribed in the Proposed Rule.
- The title protection framework must ensure ongoing protection of the public interest and ensure, both now and in the future, that any class of individuals granted an exemption meet minimum standards to use the FP or FA titles. FSRA would need to be satisfied that the exempt credentialing body will meet the approval criteria for credentialing bodies and FP/FA credentials, on both an initial and ongoing basis, as prescribed in the Proposed Rule.
- FSRA would need to be satisfied that exempt title users would be subject to ongoing conduct oversight to protect the public interest.

With the CSA now moving towards greater oversight of a New SRO, FSRA should be confident in the CSA’s ability to have the appropriate mechanisms to ensure rigorous regulatory oversight of not only the New SRO but the member firms and individuals that it regulates. Furthermore, both the CSA and the New SRO have a public interest and investor protection mandate, and thus FSRA can be satisfied that the public interest would not be harmed. This approach would also achieve FSRA’s stated primary objective of the framework: to create minimum standards for title usage, without creating unnecessary regulatory burden for title users. Finally, the New SRO, given its national scope would be able to approach titling from a harmonized and national perspective. This is the only way that consumers can expect to receive uniform standards of service, regardless of whether the credential holder offers its services through an SRO-registered dealer, through another regulated channel or in another province.

Developing regulation solely in the province of Ontario fails to address the national scope of many of our members and the need to harmonize regulation across all Canadian jurisdictions to avoid fragmentation, client confusion and inefficiencies in the system. A patchwork approach to regulation where different requirements exist in different jurisdictions fails to provide the necessary level of protection that all Canadian consumers deserve.

General Comments on the FSRA Fee Rule

While our associations support the proposed low fees registrants would pay under the fee structure, we are concerned about how credentialing bodies (“CBs”) may pass on new and additional costs to credential holders that may extend beyond the Applications Fees, and the annual assessment fees (comprised of a Fixed Annual CB Fee, a Variable Annual CB Assessment and Time-limited Annual Assessment to Recover Start-up costs). Such costs may, for example, include costs associated with hiring and training new staff who would have the responsibility to implement the requirements placed upon CBs.

As we indicated in past submissions, we support FSRA’s approach to fees based on the principles of simplicity, consistency, fairness, effectiveness and efficiency. We appreciate that FSRA has acknowledged the importance of keeping fees low or providing a reduced fee to those SRO registrants currently subject to SRO fees. Ensuring that the low estimated \$22 annual cost per credential holder is in fact the cost credential holders would pay at the outset and will not increase substantially over time is critical, and FSRA has a role in keeping those annual fees in check. We believe that a capped fee structure would be appropriate to avoid unexpected increase in such fees as increasing fees will have to be borne by the credential holders and eventually the investors.

Our associations strongly encourage FSRA to meet with the CSA, IIROC and the MFDA to discuss the New SRO and how this new regulatory structure can satisfy FSRA’s concerns regarding granting an exemption from the titling requirements for SRO registrants. We would be pleased to meet with FSRA to discuss this as well.

Yours sincerely,

Investment Industry Association of Canada