

December 16, 2020

VIA EMAIL

Robert Day, Senior Specialist Business Planning
Ontario Securities Commission
20 Queen Street West 22nd Floor
Toronto, Ontario M5H 3S8
rday@osc.gov.on.ca

Dear Sirs/Mesdames:

**Re: OSC Notice 11-791 – Statement of Priorities Request for Comments
Regarding Statement of Priorities for Financial Year to End March 31, 2022
(the “Draft Statement”)**

The Canadian Advocacy Council of CFA Societies Canada¹ (the “CAC”) appreciates the opportunity to provide the following comments on the Draft Statement.

We are strongly supportive of several priorities set out in the Draft Statement with a view to meeting the OSC’s stated goals and strategic plans. We agree that an organizational goal of reducing regulatory burden while balancing the need to avoid any negative impact on investor protection is important and should continue to permeate and be considered in conjunction with any new regulatory initiatives. As a general comment, proposed rules and guidance that are not proportional in their benefits to their costs of development and implementation should continue to be scrutinized further, and we appreciate the cost analysis that accompanies proposed new securities rules in Ontario.

Key Priority 1.1 relates to the continued implementation of the client-focused reforms, which we believe should be a strong focus of staff throughout the next year. In the absence of an explicit best interest standard, the client-focused reforms can still represent a watershed moment for the protection of investors by requiring registrants to put the client’s interest first when making a suitability determination and addressing material conflicts in the best interest of the client. We look forward to further guidance and specifics on the implementation of these standards as they develop.

¹ The CAC is an advocacy council for CFA Societies Canada, representing the 12 CFA Institute Member Societies across Canada and over 18,000 Canadian CFA charterholders. The council includes investment professionals across Canada who review regulatory, legislative, and standard setting developments affecting investors, investment professionals, and the capital markets in Canada. Visit www.cfacanada.org to access the advocacy work of the CAC.

CFA Institute is the global association of investment professionals that sets the standard for professional excellence and credentials. The organization is a champion of ethical behavior in investment markets and a respected source of knowledge in the global financial community. Our aim is to create an environment where investors’ interests come first, markets function at their best, and economies grow. There are more than 177,600 CFA charterholders worldwide in 165 markets. CFA Institute has nine offices worldwide and there are 160 local member societies. For more information, visit www.cfainstitute.org.

In the Draft Statement, Key Priority 1.2 indicates that the OSC will work with managers and dealers to streamline implementation issues and work to finalize the response to the use of the DSC option. As CFA charterholders, we commit ourselves to maintaining the highest standards of ethical conduct and professionalism in dealing with clients, and we continue to be concerned about the inherent conflicts that arise from permitting embedded commissions in the sale of mutual fund products in Ontario. The financial industry and investors would benefit from a structure of economic incentives that promotes transparent, simple fee structures, full attribution of all costs to the end investor related to their financial advice, and a structure that promotes competition in the distribution of investment fund products to investors on the basis of product quality and value for advice rather than compensation to advisors. As the client-focused reforms continue to evolve and take on practical import, clear guidance is still required with respect to how registrants can meet the requirement to put clients interest first when recommending a DSC product, even if the availability of those products will be more circumscribed in future.

Key Priority 1.6 relates to a consideration of ongoing SRO developments and feedback on the initial consultation paper. We are supportive of continued dialogue and study of this area. As noted in our comments to CSA Consultation Paper 25-402 *Consultation on the Self-Regulatory Organization Framework*, the questions raised in the paper are both important and timely. For the sake of regulatory efficiency, we believe the case has been made for SRO consolidation, particularly if it provides an opportunity to reflect on new design principles moving forward. We believe that any changes to the current SRO model should start with a principle of accountability to the public interest, by ensuring that the public interest is a core design principle that must be reimagined and consistently applied to an SRO's structure and delivery of securities regulation, which will at a minimum involve governance structure changes. Increased transparency of material regulatory decision-making powers and enforcement proceedings will also be fundamental to any future redesign of the SRO structures. Professionalism, competency and quality of advice should all also be explicit goals for action on the SRO framework.

We also wish to reiterate prior comments that we support the strengthening of OBSI's decision making authority. Key Priority 1.7 indicates that the OSC intends to strengthen investor redress through OBSI through policy and oversight activities. We believe OSBI's role as a securities industry independent dispute resolution service should be supported in order to further foster investor protection and confidence in the Canadian capital markets.

We continue to support Key Priority 4.1, and the SEDAR+ project, and welcome any acceleration that could be initiated for this undertaking. It is important for end investors and analysts to be able to more readily access important documents on a consistent basis. The reality of emerging technologies is such that investors expect information to be much more readily accessible, and if information is too difficult to locate it could discourage those needing the documents from initially seeking them out. As we

have noted in prior comment letters, the OSC and its CSA colleagues could use structured data such as XBRL more often as a strategic enabler and reduce redundant requests for information from issuers and registrants.

The CAC is deeply supportive of new Key Priority 4.3, to foster inclusion and diversity in the OSC community, including by promoting opportunities for learning and dialogue and specific steps to end systemic racism.

We look forward to continuing to work with all relevant stakeholders as the recommendations from the Capital Markets Modernization Taskforce are finalized.

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 of
CFA Societies Canada*

**The Canadian Advocacy Council of
CFA Societies Canada**