ONTARIO SECURITIES COMMISSION

ROUNDTABLE ON REDUCING REGULATORY BURDEN RELATED TO REGISTRATION, COMPLIANCE, AND INVESTMENT FUNDS

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HELD ON:   Monday, May 6, 2019
HELD AT:   Design Exchange
           234 Bay Street, 2nd Floor
           Toronto, Ontario

MODERATOR:
   Tim Moseley        Vice-Chair, OSC

OPENING REMARKS:
   Naizam Kanji       Special Advisor to the Chair,
                      Regulatory Burden Reduction

CLOSING REMARKS:
   Maureen Jensen     Chair & CEO, Ontario Securities
                      Commission
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<td>Naizam Kanji  Special Advisor to the Chair, Regulatory Burden Reduction, OSC</td>
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<td>Raymond Chan  Director, Investment Funds &amp; Structured Products, OSC</td>
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<td>Debra Foubert  Director, Compliance &amp; Registrant Regulation, OSC</td>
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<td>Elizabeth King Deputy Director, Registrant Conduct, Compliance &amp; Registrant Regulation, OSC</td>
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<td>Felicia Tedesco Deputy Director, Operations, Compliance &amp; Registrant Regulation, OSC</td>
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<td>Darrell Bartlett  Chief Compliance Officer, Knowledge First Financial Inc.</td>
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<td>Denys Calvin  COO, Nexus Investment Management Inc.</td>
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<td>Julie Cordeiro  VP, Chief Administrative Officer &amp; General Counsel, Burgundy Asset Management</td>
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<td>Neil Gross  Chair, OSC Investor Advisory Panel</td>
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<td>Margaret Gunawan  Managing Director, Head of Canada Legal &amp; Compliance, BlackRock</td>
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<td>Belle Kaura  Chair, AIMA Canada</td>
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<td>13</td>
<td>Ken Kivenko  President, Kenmar Associates</td>
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<td>Brian Koscak  President, Chief Compliance Officer, General Counsel, Pinnacle Wealth Brokers Inc.</td>
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<td>John Kruk  Partner, Fasken Martineau DuMoulin LLP</td>
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<td>Robert Lemon  Executive Director, CIBC World Markets Inc.</td>
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ROUNDTABLE PARTICIPANTS: (Cont'd)

Rob Sklar  
Manager, Legal Services & Senior Legal Counsel, Fidelity Investments Canada ULC

Prema Thiele  
Partner, Borden Ladner Gervais LLP

Minal Upadhyaya  
Vice President, Policy & General Counsel, The Investment Funds Institute of Canada

Blair Wiley  
General Counsel & Head of Regulatory Affairs, Wealthsimple

Alan Wunsche  
CEO, TokenFunder
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OPENING REMARKS:

MR. KANJI: Thank you, everyone. Hello. I am Naizam Kanji, director of the Office of Mergers and Acquisitions at the Ontario Securities Commission, and special advisor to the Chair, Regulatory Burden Reduction. I'd like to extend a warm welcome and thank everyone for attending today's roundtable on reducing regulatory burden related to registration, compliance, and investment funds. I'd also like to welcome those who have joined us by teleconference.

Today's discussion is part of the OSC's important ongoing consultation with Ontario market participants on ways to further reduce regulatory burden and improve the investor experience. This initiative is an unprecedented opportunity to make our processes, requirements, and directions more streamlined and efficient. We are here to listen, to hear your suggestions, and to work with you to make regulation work better for everyone.

I'd like to acknowledge the extensive and excellent comments we received in response to our Staff notice, and the feedback we received during our first roundtable on March 27th.

I would also like to thank the speakers who have joined us and will be participating in our roundtable today. We are looking forward to some interesting discussions and great ideas.

Before I turn things over to Tim, I'd like to take a moment to take care of some housekeeping items. Coffee is available at the back of the room. Restrooms are located down the stairs in the main lobby. We are broadcasting today's discussion via teleconference and transcribing the roundtable.
We will make the transcript available on the OSC Web site. Please note that we are also taking photos today, which may be posted on our Web site.

The format today is an open discussion that will cover several topics that emerged in the consultation process. For those in the room, please refer to the printed agenda. For those on the teleconference, the full agenda, including a list of roundtable speakers, is posted in the event listing on the OSC Web site.

We will provide time after the roundtable discussion for questions from the audience in the room. If you have a question, please raise your hand and a microphone will be brought to you. This is important so that people on the teleconference can follow the conversation.

There are a lot of people participating today and we want to get the most out of the discussion. So please bear with us as we have a full agenda and will be moving strictly between topic areas. We will get to as many of your questions as we can at the end of the roundtable.

And now, I'd like to turn things over to our Moderator, OSC Vice-Chair Tim Moseley, who will provide brief opening remarks. Tim.

OPENING REMARKS BY MODERATOR:

MR. MOSELEY: Thank you very much, Naizam. Good afternoon, everyone. Thank you all so much for being here and being part of this discussion. As many of you know, roundtables are often a very important part of our policy-making process, so we look forward to the discussion today. We really value your
contributions and we appreciate your participation.

We are very pleased that the Ontario Government has made burden reduction a very clear priority. That commitment has been a really good catalyst for us in renewing our focus and allowing us to pursue this important work with increased focus.

We absolutely understand the frustration and the cost that come with duplicative, unclear, or inconsistent requirements. We know the importance of ensuring that compliance with regulation, which everyone has to do, is not unduly burdensome and does not stand in the way of economic opportunity. Commitment and the philosophy of achieving our regulatory mandate and our regulatory objectives, while at the same time minimizing the regulatory burden that goes along with that, is an ongoing priority for the OSC.

As Naizam said, we're very grateful for the very enthusiastic response we've had so far on this initiative and continue to have. We are here to listen and that's the main objective of today's roundtable.

Not surprisingly, the input that we've received so far in this process has been very wide-ranging. There's a real risk here of trying to boil the ocean, so we have to try to be clever about how we spend our time through all of this. We think we've got a good structure of roundtables and that's the plan. We've drawn from the very wide-ranging input that we've got to assemble today's agenda, and a terrific group of stakeholders sitting around the table and others in the room.

Today will focus on the topics that are identified on your agenda. We won't cover today a couple of ongoing CSA
initiatives such as the proposed client-focused reforms and amendments regarding embedded commissions for investment funds because those processes are already well underway and there is lots of opportunity to comment there.

As with everything we do, though, on an ongoing basis, we'll look at those policy initiatives and all of our policy initiatives with the lens of burden reduction, how do we achieve our mandate while minimizing regulatory burden.

Also, out of scope for today's discussion will be burden reduction possibilities relating to trading, marketplaces, requirements for issuers, and derivatives. Those topics will be covered at our next roundtable, which is coming up in a few weeks on May 27th.

So, with today's agenda as our guide, here's the plan: I will announce each of the new topics that you've got on the agenda, and I will ask a senior staff member of the OSC who is here today to briefly just set up the discussion, to give a very quick summary of the comments and the themes that we've seen in the feedback so far, and at that point, I'll open up the discussion to our speakers around the table.

So a request to those seated at the table, a couple of technology-related process items here. Number one, if you do want to speak, if you would just, at any point during the discussion, just put your name card up vertically like that just long enough to catch my attention. As soon as I do see you, I'll write your name down on my list and keep that going and come to as many people as I can.

Secondly, please do, when it's your turn to speak,
please press the microphone button that's on the base of your microphone there. Only one of these, apparently, in addition to this one can be operational at a time, so when you're finished making your comments, if you'll be kind enough to turn off your microphone, please, and then go over to the next person. Hopefully, that will all work reasonably smoothly. We'll soon find out.

And lastly, I apologize in advance because I'm sure we'll have to cut off some discussion in mid-flight. We've had a limited amount of time, a number of interesting topics to get to. I want to make sure we get a chance to get to all the topics on our agenda. We've received a lot of very thoughtful comments over the course of our consultation, and I know that all of our roundtable participants are passionate about how we can effectively reduce burden.

So with that, let's get to business. Thank you again for your participation.

TOpic 1:

MR. MOSELEY: We'll turn right away to the first topic, and the first topic on the agenda is to discuss the relationship between regulatory requirements and Staff guidance. I think this is an interesting and trippy -- trippy topic. May be that, too. Tricky topic, pet topic of mine: How guidance is used in compliance and prospectus reviews. We certainly had a number of comments along those lines, not surprisingly.

So with that, I will ask Debra Foubert, our director of Compliance and Registrant Regulation, to introduce this topic. Deb, please.
MS. FOUBERT: Thank you, Tim. So I'm just going to summarize the key themes that we received through the comment letters. So there's three buckets which I've put together:

First, that there's a comment that there's too much guidance and that it's too hard to keep up-to-date with the latest guidance. Also, the guidance is getting too granular.

Second, during reviews, Staff are raising deficiencies based on guidance and not regulatory requirements, which then raises guidance to the rule of law.

And third, Staff are developing new standards and/or rules through guidance which circumvents the public rule-making process.

MR. MOSELEY: Thanks, Deb. That's the quick intro as promised. So while any of you around the table ponder whether you want to dive in on this, just as we wait, John's ready to go right away, I'll toss out maybe just one tail-end comment on that.

As many of you may not be surprised and will have seen, we do get what I would describe as conflicting comments on this topic often. Lots of people want less guidance. Lots of people want more. So one of our big challenges is to wrestle with that and find the right balance.

John has volunteered and has the answer. Right, John?

MR. KRUK: Feel like a guinea pig.

MR. MOSELEY: Sorry, and I apologize. I'm just going to do a quick introduction the first time each person speaks because we do have some people on the phone.

This is John Kruk who's a partner at Fasken Martineau
Mr. Kruk: I believe the role of guidance is determined by how the OSC approaches its mandate.

Mr. Moseley: Can you pull your mic just a bit closer, if you would, please? Thank you.

Mr. Kruk: I think I was saying the role of guidance is determined by how the OSC approaches its mandate, and over the last 20 years or so, I think I've seen that approach evolve in a few different ways.

In one way, there is a lot more prescriptive guidance than we've ever had before for the industry to stay on top of, and it comes in many different forms. For example, we just completed a sales practices sweep and there was a lot of prescriptive guidance that was offered by Staff as part of that process.

Another trend has been for matters to get referred to the Enforcement Branch more frequently than before, and we see that increase in the number of settlement agreements against registrants and the range of topics covered by those settlement agreements.

If you put those two trends together, a lot more prescriptive guidance and more frequent referral of matters to the Enforcement Branch, the industry needs to treat the guidance as binding because the consequences of not following the guidance are too great.

Also, mutual funds are relatively unique because every year, have to refile the prospectus and ask the Director to issue a receipt for the prospectus, and if the manager does not adopt
the guidance, you can risk the funds, jeopardize the funds and distribution.

It probably is unrealistic to ask the OSC to roll back its approach a little bit, give the industry a bit more room to interpret the legislation the way that's still true to the principles, with less fear of sanctions, but to me, regulatory burden begins there because market participants need to stay on top of all of the different forms of guidance and are in an almost perpetual state of updating their compliance procedures to adopt all of the guidance.

In terms of comments, I would offer two about the role of guidance. The first would be, as much as possible, try to use the rule-making process rather than guidance for dealing with issues. I know it's slower, but it's a better process. It provides an opportunity for industry to give its input. It's an opportunity to consider cost benefits, and in the end, when the change is finalized and implemented, it's applied to everyone in the industry at the same time in the same way, and that's a more fair way of rolling out changes, rather than through guidance.

And finally, I can't think of an example of an issue in the mutual fund industry that has been so urgent or where the risks were so high to investors that they couldn't have been resolved on the timeline of a rule-making process.

The second comment or suggestion would be try to avoid the temptation of wanting to use the prospectus renewal process as an opportunity to effect change in the industry. If there is a practice that the OSC would like to address, again, I would encourage you to try to use the rule-making process as much as
possible for the reasons I've already mentioned. Trying to do it again through the prospectus renewal process doesn't provide that opportunity for input for considering all the options. Those are my suggestions to your comments about the role of guidance.

MR. MOSELEY: Okay. Thank you, John. I'll go to Belle Kaura, who's the Chair of the Board of Directors of the Alternative Investment Management Association.

MS. KAURA: Thank you, Tim.

MR. MOSELEY: Belle, please.

MS. KAURA: So AIMA recognizes --

MR. MOSELEY: Belle, just make sure you've got a microphone close to you, please.

MS. KAURA: So AIMA recognizes the value in Staff providing guidance regarding rules and companion policies, and we do believe that the industry would benefit from greater certainty and clarity on the distinction between Staff guidance and regulatory requirements that have the force of law.

It's been our members' experience that regulatory requirements and obligations can be established by Staff through deficiency letters and also guidance issued by the OSC, and as Debra had mentioned, guidance does not have the force of law, but is often referred to by Staff in coming to the determination of a breach of law or a regulatory requirement by a registrant.

So this is considered by our members to be legislating by way of audit, whereby Staff is supplementing the rules and policies with their own views on a case-by-case basis during the review, or a regulation be it a notice or guidance, which leads to the imposition of significant additional burdens to our members,
and does effectively bypass the usual rule-making process and the
important industry consultation at Commission review phases.

So our members have expressed that there's been
inconsistencies in approaches taken by reviewers and inconsistent
audit findings which essentially creates an unlevel playing field
within the industry by imposing different expectation burden on
different registrants, and so consistency really in regulatory
approach and interpretation of requirements is critical for our
registrants.

We've also seen significant practical effect on the
market participants in terms of introducing uncertainty and
increasing costs in conducting business. Our members, when we
surveyed them on this topic, specifically mentioned the different
approaches to rehypothecation of collateral in different editions
of the Investment Funds Practitioner, and our members believe
that taking a principle-based approach when developing compliance
programs and internal controls is appropriate.

They do look to the legislative requirements. They
also do look to guidance as well, but believe that there may be a
number of different ways to achieve compliance and that it should
be clear that Staff guidance is simply an interpretation of how
you may achieve compliance with a rule or how a rule may operate,
but it could be different depending on the facts and
circumstances of the business model of that particular firm.

So we do encourage the OSC to ensure clear and
consistent expectations are communicated to registrants and that
a project be undertaken to identify which guidance will be the
basis for policy implementation or elimination, and that the
guidance should be clearly organized on the OSC Web site for more
clear identification by the members, and that Staff guidance
should contain more permissive language as opposed to
prescriptive such as "shall" and "must" which will suggest the
guidance is mandatory.

MR. MOSELEY: Okay. Great. Thanks very much, Belle. Building a healthy list of interested speakers here, which is
great.

Michelle Alexander, vice-president of IIAC. Michelle,
please.

MS. ALEXANDER: Basically, Belle took the words right
out of my mouth, just a little bit more eloquently than I would
have said. I won't take the time away from other speakers since
she raised the exact same points I was going to. Thanks, Belle.

MR. MOSELEY: Great. Thank you. Julie Cordeiro,
vice-president, CAO, and General Counsel at Burgundy Asset
Management. Julie, please.

MS. CORDEIRO: Thank you, Tim. And thank you for
inviting me to participate in this roundtable.

So I just want to offer a very brief, maybe somewhat
practical suggestion to Deb's first comment on the actual volume
of the guidance that's been published in the last ten years. I
think as we sort of reflect on ten years and we're coming up on
our ten-year anniversary, 31-103 specifically, might I suggest
that one practical way to deal with the volume could be to
publish a tenth anniversary version of 31-103 which thereby
codifies a lot of the Staff notices and guidance that's been
published over the last ten years, and if not codify it, then
perhaps update the companion policies so that it consolidates all
of the guidance, recommendations, findings, and all of the annual
summary reports that have been published as well over the last
ten-year period.

MR. MOSELEY: Thanks, Julie. I'll come to Neil, Blair,
Rob and Darrell in a moment.

I might just add a comment to say that, you know, one
of the themes was the accessibility and part of the availability
of the various tools and guidance that are out there. I think
that's an important and non-controversial topic, I would say.
There's no one in the room who wouldn't want to see that. So
that's certainly something on our list.

As we go through other comments, I'll be interested as
well in just teasing out this business about the certainty
and clarity, guidance, the mandatory nature and so on, and try to
find that right balance. Again, a pet topic, but if people
have suggestions to offer there, they would certainly be welcome.


Neil, please.

MR. GROSS: Thanks, Tim. I'd like to address the
things you just said, but I'm not going to.

[LAUGHTER]

MR. MOSELEY: Thanks.

MR. GROSS: I just wanted to pick up on what John was
talking about and what Belle was talking about to say that
certainly, it's fair to complain that the guidance shouldn't be
used to supplement rules. Where rules say $X$, guidance shouldn't
be used to make them say $X$ plus $Y$, but there's a quid pro quo on
that, and that is, that the guidance shouldn't be used to bail
out a rule that's weak or that isn't working as it should be.

There needs to be a commitment, not only within the
OSC, but also by the provincial government to ensure that where
it's necessary to effect a rule change, that that be done quickly
and that be done at the request of the OSC without too much
difficulty because, you know, if we want a level playing field,
we want everyone to be under the same regime. We need to be able to make
sure our rules work and make sure that they can address problems
in a timely fashion.

MR. MOSELEY: Thanks, Neil. One of the comments that
John made and that others have made, and I certainly think that
it's a very important comment, is regulation by way of
enforcement, whether it's settlement agreements or otherwise, is
not the best way. It's one of the tools in the tool box, but in
terms of advance notice to participants in the industry and so
on, having the advance guidance, that comes other than by way of
enforcement, is probably the most effective tool.

Does that -- do you see a collision between that, and I
won't necessarily pick on you, Neil, but just on that, we agreed
that if there's a rule that is weak in some way, guidance
shouldn't fill the hole, but there's probably something between
that and ensuring that as time goes on, there is clarity brought
to the questions or answer, that Staff give some sense of how
Staff use it anyway. Does that -- is there anything
irreconcilable in all of that?

MR. GROSS: I don't think so. In fact, the paradox of
guidance is that it's most effective for those who tend to comply
in the first place, you know, those who want to hit the ball
straight down the middle of the fairway, and for those that want
to skate close to the edge, they're the ones who are more
inclined to say, well, it's just guidance. It's not the law. So
yeah, I don't see any issue with that.

MR. MOSELEY: Okay. Thanks, Neil. Next to Blair
Wiley, General Counsel and head of Regulatory Affairs at
Wealthsimple. Blair.

MR. WILEY: Thanks, Tim. Thanks for having me.

I think, you know, one of the suggestions of Belle and
some of the other comments is from the perspective of
Wealthsimple, guidance can be very helpful. We are trying to
move quickly and be innovative, as many in this room are, and as
emerging issues come to the fore, it's very helpful to see and
hear from the regulators as to what they view as the right application
of the law to those new and novel issues.

I think, though, that it would impose a lot of
discipline on the regulators and also be helpful for industry to
see kind of a timeline for understanding how guidance eventually
falls into law, and whether there's sort of when now you go for
exemptive relief, there's a sunset on how long that relief lasts
for. Do we need to renew it? In some respects, I think a sunset
on guidance would be an interesting perspective.

I think of the guidance for online advisors, which
Wealthsimple heeds and follows, and that guidance is now eight
years old, and 31-103 has been amended. To Julie's point, it's
about to be ten years' anniversary of 31-103.

Some of the principles that the OSC espoused and the
CSA espoused in that online advice guidance, why has that over
1 time not actually been codified in a clear, articulate way that
2 actually sets the clear parameters for the industry. I think
3 that would be an actual helpful move.
4
5 The other thing I would pick up on is that I think that
6 the guidance can be something that the OSC feels it needs to do
7 because it needs to move quickly and rule-making takes a lot
8 longer. It involves the entire CSA, and I think it was very
9 positive that the Province of Ontario, the government, reiterated
10 its support for CCMR because I think that having a coordinated
11 approach with a more streamlined policy-making function across
12 the country will actually, hopefully, address some of the sort of
13 stopgaps that guidance fills. I'd like to be able to see a
14 faster regulatory response and a more coordinated environment.
15
16 MR. MOSELEY: Great. Thank you, Blair. Rob Sklar,
17 manager of Legal Services and Senior Legal Counsel at Fidelity
18 Investments Canada. Rob, please.
19
20 MR. SKLAR: First off, thank you very much for inviting
21 me to attend today.
22
23 One thing that I wanted to pick up on, from what others were
24 saying, first of all, we want guidance. We like
25 guidance. Guidance is helpful. Rules aren't always as clearcut.
26 They're not black and white. We want to know what you're
27 thinking.
28
29 However, from our perspective, it's a time and place
30 kind of thing. You know, we want to know about guidance in
31 advance of filings. During the prospectus review, whether it's
32 for new funds or whether it's to renew existing funds, you know,
33 from time to time, we do get comments and these comments are
based on guidance, and often, these comments don't explain the context of why the comment is being given which, of course, it comes out during other important Staff notices, like Investment Funds Practitioner, the Annual Report for Dealers, Advisers, Fund Managers, et cetera. We just want to know about it in advance. We don't, you know, we don't want to find out about a thing, you know, a week before when we're trying to be cleared for final.

And some of the changes, you know, unfortunately, depending on what it is, if it's a Fund Facts change, it can't happen so fast. You know, even though we're in the age of technology and, you know, you think, you know, inputting one change, you know, should be very easy, straightforward, turn around in an hour, the Fund Facts process I think is kind of its own beast and, you know, sometimes we, you know, depending on when we get the comment, we can't easily turn around the change so quickly, you know, to get that clearance to file.

So, you know, all of that I say is that, you know, there are for sure areas, legitimate areas of focus and we want to know about them in advance, and it would also help if there's one special repository, I think this came out as well, where industry participants can go and see it all in one place, as opposed to trying to locate it in different notices and different areas of the Web site. In one place would be helpful and, you know, I think, you know, somebody raised it where, you know, if guidance is to be on the same or equal footing as law, then, you know, it should follow that same rule-making process, right? Publish guidance for consultation. Get people's feedback. Some guidance points, you know, some may agree, some may not agree.
We just want to comply and, you know, and we're happy to comply with those issues.


MR. BARTLETT: Thank you very much, Tim. While I work in a very narrowly-defined niche market, I'll try to add some comments that are applicable to everyone here, and having been down the list here, I think most of the stuff I wanted to talk about has been captured.

I think Rob kind of made a good point. I think as much as we get a lot of feedback on guidance, it is something that registrants want, and everybody I think likes to have an idea of what it is that they can do to be in compliance, aside from, as Neil says, some people that want to skirt the edges of the fairway.

I think, I hope we recognize that, you know, there is a dilemma here, right, in terms of the time it takes record-keeping and the need that Staff, the OSC Staff, or any regulator sees to address things in a more timely basis and, you know, we all know rule-making's come a long way from the days when I was a regulator where we were in the re-formulation project, but, you know, it's still a timely process, and John, you know, kind of started us off right off the bat saying it is still a good process. I think it's one that fleshes out everybody's opportunity for comments.

So there is a dilemma, kind of recognize that, the idea
that registrants want to know about guidance and, you know, maybe
have a chance to not so much provide input to it, but just to
kind of get a sense as to what Staff is thinking on things, and
events like this, I think even the more specific topical areas
about the capital markets would be very helpful.

    I think that having it all in one place is a very noble
cause, but it's difficult to do and stuff, so that's sort of an
ongoing effort.

    I think for my little industry, we have kind of a
guiding piece of legislation that's still in sort of national
policy phase, and we've asked Staff to even take the lead on kind
of updating that, so I hope that we could do that, because there was some
initial response to that, but there wasn't necessarily an
opportunity to do that because of the time it would take, but it
I think it would have been time well spent and time well spent to
do that, so we'd like to do that.

    And I think in the end, we've talked about the rulemaking.
Another part of the topic here is compliance reviews, and I think
that the same thing sort of applies. It would be an opportunity
to have more dialogue with market participants and registrants,
so that when it comes time to actually do the review, there isn't
as much of a case of sort of starting from scratch and starting
over kind of every time around. It's difficult to maintain
continuity of your teams, I understand that, but opportunities to
maybe discuss with Staff in between, and again, kind of get a
sense of each, what the parties are up to in their respective
roles, and I think there's a responsibility on us as market
participants to take the lead on that sometimes as well, and to
do that and to be as responsible as we can to clean up our end of
the bargain and find out as much as we can about what your
expectations are, so we can do things to comply on that.

MR. MOSELEY: Thanks, Darrell. I'm already running
into trouble here because I promised just a couple more comments
and we're over time on this topic. So if I could ask the
additional folks who put their names up just to hang on to your
comments. I'll try and get them in later, but I did want to
promise that Minal Upadhyaya, who is Vice-President, Policy and
General Counsel at IFIC, get the last word for now on this, but
it's a hot topic. We'll come back to it if we can.

MS. UPADHYAYA: Thanks very much, Tim. All I wanted to
say, echoing Rob's comment that industry does appreciate the
guidance that the Commission puts out, and the vast majority of
participants do want to comply with the regulatory requirements,
that I think what the Commission needs to bear in mind as it puts
out guidance is that as industry practices evolves, that so does
the regulatory thinking around industry practices, and so as the
evolution of guidance comes out, you also have to recognize that
as industry adapts to that guidance to comply, it does cause
burden on industry and can often be counterproductive if guidance
is coming out year over year which is incrementally making the
principle behind the rule more restrictive.

MR. MOSELEY: Fair enough. And I should say for those
who haven't seen, we've certainly acknowledged that one of the
sources of burden is evolving requirements. That in itself
causes additional burden.

Okay. Great. Good discussion. Sorry to cut it off.
I apologized upfront. Won't be the last time, probably.

TOPIC 2:

MR. MOSELEY: But now I'd like to move to our second topic which is about interacting with multiple regulators and ways that the OSC can streamline reviews and reduce duplication with other securities regulators and SROs.

So on this one, I'll ask Elizabeth King, Deputy Director of the OSC on our Registrant Conduct to introduce this topic. Elizabeth, please.

MS. KING: Thanks, Tim. Good afternoon, everyone.

Many of the comments relate to elements of the regulatory framework and regulator practices that results in overlap for registered firms. Key areas that were highlighted in the comments relate to, for example, compliance reviews and the comment is the compliance review should be conducted only by the principal regulator, and that CSA members should better balance review activity.

Another comment, second comment relates to registered firms, when they enter into M&A transactions, they must file an 11.9 or 10 notice. There's a comment that this creates duplicative oversight. You may know that IIROC conducts reviews of those transactions as well as the OSC if it involves an investment dealer, and two branches of the OSC, both CRR and Investment Funds review investment fund manager transactions when those happen.

Finally, there was definitely a theme that Ontario should join the Passport System in order to ensure consistency of views and interpretations across the various jurisdictions.
So those are the key things that we heard from the comments.

MR. MOSELEY: Great. Thanks, Elizabeth. And just before we get into the roundtable discussion on this, just a reminder that Topic 4, which is coming up very soon, deals with, among other things, data collection as part of the processing including, for example, the Risk Assessment Questionnaire. So we'll try and hold off comments dealing specifically with data collection, even though there's a bit of overlap here. We'll certainly come to that.

So on this topic, Brian, I know you had your -- was that up for the last topic or did you want to -- and if you would, just a reminder to everyone, please: Speak directly into your microphone.

So this is Brian Koscak, Chief Compliance Officer, President, and General Counsel at Pinnacle Wealth Brokers. Brian.

MR. KOSCAK: Thank you. Thank you for hosting this event this afternoon. I think it's very important to have this outreach to get different people's perspectives and views because when I read the word "burden", to me it's more like trying to strike the right balance as opposed to a burden and it's bad. Let's get rid of it. I think it's working smarter.

I think when you have multiple regulators, first, I'm not a proponent of a national securities commission. I have my reasons for that, but I do know that when you have multiple regulators, the burden on the registrant, as, for example, Pinnacle is an exempt market dealer, is great. We can have two
or three reviews a year, and they're not simple reviews. It
could be always a desk review or it could be a full-on review and
what happens is, they're all full-on reviews. I mean, when any
regulator comes knocking, you'd better take it serious and you have
to get all the information that's required.

The challenge I think is that a lot of the coordination
is finding out what are the various issues that the different
regulators are looking at and they should be shared. I don't
think, from my firm, we'd have any problems with that.

I was very encouraged last week when the CSA came out
that they're looking at updating NRD and SEDAR and SEDI, but then
I was discouraged that what was excepted out of it was compliance
reviews. I believe there should be -- we can use the NRD as a
national compliance system for all regulators where registrants
can upload their documents, their response letters, as well as
each regulator should download their questions and comments, more
so when you look at the duplication of, "How many times do I have
to send my compliance manual and all the related documents to
each regulator?", it just duplicates itself.

So my thinking is that I know that's a CSA initiative.
I think they could easily tack it on, but I know from my
perspective, whether it's Alberta or whether it's Ontario or
British Columbia, let them have the whole picture.

I think also when you look at the burden, there is
differences in interpretation of each regulator. I think you can
live, I think I can live with that as a registrant, but it's the
not sharing of information, or even, "Do you mind if we share
this with another regulator?" I'm like I have no problem because
we want to do the right thing.

And just on the earlier comment is, I think everybody wants to get it right. It takes a lot of time to develop a client relationship and a second to lose it, and it's the art and science of regulation amongst the regulators, even as the CCO, boots on the ground, trying to figure it out. So the more we can understand what is required, oftentimes even though as a registrant, it's very stressful going through a review because you always worry what's going to happen or did you get it right after the fact, and we can look at rules versus principles. It's like nature versus nurture, that whole debate and where did you end up on that?

I think that the coordination amongst the regulators and the fact that we have different regulators, that's Canada at the moment, but if somehow a portal can be created sharing that information because at the end of the day, if we're all about better outcomes and regulators have greater comfort over the different reviews, I made inquiries and I think there's some sort of informal communication of who's reviewing them next, and then we have a RAQ that comes out and then the risk assessment, and then you add in all these questionnaires and you want to be responsive, and then you say, "Okay. Do I have time to do that," because I'm doing these reviews and I'm being "voluntold" to do it, and we want to be a good actor. So I think the coordination is key, a portal is a solution. Thank you.


MS. THIELE: Thank you very much for including me in
I was thinking just as approaching all of the questions you asked here how I would approach this. As many of you know, I have lots to say. So what I thought I would take as an approach today, because we're not going to solve I think all of the world's problems here, is to talk about -- Tim's saying we might -- is to talk a little bit about smaller things that may have a large impact that I think you folks could easily, in my view, tackle.

So with that in mind, that thought, one thing, and I know this has been talked about, you know, a little bit was the Passport System, and I just want to make sure that everyone understands the importance of that because sitting here in Ontario, and where the predominance, the vast predominance of registrants are, it's not Ontario capital market participants that I'm really speaking for here. I'm speaking for those that aren't here from other provinces.

It is very costly, duplicative for them to be interacting with the Ontario capital markets if they're not and if we're not part of that Passport System. It takes -- and delays are immeasurable and, you know, one might say, "Well, Prema, reduce your legal fees." Well, that to me isn't the answer here. It is expensive if this goes on and on.

So I think the -- I really encourage people. I don't think it's to me inconsistent with those that may support the Capital Markets Regulatory Authority as well. It's only, again, contributing to the theme, whether you agree with that or not. I don't see that as inconsistent with that policy initiative. So I
hope that we'll think about that.

I also, obviously, echo, Brian, everything you're saying about the reviews that are going on as well in terms of duplication of compliance audits. I'm not going to say who in this room, but I saw someone walk in and I was thinking of the call. I was -- in the morning last summer, she and I were talking about an Ontario Securities Commission audit, and that we had finally sort of responded to everything and she -- no sooner did we disconnect that she e-mailed me later that afternoon, and said, "Prema, we're being audited now by the AMF."

And that, again, on the theme of extremely expensive, and it's not just the money. It's the resources. As Brian said, people really take these audits seriously. It's a lot of resources that go into that.

And then lastly, from the vantage point of investment funds, just two things. I know we're going to talk about trading in a couple of weeks, again, but from the perspective of investment funds, one, I still think it is very unacceptable that the 45-106F1 filings, we have three methods of doing -- we have an OSC form, we have a BCSC form, we have SEDAR everywhere else. I do think that's something that we should be able to get, you know, coordinated.

And lastly, on the 45-106 filings, I think many of us were really disappointed to see the publication of CSA Staff Notice, I'll get it wrong, 45-325 that came but a week after the 45-106 deadline, and again, it's not -- we completely agree with the OSC's position on this, but again, Manitoba and Quebec took an odd, I will call it, with my home world of Saskatchewan taking
an even slightly more odd position, but I think that's one that I
would encourage the CSA to look at again sort of immediately, so
that that is not in play for 2020. Thank you.

MR. MOSELEY: Thanks, Prema. Michelle Alexander from
IIAC.

MS. ALEXANDER: I just wanted to echo Prema's comments
on the Passport System. It is definitely a huge burden for many
of our members who operate interprovincially, and as Prema said,
I don't think it's counter to the CCMRS, as there are
participants in the Passport System such as B.C. who support a
national regulator.

The national regulator time frame keeps getting pushed
on and on and on, so it's going to be at least a couple of years,
and even when it is operational, we will have provinces who will
not join immediately or if ever. So for the interim and going
forward, I think for Ontario to join the Passport System would be
a huge regulatory burden reduction initiative.

On smaller issues, I do want to congratulate Elizabeth,
especially since she and I have been talking a lot about
anti-money laundering and the OSC did help a great deal with
burden reduction for the monthly suppression of terrorism
reports. Hopefully, we'll get some more reduction in terms of
having to file to duplicate regulators when there's nothing to
say, so thank you very much for that, Elizabeth and the OSC.

On smaller things, and this was an issue that we did
raise a few times in our submission, was the challenges of
different -- the IIROC requirements versus OSC requirements, and
one thing that we did highlight which is a problem for our
members, granted, I know it's a National Instrument and the OSC has to focus locally, but it is an important one regarding the definitions of institutional clients and permitted clients. Permitted clients is $25 million assets under management under National Instrument 31-103. IIROC's requirement is $10 million. So there is an exemption for suitability in the IIROC rules where it's for institutional clients. However, because of that gap between institutional and permitted clients, IIROC members still have to do a suitability review for those institutional clients under $25 million, and really the difference between a $10-million threshold versus $25 million, if we're looking at institutional clients, the investor protection issues I would argue aren't there. So having a consistent and arguably lower definition under 31-103 would definitely help from the institutional standpoint.

MR. MOSELEY: Great. Thanks, Michelle. Anyone else want to -- Peter Moulson, head of -- Vice-President, Head of Wealth Management, Compliance at CIBC.

MR. MOULSON: Yes. Thanks, Tim. Just I wanted to follow up. I thought Michelle was going to make this point because it was in the IIAC comment letter, but as she didn't, I'd like to just add in terms of a small matter, but again, multiple regulators take different approaches, and this is on the very exciting topic of cease trade orders, and the challenge that registrants have, IIROC registrants, in complying with cease trade orders that are province-specific that may or may not apply nationally, depending on whether that jurisdiction does adopt other provinces' cease trade orders, the challenge of no CUSIP or
stock ticker in a symbol being part of the cease trade order.

These are very practical challenges that IIROC member firms have, and my plea, and I appreciate it's not an OSC-specific issue, is if the CSA could get together and implement a more universal approach to cease trade orders, it would ease the regulatory burden significantly, not to mention the risk of sanctions for breaching a cease trade order, which are largely inadvertent in most instances I would submit. Thank you.

MR. MOSELEY: Great. Thank you. And as always through this process, small and big ideas and everything in between are most welcome. So that's great. Yes, Belle Kaura, please.

MS. KAURA: Thank you. So I'll open my comment to echo many of the comments that have already been partly on this topic, so I'll limit my comments to private funds and compliance reviews.

So what our members have found is that private funds are often looked at through the same lens as the retail funds during compliance reviews and when guidance is issued, and there really are fundamental differences between the private funds and retail funds and their functions which creates an unnecessary burden on alternative asset managers to formal requirements that regulators are familiar with in the retail context rather than substantively looking at the -- meeting the regulatory obligations within the alternative investment funds context.

So the proposal that we have is to recommend that the OSC potentially have focused oversight in private funds to determine specific issues that are faced by these types of asset
managers, which would alleviate some of that regulatory burden placed on these managers, and allow the regulators to have better understanding of private funds and specific issues, and that's an approach that the SEC has taken with the development of their Office of Compliance Inspections and Examinations where they have a private fund unit that takes a targeted approach for private fund exams and specialized examiners for that.

MR. MOSELEY: Great. Thank you, Belle. Time for two more comments in here. Julie Cordeiro from Burgundy Asset Management.

MS. CORDEIRO: I just wanted to briefly touch on dealing with multiple regulators and duplication generally, and I realize that we're just talking about Ontario Securities Commission today, but I think it's really important -- thank you, Denys -- as the OSC undertakes this work and reviews burden generally to keep in mind that there is a layering of duplication that is happening on registrant firms, and most of us in this room deal with that in our day-to-day, and by "layering", I just want to kind of unpack what that means.

So there's really the way I see it three layers of duplication from a regulatory standpoint. We have our sort of provincial layering, which we're talking about, and many of the comments have been made about that in terms of how the different provincial regulators administer their programs.

So one sort of example: Ontario and Quebec, different reporting obligations of notices for complaint handling and reporting between Ontario and the AMF.

The second layer of duplication, and this one's
significant, is sort of national legislation that many registrant firms have to deal with in their day-to-day that goes beyond securities law, right? And everybody in the room will know when I say all of these acronyms, what they all mean, FATCA and AODA and CASL, and there's a long list. We all know what they are, so that creates a lot of complexity.

And then in addition to that, the third layer is what I call the sort of international regulatory pressures, and for many firms operating in a global environment, you know, the regulatory changes are happening at an increased pace. They're significant, so just in the last year, we've had GDPR, we've had MiFID II, and these are creating additional pressures on firms.

And if you think about the burden just from a narrow lens, I think you'll miss a bigger picture which is that these -- the registrant community is facing pressures from every direction, so any sort of small efficiencies that can be leveraged between the provincial regulators, so if one of you is doing it better than the other, go with the best, go with the best method, and leverage that learning from one another. So that way we can at least, from a national and provincial standpoint, start to alleviate some of those burdens.

MR. MOSELEY: Thanks, Julie. And I mean, I'd like to offer the reassurance to those who don't know this already. A lot of time and effort goes into exactly that at various levels, Staff level, Vice-Chairs and Chairs on a regular basis.

To the extent, though, that you are spotting opportunities where you think that hasn't been done, you know, we obviously continue to welcome because it's your perspective on
this that is incredibly valuable, so I think you would find
everyone subscribing without reservation to that principle,
Julie. Thanks.

Okay. Over to Alan Wunsch, CEO, TokenFunder. Alan,
please. Last word of this topic.

MR. WUNSCH: Thank you very much, Tim, and thank you
for hosting this very important event.

As some of you may know, we've recently become a new
registrant as an exempt market dealer and our process I would say
has been very positive in many respects and, you know, we
specifically worked with the LaunchPad, and in this respect,
there has been, you know, welcoming professional people that have
sought to help us.

Now, from a burden, from a point of view of burden and
in helping others, and we're deemed to be mobile in every
discussion we've ever had, time is so important to us and
visibility of process is so important to us, and through the
course of the last couple of years, we've had -- we've been
extremely persistent and yet very patient, and a lot of time has
passed, and it's created a considerable amount of uncertainty,
and frankly, sometimes loss of competitive advantage for us.

So whereas we thought we were going to be in a position
to launch, you know, at some point, and frankly, it's a result of
us not fully understanding the regulatory process, and fully
admit that, however, I believe that there were opportunities to
improve the visibility to us as to what the process was, and,
"Oh, you should expect to wait, you know, X months or X weeks for
an answer to this."
And ultimately, for us, you know, yes, process, but time is such an important aspect of a small, new company getting off the ground, and the more time that elapsed for us, it meant that we had to be -- well, frankly, we had to, you know, shift a number of ways.

And we're trying to compete in not only the Canadian environment and put some new product into the Canadian environment, but essentially, we're then competing with a global environment and we've seen many of our cohorts, companies in Canada leave the country because they weren't willing to go through a long process.

And, you know, "long" is all relative, right? So we've only been through it a couple of years, but at that point of coming through it, I had hoped and I had kind of envisioned with our law firm that it was going to be in the order of months.

So in terms of agility and speed for a new company with limited resources, we cannot continue to go for months and months of, you know, iterations that burn up legal resources. So, in fact, I appreciated the support of the LaunchPad folks who have provided some very good guidance.

Now, they also I think run interference with and coordination with all of the other regulators that we sought through the form interprovincially, and I don't even appreciate what that process is, but I'd like more visibility into that because there were times when it was, well, another regulator is looking at this, and now I am waiting or I have waited in the past to hear, okay, so is that weeks sort of thing or am I looking at months that I can't move forward?
And we took the approach that we were going to seek permission from the Commission to do our business, rather than -- you know, frankly, I appreciate all the lawyers around here because you're very principle-based. I'm a CPA, very principle-based regulatory approach, right? And, you know, so in a sense, that's how the business is permission-based, whereas there's a lot of other innovators that are going out there saying, "Forget that. We're just leaving the country. We're not going to seek permission."

I hope that we can do it quickly and still be permission-based, if you will, and principle-based, so yes, thank you for allowing my comments.

MR. MOSELEY: We do, too. Thank you, Alan.

TOPIC 3:

MR. MOSELEY: Okay. With that, thanks to the discussion on that one. I'd like to move to our third topic which is working with the OSC. We'd like to explore performance, including service standards, processes, points of contact and outreach. This is another theme that we saw, not surprisingly perhaps, in the comments.

So with that, I'll ask Raymond Chan, our Director of Investment Funds & Structured Products to introduce this topic. Raymond, please.

MR. CHAN: Thank you. We all know it's -- so we all know that it's critical for the OSC to set clear service standards. We already heard a few examples. Alan, you just gave us a good example, and also we heard from John about the prospectus review process.
We know that registrant issuers have businesses to run and timing is very important. We also -- while service standards are -- timing are very important, we also have the importance of the how and the why. Why are we raising issues and is there a different way to raise the issues?

We also, on the same front, we also heard the comment that regulators can all work in a better way, more efficiently in terms of funding the -- giving the people enough time to respond and most importantly, the right time to respond.

So that's my opening remarks.

MR. MOSELEY: Great. Thank you, Raymond. So on this one, we'll kick it off with Ken Kivenko, President of Kenmar Associates. Ken, please.

MR. KIVENKO: It's a pleasure to be here. Service standards come from --

MR. MOSELEY: Sorry, Ken. If you would, just I've been asked to make sure that everyone speaks directly into the mics.

MR. KIVENKO: Yes. We, as an investor advocate, we see service standards maybe a little different, but I'll give you some examples.

We've been advocating for about 11 years for OBSI to have a binding recommendation. Three successive independent reviews have recommended it. All the consumer groups - FAIR, IIAC, SIPA - have supported it. The board of directors has agreed that it should have a binding recommendation, and the last report from the independent review was 2016, June. We're coming up to the third anniversary, and no decision.

So a service standard will be rejected or accepted, but
get on with it. Make a decision. A decision has to be made. It can't be -- it's in a swamp right now.

If an investor wants to check the regulatory status of a dealing representative, or registered representative, something, the industry calls them advisors, very complicated. It's not human engineered. It's been complained on at least for six years. It's very difficult. The terminology is complex. There's little marks of people. You know, anybody who's studied human factors, being a human factors engineer, would not pass.

And if you want to go to the IIROC Web site, which have different definitions for very similar advisor categories, they don't seem to follow CSA, you have to sign - you actually have to agree to a five-page agreement, user agreement to use that, to check the registration of somebody you're doing business with.

So a good service standard would be one place, CSA perhaps, OSC, anywhere, one place where you check everybody, and someone has actually done some human engineering to make sure user friendliness, as you might call it, so we can get to it. These are the things -- talk about a burden. This is not -- worse than a burden. People just give up. I can't check the status. It's impossible.

Little things, too. If two -- it seems a lot of people in these advisors have three names. They have a middle initial and three names. If you only know the two names, sometimes you'll get six, six. A system should not be designed like that.

You need a -- so the service standard should be -- the other decision was best interest. I've been involved, literally, been involved since 2002 on best interest. I was part of a fair
dealing model, 2004. It passed away and was replaced by something else, and then we had this, and we had minimum best and now we've got client-focused and targeted reforms.

Make a decision. I mean, you talk about a burden. I must have spent 5,000 man hours myself, never mind my team, maybe 100,000. I think we did five consultations, 10 years on best interest. Now, it ended up a decision was made: You're not going to get it, and we're not happy, but at least a decision was made, but why did it take ten years? I don't know. Embedded commissions: 26 years. 1995 was Glorianne Stromberg's report. She said it's horrible. It's -- you cannot have high integrity advice with such conflicts. You made a decision, but it took too long. 23 years. We don't like any of the decisions, by the way, but at least you made it. Could have saved me 4,000. I could have been, you know, 4,000, I could have played golf.

And I'm not trying to be sarcastic. I really am disappointed at the cycle, the regulatory process. One of the parameters of any system, being a system engineer, is the response time. When you control the temperature of something, you can't wait, if it's too cold, to warm it up three hours. It has to be a very high response time.

So I encourage you, if you do nothing else from today, look at the regulatory control system as control systems engineers would. What are the parameters of a good system? How quick does it adapt to a change? How does it -- how efficient is it in meeting its parameters? You know, are investors really being protected? I think if you go back to first principles of control system engineering, I think you'd find you'll be able to
find a lot of opportunities for improvement.

MR. MOSELEY: Great. Thanks, Ken. A long list
building here. Next is Peter Moulson, CIBC. And then Margaret.

MR. MOULSON: Thanks. I'm going to make my comments
specific to the topic that Raymond raised in terms of service
standards, working with the OSC, et cetera, and my focus is more
on the compliance and registration side of things as opposed to
the investment funds, but I had, in my role, I had -- I manage a
compliance team that oversees businesses that are regulated by
IIROC and the MFDA and the other provincial securities
regulators, and one wish that I have that's some -- I hope that
is something that all the regulators would share would be in
respect of the compliance examination process.

If the regulators were to adopt -- let me back up for
one second. In my group, we perform compliance examinations for
all of the businesses that I mentioned regulated by different
securities regulators, and as part of that examination process,
we have a very specific framework we follow where we set out the
scope of our examination, we indicate the activities or controls
that we will be assessing as part of our examination, and we have
a defined period of time in which we conduct that exam.

We also, as part of that framework, we have a risk
rating process where each of the activities is risk rated, and as
a result, when we do uncover problems or deficiencies, we can
assign a risk rating to those deficiencies, and this is a
standard that auditors follow. I'm not an auditor, I'm aware,
but I've learned a little bit about testing and examinations in
my career.
I would like to think that the CSA members and the SRO members could adopt a similar approach. I'm sure they do have. It's just not public, it's not transparent, and I think one wish that all of us in the industry could have is that the risk rating framework in terms of the examinations conducted by the various SROs and regulators would be public.

And as part of that process as well, when you do issue a report, whether it's coming out of a full examination or a desk review, if the findings would have a materiality weighting attached to them, the OSC, for example, will identify deficiencies or significant deficiencies, and I recently had a conversation with Staff about what that distinction was, and I gather the definition of a significant deficiency is really driven by whether or not you want to see a written action plan before you would close the deficiency.

So all I'm asking, I think, is maybe for some standards for a framework be published and transparent to registrants, so that they actually have a sense of what is material and the scope of the examination, and also in terms of the findings. I think that would do a real service to the industry because part of -- we want, as others have said, to be compliant. To get a really good sense of how we're doing would be helpful. Thank you.

MR. MOSELEY: Great. Thanks, Peter. Margaret Gunawan, Managing Director, Head of Canada Legal & Compliance for BlackRock. Margaret, please.

MS. GUNAWAN: Thanks, Tim. Thank you very much for hosting the roundtable and for inviting me to participate today.
First of all, I think we are all aligned that we're here to talk about smarter regulation, one that balances investor protection and the fair and efficient functioning of the capital markets that's flexible enough to accommodate varied business models and client types and, ultimately, preserving investor choice. I think that's very important.

One thing that I'd like to commend the OSC for doing is registrant outreach. I think the initiatives you've put in place, especially CRR, in terms of the courses I think have been very beneficial, and then for the investment funds, the work you did in particular reaching out to industry participants before rolling out the ETF Facts, I think more of that work would be welcome.

I'd like to make just two quick comments. So, first of all, I'd like the OSC to think innovatively about how you think about product versus distribution. I think as an investment fund manager, we really feel that a lot of the regulation, the regulatory burden is on us when it should really be on the distribution side. Okay, don't throw anything at me. Just my opinion. So I'll give you an example:

The risk ratings that we use in ETF Facts, we know from market intel that distributors or dealers typically just use the investment fund manager's risk rating. Query whether, you know, they're fulfilling their regulatory duties, and then also, it's come to our attention that these risk ratings are now a way for managers to perhaps compete with each other, and it's probably inadvertent, but you know, we've had questions why our risk rating is higher or lower compared to a very similar ETF, right?
And it could be easily explained. It could just be during a refresh and just hasn't caught up because we haven't touched our renewal cycle, but thinking about the way that you're thinking through production, product manufacturing versus distribution, I think that's really, really important.

The second comment I just would like to make is that you really take a look carefully at whether the comments that you're making are form versus substance, and I'm going to pick on the ETF Facts again because we've just had too many comments where it's, you know, they don't like the white space or this sentence should be moved to another paragraph.

I'm not sure that all Staff understand that there is a domino effect and when you're trying to make these types of changes, it takes time, it costs money on translation, and you're always running up against that deadline where you don't want to renew the ETF facts, the data, right, because there's a currency requirement.

So I would just like Staff to be trained so that we all experience a consistent response when we are up during the renewal process and I think you made the comment where I think it was Rob, that, you know, a lot of times we feel like we're being put over a barrel because we're trying to meet this prospectus renewal deadline and it just feels very unfair. So I'd just like to say that. Thanks.

MR. MOSELEY: Thank you, Margaret. Brian, please.

MR. KOSCAK: Thank you. I just want the OSC to understand as a dealer, we deal with service standards too, and we never get them right. We want 24-hour turnaround and we say,
"I've looked at it. You have to fix all these things." "What should I do?" And then it starts, the whole process. So it's like the end result versus the first initial interaction. We find that stressful, too, in service saying, let's say, a market review of documents.

In terms of service standards, interesting. If the registrant understands why we're looking at something or taking longer, as Alan mentioned, I think they're okay, but they have to understand it. So the sharing and communicating over where an application is at, whether it's been accepted or otherwise, I think that's critical. You can't lose on good communication.

I think what needs to be built in, rather than, you know, people can look for hard and fast service standards, a safety valve. If it's not going well, where do you go, that everybody understands the process. You know, if you have to go upstream to a director or something, allow them to do that with comfort, and I know you're looking at it, but I've got to get this done.

I'm just listening to Alan's situation. I'm, like, if Manitoba's slowing you down, go live in Ontario and then deal with them later. Like, that's a business solution. You can't wait for the whole CSA to get on board. It's like moving an aircraft carrier in the ocean. It takes a lot of time and maybe you don't have that time.

Someone mentioned acronyms, you know, KYP, KYC. I have KYDR. Know your DR. Why not have a KYR for you: Know Your Registrant. If I know Naizam and he knows my business model, perhaps he can be assigned others that have my business model and
a relationship can develop. He could trust me. I can communicate with him. We have an understanding because the outcome is what we're after, is that we're compliant in doing good things.

Be lucky to have turnover like an auditor's. Then Raymond comes on board. Raymond can get a hand-off. "Okay. What's this registrant all about? What's the good, bad or ugly? What do I need in terms of improving compliance?"

So I think the relationship is key because I know, from my perspective, I'm speaking to all these different people and it's like they don't know me, they don't have my history and then you'll find a lot of wasted time trying to find the business model. Like in the empty space, there's so many different business models, so if you allocate your resources, human resources in terms of business models and develop more about a main contact, I think that's the humanness that's sometimes lacking, is that I know many registrants say, "They don't understand my business model. They don't understand me. They get my point." They don't understand that maybe they did, and they'll make up other excuses. So I'm very strong on that one.

In terms of other service standards and outreach, the topical guidance the OSC provides, awesome, fantastic. I think you guys are definitely on the right track. I know for years I've been saying, "Can you put a video online?" Everyone across the country wants to know, "What does the OSC have to say about that? I can't attend their event. I can't afford to fly in," and the fact that I was actually listening to the prior burden reduction outreach program. I think I got like more than halfway
through, but it was great, and I think that's where people learn
and they're looking at, you know, a dominant regulator in Canada
in terms of infrastructure, personnel, knowledge, and experience
you have with all these issues, that's phenomenal. So continue
using your webinars. Continue doing this outreach. I think we
all want to get it right. We just need to kind of maybe fix the
process along the way. Thank you.

MR. MOSELEY: Great. Thanks, Brian. And, you know,
the practical suggestions that we've had and continue to have are
great. I can say with confidence everyone at the OSC is
committed to the good communication, all the rest of it. It's
sometimes just how to get it right and that's where, again, your
feedback is invaluable. So thank you, Brian. Prema, please.

MS. THIELE: I know we're running out of time here.
Just picking up on Brian, too, but the one thing that seems to
be, in my experience, over the last, say, six, seven years is the
time it takes to get discretionary exemption applications
processed, and I'm not speaking about novel, you know, ones that
we have to really have a national consensus and thought process.
I'm talking about what I would anyways in my experience refer to
as very routine exemptive applications.

And I am finding, and I don't think I speak out of turn
here, that the time it is taking to get these through is months,
whereas I would typically have said to a client, 45 to 60 days to
get an exemption, on something that has been done over and over
again. That is not the experience, at least in my experience in
the last six, seven years. Things are taking a long time.

Part of that goes to -- and I enjoyed, Brian, what you
said and I was thinking about how that actually aligns with it because part of the process is that we've got -- sometimes they may be junior staff that's dealing with more routine ones, but they don't have a background on maybe the subject-matter or they don't have a background on the particular area.

So what I see after 30 years as obviously routine may not be thought of, and it is extending costs. It's extending the time. So I would encourage you to consult internally on that for sure because I think it will help a lot.

And also just one other thing, just again, the experience in audits, in compliance audits. I'm finding again an unwillingness, I would say, to engage in what I would call healthy discussion after a deficiency letter has been issued. I would be very used to, and I do think it helps with time pressures and time it takes to get from A to B, if Staff would engage with either the, you know, lawyers on behalf of registrants or the registrants themselves on these deficiencies, and what I'm finding in the last year or two is an unwillingness from some Staff to do that and insisting only on written responses.

So a comment letter comes, or the deficiency comes. "No, you must respond in writing." Ultimately, I understand that in writing, you know, responses are necessary, but I do feel that engaging in a healthy discussion only can serve to again make sure that people understand business models and realities, but also will help in the process.

And just the last thing I also want to echo on: What a great job the Compliance and Registrant Regulation Branch does on
their annual report. In fact, I do a lot of speaking and
oftentimes, the last thing I say to registrants is, "If you do
one thing to make me happy, my clients, is it reads that report."
It's very well done.

MR. MOSELEY: Appreciate the comments. That's great to
hear. Deb is smiling. Okay. We are a bit over time. So I'm
just going to ask the last few people if you would, again my
apologies, to try and keep it brief. Blair, Rob, Alan, then
Michelle, and then we'll take the break. Blair.

MR. WILEY: Thanks, Tim. I think the points of contact
of the OSC have been very helpful for Wealthsimple. The outreach
is also extremely useful. I think the OSC does a great job
getting out to the industry.

When it comes to standards and process, picking up on
Prema's point, I really think we need to seriously apply more to
a no-action relief approach to routine relief that the entire
industry benefits from. The number of duplicative applications
that come through where there's just -- everyone's getting the
exact same relief. We either need the no-action relief model or
impose standards to say, "This is now the standard the entire
industry wants. Let's roll this into regulatory change within a
6- to 12-month process." The number of duplicative routine
relief applications that go through seems way too high.

On the novel, I also think that we should try to
embrace some of the themes of innovation in the Ontario and
broader Canadian economy. We need to kind of move away from this
concept of, "Oh, this is novel relief." Like it has this
connotation of a fearful and risky dangerous thing. Proceed
extremely carefully, to the point that I think a lot of innovators, and maybe Alan will pick up on this theme, almost to the point of saying, "I'm not going to even bother." Like going the route of novel relief is almost destined to take forever or fail.

And I think we need to flip it on its head and find ways to actually embrace novelty, find ways to be more experimental, maybe imposing fewer terms and conditions on these few novel relief applications that get through, and frankly, no criticism of LaunchPad, but I think there's only been -- you know, I can count on one hand the truly novel exemptions that have been granted by LaunchPad since its foundation and I think that's way too low. So I think we need to really reorient ourselves towards embracing novelty, and not be afraid of it.

MR. MOSELEY: Thanks, Blair. 60 second limits, if I can, please, Rob.

MR. SKLAR: So I echo what both Prema and Blair said about the exemption process. I think that whole process can be revamped entirely to make it much more efficient for both you and industry participants, certainly the level of the -- like the number of conditions and make the conditions apply equally to everybody as opposed to perhaps, you know, granting the same relief, but different conditions to different companies and things like that.

But we're always very appreciative of certainly the level of service that we receive from you. We always find you very responsive and things like that. Service level standards can obviously be looked at and reviewed to make sure that they're
up-to-date and reflect where things stand today.

In this area, there's a number of things here that you can consider, like publishing an OSC phone list. You know, I saw a number of comment letters that talked about assigning a relationship manager, having that kind of structure in place, similar to British Columbia, what happens in British Columbia and what happens in the TSX. There's certain things I think that, absolutely, you can take advantage of in this area. There's a bunch of other things you can do.

I forgot to mention publishing consolidated legislation in that that makes it much more easier. I mean, actually, I find when I want to pull an instrument, I have to go to the British Columbia Securities Commission Web site to get it because I'm not so interested in all the history. I just want to see the consolidated rule.

In terms of exemptive relief applications and we're being asked to be referencing, you know, the most recent relief that has been granted in applications, so having an up-to-date index that you guys could publish, put on your Web site, make the search part, because that's always my starting point. So when I'm looking at drafting an application for relief, my starting point is always the OSC Web site, except that I find the OSC Web site extremely difficult to navigate when looking for an exemptive relief application.

MR. MOSELEY: It will be cold comfort to you, but so do I. Thanks. Let's find a way collectively, I think to continue the conversation on many of these things, including on exemptive relief applications, particularly since that is something that is
a theme and that chews up a lot of time for people. If there are
ways to fix that, we really need to continue to focus on that for sure. I
think you have a lot of sympathy internally at the OSC for that
as well.

Okay. Please, quickly, Alan.

MR. WUNSCHE: Thank you very much. Yes, Blair and I
did not coordinate on this. So I won't repeat a lot of what
Blair said because I absolutely agree, but -- so I would have
loved through the process to have had a peer to speak to that
actually understood the technology, deep understanding of the
technology. To have someone -- as I understand, there's an FAC [Fintech
Advisory Committee], I
understand that there's consultations, and somebody who actually
understands it, so the time we spent educating, the time we spent
sharing the kind of technology that we're working on was
extensive. So, you know, I always felt like it was the right
thing to do; however, it took a lot of time.

And in terms of time, the FCA sandbox has something
like a cohort policy where they bring a group of companies in and
they say, "We're going to take you through X number of weeks.
Let's say we target eight weeks, and you're going to come through
and you're going to proceed and you're going to get a yes or no
answer in a certain amount or period of time," and you know, to
just start that way, I think would also be helpful.

So, you know, put a performance standard in place that
says, "You, as a company, we're going to give you some kind of
answer. Let's -- we'll tell you what kind of answer it is, but
you'll get it in four weeks, eight weeks, whatever it is." Then
there's greater certainty.
And also, on milestones, so we're always trying to get our own milestones internally. There's not a sense that, you know, there's a clear kind of sense of hitting milestones in terms of servicing, if you will, registrants. And thank you very much, Brian, because I think that comment is perfect, bang on, someone that understands us, somebody that understands the technology we're working with and speaks to the KYR thing.

CHAIR: Great, thanks. Alan. Last word, Michelle.

MS. ALEXANDER: Thanks, Tim. One quick suggestion is, back in 2014, the OSC produced a service commitment document which has service standards and timelines in it. I didn't even know about it before someone mentioned it to me, so I think a lot of people are unaware of it, and while I think it's good as it does talk about certain departments, you know, reviews, timelines, I think it would be the time to re-look at that document, expand its scope to all relevant branches and review processes, and put it out so that everyone can see it.

MR. MOSELEY: Great. Thanks, Michelle. Thanks very much, everyone. And again, apologies for having to cut off the discussion. We could spend hours on all of this stuff, but we will continue to do that.

So it's almost 2:25 now. We'll take a break. We'd like to resume sharply at 2:35 p.m., please, okay. So going -- 2:22 by my watch. 2:35, please.

--- Recess at 2:23 p.m.

--- Upon resuming at 2:35 p.m.

MR. MOSELEY: Thanks, everyone. If you would take your seat, please, we'll get started in about 60 seconds.
All right. Thank you, everyone, for being so helpful with the discussion so far. We'll carry on.

And I have been asked again to ask everyone around the table: Please make sure you speak directly into the microphone and try and keep speaking into it, even if you're turning your head, so that the people on the phone and our court reporter who is transcribing this can get it all down. Thank you.

TOPIC 4:

MR. MOSELEY: So we'll continue now with our fourth topic which is data collection for regulatory oversight, including the RAQ, the Risk Assessment Questionnaire process and the collection of investment fund data.

I'll ask Felicia Tedesco, our Deputy Director, Operations in the Compliance and Registrant Regulation Branch to introduce this topic. Felicia, please.

MS. TEDESCO: Thank you. First off, I guess on the Risk Assessment Questionnaire, we'd like to start off by thanking you for completing it. We do appreciate the time and resources involved in that exercise. It is an important tool that supports our principle-based approach to compliance review and oversight of registrants, and it is how we know our registrants. That's how we develop the depth of knowledge about different registrants that we oversee.

With regards to the themes, there were a number of themes. We'll focus on two. One of the main themes related to an increased use of technology. We should consider more software solutions on how to streamline the process, consider providing registrants with an electronically-accessible version of what
they had submitted to us in the prior year, and for us to consider pre-populating the RAQ with the firm's prior answers.

Another theme related to the frequency we heard from a number of commenters: The RAQ should be -- we should request the RAQ every three years instead of every two years.

So those were the two main themes for the RAQ, and now I'm going to just turn at a high level to some of the investment data themes. As you know, there's an increasing need for us to collect data in order for us to be able to carry out our risk monitoring. The investment funds industry is an important part of our economy. Collection of data is necessary for us to be able to monitor risk and developing trends as well to inform our regulatory approach.

Industry data is available and us gaining access to it can maybe eliminate some of the need for filings. And with that in mind, we'd like to turn it over to hear some suggestions on how we can do things better.

MR. MOSELEY: Great. Thanks, Felicia. We know this is a hot topic. I don't see any name cards up. So I don't believe for a moment that that means -- oh, there. Denys. Thank you, Denys. Denys Calvin, the Chief Operating Officer of Nexus Investment Management. Denys, please.

MR. CALVIN: I'll use this topic as an opportunity to riff on to one that applies generally because it's been picked up. It is about predictability and reliability.

Canada Post gave us all a great lesson 20 years ago when they said we're going to get a letter within Toronto between two addresses in two days, and between major centres, we're going
to do it in four days. May not have been as fast as everyone liked, but absent a strike, you can build yourself around that.

So the same principle, whether it's responses to -- whether it's exemption applications or the submission of data, the more predictable what you folks need and the more reliable it is for us, we can build tools to get you what you need in a way that is way less burdensome for us and probably get you your data at the frequency that you need, but the more often the goal posts move, the more often there's tweaks to the request, the less aware we are that the RAQ isn't actually going to change, like that in itself is a source of uncertainty, lack of predictability, lack of reliability.

So if I can make a pitch to you, where it's something we can build a house on, tell us that, and we'll automate the dickens out of it and get you what you need.

MR. MOSELEY: Great. Thank you. We certainly had some, and Felicia referred to some of them, some of the practical suggestions about improving the RAQ process.

One thing that strikes me, having in a previous life been on the receiving end of things like this, is if there are aspects of the process, if there are components of the form, so to speak, that cause you to roll your eyes when you're having to spend the time and the money to have the thing completed, then it may well mean that we, now, this be the source of the RAQ, could do something differently in terms of either communicating the need for that information or the need for the frequency and so on, or giving serious consideration to making changes, so that to avoid the eye rolling at your end.
Maybe it's a communication challenge for us. Maybe it is revamping the process in some way, but either way, it's important to us to know what is causing that reaction so that we can take a hard look at it.

So as we go through this discussion, you know, and I agree, it's not -- while predictability and certainty is an essential component for sure, I say this not instead of, but in addition to that, ensuring that it is a sensible -- we're doing it smart is critical.

So any, as we go through this discussion, any ideas that you have would be most welcome. Julie.

MS. CORDEIRO: Totally agree with my friend Denys on that, and just to expand a little bit, I want to share a phrase that I use with my teams in my day-to-day. They're probably sick of hearing it, but I think it's relevant to this topic, and the phrase is "Better, faster and safer." So very simple, three words. Better, faster, safer.

So if we think about "better", the way I think about this from a Burgundy context is how can we have a better relationship with our clients? So in this conversation, how can the data collection process by the OSC be better facilitated with registrants?

One of the ways I think that can happen, and somebody mentioned KYR, Know Your Registrant. So assigning a relationship manager to each registrant such that that relationship manager can provide maybe on an annual basis, just like you would have your annual health assessment, a quick phone call to say, you know, "This is how things are going." Based on your RAQ, provide
some transparency, even on the risk ranking that's been assigned
to that registrant.

I would love to personally be able to speak to my board
on an annual basis and provide transparency on why Burgundy, for
example, has been selected three times for a compliance review,
various compliance reviews in 18 months, and I think that's going
to our RAQ, but I don't know for sure. So I'd love to have that
transparency, so that's one way we can be better.

Faster: You know, one of the things that I always ask
myself when we go through this exercise is why do we need 12
people over the course of eight weeks working on this thing? And
if you think about the size of the task, how much information is
required to be collected, and how many people are working on
that, we would love to know what happens on your end when you
receive them? How many people review the data? How much time
does it take you to go through your process and assign the risk
rankings? So more transparency around the sort of faster part,
and I think the outcome would eventually lead to faster
information gathering and faster data analysis.

And then finally, on the safer aspect, and this is
huge, I don't think any one person in this room doesn't think
about this on a daily basis, we have to do everything today with
a security mindset. How can this be completed from a privacy and
cyber risk standpoint?

So when we're engaging with clients, we have to make
sure that everything we do in that correspondence and
communication is secure, and similarly, when we are corresponding
and communicating with the regulator, that should just be part of
the process. There needs to be security in the portals that you create for registrants to give you this data. There needs to be optional methods for additional encryption for higher sensitive data. So it's just something that I would encouraged the OSC to really think about as you look for ways of enhancing the RAQ filing process. Thank you.

MR. MOSELEY: Thanks, Julie. Minal.

MS. UPADHYAYA: Thanks very much. I would echo --

MR. MOSELEY: Really pull that very close.

MS. UPADHYAYA: Oh, sorry.

MR. MOSELEY: Thank you.

MS. UPADHYAYA: I echo what Julie said, and also note that, you know, many firms have different technology systems, some of which are legacy systems, and so every time you change the format of the questions that you ask, it takes longer to provide the information that you're seeking.

And in the context of the collection of investment fund data, to the extent that the OSC is considering obtaining this information, we understand the AMF is also looking at that, and would encourage that there be a harmonized approach nationally to the extent that that is going to be something that's requested.

And I would echo again the need for a portal that is secure, not only in the context of the RAQ, but also in the context of compliance reviews, and in my experience, the AMF has a portal that they use in the context of compliance reviews where both the registrant and the AMF is able to lodge documentation that can then be accessed by both parties, which seems to work quite well. Thank you.
MR. MOSELEY: Thank you. Prema, and then Blair and Michelle.

MS. THIELE: Thank you. Just two things. Just commenting and just echoing that I think increasing the cycle for the RAQ is a good idea. I think three years sounds right.

Also, is it possible, I think, Julie, you touched on sort of transparency issues, but the transparency to me goes further than just that. It's also the, well, what do they do with all of this, as you said, but would it be possible to publish aggregated anonymous results of that, of those RAQs, so that we could see how people are also responding, because as someone who assists registrants in completing those, I often -- I mean, I don't want to make too huge a point of there being all sorts of misinterpretations, but there are some questions that could be answered a particular way that to me would connote one risk rating versus another. So I think it would be helpful, if feasible, to publish in an anonymous way the aggregate data of those RAQs.

MR. MOSELEY: Touch on that just one second. Do you think, from your perspective, it would be more useful to engage in dialogue about the methodology behind the RAQ and the creation of the questions? I'm wondering whether the aggregate data would serve the purpose. I understand the objective and it makes a lot of sense.

MS. THIELE: Well, I do agree, Tim, in terms of, you know, understanding. I'm just concerned that, and not to disparage clients in the room, but that it's still just that discussion doesn't speak volumes enough for them to understand
still, and perhaps myself as well, but I think seeing the answers sometimes is very helpful to clients. So I just think methodology is one thing, Tim, but I think data would be helpful I think.

And I was also going to indicate, I know we're talking a little bit about cyber security, things like that, but something not my forte, but from a substance perspective of the data that's being collected now, I've noticed most recently, but also just again in recent years, there seems, and I know it's a delicate subject, delicate line and where is that line, but I feel that there is a creep toward commercial realities that the Commission is stepping on and over, I should say, a boundary, and I see that most recently with the desk review that's being engaged on in terms of internal compensation.

Conflict of interest aside, I do understand why you're looking at compensation from an internal perspective, but I would encourage Staff to review the reach that is being asked for, particularly in that desk review, but overall in terms of what is a commercial prerogative, in my view, of business and not really of securities regulation.


MR. WILEY: Thanks. I think that the RAQ process speaks to a bigger issue, which is the lack of a modern data-centric approach to -- the OSC actually uses to continually collect information about registered firms. The fact that we're still filing our F6s on paper is a huge, huge, huge problem.

It's almost impossible for registrants that have been
around for the last decade to even know what the OSC sees as their, I don't know, amended and restated F6, the cumulative effect of all those F5s we've been filing for a decade. It's a big problem. So we have this paper-based F6. We have separately 13-502F4 filings on our fees. There's other filings throughout the year, and none of those are picked up in the RAQ. I actually think that as a regulator, the objective should be getting more frequent, not less frequent. To me, the three-year switch would actually be detrimental to the Ontario capital markets. I'd rather see a really rich and simple way for registered firms in real time, in a reasonable amount of time, update, you know, in one consolidated place their annual financial filings, their ongoing F6 information. All of that information, which is again asked for in the RAQ, could be pulled out. All of a sudden, you have a lot fewer questions to even ask.

And with the remaining questions which are more about transaction-specific and product-specific details, taking a really hard look, I think as others have suggested, at what's really critical as a regulatory body in assessing risk to be asking, and really trying to winnow down those questions. I think fewer questions that are truly meaningful and can elicit great data for the OSC should be the objective because I actually think it's also a problem if we just statically say, well, we can't ever change our questions because that just throws industry for a loop. And if you ask 100 questions, you're changing 100 questions, that is a huge problem, but if you're asking 20
because everything else has been consolidated in a much more up-to-date manner through an online F6, I actually think that you'll have greater latitude to evolve questions over time to reflect what actually is happening in the market. Thanks.

MR. MOSELEY: Thank you, Blair. Michelle, please.

MS. ALEXANDER: We are one of the organizations who suggested a three-year time frame for the RAQ, partially given the significant time and resource commitment by firms to complete it, based on the volume and type of information being requested.

So, and not only a three-year time frame, but I think a bit of streamlining of the questions and providing some additional guidance or explanation for each question, just because firms find it very challenging to complete, so I think that will definitely help.

Just touching briefly on the compliance and desk reviews, echoing Minal's point, firms find it very challenging to send and receive the encrypted information, and while some information can be sent via e-mail, there's often difficulties encountered based on the set for the OSC accepting file sizes, so they end up sending piecemeal, which is, obviously, quite cumbersome.

So similar to the other suggestion would be creating some kind of portal for those. I do know it's not part of the renewed system that's being proposed for various reasons, I'm sure, but a separate system for compliance and desk reviews would be extremely helpful.

MR. MOSELEY: Thanks, Michelle. Last word on this subject, Neil, please.
MR. GROSS: Tim, I think Blair has really hit the nail on the head talking about real time in terms of data collection, and I would urge you to take a look at, as a model, at open banking initiative of -- allowing institutions access into people's proprietary data on a secure basis and limited basis. That would be a model that you could adopt in terms of designing a system that would allow you to go in and take the data that you need, so that it alleviates the burden for the purpose of having to compile it.

MR. MOSELEY: Smarter use of data, not necessarily less frequent and so on. Great. Okay. Thanks, everyone.

TOPIC 5:

MR. MOSELEY: We'll move now to our fifth topic which I think we can probably deal with fairly briefly because there's some good news there. Right, Deb? The fifth topic deals with some -- don't give it away; too late -- specific requirements raised in the comment letters. We'll deal with a couple of specifics ones. One, the use of fund facts, and secondly, outside business activity, OBAs, reports. So I'll ask Raymond to introduce this topic on fund facts, please.

MR. CHAN: Tim, just gave it away already. Anyway, we know the investment fund business is quite different than traditional public issuers. Many fund managers are around the table and some of you are responsible for hundreds of issuers.

And based on the comments that we received, there are a lot of opportunities, and we know that, to streamline our prospectus disclosure requirement and our continued disclosure requirements and including fund facts. So I think -- and yes,
that's my remarks.

MR. MOSELEY: Rob.

MR. SKLAR: So I think here there is a -- we have a meaningful idea that would actually make a huge difference.

MR. MOSELEY: Sorry, Rob. Pull the mic up.

MR. SKLAR: A huge difference to both industry participants as well as investors. I think the fund facts, now that we're almost ten years out, should be permitted to be consolidated. I think all the series that have grown since 2011, there's a lot of them, I mean, we -- potentially over 30 series, filings there. The only difference between the series are fees. And so we were at a point where we used to file thousands of fund facts documents in both English and French. I think, you know, one of the big things is for us there doesn't seem to be a lot of consistency in nomenclature or naming among series, and I actually think because of the mass proliferation of just the sheer number of series of fund facts that are out there, it's actually making it very difficult for investors to be able to compare the fund facts of one fund company or a series to that of another.

So I think, you know, a really, really good idea is to have one fund facts per fund because most of the information in the fund facts are either boilerplate or they apply to the fund, so if all series are referable to the same portfolio of assets, then they really shouldn't be in a separate fund facts document.

You know, with respect to Fidelity, we received exemptive relief for our Fidelity Preferred Pricing Program. So we can see that there already is an appetite at the OSC to grant
relief where the series relate to a pricing program that can all
fit into one fund facts and just, you know, disclose the various
fees of the different series in that document. I certainly
believe that that will make it way more easier for investors to
compare fund facts across companies.

MR. MOSELEY: Thanks, Rob. Peter, Belle and Ken.

Peter.

MR. MOULSON: I was excited when you were about to
spill the beans. I thought you were going to talk about OBAs,
but I guess it's probably a better, greater benefit to the
industry that there could be some simplification on the fund
facts side, but if I can make a comment about OBAs specifically,
I'd like to, and this comment --

MR. MOSELEY: Sorry, we're going to wait because I'm
going to let Deb -- I've already semi-spoiled it, so hold the OBA
thought, if you don't mind. We're going to come back to OBAs.

MR. MOULSON: All right. Fine.

MR. MOSELEY: Belle, did you want to talk about fund
facts?

MS. KAURA: Okay. I'll briefly mention the fund facts.
I also wanted to talk about OBAs, but essentially, we think that
we can eliminate the SP annual renewal because it is a timely and
cost-intensive experience and process, and in lieu of annual SP
renewal, the fund facts should be renewed annually.

Since the fund facts has been adopted, there's been
less reliance on the SP by investors and the bulk of the
information in the SP doesn't require annual updating, and any
significant changes to the investment fund does trigger an
amendment to the SP under the material change report. So we
would advocate the lapse date of an SP changing from 12 months to 25
months from the issuance of the receipt, consistent with a base
shelf prospectus.

MR. MOSELEY: Thank you. Ken.

MR. KIVENKO: I think fund facts was a great
invention and it, you know, was much better than the prospectus.
I think it's probably time to look at how effective it has been.
We get mixed results from investors. I know there's a lot of
questions about volatility being the measure of risk. A lot of
advisors are taking that as a risk when, you know, when really
there's a lot of other risk besides volatility.

So your questioning I see in -- when we handle
complaints, that the investigators are literally using that
rating, even though there was a lot of other things in the
prospectus that were really important risks that were not
knowingly disclosed or understood by the investor.

So I think, as far as the different series, it's
complicated. So many series. I think one company had 16 series.
Very hard for the investors to figure it out. Now, one thing
that can be done is some Web sites are very good. You want to
find the fund fact for an investor, you can get to the right
place on the Web site and you can find it. I think, again, human
factors. Some of the companies should look at how easy it is to
access the fund facts so they can get the information they want.

So I think we're really saying effectiveness. Take a
look at the effectiveness of fund facts itself as how it is --
its use and accessibility. I believe it's a basically good idea,
but it's been a while. Probably time to tune it and see how it can, you know, move to the next step of effectiveness.

MR. MOSELEY: Thank you. Prema. Can you just turn off your microphone, please. Thanks.

MS. THIELLE: Just one quick point in the category of I have a dream that this question will be answered:

Could we get clarification, again asking this, that portfolio managers are not required to provide fund facts to their clients that they advise as portfolio manager to their clients to invest in investment funds and discretionary managed accounts.

MR. MOSELEY: Anyone want to -- I'm kidding. All right. Great. Appreciate the comments. With that, I think we'll move on to the next topic, which I've already semi-spoiled, but Deb, anything you want to tell us?

MS. FOUBERT: No, not really. Thank you.

Okay. So, obviously, we know that the outside business activities reporting is a pain point for a lot of people. So, and we know that some of the disclosures can be overly broad and, you know, some people say that the information is not material to assessing conflict of interest, and that also Ontario's charging of late fees discourages reporting to make sure that there is valid and up-to-date information. So in the comment letters, we received a wide-ranging spectrum of what we can do to address the OBA activity.

As everyone knows, OBA is a requirement in a national instrument, which means that there has to be a CSA project to work on that to change what is actually required to be reported.
So, you know, we've been doing a lot of thinking of what we can do to ease the burden, ease the regulatory burden during the interim time of when we would be able to get to a project with the CSA to be able to update and review OBA activities.

So we received permission from our Commission and we have support from our government to put in an OBA fee moratorium, a late fee moratorium. So that means that...

--- Applause.

MS. FOUBERT: So it's not final yet, so don't start ripping up your cheques yet, but what it means is people still have to, in the interim, you still have to submit the OBA activity. We've done a lot of guidance on what information we want. There's a lot of information in the annual report to clarify all of the questions that people have.

So we're working to get that information to our government. It will be an expedited rule. We're requesting an expedited rule. So we don't have the time period yet for which it will be implemented, but we are working to get that done as soon as possible. There will be announcements when the fee moratorium will go into effect, but I just want to stress that people still need to file during this time, and then we will work together with the CSA and industry to develop the right model for reporting outside business activities.

MR. MOSELEY: Good development. Anyone want to argue against that? Daryl.

MR. BARTLETT: Deb, you took my points away. No, I've been dealing with OBAs for a long time and I happen to be with a firm now that has over 1,500 representatives in Canada, plus a couple
of hundred in the international, so lots of opportunity to have a look at this.

I think, and I don't know if I'm going to be on my own on this one, but I think how OBAs are viewed by all of the CSA has gotten to be really large and really unwieldy to the point of not as -- yes, for us as registrants in the business, but I even challenge for you as regulators to really know kind of what the core objectives are that we're trying to achieve through this, because it just seems like it's been one more opportunity, one more different type of thing, everything from business activity to a volunteer position to, you know, anything that touches upon anything that's, you know, not part of the registrant's activity.

So I think the project that you're talking about hopefully will have a fresh look at what is really sort of important in terms of OBAs, and I think that for me, that comes down to the really tough legal question about conflicts of interest, and it's a jello-on-the-tree kind of question. It's really, really tough to nail down, but I think all anybody can do is not only try to pick some areas that are really important from a regulatory perspective, and I would suggest one would be in the areas of where there really is somebody who's in a position of influence or really it could change the outcome of an investor's decision by their involvement in that activity.

I think the way the business world has evolved is having another business or being involved in something else isn't necessarily at the same level as that of somebody who's involved in an activity that has an influence, so we happen to be, in my little industry, we actually go the step to the point of actually
saying in those situations, you just can't deal with those customers, there's a restriction on them, and that was net new when I got into this industry, but it makes a lot of sense in terms of the kind of customers we deal with.

So, but really having a look at conflicts and trying to give, through your reports and through your guidance for the registered firms I think is really good, but really right down to the sale front, like in as plain language as we can where we can try to help what are -- what is the conflict? What are the ones we, as regulators, think are really problematic, and to Ken's point, it's about making a decision, you know. There's -- you can pick and choose between a ton of them. Making a decision on a few of them and really focusing on those. That's one area.

Although this is an OSC dialogue, you can't go without talking about CSA coordination because in some jurisdictions, my home world in the particular, an application, they said, "We're not going to register this individual because we don't agree with their outside business," right, and that's different and needs to be coordinated because then if they want to come to this jurisdiction, they can't because that's not dealt with there, right? It's a different standard on how those are assessed, so that needs to be addressed, I think, and try to get some harmony in that project.

And then depending on what happens with the fee moratorium, the really tough part that I got was, when our firm hit the fee cap which, you know, fees are passed out at the firm, then I had to answer to a, you know, fairly difficult letter as to why that happened, and you know, it's as I think many --
my compliance colleagues will say it's all kind of efforts to try
to get out to our individual applicants and our registrants to
tell us and keep us informed and all the steps we do. So whether
it's -- whatever happens with the fees and who pays them, I think
just more, you know, more of an approach to benefit. It's as
much accountability on the individual to report as it is for the
firm to try to manage that. If firms aren't doing anything, then
there is something to be said that for sure, but in that
particular case, that wasn't the case. It's more like, "How can
you let this happen," and so explain, you know, why this was the
case. So that was a tough one.

So some good, some hopeful experience for you guys to
contemplate and I know it's an area that we all spend a lot of
time on, so I think any help would be really appreciated.

MR. MOSELEY: Thanks, Darrell. Peter, I cut you off
earlier on OBAs.

MR. MOULSON: Yes, thanks. I'd like to kind of propose
a new way of looking at it, picking up on Darrell's comment, but,
you know, firms have systems of controls that they operate under
and I'd like to suggest that maybe the CSA look at, as part of a
bigger project, allowing the firms to implement their policies
and the effectiveness of those policies with respect to OBAs be
assessed as part of the compliance examination process.

Part of the burden is the fees I appreciate for some
firms. We have over 11,000 registrants under various securities
regulatory regimes, and we might not find out in time and we do
hit the ceiling quite early in the year, sadly, but that's a
fact.
I guess the burden around the administration of the process and filing updates on forms is a specific part of the burden that I'd love to see alleviated. So I'd like to suggest either relying on firms to assess conflicts appropriately and assessing the effectiveness of that process, or alternatively, making the requirement an annual one in terms of updating the employee, the registrant's records. I just think that that's something that I'd like to see discussed as part of the broader look at the instrument. Thanks.

MR. MOSELEY: Thanks, Peter. Last word on this topic, Blair.

MR. WILEY: You know, Peter, I was -- I agree with what Peter said. I think there's some things where the firms can really take responsibility for assessing conflicts of interest. I think it's clear that the firms should be the best position to actually know the registered individual and whether there is a conflict, and if so, it, of course, needs to be reported.

MR. MOSELEY: Great. Thanks, everyone.

TOPIC 6:

MR. MOSELEY: With that, we'll move to topic number 6, which is about implementation of the alternative mutual fund regime, and I'll ask Raymond Chan to introduce this topic.

Raymond, please.

MR. CHAN: The launch of the alternative fund regime is to allow retail customers to take advantage of some of the benefits that investment strategies that high net worth and institutional investors are using. We, as regulators, know that we just opened the rule book on this. We're on Chapter 1.
Based on the comments that we received, we already received some good suggestions on how we can streamline the rule book to update the regime in a smarter way to allow alt funds to run more efficiently.

So some of the comments and suggestions that we received include -- deal with efficiency, maybe some technical wording here, collateral rehypothecation, and maybe a more flexible way of looking into custodial arrangements within alt funds.

MR. MOSELEY: Robert Lemon, the Executive Director from CIBC who's been nervous to speak because his compliance guy is sitting right next to him. Away you go.

MR. LEMON: Yes, thank you. I thought a good way to position --

MR. MOSELEY: Sorry, Rob.

MR. LEMON: Better?

MR. MOSELEY: Thanks.

MR. LEMON: A good way to position this in terms of what we do, so I work within the prime brokerage, CIBC Capital Markets, and our clients are asset managers, IMs, that handle both private and public funds, so that's sort of with the lens we see, and as a prime broker, we hold the assets, we provide trade execution and some financing. So we see hundreds of different funds and different structures, and with this change as of January 3rd, we think it's a fantastic change, allowing retail investors access to product.

With that, there are some common themes that we've had through conversation with clients about this change. They say
this is a great first step, but there are some things that we'd like to improve.

So I've touched on, I'm going to touch on three sort of themes that Raymond mentioned already that we think are easy wins to make things more efficient and I benchmark it against private funds that have -- going to call it alternative mutual fund light product today. So taking that model or invest in that model, applying it to this regime would be beneficial to the overall industry. It's really going to benefit the end client.

Some of the rules that are in place right now, I realize that they were put together from older rules that adds complexity and a lot more cost to the structures which is just passed on to the investor.

So there's three that I want to talk about, and I guess Raymond or Tim, cut me off if you want. I can talk about this for hours.

Number one is restricting leveraged mixed flexibility, and that's really looking at cash margin product which is what fund brokers provide versus, say, derivatives, and right now, they're treated differently within the rule.

Number two is a lack of clarity around rehypothecation. I'm happy to talk about that in great detail.

And then firstly is limitation of fund custodian. So I can arrange to set five answers or so on these topics.

With the first topic on limiting leveraged mixed flexibility, I'm going to give it from a perspective of the fund manager. They have a certain strategy and they can execute this through either a cash market or derivative market, and they might
already do this today with their private funds. They're going to
take that same type of strategy and execute it with these public
funds, alternative mutual funds.

However, the way the rules are written right now is the
maximum leverage in the fund is three times. The most leverage
you can get via margin is 50 percent, and from our experience
with our current clients, they access the North American market
through a cash margin mechanism, and then they access outside of
North America through derivatives. So that's sort of typically
how it happens in the private side.

The way that the public rule is under the alternative mutual
funds is it's limiting how much these clients can access the
North American market through margins. So what clients are doing
we're seeing since January is they do so much with margins, let's
say 50 percent, and then they have to put up a different
operational structure and do the rest through derivatives, so you
have like -- which complicates things and adds costs. So it
falls outside of the existing realm of how they do business.

So our suggestion there would be to allow the manager
to decide -IFM as fiduciary -- pick which which is the best
product for them, margin or derivative, and move on from there,
and maintain this three times, so it's up to the management to
pick which is best for their investment strategy. I think that
is it for that one.

The key focus on that is you're relying on the
investment manager as fiduciary of the fund to determine the best
course of action and to achieve the leverage that they need, and
they would be leveraging their private fund infrastructures
today, so it would be easier which would reduce cost.

Number two on rehypothecation. This is a very topical point. Private funds today operate in a world where there is rehypothecation. Public funds do and do not, and there is I won't say you told me this, but if you do a "search find" in 81-102, rehypothecation is not mentioned anywhere. Guidance was from April 2015 edition, talking about rehypothecation among specified derivatives, and what's happened in the industry is where we're in the middle of all this, is different interpretations of what that means. Does that mean rehypothecation can be done, in what circumstances? So depending on the clients and clients I have found, clients' legal counsel, their view of what should be rehypothecated, what shouldn't be rehypothecated has led to many different structures that we service, different cost structures, operational complexities. So really isn't -- it isn't a level playing field across all managers.

We're saying that rehypothecation is a normal part of doing business. Encourage conversations with IIROC. I know a lot of fear is looking at -- my expertise is in Canada, but I'd say it's North America. They're looking at 2008, even broader issue, rehypothecation. That's a very different situation than exists even today. Even back then, the Canadian regime is clear separation of assets that are segregated and ones that are not.

So from an investment fund manager's perspective is really know who your counterparty is, if you're going to permit rehypothecation or not. A lot of that is going to go into the grievance and negotiation between investment manager and the fund broker or custodian, and I would suggest that counterparties of
this type of activity should follow the same metric that you look
at custodians today in terms of financial strength and controls
in place.

So that would be an easy win, and cost savings are --
would be immense if rehypothecation is allowed with the proper
counterparties. To give you an idea, if we're dealing with a
private fund versus a public fund, exactly the same strategy,
same manager, if they decide not to do rehypothecation under the
public fund, their cost is 30 to 50 basis points higher which is
huge, which makes some of their strategies not -- doesn't work in
this environment.

So I'm saying that relying upon the fiduciary duty to
set up a proper structure, maybe rehypothecation is something
they don't want to do, but make it their decision and maybe
putting some criteria around if they are going to do some, do
rehypothecation, these are the conditions on the counterparty.
So it's really counterparty risk you're talking about rather than
saying no rehypothecation without fully understanding what that
means.

It's led to -- I guess because rehypothecation isn't
stated directly in 81-102, there's been so -- the interpretations
have been so wide across cash margin products, specified
derivatives, OTCs, that it's really -- it's caused a lot of
confusion.

As a service provider, we're adopting accordingly and
it's really up to our clients to say, "This piece can be
rehypothecated, this cannot," but it's making it more complex for
the IFM, the fund and a higher cost for the end investor. So I think
that this
is a reasonable one to address. I'm happy to talk in more detail in meetings.

The last point is, this is a common misunderstanding of the industry of what is a custodian? What is a prime broker? We deal with both, so we deal with both hedge funds and mutual funds, so mutual funds historically have had a custodian that holds their assets, uses -- it's a fund administrator, so strikes their NAV, and third is a unit holder record-keeper. Those are three different functions, but the mutual fund industry has used them as one.

Hedge funds historically have had multiple prime brokers, have assets at multiple prime broker service providers, and I would call them -- they could be considered custodians. Then they have third party fund administrators and unit holder record-keepers.

So right now, 81-102 says only one custodian per fund. So what's that leading to is potentially, again, it's up to the investment manager, is leading to a more costly structure where you're adding another layer in between, so you might have four different prime brokers, but if you have only a custodian in between, it adds another, potentially another layer of fees.

What I'm saying is that the custodial function is just one component of all three, so it's holding assets, striking the NAV, and unit holder record-keeper. Those are three different business lines and companies operate independently of all three.

Thanks.

MR. MOSELEY: Okay. That's great. Thanks very much, Robert. I've got my eye on the clock. I want to make sure we
leave time for audience questions. I have a few people who --

Margaret, quick comment, if you could, please.

MS. GUNAWAN: Yes. I think what Rob is talking about is really I think more work needs to be done to strike a balance between the fact that you've addressed some of the limitations in order to take portfolio risk in an alts fund versus not taking away sort of the operational limitations, so rehypothecation increased costs. This issue with not being able to have one custodian increased costs.

I think another area I would encourage you to look at is just some of the subscription and redemption provisions in 81-102. They're very antiquated, very step-by-step prescribed. They don't necessarily work well for all kinds of investment funds.

As well, just looking at some of the definitions, I know, Raymond, illiquid assets comes up a lot, but also in some of the conditions for exemptive relief on things like crossing or purchasing related parties, just requiring trading on the primary exchange and the primary marketplace. Our equity environment is very fragmented and it's sometimes really hard to fit into those parameters of those exemptive relief conditions.

MR. MOSELEY: Thanks. With apologies for those that I'm going to cut off, I'll give the last word to Belle, briefly, please.

MS. KAURA: Thank you. So I think Rob and Margaret have done a good job delving into the detail. I'd just like to provide a little bit of a higher level perspective from AIMA.

First of all, we'd like to applaud the OSC for the
adoption of a new alternative mutual fund regime, and AIMA Canada appreciates the OSC's consideration of the issues related to implementation of the alternative mutual fund regime in its consultation on reducing regulatory burden.

And while it's a time of unprecedented innovation and opportunity for the industry, we believe there's still work to be done and challenges that lie ahead. Not all the strategies are permitted under the new rules. Restrictions in the rules preclude certain types of alternative strategies being offered to retail investors, in particular, a pure long-short mutual strategy. The short seller limit of 50 percent of NAV doesn't allow for a pure long-short mutual strategy. The total leveraged limit of 300 percent of NAV restricts some managed future strategies. So we would request that the OSC consider expanding the rules to allow for pure long-short mutual strategies as a priority.

Cost, time and resources to apply for exemptive relief for these situations that don't fall neatly within the framework creates an unnecessary burden on managers.

And on proficiency requirements, the vast majority of MFDA dealers, as you had mentioned, cannot sell alternative mutual funds because they don't meet the proficiency requirements. We believe there's no clear rationale for a different set of proficiency requirement standards for IIROC and MFDA dealers for the distribution of alternative mutual funds or for a distinct proficiency regime for distribution of conventional mutual funds and alternative mutual funds.

So we are advocating imminent change to the proficiency
requirements to allow all MFDA dealers to distribute the mutual funds and would encourage the OSC to work with the MFDA to align these proficiency requirements by mandating a CSA alternate investment course or adopting the same requirement as IIROC.

And if I may, I'd like to just give a high level overview of some of the challenges that Canadians --

MR. MOSELEY: Can I -- I'm sorry to do this to you. I want to make sure we get the investor perspective in here. We're already sort of behind, so my apologies, Belle.

MS. KAURA: Thank you.

MR. MOSELEY: Thank you for those comments. Ken, do you want to...

MR. KIVENKO: Yes.

MR. MOSELEY: Quick, please.

MR. KIVENKO: As you know from the comments from the consumer groups, we were not very supportive of liquid alts. We feel the complexity is already too much.

Before I -- I'm going to make it short. I want everybody here -- I'd really appreciate it. I'm not pushing this book, but it's excellent. "Stand Up to the Financial Services Industry." It will give you a feeling of what the investors are feeling. I encourage you to get it. It's by John De Goey, a well-respected author and an advisor. I really would like you to read it.

The other thing I'd like you to read is the Morningstar Report on liquid alts versus a balanced portfolio and the fees. It was done in the States, but they've been around for a long time there, so they have good historical data. They found in
their research there was no advantage whatsoever to a liquid alt
versus a balanced portfolio.

Now, on the practical side of distribution, I have a
real concern about proficiency. This is a complicated product.
It's highly -- assuming the advisor understands it, and the way
we're talking, it will get more complicated and more variable.
It's hard for him to explain it, her, to apply it and the client
will definitely -- can barely understand mutual funds.

So there has to be a new standard. Not saying a
fiduciary standard. There's going to have to be. Now there's no
way they're going to understand what they're buying. It's not a
matter of financial literacy.

So there's going to have to be a new standard for
conduct, I believe, and proficiency, conduct and proficiency, for
those that want to sell complex products. They also have the
proficiency how to fit what I'll call a hedge fund into a normal
portfolio, but make sure they know how to calculate what is the
risk of this portfolio, not just the product, and my feeling is I
don't think there's enough people that are able to do that. So,
and the conduct standard we know is suitability. That's just not
adequate. If you want to start selling more complex products,
you're going to have to up the standard of conduct. That's our
view.

MR. MOSELEY: Understood. Thanks, Ken. Okay. So
again, apologies. We'll jump on to the next topic.

TOPIC 7:

MR. MOSELEY: We're going to do an abbreviated version
of this because I do want to preserve time for audience
questions.

So this has to do with understanding the costs of compliance and the steps and processes involved in launching new products. We've already heard a bit about that earlier today. I'll ask Felicia Tedesco to introduce this topic.

Oh, turn off your mic, Ken, please. Thanks.

MS. TEDESCO: Thank you. We acknowledge the need to better understand the ongoing cost of compliance as well as the need to increase costs associated with any new rule proposal. With that in mind, we have begun to work to develop a compliance framework to better quantify compliance costs.

We're working with a subcommittee of our Registrant Advisory Committee to develop a more detailed framework. Our work is focused on compliance, costs related to being compliant with securities law. The subcommittee does represent the different categories of registration and the different business models. The work is ongoing. We will require input from our registrant population to get the best framework and to be able to quantify costs going forward.

MR. MOSELEY: Thank you, Felicia. Anyone want to jump in on that? Alan, please. Go ahead.

MR. WUNSCH: Thank you. So I certainly echo and appreciate any effort that we can have as is -- what I might call many of our start-up community that are looking to innovate. So getting a certainty for the specific go-forward compliance and regulatory burdens that we might need to know about is very important.

Now, something I'll just put on the table very briefly
because I mentioned the FCA previously, and we can dive into this
subsequently, it's now a moment of kind of cultural shift, I
would think. I mean, we've got the -- we've got I think an
excellent point of perspective around LaunchPad. Now, the FCA
and the -- in the global financial innovation network, they've
just come out and annually, they report, "We've got 29 companies
in this cohort. We're looking to help them get into the market.
We've got these metrics."

So, you know, in terms of providing a kind of a
nurturing environment that says, "Okay. By the way, you need to
make sure that you're compliant," absolutely right, but that also
have targets for, as you're going through this process, "We're
taking an entire cohort and we'll clear about 1,600
applications." 700 firms have gone through this, and they just
unveiled 29 firms in the last week going through the process of
hot couple of innovation areas, digital identity, tokenization of
financial assets, financial inclusion.

So in order to get this done, in order to move forward
in bringing these new products to the market, we need that
clarity and we need to understand the case, so what is it that --
what is the process? So that's -- I'm saying this maybe for the
second time, but I really want this to hit home because clarity
and transparency in this process is so critical.

I mean, it's something somebody else said previously.
Had I maybe known what the potential regulatory burden was going
to be on us, I might not have started this process. I assumed
coming here that there was great coordination amongst all the
provinces. I'm finding out otherwise, and it's a great concern
at this point for a small company.

So launching new products is difficult to begin with. Launching them with some supportive environment around innovation and a culture of innovation I think is what we, Ontario and Canada, really need.

MR. MOSELEY: Couldn't agree more. Okay. Thank you.

Brian.

MR. KOSCAK: Thank you. I have a point from PCMA. I'm also Vice-Chair there, and it's very much in common. And we talked about the cost of compliance. One of the points that was raised is the desire to have a part-time CCO, and so the way I look at it is that there are many small EMDs.

I remember years ago, when OPSEU was trying to get recognized, they were looking at the fees. I said, "Well, how many EMDs are there and how many DRs in order to justify your cost?" They had no idea. So I actually went back to my law firm and worked on it with some other students to get a whole composite of how many EMDs there were, IFMs, PMs, et cetera, and it turned out that many, especially in Ontario, were very small. They actually had five, four, three DRs. That's it.

So the challenge is, you can be a tech company trying to innovate, FinTech, et cetera. I mean, look at your pool of available candidates. They're very small, and when you look at what it takes to be a CCO, like, I'm a firm believer there should be a CCO course specifically in the exempt market because I think there's a match between what you really do every day versus what courses you take, but the idea here is, if you had, let's say, a few, even just two smaller EMDs, they could afford the cost for a
CCO to work with both of them, that would have the skills and the
proficiency and the knowledge to do all the research rather than
having, let's say, newer, lesser CCOs that are inexperienced, and
you have more of them out there.

So if I could get consideration for the cost, allowing
two or three EMDs to work with a common CCO, you have to develop
standards where I'm not sure if it's based on volume of trades or
things like that or they can't handle it, but I think the costs
would go a long way in terms of being more efficient, reducing
the burden, and reflecting the commercial realities of the
business, especially today, where we have these FinTech
innovative structures that are looking for CCOs that are hard to
find.

So if that could be given greater consideration, that
would be appreciated.

MR. MOSELEY: Worth thinking about. Thank you, Brian.

Last word then to Blair and then we'll go to audience questions.

MR. WILEY: Thanks. Just to pick up on Brian's point,
I do think, actually, if you consider how most registrants
interact with the Commission, ones come in, you know, the highest
frequency areas for individual registration applications and
proficiency.

And picking up on Brian's point, it's been 10 years
since 31-103. We have not evaluated the proficiency requirements
that were settled a decade ago. We haven't really -- seriously,
and Alan's business is probably a good example. There are others
out there. And the OSC seems to recognize that there are other
qualities of proficiency other than what's prescribed by 31-103,
but frankly, the cost of and time required to get a simple proficiency exemption takes an awfully long time.

There's also no transparency about it. You know, registrants generally don't understand when someone gets an exemption and someone doesn't. I think that's an area of friction in a big way that can be easily resolved through more transparency, potentially more flexibility, allowing firms to really be responsible for selecting candidates who have the technical proficiency relative to a particular industry.

I'd also say that when it comes to the filing process and particularly fee calculations, it's something that's really complicated and doesn't need to be. I think a lot of registrants really struggle, especially smaller ones, also exempt firms in understanding even just how to complete that 13-502F4. Those who have been out a long time get it, but a lot don't, and I really think that that's another easy win to actually try and re-assess how to clearly provide instructions on calculating fees and save a lot of time, save a lot of legal bills that firms have to incur in understanding those forms.

MR. MOSELEY: Great. Thanks very much, Blair.

QUESTIONS FROM THE AUDIENCE:

MR. MOSELEY: So with that, I'll open it to questions or comments from the audience. We are tight on time, so I'd ask if you do have a question, please raise your hand. One of our folks will come to you with a microphone. Please wait until you've got a mic, and if you would, just very briefly identify who you are and then give us your question or comment, and please do keep it brief.
Okay. Over here. Please stand up if you would, please.

AUDIENCE MEMBER: Sure. Hi. My name is Alana, from AIQ, and we deal primarily in the institutional space.

My two comments are, first of all, with the companion policy and the guidance, and I think what I'd like to say is what's woefully lacking there is actual guidance on the sales, communication and marketing practices.

So there seems to be a lot of focus in guidance on suitability, KYP, KYC. Virtually nothing on marketing. And for a PM firm or an IFM firm that deals with exempt products only, or an EMD, it's really important that where you have the guidance, it's not there for the places where we have the most amount of struggle.

It's very difficult, for example, to be able to explain why a salesperson comes to me and says, "I just looked at a deck by a competitor and they've got no disclosures. Why do we have all of these disclosures? Explain." So I think that would be very good if you can re-look at that. I think the guidance from marketing for our picks of categories of registration is missing.

The other thing around guidance has to do with contextualizing the guidance. So it's really, really important that when we provide guidance, we also are much more explicit in the context that the guidance is being applied in.

So, for example, it would be really helpful if, when there's a general discussion on KYC or KYP or suitability, you identify where are the issues with the firms that you're specifically talking about. Is it, you know, an IFM, in the
context of an IFM that's selling exempt products? Is it in the context of a PM that's doing discretionary management? Is it dealing with certain types of investor classes, permitted clients who are not individuals, or maybe they are specifically individuals, and that kind of context will help us to understand. If I'm a firm reading this guidance and some of this applies to me or I'm offering these services and it applies to me, I will be able to more readily apply it to my business.

MR. MOSELEY: Great. Thank you. Anyone else? Any follow-up comments from our roundtable members who didn't get a chance? Want to address that comment?

MS. THIELE: Can I just say one other thing?

MR. MOSELEY: Please.

MS. THIELE: On a small point, but one, again, on the "hopefully the OSC could speak to", since there's such a free dialogue going on right now with our provincial government, this is an opportune time to get rid of one thing that's been -- and it's a big problem for the distribution of limited partnerships in Ontario, for those coming from other nations to offer their products here.

In Ontario, only in Ontario, limited partnerships legislation, a limited partnership distributing its securities has to extra-provincially register, which is a very difficult process given that Ontario doesn't have an LLC and the GP of the LP could be an LLC. It's very time-consuming and it doesn't make any sense.

A mutual fund trust doesn't have to do that. A corporation doesn't have to do that, but somehow, historically,
well before I'd like to say my time in this world, that has come
into being.

So I would really strongly encourage, if there's a
dialogue going on now, that that be brought to the attention of
the provincial government and that that be eliminated.

MR. MOSELEY: Thank you. I'm going to turn it over in
a moment to our Chair, Maureen Jensen, to -- is it just me? Am I
the only person seeing the lights going on? Just checking.

Thank you. Turn it over to Maureen Jensen to wrap things up, but
make sure I'm not missing anyone from the audience. Okay.

Then my pleasure to introduce our Chair, Maureen
Jensen.

--- Applause.

CLOSING REMARKS:

MS. JENSEN: So the first thing I want to say to
everyone is thank you very much for how candid you've been and
how focused you've been, and we're open to hearing many more
suggestions, but I thought what I would do today is really just
talk a little bit about that this initiative has been -- we
started this initiative roughly two and a half years ago at the
CSA level, but since our government has suggested that burden
reduction will be a cornerstone of their work and that we've
implemented it here, we're seeing benefits beyond just burden
reduction, but a really good look at what we've been doing, how
we've been doing it, and how business has changed.

We really have to incorporate many of the things that
we're talking about here today, not just in two places like
LaunchPad or the new Office of Economic Growth and Innovation,
but we really have to culturally build it back into our core operations. So everything that you're talking about today is really important to us.

So the other thing I'd like to say, not only thank all of you, not just around the table, but in the audience, not only for your questions, but for being here and writing comment letters and participating by asking questions, so thank you very much.

I hope you've felt that today's discussion was valuable for you. It certainly has been for us, and I've just got a couple of points here of things that I heard, just to read it back to you.

And first is, in the first discussion, we really heard that guidance, more clearly indicated, consolidated and organized on our Web site, greater transparency of focus areas and requirements among regulators, better communications between regulators, better communications of timelines, and stronger coordination of compliance reviews would be much appreciated. Also more transparency around risk weighting, improved staff allocation.

I'm not getting sick, right? The lights are actually changing.

And a better knowledge base and staff allocations, more healthy discussion during issues as well as during audits, and an openness to novel approaches.

So on the second discussion, we started off with item number 4 on data collection. Heard strongly greater predictability and reliability of requirements, more
data-centered approach, a consolidated portal.

We are actually rebuilding our back office now, and so we are working with a consolidated database, but it takes time, but these are very good ideas that we need to focus on.

On fund facts and OBAs, we heard greater flexibility in filing fund facts. One for fund, revisiting the timing of SP annual reviews. Close consideration of objectives for the OBAs, and I was happy to hear that you were interested in our moratorium on late fees until we get this project figured out, and just a real focus on how extensive does the OBA structure really need to be, and the consideration that maybe we need to rely on the firms. So all of these things I'm sure we will discuss with the rest of the CSA.

On alt funds, greater, to allow greater flexibility for managers on such issues as strategy, hypothecation, custodians, up the standard of conduct and training for complex products, and certainly, from the investor point of view, ensuring that whoever is selling alt funds really can explain them to their clients.

Again, greater clarity on process of new products and potential burdens, greater consideration of the CCO training, and more clarity on calculating fees.

And so as always, we like to hear your feedback. On this particular roundtable, we wanted to ensure that there was greater interaction and not so much talking heads, and I think we achieved that today.

So I personally thank you, everyone, for being here today, and I welcome your ongoing participation in this process, and so I look forward to hearing when we are getting it right and
when we're not getting it right. So thank you very much and enjoy the rest of your day.

--- Applause.

--- Whereupon the proceedings adjourned at 3:45 p.m.

I HEREBY CERTIFY THE FOREGOING

to be a true and accurate transcription of my shorthand notes
to the best of my skill and ability.

____________________________________
Beverley Killen, CSR
Computer-Aided Transcription