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October 23, 2020

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

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Re: CSA Consultation Paper 25-402 Consultation on the Self-Regulatory Organization Framework

CI Assante Wealth Management ("Assante") appreciates the opportunity to provide comments on the Canadian Securities Administrators ("CSA") Consultation Paper 25-402: Consultation on the Self-Regulatory Organization Framework ("the Paper") that was published for comment on June 25, 2020.

Assante supports initiatives that result in efficient and effective regulation and we thus applaud the CSA in its consultative process to determine if opportunities for self-regulatory organization

("SRO") efficiencies can be achieved. We believe that the CSA's targeted outcome of having a regulatory framework that minimizes redundancies that do not provide corresponding regulatory value is needed and appropriate, and we believe that this outcome is best achieved through the creation of a single SRO.

The CSA's current and more fulsome review of the SRO framework is welcome and we agree with the CSA's undertaking to revisit the current structure of the SRO framework and to seek additional comments from all stakeholders further to the CSA's informal consultation process that occurred in late 2019 and early 2020. As noted in the Paper, affected stakeholders articulated common themes and issues through the informal consultation process including, amongst others, issues surrounding duplicative costs, a lack of common oversight standards impacting dealers and multiple layers of regulation which have contributed to investor confusion.

About Assante

Assante is one of Canada's largest independent wealth management firms with approximately 900 professional advisors overseeing almost $46 billion of assets under administration. Assante's subsidiaries include Assante Capital Management Ltd. ("ACM"), an Investment Industry Regulatory Organization of Canada ("IIROC") member firm and Assante Financial Management Ltd. ("AFM"), a Mutual Fund Dealers Association of Canada ("MFDA") member firm. AFM advisors are currently licensed to sell mutual funds, guaranteed investment certificates and government bonds, whereas ACM advisors are licensed to sell equity securities, bonds, mutual funds, GICs and other securities that are subject to available regulatory exemptions.

Assante's Comments on the Paper

For the purposes of this submission, we will be responding to several of the issues noted in the Paper while also taking into account both IIROC and the MFDA's respective proposals of the current SRO framework in our comments.

Duplicative Operating Costs for Dual Platform Dealers

Assante commends the CSA for considering ways to improve securities regulation in Canada and reducing the regulatory burden on industry participants. As a dual platform dealer, Assante believes there are opportunities for increased harmonization and rationalization between IIROC and the MFDA, thereby fostering efficiencies across all industry participants while concurrently protecting investors and the capital markets.

As noted in the Paper, dual platform dealers, like Assante and others, operate separate compliance systems, both operational and administrative, to deal with the specific rules and regulations and incur separate fees for each respective SRO. We agree, as noted by some stakeholders in the CSA's consultation process, *"that dual platform dealers experience higher operating costs and difficulty in realizing economies of scale."* Maintaining two sets of operational and administrative systems hinders the ability for the dealer to innovate and provide greater services to their clients.

We believe that it would be important to better understand the magnitude of operational and administrative efficiencies that would be derived from a merger of the SROs, the creation of a "NewCO", or addressed by the SROs collaboratively. The goal should be to enhance efficiencies for the greatest benefit to the industry and the investor. With that goal in mind, we suggest that implementation of any new SRO structure and/or approach should happen in the relatively short term, recognizing the current momentum from the lengthy discussions to resolve the recognized operating inefficiencies of the current SRO structure. Resolving these issues in the short term will allow dual platform dealers to accelerate innovation and improve delivery of services for the benefit of clients.

Regulatory Inefficiencies

As noted in the Paper, regulatory inefficiencies also exist under the current SRO framework. With the existence of two SROs, there exists the requirement to adhere to duplicative regulatory oversight, including, but not limited to, rules and regulations, regulatory audits, continuing education (Policy 9 has been approved by the CSA but not yet formally approved by the MFDA) and regulatory filings. Also, as each SRO has different but substantially similar rules, dual platform firms are required to support concurrent operating systems and maintain different policies and procedures related to each SRO. The creation of a single SRO oversight structure would eliminate the duplicative mandates and would drastically reduce the amount of time that firm staff from various departments spend on adhering and responding to IIROC and MFDA regulatory matters.

For example, completing two business conduct audits consecutively (one by IIROC and one by the MFDA, one after another) can last anywhere from eighteen months to two years from the opening information request to closing letter. Add to this timeline the financial and operations audits by both SROs, and dual platformed dealers can conceivably be under audit for three years or more in their respective audit cycle. This results in an unnecessary duplicative burden on dual platformed dealers and offers no enhanced protection or other benefits to clients. This inefficient overlap should be considered in the context of the industry and regulatory discussion regarding the regulatory burden reduction initiative.

Structural Inflexibility

Stakeholders raised the issue of evolving business models, professional career advancement and succession planning being restricted by the current SRO framework and its structural inflexibility as it impedes advisors from adapting to changes to investor investment needs, goals and objectives. For dual platformed dealers like Assante, under the current structure, an advisor from its MFDA registrant who wishes to offer his / her clients a more diverse portfolio, including investment products such as equity securities and fixed-income products, would be required to temporarily assign their clients to another MFDA advisor at their dealer while the advisor pursues their IIROC registration or to an advisor at its IIROC affiliate during their IIROC registration process, a process that can take anywhere from three to six weeks to fully complete. Doing so causes an unwelcomed disruption to the longstanding trusted advisor – client relationship. Even once registered, the client would remain with the caretaker advisor until such a time that the

advisor and client complete new paperwork. This current structural inflexibility thus impairs the advisor's overall desire to continue to service their clients in an uninterrupted fashion and is not in the best interests of the client or to the client experience.

We do note that on October 8, 2020, IIROC issued a request for comment of proposed amendments to its Dealer Member Rules and corresponding amendments to the IIROC Dealer Member Plain Language Rule Book in order to set out in the rules the authority of IIROC Staff to grant exemptive relief to dealer members from certain client account documentation requirements. We applaud IIROC for undertaking this review and seeking opinions from the dealer community as this would be a step in the right direction, but the exemption qualifications would need to be clear and the process would need to be efficient.

In the above noted scenario, the new IIROC advisor would initially be registered under a restricted to mutual funds only registration category until they complete the additional qualifications (known as the 270-day upgrade requirement) to have the ability to offer the full suite of allowable IIROC products. Failure to upgrade within 270 days could result in the suspension of the advisor's license and consequently have a negative impact to their clients.

Removing the upgrade requirement in its entirety for any MFDA dealer that moves to the IIROC platform (under a restricted to mutual funds only registration category) could result in destabilization for those MFDA firms choosing to remain under the existing MFDA platform, including increasing their financial burden and significantly impacting investor protection. We believe that more research needs to be conducted on these potential outcomes as failure to address the issues related to the upgrade requirement will undoubtedly have an impact on the level of service received by investors currently advised by these MFDA firms.

In addition, the current structure imposes inequality with respect to the manner in which advisors are able to receive commissions derived from securities-related activity. Currently, where permitted, the MFDA allows commissions earned by an advisor to be redirected to an unregistered corporation; IIROC does not currently allow commission redirection. The new SRO would need to have a provision to deal with this inconsistency and unlevel playing field. As such, we believe that further research on the broader concept of an incorporated salesperson model, or something similar, would be of great benefit to the various constituents in this issue.

Investor Confusion

As noted in the Paper, we agree that investors are generally confused by the current SRO structure and the differences between the two, primarily as it relates to their oversight obligations and the roles that each play with respect to client complaint resolution processes and regulatory enforcement powers. Adding to this confusion, many dual platform dealers, like Assante, have affiliated IIROC and MFDA advisory practices operating from the same business location. Although there are disclosures provided to the client to mitigate potential client confusion, clients may not fully appreciate the difference in products and services offered by each dealer member and may not be able to reconcile the asymmetrical access to products and services under the one roof. Clients may also struggle to understand the specific investor protections that are afforded by

the SRO in relation to their client account, as compared/opposed to a client account held at the affiliated dealer governed by the other SRO. A single SRO solution would help eliminate much client confusion. In addition, even under a single SRO solution, a concerted education initiative should be undertaken to clarify, in simple terms, what protections are provided by the SRO, including dealer insolvency and the protections that are afforded to clients.

Conclusion

As a dual platform dealer, Assante appreciates the benefits of a single SRO structure. However, we believe this initiative must be considered and conducted in association with other regulatory initiatives to avoid, to the extent possible, any unintended consequences. Ultimately, any proposal that is implemented must ensure a client's interests are paramount, including eliminating duplicative operating costs and regulatory inefficiencies, such that dealers can accelerate innovation and improve delivery of services to clients, and enhance client experiences through the reduction of structural inflexibility and client confusion.

Assante appreciates the opportunity to provide our input on this initiative, and as always, we are available to discuss these comments if there are questions.

Yours sincerely,

CI ASSANTE WEALTH MANAGEMENT

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