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**RE: CSA Consultation Paper 25-402: Consultation on the Self-Regulatory Organization Framework (the "Paper")**

Fidelity Clearing Canada ULC ("FCC") appreciates the opportunity to provide comments on the Paper. We are also appreciative that the CSA has solicited feedback from all stakeholders including not only industry participants but the public in order to address the current regulatory framework.

FCC, founded in Toronto in 2009, provides Canadian registered brokerage firms and portfolio managers with trade execution, clearing, custody and back-office support. We are also registered with the Investment Industry Regulatory Organization of Canada (IIROC).

**Summary**

As expanded upon below, a single SRO that would continue to conduct national market surveillance is the desired outcome.

We applaud both IIROC and the Mutual Fund Dealer's Association (MFDA) as it relates to furthering an agenda focused on harmonization. However, utilizing an existing framework and infrastructure as a starting point, as opposed to building a new SRO from scratch achieves efficiency in cost and time and would result in a streamlined approach not only to proficiency requirements, registration, and products but to a vigorous and consistent enforcement regime.

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While the Paper outlines and canvases many important and key considerations in examining the modernization and updating of the capital markets regulatory landscape, we have focused our response on the following key areas.

### **Investor Confusion/Investor Confidence**

The potential benefits to clients are one of the main reasons for a single SRO framework.

As industry participants, we understand that regulation is what dictates which registrant can offer which product, though at times this is still confusing. For the general public, it's even more so. Having the ability to go to one registrant in order to invest in the security of their choice not only makes sense, it allows for consistency.

As a result of having to invest with more than one registrant (in order to have access to all products), clients have accounts at numerous institutions, none of which have identical account opening documents, disclosures, statements or complaint handling processes.

While IIROC has a governance structure that is solid as it relates to investor protection, the existence of the current investor protection frameworks doesn't help the client confusion situation. Increased governance protocols for a single SRO will only bolster that which exists.

All of this creates administrative burden on clients and stress. It ultimately contributes to people wanting to "do it themselves" believing that the time and confusion trade-off in order to obtain advice just isn't worth it. This slowly eradicating confidence in our industry.

The on-the-face-of-it benefits to the end client speak for themselves but true value in erasing/minimizing client confusion is that it will bolster investor confidence in an industry that has seen some dark days.

### **Structural Inefficiencies**

#### **1. Redundant operating costs for dual platform dealers**

The redundancy experienced by dual platform investment dealers is significant. It equates to increased infrastructure resulting ultimately in increased financial costs. This often results in requiring duplicative staff with competing priorities as required by each regulator.

Perhaps not initially but eventually, a single SRO will eliminate the need to maintain separate back office platforms. One SRO translates to a single set of regulations; the domino eventually leading to one vendor and additional cost-savings.

#### **2. Product regulation**

As noted above, the universe of investment products available to the end client is vast. A single SRO would provide a platform to take a consistent approach at evaluating the benefits and risks

of these numerous securities as opposed to focusing on the risks of a single product, such as mutual funds, which may or may not be risky within the field of products.

In addition, both the MFDA and IIROC registrants offer similar, and in some cases, identical products (consider Mutual Funds, ETF's and Exempt Market Products). Along with this comes the requirement for different registration requirements that govern the sale and offering of these products. Notwithstanding that all these products fall under National Instrument 81-102, for mutual fund registrants each of these products carry the requirement to be adequately licensed. The inconsistency in licensing requirements of these products causes confusion amongst industry participants, increases surveillance and compliance costs and most importantly highlights the need for consistency under a single SRO.

### 3. Regulatory arbitrage

A single SRO, by design alone, will initially reduce and can eventually contribute to a larger reduction of regulatory arbitrage.

### Conclusion

With much respect to all proposals regarding what a new framework would and could entail, time, cost savings and efficiency is of the essence. Discussions, consultations and task forces have examined our current SRO framework over the past twenty years. As our capital market landscape becomes more complex and cost-effective regulation paramount to a robust and even playing field, a single lens and consistent approach is ideally achievable through a single SRO.

The consolidation of that single SRO regulating all retail-facing securities dealers and mutual fund dealers simply cannot take years to implement; investor confidence doesn't increase the longer we delay.

Sincerely,

Fidelity Clearing Canada ULC



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