CFA Societies Canada

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October 28, 2020

VIA EMAIL

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

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Dear Sirs/Mesdames:

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

The Canadian Advocacy Council of CFA Societies Canada[1] (the "CAC") appreciates the opportunity to provide the following comments on the Consultation

[1] The CAC is an advocacy council for CFA Societies Canada, representing the 12 CFA Institute Member Societies across Canada and over 18,000 Canadian CFA charterholders. The council includes investment professionals across Canada who review regulatory, legislative, and standard setting developments affecting investors, investment professionals, and the capital markets in Canada. Visit www.cfacanada.org to access the advocacy work of the CAC.
CFA Institute is the global association of investment professionals that sets the standard for professional excellence and credentials. The organization is a champion of ethical behavior in investment markets and a respected source of knowledge in the global financial community. Our aim is to create an environment

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Paper. We believe the questions raised in the Consultation Paper are important and timely. In reviewing the Paper, we note and agree with many of the concerns raised by stakeholders in the CSA's informal consultation process.

Before moving to responses to the specific questions raised in the Consultation Paper, we believe a statement of our 'first principles' in consideration of this subject matter is worthwhile, along with their application to the future of self-regulation in the securities industry in Canada.

1. Accountability to the Public Interest

   While the public interest is already addressed in both IIROC's and the MFDA's governance statements (mission, vision, values, etc.), we believe that this is an evolutionary inclusion rather than a core design principle being consistently applied to their structures and their delivery of securities regulation. Vestiges of their historical and primary accountability to industry remain influential, and this must be addressed more directly to move forward. Adopting accountability to the public interest as a design principle demands changes to the governance structures of self-regulatory organizations ("SROs") in Canada, starting with requirements for a majority independent Board, a Chair that is an independent director, and cascading structural requirements to other governance bodies such as district/regional councils and other decision-making committees to prioritize the public interest.

2. Transparency

   Public trust is essential to the effective functioning of any self-regulatory body, and it withers in the absence of transparency. While we acknowledge the recent improvements in transparency within certain SRO structures, we remain concerned that material regulatory decision-making powers still reside in cloistered industry-only bodies such as district/regional councils, and that this has material cultural effects on the broader industry. We strongly suggest revision of the decision-making powers, transparency obligations and composition of these bodies, such that confidence can be had that decisions are being made in the public interest without undue influence of industry. Additional transparency around enforcement proceedings is also warranted, such as representative penalty guidelines, the impact of precedents, and ameliorating circumstances being more clearly outlined in decision documents. The public trust is degraded when offenders are sanctioned in ways that are inexplicable on the basis of an objective reading of the facts published. There should also be confidence that systemic and root causes for common compliance and enforcement issues are being routinely investigated and addressed, rather than treated serially and symptomatically. Transparency around identified issues and their investigation is essential to maintaining this confidence.

3. Professionalism

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where investors' interests come first, markets function at their best, and economies grow. There are more than 177,600 CFA charterholders worldwide in 165 markets. CFA Institute has nine offices worldwide and there are 160 local member societies. For more information, visit www.cfainstitute.org.

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We believe that professionalism, competency, and quality of advice should be explicit goals for action on the SRO framework. Proficiency artifices designed around deteriorating barriers between product silos and registration categories serve no greater purpose and must be eliminated. We believe that an overriding culture of encouraging professionalism and competency beyond minimum requirements for registration must be established and fostered. The groundwork for a more meaningful, uniform, and less perfunctory continuing education program must be established for financial advice, focusing not on the specifics of products or practice management, but on continued development of the skills necessary to deliver competent, effective, professional and ethically-grounded financial advice to Canadians.

4. Regulatory Efficiency

   At the heart of the argument for self-regulation is regulatory efficiency. To this end, we believe the case has been soundly made for SRO consolidation, particularly if it serves as an opportunity to reflect on and entrench the public interest and other design principles moving forward. We believe the case for consolidation of other regulatory categories into the SRO framework has not been made. While we can see potential merits of the application of a rules-driven SRO approach to the scholarship plan dealer ("SPD") registration category, we believe it deserves more study by the CSA, as we believe this study may lead to questioning the continued existence of this registration category altogether. Continuing to the portfolio manager ("PM") and exempt-market dealer ("EMD") registration categories, we've seen no evidence that integration into a rules-driven SRO regulatory framework would either be straightforward or have clear benefits to any stakeholder group. We believe it would be intensely disruptive to industry, have unclear benefits to investors and the public, and only serves as an effective distraction from the clear benefits of consolidation of the existing SROs. Further, we believe that the principles-based framework applied to these registration categories by the CSA functions well in practice and is adaptive to the wide variety of business models under these categories, as opposed to the more homogenous business models currently under SRO supervision (or in the SPD registration category).

5. Market Integrity

   We believe that the current SRO-led market surveillance function works well and should not be a foundational basis for SRO reform. While we can see room for potential improvements and better integration with market-oversight groups within the CSA (and would encourage the same), we don't believe that the CSA is well-equipped from a structural or functional perspective to take on market surveillance, and believe that such a transition could be disruptive to market confidence and the effectiveness of key surveillance activities. We would encourage and look forward to participating in a future parallel dialogue on potential avenues for more effective coordination and integration between IIROC (or a successor SRO) and the related CSA functions in this area.

6. Investor Protection

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We believe the cause of investor protection is best served in this debate by solving for the principles we've outlined above – namely accountability to the public interest, transparency, and professionalism. SRO governance and decisioning that is transparent, accountable, and not unduly influenced by industry considerations serves this cause. Registrants that are more competent, proficient, and ethically-minded inherently lead to fewer investor protection issues. A compliance and enforcement culture and paradigm that is designed, implemented, and consistently applied to inspire public confidence is also a critical element for investor protection. We believe that if properly executed, there is a generational opportunity in front of us to pull together the best of what already exists within certain areas of the SRO landscape and perform a cultural reset of registrant expectations and enforcement that serves the cause of investor protection.

General Consultation Questions

A. The CSA is seeking general comments from the public on the issues and targeted outcomes identified, as well as any other benefits and strengths not listed in section 4 that should be considered. In addition, please identify if there is any other supporting qualitative or quantitative information that could be used to evidence each issue and/or quantify the impact of the issues noted in the Consultation Paper.

We believe confidence and trust of the public is critical to the effective functioning of our markets, and thus a credible and transparent SRO framework is essential. While there are further details to be considered and proposed by the CSA, we support the general premise of a merger between the existing SROs. Given the current regulatory structure and information presented, we do not support any proposal that would bring registrants such as EMDs, investment fund managers ("IFMs"), PMs or SPDs into the purview of SRO regulation. We believe additional analysis and evidence is required to support consolidation beyond registration categories currently under SRO oversight and would be curious about what analysis would yield for the SPD registration category.

In the PM registration category, several Canadian jurisdictions impose a statutory fiduciary duty on registrants when managing the investment portfolio of a client through discretionary authority. As CFA charterholders, we uphold our Code of Ethics and Standards of Professional Conduct, which requires us to put the interests of our clients ahead of our own. We query whether the impact of these standards of investor protection could be diminished, contrary to the public interest, if a single SRO were to absorb regulation of a wider array of registration categories. It is imperative to point out that many portfolio managers have arrangements with IIROC dealer members to act as custodians (and thus their clients may already have access to investor protection funds in the event of the bankruptcy of such a dealer when acting as custodian). For this and other reasons, we believe the systemic risk posed by portfolio managers is not as acute as by other registrants. Further, we're not aware of widespread instances (other than isolated instances of outright fraud and/or misappropriation of funds) where the insolvency of a portfolio management firm led to major investor losses, because of the segregation of client assets from that of the firm that is implicit in the business model of the registration category.

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The efficacy of the portfolio management segment's higher standards is evidenced by OBSI's latest annual report, where portfolio managers do not generate many investor complaints based on their advisory activities. In its 2019 report, OBSI indicated that of the 388 cases opened during its most recent fiscal year, only 14 were from the portfolio manager registration category (with 1 additional case from a restricted portfolio manager). This is notably low relative to the 200 IIROC cases and 138 cases involving MFDA members [2]. Unless there is evidence to the contrary that portfolio managers should be regulated by an SRO, we are opposed to such a disruptive, burdensome, and potentially duplicative change to our regulatory structure that in our view doesn't yield clear investor or public benefits.

We generally question the appropriateness of the rules-based regulatory approach of an SRO to the multitude of business models that exist within the exempt market dealer and portfolio manager registration categories. We're particularly concerned with respect to portfolio managers (many of whom also carry investment fund manager registrations) as to the fit of this more prescriptive regulatory approach given the high conduct standards already imposed on the often-related PM and IFM registration categories. To apply these prescriptive rules to the wide variety of business models and sizes of businesses present in the PM and EMD categories appears to us to be both burdensome and unworkable.

B. Are there other issues with the current regulatory framework that are important for consideration that have not been identified? If so, please describe the nature and scope of those issues, including supporting information if possible.

With respect to the governance structure of the future SRO, we would strongly support a requirement to have a majority of independent directors as well as an independent Chair. Some SRO directors should also be required to have relevant experience with respect to investor protection issues, as has already been proposed and implemented by IIROC. In addition, a cooling-off period prior to being considered independent should be required and an examination should occur with respect to the appropriate term limit length for all directors. Governance improvements and transparency (as previously highlighted) in decision-making SRO committees and district/regional councils could also be materially improved. Wider measures could also be taken to enhance the governance structure of SROs, including, as suggested in a position paper released by CFA Institute entitled "Self-Regulation in the Securities Markets – Transitions and New Possibilities"[3] , ensuring that SROs are subject to the same transparency and public reporting requirements imposed on primary or statutory regulators. Complaints about the SRO by SRO members could be handled by way of a member escalation process within the current CSA framework.

We note that it is currently difficult for investors to gain information similar to the IIROC AdvisorReport on their advisors from either the CSA or the MFDA site. It would be

[2] *OBSI's 2019 annual report*, online: Ombudsman for Banking Services and Investments <https://www.obsi.ca/Modules/News>.

[3] *Self-Regulation in the Securities Markets – Transitions and New Possibilities*, online: CFA Institute <https://www.cfainstitute.org/-/media/documents/article/position-paper/self-regulation-in-securities-markets-transitions-new-possibilities >

preferable to make similar information available for all registrants in a consolidated and comparable way.

C. Are any of the CSA targeted outcomes listed more important from your perspective than other outcomes? Please explain.

We believe that the investor-focused targeted outcomes should be regarded as primary, with particular focus on the targeted outcome that demands "… a clear, transparent public interest mandate with an effective governance structure and robust enforcement and compliance processes." All recommendations and action resulting from this process should be evaluated on the basis of this litmus test.

D. With respect to Appendix F, are there other documents or quantitative information / data that the CSA should consider in evaluating the issues in light of the targeted outcomes noted in this Consultation Paper? If so, please refer to such documents.

We are not aware of material additional information for consideration.

Issue 1: Duplicative Operating Costs for Dual Platform Dealers

Question 1.1: What is your view on the issue of duplicative operating costs, and the stakeholder comments described above? Are there other concerns in respect of this issue that have not been identified? If possible, please provide specific reasons for your position and provide supporting information, including the identification of data sources to quantify the impact or evidence your position. In addressing the question above, please consider and respond to the following, as applicable: a) Describe instances whereby the current regulatory framework has contributed to duplicative costs for dealer members and increased the cost of services to clients. b) Describe instances whereby those duplicative costs are necessary and warranted. c) How have changes in client preferences and dealer business models impacted the operating costs of dealer member firms?

We do not believe there is a significant benefit to a continuing regulatory framework that results in duplicative operating costs, many of which are ultimately borne by the end investor. Costs should be minimized to the extent possible without prejudicing investor protection and effective compliance or enforcement. We believe product innovation and investor access to new (and often lower-cost) products should not be artificially impeded by the registration category of the firm or registrant they face. We believe that much of the compliance and operational oversight associated with dual platform dealers is duplicative, not of public/investor benefit, and could be quickly eliminated through SRO consolidation, with the focus of compliance systems turned towards more productive and investor-centric ends.

Question 1.2: Is the CSA targeted outcome for issue 1 described appropriately? If yes, how can the targeted outcome be best achieved? If no, what outcome(s) do you suggest and how can they be best achieved?

We agree that the targeted outcome is appropriately described. We believe in regulatory efficiency as a guiding principle.

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Issue 2: Product-Based Regulation

Question 2.1: What is your view on the issue of product-based regulation, and the stakeholder comments described above? Are there other concerns in respect of this issue that have not been identified? If possible, please provide specific reasons for your position and provide supporting information, including the identification of data sources to quantify the impact or evidence your position. In addressing the question above, please consider and respond to the following, as applicable: a) Are there advantages and/or disadvantages associated with distributing similar products (e.g. mutual funds) and services (e.g. discretionary portfolio management) to clients across multiple registration categories? b) Are there advantages and/or disadvantages associated with representatives being able to access different registration categories to service clients with similar products and services? c) What role should the types of products distributed and a representative's proficiency have in setting registration categories? d) How has the current regulatory framework, including registration categories contributed to opportunities for regulatory arbitrage?

We increasingly question the appropriateness of product-based regulation generally, as we continue to see clear barriers between product types deteriorate as financial products and services innovate to respond to investor needs. In lieu of product-based regulation, we advocate for a model where regulation is based on scope and quality of advice, and corresponding business models. Investors should have confidence that their needs are being served with homogenous regulatory expectations regardless of the product or service that is recommended or sold.

We would not support any changes that would result in lower proficiency requirements for registrants providing investment advice. We are also concerned about investor confusion that can arise from discretionary portfolio management from an IIROC registrant, and believe that regulatory expectations and application should be harmonized between the IIROC and CSA platforms in this area. We believe harmonization of registration categories (such as for PMs and APMs) should be accelerated to minimize investor confusion. We're also supportive of accelerated policy action on title reform for securities registrants.

As noted elsewhere in the Consultation Paper, the IIROC proficiency upgrade rule requires that an individual formerly registered with an MFDA firm be qualified within 270 days of approval as a representative on the IIROC platform. While we understand that a proficiency gap will exist between basic individual registration categories after any merger between the MFDA and IIROC, we believe that this gap should be rectified for legacy registration categories within a reasonable period of any reorganization. We would advocate for a reframing of minimum requirements focused on skills, competency, and professionalism, with less regard to the specific scope of products sold by a given registrant.

Question 2.2: Is the CSA targeted outcome for issue 2 described appropriately? If yes, how can the targeted outcome be best achieved? If no, what outcome(s) do you suggest and how can they be best achieved?

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We believe the targeted outcome is appropriately described, and best achieved through a merger of existing SROs, followed by a principles-based and progressive integration of rules and registration categories.

Issue 3: Regulatory Inefficiencies

Question 3.1: What is your view on the issue of regulatory inefficiencies and the stakeholder comments described above? Are there other concerns in respect of this issue that have not been identified? If possible, please provide specific reasons for your position and provide supporting information, including the identification of data sources to quantify the impact or evidence your position. In addressing the question above, please consider and respond to the following, as applicable: a) Describe which comparable rules, policies or requirements are interpreted differently between IIROC, the MFDA and/or CSA; and the resulting impact on business operations. b) Describe regulatory barriers to the distribution of similar products (e.g. ETFs) available in multiple registration categories. c) Describe any regulatory risks that make it difficult for any one regulator to identify or effectively resolve issues that span multiple registration categories.

We understand and agree with the concerns underlying this issue. We believe (as stated previously) that investor interests are not well-served by drawing artificial barriers in regulation between product categories that serve the same investor needs. We believe investors are best served when they can have confidence that their needs are being served with generally homogenous regulatory expectations regardless of the product or service that is recommended, provided, or sold.

We are concerned with specific instances of regulatory inconsistency and understand that rules relating to borrowing funds to invest in securities may be interpreted and implemented differently under SRO and CSA rules. Pursuant to section 13.13(1) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*, there is a prescribed written risk statement that must be provided to clients if a registrant recommends that a client use borrowed money to finance any part of a purchase of a security, and similar disclosure is required under IIROC Dealer Member Rule 29.26 and MFDA Rule 2.6. Despite the prescriptive disclosure requirements, and a requirement that borrowing is a factor to be considered in making suitability determinations, we have been led to believe that compliance standards differ in the application of these standards between regulators.

We remain concerned with the different regulatory framework currently applicable to the sale of insurance products that serve similar investor needs to securities-regulated products, namely segregated funds. Particularly given the dual registrations of many insurance salespersons with a securities regulator or an SRO, we're concerned about the inconsistent application of regulatory standards by product type, which confuses investors/clients and degrades the public trust in advice. While we understand the insurance guarantee and term are supposed differentiators, segregated fund products can be extremely similar in effect, features, and appearance to structured products and funds sold under the securities regime. To compound the confusion, they are often offered by the same advisor. The securities regulatory regime has been more progressive on disclosure and operating requirements for these products, and the

insurance regulations have not kept up. Consistent regulation would result in regulatory efficiencies, cost savings and consistent fair treatment of clients and negate regulatory arbitrage opportunities. It would also bolster public confidence in the advice they're receiving holistically.

We also believe it is important to continue to examine referral arrangements between dealers regulated by an SRO and CSA registrants, to ensure that clients know to whom they are speaking, and each party's respective obligations are clearly defined. We believe rules should be harmonized and consistently applied across regulatory platforms.

Question 3.2: Is the CSA targeted outcome for issue 3 described appropriately? If yes, how can the targeted outcome be best achieved? If no, what outcome(s) do you suggest and how can they be best achieved?

We believe the targeted outcome is described appropriately and agree with its direction. We believe the outcome is best achieved through a merger of existing SROs and a pointed focus on harmonization of regulatory expectations between different regulators to inspire greater public confidence that the advice that investors receive is subject to consistent, appropriate, and rigorous regulatory requirements.

Issue 4: Structural Inflexibility

Question 4.1: What is your view on the issue of structural inflexibility, and the stakeholder comments described above? Are there other concerns in respect of this issue that have not been identified? If possible, please provide specific reasons for your position and provide supporting information, including the identification of data sources to quantify the impact or evidence your position. In addressing the question above, please consider and respond to the following, as applicable: a) How does the current regulatory framework either limit or facilitate the efficient evolution of business? b) Describe instances of how the current regulatory framework limits dealer members' ability to utilize technological advancements, and how this has impacted the client experience. c) Describe factors that limit investors' access to a broad range of products and services. d) How can the regulatory framework support equal access to advice for all investors, including those in rural or underserved communities? e) How have changes in client preferences impacted the business models of registrants that are required to comply with the current regulatory structure?

We believe this issue is appropriately identified and presents a broad impediment to the pursuit of professionalism, improving competency, and high standards of investment advice across the investment industry. We believe the proficiency upgrade requirement is an artificial barrier for registrants looking to upskill and offer a wider variety of products to their clients. These registrants are often disincentivized by the dealer platform switching costs, costs of renewing proficiency courses, and the differences in allowable compensation and tax-planning structures between the SRO platforms. We believe that registrants should be holistically encouraged to pursue a higher standard of minimum competency, continuing skills development,

professionalism, and the delivery of ethically-centered advice to clients as part of the path forward.

Question 4.2: Is the CSA targeted outcome for issue 4 described appropriately? If yes, how can the targeted outcome be best achieved? If no, what outcome(s) do you suggest and how can they be best achieved?

We agree with the description of the targeted outcome, but choose to interpret its direction as demanding a progressive proficiency framework for registrants into the future, focused on minimum proficiency standards that are responsive to innovation, building professionalism, and ensuring that skills development is encouraged towards the delivery of high-quality and ethically-centered investment advice regardless of registrant category.

Issue 5: Investor Confusion

Question 5.1: What is your view on the issue of investor confusion, and the stakeholder comments described above? Are there other concerns in respect of this issue that have not been identified? If possible, please provide specific reasons for your position and provide supporting information, including the identification of data sources to quantify the impact or evidence your position. In addressing the question above, please consider and respond to the following, as applicable: a) What key elements in the current regulatory framework (i) mitigate and (ii) contribute to investor confusion? b) Describe the difficulties clients face in easily navigating complaint resolution processes. c) Describe instances where the current regulatory framework is unclear to investors about whether or not there is investor protection fund coverage.

Investors (particularly retail investors) should not be expected to understand the multitude of registration and regulatory acronyms utilized by the industry, nor the nuanced differences in the scope and function of all the existing registration categories across platforms. Harmonization of regulatory expectations and simplification of structures such that investors can have holistic confidence in the advice they're receiving should be a primary goal of revising the SRO framework.

As noted in the Consultation Paper, the potential for confusion is particularly acute with respect to redress mechanisms available to investors. We believe in the power of a singular empowered dispute resolution body, and clear and investor-friendly expectations on all securities registrants as to the progress of disputes and complaints through internal resolution structures to the external dispute resolution body. We believe that this process should be homogenous to investors regardless of the registrant they face. We also believe that an ombudsperson should be empowered to investigate and opine on potential solutions to systemic issues identified through investor complaints and disputes.

Question 5.2: Is the CSA targeted outcome for issue 5 described appropriately? If yes, how can the targeted outcome be best achieved? If no, what outcome(s) do you suggest and how can they be best achieved?

We believe that this targeted outcome is described appropriately and should function as an overriding litmus test for any recommendation that comes from this consultation and process. We believe that this outcome is best achieved through continued pursuit of regulatory harmonization, increased and consistent standards for investment advice, and simplification of the regulatory landscape starting with a merger of the existing SROs, with material investor-minded improvements to the SRO structure aligned with the 'first principles' we've outlined above.

Issue 6: Public Confidence in the Regulatory Framework

Question 6.1: What is your view on the issue of public confidence in the regulatory framework, and the stakeholder comments described above? Are there other concerns in respect of this issue that have not been identified? If possible, please provide specific reasons for your position and provide supporting information, including the identification of data sources to quantify the impact or evidence your position. In addressing the question above, please consider and respond to the following, as applicable: a) Describe changes that could improve public confidence in the regulatory framework. b) Describe instances in the current regulatory framework whereby the public interest mandate is underserved. c) Describe instances of how investor advocacy could be improved. d) Describe instances of regulatory capture in the current regulatory framework. e) Do you agree, or disagree, with the concerns expressed regarding SRO compliance and enforcement practices? Are there other concerns with these practices?

We've extensively covered answers to these questions already (see 'first principles' above), and believe that developments need to be made to governance and the enforcement and compliance processes at the SROs in order for this SRO review to be judged as successful. To the extent product-focused regulation continues, changes that would improve public confidence in the regulatory framework involve further work explaining to investors the collaborative nature of Canada's regulatory agencies, and work to further harmonize requirements wherever possible towards consistent standards of advice and disclosure on the basis of the investor faced and advice offered rather than the product sold or recommended. It's critical that regulators be accountable to the public interest, and this demands evolution of the SRO framework.

As noted above, we have concerns with respect to the patchwork of investor redress mechanisms. We query whether it remains appropriate for both of the SROs to be members of the Joint Regulators Committee.

Question 6.2: Is the CSA targeted outcome for issue 6 described appropriately? If yes, how can the targeted outcome be best achieved? If no, what outcome(s) do you suggest and how can they be best achieved?

We believe the targeted outcome is appropriately described, and believe this outcome is clear in demanding substantive and urgent change from the CSA through SRO consolidation and material changes to the SRO framework aligned with the 'first principles' outlined earlier.

Issue 7: The Separation of Market Surveillance from Statutory Regulators (CSA)

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Question 7.1: What is your view on the separation of market surveillance from statutory regulators, and the stakeholder comments described above? Are there other concerns in respect of this issue that have not been identified? If possible, please provide specific reasons for your position and provide supporting information, including the identification of data sources to quantify the impact or evidence your position. In addressing the question above, please consider and respond to the following, as applicable: a) Does the current regulatory structure facilitate timely, efficient and effective delivery of the market surveillance function? If so, how? If not, what are the concerns? b) Does the continued performance of market surveillance functions by an SRO create regulatory gaps or compromise the ability of statutory regulators to manage systemic risk? Please explain.

We would refer you to our prior principles-based comment on this topic. While the separation of market surveillance from statutory regulators may not be ideal from a theoretical perspective in the eyes of some stakeholders, we believe the current system functions well, are not aware of any serious issues with respect to the current market surveillance function, and believe wholesale change could be disruptive without clear investor or public benefits. In order to separate market surveillance and bring it back to the purview of the CSA, we imagine it would be necessary for the CSA to expend much time and cost to set up the necessary technology and build necessary expertise, particularly with respect to real time surveillance. In lieu of such an extensive change, we would recommend, to the extent there are concerns with existing surveillance mechanisms, incremental improvements be made. For example, a revamped SRO with a continued market surveillance mandate could be provided with broader powers to examine records of additional market participants, and additional avenues for operational integration with related functional groups at the CSA could be explored or encouraged, particularly to better ameliorate systemic risk concerns.

Question 7.2: Is the CSA targeted outcome for issue 7 described appropriately? If yes, how can the targeted outcome be best achieved? If no, what outcome(s) do you suggest and how can they be best achieved?

We believe the targeted outcome for issue 7 is well-described, though don't necessarily connect the targeted outcome as stated with a wholesale shift in responsibility for market surveillance, as we believe the current system functions well. We would encourage greater strategic and operational integration between the current market surveillance regulatory function and related functions at the CSA, particularly to address systemic risk concerns.

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Concluding Remarks

We thank you for the opportunity to provide these comments. We would be happy to address any questions you may have and appreciate the time you are taking to consider our points of view. Please feel free to contact us at cac@cfacanada.org on this or any other issue in future.

(Signed) *The Canadian Advocacy Council of CFA Societies Canada*

The Canadian Advocacy Council of CFA Societies Canada