

June 24, 2022

VIA EMAIL

Alberta Securities Commission
Autorité des marchés financiers
British Columbia Securities Commission
Manitoba Securities Commission
Financial and Consumer Services Commission of New Brunswick
Office of the Superintendent of Securities, Digital Government and Services,
Newfoundland and Labrador
Office of the Superintendent of Securities, Northwest Territories
Nova Scotia Securities Commission
Office of the Superintendent of Securities, Nunavut
Ontario Securities Commission
Prince Edward Island Office of the Superintendent of Securities
Financial and Consumer Affairs Authority of Saskatchewan
Office of the Yukon Superintendent of Securities

The Secretary
Ontario Securities Commission
20 Queen Street West 22nd Floor
Toronto, Ontario M5H 3S8
Email: comments@osc.gov.on.ca

Me Philippe Lebel
Corporate Secretary and Executive Director, Legal Affairs
Autorité des marchés financiers
Place de la Cité, tour Cominar
2640, boulevard Laurier, bureau 400
Québec (Québec) G1V 5C1
Email: consultation-en-cours@lautorite.qc.ca

Re: CSA Staff Notice and Request for Comment 25-304 – Application for Recognition of New Self-Regulatory Organization (the “Application”)

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

¹ The CAC is an advocacy council for CFA Societies Canada, representing the 12 CFA Institute Member Societies across Canada and over 19,000 Canadian CFA Charterholders. The council includes investment professionals across Canada who review regulatory, legislative, and standard setting developments affecting investors, investment professionals, and the capital markets in Canada. Visit www.cfacanada.org to access the advocacy work of the CAC.

CFA Institute is the global association of investment professionals that sets the standard for professional excellence and credentials. The organization is a champion of ethical behavior in investment markets and a respected source of knowledge in the global financial community. Our aim is to create an environment where investors' interests come first, markets function at their best, and economies grow. There are more than 180,000 CFA Charterholders worldwide in 160 markets. CFA Institute has nine offices worldwide and there are 160 local societies. For more information, visit www.cfainstitute.org or follow us on LinkedIn and Twitter at @CFAInstitute.

We support the creation of the New SRO as described in the schedules included in the Application and believe its features and governance structure are a successful implementation of the principles and objectives outlined in the Consultation Paper. In addition, the Application strikes a good balance amongst the comments received and the various stakeholder interests.

Many of our comments in response to CSA Consultation Paper 25-402 *Consultation on the Self-Regulatory Organization Framework* have been addressed in the Application, including our primary concern that accountability to the public interest be a core design principle in the New SRO structure, mandate, and governance. In particular, we applaud the new governance structure requiring a clear majority of independent directors and independent chairs of both the Board and key committees. The relevant definitions of “independence” are well thought out, thorough and appropriate to ensure relevant expertise and experience, while mitigating for potential conflicts and biases. We also applaud the new measures to provide transparency throughout the New SRO’s decision-making processes, particularly the removal of the regulatory decision-making mandate of regional councils and replacement with an advisory-only role.

We have supported prior proposals for a strong investor advisory panel and investor office and endorse their proposed creation and mandates within the New SRO. While the investor advisory panel is mandated to meet with the New SRO board at least once a year, we believe these meetings could and should occur more frequently as one-on-one relationships with board members will be important for the panel to gain the necessary insight and influence to effect their investor-centric mandate. It is important that this advisory group and the investor office fulfil functions that are not currently being furnished by other such similar groups set up by the CSA or its members, work collaboratively with similarly mandated and adjacent groups and offices of the CSA and its members, and offer unique perspective and services so as to avoid duplication and investor confusion.

We have observed that the New SRO has a lengthy enumerated mandate, with a variety of directives that may be competitive in effect and which will require robust governance, balancing, and transparent disclosure to stakeholders. Given the number and variety of these mandates, we believe it will be critical early work of the Board (working with staff) to identify guiding principles and KPIs by which successful execution against mandates can be monitored and then reported upon regularly for transparency to stakeholders.

We believe the totality of the changes in the Application to the securities regulatory environment in Canada will impact the public trust in our collective regulatory bodies and system positively, which is essential for effective functioning. We would be pleased to participate in the next phases of the evolution of the New SRO, particularly with respect to the ongoing review of proficiency profiles and the ensuing path forward for proficiency across registration categories and securities regulators. We note that we continue to be of the view that registrants should be strongly encouraged (and potentially mandated if or when properly grounded in related research and policy development) to pursue a higher standard of minimum competency, continuing skills development, professionalism, and the delivery of ethically-centered advice to clients.

Considering specific other items mentioned in our comments to the Consultation Paper, we believe it in the public interest to maintain responsibility for the market surveillance function with the New SRO as outlined in the Application. We would encourage and are also happy to participate in dialogue on greater coordination, data sharing, and integration between the New SRO, the CSA and other regulators with respect to the New SRO's market surveillance functions. On enforcement, we would highlight the importance of ensuring procedural robustness and data integrity during the consolidation period, as the historical data will be important to help identify future policy themes, recidivists, etc. across jurisdictions and platforms. There will be much utility in consolidating and sharing these processes and information within the New SRO.

The CAC would be happy to participate in the consultations planned for Phase 2 with respect to the potential inclusion of additional registrant categories such as scholarship plan dealers, exempt market dealers and advisors within the regulatory mandate of the New SRO. We look forward to reviewing additional analysis and evidence to support any prospective or proposed consolidation of additional registration categories under the New SRO oversight for a fulsome review and discussion.

Concluding Remarks

We were pleased to see that many of our comments have been considered and that the proposed structure, mandate, and processes for the New SRO will represent a positive step in Canadian securities regulation toward increased investor protection, accountability to the public interest, and transparency. We applaud the efforts of the Special Joint Committee, the CSA's various working and policy groups, and involved staff in crafting this Application that delivers on both the objectives of the project and the tight proposed timeline for its implementation.

We thank you for the opportunity to provide these comments and would be happy to address any questions you may have. 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**