



**ANDREW J. KRIEGLER**

President and Chief Executive Officer

December 1, 2015

Expert Advisory Panel – FSCO/FST/DICO Mandate Reviews  
Ministry of Finance  
Financial Institutions Policy Branch (FIPB) & Income Security & Pension Policy  
Division  
Frost Building North, Room 424  
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Via email to: [FIPBmandatereview@ontario.ca](mailto:FIPBmandatereview@ontario.ca)

Dear Sirs:

Re: Comments on Preliminary Position Paper

IIROC is the national public interest self-regulatory organization which oversees all investment dealers and their trading activity on debt and equity markets across Canada. Our jurisdiction extends to approximately 180 investment dealers and their roughly 28,000 individual registrants – almost 14,000 of whom are in Ontario. Our employees in offices across Canada are on the front lines, setting and enforcing rules regarding the proficiency, business and financial conduct of IIROC-regulated firms and their registered employees and enforcing market integrity rules.

We welcome the opportunity to comment on your [Preliminary Position Paper](#) and, in particular, your preliminary recommendations. We have also observed the perception that the Ontario financial services regulatory regime is not as effective as it could or should be, and we broadly support your vision of what needs to be done to modernize and improve the current financial services regulatory framework in Ontario.

IIROC supports strongly your belief that Ontario's financial services agencies should have the mandate and authority to work closely with the financial services sector and with "sister" agencies in other provinces. However, we would also add that it is equally vital that financial services agencies and recognized self-regulatory organizations which operate *within* Ontario also work closely together.

IIROC supports your recommendation for an explicit legislative statement of Ontario's financial services goals and priorities – together with a clear articulation of the agencies' mandates, powers and direction. Your call for greater clarity and transparency in agency activities and operations is timely.

IIROC would view the creation of your recommended Financial Services Regulatory Authority (FSRA) for Ontario very positively as we understand that your goals for the FSRA would see a reduction in regulatory fragmentation, enhancement of regulatory coordination and harmonization and more effective consumer protection all the while fostering a strong, vibrant and competitive financial services sector.

In this regard, we particularly welcome and strongly support your recommendation 7 which would make explicit in FSRA's mandate the obligation to work and cooperate with other financial services regulators (including self-regulatory organizations). Recommendation 7 lists a number of positive regulatory developments which would result from the FSRA and other regulators (including self-regulatory organizations) genuinely cooperating. We endorse and encourage the pursuit through cooperation of regulatory improvements such as:

- I. A similar and familiar regulatory framework and approach to the oversight of those selling similar products;
- II. Common and consistently applied standards, including consumer disclosure standards, for those selling similar products; and

- III. Most importantly in our view, enhanced sharing of pertinent information and communication among regulators to promote disciplinary and enforcement consistency and to ensure that discipline imposed by one regulator is recognized appropriately by another.

We are, for example, seriously concerned about cases in which dually-licensed individuals may be disciplined by one financial regulator but no follow-up disciplinary action is taken with respect to these individuals by the other regulator reducing the effectiveness of the disciplinary sanctions.<sup>11</sup> In order to address this type of concern on our platform, IIROC recently sought out and entered into a Memorandum of Understanding (MOU) with the Chambre de la sécurité financière (the self-regulatory organization in Quebec for, among other things, mutual funds and insurance) to share with each other the decisions and sanctions of our respective disciplinary processes. With this MOU, a disciplinary decision or action taken by one regulator will automatically trigger a review of the sanctioned individual's activities by the other regulator, which may result in an investigation or other appropriate action. While IIROC has and will continue to pursue similar agreements with other organizations, we ask the Panel to consider taking similar action by recommending the legislated recognition or consideration by the FSRA of sanctions imposed by other financial regulators. In our view, the public interest and the protection of consumers and investors would be better served through such cooperation among financial regulators.

Given our focus on regulatory consistency and the reduction of fragmentation, we would like to thank the Panel and the Expert Committee to Consider Financial Advisory and Financial Planning Policy Alternatives for having consulted each other during their respective deliberations. We urge you and your colleagues to continue such discussions so as to be able to provide the Government of Ontario with consistent recommendations which can be implemented in coordination and in the public interest. We also wish to commend the Panel on its deliberative focus on, and its framing of a number of its recommendations with a view to, emerging trends in technology, the marketplace and the regulation of financial services.

In conclusion, IIROC broadly supports the Panel's recommendation that Ontario

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<sup>1</sup> This disciplinary and enforcement gap was also highlighted in the Ontario Auditor General's 2014 Annual Report.

needs a new regulatory organization such as the FSRA that can work effectively with and leverage the expertise and experience of existing SROs. As a national public interest regulator, we particularly welcome and support strongly your recommendations aimed at reducing regulatory fragmentation, promoting harmonization among financial regulators and mandating that the FSRA work and cooperate with other regulators. Specifically, the mutual recognition of sanctions among financial regulators would, in our view, be an effective means to address the current gap in regulatory discipline and enforcement in the financial services industry, and strengthen consumer and investor protection and confidence. We ask the Panel to consider recommending that the FRSA recognize sanctions issued by IIROC and other financial regulators.

We would be pleased to provide the Panel with any further assistance in connection with its work.

Yours very truly,

A handwritten signature in blue ink, appearing to read "Andrew J. Kriegler". The signature is stylized with a large initial "A" and a long, sweeping underline.

Andrew J. Kriegler