IIROC OCRCVM

ANDREW J. KRIEGLER
President and Chief Executive Officer

July 7, 2016

Via email to: ccir-ccrra@fsco.gov.on.ca

Dear Sirs/Mesdames:

Re: Comments on the Segregated Funds Working Group Issues Paper

Thank you for this opportunity to comment on the Canadian Council of Insurance Regulators' ("CCIR") Segregated Funds Working Group Issues Paper.

IIROC is the national public interest self-regulatory organization which oversees all investment dealers and trading activity on debt and equity marketplaces in Canada. IIROC sets high-quality regulatory and investment industry standards, protects investors and supports healthy capital markets across Canada. A number of IIROC individual registrants (or, "Approved Persons") are also dually-licensed with members of the CCIR and other insurance regulators.

We strongly support the CCIR in its pursuit of greater consistency of regulation across Canada, which ultimately benefits consumers. We also support the objective of a broader harmonization of regulation across the securities and insurance sectors, which will result in a more level playing field for all financial services participants. We agree that harmonization does not necessarily mean that the way that the sectors are regulated is the same, but rather, that the ultimate outcomes and decisions work coherently together in the public interest.

In furtherance of this objective, IIROC is continuing to work with other regulators, including members of the CCIR, to establish both coordinated and consistent standards for industry participants, and to mutualize sanctions ordered for serious misconduct.

Investment Industry Regulatory Organization of Canada

Organisme canadien de réglementation du commerce des valeurs mobilières

121 King St. West, Suite 2000
Toronto, ON M5H 3T9
Tel 416-364-6133
Fax 416-364-0753
www.iiroc.ca

Harmonization of Standards and Best Interest Obligations

The Client Relationship Model ("CRM") initiative is an example where parallel rules and standards were developed by IIROC, the Canadian Securities Administrators ("CSA") and the Mutual Fund Dealers Association ("MFDA") to enhance the advisor-client relationship by building on a standard of care required of all registrants and firms. These rules relate to account relationship disclosure, conflicts of interest identification and management and account performance and fee/charge disclosure, among other things.

More recently, IIROC released a notice titled "Managing Conflicts in the Best Interest of the Client", affirming our intention to strengthen compliance by IIROC-regulated firms with the "best interest" requirements of our Conflicts of Interest rule. Shortly after we released our Notice, the CSA released its own consultation paper, "Proposals to Enhance the Obligations of Advisers, Dealers, and Representatives Toward their Clients".

IIROC has committed to working with the CSA through its consultation process to ensure a consistent standard of care for all regulatory platforms. We encourage the Working Group to continue to consider the work being undertaken by the CSA and IIROC on this issue. In our view, the discussion on this issue should take place in this greater context so that there may be optimum consistency across platforms in the financial services industry in Canada and the standards owed to investors. This will ensure that investors can have confidence that regardless of the products they purchase, their financial services providers are all subject to consistently exemplary standards.

Eliminating Regulatory Arbitrage through Mutual Recognition of Sanctions

The Working Group's mandate includes consideration of the risk of regulatory arbitrage as a result of differing standards between the mutual fund and insurance sectors. However, we would also highlight a different type of regulatory arbitrage risk that cuts across multiple sectors in the financial services industry, including IIROC. Specifically, the risk that individuals who are sanctioned by one financial services regulator continue to service the public in a different sector without consequence.

IIROC has been working diligently to identify and minimize the risk of this regulatory arbitrage between IIROC, the insurance regulators and the MFDA. IIROC has negotiated formal agreements with regulators across the country, including the MFDA and members of the CCIR, for the sharing of information regarding investigations and disciplinary proceedings. With this information we are able to improve investor protection by ensuring that individuals do not jump from platform to platform in order to avoid disciplinary sanctions. The intended effect of these agreements is that if an individual is suspended or expelled by one regulator for sufficiently serious misconduct, the other regulator could take steps to act on or recognize that sanction, and that individual would not be permitted to continue to be licensed or apply for licensing with the other regulator.

Under our agreement with the Financial Services Commission of Ontario ("FSCO") for example, the two regulators share the decisions and sanctions of our respective disciplinary processes. Disciplinary decisions or actions taken by FSCO will trigger a review of the sanctioned individual's activities by IIROC, including consideration of the ongoing suitability of the individual for approval, licensing or registration. This may result in an investigation or other appropriate disciplinary action.

We look forward to engaging in similar agreements and adopting this model with other members of the CCIR in order to provide more effective regulation and strengthen consumer protection.

Conclusion

We commend the efforts of the CCIR in its promotion of greater consistency of insurance regulation across Canada. We look forwarding to continuing to work together with the members of the CCIR towards our common goals of effective regulation and consumer protection.

Yours very truly,

Andrew J. Kriegler
President & CEO
IIROC