

Notes for Remarks by

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Welcome

Thank you, Mike.

Good afternoon everyone. Welcome and thank you for being here.

As many of you know, it is our tradition to host stakeholder receptions like the one tonight, in various parts of the country.

It is important to our Board, our Management Team, our staff and me that as a national organization we have the opportunity to spend time with our many stakeholders in your province hearing directly from you.

Not only do we have a strong IIROC presence in Quebec with our Montreal office, we have Directors here this evening which represent various regions, business models and stakeholders with us – including Luc Paiement who joined the Board just in September.

As a public interest regulator, partnerships are critical to our ability to carry out our mission: to protect investors and support healthy Canadian capital markets.

That is why it is so gratifying to see so many of our partners here this evening, including our regulatory colleagues from the Autorite des marches financiers and our government partners – particularly the Ministere des Finances du Quebec.

I think it is important to say that when I use the word ‘partner’, I use it broadly. I use it to mean those organizations and individuals that share our desire for a healthy, vibrant Canadian capital market and financial system.

I’m talking about a system that is stable and effective and which promotes access to capital and economic growth here in Quebec and across Canada.

A system within which Quebecers and all Canadians – whether you call them investors, financial consumers, depositors or policy-holders – are through our collective efforts educated, protected, and ultimately treated fairly, honestly and in good faith.

With that description, you will understand when I say that we have a lot of partners in the room this evening.

Our partners come from fellow regulators, like the AMF, la Chambre de la securite financiere et la Chambre de l’assurance

de dommages. They come from departments of government, like the Quebec Ministère des Finances et Ministère de la Justice. They come from those who protect the public financially like OBSI – the Ombudsman for Banking Services and Investments, and they come from those who advocate for and work on behalf of the public at large.

I thank all of them for their support and partnership in our common cause.

But perhaps the most critical group of partners are our members – for we are a self-regulatory organization – it is with them that we work to ensure that we have an effective and efficient regulatory model that serves the public interest. Some 27 institutions, as well as members of our Quebec District Council and National Advisory Committee are represented here and I thank all of them as well.

Update on Strategic Plan

If you were at this reception last year you will recall that I spoke to you about our strategic planning process. Many of you participated in our consultations and provided the

valuable input that helped shaped our path to the future; so thank you.

Our new Strategic Plan explains what we want to accomplish over the coming years and lays out the elements of our vision which underlie those goals. Let me quickly summarize them.

First, IIROC aims to make the delivery of securities regulation in Canada significantly more efficient. Greater efficiency in securities regulation means reducing gaps, overlaps and regulatory arbitrages that can harm investors and the markets.

But we know that we can't do that alone. We can only do it in partnership with the people in this room and the organizations you represent. And so, we must be and be seen to be a trusted, respected and valued partner to you and indeed to all of our stakeholders.

To earn your continuing support, we must carry out our mandate and do it well. In other words we must demonstrate that we are a leading-edge securities regulator.

We will demonstrate that with tangible outputs – like the implementation of a new market surveillance system or the introduction of a corporate debt transparency platform – but

also with strong principled policies about which I will speak more in a moment.

We will also earn your trust and support by taking action against wrongdoers and holding them accountable for their misdeeds – but here too, we need the help of the organizations and people in this room to do it.

Finally, as it is IIROC's employees who will together deliver on our mission to protect investors and support healthy capital markets, we must continue to attract and retain talented colleagues and to support a strong performance culture.

Let me now give you one or two concrete examples of the initiatives which, in partnership with many of you in this room, will support the achievement of our vision and mission.

Debt market surveillance and transparency

Many of you are aware that last November our new debt transaction reporting rule began to take effect. It now requires all IIROC-regulated firms to report all their fixed income trades to IIROC.

We collect that information for market surveillance but it also supports many other public policy goals.

For example, the Canadian Securities Administrators appointed IIROC the Information Processor for corporate debt securities earlier this year, allowing the market and the public generally to benefit – with no duplication of cost - from a subset of that same information – information, which as of July, is now on our website and which we hope to expand and make more timely.

And finally, that same information has the potential to be of significant value in the monitoring of systemic risk, something of great importance to our partners the Bank of Canada, the AMF and to many of the other authorities and agencies in this room and across the country.

So this is an example of one of those ‘tangible outputs’ I spoke of earlier. Now let me spend a moment on what I feel is a critical policy debate in Canada and one on which it is vital for IIROC to have strong, principled policy position.

Collaboration in the Best Interest of Investors

I'm sure most people in this room are familiar with the national discussion on best interest and the ongoing consultation both on it specifically and on a range of targeted reforms proposed to better align the interests of registrants on all platforms with the interests of their clients.

We are committed to working with the CSA through this process as it will help ensure a consistent, high standard for all regulatory platforms, a standard that in many cases IIROC registrants are already required to meet. It therefore supports our objective of making the delivery of securities regulation more efficient by reducing gaps and arbitrages and that can only help Canadians.

So let me address directly the question of 'best interest'. To my mind, the most important part of the best interest issue is how advisors must act when their interests conflict or are perceived to conflict with those of their clients.

Our rules say explicitly that any conflict of interest between a registrant and their client must be resolved in a fair, equitable and transparent manner, and consistent with the best interests of the client.

To be sure, making these words truly ‘live’ will take more work. Ensuring that, for example, firms not only have but follow clear policies and procedures on compensation-related conflicts is an effort we’ve begun but which will take time to complete.

Similarly, we need to ensure that the words ‘conflict of interest’ are not interpreted narrowly but broadly – as is just and appropriate. This too will take time and may require some rewording of our rules.

But let me be clear, as we have already said, we will make certain that our rules and guidance put the best interest of the client ahead of the interests of IIROC-regulated dealers and their representatives.

This can only improve public confidence in our markets and our financial system and contribute to their health and vibrancy.

Collaborating to strengthen investor protection

Public confidence in markets also requires consistent, cooperative and credible enforcement.

Most of you have heard me say that it's not acceptable for an individual who has been disciplined by one regulator to escape the consequences of their actions by simply working in a different part of the industry or another jurisdiction.

We've closed a number of the gaps that have existed by executing several co-operative agreements between regulators – including one we announced a year ago almost to this very day with la Chambre de la securite financiere.

We followed up with similar MOUs in British Columbia and Ontario and earlier this month announced another agreement with the Canada Deposit Insurance Corporation (CDIC). There are several others in progress which we hope to announce soon.

By working together, we strengthen protection for financial consumers, here in Quebec and across the country.

Getting the Right Tools to Protect Investors

Negotiating co-operative agreements is one way to improve investor protection. But there are other gaps that need to be closed. And we need the continued support and assistance of

our partners in the Government of Quebec -- and others across the country to do that.

I'm speaking of course of our desire to improve the way we investigate, prosecute and enforce the penalties levied by our disciplinary panels against those who have been proven to have violated the trust of their clients.

Currently, across the country there remains outstanding nearly \$30 million in uncollected fines against individuals, monies that could be used to improve our investor protection efforts, at no cost to taxpayers. The national collection rate is just under 20 % and much lower in other provinces, for example 12 % in Ontario.

Much to their credit, the governments of Quebec and Alberta have demonstrated leadership by giving IIROC the ability, under their securities legislation, to enforce our penalties through the courts. As a result, collection rates in these two provinces are significantly higher than the rest of Canada.

In fact, since the Quebec Government amended the provincial securities act in 2013, our collection rate has been tracking at close to 40 %, one of the highest in the country.

The Government of Quebec, we know, shares our view and is committed to further enhancing consumer protection. We've been working closely with the Ministère des Finances and the AMF. We are encouraged that other important changes may be on the horizon – changes that would allow IIROC to carry out its public interest responsibilities even more effectively.

We also know that there is broad consumer support for these changes here in Quebec and across the country. Last month, we conducted an investor survey of over 1,200 consumers – 250 of which were from Quebec. The research suggested that almost 90% of Quebecers support legislative amendments to compel cooperation with investigations and disciplinary hearings. Support for statutory immunity for our staff and others who conduct investigations and prosecutions was supported over 80 % of Quebecers, above the national average.

Our special guest, Richard Boivin, Sous-ministre adjoint du Ministère des Finances will speak with us in a few minutes and provide some further context about how the Quebec Government continues to demonstrate leadership in financial services legislation and we look forward seeing the results of

the review of la loi sur la distribution de produits et services financiers.

Meanwhile we continue to ask jurisdictions across the country to give us the tools we need to do the job that they have assigned us.

Fulfilling our core responsibilities

Finally, while I am very proud of our Strategic Plan and the way forward, I would be remiss if I didn't emphasize our day jobs – the essential work that IIROC's employees carry on to protect investors and supports healthy Canadian capital markets.

For example, in the past year:

- We carried out surveillance of nearly 432 million equity trades on 5 stock exchanges and 8 alternative trading systems. New for this year, we also reviewed more than a million fixed-income transactions in only five months.
- We responded to more than 2,700 public inquiries and complaints related to trading and member conduct.

- We conducted more than 270 on-site firm reviews, completed 132 enforcement investigations and 45 disciplinary hearings.

We should never lose sight of this important work that is performed in the public interest every day.

I would like to acknowledge the contributions of my IIROC colleagues here in Quebec and across the country for their continuing dedication and diligent work to deliver securities regulation in the public interest. My special thanks go to our Vice-President, Quebec, Claudyne Bienvenu for leading our efforts in this province and to our staff here in Montreal for helping to organize this reception.

Introduction of Richard Boivin

Our guest today knows all about IIROC's work. As sous-ministre adjoint aux politiques relatives aux institutions financières et au droit corporative, Richard has led various departments at the ministère since joining the Government in 2005. He is no stranger to the industry or their clients as he

had a long and distinguished career in the Quebec financial sector before becoming a public servant.

(Richard Boivin speaks)

Thank you, Richard. We look forward to continuing our strong partnership with you and the Government of Quebec as we work together in the public interest.

Closing

IIROC's public interest agenda can only be achieved in partnership with all of you.

That is why I am so delighted you could take the time to be here this evening. I am looking forward to working with you over the months and years to come and hope that you take this opportunity to informally meet with members of the IIROC Board and Management Team.

Thank you.