

Notes for Remarks by

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Welcome

Thank you, Lucy.

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

At last year's conference, I spoke about our then new Strategic Plan and our priorities for its first year.

I must admit that looking back, it was a rather ambitious plan that we set out for ourselves, and there was a lot that we wanted to accomplish.

Having said that, I am happy to report that we delivered on the majority of our objectives and did so more or less on time. We made significant progress on a number of fronts -- progress that was only possible because of the support of the people in this room and your colleagues across the country.

As a public-interest regulator, partnerships with our many various stakeholders are integral to our ability to carry out our mission: to protect investors and support healthy Canadian capital markets.

And as a self-regulatory organization, it is with you we work to ensure an effective and efficient regulatory model which serves the public interest. I would say that the model is working and is working well.

Today, I want to touch on some of the progress we've made together and highlight several key priorities in the year ahead.

You'll also be hearing more about our regulatory priorities from IIROC throughout the day, so I'll limit my comments this morning to a high level.

Focusing on the right objectives

Some of you will have participated in the member survey we conducted this past summer to gauge the support, effectiveness and understanding of our Strategic Plan objectives and regulatory responsibilities.

I don't intend to get into all the results from the survey – in part because we just had our first look at the results a couple of days ago and so we're just in the process of understanding them.

What did jump out, however, was that a large majority of members that participated in the survey believe that the key aspects of IIROC's role as set out in our Strategic Plan are important.

For example, a full 97 % of participants indicated that being a trusted, respected and valued partner by our stakeholders is important; 96 % indicated that making the delivery of securities regulation in Canada significantly more efficient is important; and 93 % said that inspiring confidence and deterring wrongdoing by having and using robust and appropriate tools is important.

Today, I want to highlight in real terms how we are delivering on these objectives.

I plan on sharing with all of our members in the coming months the high-level results as summarized objectively by The Strategic Counsel, the independent research firm that administered the survey.

A good year for investor protection

Now many of you in this room have heard me talk about the importance of holding wrongdoers accountable and sending a strong deterrent message to those who might cause harm to investors.

We have made significant progress in enhancing and making more consistent the standard of investor protection across Canada. Our efforts culminated with changes being implemented in three provinces since the beginning of this calendar year.

It began with an authorization order from the Superintendent of Securities in PEI that now makes it possible to enforce fine collection by registering and pursuing final sanction decisions as court judgments. And which also gave IIROC the ability to require cooperation with our disciplinary hearings.

Then in April, the Ontario Government announced its intention to give us similar fine collection ability as part of its Budget Measures Act, which received Royal Assent in May.

While it takes time for investigations and prosecutions to progress through the process, we expect that collection rates will go up and, more importantly, there will be broader understanding that the system has integrity and that misdeeds have consequences.

Finally, in May the Alberta Government introduced Bill 13, which gave IIROC the ability to enhance cooperation of non-IIROC registrants with investigations. We previously had the ability in Alberta to require cooperation at the hearing stage similar to what was just granted in PEI, but needed to complete the process. The Bill gave us the ability to obtain evidence from non-registrants during our investigations.

As you can imagine, it is very difficult to put together a case regarding a misappropriation of funds if an investigator can't follow the trail of money by, for example, getting direct and efficient access to banking or telephone records. Now we can do that when the circumstances require it, in much the same way securities commission can.

Bill 13 also gave us protection from lawsuits when IIROC staff and panel members are acting in good faith as part of our public interest mandate. Alberta had also been the first in the country to give us the power to enforce fines many years ago.

We are grateful to these governments and their respective securities commissions as we continue discussions with jurisdictions so that we can achieve a consistent approach to enforcement across the country. This will continue to be a priority over the course of the next few years.

The industry has been 100% supportive of our efforts. IIAC, IFIC, firms and individuals all want the “bad apples” out of the industry – an industry which is composed of professionals who want to do what is best for their clients.

We will also be looking to those of you in this room and your firms to comment on another aspect of our priorities related to enforcement. For example, not every breach of our rules will cause imminent or significant harm to investors. So another form of disciplinary action may be a more appropriate alternative to a full investigation and hearing.

We are considering alternative forms of disciplinary action and tools that will enhance our ability to deliver an enforcement response that is firm, timely and proportionate to the circumstances.

We intend to consult broadly in 2018 with members, investors and other stakeholders outlining potential new enforcement measures that will help us achieve our objective.

An efficient regulatory framework

I mentioned a few minutes ago the degree of support for our objective of making the delivery of securities regulation in Canada significantly more efficient, and also for being and being seen as a valued partner to all our stakeholders.

The work we have undertaken as the CSA's appointed Information Processor for corporate-debt securities is an illustration of this goal and an example of how the system as a whole can leverage IIROC's unique position.

We began by publishing trade information on the most liquid corporates by the most active dealers and we continued to increase market transparency from there using a unique liquidity model that our Analytics Team developed (and published in August).

This initiative was completed this summer with the expansion of our site to include all corporate debt trades by all IIROC-regulated firms.

We are now working on alternatives that would provide an even more comprehensive view of Canada's debt market.

For example, we have heard through consultations with a variety of Dealer Members, institutions and other market participants that downloadable, bulk transaction data would be useful for risk management, monitoring of fair pricing compliance, and independent price verification, among other things. So we are consulting with a variety of stakeholders to determine the best way to deliver this added value to market participants.

If the CSA allows the current exemption for government debt transparency to expire next year, there may be an opportunity for IIROC to add further value to all market participants, including issuers as well as investors and intermediaries.

Understanding IIROC's role as a regulator

In addition to surveying members of our SRO, we're also engaging investors through an online pool of 10,000 Canadians in order to better understand their needs and perceptions.

At the start of this calendar year we completed a quantitative survey of investors from coast to coast to determine their level of understanding, awareness and perceptions pertaining to the regulation of the investment industry.

We believed that the awareness level around IIROC's role would probably be low. We were, however, a little surprised to learn that when investors had read or learned of investment advisors being disciplined or had received information about IIROC regulation from their advisors directly, they actually felt more informed, more confident in the regulatory system and more likely to invest. This is good news for all of us.

This past January, our new mandatory disclosure policy took effect that requires members to communicate to their clients that they are regulated by IIROC.

I mention that because we also learned from our research that when investors are ready to learn about regulation, one of the top sources they seek this information from is the professional on whom they rely for investment advice. So, this truly should be a joint effort to inform, educate and protect investors. It sends a strong message to clients that your firm and the advisors you employ are regulated and held to high standards – something that can be viewed as a competitive advantage and give clients confidence in the individuals with whom they work.

Understanding IIROC's market supervisory role

Another interesting finding in both our investor survey and the member survey is the lack of understanding of IIROC's role as a market regulator and an information resource.

While firms are well-informed about how we regulate them, there were a number of members who did not feel qualified to comment about our market-oversight role and the value we deliver to the overall regulatory system.

Let me give you a specific example.

In July, we reached an agreement with Nasdaq's SMARTS that will enable us to significantly enhance our market-surveillance capabilities resulting in increased investor protection.

The system will enable us to use leading-edge surveillance technology to oversee all securities trading and more effectively detect and respond to potential market abuses on debt and equity markets across Canada.

It provides us with a solid foundation for the evolution of IIROC's market supervision in the years ahead and brings us one step closer to our vision of providing leading-edge market surveillance, another key element of our Strategic Plan.

For example, this state-of-the-art system offers new tools and approaches including machine learning and artificial intelligence that our team will leverage as a market regulator.

Doing so is an important component of ensuring our capital markets operate fairly and with integrity, which helps instill investor confidence.

What is also important to note is that we carry out this market oversight in support of both our mandate and that of the CSA to help ensure compliance with trading rules and applicable provincial and territorial securities regulation – another example of how leveraging our expertise, technology and role provides value to our partners and the system.

Providing value to dealer members

Since we last met, cybersecurity has continued to be a complex issue facing not just our industry but all industries and sectors around the world. Just take the “Wannacry” attack that impacted organizations in more than 150 countries around the world earlier this year and more recently the Equifax breach, whose role, ironically, includes monitoring for individual’s credit status for breaches of their personal information.

At IIROC, we have not only continually work to enhance our system’s security but we provide support to firms so they too can enhance their level of preparedness.

We recognize that not all firms have as much resources and expertise in this area as they would like.

Over the past year we've worked with IIROC dealers to determine their level of preparedness and we've tailored our approach across the firms we regulate by providing ongoing expertise and practical support to those that are more vulnerable.

This is an area that will continue to be a priority as it is consistent with our commitment to protecting investors and fostering confidence in the integrity of the markets.

Working in the client's "best interest"

Now, before I conclude my remarks I want touch on another subject I raised last September. I know there is a specific session this afternoon on this topic and Wendy will be discussing it in the upcoming panel discussion.

I'm talking of course about the best-interest standard or its cousin in some jurisdictions, a fiduciary duty.

Let me first say that we at IIROC continue to work with CSA members through their related regulatory process on best interest and targeted reforms because we believe it is critical to ensure a consistent, high standard for all regulatory platforms – a standard that in many cases IIROC registrants are already required to meet.

You may recall that last year we concluded a comprehensive review of compensation-related conflicts, which we believe are at the heart of the best-interest debate.

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.

In April 2017, we published details of the key findings of this review and issued new, supplementary guidance for dealers to clarify what is required by our rules.

We also enhanced our Business Conduct Compliance examination procedures with a view to putting a greater focus on compensation grids and programs, the quality of disclosures, sales targets and compliance with National Instrument 81-105 (mutual fund sales practices). Our goal is to ensure that firms follow clear and appropriate policies and procedures to mitigate and disclose compensation-related conflicts, or avoid them altogether.

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

Closing

Now, before I wrap up I want to come back to the member survey that a number of you in this room completed. As a self-regulatory organization, it is important to have your support for our mission and our vision.

As I mentioned, we are in the process of reviewing the results in detail and while there is room for improvement in some areas, we certainly feel that we have made important strides to be a more effective regulator and one that recognizes the importance of proportionate regulation.

Equally important, the results show that there is strong alignment with you around what we want to accomplish, how and why.

Your ongoing interest and participation in our survey, in the various IIROC advisory committees and district councils, and events like today's demonstrate your commitment not only to comply with our rules but your desire to ensure that IIROC registrants meet the highest professional and ethical standards.

You have a full agenda for the day and I truly hope you find the content valuable and get the chance to participate fully as your input is important to us.

Last year, we tried something a little different by organizing an informal mix and mingle at the end of the day. Based on your feedback, this was well-received so we are carrying on the tradition and it gives you another opportunity to share your feedback with us.

I hope you will stay so you can talk informally and our colleagues can hear your views about the day, about our priorities, the continuing evolution of the industry, investor needs and so forth.

Enjoy the day. I look forward to speaking with many of you throughout the course of today's conference.

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