

Notes for Remarks by

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IIROC Stakeholder Reception

September 12, 2017

Toronto Board of Trade

Check against delivery

Thank you, Marianne.

Welcome everyone. It's wonderful to see so many of you here today. I would like to particularly highlight the diversity of groups that are represented on this occasion - from the industry members of our SRO to investor groups, from governments, partner regulators and other agencies to the organizations that operate the infrastructure of the markets in which we all work. It is a broad group which speaks to the central role that IIROC plays on behalf of all of you -- and indeed on behalf of all Canadians as work to protect investors and support healthy capital markets.

Earlier this afternoon we held our AGM where I had the opportunity to comment on the significant progress we have made over the past year at IIROC.

I would like to share some of those same thoughts with you. Of course, much of what I relate will not come as news as much of our progress was because of you – because of your input, because of your support and importantly because of the direct involvement of the people and organizations in this room.

So I would like to acknowledge you and thank you all for the part you have played in making our success happen.

I will just touch on a couple of highlights: there's a much more detailed account in our annual report – a copy of which you can pick up on your way out.

## **Advancing Investor Protection**

So... highlights. This has been a good year for investor protection. Because of you, we've made progress, enhancing and making more consistent the standard of investor protection across Canada.

We've done this by working collaboratively with securities commissions and their provincial governments to obtain more effective enforcement tools to do the job we've been assigned to do.

I would give a special "shout out" to Maureen Jensen, Chair of the OSC. It was a one year ago today, at this same reception, that Maureen publicly called for IIROC to be given, among other things, the authority to enforce its disciplinary sanctions through the courts in the Province.

Thank you, Maureen, and thanks to all of your colleagues and our partners at the Commission. Of course, many thanks to the Government of Ontario who introduced and passed the

legislation but also to all of the groups who helped us get there. Industry associations: IIAC and IFIC, as well as individual firms and their executives; investor groups – CARP, PROSPER Canada and FAIR; and too many others in this room to thank individually.

With its action, Ontario joined Prince Edward Island which had also moved earlier this year, in standing with Alberta and Quebec as jurisdictions where we can hold accountable those who betray the trust of the investors and the markets.

When you consider that Ontario represents about \$20 million of unpaid fines – some two-thirds of the national total – this change matters.

We also achieved changes in Alberta and in P.E.I. which provide us with a more complete legal tool kit to pursue enforcement actions against wrongdoers.

Alberta passed the Securities Amendment Act, which gave us the ability to require cooperation with our investigations in addition to the existing parallel authority related to hearings. This matters too.

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.

Of course, these are significant powers and they come with significant responsibility. So we are working closely with the Alberta Securities Commission to mirror their procedures in respect of these authorities so as to ensure appropriate governance, and appropriate checks and balances in their use.

Alberta's amendments also mean that IIROC staff and Hearing Panels have protection against lawsuits when acting in good faith in the pursuit of our regulatory mandate. As a result, in that province, it's not going to be so easy to throw us off the trail with the threat of a malicious legal action.

Let me repeat: the changes in Ontario, Alberta and Prince Edward Island came about only because we had all of your support.

Thank you.

We continue to work with remaining jurisdictions, so that these same measures can be in place right across the country. I am optimistic that, when I stand in front of you next year at this same reception, I will again be able to report further progress.

## **Closing regulatory gaps**

Good, consistent investor protection also needs good and consistent regulation across the system. So, we have also continued to work to reduce regulatory gaps, regulatory overlaps and regulatory arbitrage; across different platforms in the securities industry and across the financial services sector as a whole.

For example, we signed co-operative agreements with the Alberta Insurance Council, the Insurance Council of British Columbia and the Life Insurance Council of Saskatchewan. They built on similar agreements previously reached with FSCO here in Ontario and with La Chambre de la sécurité financière in Quebec.

These agreements allow us to share information on investigations and discipline and enable joint inquiries when the same individual is under investigation by more than one regulator. They help close some of the gaps in the system.

Federally, we also signed an MOU with the Canada Deposit Insurance Corporation. It allows us to better protect depositors and investors alike should a CDIC-member institution or an

IIROC-regulated firm encounter serious financial difficulties. It won't surprise you to hear that it's already proven rather useful.

You know, the goal is rather simple: Canadian investors should share strong, consistent protections, no matter where they live and how they choose to invest. Wrongdoers should not be able to avoid the consequences of their actions, no matter where or in which financial services sector they work. And we should be able to act consistently, effectively and in a coordinated fashion with authorities in other sectors – and they with us - as we pursue our respective public interest mandates.

So I am quite pleased to be able to say that earlier today the Financial Consumer Agency of Canada and IIROC together announced that we have executed a memorandum of understanding to strengthen investor protection.

I am glad that the FCAC is represented here today and I look forward to having our two organizations work together to assist each other and exchange information that will ensure more effective regulation in what are very related jurisdictions.

## **Adding Value**

Just as IIROC continues to work towards raising and making more consistent the standards of investor protection wherever we operate, we continue to look for ways to leverage IIROC's unique pan-Canadian role to provide greater value to the system.

As the Canadian Securities Administrators' appointed Information Processor for corporate debt securities, we began publishing debt trade information on our web site last summer, free of charge.

This summer, that's been expanded to cover all corporate debt trades by all IIROC-regulated firms.

We are providing this transparency to the market on behalf of our partners at the CSA by leveraging the information that IIROC already collects for regulatory purposes. And so, we're doing it without duplication of effort or cost.

Further expanding our coverage to provide an even more comprehensive view of Canada's debt market would provide even more value to the system – and that's something we are working towards as well, again with the support of many of the stakeholders in this room.

Adding value also means helping dealers better serve their clients, the investing public. In the digital era we live in, serving investors also means taking appropriate steps to protect their data. Hardly a week goes by without another news report detailing yet another cyber-attack. Last week it was Equifax.

As a result, I have no doubt that if I took a survey of the people in this room to rank the top risks facing the industry, cyber-security would be near or at the top of the list.

Over the past year, we completed a cyber-risk assessment with the entire investment industry – and we put ourselves through it as well. The survey looked at each firm’s ability to detect and prevent threats and their overall information security governance effectiveness.

Each dealer received a report of their results and, since then, IIROC has put expertise and support on the ground to help those at higher risk to improve their practices and readiness. This is not about making more rules or playing “gotcha”. This is about recognizing that not all firms have the resources or in-house expertise to keep up with the quickly evolving cyber threats. And this is about leveraging IIROC’s expertise and scale to help them protect their clients and themselves.

## **Strong, principled policy positions**

Coming back to my earlier point for a moment, it would be difficult to discuss a consistent and high standard of investor protection nationwide without mentioning the ongoing discussion of a “best interest” standard and the targeted reforms proposed by the CSA.

We’re working in support of the OSC and all the members of the CSA through their process because we believe it is critical to ensure a consistent, high standard for all regulatory platforms.

In the meantime, we continue to advance our own work on conflicts of interest and compensation-related conflicts in particular.

We believe it is an area where we can make progress in parallel with the work being done by our CSA colleagues. It is also the area where we find **the most important issue** that people think of when they consider best interest. I am, of course, talking about how firms and their advisors act when their financial interests conflict, or are perceived to conflict, with those of their clients.

Over this past year, IIROC completed an in-depth review of firms from across the industry to see how well they are meeting IIROC's best interest requirements regarding compensation-related conflicts. Our recent report not only highlighted problems but also best practices. It updated guidance for the industry to follow and emphasized that we have already changed our examination protocols to focus more compliance and, as necessary, enforcement attention on the issue.

By both working together with the CSA and proceeding in parallel to clarify our existing best interest conflicts requirements, we believe we can most contribute to confidence in our markets and the financial system.

### **Effective and efficient regulation**

Finally, I would be remiss if I didn't spend just a moment on the day to day work IIROC's employees undertake throughout the year to protect investors and support healthy Canadian capital markets.

In this past year, this included:

- Surveillance of more than 446 million equity trades on five exchanges and eight alternative trading systems

- Monitoring of over 3.5 million debt transactions
- Responding to approximately 3,400 member conduct and trade related complaints and inquiries
- And more than 260 on-site firm compliance reviews and 128 enforcement investigations, with 59 disciplinary hearings conducted coast to coast.

## **Closing**

In closing, I'd like to thank everyone involved in organizing our AGM and reception today.

I want to acknowledge and extend my sincere appreciation to my IIROC colleagues across Canada for their contributions and dedication to delivering on our public interest mandate.

I'd also like to thank our management team and our Board of Directors for their ongoing support and contributions.

And finally to all you, whether you represent the industry or investors, fellow regulators or authorities, governments or individuals.... It is in partnership with all of you that we protect investors and support healthy capital markets.

Thank you.