

Notes for Remarks by

Andrew J. Kriegler

President and Chief Executive Officer

Investment Industry Regulatory Organization of Canada

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Welcome

Thank you, Marianne.

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 British Columbia with our Vancouver office, we have Directors here this evening which represent various regions, business models and stakeholders with us – including Board Directors and JP Bachelier

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 British Columbia Securities Commission, representatives from the firms we regulate and consumer groups.

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:

- A system that is stable, efficient and which promotes access to capital and economic growth here in British Columbia and across Canada.
- A system within which all Canadians – whether you call them investors, financial consumers, depositors or policy-holders – are through our collective efforts well served, protected, and ultimately treated fairly, honestly and in good faith.

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

Our partners include fellow regulators like the Commission and representatives from:

- The Capital Markets Regulatory Authority.
- Those who protect the public financially like the Ombudsman for Banking Services and Investments
- Those who advocate for and work on behalf of seniors and the public at large like CARP and the Foundation for the Advancement of Investor Rights

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

But perhaps the most critical group of partners are the member firms we regulate – for IIROC is a self-regulatory organization. It is with them that we must work to ensure that we have an effective and efficient regulatory model that serves the public interest. Some institutions, as well as members of our Pacific, Alberta, Saskatchewan and Manitoba District Councils, and National Advisory Committee are represented here and I thank all of them as well.

Update on Strategic Plan

Last year around this time, we were in the process of finalizing our three-year Strategic Plan after a year of extensive consultations with many of our stakeholders.

We have made significant progress over the past year which I'll elaborate on further in a moment.

The plan, to recap, explains what we want to accomplish over this period of time and lays out the vision which underpins those goals.

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 demonstrate that with tangible outputs – like the implementation of a new market surveillance system and the launch of a new 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 represented in this room.

Finally, as it is IIROC's employees who 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 some concrete examples of the initiatives which, in partnership with many of you, are critical to the achievement of our vision and mission.

Debt market surveillance and transparency

As many of you know, last year the Canadian Securities Administrators appointed IIROC the Information Processor for corporate debt securities – allowing the market and the public generally to benefit – with no duplication of cost - from publication of a subset of the same information IIROC collects for regulatory purposes.

That information is now on our corporate bond website.

By this coming July, we will expand the information available in phase two of this important initiative when all retail and institutional trades will be published for the same set of bonds.

This information has significant value in the monitoring of systemic risk, something of great importance to our partners the Bank of Canada, the BCSC and other authorities across the country.

It also illustrates how we can support our regulatory partners and work together to improve market integrity and transparency – and how we can do so without duplicating efforts or costs – by leveraging the information that IIROC already collects as a public interest regulator.

Cyber security preparedness

Many of you have heard me talk about the rapid pace of change, the influence of technology and the threats that cyber security pose.

You will know about the recent cyber extortion attack that held many organizations around the world ransom.

Fortunately, through the proactive security management program we have in place at IIROC, we were able to protect our systems and data.

We also issued a cyber-threat alert notification to dealer firms providing details of the attack and recommendations for immediate actions that they should use to defend themselves against the current attack and add further resilience against future attacks.

Enhancing our preparedness and that of the firms we regulate is an ongoing priority in our Strategic Plan. We have over the past year continued to provide support to IIROC-regulated firms, particularly smaller dealers that may not have sufficient in house expertise and resources in this quickly evolving area.

For example, we worked with dealer firms to conduct a self-assessment to determine the level of dealer and industry wide cyber-security preparedness. We provided a report to all firms with a risk ranking by peer group, gaps and recommended actions to improve their preparedness.

We continue to work with the firms address this issue. We have hired a cyber-security expert to lead meetings with all introducing firms and mid-sized self-clearing firms that scored moderate and/or high risk.

In these meetings we will review the Deloitte cyber-security framework that was used in the self-assessments, and then discuss the firm's specific business model and related data systems where customer information may be exposed.

Best interest

Now let me spend a moment on what I feel is a critical policy debate in Canada and one in which it is vital for IIROC to have strong, principled policy position.

I know all of you are familiar with the national and provincial discussions taking place on the topic of a best interest standard and other targeted reforms to better align the interests of registrants on all platforms with the interests of their clients.

We are committed to working with all CSA members through this process as we believe in having a consistent, high standard across all regulatory platforms and in all parts of the country-- a standard that in many cases IIROC registrants are already required to meet.

So let me address directly the question of 'best interest'. To my mind, the most important part of the best interest issue relates to compensation-related conflicts and how firms and their advisors 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.

We recently completed a targeted review assessing how well investment firms meet that requirement and while we found some best practices, we also found three areas of concern relating to disclosure, oversight and a shift to fee-based and managed accounts without appropriate supervision and monitoring of unique risks.

Based on the results we published supplementary guidance to clarify and ensure that all IIROC-regulated firms comply with existing rules.

Where we identified significant issues that we believe were the result of clear breaches of our rules as part of this review, we are investigating and may if necessary pursue enforcement action.

Strengthening investor protection

Public confidence in markets 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 a number of co-operative agreements between regulators – including one we announced last year with the Insurance Council of British Columbia. We have similar agreements in place in Ontario, Quebec and Alberta and have others in progress.

By working together, we are strengthening protection for financial consumers, here in BC and across the country.

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 at the BCSC, in the Government of British Columbia -- 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 violated the trust of their clients.

Currently, across the country there remains outstanding approximately \$32 million in uncollected fines against individuals -- monies that could be used to improve our investor protection efforts, at no cost to taxpayers.

To put things into perspective, here in BC there is more than \$4.5 million owed by individuals we have sanctioned.

Our overall national collection rate is currently at eight per cent.

Compare that to the collection rates in the two provinces we have the ability to enforce our penalties through the courts – Alberta and Quebec – and you will see that they are significantly higher over sustained periods of time.

Earlier this year, PEI joined these two provinces in granting us the legal authority to collect fines through the courts. And Ontario has recently introduced legislation which will move forward with this important consumer protection initiative.

Only two weeks ago I was in Alberta Legislature to watch the Minister of Finance introduce amendments to the provincial Securities Act.

The amendments will provide IIROC with more effective legal authority to conduct disciplinary investigations and statutory immunity for our staff, directors and disciplinary tribunals for carrying out their public interest responsibilities.

So we are seeing a change in the tide of government support for more effective enforcement to protect investors – a tide we hope will soon come in here in British Columbia.

I think we would all agree that the vast majority of investment advisors work hard to help their clients achieve their financial goals.

I think we would also agree that the few who breach our rules set a bad example and should be held accountable for their actions.

That is why we will continue to meet with and seek similar amendments in other jurisdictions, including BC and hope that we can count on your support.

Fulfilling our core responsibilities

Finally, while I am very proud of our progress in advancing our Strategic Plan objectives, 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:

- Our teams working out of Vancouver and Toronto carried out surveillance of nearly 432 million equity trades on 5 stock exchanges and 8 alternative trading systems.
- Our Complaints and Inquiries team headed up in Calgary responded to more than 2,700 complaints and inquiries.
- We conducted more than 260 on-site firm compliance reviews, completed 128 enforcement investigations and 59 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 BC for their hard work to deliver efficient securities regulation in the public interest. My special thanks go to our Vice-President, Western Canada Warren Funt for leading our efforts in this province and to our staff here in Vancouver for helping to organize this reception.

Introduction of Peter Brady

Our guest today knows all about IIROC's work, given our shared commitment to protecting investors and supporting healthy Canadian markets.

I'd like to ask Peter to come up here to bring greetings on behalf of the Commission.

(Peter speaks)

Thank you, Peter. We look forward to continuing our strong partnership with you and the Commission 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 meet informally with members of the IIROC Board and Management Team.

Thank you.