Notes for Remarks by

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Check against delivery

Welcome

Thank you, Marianne.

Hello and welcome everyone. We have many distinguished guests with us tonight and I appreciate that all of you took the time – some of whom have travelled a distance – to be here with us at our first Atlantic stakeholder reception.

Among those joining us is Paul Radford, Chair of the Nova Scotia Securities Commission, who will share his perspectives with us in a few moments and is joined by several of his colleagues. We also have with us this evening Kevin Hoyt and Peter Klohn, of the Financial and Consumer Services Commission of New Brunswick and Julian McCarthy representing the Government of Newfoundland.

While Steve Dowling of the Government of PEI could not be here we have a strong working relationship with him and each of our regulatory partners in Atlantic Canada, which I will speak more about in a moment.

So welcome to our colleagues from each of the Atlantic provinces, as well as representatives from the MFDA, OBSI, and Pride at Work Canada. Of course, many of our member firms are represented here tonight, including those who serve on IIROC's provincial District Councils and the National Advisory Committee.

Since joining IIROC nearly four years ago, I have spent a fair amount of time travelling coast-to-coast, getting to know our many stakeholders, including the Atlantic District Councils, which provide us with the benefit of their experience and insight.

This is our first stakeholder reception in Halifax and I hope it will not be the last. Our Board regularly meets in regions across the country where IIROC has offices. Although we don't have a permanent physical presence here, we thought it was important to recognize the importance of the relationships we have with all of you in Atlantic Canada.

As a self-regulatory organization, the engagement of our many partners and stakeholders is critical to our success as an effective and efficient regulator.

Tonight I will not give you the typical summary of what we've accomplished this past year – even though it has been an exceptional year. You all know what we've done as we've done it <u>together</u>.

There is, however, one point I want to make before I turn the floor over to our distinguished guest Chairman Radford. It relates to our shared goal of working together in the public interest to protect investors and support healthy capital markets – markets in which investors must have confidence.

Many of you have heard me say that we are still dealing with the echoes of the global financial crisis – a crisis that began, almost unbelievably, over a decade ago.

While many of the accounts of the period focused on the destruction of wealth and the collapse of markets and financial institutions around the world, in my view the real damage done cannot be measured in monetary terms alone.

That is because it was damage to confidence and damage to trust. The crisis hurt the confidence we had in our economic and political systems and diminished the trust we had placed in the people who lead them.

It is easy to say that, because Canada's financial institutions came through the period relatively unscathed, trust was unscathed here too. In my view, that is unfortunately not as true as we would like.

For that reason, among others, all of us in this room and our counterparts across the country today operate in a social, political and regulatory environment that continues to demand change from the financial services sector. And by change, I mean improvements in service, in transparency and in accountability.

So while the financial services sector has seen significant reform over the past decade, and while there is an understandable degree of regulatory fatigue, I would say that it's not clear that Canadians are satisfied yet. And since it is Canadians for whom we all work, if they aren't satisfied, there is more to do.

Why do I believe this to be true?

First of all, in recent years we seen the emergence of a much better organized investor advocacy movement – a movement that is more actively involved in presenting the "voice" of the consumer at the policy making table.

It's difficult to say whether the rise of advocacy has resulted in more media scrutiny or whether greater media attention has led to greater activism on the part of investors.

Regardless, the 2008 crisis, an aging population and an increasing number of high profile cases where investors, particularly seniors, have suffered significant losses, have all contributed to heightened media attention and an increased focus on the need for regulatory and government intervention on behalf of their constituents.

As just one example from the banking sphere, consider the incredible amount of media attention focused over the past year on sales practices in retail branches – and the subsequent review by the Financial Consumer Agency of Canada, which may ultimately lead to regulatory and legislative change.

Governments – and their regulatory agencies – have heard these voices and, as they do when they hear the voices of the people who elected them, governments have responded, often by embedding a formal consumer perspective in their policy making process.

The United States, as part of the Dodd-Frank Act, established an Investor Advisory Committee to advise the Securities and Exchange Commission on regulatory priorities.

For our own part, to ensure we could hear directly from investors, IIROC established its own proprietary online panel of 10,000 Canadians from coast to coast so that they can provide their perspectives to IIROC as we consider initiatives to better protect investors.

We've also established stronger relationships with organizations like CARP, PROSPER and FAIR so we understand equally the views of Canadians and the thoughtful organizations that advocate on their behalf.

And, as these types of groups and the people they represent are given more of a voice, they are having more of an impact on the formation of policy, legislation and regulation.

More generally, of course, there is also a sense that regulation needs to catch up to the world we live in today.

We just witnessed a good example of this last week, with the release of the Canadian Securities Administrators' proposed client-focused reforms, which will fundamentally enhance the client-registrant relationship.

IIROC has been closely involved with this effort to better align the interests of investment dealers, advisors and representatives with the interests of their clients, improve outcomes for clients and make clearer to clients the nature and terms of their relationships with registered advisors.

We will continue our work to ensure our rules and guidance are aligned with the CSA's requirements.

Another area that requires catching up relates to a world created by financial services businesses responding to the demands of their customers… a world where the old distinctions between products offered on different platform silos – and the distinctions between the platforms themselves – simply don’t make as much sense as they used to.

So, in addition to addressing evolving needs of Canadians, the system also needs to keep up. That’s why IIROC recently announced a three-part strategy that responds to changes in demographics, investor behavior and technology, all of which are changing the way Canadians make investment decisions.

First, recognizing that these changes are affecting the products and services offered by our member firms, we have enhanced our process for reviewing changes in dealers’ business models to allow for a faster, more efficient process while still adhering to our underlying principles.

We issued final guidance to direct investing firms to clarify the products, tools and information they can provide on their largely online platforms.

Lastly, we launched a focused, forward-looking consultation with industry to better understand how IIROC’s rules impact the evolution of advice and service, and where we might find opportunities for improvement.

We believe that this strategy will go a long way toward ensuring that IIROC’s regulation remains flexible and relevant in the face of ongoing change -- while ensuring investors are protected no matter how they choose to get investment advice and service.

This week, we published our annual priorities for the third year of our strategic plan and the strategies we are using to achieve our mission and vision.

This year we have added a strategy, which aims to support industry transformation while ensuring investors continue to get the best protection possible.

The work I described a moment ago is part of a much broader pace of change that we continue to see – that is, the rise of financial technology, cryptocurrencies, blockchain and other emerging trends that have transformational implications for markets, investors, investment dealers and overall industry infrastructure.

While we do all of this, we must ensure our regulation remains flexible and relevant, but it also has to be credible. That is, it has the real teeth required to maintain the discipline that underlies investor confidence in our capital markets.

I'm speaking of course about IIROC's ongoing work to ensure we have the right legal tools to make our enforcement activities effective.

In April of this year, British Columbia passed legislation giving IIROC legal authority to pursue the collection of disciplinary fines through the courts.

In June, Manitoba gave IIROC legal authority to pursue the collection of disciplinary fines through the courts and protection against malicious lawsuits when carrying out its public interest mandate to protect investors.

Most recently, Québec passed legislation clarifying that IIROC has similar legal protections while also giving us more effective authority to collect and present evidence.

And well over a year ago, the PEI Office of the Superintendent of Securities gave us the authority to collect fines against individuals disciplined directly through the Supreme Court of PEI, as well as to enhance cooperation of witnesses at our disciplinary hearings.

So, there has been significant progress across Canada and continuing momentum. We continue to work collaboratively with governments across Canada, including those here in Atlantic Canada, to obtain all the legal enforcement tools needed to perform the job we've been asked to do, and to do it well, so there is a consistent level of investor protection from coast to coast.

As an SRO, which operates in every jurisdiction of this country, IIROC is in a unique position.

We can and must work effectively with governments, securities commissions, investors and other stakeholders coast-to-coast. We do so with the goal of enhancing regulatory consistency and effectiveness, which both helps to protect investors and keeps the capital markets healthy.

Those of you working at IIROC-regulated firms are an integral part of our policy-making process – from those who serve on IIROC's Board, to our District Council network, to those who participate in our various policy committees.

You need to be engaged because you are an important part of our economic system. You work closely with investors, helping them achieve their financial goals.

You expect us and our regulatory and government partners to ensure there is a level playing field so that all market participants can effectively contribute to the health of our economy – here in Atlantic Canada and across the country.

Closing

As I noted, we've been fortunate in that we've been given important tools that enable us to be a more effective regulator.

I would be remiss if I didn't acknowledge the support of the industry in these efforts. All of us want to see those who harm investors and tarnish the reputation of the industry out of the industry.

Thank you for ongoing support, participation and partnership.

Now, I would like to turn it over to Paul Radford, who will share his perspectives from the Chair of the Nova Scotia Securities Commission.

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