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Investment Industry Regulatory Organization of Canada

Attention:
Marsha Gerhart
Vice-President, Member Regulation Policy
121 King St. West, Suite 2000
Toronto, Ontario, M5H 3T9
Fax 416-943-6760
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Subject: IIROC Notice 15-0260 - White Paper: The Public Policy Implications of Changes to Rules Regarding Proficiency Upgrade Requirements and Directed Commissions on the IIROC Platform

Dear Ms. Gerhart,

CIBC welcomes the opportunity to comment on Notice 15-0260 - *White Paper: The Public Policy Implications of Changes to Rules Regarding Proficiency Upgrade Requirements and Directed Commissions on the IIROC Platform* (the "White Paper"). CIBC's business is directly affected by the proposed changes discussed as it has subsidiaries registered with both the Investment Industry Regulatory Organization of Canada ("IIROC") and the Mutual Fund Dealers Association ("MFDA").

CIBC is supportive of IIROC's stated objective of trying to "make the delivery of securities regulation in Canada more efficient by reducing regulatory overlaps and harmonizing their requirements and standards with those on other regulatory platforms, while pursuing the public interest and maintaining or enhancing investor choice and investor protection."

CIBC is appreciative that IIROC has publicly raised the issues discussed in the White Paper and is hopeful that this will lead to a broader public consultation on these and related issues. More efficient regulation would benefit investors and industry participants alike. CIBC encourages IIROC to continue to engage with the CSA and the MFDA to broadly and expeditiously consult industry participants with the goal of adopting a more efficient regulatory approach than the status quo.

Discussion

Part I: Proficiency Upgrade Requirement

CIBC agrees that removing the proficiency upgrade requirement may create a more efficient regulatory environment for some industry participants that already operate an IIROC-registered dealer subsidiary. However, such a change is also likely to have negative effects on some industry participants and potentially the MFDA. For this reason, CIBC is not supportive of IIROC making this rule change without first having a broader discussion and co-ordinating its rule changes with the MFDA and the CSA. CIBC is supportive of having a broader policy discussion and would look forward to participating in such a consultation process to support a strong, efficient and well-functioning industry for the benefit of investors and dealers.

Part II: Directed Commissions

CIBC recommends that an in-depth analysis be conducted by IIROC that will help to clarify the legal uncertainties involved in utilizing directed commissions, many of which were discussed in the White Paper. Such analysis should address the uncertain treatment of directed commissions under securities and tax laws as well as the employment law implications of a principal/agent relationship in the context of IIROC-registered representatives servicing clients of an IIROC-registered dealer. After such analysis is completed, IIROC and industry participants should be in a better position to properly assess the proposal to allow for directed commission arrangements.

The current industry landscape where this approach is permitted by one SRO and not the other creates issues and inequities within the industry.

Conclusion

CIBC recommends that IIROC approach the MFDA and CSA to begin a new consultation process that will consider the broad and far-reaching regulatory issues directly and indirectly touched upon by this White Paper. This should explicitly include re-considering the current mandate of both IIROC and the MFDA and whether any changes or consolidation would be warranted given the current industry landscape.

Yours truly,

A handwritten signature in blue ink, appearing to be 'Steve Geist', is written over the typed name and title. The signature is stylized with large loops and a long horizontal stroke.

Steve Geist
SEVP and Group Head,
CIBC Wealth Management