Notes for Remarks by

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Thank you, Paul.

Welcome everyone.

I'm very pleased that so many of you were able to join us today on this special occasion.

In addition to the strong representation from the many member firms that contribute to our self-regulatory model. I'm pleased to note the presence of our regulatory partners at the OSC, including its Chair, Maureen Jensen, Commissioners and OSC management.

As well, we have a number of colleages from the Government of Ontario, including Deputy Minister of Finance Greg Orencsak. Welcome all.

As the pan-Canadian self-regulator for the investment industry, operating under the oversight of the OSC and its peers, we occupy a unique position in Canada's regulatory system.

We could not do our job without your support – from the OSC, the Government of Ontario and all our regulatory partners, beginning with of course the strong support and partnership of the industry whose SRO we are. For that, we thank you.

I want also to recognize the representatives of organizations who work with IIROC to advocate on behalf of and protect investors. We see working to make regulation both efficient and effective integral to our public interest mandate to promote investor confidence in Canada's capital markets.

As we approach the end of a year and particularly of a decade, it would be typical to look back on what has been accomplished. While I will do a little of that, I'd rather look forward to how we collectively are preparing to better serve Ontarians and all Canadians in the years to come.

As you've been hearing in recent months, IIROC is in the process of transforming itself so that we can, in turn, support the accelerating transformation of the industry.

Together, the path we have embarked on will make regulation more efficient, will help protect investors and will support economic growth here in Ontario and right across Canada.

The demographic and behavioural changes happening among Canadian investors were well documented in a report we published earlier this year with the global consulting firm Accenture. It was the result of an extensive consultation with industry leaders across the country. What we found was an industry in the midst of a transformation, responding as clients seek new ways to consume financial products and services - particularly advice - and the flexibility to do so the way they want to.

We also heard of the need to reduce regulatory duplication and unnecessary burden while maintaining strong investor protection.

On that note, let me congratulate the OSC on the publication of their report on reducing the regulatory burden. We look forward to working with the Commission on the implementation of its recommendations, for the benefit of all market participants.

Our research with Accenture found that the single biggest barrier to financial services innovation in Canada was the complexity and duplication in the regulatory framework. We are responding both from within IIROC and with partner regulators across the system.

But many have said there is also a need for structural change to reduce duplication.

A recent C.D. Howe Institute paper called for a merger of IIROC and the Mutual Fund Dealers Association, the two self-regulatory organizations overseeing the investment industry.

To be clear, neither the MFDA nor IIROC is the final decision maker on such a proposal. That falls to our membership and to colleagues at the CSA. However, I will say that it is up to the two of us to propose solutions that work and which make sense for the system and for Canadians.

For we are <u>self</u>-regulatory organizations – <u>in the same</u> industry – and if we shy away from tackling the difficult questions, if we try only to protect the status quo, if we look only to the CSA to solve our problems and industry's challenges, then we aren't doing our job and we are letting Canadians down.

Let me emphasize to all of you from industry that you have a critical part to play in all of this. If you want your points of view considered, you must speak up. Let the Boards of Directors of your SROs know what you think, let the Commissions know what you think. If you don't invest in the process of improving the system, it will not improve.

I think it is important to remember, though, that the voices calling for change aren't coming merely from industry or from respected think tanks like C.D. Howe. Canadians – as consumers – are driving changes to business and service models and those changes in turn highlight that IIROC and indeed the SRO model must evolve.

In a follow up to the Evolution of Advice initiative, we undertook a survey of two thousand Canadians to validate what we had heard from industry. We asked both existing and what we called “aspiring” investors – those with some means to invest but who are not currently investing and who probably should be getting some advice.

We wanted to explore their access to investment advice, identify barriers to their getting that advice and lastly to gauge their awareness, perception and usage of automated online advice models.

We will roll out the results of this survey in the next couple of weeks, but I want to provide you with a glimpse into some of the key findings because they tie directly into the issue of structural change.

Here’s one example - 86% of investors surveyed want to be able to access a range of financial products without going to different providers or even without opening new accounts. For many Canadians, today's model does not support that goal.

90% want the level of financial advice and service – presumably within their one account – to flex up and down to meet changes in their needs and circumstances – and over 90% want that advice to be personalized to their specific goals and needs.

With the flexibility to choose the level of advice and services they want, investors want choice in how to pay for it.

Almost 80% of current investors and over 60% of aspiring investors say it is important for payment options for accessing advice to be flexible.

If those results are representative of Canadians' wants and needs, I would say that industry still has a ways to go to meet them – and we as regulators need to ensure we can facilitate change without compromising investor protection.

For that matter, as I said already, some of the concepts underlying our regulatory model – particularly some of our supervisory expectations – will also need to be re-thought.

Contrast these survey results with how our regulatory system was constructed: on the assumption of a client with an account or two and one advisor, with different regulators for different products, depending on the advice being offered. It’s not difficult to see that not only our regulation but the way it is applied must evolve as well.

In today’s world, personalized advice – including human touchpoints – can be expensive. However, in this same survey almost three-quarters of current investors and over 60% of aspiring investors want that advice to come from another human being.

Clearly, as people become more comfortable with electronically delivered services of all kinds, those numbers will drop. But, people are still sceptical.

Almost a third of current investors and almost half of aspiring investors think online advice models have less regulatory protection than traditional models.

We must ensure that investors remain protected, no matter how they choose to seek advice. Equally, we must also ensure that regulation does not become a barrier that limits Canadians' access to advice in the way that they want to access it. This is important **because access to advice matters.**

To IIROC, access to advice is an investor protection issue. Our survey reinforced what we already believed: there are many Canadians who would benefit from advice and yet who are not getting it.

Nearly 70 per cent of aspiring investors – those with some means but not currently investing – were over the age of 40. As this group moves through their prime earning years, it will become a public policy concern if they do not save and invest for their retirement.

So, when we take steps to help the industry transform itself, when that transformation gives more Canadians better access to solid, personalized and fairly-priced financial advice – with investor protections intact – we are helping Canadians build financial stability and helping the economy. And to me, that is definitely consistent with our public interest mandate.

When speaking about our public mandate and investor confidence, I would be remiss if I didn't publicly acknowledge the trust that has been placed in us by governments and securities authorities across the country.

If I had given these remarks earlier last week, I would have said that since the beginning of 2017, when PEI, Ontario and Alberta kicked off a wave of reform, eight provinces and three territories had made changes to their securities laws and regulations to give IIROC more effective enforcement tools. We are very grateful to them for leading the way.

Today, I can say it's nine provinces and three territories. Last Friday, New Brunswick introduced a bill to give IIROC the complete enforcement tool kit: the ability to collect fines through the courts, and improved ability to collect and present evidence, as well as protection from malicious lawsuits.

We still have a ways to go to ensure that all Canadians benefit from the same high level of investor protection.

Several provinces haven't yet given us the complete toolkit we need, but my goodness, we've made extraordinary progress and for that I thank all of you.

IIROC's transformation is well underway and proper enforcement tools are an important part of it.

There's a lot more I could tell you about, from the complete rewriting of our rulebook in plain language – a rulebook which will facilitate new business models, new membership categories and a more agile, less prescriptive regulatory approach.

There is our new state-of-the-art surveillance system which, even now, is training artificial intelligence tools to better look for bad actors in and across Canada's debt and equity markets.

And there’s our cloud migration which will, at long last, facilitate the bringing together of all member and market data and help us not only to do our job better but, by sharing insight and information with the CSA and the industry, help them as well.

These are just some of the items that we’ve already completed and there is a great deal more underway. But it’s reception season and I suspect that listening to me has already become the greatest regulatory burden of all.

So let me close by assuring you that IIROC will continue to work with all of you so that Ontarians and indeed all Canadian investors have access to the advice and services they need to achieve their financial goals, while ensuring they continue to enjoy the highest level of protection – no matter how they choose to invest.

Thank you.