

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.

I'm especially pleased to note the strong turnout from the industry and our regulatory partners, with more than 100 people accepting our invitation. There are too many representatives of our member firms to recognize individually. But please forgive me for noting a number of representatives from our partners at the AMF, including Kim Lachapelle, Frederic Pérodeau, Jean-François Fortin and Patrick Déry. As well, a special welcome goes to our friend Lucy Tedesco, who is both a former member of IIROC's Board and a former regulatory partner as Commissioner of the FCAC. Welcome one and all.

Your presence here today is just one example of the strong and collaborative relationship IIROC enjoys with its partners here in Quebec. As the pan-Canadian self-regulatory organization for the investment industry, operating under the oversight of the AMF here in Quebec and their peers across the country, we occupy a unique position in Canada's regulatory system. We could not do our job without your support – the support of the AMF, the Government of Quebec and all our regulatory partners, as well as of course, the strong support and partnership with the industry we regulate. For that we thank you.

Before updating you on some recent developments in regulation and at IIROC, I would like to take a moment to introduce a couple of members of our senior management team who you may not yet have met. Irene Winel recently joined IIROC as Senior Vice-

President, Member Regulation and Strategy. Irene, a securities lawyer by training and a native of British Columbia, joined us with over twenty years of experience in industry. Most recently, she was Country Executive for Compliance and Operational Risk at Bank of America Merrill Lynch. In addition to her day job, she was a member of our IIROC'S Market Rules Advisory Committee and the Executive of the Conduct, Compliance and Legal Advisory Section.

The other leader I would like to introduce you to today comes from much closer than British Columbia and is in fact a Quebecoise from Trois-Rivieres. Louise Hamel is our Vice-President, Business Conduct Compliance. Before joining IIROC, Louise worked at Bank of Montreal – Wealth Compliance where she was Chief Compliance Officer for BMO Nesbitt Burns and Director, Compliance.

Louise was also previously Chief Compliance Officer for TD Waterhouse Canada.

Now why did I start out by noting that today is a special day? It is because for the first time, IIROC is holding its Annual Meeting in Quebec – and indeed the first time it has been held anywhere but Toronto.

And how appropriate it is that it is being held here. IIROC has deep roots in Quebec. Since IIROC came into existence in our current form in 2008, our Montreal office has grown from 25 staff to more than 60 today. It's IIROC's second-largest office, covering virtually all of our activities for Quebec and Atlantic Canada and where we plan to build out our derivatives expertise in IIROC. We will continue to invest in Quebec because it – and all of you - are key to our future and key to the future of Canada's capital markets.

Given what I have already said, it's not a surprise that I would like to talk to you about preparing IIROC for the future. IIROC is in the process of transforming itself and we are working to support the accelerating transformation of the industry we regulate. The goal of course is to help investors reach their financial goals, here in Quebec and right across the country.

That is the theme of our strategic plan: evolving IIROC so that regulation responds and supports a changing industry, one which is itself adapting to the changing needs of Canadians.

The demographic and behavioural changes happening among Canadian investors were well documented in a report we published last year with the global consulting firm Accenture. That report, called *Enabling the Evolution of Advice in Canada*, was the result of an extensive consultation with industry leaders here in Quebec and

across Canada. What we found was an industry in the midst of a transformation, as clients seek new ways to consume financial products and services, particularly advice and the flexibility to do so the way that they want to.

I won't go into detail about the different ways that women or millennials, for example, want to get advice. You can read that in the report. But when you combine these demographic and behavioural changes with the capabilities provided by new technology, the potential for new product and service offerings is limited only by imagination.

Contrast this picture with how our regulatory system was constructed: on the assumption of a client with an account and one advisor, with different regulators for different products, depending on the advice being

offered. It's not difficult to see that our regulation must evolve as well to align with new realities.

Of course we must ensure that investors remain protected, no matter how they choose to seek advice. But 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. So we have a lot of work to do. The good news is that the work is underway and you can expect steady progress from us over the months to come.

The foundation upon which our evolution must be built is the IIROC rulebook. That is why I am so pleased to say that just last month, we published a completely revised set of the Dealer Member rules, re-written in plain language so that both the spirit and the letter of the



rules can be better understood by those who must uphold them. Along with our Universal Market Integrity Rules the new rulebook provides our regulatory framework with a solid foundation for the future.

IIROC has been entrusted with the role of front-line market surveillance in Canada's debt and equity markets. To ensure that we will continue to be able to do that well, we recently upgraded our market surveillance system to ensure we maintained world-leading capabilities. Not only will it provide us the capacity to handle the volume that comes with growing markets, it also provides us with views across different markets, dealers and asset classes and, when our rules come into effect requiring identification of the legal entity behind institutional trades, views across investor activity as well. It allows us to tap into the capabilities of artificial intelligence and machine learning, so that our people can

focus their attention and judgment on what matters – the activities and anomalies that can signal attempts to manipulate markets. Lastly, we can add new asset classes such as fixed income or equity derivatives or crypto assets, among others, if we are called upon to play a role in their markets as well.

Having mentioned crypto assets, I should say a bit more – because they are highly controversial, in part because of their by now well-publicised risks. Yet despite those risks, there is clearly an interest in this asset class from investors and many businesses, some of whom are current market participants and some whom are potential new entrants. While the appropriate regulatory response in Canada is not clear, we do know that – as with some of the issues highlighted in the Evolution of Advice report that I mentioned earlier – that the model we have today won't work well in this new

world. So together with our partners at the CSA we published a paper setting out a potential regulatory framework for crypto assets. I think it is fair to say that the paper drew a lot of comment, but little consensus, so the answers will take time. But by putting in place the foundational surveillance capabilities I just outlined, I can assure you that that if IIROC is called upon to play a part, we will be ready.

Another area where we have been working closely with the CSA is on the need to focus more attention on protecting vulnerable investors. We are part of a working group developing regulatory measures such as a safe harbour for firms and advisors that take protective action if they suspect a client may be subject to financial exploitation. I would like to note that here, in Québec, the AMF has already shown leadership by publishing its excellent *Practical guide for protecting vulnerable*

*investors*. This guide outlines steps that advisors can take to protect their clients before they become vulnerable or before it is mandated by regulation, for example by getting contact information and permission to reach out to a client's trusted contact person.

For our part, IIROC recently published a survey of Canadian investors to gauge their support for concepts like the trusted contact, the ability to temporarily pause account activity and a regulatory safe harbour for taking protective action. The solid public support revealed in the survey demonstrates that the AMF is on the right track and will, we hope, move the regulatory system forward as a whole.

The internal changes we have been making at IIROC get a lot less attention than do big public announcements like our surveillance system or the new rule book, but I wanted you to know that there is also a lot of work going

on underneath the surface – work which is preparing us for the future and which is no less critical to our success. Let's face it: a surveillance system which is lightning fast, packed with artificial intelligence tools and capable of integrating data from debt, equity, derivative and crypto markets is great. But without a way to deal efficiently and effectively with the information it generates, it is like having an MRI machine without being able to share the results with the radiologist or the surgeon.

So, last year, we built and a new integrated case management system which supports IIROC end-to-end. Information coming in the front door which triggers a review, from either market surveillance, compliance, or our Complaints and Inquiries call centre will be shared straight through the life of the inquiry all the way to enforcement if necessary.

We have also just finished the transition of virtually our entire IT infrastructure to a new digital services platform. It gives us access to scalable cost-effective computing capability so that we can effectively analyse the vast amount of data we gather to gain insights and share it as appropriate with our regulatory partners. We've also taken advantage of the move to ensure that our data is even more secure than it was before – with encryption not only while data is in transit but also when it is at rest.

Of course, even with the best people and the best systems, we depend on having the legal authority to get the job done – without that, it is all just talk. And for that we depend on our partners at the provincial securities authorities and their governments.

I am proud to say that nowhere are our partnerships stronger than here in Quebec.

More than once over the last several years, the Government and the AMF were in the forefront of granting IIROC improved legal authority for our enforcement activities. Quebec gave us the ability to collect fines through the courts years ahead of most other provinces. Most recently, its legislation completed our enforcement toolkit with improved ability to collect and present evidence, as well as protection against malicious lawsuits.

Quebec, together with Alberta, set the bar high for the rest of the country. And now many have followed. In fact, over the course of the last two and a half years, six other provinces and all three territories have changed their laws or regulations to give IIROC similar tools. That simply would not have happened without the leadership shown by Quebec and Alberta. For that we are truly grateful.

Legislation is not the only way that Quebec has shown its leadership. A few years back, IIROC signed a Memorandum of Understanding with La Chambre de la securite financiere, setting up a system for sharing enforcement information, ensuring that any individual sanctioned by one regulator could not simply move to a different business under another regulator and take on unsuspecting clients. That agreement paved the way for agreements with similar organizations from British Columbia to Ontario.

Finally let me highlight that the strength of our relationships with partner regulators and with industry don't just help us close gaps in the regulatory framework. They help us be more efficient and to reduce unnecessary duplication – and therefore regulatory burden – as well.



One example is the agreement reached between the AMF and us, in late 2017, regarding examination of Dealers under the Quebec Derivatives Act. This measure reduced the regulatory burden on these firms by eliminating any duplication of examinations or requests for information. It also demonstrates the willingness of both IIROC and the AMF to simplify regulatory processes and make them more effective.

In follow up to this initiative, IIROC staff have completed a review and analysis of our derivatives-related rules and will propose amendments to simplify and modernize how we regulate derivatives activities within IIROC-regulated Dealers. Given the expertise our colleagues at the AMF have already built in Quebec, it only made sense for us to build our own centre of excellence here in Montreal as well.

There are more opportunities to reduce such regulatory duplication across Canada and I promise you, we are pursuing them. For those of you here from industry – you have a part to play as well. If reducing duplication and unnecessary burden matters to you, when the opportunity to do so arises, you have to support it. I look forward to hearing from you.

You've been very kind and patient while I've talked at some length about the work underway to position IIROC for the future, so we can support the ongoing transformation of the industry here in Quebec and across Canada. In conclusion, IIROC will continue to work with our partners to ensure that Quebec 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 again for being here this evening. Please stay and enjoy yourselves – we are all looking forward to speaking with you informally.