

# NEWS RELEASE

*For immediate release*

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## **Independent Studies Show Investment Industry Strives to Provide Comprehensive Financial Advice to Best Serve Canadians but Regulatory Burden and Silos Create Unnecessary Challenges**

**November 5, 2020 (Toronto, Ontario)** – The Investment Industry Regulatory Organization of Canada (IIROC) today released two studies that show how [mutual fund advisors](#) and [dealers](#) are striving to provide comprehensive financial advice that is in the best interest of Canadian investors but regulatory burden and silos create unnecessary challenges.

IIROC, with the cooperation of the Federation of Mutual Fund Dealers (Federation), wanted to consult with a broader range of members and stakeholders – those regulated by the Mutual Fund Dealers Association (MFDA) and those regulated by both the MFDA and IIROC – to better understand the challenges and barriers they face in serving Canadian investors. IIROC engaged Navigator to conduct independent research, which included an extensive number of individual interviews and a set of focus groups with industry participants across the country from June to September.

The research confirmed that key concerns include the ability to maintain directed commissions, to conduct business in client name, and the ability to offer lower cost products like Exchange-Traded Funds (ETFs) – all of which are formally included in IIROC’s proposal to consolidate with the MFDA.

Sentiment from dealers and advisors suggests the current regulatory system does not serve the modern investor as effectively as it could. Canadians are increasingly looking for comprehensive advice offerings and there are increased pressures for the industry to innovate and evolve to meet client needs.

“It was essential to obtain the voice of industry stakeholders across Canada – from small independent mutual fund firms to larger dealers regulated by multiple regulators,” said Irene Winel, Senior Vice-President of Member Regulation and Strategy at IIROC. “The research shows that many of the regulatory challenges faced by the industry could be effectively addressed through a near term consolidation of IIROC and the MFDA. It was also helpful to see that IIROC’s [proposal](#) reflects and addresses many of the key issues that are important to this segment of the industry and their clients.”

### *Consultation Among MFDA and Dual-Platform Dealers*

This element of the research consisted of 18 in-depth interviews with senior leaders of 10 MFDA-only firms, as well as eight firms regulated by both IIROC and the MFDA, many of whom raised the need to move away from product-based regulation.

“The switch from the product approach to the advice approach is a key issue. It is now wealth management where we focus on client needs,” said one dealer member interviewed by Navigator. “There is a 360-approach rather than an approach focused on a product... That is why having a regulatory environment just focused on product and being segmented on product is not client-oriented.”

When asked about comprehensive financial advice, there was a desire expressed for a one-stop shop (e.g., tax planning, estate planning and breadth of product options), where the advisor can offer services seamlessly, without the need for duplicative onboarding requirements or transferring to alternative advisory resources.

When describing perceived advantages of potentially moving to a single Self-Regulatory Organization (SRO), dealers cited simplification and the lack of need for duplication as key advantages as well as a more consistent client experience and investor protection.

### *Qualitative Research Among MFDA Advisors*

In addition to the Federation’s cooperation, IIROC worked with the Financial Advisors Association of Canada (Advocis), who helped encourage mutual fund advisors to participate in in-depth interviews and five online focus groups that took place across the county. A total of 50 advisors participated in this research.

In addition to citing concerns about maintaining directed commission and client name, they also raised concerns about regulatory overburden and the desire for a more principles-based regulatory environment.

Some advisors mentioned that the industry has been discussing a move toward a single SRO for many years, with several who commented that it is “long overdue”. Many dealers and advisors suggested that consolidating the MFDA and IIROC would be an easier undertaking than building up “from scratch”.

The consultation was well-received by participants. Specific feedback from an MFDA-regulated advisor included, “I’m grateful for the process. It makes us feel like we have a voice and can make a contribution.”

“While we directly engage investors and IIROC-regulated firms regularly, it is critical that MFDA-regulated advisors and dually regulated firms have an opportunity to participate in this initiative that has the potential to deliver stronger protections for investors and enable the industry to better serve Canadians,” said Lucy Becker, Vice-President, Public Affairs and Member Education Services.

IIROC has submitted these independent reports, which can be found on IIROC’s website:

- [Dealer Member Research](#)
- [Advisor Research](#)

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### **IIROC's Past Stakeholder Outreach / Consultation:**

- IIROC's proposal: [Improving Self-Regulation for Canadians: Consolidating the Investment Industry Regulatory Organization of Canada \(IIROC\) and the Mutual Fund Dealers Association of Canada \(MFDA\)](#)
- Joint IIROC and Accenture report: [Enabling the Evolution of Advice in Canada](#)
- IIROC's investor research with The Strategic Counsel: [Access to Advice](#)
- Deloitte assessment: [An Assessment of Benefits and Costs of Self-Regulatory Organization Consolidation](#)

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### **About IIROC:**

IIROC is the pan-Canadian self-regulatory organization that oversees all investment dealers and their trading activity in Canada's debt and equity markets. IIROC sets high quality regulatory and investment industry standards, protects investors and strengthens market integrity while supporting healthy Canadian capital markets. IIROC carries out its regulatory responsibilities through setting and enforcing rules regarding the proficiency, business and financial conduct of 175 Canadian investment dealer firms of varying sizes and business models, and their more than 30,000 registered employees. IIROC also sets and enforces market integrity rules regarding trading activity on Canadian debt and equity marketplaces.

### **About the Federation:**

The Federation of Mutual Fund Dealers ("Federation") has been Canada's only dedicated voice of mutual fund dealers since 1996. The Federation currently represents dealer firms with more than \$124 billion of assets under administration and more than 24,000 licensed advisors that provide financial services to over 3.8 million Canadians and their families. The Federation has strong interest in issues that impact the dealer community, its advisors, and their clients.

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