

IIROC NOTICE

Administrative Notice Request for Comments

Please distribute internally to:
Legal and Compliance
Senior Management

Comments due by June 30, 2021

Contact:

Mark Stechishin
Associate General Counsel
(416) 943-5878
mstechishin@iroc.ca

**21-0089
May 3, 2021**

Request for Comments: IIROC Expert Investor Issues Panel

On March 10, 2020, IIROC announced plans to establish an Expert Investor Issues Panel (EIIP) to provide additional investor input to IIROC's regulatory activities. We now seek input on how we should structure the EIIP.

The EIIP will be a critical, additional layer to the efforts already conducted by IIROC to gauge the public's views on regulatory initiatives and/or other public interest matters. The EIIP will enable individuals with a wide variety of experience and expertise related to investor issues to provide valuable input into IIROC's mandate to protect investors and support healthy capital markets.

Discussion

Background

We regulate to serve the public interest by protecting investors and supporting healthy capital markets.

As a pan-Canadian regulator, we seek and consider stakeholder input into the development of our rules, policies and other similar instruments. We do this through a number of channels, including our Board of Directors, our existing advisory committees, publishing requests for



public comment on rule proposals, *ad hoc* targeted consultations, and review of our rule proposals by our recognizing regulators.

Since 2017, we have conducted retail investor research using an online Investor Panel to provide investors with a mechanism to provide input to our policy development process and other issues important to IIROC. This research includes surveys of an online pool of 10,000 individuals, ensuring a representative sample and independent analysis of their responses.

To date, we have completed several surveys with retail investors on a variety of subjects including access and barriers to financial advice, the protection of vulnerable investors, and more generally on their awareness, understanding and perception regarding the regulation of the investment industry. We are also conducting qualitative research with investors who have complained directly to IIROC in order to gain better insight into their experiences and perceptions of the complaint-handling process, and to help them better navigate the complex regulatory system.

We believe these consultations have advanced our understanding of investor issues and experiences. The creation of an investor-focused panel will further enhance our investor outreach efforts and serve as an additional forum that will provide a strong voice for investors and help IIROC accomplish its goal of investor protection.

Preliminary Framework

In order to facilitate public feedback and comments, we have included a preliminary framework in the form of Terms of Reference for IIROC's EIIP (see Appendix A). In developing this framework, we undertook a benchmarking exercise to review the structure and operations of similar investor advisory bodies. We also recognize the importance of creating a pan-Canadian panel that represents a diverse set of investor perspectives and consists of individuals with different areas of expertise and experience, all of which can contribute to meaningful and comprehensive advice and guidance to IIROC. Panel members will receive an honorarium for their participation on the EIIP.

Key Considerations

1. Comparative Research

We note that many other public interest regulators and similar organizations have created standing advisory bodies that address investor issues on an ongoing basis, including the following:

- the Ontario Securities Commission's Investor Advisory Panel
- the Autorité des marchés financiers' Financial Products and Services Consumer Advisory Committee



- the Ombudsman for Banking Services and Investments' Consumer and Investor Advisory Council
- the US Securities and Exchange Commission's Investor Advisory Committee
- the US Financial industry Regulatory Authority's Investor Issues Committee
- the UK Financial Conduct Authority's Financial Services Consumer Panel
- the Australian Securities and Investment Commission's Consumer Advisory Panel
- the Financial Consumer Agency of Canada's Consumer Protection Advisory Committee

Appendix B provides an overview of these bodies.

2. Different Investor Perspectives

We recognize that there are a number of different types of investors whose input is important, including:

- retail investors, who may participate in markets through an advisor, or on a self-directed basis; through managed accounts or advised accounts; through fee-based accounts or commission-based accounts; online or in-person with an advisor
- “aspiring” investors and others who are not currently participating in the markets due to real or perceived barriers
- institutional investors, who may invest on behalf of mutual funds, exchange-traded funds, pension funds, governments, or family offices
- vulnerable investors, who may be more vulnerable to financial exploitation
- investors from across Canadian jurisdictions
- investors with cross-representation based upon a variety of factors such as age, gender, diversity, financial capacity and experience.

We also noted in our report, *Enabling the Evolution of Advice in Canada*, that investor profiles are undergoing a change and period of transition.



While investors' interests and perspectives may coincide in many areas, they differ in others. Briefly, the investors we serve do not represent a homogeneous group.

3. Relevant areas of expertise

We also recognize that valuable input will come from individuals with a wide variety of roles in the investor landscape (as is reflected in the members of the bodies described in Appendix A). This includes individuals with backgrounds in government, professional regulation, public policy, financial literacy and investor education, consumer outreach and advocacy, financial services, academics with expertise in investment issues, dispute resolution, and non-profit organizations that work with the vulnerable and/or seniors.

Comments Requested

IIROC welcomes any comments on the creation, structure and operation of the EIIP. The proposed Terms of Reference is being offered to facilitate public feedback and commentary. We are particularly interested in the public's views on panel composition, selection process, term limits and governance.

Request for Public Comment

Comments are requested on the questions above. Comments should be in writing and delivered by **June 30, 2021** to:

Mark Stechishin
Associate General Counsel
Suite 2000, 121 King Street West
Toronto, Ontario M5H 3T9
email: mstechishin@iiloc.ca

Commenters should be aware that a copy of their comment letter will be made publicly available on the IIROC website at www.iiloc.ca.

Attachments

Appendix "A" is the preliminary Terms of Reference

Appendix "B" compares existing investor advisory panels of comparable organizations.



Appendix “A”
Expert Investor Issues Panel
Terms of Reference

Mandate

The Expert Investor Issues Panel (EIIP) will advise IIROC on its regulatory activities or initiatives impacting Canadian investors. It will provide input from the perspective of the investor in order to assist IIROC in developing rules, policies or other initiatives to help IIROC achieve its objectives of investor protection and to promote investor confidence in the Canadian capital markets.

Type

EIIP is an independent, voluntary, advisory panel to IIROC staff.

Membership

(1) Selection

Members will be selected through a public application process administered by IIROC staff. In selecting the membership, consideration will be given to the candidate’s relevant expertise (as discussed below), the desire to achieve a membership with diverse experiences, backgrounds and knowledge, and the need to ensure that we include representatives from across Canada.

Membership applications will be reviewed by a nominating committee comprised of members of the Board’s Corporate Governance Committee and Executive Management.

(2) Composition

EIIP will consist of a minimum of eight and a maximum of 12 members.

Members will consist of individuals with experience on matters of investor protection, issues and rights. Membership should consist of individuals with varied expertise in the public, not for profit and private sectors. Areas of expertise include:

- Investor education
- Consumer protection and outreach
- Seniors and/or vulnerable investor issues
- Professional regulation



- Government public policy
- Financial services
- Academics with a focus on securities regulation, consumer protection or investor rights.

(3) Terms

Members are generally appointed for two-year terms, but cannot serve more than two consecutive terms. Some Members may be appointed to the inaugural Panel for a one-year term in order to stagger the turnover in Panel composition in subsequent years, to ensure effective functioning of the Panel.

If a Member resigns before the end of their term, a new Member may be selected pursuant to the appointment process set out above.

(4) Panel Chair

Members of the Panel will select a Panel Chair whose responsibilities will include:

- Leading and managing Panel activities
- Preparing agendas for Panel meetings
- Chairing Panel meetings
- Monitoring the effectiveness of the Panel in achieving its mandate
- Acting as the Panel's spokesperson.

(5) Honorarium

Members of the Panel will receive an honorarium for their participation on the Panel.

Meetings

EIIP will meet a minimum of four times per year.

Meeting agendas shall be retained by IIROC staff.

Responsibilities

Members agree to act with honesty, integrity and in good faith when executing their duties as part of the Panel.

Members agree to maintain the confidentiality of information provided to the Panel by IIROC including documents provided or the content or existence of any discussions held between them or IIROC, unless specific consent is provided by IIROC.



Members shall not use, directly or indirectly, any information obtained or discovered as a result of their work on the Panel, for anything other than the Panel’s activities.

IIROC Support

IIROC will provide the necessary administrative support to enable the Panel to operate effectively.

IIROC will provide access to information as reasonably required.

Accountability

The Panel will formally meet with IIROC’s executive to discuss issues of significance to investors at least twice a year.

The Panel may prepare and publish written comments to any IIROC rule proposals or other initiatives seeking public comment.

The Panel Chair may present to the IIROC Board twice a year.

Appendix B
Investor Advisory Bodies in Similar Jurisdictions

Name and Mandate	Size	Term	Composition	Selection Process	Meetings
Canadian Jurisdictions					
<p>Ontario Securities Commission Investor Advisory Committee</p> <ul style="list-style-type: none"> To solicit and represent the views of investors on the Commission’s policy and rule-making initiatives. 	9*	2 years Possible additional term	Members which represent a broad range of relevant experience, skills, knowledge and perspectives	Selection Committee consisting of 2 Commissioners and 1 Vice-Chair makes recommendations to Chair who appoints members.	Monthly
<p>Autorité des marchés financiers Financial Products and Services Consumer Advisory Committee</p> <ul style="list-style-type: none"> To present the views of financial consumers to the AMF 	Min 5 Max 9***	3 years May be renewed twice	Drawn from various sectors with a particular interest in defending and promoting the rights of consumers	Appointed by the AMF President & CEO after consultation with the Conseil consultatif de régie administrative.	At least quarterly, but not more than 12 times annually
<p>Ombudsman for Banking Services and Investments Consumer and Investor Advisory Council</p> <ul style="list-style-type: none"> To provide the input of consumers and investors 	Min 5 Max 9**	3 years Maximum 2 consecutive terms	Designed to achieve broad national representation. Use of skills and experience matrix to support wide range of	Appointed by OBSI Board of Directors.	Minimum four times per year



into OBSI's governance and operations			backgrounds to ensure consumer and investor voice is well-represented		
Financial Consumer Agency of Canada Consumer Protection Advisory Committee To provide advice and share insights in support of FCAC's financial consumer protection mandate on: <ul style="list-style-type: none"> its priorities and objectives, emerging trends, issues and research, and other relevant matters to financial consumers. 	Max 15**	2 years Maximum 5 years	Individuals with public, private or non-profit sector experience on matters of consumer protection in the areas of supervision, research, policy and education	Decision made by Commissioner though an open application process or specific solicitation of candidates.	Twice per year
Foreign Jurisdictions					
FINRA Investor Issues Committee <ul style="list-style-type: none"> To advise FINRA staff on matters that significantly affect individual and institutional investors including proposed rule- 	9*	No term limits	Subject matter experts including academics, consumer advocates, former securities regulators, and institutional investors.	Appointed by FINRA Board.	Meet in-person or virtually between two and five times per year.



making and policy initiatives, and helps inform Staff of economic analysis from investors' perspective.					
<p>US SEC Investor Advisory Committee</p> <ul style="list-style-type: none"> To advise and consult with the Commission on regulatory priorities, the regulation of securities products, trading strategies, fee structure, disclosure effectiveness, and on initiatives to protect investor interests and promote investor confidence and the integrity of the securities marketplace. 	Min 10 Max 20***	4 years Prohibition against serving 2 consecutive terms	<p>Individuals who:</p> <ul style="list-style-type: none"> represent interests of equity, debt and institutional investors are knowledgeable about investment issues have reputation of integrity <p>Statute mandated members: rep. of state securities commissioners, representing the interests of senior citizens, the Investor Advocate (ex officio)</p>	<p>Nominating Committee consisting of one staff from certain SEC Divisions and offices, and ex-officio non-voting counsel from each Commissioner.</p> <p>Public can also directly recommend candidates.</p> <p>Selection process based on functional membership categories (approx. 20 categories identified).</p> <p>Decision ultimately rests with Commission (except the Investor Advocate which is statute mandated by role).</p>	<p>Minimum twice per year.</p> <p>Typically meets four times per year.</p> <p>Open to the public.</p>
<p>UK FCA Financial Services Consumer Panel</p>	11*	3 years	Members with relevant areas of expertise including: consumer	Appointed by Board with HM Treasury approval for Chair position.	Twice per month consisting



<ul style="list-style-type: none"> • Advises FCA on how its strategy and policies affect UK consumers of financial services • Helps FCA to improve its effectiveness in meeting its consumer protection and competition objectives 		Maximum 2 terms but not consecutive	advocacy, law, economics, financial services, market research, public policy, and retirement planning		of 1 full panel meeting and 1 working group session (except August)
<p>Australia ASIC Consumer Advisory Panel</p> <ul style="list-style-type: none"> • To advise ASIC on current issues faced by retail investors and consumers in financial services and wealth management industries. • To inform ASIC’s surveillance, enforcement, policy and financial education initiatives 	8*	Unknown	Representatives from consumer and investor organizations and individual members	Unknown	3 times per year (as per 2019-2020 Annual Report)

* based on currently available public information regarding current panel composition.

** As per Terms of Reference (CPAC) and Statement of Expectations (OBSI)

*** Statutorily mandated