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### **Request for Comment Minor Contravention Program (MCP) and Early Resolution Offers (ERO) Initiative**

[https://www.osc.gov.on.ca/documents/en/Marketplaces/iiroc\\_20190425\\_notice-rfc-minor-contravention-program.pdf](https://www.osc.gov.on.ca/documents/en/Marketplaces/iiroc_20190425_notice-rfc-minor-contravention-program.pdf)

From what I read it seems to me that IIROC is focused more on collecting fines than preventing problems in the first place. When fines are imposed they should be meaningful, not wrist slaps. The consultation Paper states: *"A settlement agreement is typically reached after a full investigation is completed and **extensive negotiations** between Staff and the respondent have taken place."* Is IIROC negotiating facts or the level of sanctions.? I do not understand this – facts are facts and the IIROC Sanction Guidelines provide clear principles for applying sanctions. Why is a regulator **extensively negotiating** the fine with firms after it has effected a full investigation? Should it not just make a decision and impose a fine based on the published guidelines. When firms offer compensation to retail investors they rarely are willing to negotiate.

When there has been investor mistreatment it needs to be nipped in the bud by management and supervision before investor losses become material. In too many cases, it seems investor abuse prevails in plain sight for months and even years without intervention by the brokerage. Could it be that conflicts-of-interest are at play? And why aren't firms being held accountable for the actions of their employees?

I cannot provide detailed comment on the proposals except to note that your own survey said that just 11% of respondents were very supportive of reduced penalties, almost one-third (31%) of investors oppose reduced penalties and just 24% of investors surveyed were "very" supportive of an early settlement program. More importantly, the survey found that a **majority (56 %)** believed that IIROC should publish the names of firms or individuals in all cases of rule breaches, including minor violations which IIROC has disregarded. The survey also points out that if IIROC made the changes to allow for early settlements and fines for minor violations, investor confidence in protecting investors would increase by just 28%.

I also note that the highly respected OSC Investor Advisory Panel does not support the proposals. This should cause the IIROC Board to take notice.

I doubt making a fixed 30% concession to the financial services industry will change their greedy behaviour. I think more sanctions against brokerage firm executives would be a much stronger deterrent. They are the ones who have created a culture that doesn't put investor interests first. There is far too much IIROC emphasis on the bottom of the hierarchical pyramid.

I just cannot see how these disciplinary proposals will help lead to high standards of conduct in the securities industry and protect market integrity.

If IIROC really wants ideas on protecting investors, rather than post mortem retribution, here are a few:

1. Support a binding recommendation mandate for OBSI
2. Implement better cost disclosure and reporting
3. Impose tighter rules on the use of titles for representatives
4. Hold brokerage firms responsible for the actions and inactions of their representatives
5. Increase the number of investigations /sanction cases by an order of magnitude
6. Implement senior- specific Rules and sanction guides
7. Ensure brokerage marketing materials are honest and not misleading
8. Make brokerages fully accountable for the side businesses some Reps run ( I think you call this Off book or Outside Business)
9. Update your complaint handling rules to modern standards
10. Adopt a fiduciary standard for those Reps providing personalized financial advice
11. Impose and enforce a tougher complaint handling rule for dealers
12. Add an investor Director to the Board of Directors

Every cent of the fines collected should go to developing investor protection or investor remedies.

I think more engagement with investors would be helpful to the policy setting process .Also, why not establish a committee of investors to advise the Board and Staff of ongoing issues needing regulatory attention?

I sincerely hope these comments are of value to you.

I greatly appreciate the opportunity to provide comments.

Approval is granted for public posting of this letter

Sincerely,  
S. Gourley