

BY EMAIL

April 14, 2022

Member Regulation Policy
Investment Industry Regulatory Organization of Canada
Suite 2000, 121 King Street West
Toronto, ON M5H 3T9
memberpolicymailbox@iiroc.ca

Market Regulation Ontario Securities Commission
Suite 1903, Box 55 20 Queen Street West
Toronto, Ontario M5H 3S8
marketregulation@osc.gov.on.ca

Re: Proposed Amendments respecting Reporting, Internal Investigation and Client Complaint Requirements

iA Private Wealth Inc. (iAPW) appreciates the opportunity to comment on the Proposed Amendments that were published on January 13, 2022.

iAPW is registered as an investment dealer in all provinces and territories of Canada and a derivatives dealer in the Province of Quebec. It is a dealer member of IIROC and a wholly owned subsidiary of Industrial Alliance Insurance and Financial Services Inc.

Proposed Amendments

We appreciate that the goal of the Proposed Amendments is to help IIROC anticipate and respond efficiently to client complaints, assess the dealer's risk and protect capital markets from harmful conduct.

However, for the reasons set out below, we support the position set out by IIAC in their comment letter dated April 14, 2022 and share the following concerns related to the Proposed Amendments:

1. New Self-Regulatory Organization: It would be difficult for us to provide comments at this time regarding the Proposed Amendments since the implementation of the new self-regulatory organization (New SRO) and interim rule book is only expected to be completed by the end of December 2022. We would request that IIROC postpone the consultation regarding the Proposed Amendments until the SRO's new complaints handling rules are published. It is important that all mutual fund dealers (including our affiliate Investia Financial Services Inc.) and their registrants, that will be under the jurisdiction of the New SRO, be given the opportunity to review and comment on the complaints handling rules that will apply to them.

In addition, we are currently awaiting final amendments from the AMF further to their recent consultation on complaints handling and dispute resolution. While we believe that the AMF should also postpone its consultation until the New SRO is implemented and its new rules are published, the AMF has not yet done so at this time. Since the AMF has a different proposed definition of complaint (which would exclude misconduct allegations that could be resolved immediately) and a different proposed complaint handling timeline (60 days instead of 90 days), we also request that IIROC postpone its consultation related to the Proposed Amendments until the updated AMF

complaints handling rules are published in order to harmonize the complaint handling process across the different securities regulators and jurisdictions.

2. Scope of Reporting: The scope of reportable matters has been significantly broadened under the Proposed Amendments to include matters that are currently not reportable to IIROC, such as: (i) “serious misconduct” under “any applicable laws”, (ii) unproven criminal charges against Approved Persons and employees and (iii) proceedings alleging a breach of applicable laws in which the Dealer Member, a current or former Approved Person or employee has been named as a defendant or respondent.

The definition of “serious misconduct” would include material breaches of client personal information that the Dealer Member is already required to report to the Privacy Commissioner and violations of the suitability determination obligation, even if there is no related client complaint and although suitability matters are currently addressed through the Dealer Member’s Tier 1 and Tier 2 trade surveillance.

In our view, the new proposed reporting requirements are overly broad, as they would require Dealer Members to report to IIROC matters that: (i) are outside of the scope of securities law, (ii) are related to unproven criminal allegations and/or individuals who are not IIROC registrants and (iii) duplicate processes and procedures that are already in place to address some of these matters. We believe that these reporting requirements would significantly increase reporting requirements for Dealer Members while offering little to no additional protection to clients. As such, we request that IIROC limit the definition of serious misconduct to securities law matters that are not otherwise being addressed through existing regulatory processes and procedures and that individuals who are not registrants of the Dealer Member be removed from the scope of reporting.

3. Client Complaints: Further to the Proposed Amendments, the definition of complaint has been expanded to include verbal complaints, which may be difficult to properly interpret and assess, and complaints related to serious misconduct of Approved Persons and employees that may not be related to securities law. As set out above, we do not believe that these significant increased reporting requirements would offer any meaningful protection to clients. In addition, the Proposed Amendments would require the Dealer Member to conduct an internal investigation in relation to allegations of serious misconduct by an Approved Person or employee – This requirement appears to be a duplication of the Dealer Member’s obligation to investigate client complaints and would result in multiple ComSet filings for the same matter. For these reasons, we would request that IIROC confirm that the internal investigation requirement does not apply to client complaints that are already being investigated by the Dealer Member.

4. Best Execution and Client Priority: Under the Proposed Amendments, all best execution and client priority violations would need to be reported on ComSet and investigated by the Dealer Member, regardless of whether or not they were material. Under the current UMIR rules, the outcome of an investigation (e.g. gatekeeper report) is only required to be reported to IIROC if there is a material violation of a UMIR rule.

In addition, under the Proposed Amendments, each violation of the best execution and client priority rules would be considered as serious misconduct, and would need to be reported various times, i.e. when becoming aware of a violation, opening an investigation into the matter and at the conclusion of the investigation, even if no material violation of the rules is found. This would also remove the Dealer Member’s ability to resolve these matters expeditiously with the client.

In our view, the current reporting requirements for best execution and client priority breaches are effective for reporting material violations of which IIROC would need to be informed – The Proposed Amendments would lead to an increased administrative burden on Dealer Members by requiring them to report even non-material violations, which would serve no apparent value in protecting capital markets or clients from harmful conduct.

Conclusion

As noted above, we request that IIROC postpone the consultation regarding the Proposed Amendments until the New SRO's new rules are published, in order to provide an opportunity for both IIROC and MFDA dealers and their registrants to comment. In addition, if the New SRO implements the Proposed Amendments or similar amendments following a consultation with member firms and registrants, we request a 12-month implementation period to allow sufficient time for member firms to implement updated complaints and internal investigations policies and procedures, and to hire additional Compliance staff and provide training to meet the significant new regulatory reporting obligations.

Yours sincerely,

iA Private Wealth Inc.

A handwritten signature in cursive script that reads 'Julie Gallagher'.

Julie Gallagher
Senior Vice-President and Chief Compliance Officer