



ANDREW J. KRIEGLER
President and Chief Executive Officer

September 27, 2017

Director
Financial Institutions Division
Financial Sector Policy Branch
Department of Finance Canada
James Michael Flaherty Building
90 Elgin Street
Ottawa ON K1A 0G5

By email: fin.legislative-review-examenlegislatif.fin@canada.ca

Dear Sirs/Mesdames:

Re: Potential Policy Measures to Support a Strong and Growing Economy: Positioning Canada's Financial Sector for the Future (the "Second Consultation Paper")

Thank you for this opportunity to further contribute to the Government's discussion surrounding the federal financial sector legislative and regulatory framework and its Second Consultation Paper. We continue to strongly support this initiative to better position the Canadian financial sector for the future.

IIROC, as the pan-Canadian self-regulatory organization with a public interest mandate to oversee all investment dealers and their debt and equity trading activity in Canada, works to protect investors and support healthy capital markets across Canada.¹

¹ IIROC is recognized as an SRO by each provincial securities authority across the country. These authorities make up the Canadian Securities Administrators ("CSA") and are collectively responsible for the oversight of IIROC.

The investors we seek to protect include retail investors: ordinary, hard-working Canadians who invest to build their savings and fund their retirements.

In fulfilling our investor protection mandate we intersect with the federal financial framework, as a number of the dealer firms we regulate are owned by or affiliated with entities regulated by the Office of the Superintendent of Financial Institutions (OFSI). IIROC also works together with the Canadian Deposit Insurance Corporation (CDIC) with respect to our member firms who are owned by or affiliated with CDIC-regulated firms and with other federal agencies. As discussed more fully below, we also have strengthened our relationship with the Financial Consumer Agency of Canada (FCAC).

Our comments in response to the Second Consultation Paper are focused on improving the protection of consumers of financial services, and the role that IIROC can play in supporting greater financial innovation.

Improving the Protection of Consumers of Financial Services

Strong compliance oversight is essential, in our experience, to effective regulation.

One of the ways in which IIROC works to protect consumers of financial services is through our compliance functions. IIROC is responsible for monitoring the compliance of its regulated dealers and their registered employees with rules related to business conduct, financial operations and trading practices. Investors with IIROC dealers are protected by a robust compliance regime undertaken by IIROC's three compliance departments.

Our business conduct compliance team monitors our dealer firms' non-financial regulatory requirements, including compliance with supervision guidelines and testing that transactions reflect client needs and instructions. The team also tests that dealer firms are complying with their know your client, know your product and suitability obligations under IIROC rules.

Our compliance departments conduct about 300 on-site firm reviews each year. IIROC then issues a report to the firm about their compliance, highlighting the areas that they need to improve or change immediately.

Timely and effective compliance helps our dealer firms to prevent deficiencies that, if left uncorrected, could require enforcement action.

We would be pleased to further share our knowledge and experience in this area as the Department works to strengthen the protection of bank consumers in Canada.

In furtherance of our mandate to strengthen investor protection, we also recently entered into a Memorandum of Understanding (MOU) with the FCAC. This allows us to assist each other and exchange pertinent information to ensure the effective regulation of those entities and individuals under FCAC's and IIROC's jurisdiction. The MOU will also help facilitate compliance with and the enforcement of laws, rules or requirements applicable to the entities regulated by each organization.

Strengthening collaboration between the two regulators will reinforce consumer protection by increasing oversight capacity and facilitating enforcement action against regulated entities and individuals that are not adhering to their market and business conduct obligations.

Improving Regulatory Transparency and Coordination

We share the Government's commitment to work with other regulatory authorities to better coordinate and share information in support of greater financial innovation.

As discussed in our earlier comment paper, IIROC monitors trading of equity securities on and across all Canadian stock exchanges and Alternative Trading Systems (ATSs), as well as all debt trading conducted by its Dealer Members through various ATSs, Inter-Dealer Bond Brokers or in the over-the-counter market.

IIROC currently collects and maintains rich information regarding Canadian debt and equity trades. We are *de facto* the trade repository for debt and equity markets today. To the extent that IIROC can continue to support the Government and the financial sector in being a resource and sharing the information we already collect, we would be pleased to do so.

Utilizing IIROC as the source for this information avoids the need for Government and other provincial regulatory authorities to duplicate this work. More importantly, it allows Government and other provincial regulatory authorities to devote time and resources to other objectives which will advance financial innovation and efficient regulation in Canada.

In Conclusion

The Second Consultation Paper indicates that stakeholders have emphasized the need for the framework to provide a high level of consumer protection in the face of rapid change and development. We hope our comments are of assistance to you in your pursuit of that important objective.

We also hope to have conveyed our willingness to continue to play a role in the system and, more importantly, to play the role this Government wants us to play in furtherance of our shared objective of supporting a strong and growing economy.

Sincerely,

A handwritten signature in blue ink, appearing to read "Andrew J. Kriegler".

Andrew J. Kriegler
President and Chief Executive Officer