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CSA Consultation Paper 25-402 *Consultation on the Self-Regulatory Organization Framework*
https://www.osc.gov.on.ca/documents/en/Securities-Category2/csa_20200625_25-402_consultation-self-regulatory-organization-framework.pdf

*"The regulatory framework for these self-regulatory organizations has been in place for several years, and the industry has evolved significantly during this times **In response to requests formulated by market participants**, we believe it is appropriate to revisit the current structure and seek comment from stakeholders."* - Louis Morisset, CSA Chair and President and CEO of the Autorité des marchés financiers

Kenmar Associates is an Ontario-based privately-funded volunteer organization focused on investor education via on-line research papers hosted at www.canadianfundwatch.com .Kenmar also publishes ***the Fund OBSERVER*** on a monthly basis discussing investor protection issues primarily for investment fund investors. An affiliate, Kenmar Portfolio Analytics, assists, on a no-charge basis, abused investors and/or their counsel in filing investor complaints and restitution claims.

Kenmar appreciate the opportunity to provide an input and sincerely hope the CSA will take the time to consider and reflect upon Main Street issues.

EXECUTIVE SUMMARY

We must credit the Ontario Task force to modernize securities regulation for its refreshingly bold proposals for change that quite frankly, we had hoped would have come from the CSA many years ago. The Taskforce did this in a few short months which deserves special recognition. It is a decision making process the CSA should emulate to eliminate the endless consultations, roundtables and meetings spanning years, if not decades.

Pure self-regulation, as the term is commonly understood, is obsolete in the 21st century. The inherent conflicts-of-interests are not what Canadians want or need in order to trust the financial services industry with their life financial goals.

With high personal debt, low investor financial literacy/numeracy, a decline in DB pension plans, a growing number of seniors /retirees, increased investor longevity, increased investing complexity and rapid technological change , Canadian's have increased their dependence on financial advice .The SRO's have a profound influence on the financial health of our society in regulating that advice. We therefore treat the SRO consultation as a socio-economic issue, not solely a SRO framework issue. We are seeking socially- responsible regulation.

Let us begin by making one thing clear. A simple merger of IIROC/MFDA is not a viable solution to achieve the goal of socially- responsible regulation .Trying to merge existing entities with existing cultures and processes is not the way forward. Investors do not want a situation where the longstanding shortcomings of the two existing SRO's are spliced into the DNA of a new SRO. For meaningful change, change that is innovative, bold, and forward- looking, a rethink is needed. The end goal is an SRO that is in keeping with international regulatory best practices, an organization with a new governance structure, enhanced public and CSA involvement and an organization that truly protects investors and serves the Public interest.

We need the CSA to have a detailed discussion of its approach to financial consumers before deciding on how Firms are to be regulated. The U.K. Financial Conduct Authority (FCA) unequivocally places consumers at the centre of its mission. See *FCA Mission: Approach to Consumers* https://www.fca.org.uk/publication/corporate/approach-to-consumers.pdf Without this articulated framework it is difficult to ever see Canada truly modernizing its approach to regulation and investor protection. **Kenmar strongly encourage the CSA to better articulate what it defines as "investor protection".**

In a system with provincial jurisdiction, SROs have played an important role in providing nationally-scoped regulation within their respective jurisdictional spaces. The goal should be to create a framework that works for Main Street not just Bay Street. So we say, create a new SRO one with a radically redefined definition of "self". The "self" is a misnomer in today's modern age. "Self" must equate with the balancing of the needs of regulators, the industry AND investors.

If the CSA wants to continue to rely on SROs to help them fulfill their Public interest mandate to protect Canadian investors and promote confidence in Canada's capital markets, major change is needed - changes that address the foundation of self-regulation , not just the framework.

There are numerous forces that justify a re-examination of the SRO framework. The primary drivers are:

- The lack of public confidence in the SRO model and regulatory framework

- The increasing need for trusted financial advice at every level of society (budgeting/ debt management / social benefits at lower income levels and, integrated financial planning)
- Increased financial consumer demand for integrity in financial services (See *Creating an ethical framework for the financial services industry* : J. Black LSE Jan. 2013 http://www.lse.ac.uk/law/people/academic-staff/julia-black/Documents/black10.pdf)
- Decreasing investor trust in the financial services industry
- Dissatisfaction with SRO compliance monitoring , enforcement practices and complaint handling
- Increased emphasis on client compensation in complaint cases
- Calls for more socially responsible regulation

The new SRO (and CSA) must respond to these driving forces. A new SRO will need a new culture, one focussed on investors by changing beliefs and behaviours.

At a high level, Kenmar support a combination of the MFDA and IIROC registrants into a new SRO with a new board, new accountability framework, new mandate and new culture.

The main parameters of such a plan include:

- A clear CSA vision for the advice industry and investor protection
- A definitive CSA decision on self-regulation
- Enhanced CSA oversight of a new SRO (if applicable)
- A new SRO with improved governance, transparency ,accountability, investor engagement and a clear Public interest mandate
- A SRO Board where the investor and CSA voice can be expressed
- Investor involvement in developing policy and rules
- An Investor Advisory Panel supporting the Board of Directors
- Firm accountability for the actions of representatives
- An SRO focussed on robust compliance and enforcement
- An SRO that regulates Firm activities beyond securities selection and investment advice
- A modern client complaint handling and enforcement system that emphasizes investor compensation
- An OBSI with a binding decision mandate

The design of a new SRO must ensure there is no reduction of access to personalized advice to clients of modest income or in smaller communities not well served by large dealers.

We expect the CSA to demonstrate leadership, vision, strategic thinking, decisiveness and investor involvement if the results of the SRO framework review are to be in the Public interest.

INTRODUCTION

"If I were given one hour to save the planet, I would spend 59 minutes defining the problem and one minute resolving it" -Albert Einstein

The nature of the SRO-related issues raised is not congruent with the issues that have been articulated by the investor advocacy community. We comment on this is our formal commentary.

Experience to date indicates that the current SRO model has, until recently, consistently been less focused on the direct views of investors than on the views of industry, government, the CSA and other "organized stakeholders". It is antithetical for a modern day Public interest regulator to ignore or even discount consumer/investor outcomes as a fundamental component of its responsibilities. Systemic issues of governance with respect to consumer outcomes, in the complaint process especially, abound in the current SRO framework. The absence of more focus on the Public interest and investor outcomes in the current consultation represents, is in our view, a missed opportunity for meaningful reform.

The CSA concedes that it has framed the consultation based primarily on industry input. If we had framed the consultation, we would have identified a very different list of SRO issues. For simplicity, we have grouped them together in this summary while acknowledging that they may be significantly more or less applicable to the MFDA or IIROC. Our top issues include:

- Sufficiency / appropriateness of the CSA oversight regime
- Adequacy on how SRO governance deals with conflicts-of-interest
- The level of investor engagement / outreach by the SROs
- The need for greater public / investor input into SRO policy, rulemaking and enforcement priorities
- SRO rulemaking /enforcement and the Public interest
- Inadequate Firm Compliance oversight
- Rules geared to transactions vs. " financial advice"
- Low enforcement intensity and " light touch" sanctions
- Complaint handling (1) does not employ root cause analysis and (2) does not put investor compensation top of mind
- SRO relationship with OBSI is not complementary
- OBSI does not have a binding decision mandate

These issues raise serious questions about the SRO's' level of commitment to regulating Member Firms and protecting investors and ensuring their interests and rights are protected. If the regulatory system is to continue to rely on SROs, practices in all of these areas must be dramatically improved.

Kenmar will use the SRO consultation as an opportunity to examine and discuss the regulatory and social purpose of SRO's from the investor perspective.

The role of the CSA

"When you point one finger, there are three fingers pointing back to you.". Well, while this consultation is focussed on an SRO framework, there is another issue- the CSA itself. Some of the failings of the current regulatory system fall at the feet of the CSA. A frequently used example is when the SROs were expected to regulate dealers and their representatives, but were not given the power to enforce fines or compel the production of evidence or testimony. These shortcomings took away from the credibility of the SROs and indeed, there was a real question of whether the IOSCO guidelines for general deterrence were being achieved. IIROC leadership had to take the initiative to acquire that power by lobbying each province. This should have been led by the CSA, but like so many other investor protection issues, was not.

Another example concerns OBSI. The CSA provided a financial ombudsman service for investment dealers but didn't give it a binding decision mandate. This resulted in Name and Shames and low-ball settlements. The CSA did nothing to address low-balling which eventually led to a broken client complaint system for the investment industry. Investors vent their anger at OBSI and the SRO's but the root cause is the CSA.

Sometimes the CSA actually undermines the SRO's, as was the case in mid-2018. With the CSA planning to propose a ban on the practice of mutual funds paying trailing commissions to discount brokers, IIROC suspended the guidance it previously issued April, guidance which would have required rebates to investors of non-advice related trailing commissions. Then, after waiting until September 2020, the CSA gave discounters 20 months to clean up their investor wealth-destroying act without any enforcement action or a ban. DIY investors were left to fend for themselves instead of receiving rebates that would have been effective years earlier. Such anti-investor actions by the CSA add to investor distrust in the CSA, IIROC and the financial services industry.

The CSA sure didn't provide a role model when it granted the fund industry a whopping 27 months to transition away from toxic DSC option mutual funds. At the same time, it granted the industry an exemption from the investor-friendly CFR conflict-of-interest requirements. All of this in the middle of COVID-19! In addition to the possible harm to retail investors, the CSA decisions put undue pressure on the SROs to divert scarce compliance resources to watch over sales of a product that shouldn't even be sold.

The point we want to make is that for "self-regulation" to work, the CSA and SRO's must work collaboratively in the Public interest so that the overall regulatory system functions well. Together, they form a delicate eco-system that needs constant management.

It takes far too long for the CSA to provide the regulations that would support the SROs in their work to protect investors. **Kenmar urge the CSA to dramatically overhaul its consultation and decision making processes**. The glacial speed of regulatory change is a major impediment to robust investor protection.

Improvement in CSA cycle times will enable the SRO's to function more effectively and efficiently.

We are of the view that the prevailing approach of CSA regulatory focus is not the UK/Australian model, but that of making the distribution model more efficient, less prone to abuse with just sufficient disclosure to limit investor opportunity for complaint**.** This needs to change.

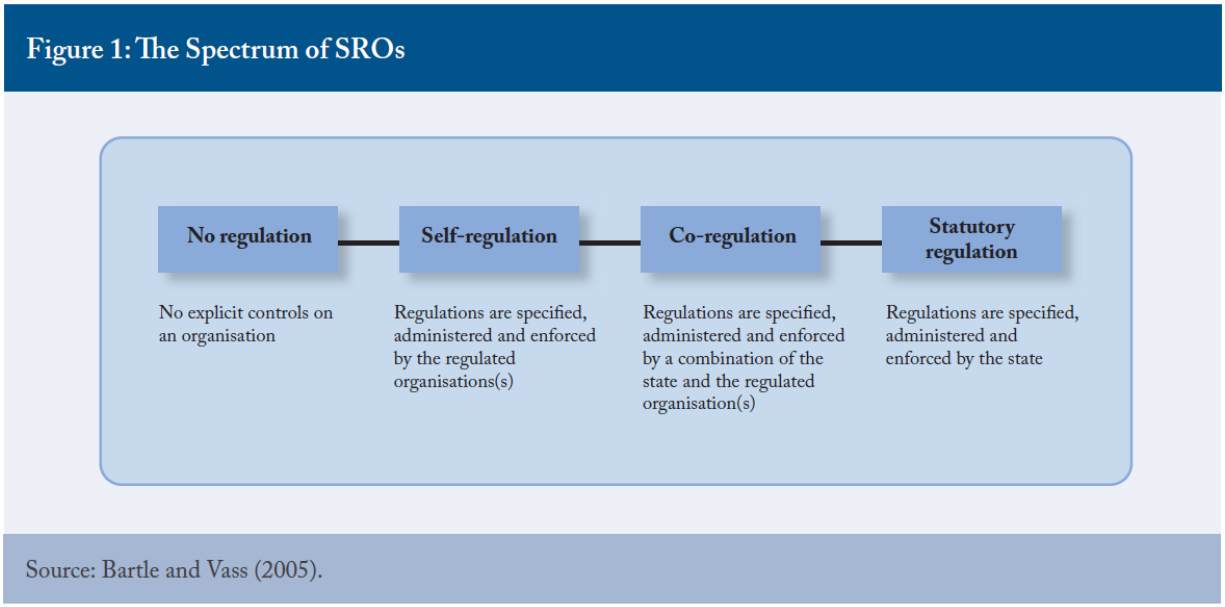
The CSA should seriously consider establishing an Investor Advisory Panel.
There is strong evidence that the CSA needs more access to grass roots issues facing Canadian investors. In the U.S., Section 911 of the Dodd-Frank Act established the new Investor Advisory Committee to advise the Commission on regulatory priorities, the regulation of securities products, trading strategies, fee structures, the effectiveness of disclosure, and on initiatives to protect investor interests and to promote investor confidence and the integrity of the securities marketplace. The Dodd-Frank Act authorizes the committee to submit findings and recommendations for review and consideration by the Commission. It is our understanding that this Committee has been a valuable contribution to investor protection in the United States. An IAP could play a very important role in assisting the CSA on investor protection initiatives and with SRO oversight.

Our suggested SRO model

In most cases regulatory reforms are vigorously opposed by industry (SRO Member Firms) with attempts to eliminate them, reduce their scope, delay them or move them into Guidance which is exactly what happened with the Client Focussed Reforms (CFR). This is precisely why we believe there must be fundamental changes in the way SRO's are designed, governed and operated if "self-regulation" is the approach the CSA continues to pursue.

We do acknowledge that in recent times, IIROC has pursued several positive reforms (stronger enforcement powers, positive changes to governance and proposals to create both an Investor Advisory Panel and ensure that disgorgements of improperly earned fees are returned to harmed investors and the MFDA has improved investor outreach. However, these efforts are not enough. Investors should not have to hope that SRO's continue to take positive steps. Structural and governance reform, as part of a consolidation of the two SROs into a new SRO, could provide a positive path for the future.

There are different types of SROs that have varying degrees of power and influence over public policy. These different regimes usually fit within a spectrum. See Figure 1.



Source: C. D. Howe Institute *Who Watches the Watchmen? The Role of the Self-Regulator* file:///C:/Users/OwneHome/Downloads/Commentary_416.pdf

If the CSA is unwilling to regulate MFDA and IIROC Firms directly, Kenmar believe that *co-regulation* may be optimal for Canada – a model where each of the industry, the CSA and investors have important roles to play in regulation.

The structure of an SRO is important in light of the provincial and territorial regulation of the securities industry in Canada. A national SRO can provide for a more uniform level of regulation and supervision across the country with one set of rules applicable to all SRO members. This is one argument for unifying IIROC and the MFDA registrants under a new SRO.

Of course, this doesn't necessarily mean that a single SRO is appropriate to regulate all registration categories. We look forward to seeing multiple stakeholder viewpoints on this issue.

Unlike the MFDA, IIROC currently regulates more than just the retail investor activities of its members. It regulates retail only firms and institutional only firms, boutique oil and gas capital raising firms -investment banking, M&A, IPO's, fixed income trading and of course all trading on every Canadian exchange. It also handles registration, unlike the MFDA which the CSA does for it.

Pure self- regulation, given demonstrated industry behaviour and the socio-economic needs of Canadians, constitutes an irreconcilable material risk for retail investor protection. In our view, **Co-regulation** is a more appropriate SRO structure if the CSA does not want to regulate certain parts of the market themselves. Enhanced governance is a starting point.

We will respond to the Consultation from the retail investor perspective. We do this in two parts:

Part I Comments on the CSA defined consultation issues
Part II Recommendations for reform

We also append two appendices to elaborate on several issues

APPENDIX I Describes the investor issues with the current SRO system
APPENDIX II Express concerns related to a SRO consolidation

PART I COMMENTS ON THE CSA DEFINED CONSULTATION IISUES

"*Should you find yourself in a chronically leaking boat, energy devoted to changing vessels is likely to be more productive than energy devoted to patching leaks*"- Warren Buffett

The CSA has done a good job explaining the industry issues in plain language and providing relevant background materials. However, we found the articulation of issues incomplete and targeted outcomes concerning. For example," **A regulatory framework that is easily understood by investors and provides appropriate investor protection.** How should retail investors react to such an unambitious outcome? The outcomes identified in the CSA paper will not materially improve the regulatory system's efficacy in protecting investors or compliance with the Public interest mandate.

The consultation asks *Describe the difficulties clients face in easily navigating complaint resolution processes.* The client complaint handling process is complex, lengthy, unfair and designed to wear down complainants. There is nothing new here as we have, for at least a decade, advised the CSA of the difficulties retail investors have in navigating the dealer complaint handling system and obtaining a just result. Like so many issues, the root cause of the issues lies with the CSA inaction, not the SRO's. [Key statistic: In 2019, a whopping 47% (180 of 387) of investment complaints to OBSI ended with a monetary compensation recommendation, a sad reflection on dealer complaint handling efficacy.] The complaint process is so complex and treacherous that MBC Law Professional Corp. prepared a 29 page Handbook *The Complaints Process for Retail Investments in Canada: A Handbook for Investors*
https://static1.squarespace.com/static/58350df5b3db2bbc30614fbf/t/5b2444c86d2a734942edff91/1529103562413/Complaints+Process+for+Retail+Investments+in+Canada.Handbook.MBC+FLAG+2018.pdf

The elephant in the room really is SRO conflicts-of-interests, real and perceived. With pure self-regulation there is the temptation to use a facade of industry regulation as a shield to ward off more meaningful regulation, the tendency for businesspersons to use collective action to advance their interests through the imposition of anti-competitive restraints as opposed to those justified by Public interest needs, light touch enforcement and a resistance to reforms in the regulatory environment. SROs are not subject to Freedom of Information legislation

that allows the public to require the production of information. Unlike a statutory regulator, an SRO is not accountable directly to the Government.

The Consultation Paper makes little reference as to how SRO's have discharged their Public interest mandate and how it should be addressed going forward.

Over the years, there have been calls for reform of the SRO framework ranging from the elimination of the SRO approach to mergers to creation of a super SRO. Most of the calls have been from industry participants who want to see reduced regulatory "burden" and maybe even less regulation altogether. But what about the retail investor? How has the self-regulatory system worked out for Main Street?

Quite frankly, we were expecting a deeper review of the self-regulatory framework. Should the CSA rely solely on industry evidence? Is SRO governance adequate to satisfy the Public interest mandate? Is self-regulation working to protect retail investors from financial assault? Do SRO rules consider the impact on Main Street? Is enforcement meeting IOSCO guidelines for effective deterrence? Are investors fairly compensated when rules are broken? Should other distribution channels (e.g. EMD's) be under a separate fit-for-purpose SRO? How does OBSI fit into the framework? Is market regulation meeting CSA and international standards? These important issues need to be addressed by the CSA.

At this stage, the CSA is not recommending any particular regulatory model or reforms. Instead, the Consultation Paper describes the existing SRO framework, summarizes its interpretation of the results of the CSA's recent consultations with stakeholders, and seeks feedback on the issues raised by those consultations. The Consultation states that certain Stakeholders raised some issues about the existing system, including the following:

§ **Product-based regulation:** Some stakeholders think that there is an unlevel playing field and potential for regulatory arbitrage because similar products and services are subject to different rules, or differing interpretations of similar rules, depending on which organization's rules apply.
§ **Duplicative operating costs:** There also are concerns that the lack of common oversight standards and differing interpretations of similar rules have led to duplicative operating costs for dealers who operate under both the IIROC and MFDA platforms.
§ **Structural inflexibility:** Some stakeholders think that the existing framework makes it harder for dealers to accommodate evolving investor preferences (e.g. to access a wider range of products from a single registrant), creates succession planning challenges for mutual fund dealers and their representatives (because of the limited product shelf they can offer their clients), and/or limits investment dealers' ability to grow their businesses due to difficulties in attracting mutual fund dealing representatives because of the additional proficiency requirements.
§ **Investor confusion:** Investors and their advocates stated that layers of regulation have contributed to investor confusion because investors can't access a broad range of products from one representative and/or are unsure whom to turn to if an issue arises.

§ **Public confidence in SRO system:** Some stakeholders see this project as an opportunity to enhance the SROs' governance structures to focus on their public interest mandates and strengthen complaint resolution mechanisms.

An IIROC financed study by Deloitte LLP *An Assessment of Benefits and Costs of Self-Regulatory Organization Consolidation* https://www.iiroc.ca/industry/sro-proposal/Documents/Deloitte_Assessment_of_Benefits_and_Costs_of_SRO_Consolidation_Final_EN.pdf estimated that hundreds of millions of dollars could be saved over the next decade with a combined MFDA /IIROC. Let's call it $500 million spread over 10 years or $50 million a year on average. While not insignificant, these savings should be compared to the hundreds of millions of dollars a year that investors would have saved if advice-based trailing commissions had been rebated or banned in discount brokers. Or contrast that estimated modest savings with the pain and anguish the DSC sold mutual fund has caused Main Street for at least two decades.

Kenmar sees this consultation primarily as an industry-driven initiative to reduce the "burden" of regulation. **Important investor issues appear to be incidental to the main discussion**.

No doubt some cost reduction opportunities can be found but we are looking for a more fulsome examination of "self-regulation". Kenmar's emphasis is on making "self-regulation" better by making the SRO's more accountable and better governed for improved investor outcomes.

The primary concern and risk with SROs is that their governance structure is inadequate to resist industry pressure to propose rules that promote their own economic interests. This is of particular concern because SRO members pay the fees to run the organizations and are incented to limit the resources available to pursue regulation. We believe that the current 50 / 50 split of industry and independent Directors on the SRO Boards is evidence of that. To their credit, IIROC has proposed, as part of its response to the Ontario Taskforce on Capital Markets Modernization, that independent Directors form an outright majority on the Board of the consolidated SRO. See *IIROC Comment letter to Ontario Taskforce to modernize securities regulation* https://www.iiroc.ca/industry/sro-proposal/Documents/IIROC%20Management%20Response%20-%20Digital-Version.pdf We agree with the principle of this recommendation.

We are concerned that the CSA has allowed industry concerns to overly influence the agenda for the consultation and we hope to balance the focus by highlighting the needs of the retail investor.

Product-based regulation

In the current investment environment, investors are moving away from transactions and gravitating towards holistic advice. In this context, it is quite appropriate to question the rationale for product-based and transaction-based

regulation .A modern SRO needs to concentrate on the regulation of financial advice as a service.

The consultation paper acknowledges a prevailing criticism that there is a lack of rule harmonization among the SROs and the CSA. From our observations, we find the relationship between the SRO's strained, despite the fact that both SRO's are headquartered at 121 King St W. in Toronto.

A consolidation of rules of the MFDA and IIROC as part of a new SRO would provide for harmonization of policies/rules. A modern complaint handling rule and more effective enforcement practices would have to be among the first priorities of any such harmonization.

We suspect there is potential for arbitrage in the exempt market as MFDA, EMD's and IIROC dealers compete for business. If this is the case, the CSA should take appropriate action to reduce or eliminate this scenario. Perhaps a national EMD SRO is needed with CSA oversight. Alternatively, the EMD's could be folded into a super SRO if it is formed, but we would caution blending holistic advice Firms with product marketeers and promoters.

Of course, there is regulatory arbitrage because of the nature of the Canadian regulatory environment. Each province is responsible for the regulation of securities in its domain with the CSA trying to cobble together mutual agreements that can be translated into National Instruments and inter-provincial agreements. One of the biggest occurrences of potential regulatory arbitrage is between provincially regulated investment dealers and the insurance industry. As this is not part of the consultation, we will not spend much time on this aspect. A large proportion of MFDA Approved Persons are dually-licenced so that regulatory arbitrage is easy, say as between mutual funds and Segregated funds. With the onset of CFR and DSC prohibition/restrictions on mutual funds, this could become a huge arbitrage issue for regulators and investors. Governments have a ripe opportunity to cut back on this regulatory arbitrage.

At a minimum, we recommend that each provincial securities regulator have a transparent mutual Recognition agreement that would detail the steps they are taking to minimize or eliminate regulatory arbitrage between the investment and insurance sectors within the province. We also recommend that the SROs have similar agreements with the FCAC, because of the popularity of index- linked GICs, Principal-Protected Notes and other innovative "banking" products that mimic securities (it is our understanding that a number of such Agreements are in place but we do not know how well they are working).

Combining the MFDA, IIROC and SPD's into a new SRO makes sense although it is not a top priority for retail investors. We argue that a new SRO should focus on SRO governance and regulation of personalized financial advice rather than sales transactions related to certain investment products and that this change in priority should be made as part of any consolidation.

Duplicative Operating Costs

There is no question that regulation could be simplified if a single SRO were created. What is not so clear is how to ensure the new entity regulates distribution, particularly mutual fund distribution, better and acts in the Public interest.

We read about the costs of maintaining dual platforms, about how burdensome it is. A study conducted by Deloitte LLP shows that a consolidation of the two SRO's would result in savings of between $380 million and $490 million for the financial services industry or about $49 million pa. max. p.a. This is really peanuts in a multi-trillion dollar industry. It is nothing compared to the costs incurred by Main Street attributable to the self-interests demonstrated by self-regulation. We encourage the industry to consider an investment in Regtech. This would reduce costs significantly and simultaneously enhance supervision and compliance capability. With CFR coming on stream, now is a good time to make these investments.

The expected efficiencies, cost savings and economies of scale resulting from the implementation of a single SRO will disproportionately benefit large Firms, notably the Big Bank dealers whose operations now fall under separate SRO platforms that would consequently be subject to a single oversight and rule-making authority. **The small and mid-sized Firms will gain less than the larger Firms, possibly driving more industry consolidation, decreasing competition and reducing investor access to advice.** See also *Small dealers facing consolidation: IIAC* https://www.investmentexecutive.com/news/research-and-markets/small-dealers-facing-consolidation-iiac/ [Currently, an estimated 80 % of distribution of investment products to investors is through bank-owned shelf distribution channels.]

While the consultation focusses on duplicative costs, investor advocates ask themselves why NI81-105 *Mutual Fund Sales practices* was not enforced by the MFDA /IIROC (or the CSA) until 20 years after it came into effect. Why has it taken multiple class action litigation to prompt the CSA to ban trailing commissions to discount brokers who do not and cannot provide advice ...and why did the IIROC/CSA let the practice prevail in plain sight for well over a decade? These are the grass roots issues with self-regulation and securities regulation in general.

As of mid-2019, IIROC-regulated dealer Firms managed approximately $2.9 trillion in client net equity as compared to the approximately $560 billion in mutual funds MFDA Firms. This suggests that about a third of the IIROC base is currently mutual funds since total mutual fund AUM is about $1.6 trillion. If the two SRO's were combined into one, mutual funds would represent about 45% of "new SRO" assets. IIROC's regulation of mutual fund distribution has been deficient, so a melding with experts in mutual fund regulation should improve overall investor protection.

If a mutual fund dealer continued as a mutual fund only dealer and stayed in IIROC's proposed mutual fund division, the rules that are today the MFDA's would continue to apply. In parallel, the same would be true on the IIROC side in what

would become the investment dealer division. If a dual- platform dealer wanted to move their people across and consolidate in one legal entity (presumably in the investment dealer), the investment dealer rules would apply. This may reduce regulatory burden at the margin but would still leave the advice industry with two sets of rules, neither of which meet the criteria we believe are necessary for a modern SRO. As part of a consolidation, we would expect to see a plan for an improvement in and harmonization of rules as an initial step.

We expect that the Client- Focused Reforms (CFR) initiative will, by its nature, help harmonize registration-related rules across the industry. In fact, that is one of the stated objectives of CFR. Kenmar appreciate that the application, interpretation and enforcement intensity of even those rules across the SROs may vary somewhat but we would not expect them to be materially different. Oftentimes, we see greater variability in the application of rules between Firms in the same registration category than between Firms in different categories.

A benefit of an SRO is that the sanctions (fines) available to the SRO's are larger than the statutory regulators. For example, IIROC currently can impose fines, up to a maximum of $5 million per contravention or an amount equal to three times the profit made or loss avoided due to the contravention. The OSC, a statutory regulator, is only given power to order the payment of an administrative penalty of up to **$**1 million and to order the disgorgement of amounts obtained as a result of the non-compliance. In effect, enforcement and general deterrence is impaired when an EMD or PM enforcement case is handled by a statutory regular. **We recommend that provincial securities regulators take decisive steps to ensure that their sanction toolkit is at least equal to that of the SRO(s).**

If the two SRO's were consolidated into a new SRO, the available protection funds cap would remain at $1 million. For investors who have money invested with both MFDA and IIROC dealers, the maximum available insurance coverage cap would therefore be reduced unless adjustments were made. On the other hand, if all the other categories were consolidated into one super SRO, EMD, PM and SPD investors would obtain access to investor protection funds that they currently do not have (some digital advisors regulated directly by Commissions would still not have access to an investor protection fund). **Kenmar recommend that, as a minimum, the CSA consider making the existing caps subject to a periodic adjustment formula and requiring that the registration categories not currently covered by any investor protection fund, establish an Investor Protection fund as deemed appropriate for those registration categories.**

Bringing the MFDA and IIROC registrants into a new single SRO could, in principle, improve investor protection by achieving a common culture across the regulatory entities for greater consistency in compliance practices and enforcement.

By improving governance, as part of the consolidation and in particular, by ensuring a majority of independent Directors, the CSA can support the development of a truly modern Public interest SRO.

Structural Inflexibility

Increasing the number of product choices and adding complexity is not the primary objective of Main Street investors. A large variety of products can be shopped for at a discount broker, many more than the typical retail investor needs to satisfy basic financial objectives. A recent NASAA report https://www.nasaa.org/55758/nasaa-releases-results-of-benchmarking-initiative-to-help-measure-effectiveness-of-regulation-best-interest/ found that broker-dealers working under a suitability standard offered a more diverse set of product offerings than fiduciary investment advisers. Many of the products avoided by the professionals were complex, hard to analyze and expensive. Expanding the product shelf for Main Street is lower on the priority list than unbiased financial advice and improved problem resolution.

What retail investors want and need is trustworthy financial advice on issues that range far broader than security choices and selection. They need financial plans for themselves and their families, adequate insurance coverage, help with tax and social benefit programs, investments that reflect personal values, discussion of charitable giving and philanthropic goals and help with estate planning. They also want a clear explanation of advisory fees and services. From our perspective, neither the CSA nor the SRO's are well equipped to mould financial advice giving into a profession.

Investors want unbiased advice. According to a April 2020 CFA Institute study *Earning Investors' Trust: How the Desire for Information, Innovation, and Influence Is Shaping Client Relationships* https://trust.cfainstitute.org/wp-content/uploads/2020/05/CFAI_TrustReport2020_FINAL.pdf trust is key with investors .From our perspective , advisors and Firms have to improve their trust level with clients. In Canada, trust in financial services was unchanged in the latest study, with just 51% of respondents saying they trust the industry. A decreasing percentage of respondents said their advisors were their most trusted source of advice: 59% of investors compared to 65% in 2018. The percentage of investors who said their advisors always put their interests first- a mere 35%. Most investors (75%) believed their financial advisors were legally required to do so. In response to the question: IN THREE YEARS, WHICH OF THE FOLLOWING DO YOU THINK WILL BE MORE IMPORTANT TO YOU? (a) Having access to the latest technology platforms and tools to execute my retail investment strategy or (b) Having a person to help navigate what is best for me and execute on my retail investment strategy, having a person help with financial navigation scored 67%, twice as much as platforms and tools. We believe a step-function change in the SRO model can materially help improve these sombre statistics.

Corporate inefficiencies should not be indiscriminately and solely blamed on regulators or regulations. We have no problem with eliminating wasteful regulation, but we would sure like to see the industry proactively invest more in innovation, technology, RegTech and modern IT systems to increase productivity and reduce cost structure. BCG's Global Wealth 2020 Report states, ".*over the past decade, wealth management providers have faced an unprecedented surge in regulatory requirements and scrutiny. But rather than design an integrated operating model to*

address these issues, most fell back on ad hoc responses that generated isolated processes, teams, and tools. The result has been a massive spike in costs and a huge administrative burden that has slowed response times, contributed to mounting client frustration, and heightened the risk of error." Re https://image-src.bcg.com/Images/BCG-Global-Wealth-2020-Jun-2020_tcm9-251066.pdf In other words, the investment industry has a part to play for many of the productivity shortfalls and should not lay all the blame on structural inefficiency.

The Consultation paper states that the structural inflexibility is posing challenges for dealers to accommodate changing investor preferences and to access to a wider range of products and services from a single registrant. There is nothing in legislation that prohibits a fund dealer from offering ETF's, assuming the advisor has the necessary proficiency. It is certainly true that some mutual fund investors are now more open to purchasing ETF's but few mutual fund dealers have made the adjustments to permit this, in part because of the structural limitations on offering such products economically. In fact, Investors Group Financial Services Inc. have started offering ETFs in the IG Advisory Account, their fee-based account. It is just not as economical to offer an ETF with no trailing commissions in the MFDA channel, so fee-based accounts are required. Of course, any investor can open up a discount broker account and purchase ETF's and even actively-managed ETF's and many do for $9.95 a trade instead of $150 or more with a full service brokerage.

Increased access to low cost ETF's could be a positive for investors but there is little evidence mutual fund investors are identifying such access as a high priority. According to the IFIC Pollara 2020 Investor Survey: (a) Mutual fund investors continue to have more confidence in mutual funds than in other investment vehicles (stocks, GICs, bonds and ETFs) and (b) Confidence in mutual funds by mutual fund investors is at an all-time high, with 92% of respondents stating that they are somewhat confident, confident, or completely confident in mutual funds. https://www.ific.ca/wp-content/uploads/2020/09/IFIC-and-Pollara-Strategic-Insights-Investor-Survey-September-2020.pdf/25588/ Mutual fund investors appreciate the low initial investment amounts, monthly contribution plans, automatic reinvestment of distributions , ease of access, liquidity (except for DSC) and the relative simplicity of mutual fund ownership.

If there is a changing investor preference among retail mutual fund investors, it is a second order effect compared to the investor protection issues with self-regulation being raised.

People with modest amounts to invest cannot readily access IIROC dealers due to minimum account size constraints (average MFDA account size= $70K approx.), not due to regulatory structural constraints. More recently, a constraint has been placed on minimum annual commission/fee "production "on accounts. Such practices reduce access to advice for ordinary Canadians.

We're also told that the higher IIROC proficiency standards make the transition from mutual fund dealer to investment dealer challenging. That is as it should be

given that IIROC salespersons can offer a greater range of products (including Alt mutual funds) and alternative investment strategies.

With CFR, rules that make it harder for lower- qualified salespersons to provide personalized financial advice is a good thing. We expect that higher CFR KYC, conduct and disclosure standards will also present challenges for mutual fund dealers and salespersons who sell DSC and embedded commission mutual funds. That was the whole idea of CFR- to raise professional standards for the provision of personalized financial advice and improve investor outcomes.

It is our understanding that the AMF does not recognize the MFDA in Quebec. Surely, this adds costs and burden for the mutual fund industry and ultimately investors. **We strongly recommend that ALL Canadian jurisdictions should have common recognition of the SROs.** There should be no regulatory fragmentation or structural inefficiency caused by individual CSA jurisdictions.

A fundamental discussion point going forward will be the extent to which "self" regulation is both necessary, effective and desirable and in respect of market surveillance – and the pros and cons of such regulation. Although we comprehend the allure of ensuring a system of regulation that is consistent for all registrants and including all such registrants in a single SRO, the CSA would have to articulate the reasons why bulkier "self" regulation is better than the status quo framework, while acknowledging the material differences amongst the business models, products and services of registrants.

Investor confusion

We're just not hearing registration category confusion as a major investor protection issue but if it is, better educational materials are required. The addition of SRO notations on account statements has helped reduce confusion. On the other hand, the OSC decision to deviate from the CSA decision on the DSC prohibition issue will add to regulatory burden and investor confusion.

Despite the CSA consultation assertion, Kenmar are not sensing a major retail investor drive for "one stop shopping". HNW investor needs are well served. To the extent retail investors do want one stop shopping, they already have it- any bank branch offers deposit services, mortgages, car loans, HELOC's for investments, ATM/cash withdrawals, bill payment, GIC's , PPN's , mutual funds and index-linked GIC's etc.

However, we see investor disappointment that bank-owned dealers in bank branches offer only a proprietary product shelf, a point made by the Ontario Taskforce to modernize securities regulation. Retail investors are not the driving force behind one- stop shopping but they do want a cost/fee report that is "one-stop" –investors continue to be confused by CSA designed CRM2 cost reporting that omits about half the cost of investing in mutual funds . A better, common complaint handling rule for the new SRO would really reduce investor confusion and distress.

Consider the long standing investor beef about long account transfer times. In response to a recent MFDA consultation on the issue ,the IIAC stated that aside from a negative and inconsistent client experience, that the dependence on manual processes at MFDA firms has created added costs for its Members, who have had to deploy additional resource to process transfer requests as well as any follow-ups. The entire process can become onerous in situations where the account concerned holds many security positions at various fund companies. https://www.wealthprofessional.ca/news/industry-news/ific-iiac-weigh-in-on-account-transfer-issues/333755 We're pretty sure this isn't the full story but it is an example of where the problem is not only related to regulatory structure- it has to do with the industry not making the digitalization investments and process changes needed to reduce operational burden, improve process cycle times and eliminate investor aggravation.

It goes without saying that investors are confused when their complaints are rejected or low-balled, especially those cases where OBSI has made a reasoned, fair recommendation for compensation. Such actions harm the retirement income security of Canadians. As evident from the Comment letters on the consultation involving discount brokers receiving trailing commissions, retail investors are confused and angered that regulators have not acted on such an obvious exploitation of investors for well over a decade. They are bewildered by a Sept. 17 CSA decision to allow discount brokers to overcharge A series unitholders until June 1, 2022. This will cost Canadians many times more than industry annual savings.

We have not identified investor confusion over investor protection funds as a significant retail investor issue either. However, investors do not understand why EMD's and PM's are not required to be covered by Investor Protection funds.

It took many years of investor advocacy for SRO's to require their logos to appear on Member client account statements clarifying who the applicable regulator is. It is certainly possible that resistance by the industry contributed to the delay and that is another reason that a majority independent Board at the new SRO is necessary.

What confuses investors is dozens of misleading "advisor" tiles and designations, multiple registration categories and the obligations representatives have to deal fairly and honestly with clients. A September 2015 OSC mystery shop observed an extensive variety of business titles approved by SRO Member Firms across all platforms. In all, 48 different titles were used by "advisors" on the four platforms shopped. From the perspective of an investor, the number and variety of business titles encountered when shopping for advice makes the process of choosing an "advisor" a confusing and complex one. https://www.osc.gov.on.ca/documents/en/Securities-Category3/20150917-mystery-shopping-for-investment-advice.pdf Title confusion has been going on for years and requires prompt CSA action. **Kenmar recommend that title reform be an objective of a modern SRO.**

Non-standardized mutual fund class designations also confuses investors. The complex complaint handling system confuses Main Street investors. Investors are

confused by mutual fund CSA- designed risk ratings based solely on the standard deviation. See *Fund and ETF risk ratings didn't prepare investors for this year's bear market* – Dan Hallett -The Globe and Mail https://www.theglobeandmail.com/investing/investment-ideas/article-fund-etf-risk-ratings-didnt-prepare-investors-for-this-years-bear/ The use of this misleading rating system was mandated by the CSA despite strong investor opposition .

Investors are confused as to why this Consultation focuses on increased access to more sophisticated products but barely mentions the need for increased advisor proficiency to advise clients on those products. As products and client needs increase in complexity, the CSA should be concentrating on prioritizing increased advisor proficiency especially in dealing with de-accumulating accounts. Kenmar is of the view that high entry and ongoing proficiency standards play a key role in investor protection and the integrity and efficiency of capital markets. The need for a continuing education program is essential. What is the point of having access to more complex products and strategies if advisors do not have the necessary proficiency to provide professional advice?

Public confidence in SRO's

A January, 2020 IIROC sponsored survey found that while 76% of current investors were confident that the investment industry in Canada is properly regulated but less than half (48%) of aspiring investors share that confidence. Survey report at https://www.iiroc.ca/investors/Documents/Access-to-Advice-Presentation-FD_en.pdf

According to a Sept. 8, 2020 MFDA sponsored investor survey *What Canadian investors want in a modern SRO* , less than half (48%) of respondents trust the investment industry to make decisions that are in the public interest and not their own. Three-quarters (76%) think conflicts-of-interest among board members who govern these SROs happen frequently and are not declared or eliminated before making important decision. Source: https://mfda.ca/news-release/invsro/

These surveys indicate that the core issue is not so much about investor confusion or the need to access new products- it's about distrust of the wealth management industry, its advice-skewing compensation schemes and its client complaint handling practices.

The CSA review of the SRO framework is an ideal opportunity to increase confidence in SRO's and regulators generally.

Some tough questions have to be asked. Why were discount brokers allowed to collect about $250,000,000 p.a. in trailing commissions for over a decade without the obligation to provide personalized advice or unique services? (Per the Canada Anti-Fraud Centre, in 2019 in Canada, there were 19,285 victims of fraud and $98 million lost to fraud, not including unreported cases.)

Too often we see Settlement agreements where the Representative has broken the rules over an extended period of time and no sanction is applied to the Firm for weak systems, defective compliance monitoring and inadequate supervision. The individual is fined but the Firm evades accountability. Enforcement intensity and the level of sanctions also have drawn criticism from the investor advocacy community. This needs to change if there is to be a cultural change at the Firms.

The CSA should try to understand why a very small percentage of complaints to SRO's are investigated and reach enforcement.

Public concerns about the effectiveness of enforcement of securities laws by the CSA jurisdictions and the SROs, IIROC and the MFDA are aggravated by the fact that in most cases the victims recover very little, if any, of their losses. This has undermined confidence in the integrity and fairness of the capital markets and trust in regulators ability to provide meaningful investor protection.

Neither IIROC nor the MFDA are permitted to order investor restitution. IIROC's move to return disgorgement of ill-gotten earnings to harmed investors is positive but is not comprehensive enough.

IIROC has made significant strides in governance recently, including revising its Director qualifications to include consumer protection experience and announcing the creation of an investor advisory panel. IIROC also called for a majority of directors on the proposed new SRO board to be independent.

However, these measures took too long and have not been codified as requirements by the CSA so they are not necessarily permanent. In the absence of CSA changes requiring these measures at a new consolidated SRO, it is hard for the public to be confident that these hard fought for successes will be maintained.

IIROC's Client compliant handling rule (2500B) was labelled as flawed from the moment it was enacted. Investor advocate input was ignored. We informed IIROC (and the CSA) of its deficiencies in a documented report https://drive.google.com/file/d/0ByxIhlsExjE3ZGp5MWc1TUI4RzA/view several years ago. After constant follow-up, it now appears that IIROC will be addressing the issue. Why do investor advocates have to devote so much of their limited resources chasing SRO's to do the right thing? **The new SRO founding principles and culture must be more deeply responsive to Main Street.**

On October 10, 2019 IIROC published Guidance advising its Members to review their retail client account agreements and to change or remove clauses that absolve them of liability, or that are inconsistent with regulatory obligations. During reviews of agreements from a variety of firms, IIROC discovered clauses that raise regulatory concerns by excluding a firm's liability for losses, including those caused by the firm, or relieving a firm from its securities law obligations, such as suitability. The Guidance encouraged Members to review and revise inappropriate limitation of liability clauses and to notify clients of changes. In upcoming examinations, IIROC said it would review agreements, flag issues and depending on the severity, it

would recommend corrections and in egregious cases, refer the matter for investigation and possible disciplinary action. Why this lame approach to dealing with a clear and present danger for investors? Such actions send the wrong message to the public. **We recommend a dramatically enhanced approach to SRO enforcement practices.**

Kenmar have also been especially critical of the SRO's disproportionate focus on individuals rather than Firms in enforcement proceedings According to the IIROC's 2019 Enforcement Report, 104 investigations were completed, with 28 individuals and eight firms prosecuted. That compares to 127 completed investigations in 2018, with 42 individuals and 10 Firms prosecuted. The emphasis on individuals seems to be at odds with the generally accepted management principle that Firms (i.e. their management, CCO, UDP) are responsible for the vast majority of problems. **In any future SRO, we would expect the ratios to be reversed.** We're reminded of Dr. W. Edwards Deming's famous quote where he said "**90% of all problems were management's responsibility and workers were only responsible for 10% of all problems"**.

The emphasis on levying fines vs. compliance is another issue. See Canadian Fund Watch: **IIROC fines on individuals- Are they a deterrent?** http://www.canadianfundwatch.com/2017/04/iiroc-fines-on-individuals-are-they.html and Canadian Fund Watch**: Fine collection, IIROC and Best interests** http://www.canadianfundwatch.com/2016/04/fine-collection-iiroc-and-best-interests.html It is our opinion that the emphasis on fines and use of principles-based sanction guidelines has led to an increase in contested cases. This could lead to a diversion of precious SRO resources from grass roots investor protection. It could also lead to a constraint on the cash available for investor compensation. More emphasis on compliance may yield better outcomes for investors. **The new CSA SRO mandate should provide the SRO (and OBSI) with the tools necessary to address the underlying issue(s) in a fair and equitable manner.**

The infamous double-billing scandal illustrated just how deficient supervision and compliance systems was even among the largest financial institutions. The industry-wide overcharging of investors was a systemic compliance system failure. Overall, including the settlements involving overcharging, the OSC no-contest settlement program resolved over 15 cases, resulting in over $350 million being returned to investors collectively. Every major investment dealer overcharged their clients. Why did so many dealer supervisory and compliance controls fail and their failure remain undetected by compliance and regulators, some dating back to 2000? We need to understand the failure mechanisms. Perhaps more importantly, why has there not been a CSA review of IIROC dealer compliance oversight efficacy to get at root causes of the compliance failure? The new SRO should be designed so that similar compliance breakdowns do not recur.

Significant "no contest" settlements related to overcharging clients on fees

COMPANIES AFFILIATED WITH:	OVER-CHARGING OCCURRED	DATE OF SELF-REPORTING TO THE OSC	"NO CONTEST" SETTLEMENT DATE	NO. OF CLIENTS AFFECTED	EST. CLIENT COMPENSATION DUE	VOLUNTARY PAYMENT (INCL. COSTS)	PAYMENT AS % OF CLIENT COMP.
Toronto-Dominion Bank	2000-14	May 2014	Nov. 13, 2014	10,520	$13,500,000	$650,000	4.8
Bank of Nova Scotia	2008-15	Feb. 2015	July 29, 2016	45,703	$19,997,821	$850,000	4.3
Canadian Imperial Bank of Commerce	2002-16	March 2015	Oct. 28, 2016	81,755	$73,260,104	$3,050,000	4.2
Bank of Montreal	2008-16	Feb. 2015	Dec. 15, 2016	60,393	$49,885,661	$2,190,000	4.4
Royal Bank of Canada	2005-16	Feb. 2015	June 27, 2017	50,447	$21,802,231	$975,000	4.5
Manulife Financial Corp.	2005-16	June 2015	July 13, 2017	9,420	$11,700,000	$520,000	4.4

SOURCE: INVESTMENT EXECUTIVE RESEARCH INVESTMENT EXECUTIVE CHART

Source: http://www.investmentexecutive.com/-/osc-firms-focus-on-overcharging
NOTE: The positive aspect of "no-contest "settlements is that they have resulted in investor compensation.

IIROC's proposed Early Resolution Offers (ERO) is telling. It portrays a sense of frustration in dealing with Members. ERO offers Dealers and Approved Persons who choose to resolve a case by Early Resolution Offer a whopping 30% discount on the sanctions Staff would otherwise seek in a settlement agreement and a quicker resolution of the proposed enforcement proceeding. The justification for the huge discount is that it will save IIROC considerable time and effort to close the case because of the **"extensive negotiations "involved**. These negotiations consume limited IIROC resources .How does such a practice give investors' confidence that the industry is well regulated? **Better industry compliance oversight is critical.**

Do SRO's rely too much reliance on sanction principles as opposed to rules? Are such practices congruent with IOSCO's *Credible Deterrence In The Enforcement Of Securities Regulation* guidelines (https://www.iosco.org/library/pubdocs/pdf/IOSCOPD490.pdf) for effective deterrence? These are the questions the CSA needs to answer. **We recommend that the SRO's move away from 100% principles-based sanctions.**

When sanction reductions are utilized, they should relate to taking affirmative corrective action to prevent (not just deter) recurrence and a definitive commitment to fairly compensate all harmed investors. That's what the Public think of as "investor protection" and the duties of a modern SRO.

To its credit, IIROC recently announced it would pursue changes to its Recognition Order to permit the returning of disgorgements to harmed investors. Importantly, any such program should also require not only require individual registrants to disgorge wrongfully earned income but also the Firms that employ them. Why did it take so long for SRO's to challenge the CSA on the restriction to order compensation? **Kenmar recommend that disgorgement cash received by an SRO be returned to victims**. [According to its 2019 enforcement report, IIROC imposed $0 in 2019; in 4 of the past five years no disgorgements on Firms were imposed. Individuals however, were asked to pay $135,071. Unlike IIROC, the MFDA does not utilize a specific sanction involving disgorgement.

https://www.iiroc.ca/news/Documents/IIROC2019EnforcementReport_en.pdf] It appears that the use of disgorgement as a sanction can also be expanded.

The Edelman Trust Barometer Canada 2020 report found that financial services sits towards the bottom end of the scale with **just 56% saying they trust the industry, down 8 percentage points from 2019.** This puts the industry between telecoms (52%) and consumer packaged goods (57%) but well behind technology (68%) and professional services (67%). Education ranks the highest (70%). Source: https://www.edelman.ca/sites/g/files/aatuss376/files/2020-02/2020%20Edelman%20Trust%20Barometer%20Canada%20-%20FINAL.pdf Better CSA oversight/SRO governance can help change the trend and move the level of trust upward.

A CSA report *CSA Summary Report 2016-2019 Investor Research Findings on the Impact of CRM2 and POS on Investor Knowledge, Attitudes, and Behaviour* on investor behaviour found that there was a slight regression in 2019 in the percentage of investors who said they have an investment plan: just 41% in 2019, down from a lowly 42% a year earlier. In relation to the discussion of fees prior to making a purchase, less than half of investors who had made a purchase in 2019 (44%) said this occurred, As for switching advisors, one quarter (25%) of respondents said they had or were likely to in 2019, up from 22% in 2016. Source: https://www.osc.gov.on.ca/documents/en/Publications/20200827_csa-summary-report-research-findings-impact-of-crm-2-pos-investor-knowledge-attitudes-behaviour.PDF This data suggests that the regulation of SRO Member firms is failing investors seeking personalized financial advice.

We could go on, but we think more than sufficient evidence is available justifying that fundamental reform is required by the SRO's **and** CSA. The status quo is not acceptable. You cannot achieve public confidence built on a foundation of Jell-O and quicksand.

PART II RECOMMENDATIONS TO IMPROVE THE SRO FRAMEWORK

The first priority of the CSA should be to articulate an unambiguously clear mission statement that puts the financial consumer at the heart of its operations.

CSA oversight of SRO's

Currently, the CSA Recognizing Regulators have adopted a risk-based methodology to determine the scope of SRO oversight Reviews. Based on CSA members' annual oversight reports, it appears that the focus is primarily on narrow technical issues with specific regulatory programs and whether the SRO is meeting the conditions set out in its Recognition orders. This limitation is a weakness and the scope of review should broaden to include governance, rule making compliance, enforcement and investor engagement (and complaint handling).

The oversight process could be focused on achievement of identified, high-level outcomes and mandates, metrics and standards rather than on the adequacy and thoroughness of internal processes. **Kenmar recommend that this oversight**

function should be elevated to compliance monitoring with enhanced public transparency of activities and results.

The proposals regarding SRO oversight are critical to the success of a new SRO. In our view, OSC/CSA SRO oversight reporting would include, but not be limited to:

- Review of resources and financial position
- Corporate governance
- Transparency of SROs governance and activities
- Fee schedules
- Rules and decisions
- Effectiveness and fairness of SRO's rules
- Material changes to its operations
- Reporting on its regulatory activities including enforcement
- Governance/Executive compensation practices.
- Complaint handling/Arbitration services provided
- Use of funding to support SRO's mission, including the methods and sufficiency of funding, how SRO invests funds pending use, and the impact of these aspects on SRO's regulatory enforcement.
- Policies on the employment of former employees of SRO regulated entities.
- Cooperation with and assistance to statutory regulators and OBSI
- Reviews performed by SRO of advertising by its Members

If deficiencies are found as a result of a review, the oversight unit would need to define needed corrective actions and closely monitor SRO implementation progress. We expect the new SRO will have to meet a set of operational metrics such as enforcement cycle time, project milestones, enforcement intensity and stakeholder satisfaction results. **An annual assessment report card should be made public as a means to assess whether the SRO was fulfilling its investor protection and Public interest mandates.**

Kenmar recommend that SRO oversight should be undertaken by a dedicated unit within the CSA. This oversight activity needs to be fully transparent to the public. The SEC has established such a dedicated oversight unit for FINRA; the OSC/CSA should consider this option for the new SRO. Re *Watching the Detectives: The SEC Launches a Dedicated FINRA Oversight Unit* https://www.lexology.com/library/detail.aspx?g=bf70315c-13d3-428e-87c6-62d91d5f0c7c Operating costs for this unit would come out of the CSA operating. The unit should be sufficiently resourced so that SRO oversight is fulsome and continuous. On an annual basis, the Oversight unit would publicly disclose a full report of its oversight activities to provide confidence to the public and legislatures that the SRO is compliant with its obligations.

The bigger the role an SRO plays in protecting investors and regulating the financial advice industry, the more important it becomes for the CSA to ensure that its oversight system is comprehensive and effective in ensuring that the new SRO is accountable and responsive to the Public interest. The new SRO, if formed, would be responsible for providing personalized financial advice to millions of Canadians.

The vast majority of these investments are intended to provide retirement income security for unitholders.

We strongly recommend that a CSA IAP also be established. A CSA IAP will bring the voice of Main Street directly to the CSA policy makers.

SRO Governance

SRO governance and oversight framework should be restructured to align better with the Public interest and enable greater stakeholder input**. We recommend that the SRO's (a) continue to submit annual updates to the strategic plan, (b) set priorities for the year ahead, (c) publicly provide results and progress against the prior years' priorities and strategic objectives.** This information could inform the CSA of any needed amendments to the Recognition Order.

The compensation and incentive structure applicable to SRO executives should be tied to their successful delivery of their Public interest and policy mandate and possibly include investor satisfaction survey results as we recommended in our response to the Ontario Taskforce on securities Modernization.

Kenmar also recommend that the CSA have a veto on any significant publication, including guidance or rule interpretations; and that the CSA have a veto for the appointment of the Chair, based on a fit for purpose test.

At least one Board position should be reserved for a "retail investor" at the table per the Board's skills matrix. This is critical as the addition of an investor voice should lead to better SRO practices, rule making, enforcement and investor engagement.

Kenmar recommend that a majority of the Board be independent and that the nominations be opened up to the public with a carve-out for a portion of CSA appointees. The Board's skills matrix should also be made public**.** The CSA must ensure that provisions governing the Board nomination process are transparent, balanced and fair and be perceived to be fair. The nominations process for independent directors should be run entirely by the Governance or Nominations Committee of the Board.

Independent Directors should be, and be perceived to be, industry-independent. SRO nomination practices have shown a tolerance for "public" members with significant historical connections to the financial services industry. Some public Directors have had long industry careers. While these backgrounds may increase the likelihood that public representatives understand issues, this benefit comes with a risk that public representatives will naturally sympathize with industry more than public concerns. See *The Dark Side of Self-Regulation* Benjamin P. Edwards, University of Nevada, LV
https://scholars.law.unlv.edu/cgi/viewcontent.cgi?article=2141&context=facpub

The definition of independence for director candidates needs to be changed so that the Board isn't stacked with industry and ex-industry directors. As well, the nomination process for independent seats on advisory committees needs to be revisited as should the qualifications and experience required of candidates for independent directors.

Our definition of independent director makes no provision for anyone from the industry or its professional suppliers occupying seats intended for people that are not and have never been part of the Bay street culture. There is no shortage of very qualified, truly industry-independent people that can become valuable directors. Their seats at the Board table should be protected. **If this constraint proves unworkable, we recommend a cooling off period of at least 3 years and a maximum of one such Director.**

Some of the unique knowledge and skills independent directors can bring include senior/vulnerable investor issues, client risk profiling expertise ,form design, root cause analysis, six sigma/TQM , quantitative methods, CJS knowledge, contemporary complaint handling ,best governance practices, Human Resources, investor rights, human rights, cyber security , behavioural Finance, employment equity, international investor protection developments ,ESG, plain language etc. With the rise of automated advice platforms and RegTech, it is important to also have an independent director with a strong tech background and awareness and experience with digital tools, as well as Board members who focus on working with different socio-economic levels and underserved communities. "Consumer" Directors should be, first and foremost, knowledgeable in consumer protection issues.

As suggested in a CFA Institute position paper entitled *SELF-REGULATION IN THE SECURITIES MARKETS: Transitions and New Possibilities:* CFA Institute https://www.cfainstitute.org/-/media/documents/article/position-paper/self-regulation-in-securities-markets-transitions-new-possibilities.ashx , **SROs should be subject to the same transparency and public reporting requirements imposed on statutory regulators.**

We support the CSA appointing a Director to the SRO Board- this is integral to the co-regulation model of-self-regulation. A CSA appointed Director would bring the CSA perspective to the Boardroom table, thus streamlining discussion and decision making. CSA participation could also improve the CSA-SRO relationship via greater harmonization of thought, policy and collaboration. In addition, the CSA would become aware of emerging issues earlier than is now the case. That being said, the SRO and the CSA must agree on the criteria for Board selection for directors of the Board. It should be understood that all Directors of the SRO must at all times act in the best interests of the SRO and comply with generally accepted practices for Directors.

We note that in their response to the Ontario Task force on modernization of securities regulation, the IIAC (the investment industry trade Association) supported the Ontario Taskforce's proposal to have the CSA appoint up to half of

the directors on the SRO Board, subject to an agreement between the SRO and the CSA on the criteria for Board selection for independent and non-independent directors of the Board.

All SRO Board policy committees should be chaired by an independent Director.

As for term limits for Directors , we recommend 8 years, as that figure seems to be generally accepted by governance experts. Entrenched directors can lead to a stifling of thought and decisions and blockage of fresh ideas and deserving nominees.

We recommend that any CSA-recognized SRO be required to maintain a funded IAP. The IAP shall be provided with appropriate administrative support and funding for at least one research project p.a. A good benchmark for an IAP is the OSC IAP. In March, IIROC announced that is planning to establish an Expert Investor Issues Panel for which it will seek feedback and recruit qualified members later this year. The MFDA does not currently have an IAP but holds periodic informal meetings with investor advocates.

Operations

FINRA, a U.S. SRO has 16 advisory committees that provide feedback on rule proposals, regulatory initiatives and industry issues. More than 160 industry members and 35 non-industry members serve on these committees .The benefit of increased investor inclusion on these committees is that proposals will be put forward that have had a 360 degree review. Without this inclusion, proposals can be put forward with entrenched views that may (a) not adequately consider investor protection and/or (b) have a bias unduly favouring industry interests. This could give rise to public consultations that are deficient by the design of the rule formulation process.

The SROs' public consultation processes should be amended. The SROs have formal procedures for consulting with the public and stakeholders on their regulatory proposals, such as new rules, through a public notice and comment process. But the consultations are dominated by industry participants and it is difficult for organizations representing investors to respond effectively, let alone for individual investors and members of the public. Internal discussions and comment through committees, which are part of the SROs' policy and rule development processes are, by definition dominated by SRO members Firms .By the time a consultation paper is released many ideas are cast in stone. **Kenmar recommend that the SROs should be required to include the public on its committees/Councils to ensure a balanced input and comment on regulatory issues, policies, rules and proposals.**

Since SRO's have a mandate to operate in the Public interest, we recommend that they provide documented service standards and publicly release on an annual basis, their actual performance against the standards.

Participating Firms utilize a book-loss approach in calculating losses while OBSI uses an opportunity-cost approach. It is irrational to have two different standards for the calculation of losses. This can lead to investor confusion, sour OBSI-industry relations and reflect poorly on the industry and its regulators. **Kenmar recommend that the CSA take steps to ensure that SRO (and other dealers) complaint handling rules and OBSI's loss calculation methodology are reconciled**. Kenmar support OBSI's fairness principles, so we expect the CSA to require the SRO(s) to update their rules accordingly. Since CFR requires conflicts - of-interest to be resolved in the best interests of clients, the OBSI methodology is the appropriate approach. Furthermore, since the industry asserts it provides personalized, trustworthy financial advice (not just transactional advice), a *book loss* approach to loss calculation makes no sense. **This is a systemic issue that the CSA JRC must address and resolve.** Adoption of an opportunity- cost loss calculation methodology will also incent OBSI Participaing Firms to sharpen their internal risk profiling, KYC and related processes in the best interests of clients.

Investors are the market participants who experience the harm for which the penalty is levied and therefore their protection should be the focus of use of the proceeds collected. Besides being unfair, failure to do this could create a perception among investors that the SRO lacks empathy towards investors. The adverse financial and emotional impact on financial consumers due to economic loss when compensation is unfair is well documented. **Investor compensation should be top of mind for the SRO's during enforcement proceedings.** See 2007 *CSA Investor Study: Understanding the Social Impact of Investment Fraud* http://www.sipa.ca/library/SIPAdocs/770-CSA-2007InvestorStudy-ExecSummary.pdf

The staff at SRO (and Commission) regulated investment Firms are in a unique position to detect rule breaches and fraudulent activity. The SEC has reported phenomenal success with its whistleblowing program due in large part of the compensation available. The SRO run whistleblowing programs do not offer financial rewards to whistleblowers .The details provided on the websites are inadequate for employees of regulated firms to take a chance in coming forward as a whistleblower. There do not appear to be any provisions that voids certain contractual provisions between employers and employees of regulated Firms designed to silence whistleblowers from reporting securities related misconduct re https://www.osc.gov.on.ca/en/protections.htm . That would be a powerful investor protection tool that would harness the intelligence of industry insiders. The fines collected could also be used to compensate victims of wrongdoing.

SRO's should require Member Firms to have to inform their employees and other related persons about their right to use the whistleblowing programs provided by regulators. See this OSHA posting citing employee rights. https://www.osha.gov/OshDoc/data_General_Facts/whistleblower_rights.pdf as an example.

Kenmar recommend that all CSA jurisdictions adopt whistleblowing programs similar to the OSC

The division of responsibilities among SROs, between the regulators and the entities they oversee must be made clear. **The CSA should clarify and make public their respective regulatory roles and describe in plain language the processes in place to address duplications, inconsistencies and gaps between it and SROs**.

Compliance
SRO compliance needs to be more intensive, robust, frequent and effective. Many problems can be prevented if they are detected early and action taken. Creating a culture of compliance within Member Firms should be high priority for an SRO. **Compliance and Enforcement strategies need to be coordinated and intensified.**

Given the increasing importance of compliance, Kenmar recommend the public release of an Annual compliance report. We are aware that there have been special reports issued through bulletins on specific reviews/findings. For example: https://mfda.ca/policy-and-regulation/bulletins/?wpv-bulletin-date=All&wpv-wpcf-bulletin-type=Compliance

Enforcement
"Efficiency is doing things right; effectiveness is doing the right things".-Peter Drucker

We have seen cases where a salesperson forges a signature, uses a blank signed form or adulterates signed forms for multiple clients and receives a few months suspension and a modest fine….if he/she pays the fine, the salesperson is back in business. No requirements are imposed to improve the Firm's supervision and compliance processes.

Kenmar have been decrying for years that the CSA and SRO's have low enforcement intensity and long response times to addressing systemic issues impacting the retail investor. We have provided a number of examples in this Comment letter. Professor Mark Lokanan has published empirical research on IIROC enforcement *intensity An update on self-regulation in the Canadian securities industry (2009-2016): Funnel in, funnel out and funnel away* **:** https://viurrspace.ca/bitstream/handle/10613/6069/IIROC_Funnel_Study_JFRC.pdf?sequence=5&isAllowed=y He concluded that a significant proportion of complaints were "funneled out" at the investigation and prosecution stages of the enforcement process, investigation only received 13% of the cases that came through IIROC's reporting system and only 3% made their way through to prosecution. Does the CSA expect investors to have confidence in such a regulatory system?

Firms must be held accountable for the actions of their Representatives.
Firm accountability is in accordance with client expectations when they engage an SRO registered firm, open an account with a Member firm and the *G20 High Level Principles of Financial Consumer Protection* para 6 to which Canada is a signatory. In essence, in any case where the Member Firm's systems, compliance monitoring,

supervisory practices, recruitment protocols, Rep training program, risk assessment tools, and compensation scheme and the like are the root cause(s) of the wrongdoing, the Firm shall be held responsible and accountable. The contract is between the investor and the Firm. The contract is not between the customer and any of its employees/agents. All responsibility for any Rep negligence or wrongdoing is for the Firm to subsequently assess and resolve, consistent with applicable laws. This is not to say that in some cases like OBA or Off-Book, that the salesperson should also not be held accountable. OBSI treat all client complaints as against Participating Firms, not individuals representing the Firms.

Enforcement needs to focus more on investor restitution, holding Firms responsible for the actions and inactions of their Representatives and identifying systemic issues. Adoption of such a philosophy by a new SRO would incent Firms to improve their systems, processes and practices.

We have discussed enforcement shortcomings at length in this Comment letter and in many interactions over the years.Our commentary on the MFDA and IIROC 2019 annual enforcement reports, which we distributed to all CSA jurisdictions, provides an enumeration of a number of process improvement opportunities. All that needs to be done is for the CSA and SRO(s) to prepare a joint project plan for resolution and demonstrate the necessary determination and sense of urgency to effect reforms.

SRO's need to place more emphasis on improving the "system". Kenmar strongly believe that increased focus on root cause analysis/ corrective/preventative action will lead to better outcomes for investors, improved processes and increased trust in regulators and the wealth management industry. implement Root Cause Analysis. See Canadian Fund Watch: *Root Cause Analysis: Increasing the utility of IIROC Hearing Panels* http://www.canadianfundwatch.com/2019/02/root-cause-analysis-increasing-utility.html and

The issue of document adulteration, signature forgery (fraud) and the use of pre-signed blank forms merits close CSA attention**. Kenmar recommend that the SRO sanctions for such acts be loss of registration rather than just a modest fine and retaking the CPH course.** These acts are a breach of trust and should be treated severely. They contaminate the KYC system and could harm investors. Treating these acts with a soft touch is not an effective deterrent .In fact, it gives Canadians more reasons for investors to distrust self-regulation. See *FORGERY Falsified Documents An Aid to Deception*: SIPA http://www.sipa.ca/library/SIPAsubmissions/160%20SIPA%20REPORT_FalsifiedDocuments_20170526.pdf Soft-touch penalties do nothing to help build up the profession of advice giving or increase trust in the financial services industry. Eliminating rogues, document adulterators, liars and forgers will.

A Comment letter by an individual to the Ontario Taskforce quoted empirical research that made these observations :

- Enhanced investor protection can be achieved by focussing effort on seniors

(>65), retiree, females, limited investment knowledge, and net worth since they are at greater risk of being victimized from investment fraud
• The Hearing panels need to follow a standardized format of reporting the 'Decision and Reasons' in each case so cases can be analyzed to assist future decision-making and policy.
• Remove quasi-criminal offences from the jurisdiction of the SROs because the internal resolution of such cases provides an opportunity for the offenders to get away with relatively benign penalties.
• Strong support for a binding decision for OBSI
Source: https://osc.gov.on.ca/documents/en/Securities-Category2-Comments/com_2020928_25-402_whitehousep.pdf These ideas are worth pursuing by the CSA.

Victim impact statements (VIS) have an important role to play in improving SRO enforcement. **We recommend that the new SRO establish mechanisms that would make it easy for investors to submit Victim Impact Statements as part of a complaint or as evidence in Hearing Panel proceedings.** Such Statements can have a sobering effect on wrongdoers and potential wrongdoers and can lead to stronger sanctions by Hearing Panels. The use of VIS's would also increase the usage of aggravating factors in settlement agreements and lead to tougher sanctions.

Complaint handling
The current system is not working for Main Street. Complaint handling is unfair, complex and too often leaves investors short-changed. In some cases the unfair treatment is a life-altering event. See Canadian Fund Watch: *CSA- please make complaint handling tolerable for retail investors*
http://www.canadianfundwatch.com/2019/02/csa-please-make-complaint-handling.html

We encourage the CSA to view this CBC video and see firsthand how abusive complaint handling impairs the financial, mental and physical health of Canadians. See Mutual *fund salesman faked signatures, couple out $80K.*
https://www.cbc.ca/news/canada/toronto/mutual-fund-salesman-faked-signatures-couple-out-80k-1.2659909 The video also demonstrates how depressing it is for complainants to have OBSI agree with compensation and the Firm still refuses to pay up.

The CSA need to better articulate their expectations for effective complaint handling so that the SRO's can make robust rules for their Member Firms. A good example of such expectations comes from the U.K. FCA Handbook.
https://www.handbook.fca.org.uk/handbook/DISP/1/3.html

We would be glad to meet with the CSA to discuss a new system - one that would be fair and help repair the reputation of regulators, the SRO's and the industry.

Focus on investor compensation

The 2016 Battell Report found that 18% of OBSI recommendations were low-balled -with no negative ramifications for Firms. This percentage has come down as Firms exploit this flaw in OBSI powers and now low-ball at every step of the complaint handling process. As a result, complainants are forced to settle for less than the fair amount. Such a system is fundamentally flawed, unfair and increases consumer distrust of regulators and the industry.

A focus on investor compensation by securities regulators will foster investor confidence in the integrity and fairness of capital markets, which will lead to increased investment and strengthen Canada's capital markets. The process for investors who seek financial compensation for such misconduct should be made more fair, simple, expeditious and effective, and brought into line with international standards.

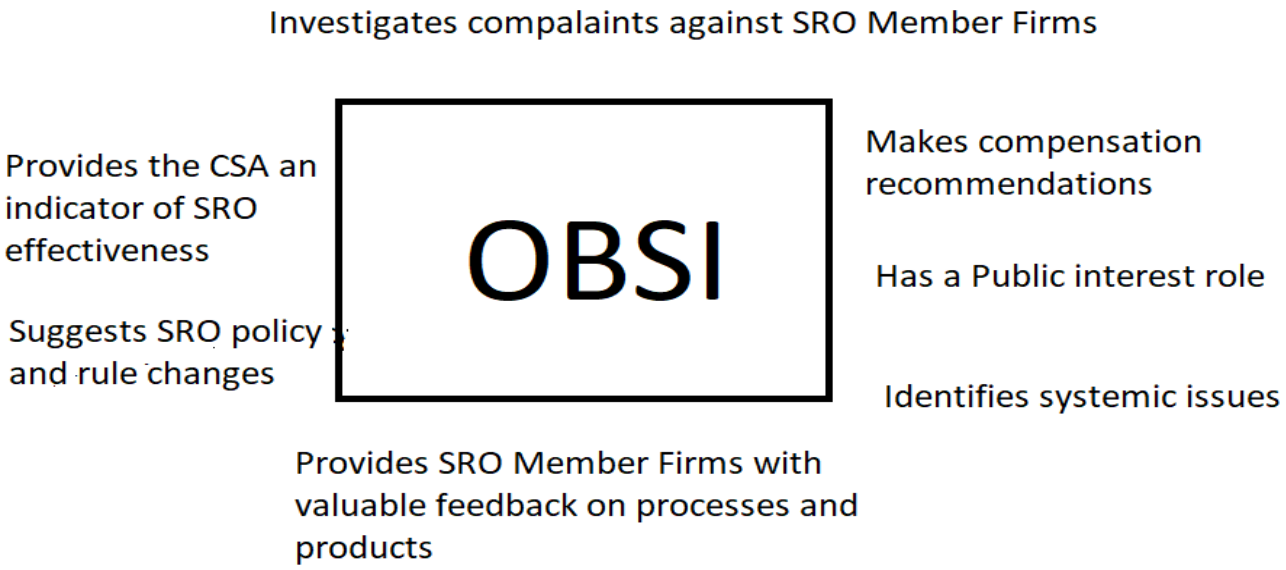
Similarly, the SRO's should be permitted to prioritize compensation for investors who are victimized by misconduct of investment dealers and advisors, and be more transparent in enforcement cases about whether or not there has been disgorgement and investor compensation.

The NASAA is currently seeking comments on a model Act that provinces and States could the CSA could use as a baseline for investor restitution. https://www.nasaa.org/55241/nasaa-seeks-public-comment-on-proposed-model-act-to-establish-restitution-fund-for-victims-of-securities-law-violations/ The proposed model legislation establishes restitution assistance funds for victims of securities law violations. **Such a fund should be considered by the CSA.** Research on investor compensation funds can be found at: *The Investor Compensation Fund* https://repository.law.umich.edu/cgi/viewcontent.cgi?referer=https://www.google.com/&httpsredir=1&article=1118&context=articles

Investor Satisfaction surveys

We recommend that the SRO should conduct an annual investor satisfaction survey to gauge the level of financial consumer satisfaction with the regulator and identify areas for improvement. This would provide valuable feedback to SRO leadership to assist with continuous improvement, improve investor engagement and connect the SRO to its Public interest obligation.

Ombudsman for Banking Services and Investments (OBSI)



Although OBSI is not strictly speaking an SRO, it is recognized as a key component of investor protection in Canada and, like the SRO's, has a Public interest mandate. It is enabled via NI31-103 and like the MFDA and IIROC, is overseen by the CSA. Both the MFDA and IIROC are given the privilege to nominate Directors for OBSI's Board of Directors. Both SRO's are also members of the Joint Regulators Committee (JRC) which oversees OBSI. The JRC meets regularly with OBSI to discuss governance and operational matters and other significant issues that could influence the effectiveness of the dispute resolution system and outcomes for retail investors. OBSI is an integral component of the SRO framework.

Bringing the MFDA and IIROC into a new SRO would in effect create THE regulator for the vast majority of retail investors in Canada. Given the relatively low advisory standards of conduct (non-fiduciary) in Canada by SRO Member Firms and their representatives and their demonstrated behaviour, it is essential to provide an independent OBSI with a binding decision mandate. OBSI cannot be a true financial Ombudsman service without the mandate to make binding decisions on Participating Firms. A binding decision mandate would curtail Bay Street bullying of retail investors via low-ball settlements and offers. The JRC has sat on the issue for far too long- it's time to make a decision to grant OBSI a binding decision mandate. Indeed, a binding decision mandate is overdue, independent of any SRO restructuring.

An OBSI with a binding decision mandate will make the role of the SRO(s) easier by providing a backstop on deficient or unfair complaint handling. SRO and other

regulated Dealers will be less inclined to low-ball clients if they know that OBSI recommendations will be binding. In addition, eliminating the use of bank "internal ombudsman" will cause improved dealer complaint handling because (a) there will be a greater will to do the job right the first time and (b) there will be less diversions away from OBSI. Ultimately, a binding decision mandate will allow OBSI to be a true value-add by helping improve industry rules, practices, processes and products as well as regulation. Most importantly, it will help improve investor trust in the industry and the CSA.

Such a mandate has been recommended by two independent reviews and by the OBSI Board itself. It has also been recommended by the Ontario Taskforce on Securities Modernization. **It is our firm recommendation that in considering changes to the SRO framework, a binding decision mandate for OBSI is critical to improve the SRO "system".**

The 2007/2008 Navigator report called OBSI's inability to investigate systemic issues "a significant gap in Canada's consumer protection framework." The Report pointed out that this latitude exists in the various Ombudservice schemes in Australia and the U.K., and suggests that this current gap undermines OBSI's reputation: "OBSI cannot risk being seen to be doing nothing when a clear flaw in the consumer protection framework exists. It is obligated to work to correct the problem." **We recommend OBSI have a mandate to investigate systemic issues.**

We recommend that SRO's make more use of OBSI. OBSI maintains a valuable information database on "system "failures. It can also function as an early warning detector of emerging compliance and other issues. Working closely with OBSI can help uncover systemic issues, product design problems, disclosure process shortcomings, deficient or unclear rules, defective complaint handling, a need for increased Rep proficiency, service issues etc. While a financial ombudsman service is not a regulator, it can help improve regulation and investor protection.

We recommend increasing the OBSI compensation cap to $500,000 reviewable annually as proposed by the Ontario Taskforce to modernize securities regulation. At the same time, we recommend re-assessing IIROC's rarely used arbitration program.

Kenmar also recommend that the CSA also establish a fund, or the use of an existing industry fund, to ensure that where investor losses are attributable to a Firm that is no longer solvent or no longer registered, OBSI recommended compensation is available for harmed investors.

To enable internal appeals, we recommend amending OBSI's Reconsideration provisions to allow either party to make use of the provision and introduce a separate Appeals unit within OBSI. All appeals by Firms would be made public. We recommend (1) a cap for appeals by Firms in the $15-$25 K range to dissuade abuse of the appeals process by Firms and (2) that

appeals be effected expeditiously. The OBSI loss calculation methodology would be the standard for loss calculation on appeal.

Regulation of Portfolio Managers

Unlike IIROC / MFDA registrants, PM's work to a fiduciary standard. Neither the PM (or EMD) registration categories are accustomed to the SRO model and have already signaled resistance to any suggestion that they be folded in to a new SRO. A political battle should not be unexpected. The CSA will have to demonstrate true leadership in its SRO framework review and decide the merits (or not) of a super SRO.

This Ontario Taskforce proposal of a new SRO including all investment dealers has an attractive tone but opposition is already apparent. We know that PMAC do not support the proposal, See PMAC Letter: Fundamental changes to regulatory landscape in the air. Unless there is evidence to the contrary that PM's should be regulated by an SRO, it is not obvious that such a change to the regulatory structure would be justified by hard data. (It should be noted that IFM's were not part of the Ontario Taskforce proposal).

It appears that the NASAA prefers that PM's be under the watchful eye of a statutory regulator rather than an SRO. See NASAA *State Securities Regulators Outline Opposition to Investment Adviser SRO* - https://www.nasaa.org/5590/state-securities-regulators-outline-opposition-to-investment-adviser-sro/

NASAA recently released results of a Benchmarking Initiative To Help Measure Effectiveness of Regulation Best Interest - The examinations found notable differences between broker-dealers operating under a suitability standard and investment advisers operating under fiduciary duties Among other things, the regulators found that "investment advisers generally took more conservative investment approaches overall, avoiding higher cost, riskier, and complex products." When complex products were sold, broker-dealers were twice as likely as investment advisers to recommend the purchase of leveraged and inverse ETFs, seven times as likely to recommend private placements, eight times as likely to recommend variable annuities, and nine times as likely to recommend non-traded REITs. These kinds of Firms also had more robust due diligence, disclosure and conflict management practices. "https://www.nasaa.org/55758/nasaa-releases-results-of-benchmarking-initiative-to-help-measure-effectiveness-of-regulation-best-interest/ If one correlates PM's versus RR's (dealing representatives) in Canada, the differences in behaviour are startling. Integrating such a regime into the current SRO framework needs to be thoughtfully evaluated on the basis of logical arguments and evidence.

That being said, if certain PM business models migrate into relationships similar to the MFDA-IIROC client relationships, then such PM's should be subject to the oversight of the new SRO.

Regulation of EMD's

Regulatory reviews of exempt-market dealers have raised concerns about their compliance with the "know your client" and suitability rules, as well as about significant conflicts-of-interest, particularly among firms that trade in the products of related issuers. Investment dealers have run into trouble in the exempt market, too. The high risks of operational failure, the limited options with respect to selling and the risks of losing out to inside information makes many exempt market investments unsuitable for most retail investors.

We have little more to contribute here except to note that per Appendix C of the consultation there are 240 firms registered as EMDs only (1,140 individuals) ; in the PM Category 330 firms registered as EMDs (1,500 individuals) and in the IFM Category, 520 firms also registered as PMs and EMDs (4,140 individuals) . This (1090 Firms) is not a trivial amount of Firms or individuals (6780). OBSI counts just 234 EMD's as Participating Firms. According to the OBSI 2019 Annual Report, only 7 complaint cases were opened. However, a 2017 research Paper posted on SSRN by Jeffrey G. MacIntosh *Enforcement Issues Associated with Prospectus Exemptions in Canada* https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3080727 suggests there may be enforcement issues with this market. According to the paper, there are relatively few enforcement cases against EMDs, which are regulated directly by the provincial securities commissions pointing to the lack of an SRO as one possible reason for a lack of enforcement activity involving EMDs. The lack of an SRO "almost certainly reduces both the quality of monitoring and the likelihood of discipline should the dealer misbehave" .The paper proposes that securities regulators should consider requiring EMDs to belong to an SRO. The SRO framework review should consider (a) the future integration of EMD's (or not) into a new SRO; (b) a dedicated EMD SRO or (c) retain the status quo.

Regulation of SPDs

Scholarship Plan Dealers (SPD's) are a single purpose type of dealer, focussed on Canadian's savings for their children's education, enabled by favourable Federal tax legislation. There should not be any major problems in folding them in under a new SRO or an existing SRO.

For several years now we have been calling for better regulation and enforcement of Scholarship Plan Dealers. Group scholarship plans are generally poor savings vehicles with little or no benefits to consumers. They are often aggressively marketed and advertised, and commonly target modest or lower income Canadians. Many purchasers are urged to invest in these plans to take advantage of the government grants associated with them Per the Consultation paper there are 6 such dealers involving 2446 individuals. Like the DSC, this is a toxic product and service offering. Per the OBSI 2019 Annual report, there were 27 complaint cases opened for the 6 Participating SPD's. This is a high number for such a small number of Firms. This suggests to us that these dealers are not adequately regulated, enforcement intensity is questionable and/or complaint handling processes are

poor. A June 2018 SEED Canada research report *THE REGULATION OF GROUP PLAN RESPS AND THE EXPERIENCES OF LOW-INCOME SUBSCRIBERS* http://seedwinnipeg.ca/files/The_Regulation_of_Group_Plan_RESPs_and_the_Experiences_of_Low-income_Subscribers.pdf confirms the issues in this marketplace. **The CSA should consider offloading the 6 Firms to an existing SRO as part of an integrated plan or better yet, toughen up the regulatory standards for these Firms.**

Other recommendations

Are self-regulatory organisations sufficiently independent, adequately resourced and able to effectively represent the wider public interest in the development of modern financial services regulation? Are they charging the industry enough to give themselves the needed resources? These are the sort of questions the CSA needs to ask and answer.

Our focus on independent expert regulators is supported by a recent Bank of International Settlements report into financial market regulation.
"Independent regulators with well-defined objectives, adequate resources and credible enforcement powers are better able to protect investors, lower issuance costs and ensure that capital markets are fair, effective and transparent".

Kenmar recommend amendments to provincial Securities Acts so that the Regulators would be empowered to make restitution orders directly. We see that as a key priority for modern regulation.

Any decision to roll up all investment dealers into a single SRO, would effectively create **FINRA North**. Benchmarking FINRA would be helpful in coming to a decision on a SRO framework. The Taskforce should consider contacting the SEC, PIABA, the Consumer Federation of America and others to learn of issues related to FINRA. We encourage the Taskforce team to review *The Financial Industry Regulatory Authority: Not Self-Regulation after All*: Mercatus Center, George Mason U. 2015 https://www.mercatus.org/system/files/Peirce-FINRA.pdf and *Reforming FINRA* https://www.heritage.org/sites/default/files/2017-02/BG3181.pdf This could be useful in learning about pitfalls to avoid and Best practices to utilize in establishing a new SRO framework in Canada.

Different provincial governments have provided varying Powers and rights to the SRO's .Kenmar call on all CSA jurisdictions to work with their government so that there is uniformity across Canada. This consultation is a unique opportunity to eliminate fragmentation and enhance investor protection.

Like the Dec. 2006 Report of the CSA SRO Oversight Project Committee**, Kenmar recommends that any proposal for a new SRO assess how the new SRO is in the Public interest. In addition, we agree with the Oversight Project Committee that to help guide CSA decisions, a number of high level evaluation criteria should be articulated.** Re.
https://www.bcsc.bc.ca/-

/media/PWS/Resources/Securities_Law/Policies/Policy2/CSA_Notice_24303.pdf#page7

Summation

"*…If we are going to enhance the customer experience, having a unified SRO that serves the entire investment industry is going to help the industry move into a digital age, which customers really want…While some believe a merger of IIROC and MFDA is the best route, Mr. Annaert prefers a model rebuilt from the ground up. "That way, you aren't trying to merge existing entities with existing biases and existing models. If you're going to do something broad and bold, start from scratch .That's how you get one set of rules, one set of practices ... and look at getting best practices across the board…."*- Rick Annaert is head of advisory services at Manulife Financial Corp. and President and Chief Executive Officer at Manulife Securities Inc. https://www.theglobeandmail.com/investing/globe-advisor/advisor-news/article-investment-industry-in-lockstep-behind-a-single-sro/

As we have said many times before, enhanced CSA oversight is essential as SRO's effectively are advising Canadians on their pensions, a socio-economic issue .Any decision on the SRO framework will impact millions of Canadians and their financial future. A decision on a SRO framework requires deep reflection, analysis, strategic thinking and an integrated plan. The Public interest objectives of the SROs must be aligned with the Public interest objectives of the statutory regulators. That is why we keep harping, *let's do it right*.

Investors want to see a clear plan laid out for the future of SRO's in Canada rather than just a quick -fix for the narrowly defined MFDA -IIROC issues. A new self-regulatory model must seek to redefine the broader social role of the private financial sector.

The case needs to be made that SROs are able to carry out the regulatory responsibilities in question at least as effectively – if not more effectively – as the statutory regulators would be able to perform them.

Increasingly, OBSI is also an important source of information for regulators, policymakers and industry leaders interested in better understanding points of greatest difficulty or friction for consumers in the marketplace and identifying potential systemic issues. That is why we ask the CSA to make OBSI part of the assessment process.

In conclusion, we do not believe the investment or fund industry has earned the privilege or investor trust to self-regulate in the traditional sense. The collective experience demonstrates that SROs are unable to adequately contain their Members. There are too many conflicts-of-interests to address. If the CSA is unwilling or unable to regulate dealers directly, the formation of a new SRO based on Co-regulation principles in this Comment letter and other research is required.

We urge the CSA to decide on this issue as expeditiously as possible. The careers of many dedicated people will be impacted by the CSA decision. It would not be fair to keep them in a prolonged state of uncertainty. An undue delay could also adversely impact investor protection.

By working together and staying current on investor needs and preferences the industry can adapt capital markets evolution and innovation to ensure regulation is more effective and ultimately leads to better outcomes for Canadians.

We certainly hope the CSA takes this consultation as an opportunity to resolve long festering investor issues in the industry.

Kenmar expect the results of the consultation will be carefully reviewed and recommendations will be made in a timely manner. The process should be transparent so the public can understand the choices made and not made.

If the CSA decide to go beyond proposing bringing the MFDA -IIROC into a new SRO, there should be a publicly disclosed time phased project plan for bringing other registration categories into a super SRO to prevent disruption and a decline in regulatory efficacy during transition.

Kenmar hope the input is useful to the CSA in its deliberations on this important socio-economic issue.

We look forward to meeting with the CSA to discuss this letter in more detail.

K. Kivenko President
Kenmar Associates

APPENDIX I: The SRO ISSUES AS SEEN BY INVESTORS

Potential conflicts-of-interest in any self-regulatory structure tops the list. This is one reason why robust governance is critical.

Kenmar believe that it is vital to address significant shortcomings in the way that the SROs currently govern and operate before the CSA considers establishing a new SRO .The design of the new SRO should not only address current shortcomings but also have the structure to embrace change; it should be forward-looking built on socially responsible principles. In any new SRO structure, the investor should be top of mind.

Many of the elements of personalized financial advice today are not related to security selection, transactions or even securities. This suggests that there may be a need for changes in legislation covering the financial advice industry. Provincial Securities Acts may not be adequate to provide the legal coverage required. For example: errors in tax advice, failure to make a timely RESP contribution or RRIF withdrawal recommendation or not ensuring the client has adequate life insurance ,

This is a task for the CSA to undertake since the industry has moved well beyond trading and providing advice on securities. This is the foundation of a modern SRO, one that matches regulation to the services being offered. It must look to the future of advice.

For the vast majority of Canadians, the MFDA and IIROC are the face of securities regulation (investor protection). To the extent that these two SROs perform their mandates effectively, it is to that extent to which Canadians can feel confident in investing their life savings with dealers. The structures of these self-regulators have evidenced flaws that warrant determined CSA actions to improve the self-regulatory framework or to regulate directly. Any new framework must earn and maintain investor trust and confidence.

According to the latest published CSA SRO Oversight reports, both the MFDA and IIROC are congruent with their Recognition Orders. Yet, any grass roots assessment of retail investor protection in Canada would suggest that there are many deficiencies, some systemic. From the Kenmar perspective ,the most prominent regulatory issues are relatively weak conduct standards, regulatory reforms occurring at glacial speed, low enforcement intensity aggravated by wrist slap sanctions, exploitive complaint handling ("low-balling") and of course an OBSI that is nowhere near its full potential as a true financial ombudsman service.

Investor advocates support a new structure that deals with the issues of the current structure and the opportunities of a fresh approach with enhanced retail investor protection.

One cannot expect the public to have confidence in the regulatory system or the industry if enforcement intensity is low and worse if sanctions are "light touch". As the old expression goes, "*There is no speeding, where there are no cops*". We believe enhanced enforcement (and compliance monitoring) intensity will be a Win-Win for all stakeholders. Embedding investor -centric individuals on the SRO and OBSI Boards will give investors the voice they need to motivate decision makers into decisive action. Investor advisory committees can also play an important role in highlighting investor issues, exposing wrongdoing, identifying emerging trends and offering solutions. A recent article *Support lacking for investor advocates i*n Investment Executive https://www.investmentexecutive.com/newspaper_/news-newspaper/support-lacking-for-investor-advocates/ explained how limited the voice of the investor is in regulatory circles. Inventor advocacy in Canada is very limited - there is not an effective feedback loop between a well-financed investor advocacy group(s) and regulatory bodies. In a highly concentrated market like Canada where over half the assets invested in mutual funds and ETFs reside with just seven companies, it is imperative that the investor's voice is well represented for a fair and efficient market to thrive. Increased investor participation on SRO Boards, Panels and Committees will help level the playing field.

If governments and the CSA aren't going to support independent investor advocacy in Canada, then the least the CSA must do is establish and finance an Investor

Advisory Panel. **Accordingly, we urge the CSA to establish and fund an Investor Advisory Panel**.

We also recommend that individual CSA jurisdictions could lead by example and follow the lead of the AMF and OSC in establishing Investor Advisory Panels.

For both SRO's, we find corrective action is subservient to deterrence," light touch" fines are imposed and most complaints are not fully investigated to root causes. For example when an individual is sanctioned, the investigation should uncover the root causes of failure. Does the compensation system drive behaviour in the wrong direction? Was the individual properly trained? Was outdated monitoring software or weak risk profiling tools the cause? Addressing only the salespersons actions will not prevent recurrence. In essence what we are saying and keep saying, is that sanctioning and fining individuals is necessary but not sufficient to improve the overall "system". This is control systems theory 101. **Kenmar recommend formal adoption of Root Cause analysis throughout the regulatory system.** That is more likely to root out systemic issues at the branch, Firm or industry level. See U.K. FCA DISP App 3.4 Root Cause Analysis https://www.handbook.fca.org.uk/handbook/DISP/App/3/4.html

Criminal and quasi-criminal activity is not leading to justice in securities markets. Kenmar do not fully understand the legal and other ramifications in dealing with criminality, forgery, asset misappropriation and the like but we do feel Canada ought to do better. We look forward to reviewing the Comment letters from consultation respondents in this regard.

SRO's seem more concerned with finding mitigating factors to disciplinary measures and lowering fines than in identifying aggravating ones and increasing fines/sanctions. In most settlement cases, mitigating factors swamp out aggravating factors. Professor M. Lokanan suggests there should be more use of aggravating factors in settlement agreements *Comment letter to Ontario Taskforce to modernize securities regulation* https://viurrspace.ca/bitstream/handle/10613/23361/Comment_Letter_Taskforce.pdf?sequence=1&isAllowed=y This disparity contributes to a pervasive perception that the SRO is more concerned with protecting the industry than protecting the investing public. The more aggravating factors, the tougher the sanction, resulting in greater deterrence value.

Individuals are sanctioned far more often than Member Firm's when SRO's should focus on Member Firms and strive to ensure structural correction of wrongdoing and a move away from the greed culture. The hard facts of the matter are that the vast majority of root causes for rule breaches can be traced back to the Firm: these include but are not limited to poor advisor recruitment and training, advice - skewing incentives/inducements for advisors, sales quotas/ commission grids, deficient KYC /risk profiling tools, weak supervision, ineffective administrative controls, poor compliance processes all in a culture of sales production and financial incentives. In some cases, Branch managers and supervision are compensated for

branch sales putting their supervisory roles in a conflict-of interest. The result is that the person at the bottom of the pyramid takes the fall, the individual advisor.

If a self-regulation model is to continue, there must be a dramatic improvement in regulatory compliance oversight, enforcement intensity, balance and effectiveness.

The current CSA oversight of SRO's is clearly inadequate. OSC/CSA oversight needs to be expanded and Recognition Order Terms and Conditions need to be more specific on governance and incorporate performance metrics including stakeholder satisfaction measurements.

Kenmar is of the firm conviction that governance shortcomings are materially responsible for weaknesses in the SROs' compliance/enforcement programs and the degree to which senior management of the SROs is willing to act independently of its Members and in the Public interest.

APPENDIX II CONCERNS RELATED TO A SRO CONSOLIDATION

The CSA is a disjointed entity that can be political, bureaucratic and slow moving. Given the number of jurisdictions involved in securities regulation in Canada, the fact that SROs can operate on a national basis is potentially an advantage for all stakeholders.

On the other hand, any SRO that depends on its Members as its primary funding source faces a heightened susceptibility to industry capture. The disclosure of information about enforcement proceedings is under the control of the SRO and may be less extensive than that provided by the statutory regulator. Self-regulation also runs the risk of introducing delays in policy actions or rule approvals as extensive dialogue may have to take place between the SRO and the CSA. Unlike a statutory regulator, an SRO is not accountable directly to the Government. A super SRO encompassing all dealers would be a powerful monopoly and would have to be regulated as such. Accountability is a key issue for SRO's.

Here is a list of our main concerns:

Tradeoffs and concessions There is investor concern that the new SRO framework would make so many accommodations and concessions that it would make things worse for investors (e.g. questionable principles- based regulation migration to the MFDA; the migration of controversial directed commissions to IIROC Reps).

Access to advice We are concerned that a consolidation of the MFDA and IIROC could lead to an increase in minimum account size (or minimum annual fees) that would deny access to clients of modest income to personalized investment advice.

Transition to new SRO Bringing IIROC and MFDA registrants into a new single SRO requires leadership, a solid plan and particular sensitivity to HR issues. People are the heart and soul of a regulator so that it is critical the integration is effected without a breakdown in organizational morale or increase in staff stress. Our

concern is that if the transition is not done properly, regulation may suffer with adverse consequences for investors.

Disharmony among participants A single SRO has the potential to reduce regulatory complexity and further harmonize and modernize regulation across Canada. However, it is vitally important that all participants involved in a transition process are fully committed to positive results without any counterproductive turf protection and NIH. The CSA must provide the necessary leadership if a new SRO is established.

Impact on economy: A reduction in smaller dealers could have an adverse impact on entrepreneurial capital formation as dual-platform Firms gain more power and market access. Less smaller dealers could also impair small investor access to advice (such as it is).

Impact on Main Street There is a general concern about how accounts would be transferred if a new SRO were established. This is a high concern given how inefficient firms are on simple one -off account transfers between firms. There is also the question of different terms and conditions and service levels between dealers. Another concern relates to the drop in investor protection fund amounts if a person had split investments between a mutual fund dealer and an investment dealer. This will have to be thought through, resolved and well explained to retail investors.

Delay in CFR implementation Any delay in implementing CFR caused by a diversion of attention to the SRO framework project would be regarded as anti-investor. Nearly a decade of work has been put into the CFR initiative, so we would not take kindly to a further delay caused by SRO framework changes driven by industry self-interests.

Domination by the banks as concentration in the wealth management industry increases, the risks of concentrated power and influence increase as the number of Members decreases and the SRO becomes more dependent on fewer and larger members for its funding. Concrete steps would have to be taken by the CSA to prevent the domination of the SRO by large bank and insurance company owned dealers. [The new SRO Board mandate would need to be designed so that the larger Firms could not dominate Board policy and decisions.]

Complaint handling rules Unless the new SRO introduced 21st century client complaint handling rules, investors would continue to be exploited. SRO rules should require Member Firms to publicly disclose their loss calculation methodology which must be congruent with that of OBSI.

Splitting of investment portfolios will remain unresolved When ordinary Canadians buy securities and mutual funds, they often receive advice from an advisor who is licensed by two regulators – one dealing with investments and the other dealing with life insurance. When more than one regulator is involved, there is even more room for confusion. It is unfair to complainants to have to split their complaints into

two pieces when using financial ombudsman services. Kenmar recommend that OBSI be given the mandate to adjudicate investment portfolios that include segregated funds and/or other insurance-related investment products.

Directed commissions The directed commission issue is important for retail investor protection. In 2015, IIROC proposed to allow its Members to take advantage of "directed commissions" which are widely used in the mutual fund industry. (A directed commission refers to the ability of a dealing representative to request that his sponsoring dealer pay commissions earned by him or her to a personal corporation). In a 2016 comment letter to IIROC (https://www.osc.gov.on.ca/documents/en/Investors/20160404_iiroc-white-paper.pdf), the OSC IAP stated "*The Panel is critical of sales commissions being directed to personal corporations, a practice IIROC currently prohibits. The entry of MFDA registrants could undermine this prohibition. Such a corporation could break the chain of accountability and give rise to creditor proofing, making it even harder to collect fines imposed on individuals*.". Other investor advocates have expressed concern that directed commissions actually make commission-based sales more attractive (due to tax advantages) thereby incenting increased sales activity and could make it harder for complainants to succeed in compensation claims of salesperson wrongdoing. Kenmar would not view such a development as a positive step forward in bringing professionalism to the wealth management industry and a feature of a modern SRO.

Advisors acting as executors/trustees We would want to see the MFDA ban on representatives acting as trustees and executors retained in the new, modern SRO.

Loss of momentum on CRM3 The MFDA has shown industry leadership in proposing enhanced fee transparency, known as CRM3. This initiative is highly valued by investors. It would be unconscionable if this important project was sidelined as a result of a MFDA- IIROC combination into a new SRO.

No change in shelf space range at banks The issues raised in the Consultation paper relate to access to more products but do not fully address the issue of restrained product shelf space. The CSA CFR initiative seeks to address the issues respecting limited product shelves through relationship disclosure information (RDI) – a dealer will be required to clearly set out what it sells so the client understands what is available. As such, a dealer (such as bank-owned dealers operating in branch's) may have only proprietary products on the shelf, and the CSA RDI requirements are designed to ensure clients understand that, through that dealer, they are only getting access to proprietary products. The CSA apparently believes this puts the retail investor in the position of clearly understanding that non-proprietary products are not available through that dealer, and making an "informed choice" to proceed with a relationship with that dealer or pursue a relationship with another dealer offering an expanded or different product shelf. In other words, "You can have any type of mutual fund as long as it's one of ours". Having to open an account with another dealer is exactly the opposite of "one stop shopping".

Use Guidance to assist SRO enforcement The new SRO (or existing SRO's) should make it clear that Guidance is intended to provide more detail on how rules are interpreted by the regulators .Guidance is a lot more than assisting Firms in implementing their compliance program. This will greatly help Firms in evaluating their compliance program and provide greater certainty that their compliance policies and procedures will be judged by the rules and the documented interpretations of the rules. It will also help prevent problems. Such a practice will be particularly effective where rules and sanctions guidelines are principles -based. At some point, we expect frequently referenced guidance to be incorporated into the rules.

Loss of historical information IT Systems may need to be merged in order to provide continued meaningful information to the public .These include, but are not limited to, registration check, unpaid fines report and enforcement records. Lessons should be learned from the time the IDA disaggregated into IIROC and IIAC (and when RS was folded into IIROC). The CSA will need to ensure that valuable history is not lost and that required IT system changes are properly financed by the SRO.

Sanctioning guidelines Both SRO's have 100% principles-based sanction guidelines. We are concerned that this would continue under the new SRO. Principles –based sanctions coupled with principles-based regulation in a non-fiduciary advising environment is a prescription for weak enforcement.

Guaranteed funding for basic investor initiatives Depending on how enforcement actions are split as between the SRO and the CSA, there could arise a decline in fine revenue for statutory regulator Restricted/ Designated funds. These funds help support investor education, whistleblowing payouts, investor research, grants to consumer groups like FAIR and even investor compensation. Our concern is that if the SRO dominate fine collection, the cash available for these investor-friendly activities would be significantly reduced unless supplemented by other sources from operating budgets.

Advice as a profession One possible scenario of the consultation is the combination of the MFDA and IIROC into a new SRO responsible for the registration of over 100,000 salespersons. Such a structure does not provide for professional financial advice or fee-only advice. It is clearly not in the SRO Member Firm's best interests to disconnect product sales and transactions from "advice". We are concerned that the new SRO structure would not support a registration category that offered only holistic financial planning or fee-only financial advice to a fiduciary standard. The CSA must ensure that unbiased holistic financial advice is available to Canadians in fulfillment of its Public interest mandate. We recommend that the CSA create such a registration category and consider direct regulation.

Advising seniors We have been finding a disturbing lack of proficiency /competency in the advice being provided to seniors. The gaps that we see are in the rationale used to determine withdrawal rates, superficial knowledge of tax issues, and understanding of the impact of income on social benefits, estate planning etc. This may not have anything to do with the quality of CSI courses but rather the fact that

SRO's have not made such education a priority. Some positive actions are being initiated by a few Firms .Kenmar are deeply concerned that the creation of a new SRO would negatively impact the momentum of this important socially responsible initiative.

Continuation of the Trusted Contact person / Temp hold initiative Kenmar first raised the seniors / vulnerable investor issue in 2007. Why?- because we saw it in complaints, DSC mis-selling, " Free lunch seminars" , misleading marketing materials , low- ball settlements, KYC document adulteration , off- book transactions .... and of course from our colleagues in the US, Australia, the UK and NZ. This important initiative could be stalled if a new SRO is formed unless the CSA takes pro-active steps to ensure it proceeds expeditiously.

An "enhanced" mandate for the OSC It would be very worrisome if the Ontario Taskforce recommendation to enhance the OSC's mandate to include capital formation was implemented. In fact, if that happens, we would lose all confidence in regulators to oversee SRO's and protect Main Street.

Client-advisor interaction The pandemic has obviously impacted investors from a personal, health, financial and stress perspective .In addition, their advisor is operating in a work at home protocol. We fully expect that's a great number of privacy, compliance and supervision issues will emerge. Work-at-home will add to supervisory and compliance challenges. Kenmar are concerned that regulators have done little to counter these concerns or to inform the public on what it is plans to do to protect investors during these troubled times. We would expect that a new SRO would be more empathetic, communicative and pro-active in its engagement with the public.

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