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PROPOSED AMENDMENTS TO NI 33-109 AND RELATED INSTRUMENTS
Modernizing Registration Information Requirements, Clarifying Outside Activity Reporting & Updating Filing Deadlines
Proposed Amendments to NI 33-109 And Related Instruments Modernizing Registration Information Requirements, Clarifying Outside Activity Reporting & Updating Filing Deadlines (gov.on.ca)

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

Kenmar appreciates the opportunity to present our ideas to make registration better and improve investor protection in Canada. We commend the CSA for its clear annunciation of the issues, explanation of proposals and articulation of recommendations.

That being said, we are disappointed at seeing this issue reach the top of the CSA priority list while a critical long-standing investor protection issue such as a binding decision mandate for OBSI languishes at the bottom of the CSA To-Do pile for over a decade. We hope the CSA can understand our dismay and low morale at seeing critically life-altering investor protection issues continually pushed forward in time while industry "burden" issues are pounced upon for quick resolution.

The proposed amendments would remove the word "business" and establish six categories of "Outside Activities" to help clarify the concept for registrants. These six categories certainly link closely to our concerns with outside activities.

Information provided raises concern over robustness of registration system and regulation of outside business activities

While we are of the firm conviction that there are higher priority items to which CSA resources should be applied, we must admit that some of the background material provided is shocking evidence that the registration system needs attention. Some of the information rings alarm bells for those concerned with investor protection. For example:

Over the last three years, Individual Registrants submitted on average 58,896 filings annually to us pertaining to updates on Outside Activities [Assuming approximately 120,000 "advisors", **this amounts to about 50% on average of registrants having outside distractions**]

*CSA staff have **commonly** found instances where Regulated Persons* have failed to disclose, or were late in disclosing*, Outside Activities. These findings raise concerns that registered firms may not be aware of and are not able to address, or address in a timely manner, the risks and conflicts from their Individual Registrants' Outside Activities.* [**what risks were investors exposed to due to this finding**?]

*We **acknowledge** that many Regulated Persons find the obligation to report Outside Activities to be broad and that it creates a regulatory **burden.*** [**the CSA should tone down the rhetoric on regulatory "burden"**]

Regulated Persons find reporting changes in certain registration information within 10 days challenging. [this is nothing compared to the challenges faced by a retail investor dealing with a exploitive low-ball settlement offer]

Extend the reporting deadline from 10 days to 30 days for changes in the following information: An Individual Registrant's mailing address [if this is challenging, can such people be trusted to provide robust investment advice?]

Each Registration Form requires an attestation from the Regulated Person who is completing and submitting the form that the information provided to regulators is true and complete. However, we consistently receive Registration Forms which are incomplete and inaccurate. [what does this say about the diligence and professionalism of registrants?]

*For example, the following information has not always been disclosed: • **non-compliance with securities laws, SRO rules or bylaws, or standards of conduct** (e.g., the sponsoring firm's policies and the standards of conduct of an authority exercising jurisdiction over specific business activities or professions), and other detrimental information that existed at the time of resignation or termination (regardless of whether they were the reason for resignation or termination);* **[In other words, investors were exposed to convicted rule breakers**]

In addition, we do not always receive sufficiently detailed information on an individual's securities experience relevant to the registration category. [**So, investors may have been exposed to inexperienced "advisors"**]

In addition, from reviews of applications, we have identified individuals who are not yet registered and who are using titles in social media, and in some cases, on the sponsoring firm's website, that imply that they are registered, or are registered in a specific category, when they are not. [what does this say about the sponsoring Firm's compliance program and regulatory enforcement?]

*The CSA also published CSA Staff Notice 33-320 The Requirement for True and Complete Applications for Registration in July 2017 to **alert** stakeholders to the serious problem of false or misleading applications for registration, to caution them about the potential consequences of submitting such applications, and to provide guidance regarding the completion of the Registration Forms.* [The fact that such a Notice was required suggests investors are possibly dealing with fraudsters/ deceivers]

The basis for update seems to be closely related to the fact that "*Regulated Persons find reporting changes in certain registration information within 10 days challenging."* Could it be that the challenges are due lack of fluency in either of Canada's official languages, cognitive issues, carelessness, lack of attention to detail, laziness or low importance accorded to reporting changes? If the CSA wants to know the true meaning of "challenging", it should engage with a retail investor trying to navigate the CSA approved complaint handling system. Those challenges are impacting retirement savings, causing emotional distress and even impairing physical health. Fixing the complaint handling system should be a **TOP** CSA priority consultation.

This sloppy behaviour and misconduct revealed is actually consistent with what we see in Representatives' use of blank-signed forms, document adulteration, overstating investor experience, flawed risk profiling and outright signature forgery. Hopefully, CFR will weed out these rogues and the weak supervisors who oversee their activities. Right now, it's **Caveat Emptor**.

While the Proposed Revisions will primarily impact Regulated Persons, investors are anticipated to indirectly benefit from these Proposed Revisions. Specifically, improving the efficiency of the registration information requirements and reducing the burden of registration may reduce the costs that are ultimately borne by investors in the fees and commissions they pay for these services. In addition, by receiving accurate, timely, and targeted registration information, regulators are better able to assess firms' and individuals' suitability for registration, which protects investors [It's debatable whether investors would economically benefit from the clarifications and extended filing deadlines but we do agree that better articulation and definition of requirements should reduce errors (but not with-held information]. **Investors will only directly benefit if the CSA, SRO's and Firms are vigilant and enforce the rules]**

Quite frankly, the nature and number of these mis-filings raises real questions about the integrity of the existing registration system and its registrants.

IIROC registration work

Unlike the MFDA, EMDs and PMs, IIROC handles registration for its Members and registrants on behalf of the CSA. This merits comment. An example is the 2019 IIROC exemptions report https://www.iiroc.ca/Documents/2020/1c8ed9e3-6abc-4996-a0c1-bb15d6e1e400_en.pdf . Here we find that there were exemptions granted for proficiency, a core element of registration.

IIROC received 266 proficiency exemption applications nationally (including applications for extensions of the time to complete a post-licensing proficiency requirement). Of the 248 (93%) applications that proceeded to a decision, IIROC (District Councils) recommended (a) approval of 247 exemptions and (b) approval of 1 extension. In our experience, exemptions to rules are overwhelmingly in favour of industry participants. We assume that the CSA oversee IIROC registration to a high standard.

Observations and general comments

The consultation document runs to 434 pages suggesting the registration system is complex and utilizes large amounts of constrained human resources for implementation. We fully support eliminating the flaws in the current system and adding improvements. Kenmar recommend that some pretty basic system improvements like self-check software that would catch errors and omissions at the source before filing.

This sentence caught our attention *"Incomplete or inaccurate information, or even information that is not provided in a clear manner, increases the regulatory burden on Regulated Persons as they must spend additional time and resources to respond to our inquiries"*. Incomplete (or inaccurate) filings by a registrant is a regulatory "burden"? Inattention to detail by the filer is the root cause of most time wastage, not any assumed burdensome demand by securities regulators.

The CSA, SRO's and Firms will need to find ways to monitor social media better. This channel is a gold mine for those wanting to deceive Main Street. Without careful attention to the changing communications landscape and regulatory requirements, "advisors" could inadvertently or otherwise violate regulations. For example, an *advisor* inviting the public to "like" an investment representative's biography that it posted on Facebook and then receiving "likes" could violate the testimonial Rules. And an advisor failing to maintain records of tweets that it issues to provide news about the Firm or of private Facebook, WhatsApp or LinkedIn messages with clients about their investments could violate the Books and Records Rules. The CSA is no doubt aware of some of the made up titles and designations used on blogs and social media. Unless monitoring is enhanced, the benefits of registration could be undermined.

It is reassuring to know that registration information collected includes, among other things, criminal history, financial information (such as consumer proposals, bankruptcy and other insolvency events), and lawsuits but it is also troubling to know that such individuals can potentially be exposed to the life savings of Canadians. It is not clear if there if the CSA has a validation process and/or utilizes spot checks. If there is no structured validation process, we would be forced to conclude the registration system information is not as robust as desired.

The consultation paper tells us that as of October 8, 2019, 354 registered individuals' registrations had restricted client terms and conditions. Restricted client terms and conditions are imposed on registrations of professional individuals who are in a position of influence such as medical doctor, nurse , leader in a religious organization, professor, yet securities regulations and SRO rules allow registrants to provide personalized financial advice to clients even though such individuals are allowed to be influenced by powerful financial and non-financial incentives and are not considered professionals (except for charter holders like CFA's). The proposed new terms and conditions would prohibit a registered individual from advising or trading for clients in relation to who they are in a position of influence. Such clients would have to be serviced by other registered individuals who are not in a position of influence.

What are the risks associated with an MD, Rabbi or priest unduly influencing a client versus a registrant operating under an attractive commission grid? We recommend that the CSA rethink this client restriction in that it seems disparaging of these highly respected societal roles. A good practice is to measure the effort to file a piece of information against the risk of harm to clients and the conflicts generated by the outside activity or nature of the influence .If the risks are remote , the information should not be sought and no restrictions should be imposed.

Previously, if a Firm renewed an expired insurance policy they would need to inform regulators, even if no other changes had been made to the policy itself. The proposed amendments will remove this update requirement where a Firm has simply renewed the same insurance policy without change. An update filing is still required however if an insurance policy lapses. These changes make a lot of sense.

We're informed that consultations were held with a behavioural analyst on the structure and format of the Registration Forms. The CSA may want to also consult with an expert in forms design and mandate digitalization of form submissions.

The entry for gender is limited to Male or Female. In today's world, should this be expanded?

We have been informed that the registration system does not track if registrants are fulfilling their CE credit obligations per the required schedule. This is left to Firms to administer. This seems reasonable –periodic audit should be sufficient.

Some of the recommendations of the Ontario CMM Taskforce include plans to expand the role of EMD's to increased retail investor access and expand the products retail investors can buy from EMD's. For example, the Taskforce recommends that the OSC work with stock exchanges to allow EMDs to act as sponsors in RTOs. If these recommendations were approved by the government, we recommend that the CSA/ OSC consider adjusting its registration criteria for EMD's in light of the increased potential for investor harm.

In its listing of data sources utilized, we were surprised that OBSI was not identified as a source by the CSA since they have a wonderful complaints database against Firms. It's a treasure trove of information that provides invaluable insights into the nature of registration failings that could be of use to the CSA in policy development and registration criteria.

Kenmar appreciate that applicants that have issues with respect to drug addiction, alcohol abuse or mental illness are protected by privacy and other laws .However, since such conditions can lead to flawed investment recommendations causing harm to clients, we assume Firms are obligated to take steps to mitigate the associated risks.

Firms routinely use the deflection strategy of the industry to blame the registrant instead of taking responsibility for the conduct of the registrant that it recruited, hired, trained and supervises. Clients have contracts with Firms, not individual registrants. Often, Firms deny accountability for off-book transactions causing investor harm on the basis that such transactions were made without the outside activity being approved by the Firm. The CSA should take steps to counter this inappropriate industry culture. One step could be to lay down some specific ground-rules defining the standards for monitoring approved (and non-approved) outside activities.

Based on demographics and other factors, we expect harmful Off- book transactions and fraud cases to rise. Without robust monitoring by Firms and impactful regulatory enforcement, outside activities will continue to pose a clear and present danger to investors. The industry would be well advised to reduce the number of such registrants among its registrant population by raising the bar.

Firms should tighten up their job descriptions for advice givers so as to reduce recruitment of representatives that are in potential conflict with the best interests of their clients. This will help increase the industry transition to a higher level of professionalism. A move to credentialed individuals, such as CFA, with a fiduciary duty would be a positive step and would simplify the registration process.

Recommendations

Kenmar generally agree with recommendations that would streamline the registration system and adding certain new reporting elements, such as Rep title.

The proposed targeted changes are clearly not intended to fundamentally change the nature of the registration process, the requirement to register or the assessment of suitability for registration. They are basically sensible administrative adjustments to clarify filing requirements, reduce the number of immaterial/irrelevant/duplicative filings to satisfy industry needs and challenges.

Our discomfort with permitting outside activities for individuals charged with acting in the best interests of clients are (1) a degradation of client service ; (2) attempts to sell financial products or services that are not in the client's best interests ; (3) credibility of Firm's determination to monitor approved outside activities ;(4) the creation of an opportunity for fraudulent behaviour ; (5) uncertainty as to the redress available if client's are harmed as a result of approved or non-approved outside activities and (6) the potential abuse and/or misuse of a client's personal and private information. See Canadian Fund Watch: Investor ALERT: *Outside Business Activities*
http://www.canadianfundwatch.com/2014/08/investor-alert-outside-business.html

Our primary concerns with outside activities are the use of misleading titles, off-book securities transactions by individuals, representatives collecting referral fees from real estate and other companies, personal financial dealings with clients, regulatory arbitrage (dually licensed individuals) and outright fraud. We urge the CSA to tighten up rules, compliance reviews and enforcement to send Bay Street Firms the unequivocal message that the CSA means business when it comes to protecting investors exposed to outside activities. Closer collaboration with insurance regulators would be a positive development.

We cannot validate whether 30 hours per standard time module (150 hours per month) is the right number. We recommend a principles -based approach. For instance, the rule could read such that up to 30 hours per standard time module is permitted provided (a) the Firm's client service standards are maintained and (b) there is a low probability of registrant negligence due to the diversion of attention resulting from the time spent on approved outside activities.

The proposal to create a single certification standard that requires Regulated Persons to certify that the information provided is: "true and complete to the best of their knowledge, after reasonable inquiry" in each Registration Form is a lightweight attestation. We recommend changing this to a certification such as "**true and complete and understands the consequences of providing false information**". Since the information to be provided is fact based, there is no need to pussy foot about the robustness of the certification. A strong attestation will give investors' confidence that the information can be relied upon. If the signatory cannot locate a certain piece of information she/he should flag it for the Firm's and CSA attention.

The proposal requires that a registered Firm must notify the regulator if an individual ceases to have authority to act on behalf of the registered firm as a registered individual or be a permitted individual of the registered firm by submitting Form 33-109F1 to the regulator. We agree that the CSA needs to know

if an individual registrant is no longer engaged with a Firm because of termination for cause as opposed to a voluntary resignation or layoff. By replacing "termination" and "terminate" with "cessation" and "cease", the CSA will also now receive information from registrants that were treated as independent contractors, not subject to termination rules per provincial employment laws.

The proposed amendments on litigation status reporting should reduce the number of reports Firms file regarding changes in the status of a litigation matter. The proposed amendments clarify that Firms need only report statements of claim, statements of defense, counterclaims and any amendments to such filings. Firms must also report any decision in a legal action that could significantly affect the Firm, its business or the outcome of the legal action. Documentary discovery and adjournments, by contrast, are not required to be reported. We certainly hope that this reduced reporting obligation will be used to apply resources so that other filings are made more expeditiously and accurately.

We recommend that applicants be required to disclose any roles they play for client's such as POA's, executors or beneficiaries. Sadly, the CSA's CFR rules permit such roles to be played by registrants. These roles are certainly positions of influence and involve real conflicts-of-interests. This information should be on the CSA Registration Check website. Under CFR, we believe these roles would constitute material conflict-of-interest and would need to be disclosed.

We agree with adding Rep title to NRD .Collecting Rep title information is a positive step but there is no point collecting Rep title information unless title abuse is actually enforced. Allowing misleading titles negates much of the value of registration data compilation. The deception works well against trusting retail investors, to their detriment. Perhaps the FSRA title protection initiative might reduce the use of deception tactics by Firms and their representatives, at least in Ontario. We recommend that a CSA priority should be put on regulating the *financial planner* designation as Quebec has done. The OSC and FSRA should work together on a database for FA and FP credentialed individuals.

The consultation paper uses the term *professional title*. This needs to be clarified. Does it mean the **business** title or a professional designation granted by a recognized credentialing body (e.g. Chartered Financial Analyst)? We recommend that both business title assigned by Firms AND professional designations granted from CSA recognized credentialing bodies be part of NRD. This will be especially important if initiatives to protect the FA and FP designations gain momentum across Canada. The CSA should hold Firms responsible if their representatives use misleading titles or professional designations e.g. Seniors Specialist. All titles should be bestowed by Firms. The CSA should make it clear that individuals do not have the right to self-title. Enforcement action should be commenced against Firms that flaunt CSA or SRO titling rules especially those who award titles based on sales production. Court case like Markarian vs CIBC do however hold Firms accountable for allowing misleading titles to exist. We appreciate that CFR tightens the regulatory constraints on misleading titles. However, if the CSA and SRO's do not

enforce title abuse but merely collects fake titles for NRD inclusion ,there will be no benefit to Main Street.

We find the large increase in allowable filing deadlines incongruent with the reduction in reportable activities and improved clarification on what is reportable. For example, providing greater clarity to Regulated Persons leads us to conclude the changes will result in a reduction of reportable Outside Activities. Kenmar would therefore expect to see a reduction in the filing deadlines, not a monumental increase. The longer an important filing is delayed, the greater chance the retail investor is exposed to harm. We simply do not see how extended reporting deadlines improves investor protection or is justified on any rational basis. Quite frankly, in the 21st century world of the cloud and mobility, we would describe the filing deadlines as less than unambitious and tilted towards low industry standards.

Kenmar agree with the proposal to cut reporting of uncompensated activities, such as volunteer or community work, that do not involve securities or financial services or are not a position of influence as well as employment or business activities, such as involvement with non-active entities (e.g., personal holding companies) or acting as a landlord. This should materially cut back on the volume of data filed, collected and stored / updated and reduce filing deadlines.

Without empirical research, we cannot comment as to whether the term "susceptibility" is the appropriate term to describe the impact of the influence on the individual subject to the influence. Based on our experience, most retail investors have a high degree of trust in their "advisors" and are not aware of the rules or regulations regarding acceptable behaviour or conduct. Basically, they are easily influenced by their "advisor".

One of the most significant conflicts-of-interests are those that exist with individuals registered as both insurance agents and mutual fund salespersons. The different commission rates and standards of conduct create opportunities for such individuals to skew recommendations towards products that pay higher sales commissions. Insurance agents also work in an environment that has less demanding regulatory obligations which could influence them to sell a segregated fund instead of a mutual fund. The new CFR rules will only widen the already large gap between insurance industry rules and those of the securities industry. We urge the CSA jurisdictions (and SRO's) to publicly disclose their action plan to counter this regulatory arbitrage if the expected investor protection benefits of an improved registration system are to accrue.

Bank employees who are registered to sell mutual funds hold powerful positions of influence. They can not only sell the bank's proprietary mutual funds (which may not be in the client's best interests.), they can also sell competing investment products like PPN's and Index-linked GIC's. They can also sell mortgages. Such employees can also arrange bank loans, or HELOC's for investment purposes. Although tied selling is against the law, it can easily be circumvented so as to link the availability and favourable T&C's of loans to the amount of mutual funds held by clients. A CBC Go Public review of bank sales practices revealed horrific examples of

mis-selling, up-selling and even signature falsification. We assume that these other functions are regarded as reportable outside activities and material conflicts-of-interest requiring disclosure to investors.

In conjunction with these amended rules, the CSA should establish more specific rules(not just expectations) requiring a Firm to have policies and procedures in place to: (a) define the system and criteria the Firm will use to approve outside activities; (2) describe how the Firm will monitor approved outside activities; (3) how the Firm will monitor outside activity in general and (4) how client's will be informed of any approved outside activities associated with their dealer representative. How will the term "reasonable" be interpreted by Firms?

The CSA might consider hosting an online webinar explaining the importance of robust registration information, how to properly fill in the form(s) and the consequences of inaccurate, incomplete, false and late filings.

The CSA should require Firms to demonstrate that their supervisory practices, monitoring processes and oversight systems are able to provide assurance with high confidence that CSA and Firm outside activities rules will be complied with and that any deviations detected will be dealt with expeditiously and meaningfully. We urge the CSA to expedite updating of 31-103CP to provide more definitive guidance relating to a Firm's obligations to supervise and monitor individual Registrants' outside Activities.

The CSA should make it crystal clear that it holds Firms accountable and liable for cases where approved outside business or other activity has harmed investors. An increase in the level of sanctions in cases of unauthorized outside activities cases to the point where they are impactful on the Firm and provide strong general deterrence would be a positive step. CSA or SRO Settlement Agreements involving non-approved outside activities should always require the Firm to have an obligation to improve the detection system of unauthorized Outside activities by their representatives.

The CSA should require Firms to effectively disclose to clients engaged with a representative for which the Firm has approved outside Business, that such approval has been granted. Accordingly, CSA CFR rules should explicitly require disclosure to clients of all and any approved outside activities in clear, unambiguous terms if this is not already required.

We recommend that the CSA team evaluating the SRO framework should be asked to comment on these proposed changes given that there is possibility that all registration activities could be assigned to a new SRO. OBSI may also be able to make a constructive input based on their database of "system" failures.

As noted by the CSA, investor harm may arise if individuals and entities are inappropriately registered, yet still carry on securities business. Specifically they can be harmed if their Rep has other business activities that competes with their securities related business. Most retail investors do not understand that some

"advisors' are actually entrepreneur's with multiple ways to earn a living. Conduct standards vary depending which hat the individual is wearing. There is, in fact, a lot of retail investor confusion. We recommend that the CSA launch a well-financed, standing multilingual investor education program on how to engage with non-fiduciary representatives that have or could have outside business or other activities.

Increasing regulatory filing effectiveness

CSA Registration Check should be amended to include an information element informing investors using the system, that a representative has been approved for conducting outside activities. This disclosure will add to investor protection by putting the investor on alert. An integrated insurance-securities database is highly recommended at least at the provincial level.

We appreciate that the companion policy to NI 31-103 provides guidance on CSA expectations in relation to outside activities. However, they are at a high level. If the CSA wish to enhance the guides with some specificity, consider our paper *Checklist: Diligent Supervision of Off Book and Outside Business Activities* http://www.canadianfundwatch.com/2014/12/checklist-diligent-supervision-of-off.html

It should not be forgotten that individual registrants must still be supervised by the Firm, are subject to Firm compliance oversight and remain exposed to CSA/SRO review. These are investor protection safeguards beyond the point of registration. The higher standards of conduct and disclosure required by CFR should weed out registrants who do not put their clients first when making suitability determinations. In principle, if all registrants were fiduciaries, the need for a number of existing filing requirements would be reduced/ eliminated because clients would have easier access to redress in the event they were harmed by a registrant's actions.

We recommend that the CSA and IIROC publish a plain language manual on how registration works. See for example U.K/ FCA. *Our Approach to authorization* https://www.fca.org.uk/publication/corporate/our-approach-authorisation.pdf

Impact of CFR /OBSI on filings

Unfortunately, we do not have the resources to fully evaluate what impact the client focussed performs might have on registration filings. Since CFR requires enhanced skills/proficiency, relationship disclosure , deeper KYC and KYP knowledge , added constraints on conflicts of interest and higher conduct standards, it would appear that these higher obligations could impact the nature , amount and type of information to be provided by registrants as well as modifying the degree of acceptability of certain filings. We expect the CSA has examined the implications of CFR on filing obligations by individuals and Firms. Under CFR, Firms and their representatives must act in the clients' best interests, both when tackling conflicts-of- interest and when assessing the suitability of investment recommendations.

In addition to the protections related to the registration process, OBSI is another line of defence, albeit limited, against registrant misbehaviour. We say "limited " because the CSA has steadfastly refused to provide OBSI with a binding decision mandate. OBSI analyses for investor compensation are merely recommendations, which has led to the practice of low-ball settlements by registered Firms to the detriment of clients. Such abusive settlements degrade the real and perceived value of CSA registration.

CSA Priority setting and investor focus

The CSA sould establish a funded Investor Advisory Committee to help it establish regulatory priorities deemed appropriate by Main Street. We have no doubt that if such a committee existed, other initiatives would have ranked at least as high or higher than this one .Until such a Committee is in place, investors have every right to question the CSA's sincerity in wanting to engage with Main Street.

We recommend that the CSA immediately prioritize resources towards enabling a binding decision mandate for OBSI as it faces an existential threat from the Ontario Capital Markets Task force recommendations. Another consultation that should be prioritized is on Firm complaint handling. Individuals are being exploited under the prevailing rules and by a lack of CSA guidance. We explained this in detail at our January 28 video conference with the CSA leadership.

Bottom line

The proposed amendments should benefit registered Firms, individuals and regulators and ultimately investors .However, one immediate consequence of these proposals, due to extended filing deadlines, is that registration information will be out of date for longer periods of time than exist now.

Given its soft language, the attestation language is not comforting .

We believe digitalization, secure online filing and registrant education are critical success factors of this project to increase filing effectiveness, timeliness and accuracy.

The goal of adding Rep title is presumably to make it easier for applicable securities regulatory authorities to evaluate what skills and credentials are necessary for individual registrants in connection with the title they hold with their firm. While we fully support adding business title to the NRD database, we question its value because securities regulators have done nothing, even when informed by the OSC Mystery shop, clear evidence and ourselves, that deceptive titles were in common use. Kenmar are not aware of a single CSA enforcement case involving misleading titles. Enforcement must be coupled with registration.

As a general rule, we believe the CSA should not allow Firms to approve outside activities that (a) are difficult , costly or burdensome for the Firm to supervise ; (b) create material conflicts-of-interest that expose clients to the risk of financial harm

and/or (c) insulates the Firm from accountability. If the CSA does permit outside activities approvals, perhaps the Firms should be required to carry suitable liability insurance coverage.

Some of our recommendations are designed so that investors can use the system information to better protect themselves. The proposed changes will have more value if there are robust methods of informing clients of approved outside activities that give rise to conflicts-of-interests. Adding approved outside activities to CSA registration check would be a strong positive.

While cleaning up administrative issues is productive and useful, the strategic issue isn't reducing regulatory "burden"; it is imposing sanctions on those Firms /Reps who's outside activities and other disclosure failures cause investor losses and illiquidity .The highest important investor protection issues associated with outside activities have yet to be satisfactorily dealt with by the CSA and industry.

We hope this Comment letter is useful to the CSA.

Do not hesitate to contact us if there any questions regarding our submission.

Permission is granted for public posting of this letter.

Sincerely,

Ken Kivenko, President
Kenmar Associates