

October 4, 2021

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission
New Brunswick Superintendent of Securities
Department of Justice and Public Safety, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon
Superintendent of Securities, Nunavut

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Re: CSA Position Paper 25-404 - *New Self-Regulatory Organization Framework*

CI Assante Wealth Management (“Assante”) appreciates the opportunity to provide additional comments to its previously submitted Comment Letter to the Canadian Securities Administrators (“CSA”) Consultation Paper 25-402: *Consultation on the Self-Regulatory Organization Framework* (“the Paper”) that was published for comment on June 25, 2020 and now the CSA Position Paper 25-404: *New Self-Regulatory Organization Framework* (“the Position Paper”) on August 3, 2021.

About Assante

Assante is one of Canada's largest independent wealth management firms with over 900 professional advisors overseeing over \$50 billion of assets under administration. Assante's subsidiaries include Assante Capital Management Ltd. ("ACM"), an Investment Industry Regulatory Organization of Canada ("IIROC") member firm and Assante Financial Management Ltd. ("AFM"), a Mutual Fund Dealers Association of Canada ("MFDA") member firm. AFM advisors are currently licensed to sell mutual funds, guaranteed investment certificates and government bonds, whereas ACM advisors are licensed to sell equity securities, bonds, mutual funds, GICs and other securities that are subject to available regulatory exemptions.

Assante's Comments on the Paper

Assante wants to reiterate its support for the initiatives that will result in efficient and effective regulation and we thus applaud the CSA in continuing with its consultative process and to seek additional comments to the Position Paper for the implementation of a single self-regulatory organization ("SRO"). We believe that the CSA's targeted outcome of having a regulatory framework that minimizes redundancies that do not provide corresponding regulatory value is needed and appropriate, and we believe that this outcome is best achieved through the creation of a single SRO. As noted in our previous submission to the Paper, which have also been reiterated in the Position Paper, we highlighted the need to:

1. Remove duplicative operating costs, which will greatly benefit dual platform dealer like Assante. Each current SRO has different but substantially similar rules, dual platform firms such as Assante are required to support concurrent operating systems and maintain different policies and procedures related to each SRO. The creation of a single SRO oversight structure would eliminate the duplicative mandates and would drastically reduce the amount of time that firm staff from various departments spend on adhering and responding to IIROC and MFDA regulatory matters.
2. Address structural inflexibility where evolving business models, professional career advancement and succession planning being restricted by the current SRO framework and its structural inflexibility as it impedes advisors from adapting to changes to investor investment needs, goals and objectives. This current structural inflexibility thus impairs the advisor's overall desire to continue to service their clients in an uninterrupted fashion and is not in the best interests of the client or to the client experience.
3. Address investor confusion as investors are generally confused by the current SRO structure and the differences between the two, primarily as it relates to their oversight obligations and the roles that each play with respect to client complaint resolution processes and regulatory enforcement powers. Adding to this confusion, many dual platform dealers, like Assante, have affiliated IIROC and MFDA advisory practices operating from the same business location. Although there are disclosures provided to the client to mitigate potential client confusion, clients may not fully appreciate the difference in products and services offered by each dealer member and may not be able to reconcile the asymmetrical access to products and services

under the one roof. Clients may also struggle to understand the specific investor protections that are afforded by the SRO in relation to their client account, as compared/opposed to a client account held at the affiliated dealer governed by the other SRO. A single SRO solution would help eliminate much client confusion. In addition, even under a single SRO solution, a concerted education initiative should be undertaken to clarify, in simple terms, what protections are provided by the SRO, including dealer insolvency and the protections that are afforded to clients.

Assante’s Comments on the Position Paper

As noted above, Assante is encouraged that the CSA is continuing with its desire to create a single SRO. To that end, we also wish to provide additional comments to the Position Paper, notably the need to continue with progress that has been achieved to date, the importance of addressing the issue of harmonizing directed commissions, the need to enhance governance and the need to continue to have regional representation in any new governance structure.

Continuation of Momentum

Assante commends the CSA, as well as IIROC and the MFDA, for their collective efforts to date on their work, both independently and collectively with the CSA, on creating a single SRO. One area that could begin immediately is to undertake a review of existing and overlapping regulatory rules. As noted in section (f) *Fostering Harmonization / Efficiencies*, a policy review of the existing IIROC and MFDA rule books / guidance can be undertaken to “increase harmonization of similar rules, as well as their interpretation and application.” Given exiting harmonization of rules under National Instrument 31-103, *Registration Requirements, Exemptions and Ongoing Registrant Obligations*, including those related to the Client Focused Reforms, much of the work has already begun. In addition, it would be beneficial to set target dates to measure success and should be part of each current SROs strategic plans and initiatives. It would be a shame to investor interests and the capital markets if unnecessary roadblocks impede commendable progress to date.

Harmonizing Directed Commissions

The current structure imposes inequality with respect to the manner in which advisors are able to receive commissions derived from securities related activity. Currently, where permitted, the MFDA allows commissions earned by an advisor to be redirected to an unregistered corporation (except Alberta); IIROC does not currently allow commission redirection. We also agree, as noted in the Position Paper, that directed commission arrangements is a complex matter with many considerations and we welcome that a new Directed Commissions Working Group (“DCWG”) will be created to look at all options, including advisor incorporation which would be the more preferential outcome given that other professionals, such as physicians, lawyers and accountants use this model.

If, as noted in the Position Paper, that the implementation of a directed / incorporated commission solution would require a considerable amount of time to implement, even though legislative amendments have been made to the securities legislation of Alberta and Saskatchewan (but have

not yet been proclaimed), the DCWG should be struck sooner rather than later and begin the analysis how to best implement a solution.

Governance and Regional Representation

We agree with the CSA and the comments made in the Position Paper related to improving governance. We agree that the composition of the new SRO's board of directors should include more independent directors. We also agree in establishing an investor advisory panel to provide input on regulatory and / or public interest matters. We also see the need to continue with regional representation, such as IIROC District Councils and MFDA Regional Councils, as these have been incredibly important in speaking to the regional differences across Canada.

Conclusion

As a dual platform dealer, Assante appreciates the benefits of a single SRO structure. It is important however that the momentum to date continues as failure to implement a new SRO structure will have direct consequences to investors and the investment community. If we agree that the one, if not the primary goal of the new SRO is to ensure a client's interests are paramount, including eliminating duplicative operating costs and regulatory inefficiencies, such that dealers can accelerate innovation and improve delivery of services to clients, and enhance client experiences through the reduction of structural inflexibility and client confusion while also addressing important issues such as harmonizing directed commissions and enhancing regulatory governance, every effort must be made to continue with progress made to date.

Assante appreciates the opportunity to provide our input on this initiative, and as always, we are available to discuss these comments if there are questions.

Yours sincerely,

CI ASSANTE WEALTH MANAGEMENT

Sean Etherington

Sean Etherington
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