

VIA EMAIL ONLY

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
Superintendent of Securities, Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon
Superintendent of Securities, Nunavut

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Re: CSA Staff Notice of Consultation 11-343 Proposal to Establish a CSA Investor Advisory Panel

The Federation of Mutual Fund Dealers ("Federation") has been, since 1996, Canada's only dedicated voice of mutual fund dealers. We currently represent dealer firms with over \$124 billion of assets under administration and nearly 30 thousand licensed advisors that provide financial services to over 3.8 million Canadians and their families. As such we represent the majority of non-bank licensed advisors, and maintain a keen interest in all matters that impact the dealer community, its advisors, and their clients.

The Federation is pleased to provide comments on the captioned Proposal. We are generally in favour of the objectives put forward in the proposal;

- (i) improve regulation and policy development by CSA members and
- (ii) improve investor involvement in the financial services market regulation.

"A CSA IAP will play a crucial role in assuring regulators that CSA policy development efficiently addresses retail investors' needs by providing current knowledge, analysis and critical thinking."

The proposal also states that the panel allows for a more structured approach, facilitating ongoing dialogue that will significantly improve this process. Moreover, the CSA expects retail investor participation and feedback to increase as a result of the proposed Panel's outreach efforts. The CSA aims to have a more meaningful insight into retail investor concerns about rules and policies through the Panel's representation of a greater sample of the retail investor population.

The CSA's initiative further aims to provide an avenue for retail investors to be involved directly in improving financial services market regulation, providing knowledge, analysis and critical thinking, with a more structured approach, and facilitate investor outreach initiatives.

Our ongoing and primary concern remains the burgeoning cost of regulatory oversight. The continuing growth of duplicative efforts are borne by industry, and necessarily passed on to the only fee payer, the Canadian investor.

We inquire whether this new panel can be efficiently leveraged for providing this perspective across all CSA members? There should only be one level of IAP and if this panel is to service the full CSA, all provincial IAPs should disband in favour of this integrated approach.

The aim noted is to improve investor involvement in market regulation. While we acknowledge the importance of this goal, we believe we will see the same roster of participants that exist in IAPs currently. Should this panel be formed, we hope to see a fresh, growing, and broad pool of experienced investors with regulatory exposure involved in the panel (eg. senior advocacy associations, pension plans, family offices, individual investors), rather than this being an additional forum for the traditional advocate voices that are omnipresent in regulatory input, and who will likely overlap with the concurrently proposed new SRO Investor Panel.¹

We feel the CSA should expand upon both the Membership and Conflict of Interest sections in the Terms of Reference. Conflict considerations should integrate with the membership selection criteria in advance of participation, in addition to the ongoing requirements included in section 11. There is an inherent risk of conflict between investor panel participants and their direct involvement in market regulation. Beyond 'diversity and geographic location', the nature, character, and history of candidates are significant. Prior to appointment are candidates required to disclose items such as; undue influence, conflicts, affiliations with regulated, non-regulated, or international firms? Has a cooling-off period been contemplated? These should frame the nature of policy proposals put before each member, and help confirm all members always remain at arms-length.

As market conduct regulators with a mandate for consumer protection, is including the noted goal of 'outreach' ideal? We suggest the securities regulators communicate and source needed input for the panel from the public directly, and the panel be provided with access to those resources, constrained to providing regulatory input. We have apprehension regarding the costs of launching and subsequent growth of another 'public outreach' initiative.

¹ CSA Position Paper 25-404 - New Self-Regulatory Organization Framework pp.12 <https://www.securities-administrators.ca/wp-content/uploads/2021/10/CSA-Position-Paper-on-SRO-Framework-Final-with-Appendices.pdf>

We believe that industry experts add value to the regulatory development process, and should be provided with equivalent early stage opportunities to provide input into the development of policy proposals, and a spokesperson invited as needed to the CSA Chairs' meeting. The recently completed CSA effort to involve industry in the CFR Implementation Committee is a worthy example of a successful input mechanism, and could be used again, for example, with the SRO Integrated Working Committees.

Lastly, we will note that this additional cycle of internal feedback being added into the regulatory process comes at a time when the idea of reducing the length of comment periods has been floated by other bodies. For the record, we do not support the idea of lengthening the period of pre-consultation at the expense of the formal and necessary public consultations with the broader industry and its experts.

The Federation appreciates this opportunity to provide input on this proposal.

Respectfully,

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