

June 27, 2022

Via Email

Canadian Securities Administrators

comments@osc.gov.on.ca; consultation-en-cours@lautorite.qc.ca

Re: Request for Comment 25-304 - Application for Recognition of New Self-Regulatory Organization & CSA Staff Notice and Request for Comment 25-305 - Application for Approval of the New Investor Protection Fund

BMO Financial Group is pleased to comment on the above-noted requests for comment on behalf of BMO Nesbitt Burns Inc. and BMO InvestorLine Inc., our IIROC members, and BMO Investments Inc., our MFDA member. Through these affiliates, we provide a range of products and services in support of our clients' diverse needs, goals, and expectations.

We support the CSA's objectives of establishing a new self-regulatory organization (the "New SRO") and consolidating the two current investor protection funds into a single, independently operated investor protection fund. However, we believe some aspects of the proposals fall short of the CSA's guiding principles for these initiatives and should be improved.

We refer you to the industry association letters from IFIC and IIAC that discuss the following shortcomings and suggest changes to the proposals:

- The proposal would require MFDA Approved Persons to upgrade their proficiency if their firm merges with an IIROC member even if they would continue to be restricted to mutual funds. If their firm does not merge, they would not be required to upgrade. This upgrade requirement creates a significant challenge to affiliate firms' efficient structuring without any investor protection justification, in that there would be no change to how Approved Persons interact with their clients. We submit that this upgrade requirement should be eliminated.
- The proposal requires an MFDA firm to adopt the IIROC interim rules if the MFDA firm introduces a significant portion of its business to an IIROC member. The proposal does not explain why firms should be constrained in realizing back-office efficiencies. Absent a clearly articulated benefit to investor protection, we think that this potential constraint should be removed.
- The proposal requires MFDA and IIROC dealers to undertake an extensive application and exemptive relief process to combine platforms even if there is no significant change in activity. Also, there is uncertainty about which set of interim rules would apply to the combined platform. Where there is no significant change in activity in dealing with clients, there is no reason for the burden of obtaining relief and this should be removed. In addition, the proposal should clarify which rules apply.

As we commented to the OSC's Capital Markets Modernization Taskforce in September 2020, we support initiatives that avoid regulatory duplication, achieve regulatory efficiency, support investor choice, protection and access to advice, lower operational complexities and costs, and harmonize requirements across regulatory platforms in a targeted manner that is appropriate to the nature of the activity being regulated.

The CSA's guiding principles for the New SRO, as set out in CSA Position Paper 25-404 - New Self-Regulatory Organization Framework, reflect a similar focus. We note the following principles from that position paper:

2. promote the development, interpretation and application of consistent regulatory requirements;
6. increase regulatory efficiencies, accommodate innovation, and deliver effective and efficient regulation by minimizing redundancies and complexities, and ensuring flexibility and responsiveness to the future needs of the evolving capital markets; and
9. provide risk-based regulation that is proportionate to different types and sizes of registrants and business models, as well as facilitating holistic and "one-stop-shop" business models for the benefit of investors[.]

We appreciate the opportunity to provide these comments and welcome the opportunity to discuss them with you in further detail. If you have any questions or require further information, please do not hesitate any of the undersigned.

Yours sincerely,

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