



December 18, 2024

VIA EMAIL

The Secretary
Ontario Securities Commission
20 Queen Street West 22nd Floor
Toronto, Ontario M5H 3S8
E-mail: comments@osc.gov.on.ca

Re: OSC Notice 11-799 – Statement of Priorities – Request for Comments Regarding Statement of Priorities for Fiscal Year 2025-2026 (the “Consultation”)

The Canadian Advocacy Council of CFA Societies Canada (the “CAC”)¹ appreciates the Ontario Securities Commission’s (“OSC”) ongoing commitment to stakeholder engagement in the development of its annual Statement of Priorities (“SoP”). The following is our feedback on the proposed SoP.

Goal 2 Enhance the Experience of Individual Investors

Priority #2 – understanding individual investor challenges and opportunities

We are strongly in support of this priority, and encourage the OSC to conduct comparative research on jurisdictions that have taken innovative approaches to asking difficult questions in research and addressing challenges like value-for-money in the provision of investment services and access to advice through innovative delivery models. We remain concerned by the persistently high costs relating to key elements of individual investor experience such as market data, trading, and advice, and believe that the Canadian market has not seen the emergence of innovative (and often lower-cost) competitive solutions that investors in other comparable jurisdictions have benefited from, in part due to structural anti-competitive barriers and industry structure.

Priority #3 – evaluate effectiveness of educational and outreach programs

In alignment with the OSC’s stated priority to strengthen its mechanisms to evaluate the effectiveness of its educational and outreach programs, we would encourage the OSC to take a more proactive role in coordinating and collaborating with like-minded efforts across governments, their agencies, and other market stakeholders, recognizing Canada as a contiguous investor market, with a variety of disparate and duplicative

¹ The CAC is an advocacy council for CFA Societies Canada, representing the 12 CFA Institute Member Societies across Canada and over 21,000 Canadian CFA charterholders. The council includes investment professionals across Canada who review regulatory, legislative, and standard setting developments affecting investors, investment professionals, and the capital markets in Canada. Visit www.cfacanada.org to access the advocacy work of the CAC.

As the global association of investment professionals, CFA Institute sets the standard for professional excellence and credentials. The organization is a champion of ethical behaviour in investment markets and serves as the leading source of learning and research for the investment industry. CFA Institute believes in fostering an environment where investors’ interests come first, markets function at their best, and economies grow. With more than 200,000 charterholders worldwide across 160 markets, CFA Institute has ten offices and 160 local societies. Find us at www.cfainstitute.org or follow us on LinkedIn and X at @CFAInstitute.



efforts currently pursuing increasing investor education and financial literacy. We believe an inordinate focus on jurisdictional differences has prevented the examination of structural and scalable solutions to reach a broader audience of Canadians and to look at making change, rather than just producing more competitive content. We would encourage the engagement of academics that have studied this phenomenon and proposed systemic strategies and coordinated solutions.

In our view, Canadian investors should be better equipped and have access to more information about the basics of the investment management industry in Canada, and their options for seeking advice, and the features and limitations of the different business models present in the marketplace. This would not only help drive competition in the marketplace but also help alleviate certain regulatory concerns, including some of the negative consequences associated with limited product shelves and in certain business models. We have seen that there is a real dearth of information available on these topics, and a firm's relationship disclosure information, although a useful step, does not serve the purpose of educating investors on the choices inherent in the business model of the firm, the industry generally and what they should be looking for with respect to their needs and goals in investment products and advice.

Priority #5 – conflicts of interest, including those related to firm product shelves

As we have noted previously, with respect to conflicts of interest associated with firms' offerings and their product shelves in the context of firms in the deposit-taking channel and with proprietary products, we remain concerned with the lack of achievement of the targeted and intended outcomes of the Client-Focused Reforms project, and the seeming lack of market understanding as to what constitutes minimum acceptable standards of KYP and assessment of reasonable alternatives in the client best interest. This works against clients' aggregate interest and is inherently smothering to competitive dynamics in the investment product and advice marketplace. We laud the recently announced joint review by the OSC and CIRO of sales practices in bank branches, but believe the underlying issues that remain unresolved are deserving of a broader regulatory response.

We would encourage the OSC to conduct research and provide further guidance in this area, specifically on how different types/segments of registered firms with predominately proprietary product shelves can adequately address inherent conflicts and promote their own products in a competitively fair manner in pursuit of client best interest.

Goal 3 Dynamically Right-Size Regulation Informed by Changing Needs, Risks, and Practices in Ontario and Globally

We would encourage the OSC to include in its SoP under this goal the following priorities.

As noted in our commentary provided on the OSC's SoP for Fiscal Year 2024-2025, we would encourage the OSC to include consideration of whether the proficiency requirements relating to experience for registration as an advising representative are being too narrowly interpreted. Market participants feel that in recent years, OSC staff have been applying a relatively narrow and potentially outdated interpretation of what is



sufficient relevant investment management experience (“RIME”), and as a result, firms that operate more unique business models have struggled to easily promote advisers internally.

This is a critical issue that is impacting business continuity and succession planning, creating industry frustration and has resulted in unnecessary cost to market participants. We are generally of the view that in circumstances where only a narrow set of experiences may qualify as sufficient RIME, the OSC should apply greater deference and weight to the educational component of the proficiency requirement, and that adequate RIME should reflect the contemporary varied nature of modern registrant business models. Given that reforms may be required in this area, we would again encourage the OSC to crystallize the concerns of market participants by formally addressing it through introducing a concrete and transparent plan formalized through the SoP.

Relating to this point, we are concerned with the lack of mention of a broader policy project relating to educational proficiency coincident with CIRO’s quickly-advancing Proficiency Project, which will bring new licensing examinations to market for their member firms’ individual registrants for January 1, 2026. This will leave legacy CIRO-recognized courses effectively orphaned, and yet remaining recognized in NI 31-103, without the benefit of any effective mechanism of control over course content, currency, delivery, or pass rates. **We strongly believe the OSC and CSA should expedite a policy project to ensure that the educational proficiency requirements in NI 31-103 are kept in-step with the course provider market changes that will be induced by CIRO’s Proficiency Project.**

We would also encourage the OSC, along with its regulatory partners, to formalize and right-size a *codified* approach to ESG-related regulations and expected disclosure practices for investment funds. Although we have thus far appreciated the systematic approach the CSA has implemented in providing guidance through the revised CSA Staff Notice 81-334 (Revised) *ESG-Related Investment Fund Disclosure*, we are concerned that enveloping disclosure rules under the term “guidance”, and enforcing the rules under nonspecific existing rules, creates obscurity, which may lend itself to poor compliance and therefore negative investor outcomes. A clear set of codified rules in this space will promote certainty, fairness for new entrants and cost efficiency.

As noted above, we are also hopeful that the OSC will issue additional guidance on satisfactory approaches to comply with the KYP obligation and the requirement to demonstrate that a reasonable range of alternative products were considered as part of the suitability analysis. Even if such guidance is narrowly presented on a business model basis, it would be helpful for registrants to understand what the OSC considers to be a strong example of compliance with these obligations and conversely, what is an example of poor compliance.

Concluding Remarks

We thank you for the opportunity to provide these comments and would be happy to address any questions you may have. Please feel free to contact us at cac@cfacanada.org on this or any other issue in the future.



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